



Executive Chamber, City of Providence, Rhode Island

Vincent A. Cianci, Jr.
MAYOR

May 16, 1978

The Honorable
Providence City Council
City Hall
Providence, Rhode Island

Ladies and Gentlemen:

Today I present for your consideration and review the Providence municipal budget for the 1978-79 fiscal year. Please study it and act upon it as an exercise in shared responsibility.

Be mindful, however, that behind these barren figures is a city on the move---one in which we have made great progress combatting urban blight, revitalizing our downtown business center, upgrading our recreational and park facilities, developing and expanding our port, reducing crime, promoting tourism, preserving our cultural and architectural heritage, and rejuvenating our neighborhoods. And much of this innovative and productive activity is not reflected in this budget, because many current improvements are being financed by more than \$104 million in federal grants and private investment. We have aggressively sought and gained this massive aid to make possible an all-out municipal revitalization at a minimum cost to the local taxpayer. We can be justly proud of our success in generating so much non-tax revenue for city programs.

Despite our proficient grantsmanship and our ability to

inspire business investment in our future---the day-to-day, essential city tasks must be financed through our operating budget. And every year insidious inflation makes it more costly to improve or even to maintain our basic services in the areas of education, public safety, public works, recreation and social welfare. We have all experienced cost of living increases in our personal finances---such increases in the public sector are equally unavoidable.

Our budget provides for a 6.5% increase in expenditures---a figure less than the nationally projected rate of inflation. In dollars, expenses will go from \$108,255,373 (FY 1977-78) to \$115,032,899, a raise of \$6 3/4 million. However, when one considers that \$8,750,000 of this proposed budget consists of mandatory increases in wages and salaries (up \$5.5 million), pensions (up \$3 million) and employee fringe benefits (up \$250,000) dictated by union contracts and state and federal law, it becomes apparent that we have not only held the spending line but we have economized and trimmed approximately \$2 million from those areas over which we have control! If these economies had not been instituted we would be faced with an additional levy of \$1.60 per \$1,000 above the \$6.50 rate increase that this budget requires.

You will note, for example, substantial decreases in suggested appropriations for welfare and debt service. The former cut reflects a more precise and realistic anticipation of social service needs, while the latter is an encouraging indicator that the drain on our treasury caused by bonded indebtedness is subsiding.

On a positive note we can confidently assert that the long and steady shrinkage in our city's tax base---its total assessed

valuation---has been arrested. We have turned liabilities---dilapidated commercial and industrial buildings and substantial housing---into assets. Many of our older buildings in the downtown are being converted into residential apartments, historic houses are being restored in large numbers, other dwellings in our neighborhoods are being refurbished, new facilities are under construction, and once-empty structures, most notably the Biltmore Hotel a portion of the Union Station complex, are being readied for new uses.

The assessed values of these properties will increase dramatically along with land values around them. Soon, when the incentive abatements on these buildings expire, the city will reap the profits from its program of structural renovation and recycling. As our neighborhood revitalization projects proceed, similar tax benefits will occur in these areas as well. After being ravished by two decades of demolition and blight, Providence is on the road to recovery! At last, our tax base has stabilized.

Another liability that can be turned to our advantage is the disproportionate amount of tax exempt properties in Providence---a figure that is increasing dramatically. Over one million dollars of real estate has been transferred to the exempt roll so far this year, and the trend shows no sign of subsiding. At present twenty-nine percent of our real estate values are tax exempt, and this figure does not include special personal exemptions granted to such groups as the blind, the elderly and our military veterans. The tendency of state and municipal legislatures to grant additional exempt credits each year compounds the problem.

A possible solution to this apparent dilemma may be the innovative Connecticut plan whereby core cities receive a grant from

the state legislature in lieu of property taxes for those private tax-exempt institutions within their borders that serve a broad public function of benefit to the entire state---e.g. hospitals and colleges. Another possibility---less innovative but no less urgent---is to seek a similar legislative grant for state-owned property in Providence. Since all Rhode Islanders abundantly avail themselves of the many private and public tax-exempt facilities of their financial, educational, entertainment, governmental, and health services capital, the expectation of a state subsidy in lieu of taxes is both just and reasonable. I will study these approaches to the problem of tax exemption and make recommendations to the Council and the General Assembly prior to the start of the next legislative session.

In submitting this budget to the Honorable Council my only regret is our inability to hold the tax rate steady. But the delayed tax impact of our many renovation projects; the continuing phase-out of the tax on manufacturers' machinery and equipment; certain downward adjustments in our revaluation assessments; increases in the quantity and type of property subject to exemption; and the static yield of all receipts other than the property tax, combine with sharply rising costs and rates; higher taxes on Providence facilities located in other communities; mandated raises in salaries, pensions and fringe benefits; and ubiquitous inflation to necessitate an additional levy of \$6.50---an increase still much less than that faced by some neighboring municipalities.

Before I conclude my message, I feel that a final admonition to this Honorable Council is necessary in view of its past performance (or lack of it) on our three preceeding budgets. This Coun-

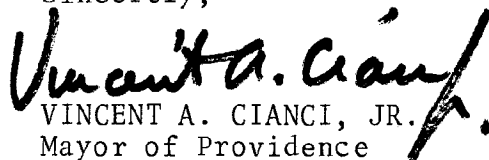
cil held-up the 1975-76 city budget for eight months and the 1976-77 budget for eleven months. Despite these exasperating and counter-productive delays, you passed each of the last three budgets virtually intact. These documents were proposals sent by the executive to a co-equal branch of government for intelligent and creative review. Your failure to make significant substantive changes or improvements indicated that either these proposed budgets were honest, straightforward, realistic and sound or that the Council shamefully abdicated its responsibility to the people of Providence by failing to make essential modifications and improvements.

I exhort you, in the interest of our taxpayers, to put your criticisms in the budget itself, not just in your political brochures! Be statesmanlike! Don't boycott the budget again! It is our joint responsibility to the people---a fact no amount of obstructionism, internal juggling, or political rhetoric can obscure.

I am hopeful that any alterations or commentary on the merits of this budget will be motivated by our joint concern for the best interests and financial well-being of our city and its taxpayers.

Thank you.

Sincerely,


VINCENT A. CIANCI, JR.
Mayor of Providence

VAC