



CITY OF PROVIDENCE

Angel Taveras, Mayor

BUDGET ADDRESS

5/2/11

INTRODUCTION AND RECOGNITION

Thank you. Council President Solomon, Majority Leader Yurdin, Honorable members of the Providence City Council, and residents of our great capital city, I thank you for this opportunity to address you tonight and present my proposed budget for the upcoming fiscal year.

I want to take a moment to thank all of you for your support over the last several months. As we continue to tackle the challenges facing our great city, it is the tremendous spirit of the people of Providence that keeps me energized every day.

STATE OF CITY

Mr. President and members of the City Council, nearly 2 months ago, on March 3, we stood together as I revealed to the city and state the extent of the fiscal crisis facing our capital city. My Municipal Finance Review Panel revealed that we faced a \$109 million structural deficit for the upcoming fiscal year. I described our situation as a category five fiscal hurricane.

I said on that day - and I reaffirm now - that shared sacrifice is required if our city is going to emerge from this financial storm.

Shared sacrifice is more than a phrase. Shared sacrifice is the realization that everyone must help in order to save our city. Every citizen, every city worker, every taxpayer, every business, and every organization including tax-exempt institutions must share part of the burden of saving our city.

The budget that I am about to present to you is built on shared sacrifice. It will be painful for all, but necessary to return our city to firm financial footing.

IMMEDIATE ACTIONS

After receiving the report from my Municipal Finance Review Panel describing the size and scope of the City's deficit, I took immediate action. Because leadership starts at the top, I took a 10% pay cut. Along with several members of this City Council, I declined my public official pension. I ordered immediate layoffs of nonunion staff to save us approximately \$2 million. I also froze non-essential spending and hiring.

But I knew then that these steps were not enough. The budget I am presenting to you tonight represents the next step in our fight for fiscal security. That is why this budget extends these cuts across all city departments.

These cuts are real and will be felt by all who use city services. But they are, unfortunately, only the beginning.

GOALS/ASSUMPTIONS

In the spirit of transparency that I promised the people of our City – let me be very clear: this budget is based on several cost savings and revenue goals which we must achieve. Providence stands on the edge of a financial precipice. If we are unable to achieve the cost savings and revenue goals in this budget, the free fall of our City over the edge will lead us into dark, uncharted territory.

The goals I am speaking of depend on cooperation from public safety and public employee unions, the General Assembly, and our City's tax-exempt institutions – we cannot put the City on firm financial footing without their assistance. In the budget, we must achieve the following goals:

1. A 10% savings in both the Police and Fire Departments which still needs to be negotiated;
2. Passage by the General Assembly of key legislation which will help the city reduce costs and increase revenues;
3. Increased payments in lieu of taxes from our city's tax-exempt institutions.

Achieving these goals will not be easy, and while the alternative seems too much to fathom, it is a distinct possibility.

LABOR

The men and women who keep Providence running are critical partners in this process. We look to them, our city employees, to share in the sacrifice because we cannot balance our budget or deliver essential city services without them.

Salary and benefits of city employees constitute the overwhelming majority of our city's budget. Of the \$635 million in public expenditures last year, \$465 million was spent on salary and benefits - nearly three quarters of all spending. Aligning revenues with obligations, therefore, necessarily requires tough decisions regarding the city's employees.

I have said repeatedly that this shared sacrifice begins with me and I'm proud to say that his budget reflects a 13% cost reduction in the mayor's office. However, that is only the beginning.

1033 Labor Deal

I asked for our city workers to join me in this sacrifice and the first union to step forward to help the city was Local 1033. Through the leadership of Donald Iannazzi and Vicky Virgilio, we reached a deal with the union which will save the city millions of dollars while ensuring that we can still deliver basic services to our residents. The members of 1033 took a pay cut, cut their longevity pay and increased their health insurance co-pays. Through their actions, the members of 1033 led by example and will save the city over \$26 million over the next four years.

Other unions

While all other unions have come to the table to negotiate and try to help the city, we have been unable to come to agreement on their share of the sacrifice. To be honest, this has been very disappointing. I am disappointed that they have not yet joined with the rest of us, and with their brothers and sisters in 1033 who have indicated their willingness to be a part of the solution.

I am hopeful that after tonight's budget presentation, they will recommit to joining us in forging a new path ahead.

SCHOOLS

Let me speak specifically about how this budget affects the teachers, children and families of the Providence school system. As a product of our public schools, I am a living reminder of the crucial role that education plays in our city, state and country. I care about the children who each day carry their dreams into the classrooms of our public schools because not long ago that was me in those same classrooms. I want to see our students succeed more than anything else and know that the challenges are many.

Our schools faced a \$28 million deficit. To balance the budget, we were forced to take decisive action.

We sent out termination notices to all of our teachers, in order to maintain maximum flexibility and save us millions of dollars. We made significant cuts in administrative capacity as well, eliminating positions at central offices to ensure that district leadership was as lean as possible. And even with level funding for next year, more cuts need to be made in order to balance the school budget.

To our city's teachers, families and students: I ask for your patience, faith and help as we continue to negotiate more cost savings moving forward. But, as we stand here tonight, I am relieved to say that the Providence School Board is meeting to adopt a process for rescinding termination notices for most of our teachers.

We've also begun to restructure our schools, closing six and reopening one as an elementary school. These school closings were heart wrenching and difficult and let me say to those who are directly impacted that I understand how tough these last months

have been for you. Believe me when I say that I would not have accepted these closings if we did not believe they were absolutely necessary for the financial wellbeing of our schools and our city.

I would like to thank the Providence School Board for their courageous action.

To those who questioned our actions with respect to Providence schools, know this: cuts to our schools has been the most difficult action I have taken as Mayor and it's something that I will always carry with me. But I am absolutely convinced that our actions were in the best interests of the city and in the best interests of our students. And I am more determined than ever, tonight, to build an urban school system that is the envy of cities across America.

POLICE

Beyond schools; let me speak about our public safety officers - the men and women of our police and fire departments for whom I truly cannot overstate my unyielding respect.

Every day that they report to work, they put themselves in harm's way, every single day.

Few others can say that. Asking these brave men and women to sacrifice even more on behalf of our city is not a request I make lightly.

Our police officers protect us 24 hours a day. While we sleep, they stand guard. I respect their work and commitment to public safety. They have been without a contract since 2007 and you and I know they deserve better. But just as they protect our city from physical danger, so too must they act now to save our city from financial danger.

As we close schools, layoff workers, cut pay, we need our officers to help us stay safe but also save money.

That is why this budget reflects a 10% reduction in costs for the police department. How we get there is negotiable, but let me be clear: we MUST get there. Accordingly, we will continue to negotiate with the Fraternal Order of Police to agree on savings so we can avoid drastic cuts to the police department. But make no mistake about it, I will do whatever is necessary to get our city through this fiscal hurricane.

FIRE

Like our police department, our fire department performs invaluable service for the City and the public. I spent the day with our firefighters and learned more than I can say. I put on your gear and travelled up and down stairs with the added 40 pounds. However, there was a big difference: I did it in the safety of your firehouse while you do it surrounded by flames and smoke. You consistently put yourself in harm's way for the good of our city.

Like our city's police officers, the city needs you to do more. We cannot put out this fire without you. Like our police officers, I have budgeted a 10 % reduction in cost for the

fire department. How we get to the reduction is in your hands. I ask you to join us to save our city and avoid legal wrangling. But make no mistake about it, I will do whatever is necessary to get our city through this fiscal hurricane.

TAX- EXEMPT COLLEGES AND HOSPITALS

I will speak next about our city's tax-exempt colleges and hospitals. As my Municipal Finance Review Panel reported in March, almost half of the property in the city is tax-exempt. However, no one is exempt from the sacrifice we need to make to save our city.

I recognize that our local universities are tremendous assets. They add a degree of vitality to our city that cannot be overstated. However, I am also mindful of the words of President John Bowen of Johnson & Wales, that 'you cannot have a successful university in a failing city.'

As to our other universities, Brown, RISD and Providence College, we are proud that you call Providence home. However, your home needs you to do more to make sure your home can survive the storm that is pounding it. Because we have not been able to reach agreement on additional help to the city, we will be pressing legislation at the state house requiring tax-exempt institutions to pay 25% of what their real estate taxes would be if they were not a non-profit corporation. This concept is not new - over a hundred municipalities across America have established PILOT programs - and recently Mayor Tom Menino in Boston asked the tax-exempt institutions located in his city to do the same on a voluntary basis.

Our proposed legislation will be heard on Stronger Providence Day at the State House on May 11. I am hopeful that we might reach a negotiated agreement directly with our colleges and universities, but as that process unfurls we will continue to fiercely advocate for passage of this legislation.

Our relationship with the tax-exempt institutions simply cannot continue on the path we are on and this budget reflects the reality that, moving forward, our city must be able to rely on these organizations for substantially more financial assistance.

HOSPITALS

Likewise, our hospitals must step forward and share in the sacrifice too.

We know that our hospitals do a tremendous amount for all of Rhode Island, whether it's caring for the uninsured in the emergency room at Roger Williams Medical Center, bringing babies into the world at Women and Infants, treating our young at Hasbro Children's Hospital or helping to address behavioral health at Butler Hospital.

However, like teachers, like public safety officers, like everyone - we need hospitals to do more. This is your city and this is your problem too. We cannot afford to continue on the same path and need you to help us forge a new direction. No one is exempt or immune from the sacrifices necessary to save our city.

That is why, just like our colleges and universities, we will pursue legislation requiring hospitals, in the absence of a PILOT agreement, to pay 25% of their assessed tax bill.

GENERAL ASSEMBLY

This budget relies on the passage of several bills in the General Assembly which will give us the flexibility to address a variety of issues at the city level.

- We have assumed that the General Assembly will help us obtain savings and additional revenue totaling nearly \$18 million.
- Through legislation, we are seeking to save \$11.4 million by allowing us to shift retirees who are eligible for Medicare from the city health insurance to Medicare.
- Through legislation, we are seeking the ability to collect fees for our fire hydrants and fire alarm boxes.
- We are also seeking \$4.6 million as proposed in the Governor's budget under the MAST program.
- Finally, we are seeking the ability to impose a 25% tax on colleges, universities and hospitals. This would produce over \$24 million in new revenue to the city. To be conservative we budgeted an additional \$7 million in new revenue to the city with the hope that we can negotiate PILOTs with the colleges, universities and hospitals.

Let me speak directly to members of the Assembly: If these bills do not pass, this city will not survive this fiscal hurricane. As I stated during my Inaugural Address, "From Westerly to Woonsocket, from Burrillville to Bristol, we are all in this together. We all have an interest in our capital city – the beating heart of our state."

TAXPAYERS

After closing schools, terminating teachers, laying off other city workers, instituting pay cuts, reductions in police and fire, increased contributions from universities and hospitals, we still are not done closing the massive structural deficit.

I know that our taxpayers already carry a heavy burden in our city. Many are struggling to find jobs or keep the jobs that they have. So many have had to do more with less.

I have tried not to add to that heavy burden but the truth is that I cannot save our city from this storm without your help. I need you to do more too.

I will be seeking the maximum tax increase of 4.25% of our real estate taxes. In addition, I will seek to exceed the tax levy cap by an additional 1%. While I know that this is undoubtedly unpopular, it is also absolutely necessary.

As a homeowner and as someone who spends each day speaking with homeowners in all of our city's neighborhoods, believe me when I say that this is truly our last resort. But know too that if we are unable to realize the cost savings and additional revenue that are outlined in my budget, our tax increase will be even more unbearable.

There's more that I haven't touched on yet which you will find included in this budget. For example, I have said repeatedly that the time for on-street, overnight parking is overdue and this budget reflects nearly \$1 million in revenue generated through the sale of overnight parking passes. Other revenues related to parking, fees for dumpsters, inspections and standards and a fee for mattress disposal are included in this budget.

We have made every effort to make sure everyone shares in the sacrifice.

CONCLUSION

To recap, let's be clear: this budget is based on several goals, including 10% savings from both the police and fire departments, action at the Assembly on various pieces of legislation and increased support from our city's tax-exempt organizations.

If we do not reach our goals, we will have to act more harshly to balance our budget.

Finally, as difficult as this budget is, I must underscore the following: First, this budget may continue to evolve throughout the revision and adoption process. It is possible that the final budget that I sign into law may differ from this budget because of all the goals in this budget.

Second, this budget does not adequately address our pensions which are unsustainable.

Local 1033 and the city agreed to set up a commission to examine the possibility of moving city employees to the municipal employee retirement system, which was a recommendation of the Municipal Finance Review Panel. In the coming weeks, as we negotiate with our unions, we will also begin to address our long term pension obligations. We will also work closely with the state as the state begins to tackle the same problem at the state level.

Moving forward, we'll be working with the General Assembly, our partners in the non-profit and business communities and others to address issues ranging from the 195 land to the future of the Providence Water Supply Board. Issues that will not only put Providence back on a firm financial footing, but will move this city forward towards a future of unprecedented opportunity.

Mr. President and members of this city, we are making history together. As we move forward, let it be said of us that we came together and rose to the occasion. Let it be said that we set aside politics for the greater good. Let it be written that while others went into receivership, we solved our problems.

Let it be written that while some looked to Providence's fiscal crisis and saw nothing but darkness and foreboding, we seized this opportunity to show that hard work and shared sacrifice brought about Providence's finest hour.

Thank you.