



CITY OF PROVIDENCE

Angel Taveras, Mayor

Fiscal Crisis Speech March 3, 2011

I want to thank everyone for joining me this morning. I especially want to thank the council leadership, Council President Michael Solomon and Majority Leader Seth Yurdin (and all other council members) for being here today and for their pledge to unite and work together to solve the City's financial problems.

I also want to give a special thanks to the volunteer members of the Municipal Finances Review Panel - Ernie Almonte, Dennis Hoyle, Alex Prignano and Ken Richardson. You have given us your time, intellect and reputation all for true public service as you have received no benefit for your work. On behalf of the residents of the City of Providence and the State of Rhode Island, I say thank you for your service. Your capital city and State are extremely grateful.

Thank you to City Treasurer James Lombardi and Internal Auditor Matt Clarkin for their contributions to the Municipal Finances Review Panel's work.

60 days ago, I stood outside on the steps of City Hall and took the oath office to become Providence's 37th Mayor. At the time I told you that we were in the midst of a financial storm. I warned: "To weather this storm we must recognize that our fiscal situation is unsustainable. We must, once and for all, eliminate the structural deficit that year after year burdens our budget. Like any family or business in

America, we simply cannot spend what we do not have and politicians cannot promise what taxpayers cannot afford for us to deliver."

Eight days after taking the oath of office, I signed an Executive Order appointing a Municipal Finances Review Panel. The goal of the Panel was to expeditiously review the current financial condition of all City departments, including the School Department, and report its findings to me. The Panel has completed its work and has revealed that we have an unprecedented fiscal crisis with a structural deficit that is a staggering 9 figures - over \$100 million!

We have a fiscal emergency in the City of Providence that demands immediate action to save our city from financial disaster.

Before discussing the actions that I will take to save our city, I am going to ask Panel Member and former Auditor General Ernie Almonte to address you and summarize the Panel's findings.

ALMONTE REMARKS

The Panel's Report makes clear that we cannot wait any longer to take action. As I foreshadowed in my inaugural address two months ago, ALL options are on the table and we must do whatever is necessary to save Providence from financial ruin. Time is critical and today, we are ready to act.

Solving this fiscal crisis will require shared sacrifice from all of us. The sacrifice starts with me.

Effective immediately, I am taking a 10% pay cut. Furthermore, I will submit a budget that cuts the mayor's office payroll by 10%.

Unfortunately, pay cuts are not enough. Earlier today, 13 nonunion positions in several departments were eliminated. This action will take effect immediately. These cuts total \$1.7 million in savings to the City. The decision to discharge valuable employees was not taken lightly, yet it had to be done.

Eliminated positions include several school administration positions. I want to make clear that this budget will not be balanced on the backs of teachers alone.

However, we must significantly reduce the Providence public school budget. These cuts will include closing several schools and a number of teacher dismissals. Earlier this week I released a timeline that we will follow to try to complete the school closure process promptly and with public input. We want to do all we can to bring the difficult situation to an end.

I have asked every department director to submit a budget for next year that reflects at least a 10-15% reduction. These cuts will be deep and very painful, but we have no choice.

I have ordered an immediate freeze on all non-essential spending and hiring across city departments. Numerous unfilled positions will remain vacant, and I plan on eliminating them in my first budget, which I will submit later this spring. Moving forward, all hiring decisions must be approved by Director of Administration Michael D'Amico and Chief of Staff JR Pagliarini.

I have ordered an immediate review of all contracts that the City currently has with third party vendors. This month I canceled the City's contract with a benefits administration company. This contract cost the City \$1.4 million last year. By bringing this service in house we have created an annual savings of \$900,000.

My administration has spoken with leaders of our city unions: teachers, police, fire and laborers, and made it clear that we will all have to share in the sacrifice necessary to rebuild the City's financial foundation. We will sit at the tables with the unions to explain our fiscal emergency and negotiate immediate cost savings. We must work together.

I will seek additional assistance from our tax-exempt universities and hospitals. These organizations are invaluable resources to our community, but they too must share in the sacrifice we all must make to put Providence back on firm financial footing.

I will accelerate the consolidation of city departments and services wherever possible. This process is underway and the budget we submit this spring will reflect our efforts to cut costs while streamlining city services and making it easier for citizens to access government.

I will work with neighboring cities and towns to make regionalization of services a reality. We may not realize these savings until next year, but we will do the hard work now to identify realistic strategies for cost savings through regionalization.

We will reform our pension system in order to guarantee its sustainability while making it more affordable to our taxpayers. This will not be easy and as I stand before you today, I do not have a quick fix. But this report lays bare a reality that cannot be denied: our current system is not sustainable.

We will lobby for passage of our legislative package at the General Assembly in order to lighten the burden on city taxpayers.

We will pursue and enact many of the recommendations set forth by the Municipal Finances Review Panel in order to cut expenses and increase revenues.

Today is the beginning of a difficult journey which will involve shared sacrifice and difficult decisions. As we head into the budgeting process I am committed to putting in place a process that enables all citizens to contribute their ideas and energy.

We will hold neighborhood meetings to keep people informed of the budgeting process. We will make sure that we have an easy to use, accessible website where residents can find accurate and timely information, as well as share feedback. We will announce a schedule of meetings within the next two to three weeks.

We must work together to build a foundation for a new Providence - one that is based on transparency and fiscal responsibility. A new foundation that will ensure the future prosperity of our great city. The work is just beginning, but I know that together, we will build a better city.

I want to end with words that I shared with you exactly 2 months ago during my inauguration, "When our city faces challenges, we don't bow, we rise. Getting through this storm and solving the problems we confront will not be easy. But have no doubt, this storm shall pass, we will succeed and we will move our City and our State forward."

We are going to hear from Council President Michael Solomon and then we are going to open up for questions.

OFFICE OF THE MAYOR

Providence City Hall | 25 Dorrance Street Providence, Rhode Island 02905

401 421 2489 ph | 401 455 8823 fax

www.providenceri.com