



Executive Chamber, City of Providence

VINCENT A. CIANCI, JR.
MAYOR

May 2, 1983

The Honorable Members
The City Council of the
City of Providence
City Hall
Providence, R.I. 02903

Dear Honorable Members:

Providence has gone through periods of greatness during its long history, times when its people had confidence in themselves and their city, times when there was a flowering of commerce and culture and when there was a great leap forward to the benefit of all. I believe that Providence, as it approaches its 350th anniversary as a settlement, is today entering another era of greatness. All of us know that much needs to be done. But much is underway or is about to begin, and there is growing optimism that much more can be achieved. It is in this spirit that we should make our decisions regarding city finances during the coming year.

It is true that more needs to be done than we can afford today. But consider these facts. The tax base of the city is generally growing at an accelerating rate. The amount of public and private investment in Providence has grown to truly impressive proportions. Indeed, today's issue of the U.S. News and World Report points out that the current pace of construction in the Providence area is greater than in any other metropolitan center in the country. Downtown Providence is going through what can only be described as a construction boom, and it is apparent that the downtown will have an entirely different appearance by the year 2000. In addition, redevelopment projects are underway in seven city neighborhoods, and many hundreds of homes, stores, schools, streets, sidewalks and recreational facilities are being refurbished annually, thanks to our grants and loans. After a long pause, catalytic investments are again being made at the Port of Providence, and city revenues from the port are sharply on the rise. The manufacturing sector also is being given special attention: today, four industrial centers are in various stages of planning. All of this new economic activity, combined with the fact that inflation has slowed to a modest level, is giving us renewed hope that the city government in coming years will be able to maintain a relatively stable property-tax rate.

It is worthwhile to review some of the many public and private investments that are taking place. In Downtown Providence, Fleet Center and Old Stone Plaza are under construction, and these two office buildings will yield the city more than \$1 million annually in revenue. Capital Center, perhaps the most ambitious renewal project undertaken in Providence during this century, is also underway. About \$100 million is being spent to develop this new commercial center at the foot of the State House. We are confident that firms which otherwise would not even have considered southeastern New England as a site for office construction will be locating in Capital Center over the next 10 to 15 years. In the historic downtown, the restoration movement is continuing as well. Perhaps the most exciting project now under way is the restoration of the Old Journal Building next door to City Hall. In addition, almost 2,000 parking spaces are being provided in 5 new garages. Davol Square, a dazzling architectural showpiece with dozens of elegant specialty shops, has opened its doors and is drawing impressive crowds of urban shoppers. This administration also is making major investments downtown to ensure we have the right environment for ambitious private ventures to move forward. We are developing exciting public spaces in Capital Center, Kennedy Plaza, La Salle Square, Memorial Square and adjacent to Davol Square. The only serious setback we have had downtown has been the closing of the Outlet store. But the Outlet Task Force which I formed has interviewed several developers who expressed serious interest in purchasing this downtown landmark, and we now expect that recycling plans will be announced before the end of this year.

In the neighborhoods, we have renewal projects underway or planned in Smith Hill, Silver Lake, Washington Park, Eagle Park, South Providence, the Trinity Gateway area and in Olneyville. Moreover, the Mayor's Office of Community Development is preparing to allocate almost \$10 million during 1983-84, much of it in the neighborhoods. Once again, homes and businesses will be renovated, almost 50 social programs will be supported, and streets, sidewalks and recreational areas will be upgraded. We are also applying for another Urban Parks federal grant, and \$1 million would be used to improve 11 recreational areas in the city, from Bucklin Field and the Dexter Training Ground in the West End, to the Veazie Street playground in the North End, to the Hope High School fields on the East Side. Schools, major landmarks in every city neighborhood, also are being renovated with a \$4 million fund which the City Council so wisely voted to appropriate. Work is being done on 24 schools, and Conley Stadium at Mt. Pleasant High is being substantially renovated as well.

At the Port, we are about to put our two massive container cranes into operation. Moreover, we will be announcing shortly that at least two more major shippers have decided to call at the Providence port to take advantage of our new container facilities. This new business yields a great deal of additional revenue for the city. For the coming year, we are estimating conservatively that port revenues will rise by half a million dollars. By comparison, this is close to the real estate tax that will be paid by Fleet Center, the largest office building in the state. Within five years, we anticipate that revenues from container cargo alone will rise to about \$2 million a year.

We are also taking numerous steps to ensure the growth of our industrial base. A hazardous-waste treatment facility has been approved for a site in Olneyville, thus ensuring that electroplaters will be able to have their wastes treated at a convenient, cost-effective facility that meets EPA regulations for sewer discharge. We are also working to create four industrial parks and centers. As you know, we are negotiating to buy more than 30 acres of vacant land parallel to Route 95 in the North End from the Providence & Worcester Railroad. We anticipate that manufacturers providing about 1,000 jobs will be able to build on this land, which we hope to begin selling as soon as this summer. Last Friday, we also applied for a \$1.5 million Urban Development Action Grant which would go towards the \$6 million cost of creating a center on the East Side for new high-tech companies. Richmond Square, as the center is called, is a bold attempt to encourage the best technical minds at nearby Brown University and elsewhere in the state to become high-tech entrepreneurs. We are also working closely with manufacturers in the Promenade Street area to dramatically upgrade this historic industrial area, which is adjacent to Capital Center and to the Civic Center Interchange that is to be built. Finally, we are exploring the feasibility of creating an Enterprise Zone for manufacturers in South Providence, close to the Port of Providence.

We believe that the tax base is growing at an accelerated rate in part because of the city government's loans, grants and direct investments. Whereas taxable valuation grew by only nine-tenths of one percent in 1978, the current rate is 3.5 percent. Surely the most effective means of ensuring the city's financial stability is to find cost-effective ways to enlarge the tax base. Despite the encouraging progress of the last several years, however, it is a fact of life that the City of Providence must periodically raise its tax rate in order to have revenues cover necessary expenditures. Such is the case this year.

We did not raise the tax rate in the last two years. By keeping a very tight rein on expenditures, we were able to achieve an operating surplus for 1981-82, and it appears right now that we will have another surplus for the current year. In order to be confident of ending next fiscal year in the black as well, however, we believe that an increase in the tax rate is necessary, and we are proposing a \$3.89 hike in the rate.

The operating budget I am submitting calls for almost \$173.5 million in expenditures, an increase of about \$15.2 million over what was budgeted for the current year. The rising cost of wages, as specified in contracts signed and ratified last year, as well as in fringe benefits and other items over which we have little control, are the principal factors that are boosting the cost of government. Specifically, wages for non-school employees are up \$5.3 million; the school budget (most of which covers wages) is rising by \$3.6 million; the Blue Cross premium is up by \$921,000, and we must contribute \$600,000 more to the pension fund. Welfare costs are also up \$2.7 million. Because we floated a \$22.5 million bond last fall, and plan to borrow at least \$15 million more next fiscal year for redevelopment projects, our debt service costs are expected to rise by \$1.6 million.

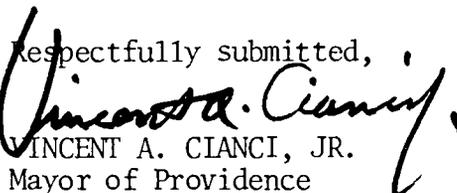
On the revenue side, we expect significant increases in state aid to education and in general public assistance, among other revenue sources. Growth in the tax base will provide \$3.6 million more in taxes. But, even though we made major cutbacks in departmental requests for expenditures, we still faced a \$5.1 million gap between revenues and expenditures. The proposed tax hike of \$3.89 will ensure a balanced budget for next year.

You will find that proposed spending for equipment and furnishings is extremely limited. However, we have tentatively allocated about \$1 million from the federally-funded Mayor's Office of Community Development to cover a large number of such purchases. Fortunately, MOCD regulations now permit such expenditures if they can be shown to relate to the goals of community development. Among the purchases covered by MOCD are 15 new police cars, \$95,000 in computer equipment for the police department, a new rescue van for the fire department, as well as \$302,000 in annual payments for 10 firefighting vehicles acquired by lease/purchase in 1980.

As is usually the case, rising costs for unionized labor represented the largest single increase in expenditure incurred by the general fund. The increases we negotiated a year ago ranged from seven to nine percent, which approximated the rate of inflation at that time. Since then, inflation has come down to about four percent. It should be remembered, however, that the unions had settled for seven percent raises during the previous three-year contract period, a time when inflation was well into the double-digit range. Contracts in the seven-to-nine percent range last spring thus seemed to be an equitable settlement.

A laudable feature of the new charter is that the budget must be submitted to the City Council by May 2, rather than by May 15 as the previous charter specified. This gives the council more time to pass budget ordinances before the new fiscal year starts on July 1. It has been our experience that the city generally achieves a higher rate of collection the earlier that tax bills can be mailed out. Let us strive to adopt a budget by July 1 in order to have as long a collection period as possible.

No one likes to raise property taxes. We all know that property owners have been forced to pay more and more for every necessity of life. That is why we in city government should increase the property-tax rate only when absolutely necessary. I am sure that, after reviewing the budget documents I have placed before you, the honorable City Council will agree that this is an occasion when a modest tax increase cannot be avoided.

Respectfully submitted,

VINCENT A. CIANCI, JR.
Mayor of Providence

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