

1992 BUDGET ADDRESS

MAY 1, 1992

VINCENT A. CIANCI, JR., MAYOR

COUNCIL PRESIDENT PETROSINELLI, HONORABLE MEMBERS OF THE  
PROVIDENCE CITY COUNCIL, LADIES AND GENTLEMEN:

I COME BEFORE YOU TONIGHT TO PRESENT THE PROPOSED BUDGET FOR  
THE COMING FISCAL YEAR. I APOLOGIZE FOR KEEPING YOU WAITING.  
I HAVE JUST COMPLETED SOME CRITICALLY IMPORTANT DISCUSSIONS  
THAT HAVE PRODUCED SOME VERY GOOD NEWS FOR THE TAXPAYERS OF THIS  
CITY. BUT LET ME BEGIN MY PREPARED REMARKS.

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THE LAST YEAR HAS BEEN A VERY DIFFICULT ONE FOR THE PEOPLE OF  
RHODE ISLAND. WE CONTINUE TO FACE MANY PROBLEMS THAT HAVE AN  
ADVERSE EFFECT ON THE PROVIDENCE CITY BUDGET. BUT AS SPRING  
BEGINS TO ARRIVE IN OUR CITY, THERE IS NEW REASON FOR HOPE. THERE  
IS GROWING EVIDENCE THAT THE WORST OF THE RECESSION IS BEHIND US.  
AND WE HAVE BEGUN TO IMPLEMENT THE PROVIDENCE PLAN. I KNOW THAT  
MANY MEMBERS OF THIS COUNCIL HAVE SPENT LONG HOURS HELPING US TO  
IMPROVE THE HOUSING PORTION OF THIS PLAN. WORKING TOGETHER, WE  
WILL REBUILD OUR NEIGHBORHOODS. WORKING TOGETHER, WE WILL CREATE  
NEW HOPE AND NEW OPPORTUNITY FOR OUR PEOPLE.

BUT THE GREATEST CHALLENGE WE FACE TODAY IS THE CHALLENGE OF  
THE CITY BUDGET. THE RECESSION HAS WRECKED HAVOC ON THE REVENUE  
SIDE OF THE MUNICIPAL BUDGET. LET ME SHOW YOU HOW.

FIRST, STATE AID TO THE PUBLIC SCHOOLS HAS BEEN DEEPLY CUT. IF THE STATE FUNDING FORMULA WERE FOLLOWED, AND FULL FUNDING WERE PROVIDED, PROVIDENCE WOULD RECEIVE 23 MILLION DOLLARS MORE THAN THE AMOUNT THAT IS PROPOSED IN THE STATE BUDGET.

SECOND, THE STATE HAS TOTALLY ELIMINATED GENERAL REVENUE-SHARING FOR NEXT YEAR. ONLY A FEW YEARS AGO, WE RECEIVED ALMOST NINE MILLION DOLLARS FROM THIS SOURCE.

THIRD, THE STATE INTENDS TO INCREASE OUR COST FOR PROCESSING TRASH FROM 13 DOLLARS A TON TO AT LEAST 21 DOLLARS A TON, AND WILL ELIMINATE THE STATE SUBSIDY FOR RECYCLING; THESE TWO ACTIONS WILL COST THE CITY 1.2 MILLION DOLLARS NEXT YEAR.

FOURTH, WITH THE ECONOMY FLAT ON ITS BACK, WE ANTICIPATE THAT THE VALUE OF TAXABLE PROPERTY WILL DECLINE BY ALMOST 100 MILLION DOLLARS. THE TOTAL TAX LOSS IS 3.4 MILLION DOLLARS.

FINALLY, WITH INTEREST RATES WAY DOWN, WE EXPECT THAT INTEREST ON CITY INVESTMENTS WILL DECLINE BY ALMOST 1 MILLION DOLLARS IN THE COMING YEAR.

ADD ALL OF THIS TOGETHER, AND YOU GET 37 MILLION DOLLARS IN REDUCED REVENUE OR HIGHER COST THAT CAN BE DIRECTLY ATTRIBUTED TO THE RECESSION. IN GOOD TIMES, WE COULD COUNT ON THESE REVENUES. AND THERE WOULD BE NO NEED FOR A TAX INCREASE.

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BUT THESE ARE NOT GOOD TIMES. OVER THE LAST FEW MONTHS, OUR TASK HAS BEEN TO CLOSE A BUDGET GAP OF APPROXIMATELY 37 MILLION DOLLARS FOR THE YEAR BEGINNING JULY ONE. OVERALL, REVENUES WERE DOWN MORE THAN 2 MILLION DOLLARS, AND EXPENDITURES WERE UP MORE THAN 35 MILLION DOLLARS.

THE SPENDING INCREASES INCLUDED 5 MILLION DOLLARS FOR RAISES, AND ANOTHER FIVE-MILLION-DOLLAR INCREASE IN DEBT SERVICE TO PAY FOR THE COMPLETED SCHOOL RENOVATIONS. THERE ARE ALSO SIZABLE INCREASES IN THE COST OF MEDICAL INSURANCE, PENSIONS, AND TRASH REMOVAL. BUT THE BIGGEST PROBLEM OF ALL IS THE SCHOOL BUDGET -- WHICH, AS INITIALLY PROPOSED, WOULD GROW BY \$18 MILLION IF RAISES WERE PAID. THAT'S A 15-PERCENT INCREASE IN SPENDING.

I'D LIKE TO SPEND A FEW MOMENTS ON THE SCHOOL BUDGET, BECAUSE IT'S ONE OF THE MOST DIFFICULT PROBLEMS WE FACE TODAY. SIMPLY PUT, NO INVESTMENT IS MORE WORTHWHILE THAN THE INVESTMENT IN OUR SCHOOLS; BUT THE CITY OF PROVIDENCE, ON ITS OWN, CANNOT BEGIN TO AFFORD THE EVER-RISING COST OF EDUCATION DURING THE 1990s.

SCHOOLS HAVE THE POWER TO RAISE A CHILD UP FROM POVERTY. THERE'S NO BETTER INVESTMENT THAN EDUCATION TO BREAK THE CYCLE OF POVERTY AND SAVE TAXPAYER DOLLARS. IT COSTS LESS THAN \$6,000 TO EDUCATE A CHILD FOR ONE YEAR; MORE THAN \$15,000 TO SUPPORT A TYPICAL FAMILY ON WELFARE; AND MORE THAN \$30,000 TO HOUSE AN INMATE AT THE ACI. THE LAST THING WE WANT TO DO IS TO SHORT-CHANGE OUR SCHOOLS.

BUT RAPID INCREASES IN STUDENT ENROLLMENT, AND STATE MANDATES FOR THE SCHOOLS TO DO MORE AND MORE, ARE OVERWELMING OUR CAPACITY TO PAY.

OVER THE LAST FIVE YEARS, ENROLLMENT HAS RISEN BY MORE THAN 2,300 STUDENTS. AT THE RATE WE ARE GOING, ENROLLMENT DURING THIS DECADE WILL RISE BY 7,500 STUDENTS -- AN INCREASE OF 36 PERCENT. BECAUSE OF THE GROWING STUDENT POPULATION, WE HAD TO RENOVATE THE VEAZIE STREET SCHOOL AND RETURN IT TO SERVICE. IT WILL COST 2.8

MILLION DOLLARS THIS YEAR TO PAY FOR THE RENOVATIONS AND TO STAFF THE SCHOOL WITH 29 TEACHERS AND A PRINCIPAL. IF THE TRENDS CONTINUE, WE WILL NEED MANY MORE CLASSROOMS AND TEACHERS IN THE NEXT FEW YEARS TO ACCOMMODATE THE GROWING POPULATION.

THEN THERE'S SPECIAL EDUCATION. FOR YEARS THE CITY WAS OUT OF COMPLIANCE WITH STATE MANDATES. WE ARE MOVING INTO COMPLIANCE, AND THIS IS A VERY GOOD THING FOR THE STUDENTS WHO WILL BENEFIT. BUT IN THE DEPTHS OF A RECESSION, WE HAVE BEEN REQUIRED TO HIRE 52 ADDITIONAL TEACHERS AND ADMINISTRATORS FOR THE SPECIAL EDUCATION PROGRAM. THE SPECIAL ED BUDGET WILL RISE BY ALMOST \$4 MILLION IN ONE YEAR.

THERE'S MORE. BECAUSE OF THE GROWING STUDENT ENROLLMENT, BECAUSE OF SPECIAL ED, THE SCHOOL DEPARTMENT PROPOSES TO HIRE 151 ADDITIONAL TEACHERS, ADMINISTRATORS AND OTHER STAFF IN THE COMING YEAR. EVEN WITHOUT A RAISE IN SALARY, PERSONNEL COSTS WOULD GROW BY MORE THAN 6 MILLION DOLLARS.

THIS ALL ADDS UP TO A FINANCIAL NIGHTMARE FOR THE CITY. SCHOOL COSTS RISING BY 18 MILLION DOLLARS -- AND STATE AID TO EDUCATION RISING BY ONLY 1.7 MILLION DOLLARS. IT'S VERY CLEAR THAT IF THESE TRENDS CONTINUE, EITHER WE WILL GO BROKE OR WE WILL TURN THE KEYS TO THE SYSTEM OVER TO THE STATE OF RHODE ISLAND. NOW YOU KNOW WHY I SAY THE STATE SHOULD TAKE MONEY AWAY FROM THE AFFLUENT COMMUNITIES AND GIVE IT TO THE POOR. HERE IS WHERE THE NEED IS THE GREATEST.

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SO, OVERALL, WE HAD A BUDGET GAP OF SOME 37 MILLION DOLLARS. IF WE BRIDGED THAT GAP WITH A TAX INCREASE, YOU'RE TALKING ABOUT

ALMOST SEVEN DOLLARS -- A 25-PERCENT INCREASE IN ONE YEAR.

OBTAINING THIS IS OUT OF THE QUESTION. SOME TOUGH CHOICES HAD TO BE MADE. LET ME PRESENT THEM TO YOU.

FIRST, AS TO CITY EMPLOYEES. I REGRET TO SAY THAT, FOR THE SECOND YEAR IN A ROW, WE WILL BE UNABLE TO OFFER RAISES. THE MONEY -- 5 MILLION DOLLARS -- SIMPLY IS NOT THERE. HOWEVER, IN NEGOTIATING EVERY CITY CONTRACT IN THE COMING MONTHS, WE WILL BE PREPARED TO DISCUSS THREE-YEAR CONTRACTS FOR WHICH MODEST RAISES COULD BE OFFERED IN THE SECOND AND THIRD YEARS. WE BELIEVE THIS OFFER IS PRUDENT BECAUSE THE ECONOMY WILL BE GRADUALLY IMPROVING, AND OUR FINANCIAL POSITION WILL GRADUALLY IMPROVE AS WELL.

IN RECENT WEEKS, WE HAVE FOUND AN ADDITIONAL TEN MILLION DOLLARS IN SAVINGS. THIS INCLUDES THREE MILLION DOLLARS IN SAVINGS FOUND BY THE SCHOOL COMMITTEE. ALSO INCLUDED IS THE REFINANCING OF TWO OUTSTANDING BOND ISSUES. THE VERY LOW INTEREST RATES OF TODAY PRESENT ANOTHER OPPORTUNITY TO LOWER OUR DEBT SERVICE COSTS -- THIS TIME BY ALMOST \$3 MILLION.

THESE ACTIONS BROUGHT THE BUDGETARY GAP FROM 38 MILLION DOLLARS TO 23 MILLION DOLLARS.

I AM PLEASED TO REPORT TO YOU THAT WE HAVE REACHED AN AGREEMENT THAT WILL REDUCE THIS NUMBER EVEN FURTHER.

AS YOU KNOW, NARRAGANSETT ELECTRIC PLANS THIS YEAR TO BEGIN A 600-MILLION-DOLLAR CONSTRUCTION PROJECT THAT WILL TRIPLE THE GENERATING CAPACITY OF THE MANCHESTER STREET PLANT. WE HAVE BEEN NEGOTIATING WITH THE COMPANY OVER THE AMOUNT OF ADDITIONAL TAXES THE UTILITY WILL PAY. NARRAGANSETT ELECTRIC HAD OFFERED TO PAY \$65 MILLION OVER A TEN-YEAR PERIOD. AS PROPOSED, THEY WOULD PAY

2.5 MILLION DOLLARS A YEAR DURING THE INITIAL CONSTRUCTION YEARS, AND NINE MILLION DOLLARS A YEAR IN LATER YEARS. THIS TAX INCREMENT WAS IMPORTANT TO US, BECAUSE THIS IS HOW WE WOULD PAY FOR THE HOUSING PROGRAM AND THE NEW PUBLIC SAFETY HEADQUARTERS.

AFTER EXTENSIVE DISCUSSIONS WITH NARRAGANSETT ELECTRIC, WE HAVE REACHED AGREEMENT ON A PAYMENT PLAN THAT WILL BE VERY BENEFICIAL TO THE CITY DURING THESE RECESSIONARY YEARS.

FIRST OF ALL, THE COMPANY WILL PAY 5 MILLION DOLLARS TO THE CITY DURING THE FISCAL YEAR THAT BEGINS JULY 1, 1992. THIS IS DOUBLE WHAT THE COMPANY ORIGINALLY PROPOSED. IT IS A SPECIAL PAYMENT, BECAUSE THE COMPANY HAS NOT YET BEGUN CONSTRUCTION, AND HAS NO LEGAL OBLIGATION TO PAY ADDITIONAL TAXES FOR THE COMING YEAR. AND THE 5-MILLION-DOLLAR PAYMENT IS EQUAL TO ONE DOLLAR ON THE TAX RATE.

AFTER FISCAL 92-93, NARRAGANSETT ELECTRIC WILL PAY 70 MILLION DOLLARS OVER TEN YEARS -- BRINGING THE TOTAL PAYMENTS TO 75 MILLION DOLLARS OVER AN ELEVEN-YEAR PERIOD.

I'D LIKE TO EXPRESS MY GRATITUDE TO NARRAGANSETT ELECTRIC FOR ITS GENEROUS OFFER. DURING THE YEARS THE PLANT WILL BE UNDER CONSTRUCTION, THE COMPANY WILL PAY THE CITY 24 MILLION DOLLARS IN NEW TAXES. THIS COMPARES WITH THE NINE MILLION DOLLARS THE COMPANY HAD PREVIOUSLY OFFERED FOR THIS PERIOD. THESE ARE THE SAME YEARS WHEN THE RECESSION WILL BE GRADUALLY FADING. FIVE MILLION A YEAR IN NEW DOLLARS IS CRITICALLY IMPORTANT TO THE CITY.

LET ME MAKE ONE FINAL POINT. THE TAX INCREMENT OFFERED BY NARRAGANSETT ELECTRIC IS SUFFICIENT FOR THE CITY TO FINANCE THE HOUSING PLAN AND THE NEW PUBLIC SAFETY BUILDING. WE CAN MAKE

IMPORTANT NEW INVESTMENTS FOR THE FUTURE AND PROVIDE CRITICAL TAX RELIEF FOR THE PRESENT.

SOON I WILL SUBMIT AN ORDINANCE TO THE CITY COUNCIL THAT WILL RATIFY THE TAX AGREEMENT WE HAVE REACHED WITH NARRAGANSETT ELECTRIC. IN HEARINGS BEFORE THE FINANCE COMMITTEE, WE WILL PRESENT A DETAILED JUSTIFICATION FOR AN AFFIRMATIVE VOTE.

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I HAVE MORE GOOD NEWS FOR THE TAXPAYERS. I DID NOT KNOW I WOULD HAVE ANY MORE GOOD NEWS UNTIL I MET, BETWEEN 5:30 AND 6:30 TONIGHT, WITH A DELEGATION OF OFFICIALS REPRESENTING THE STATE OF RHODE ISLAND.

AMONG THOSE AT THE MEETING WAS PETER McWALTERS, THE NEW COMMISSIONER OF EDUCATION, WHO I AM HAPPY TO SAY HAS BECOME A RESIDENT OF PROVIDENCE. MR. McWALTERS HAS IMPRESSED ME AS A MAN WHO CARES DEEPLY ABOUT THE PROBLEMS THAT ARE FACED BY URBAN SCHOOL SYSTEMS SUCH AS PROVIDENCE. HE UNDERSTANDS THAT THE NEEDS ARE GREAT, BUT THAT THE RESOURCES ARE LIMITED. AS WE LAUNCH THE GREAT ENTERPRISE OF THE PROVIDENCE PLAN, I AM CONFIDENT THAT MR. McWALTERS WILL BE WITH US EVERY STEP OF THE WAY.

I AM PLEASED TO REPORT THAT MR. McWALTERS, WORKING WITH SUPERINTENDENT ZARRELLA, HAS IDENTIFIED MEANS FOR THE STATE OF RHODE ISLAND TO PROVIDE AN ADDITIONAL \$3 MILLION TO THE SCHOOL SYSTEM OF THIS CITY. THE SCHOOL DEPARTMENT MUST PRODUCE CERTAIN DOCUMENTATION TO QUALIFY FOR THIS AID, BUT DR. ZARRELLA HAS ASSURED ME THE WORK WILL BE DONE.

EARLIER TODAY, I DISCUSSED OUR CITY'S PLIGHT WITH GOVERNOR SUNDLUN. YOU WILL RECALL THAT THE GOVERNOR SERVED FOR SEVERAL

YEARS ON THE PROVIDENCE SCHOOL COMMITTEE, AND WAS CHAIRMAN OF THE HOUSING AUTHORITY. AS GOVERNOR, HE HAS PROVEN TO ME AGAIN AND AGAIN THAT HE RECOGNIZES THE SPECIAL NEEDS OF THE CITY OF PROVIDENCE. IT WAS THE GOVERNOR WHO ASKED MR. McWALTERS AND AIDES FROM THE GOVERNOR'S OFFICE TO ATTEND OUR MEETING.

IN THIS MEETING, WE HAD A DETAILED DISCUSSION OF THE FINANCIAL RELATIONSHIP BETWEEN THE CITY AND THE STATE, AND OF LEGISLATION THAT IS PENDING BEFORE THE GENERAL ASSEMBLY OR MIGHT BE INTRODUCED. BASED ON THESE DISCUSSIONS, THE GOVERNOR'S STAFF AND I DECIDED IT WOULD BE PRUDENT TO INCLUDE ADDITIONAL STATE REVENUE IN THIS BUDGET. THE AMOUNT IS 4.5 MILLION DOLLARS.

NOTHING COULD OFFER GREATER PROOF THAT THE STATE GOVERNMENT IS COMMITTED TO THE PROVIDENCE PLAN -- TO THE REBUILDING OF OUR GREAT CITY -- THAN THE EXTRAORDINARILY GENEROUS RESPONSE OF GOVERNOR SUNDLUN AND HIS ADMINISTRATION ON MAY FIRST, 1992.

THIS GIVES US ALL THE BOOST WE NEED TO FACE THE AWESOME CHALLENGES LAID OUT IN THE PROVIDENCE PLAN. THE STATE OF RHODE ISLAND -- GOVERNOR SUNDLUN -- KNOW THEY MUST COME TO THE AID OF THE CAPITAL CITY, AND THEY HAVE DONE SO.

THE AGREEMENT WITH NARRAGANSETT ELECTRIC, THE NEW SUPPORT FROM COMMISSIONER McWALTERS, AND THE ANTICIPATED NEW REVENUES HAVE A DRAMATIC EFFECT ON THE TAX RATE. WHEN ALL FACTORS ARE CONSIDERED, I AM PLEASED TO INFORM THIS COUNCIL THAT A TAX INCREASE OF ONLY \$1.95 IS NEEDED TO FUND THE OPERATIONS OF THE CITY GOVERNMENT NEXT YEAR.

WE'VE COME A LONG WAY FROM A BUDGET GAP OF 37 MILLION DOLLARS, AND A TAX INCREASE OF SEVEN DOLLARS. THERE IS MUCH MORE



WORK TO BE DONE. BUT I AM CONFIDENT THAT WE WILL HOLD THE RATE,  
AND RUN A BALANCED BUDGET DURING THE YEAR. I LOOK FORWARD TO  
WORKING WITH THE CITY COUNCIL IN THE WEEKS AHEAD SO THAT WE CAN  
PUT THE NEW BUDGET INTO PLACE.

Vincent A. Cianci  
Mayor