



Executive Chamber, City of Providence, Rhode Island

Vincent A. Cianci, Jr.
MAYOR

February 5, 1981

City Council
City of Providence
Providence, Rhode Island 02903

Honorable Members:

I am on this date submitting for your review and approval my proposed budget for fiscal year 1981. I seek your assistance and cooperation in providing prompt and responsible action so that our City may be placed on a sound fiscal basis with a balanced budget. It is neither easy nor pleasant to undertake the actions called for, but I submit to you it is the right and responsible way to act in the short period remaining in this fiscal year.

As you well know we have suffered through a period of extraordinary inflation for the past three years. In fact the rate of inflation for this period totals thirty six percent (36%). During this time the City of Providence experienced no tax increase, while our costs continued to rise as a result of this inflationary spiral.

In November of 1980, I sought the assistance of members of the banking community, accountants, attorneys, local businessmen and representatives of the Providence City Council to review the City's fiscal condition and to recommend to me appropriate actions. The first report of this Committee, issued in January, recommended:

1. Adoption, with Rhode Island Auditor General's approval, of the modified accrual method of accounting in the current fiscal year.
2. A \$16.33 supplemental property tax increase, payable in six quarterly payments of \$3.00, \$2.50, \$2.50, \$2.50 and \$2.83.
3. Certain legislative action necessary to implement the above.
4. Implementation of effective budgetary procedures to monitor, control and limit departmental spending.

I have accepted all of these recommendations; thus, the proposed fiscal year 1981 budget seeks a \$16.33 supplemental property tax increase. Mindful of the possible economic and social consequences to our citizens, payment of this supplemental increase will be spread over an eighteen month period with only \$6.00 per thousand payable in this fiscal year in two installments of \$3.00 per thousand each. In fiscal year 1982, four additional quarterly payments of \$2.50, \$2.50, \$2.50 and \$2.83 will be due.

The Committee has now issued its second report which, in addition to stressing the urgency of the current fiscal situation, discusses possible alternative revenue sources for fiscal year 1982. These include instituting a 1% municipal payroll tax, which would clearly necessitate General Assembly action. It is projected that a 1% tax on wages earned in the City would yield an estimated 14.5 million dollars on an annual basis. Enactment of such a tax would enable us to significantly reduce the property tax in future years. Another option being explored is an increase in the State sales tax of 1%, with those additional revenues being distributed to the cities and towns.

The City of Providence, as the only central city in the state, is the home of many tax exempt institutions which serve a broad public function. Thus the Committee recommends that the feasibility of assessing service charges (i.e. police protection, fire protection, snow removal, street cleaning, and lighting, etc.) against private schools, churches, hospitals, and other charitable institutions within the City, which are presently exempt from any property tax, be explored with all possible speed. It is projected such charges could generate approximately three million dollars annually.

It is the further recommendation of the Committee that a review of the City's fee and user charges be undertaken immediately so that such fees could be increased to more realistic levels. These adjustments could generate over one million dollars in new revenue for fiscal year 1982. It is important to note that given the lateness in the fiscal year and the complexity of enacting alternative revenue sources, the impact of any such effort in the current fiscal year would be minimal. Prompt action on these alternatives would, however, enable the City to generate additional revenues in future years and it is my intent to use any such alternative/additional revenues to reduce the property tax rate.

Further, in fiscal year 1982 the Committee has recommended a 2.5% cap on spending growth, which would eliminate the need for any additional tax increase. I have accepted this recommendation also. In view of existing contracts necessitating personnel cost increases of approximately 7% and 12% inflation for material and supplies, it is obvious that such a budget will require reductions in City service and additional economies and efficiencies in operations. The degree of service cutbacks needed to meet the proposed 2.5% growth budget for fiscal year 1982 can not be predicted at this time and is dependent upon actions being taken prior to July 1, 1982 to:

1. Transfer operations of the Sewerage Treatment Plant and certain like services to the regional sewer authority. This would eliminate the present burden on the City's General Fund for the multi-million dollar expense of operating the plant and also significantly reduce the line item in the fiscal year 1982 budget for debt service.

2. Establish once a week garbage collections by a private contractor.

3. Establishment of a Water Enterprise Fund which would enable the City to be reimbursed for services provided to the Water Supply Board.

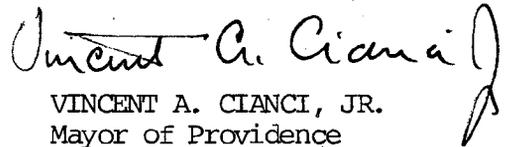
It is important to note that the Public Utilities Commission has established a hearing date of February 11, 1981 to hear the Water Supply Board's request for a significant rate increase.

The City's preliminary forecast of the impact of the above could mean reduction of fiscal year 1982 expenditures by 4-6 million dollars.

I am enclosing for your review the second report of the Advisory Committee on Finances dealing with the above referenced alternative revenue sources and the projections for fiscal year 1982. Let me assure you that I will continue to seek the active involvement of this Committee and their recommendations with regard to the stewardship of City finances. I have also requested that the Rhode Island Public Expenditure Council and the Greater Providence Chamber of Commerce undertake a management efficiency study as part of the Committee's endeavors, and they have expressed their willingness to do so. I cannot stress enough the value of the assistance and cooperation so willingly provided by both of these organizations over the past several months.

We must be willing to take the steps necessary to balance the fiscal year 1981 budget; prudently manage our available resources; actively seek alternative revenue; and efficiently deliver municipal services to our citizens. I seek your cooperation and prompt response. Working together, I am certain that we can provide the sound, responsible leadership needed at this time.

Respectfully submitted,


VINCENT A. CIANCI, JR.
Mayor of Providence

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