

**CITY OF PROVIDENCE
RHODE ISLAND**



**CITY COUNCIL
JOURNAL OF PROCEEDINGS**

No. 9 City Council Special Meeting, Tuesday, May 2, 2006, 7:00 o'clock P.M. (E.D.T.)

PRESIDING

ACTING COUNCIL PRESIDENT

JOSEPHINE DiRUZZO

ROLL CALL

**Present: ACTING COUNCIL PRESIDENT
DIRUZZO, COUNCILMEN APONTE, BUTLER,
DeLUCA, HASSETT, IGLIOZZI, JACKSON,
LUNA, MANCINI, COUNCILWOMEN ROMANO
and WILLIAMS-11.**

**Absent: COUNCIL PRESIDENT LOMBARDI,
COUNCILMEN ALLEN, SEGAL and COUN-
CILWOMAN YOUNG - 4.**

**Also Present: Anna M. Stetson, City Clerk,
Claire E. Bestwick, First Deputy City Clerk,
Lori L. Hagen, Second Deputy City Clerk,
Sheri A. Petronio, Assistant Clerk, Adrienne
G. Southgate, Deputy City Solicitor and
Vincent J. Berarducci, City Sergeant.**

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IN CITY COUNCIL

JUL 6 2006

**READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE APPROVED.**

Anna M. Stetson, City Clerk

INVOCATION

The Invocation is given by COUNCILWOMAN RITA M. WILLIAMS.

PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

**COUNCILMAN PETER S. MANCINI
Leads the Members of the City Council
and the Assemblage in the Pledge of
Allegiance to the Flag of the United
States of America.**

CALL FOR SPECIAL MEETING

COMMUNICATION FROM

MAYOR DAVID N. CICILLINE

Request, filed with the City Clerk, April 18, 2006, Requesting a Special Meeting of the City Council to be Called on the 2nd day of May, 2006 at 7:00 o'clock P.M. (E.D.T.), in

the City Council Chamber, Third Floor, City Hall.

April 18, 2006

Anna M. Stetson
Office of City Clerk
Providence City Hall
Providence, Rhode Island 02903

Dear Ms. Stetson:

I am writing pursuant to Sections 406 and 803 of the Providence Home Rule Charter of 1980, to request a special meeting of the Providence City Council on Tuesday, May 2, 2006 at 7:00 p.m. That meeting will be held in the City Council Chamber, and is for the purpose of consideration of the following:

- An ordinance providing for the assessment and collection of 2006 taxes, being based on one hundred percent (100%) of the 2006-2007 fiscal year tax collection.
- Budget message and Appropriation Ordinance setting forth detailed estimates for the fiscal period beginning July 1, 2006 and ending June 30, 2007.
- An Ordinance Establishing a Compensation Plan for the City of Providence and repealing Ordinance No. 344 Chapter 2005-36, approved July 27, 2005.
- An Ordinance Establishing the Classes of Positions, the Maximum of Employees, and the Number of Employees in Certain Classes in the City Department, and repealing Ordinance No. 345 Chapter 2005-37, approved July 27, 2005.

I thank you for your assistance in this manner.

Sincerely,



David N. Cicilline
Mayor

Received.

WARRANT FOR SPECIAL MEETING

Warrant of the City Clerk to Vincent J. Berarducci, City Sergeant with Return Certification that he has notified each Member of the City Council of the Special Meeting Called for the 2nd day of May, 2006 at 7:00 o'clock P.M., in the City Council Chamber, Third Floor, City Hall.

Whereas, Mayor David N. Cicilline has, pursuant to Sections 406 and 803 of the Providence Home Rule Charter of 1980, requested the City Clerk, in writing, to Call a Special Meeting of the City Council to be held on the 2nd day of May, 2006, A.D. at 7:00 o'clock P.M., in the Chamber of the City Council, Third Floor, City Hall for the purpose of Enacting the following:

An Ordinance providing for the Assessment and Collection of 2006 taxes, being based on One Hundred Percent (100%) of the 2006-2007 fiscal year tax collection.

Budget Message and Appropriation Ordinance setting forth detailed estimates for the fiscal period beginning July 1, 2006 and ending June 30, 2007.

An Ordinance Establishing a Compensation Plan for the City of Providence and Repealing Ordinance No. 344 Chapter 2005-36, approved July 27, 2005.

An Ordinance Establishing the Classes of Positions, the Maximum Number of Employees, and the Number of Employees in Certain Classes in the City Departments, and Repealing Ordinance No. 345 Chapter 2005-37, approved July 27, 2005.

You are therefore, hereby commanded and required to summon each Member of the City Council to that Special Meeting, as Called.


Hereof, Fail Not, and make a true return of this Warrant, with your doings thereon.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

THE CITY OF PROVIDENCE, Sc.

APRIL 25, 2006

I, Vincent J. Berarducci, City Sergeant do hereby certify that I have notified each Member of the City Council of the Special Meeting scheduled to be held on Tuesday, May 2, 2006 at 7:00 o'clock P.M., in the Chamber of the City Council, City Hall, Providence, in accordance with the subject warrant by delivering to each member a copy thereof.


Date April 25, 06

Receive _____

AT EASE

ACTING COUNCIL PRESIDENT DiRUZZO Declares the City Council to stand at ease at 7:15 o'clock P.M. to Reconvene at the Call of the Chair and Appoints MAJORITY LEADER LUIS APONTE, COUNCILMAN JOSEPH

DeLUCA, COUNCILMAN DAVID A. SEGAL and COUNCILWOMAN RITA M. WILLIAMS to escort HIS HONOR THE MAYOR DAVID N. CICILLINE to the Chamber of the City Council.

RECONVENTION

ACTING COUNCIL PRESIDENT DiRUZZO
Reconvenes the City Council Meeting at
7:20 o'clock P.M.

MAYOR DAVID N. CICILLINE'S

BUDGET ADDRESS

FISCAL YEAR 2007

May 2, 2006

Honorable members of the Providence City Council, My fellow citizens, Good evening.

Just over three years ago, our residents gave me a mandate to put the financial ship of Providence back on course.

We promised immediate and bold action because the financial foundation of our city was cracking beneath our feet. And in return, we asked residents to join in the effort because reconstruction was going to come at a cost.

Over the last 40 months, we have made historic changes -- from workforce reductions to renegotiated contracts to department-wide

reorganizations. And the results have been tremendous.

I am extremely proud to be able to tell you today that the ship of Providence is financially back on course.

This budget reflects major milestones we have reached in our hard-fought effort to stabilize city finances.

This is the year that we are hitting a major target on our pension obligation.

This is the year that we are seeing a clear trend in the growth of our city's tax base.

This is the year that we are marking a major turning point in how our City's bonds are viewed by Wall Street.

Members of the City Council, you have been critical partners in passing these historic budgets and restoring fiscal integrity to the City. I know we agree that the time for tax relief is not sometime in the near future, but right now.

So I am pleased to tell the residents of this City that - as a result of our collective work - this is also the year that there will be no increase in property taxes.

Of course, that decision is not ours to make alone, but the General Assembly has traditionally been a supporter of Providence, and unless it makes a major change in approach to the budget this year, the tax rate will remain unchanged.

That will come as welcome news to many, but it would be a mistake to begin to rest easy - or to expect that we are in for smooth sailing.

Because, even while our ship becomes more seaworthy, the waters also grow more treacherous.

The budget environment at the federal and state levels is dire.

The federal government is running alarming deficits, and the state is facing a \$220 million dollar shortfall. Less of the money our residents send to Washington and to the State House will be returned home to pay for important services.

On the federal front, this will likely hit hardest with the deep, 25 percent cut being proposed to the Community Development Block Grant program. This is the program that funds so many of our successful community and economic development

projects, as well as services for those most in need.

It provides important funds for things like:

- o The development of affordable housing by CDC's throughout the city;
- o The streetworker program that has become an indispensable partner to our police, schools, and neighborhoods;
- o Outreach to families in crisis by Family Services of Rhode Island;
- o And assistance for heating fuel from PROCAP, which helped 6,000 Providence families this winter;

Also, while the stack of No Child Left Behind mandates has piled up, the funding for us to meet those demands is going down. Almost two million dollars in Title 2 funds to the Providence Schools has already fallen victim to the federal budget axe.

These cuts not only place a serious strain on this year's budget, but they also affect our fiscal health for many years into the future. This is because the cost of not making these investments in our community is so high in the long run.

The state's shortfall will also produce serious consequences that will be felt throughout the state.

The budget submitted by the Governor calls for major cuts to the Department of Human Services and to Rite Care.

It flatly disregards current law as it relates to General Revenue Sharing, reducing even further revenues to cities and towns.

And it would also, once again, reduce the state's share of school aid, shifting more to local property taxpayers.

This trend is why Education Week gave Rhode Island a grade of "D" for its over-reliance on property taxes to pay for schools.

The recent RIPEC study confirms what we already knew: Rhode Island has the second highest reliance on property taxes to fund education in the nation.

Of course, this year's budget -- like every year's -- can only be a work-in-progress at this stage. We can never know exactly what the General Assembly will return to cities and towns, including Providence, or what they will authorize for revenue collection until they act on the state budget.

One thing we can be certain of, though, is that our delegation is working extremely hard on our behalf. And we will need every ounce of their effort.

I would like to take this opportunity to thank and recognize those in attendance, as well as our House Caucus leader, Representative McCauley, our Senate Caucus leader, Senator Goodwin - and of course, House Majority Leader Gordon Fox and House Finance Chair Steven Costantino, and the entire Providence delegation, for their incredible hard work and dedication to our city.

There is another factor contributing to the difficult budget. Just as it affects the wallet of every resident, it also hurts the city's bottom line: the rising cost of energy.

The city uses a third of a million gallons each year just for heating oil, and thousands more gallons of fuel for police vehicles, fire engines, school buses, and the DPW fleet.

Gas just hit \$3.00 a gallon at the pump with home heating oil close behind, and there is no relief in sight.

For all these reasons, these are difficult times for governments all across the country.

I would now like to turn your attention to the screens at the front of the room to show you how the financial shape of our city has improved.

As you can see, annual budget growth has been reined in dramatically. Since the major restructuring year of 2003, the increase in annual spending has been cut by more than half, from an average of about 7.5% per year between 2001 and 2003 to an average of about 3% between 2004 and 2006.

This compares favorably to state budget growth, which has increased by an average of 5.7% per year since 2004, even while the state is sharing less of its increased revenues with cities and towns.

As soon as we took office, facing a \$59 million dollar shortfall, we moved to capture savings on every front. Among the most difficult and most important decisions we made was to dramatically reduce the workforce.

We cut 425 positions from city and school payrolls and the savings we have captured have been critical to putting the city on stable footing.

Our progress in reducing our staffing also compares favorably to efforts taking place at the state level. While city staffing has been significantly reduced, the state workforce has grown every year since 2004.

While we are responsible for the City's financial decisions, we certainly have not

been alone in bringing the city's budget situation under control.

Most of our city's labor unions and their members have also been critical partners.

They have accepted provisions that bring their contracts in line with many 21st-Century realities, saving money for our taxpayers and giving management additional flexibility to meet new challenges that old contracts didn't account for.

When I took office, not a single employee shared in the cost of healthcare. Leading by example, I immediately implemented more affordable plans with co-pays for non-union employees. And, soon after, most of our unions stepped up to the plate as well.

Now, every negotiated contract I have signed includes a co-pay provision.

At the school department, this has accounted for nearly four million dollars in savings through fiscal year 2006. And it will mean a savings of more than one million dollars through the next fiscal year on the City's contract with Local 1033.

Outdated union contracts were also hampering good management in many City Departments. Understanding the need to give residents more value from their tax dollars, many of our unions are helping to improve productivity for the good of our residents. Their departments and the City as a whole are becoming better for it.

We are also currently involved in productive discussions about changes to the pension system. This month I will receive final recommendations from the Pension Review Committee.

After my review, I will submit to you, the City Council, a proposal for action.

This is the year that there will be significant structural changes to our pension system. They will not be easy, but they will be necessary.

I have every hope that our union partners will step up to the challenge and embrace these important changes as they have embraced other changes in the past.

In addition to the cost of health care and pensions, one of the budget expenses we identified right away as a critical priority was the rising cost of debt service.

Our finance department has steadily and adeptly restructured our debt, capturing savings opportunities in a fluctuating market.

Also, by shoring up our finances in a variety of areas, we have earned ourselves a lower borrowing rate that is producing real savings for our taxpayers.

But capturing savings doesn't just apply to the big budget expenses. It is a daily fight requiring daily vigilance. It ranges from choosing the right contractor to negotiating the best price on equipment purchases.

For instance, anticipating the rising cost of energy, our public properties department locked into a fixed price for electricity to all our schools and municipal buildings last year. This has already saved the city thousands of dollars.

We reviewed our fleet of automobiles and found ways to save there too, through reductions and smarter purchasing.

We've put a lock on the cost of things like everyday office supplies, so even relatively small expenses like that stay flat.

As I said, savings is a daily battle. It's a culture. And it is one that members of my administration insist on.

Late last year, we struck an important deal with the state to capture another significant cost cut for our taxpayers.

Joined by members of the Providence City Council and members of the Providence delegation to the General Assembly, I argued strongly that the Dunkin' Donuts Center is an asset that serves a statewide - not just local-- function.

- That the heavy annual maintenance cost shouldered by Providence taxpayers was an unfair burden.

- And that the state should be responsible for putting forward the kind of investment the facility would need to bring it into the 21st-Century so it could continue be a competitive regional venue.

To their great credit, state officials listened carefully to our case, and, in the end, they agreed with us. In fact, they seized the opportunity to revitalize the facility for the benefit of all Rhode Islanders, pledging \$65 million dollars in renovations.

For Providence taxpayers, in addition to proceeds from the sale, it means that the annual million-dollar maintenance invoice is behind us forever.

An emerging factor in the budget picture is the wave of new investment our city has attracted.

Investment has come off the sidelines to the tune of three billion dollars, and some of those properties are beginning to come online and into the tax revenue stream.

Growth in the tax base is the long term, sustainable solution for continued fiscal health, which is why so much of our energy has been devoted to it.

When a new office building, or hotel, or condominium tower is announced, I see jobs and economic momentum, but I also see the tax base growing.

I also see property tax relief, more revenue for our schools, smoother roads, and more affordable housing.

This legislative session, members of the Council and I are calling on our colleagues at the State House to review another matter that we believe is out of balance. That is the issue of fair compensation for the investment made by City taxpayers in the Providence Water Supply system.

As part of this budget we are submitting legislation that would provide a payment in lieu of taxes to compensate the Providence taxpayers for one of the City's most valuable assets.

This legislation will do more than bring balance to the system. It will also begin a broader conversation in the state about how we manage our water, a resource that is becoming more consequential to our future economic development.

It is this effort and these sacrifices that have enabled us to address the fundamental, structural problems in our City's budget that were eroding our long term financial health.

And as I pointed out earlier, this year marks some major milestones on that front.

As I took office, Providence had been dangerously under-funding its pension system every year. We immediately worked with the City Council to ensure a course that would close that gap.

It was a promise we made to our residents, and today we can gladly inform them that we have followed through:

For the first time in a decade, the City of Providence will fully fund its annual pension contribution.

This is a welcome case of government doing the hard thing that is also the right thing.

Still, even though we have erased the shortfall in our annual payment, a major liability remains from a decade of irresponsible management.

As I mentioned earlier, we are addressing this problem too, but I am pleased to report that with the yearly gap closed, the city is ready to take the next step toward solving this growing pension crisis.

The city also had been hampered by a limited cash reserve in its fund balance. It may seem like an extravagance for a cash-strapped city to maintain extra funds at year's end, but having a 5 percent reserve is an important standard on which cities are judged by the rating agencies.

It reaps great dividends when the agencies boost a city's rating because it means a lower interest rate, and lower borrowing costs in the years ahead.

This year, our reserve reached the five percent mark, and our efforts were duly rewarded.

There is no more objective judge of financial health than Wall Street.

And just last week, Moody's joined Standard & Poor's and Fitch in giving Providence City bonds an A rating.

Ladies and Gentlemen, in the eyes of Wall Street, Providence is now a straight A city.

Another important result of the cost-cutting measures is that Providence has been able to slow somewhat the growth of residential property taxes compared to other cities and towns in the State.

When looking at the statewide rankings for property tax burdens on the price of a median home, Providence has moved from the top of this notorious list down to the middle of the pack.

Property taxes are still too high, but given the statewide problem, we are doing what we can to mitigate the impact to taxpayers.

So we have made historic cuts, and we are shoring up the foundation of city finances. Given this reality, it would be logical to expect that city services would suffer. But that has not happened.

I am proud to report that the City of Providence is delivering better services using fewer resources. Even in tough times, we're doing more with less.

No single sweeping action or silver bullet has made this possible. Instead it has been the result of thousands of decisions, ideas, and actions -- a daily focus on efficiency by

hundreds of city employees over the course of the last 40 months.

And while each of these daily decisions and actions may not be headline news, their results are certainly dramatic.

This is a tribute to a real and growing partnership between management and our employees to make city departments more professional, more efficient, and more customer-focused.

I came into this office believing that City employees were like everyone else -- that they wanted to be recognized for initiative and hard work.

The old system that too often rewarded a worker's politics over his or her professionalism was a system bound to sap morale and devalue the important work at hand.

Residents made it clear they wanted an end to that system, and the results have been powerful.

From Parks to Public Works to Vital Statistics to the Recorder of Deeds. City departments are more modernized and more professional.

City departments now use tracking data to gauge performance and to be smarter about implementing new strategies. For instance, we monitor things like how often your neighborhood park is being cleaned. And we use it to determine which neighborhoods are most in need of fire prevention education.

Here is an example of how this tracking contributes to better services.

In the coming weeks we will begin the first phase of a strategic initiative to repave the city's roads. As we all know -- and it was clear in our resident satisfaction survey last year -- the longstanding system of patching potholes and praying for mild winters has left many of our roads in an unacceptable condition.

DPW has taken the data it collects on potholes and created a "hotspot" map so we can identify which roadways need to be addressed first. As you can see, Hawkins Street alone required 26 trips to fill 429 potholes in just two years. So it is at the top of the list in our phase I repaving efforts.

Finding new ways to do things better is not always about making existing service models more efficient. Sometimes it is about doing things in new ways.

Garbage collection provides a perfect example. The City has had an excellent system of collecting residential garbage for sometime. Residents know that just about anything they place out on the curb gets picked up on trash day.

The problem was that some residents wouldn't use trash barrels and simply piled up trash bags on the sidewalk. It was an open invitation to rats, who could count on a weekly feeding.

Enter the Big Green Can -- now distributed to about a quarter of our residents, and we will be seeking your approval to fund the distribution of cans to the rest of the city.

Under this system, every home gets a nice, big trash barrel. But using it is mandatory, so neighbors are assured that trash will be in an enclosed container, cutting off the food supply for rodents.

Innovation on a larger scale can be seen with the AfterZones, our after-school program that will ultimately be accessible to every school-aged child in the city beginning with our middle schools. We now have three up and running, with two more to come.

AfterZones are already providing hundreds of children with high quality activities, and providing parents and guardians with needed relief.

It is the result of a great partnership with the Wallace Foundation, Bank of America and too many others to mention now, but the city is deeply grateful to all of them.

Just like everywhere else, we are doing more with less at our schools too. Reform has taken hold and we have a clear plan, called *Realizing the Dream*, to accelerate our progress.

We have the best high school in the state with Classical and the most improved high school in the state with Hope.

And we are addressing head-on the longstanding problem of deteriorating school facilities.

But despite the best efforts of our colleagues in the Providence delegation to the General Assembly, the state continues to reduce its share of the cost of education, even while federal and state mandates pile up.

I know you've heard it before, but I urge you to really take a moment to consider the cost of education in the 21st-Century.

The value of high school on the open market, that being private school, ranges from about \$20 to 30,000 dollars per student. Parochial school tuition is less but it is subsidized by the church.

We have just over \$10,000 dollars to spend per student, and we educate every child from the most gifted to the one starting in this country from scratch.

Make no mistake; excellence in education is about more than just money. But if we continue to under-fund our schools, we can expect our future economy to under-perform too.

I urge the General Assembly to recognize what the Governor in his budget has not. The state owes it to every city and town to start doing its fair share for kids and for the economy again.

Ladies and Gentlemen, there is still a lot of work to do here. But in just 40 months, City finances are not just out of intensive care. They are up and walking.

How many of us would have believed 40 months ago that we would fully fund our annual pension obligation by 2006?

How many of us would have believed that Providence bonds would earn a clean sweep of A grades from Moody's, Standard & Poor's, and Fitch?

How many of us would have believed the turnaround at some of our departments -- that our Police Department would be studied by law enforcement officers from around the country and the world?

How many of us would have believed the City would see \$3 billion dollars of new investment and two consecutive years of growth in the tax base?

It is amazing what this City has done in so little time. But what is more amazing is what lies ahead.

There will be more challenges, but we will face them as a fundamentally stronger city.

Our footing is firm and our future is bright.

Members of the City Council, I thank you for your partnership, and I look forward to working with you on this budget.

God bless our great city.

Thank you.



NEW BUSINESS

SUBMISSION OF PROPOSED BUDGET FOR

REVENUES AND EXPENDITURES

HIS HONOR, MAYOR DAVID N. CICILLINE

PRESENTS

**BUDGET AND APPROPRIATION
ORDINANCES SETTING FORTH
DETAILED ESTIMATES FOR THE
FISCAL PERIOD BEGINNING JULY 1,
2006 AND ENDING JUNE 30, 2007**

An Ordinance providing for the Assessment and Collection of 2006 taxes, being based on One Hundred Percent (100%) of the 2006-2007 fiscal year tax collection.

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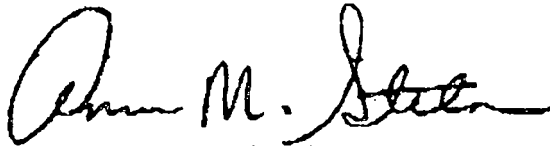
An Ordinance Establishing the Classes of Positions, the Maximum Number of Employees, and the Number of Employees in Certain Classes in the City Departments, and Repealing Ordinance No. 345 Chapter 2005-37, approved July 27, 2005.

COUNCILMAN APONTE Moves to Dispense with the Reading of the foregoing matters.

ACTING COUNCIL PRESIDENT DiRUZZO Refers the Several Ordinances to the Committee on Finance.

ADJOURNMENT

There being no further business, on Motion of COUNCILMAN APONTE, seconded by COUNCILWOMAN WILLIAMS, it is voted to adjourn at 7:40 o'clock P.M. (E.D.T.), to meet again on THURSDAY, MAY 4, 2006 at 7:30 o'clock P.M. (E.D.T.).



ANNA M. STETSON
CITY CLERK

