

FY 2003 - 2004 BUDGET ADDRESS



**MAYOR DAVID N. CICILLINE
CITY OF PROVIDENCE**

**RESPECTFULLY SUBMITTED
MAY 1, 2003**

PROVIDENCE, WE CAN!

BUILDING A FOUNDATION FOR THE CITY'S FUTURE

Mayor David N. Cicilline
Budget Address
May 1, 2003

Good evening. I am pleased and proud to present to the people of this city the Budget for Fiscal Year 2004.

This is a transition year for the people of Providence, and for the City and its administration. After inheriting an ineffective and irresponsible city financial management system, I sought out the very best financial management leadership in the country.

I put this team to work to ferret out the problems and begin to design the solutions that will put the city's financial house in order.

In the first 100 days of my administration, I instituted a series of reforms. Working closely with the City Council and reaching out to the people of the City through frequent community conversations, we have begun a process to change the structure of city government and its financial management. This Budget is a result of all of that hard work.

With this Budget, the people of the city of Providence and I have the opportunity to lay a foundation for a new future. My goal in this year is to resolve the long-term structural problems of the past, solve the immediate budget challenges of the present, and provide a firm new leadership approach that will enable us to achieve more for the people of the city in each successive year.

The Chinese symbol for crisis is also the symbol for opportunity. With the crisis of the City's past neglect of responsible financial management comes the opportunity to reform the way the city does its work. Whenever possible, my administration has seized

the chance to make changes that will have long-term benefits to the city and its people.

Here is what the FY 2004 budget does:

- It proposes a balanced budget of \$552 million, representing a 7.3% increase from the current year.
- It balances income and expenditures.
- It closes a budget gap of \$58.9 million dollars.
- It establishes a series of reforms in the organization and management of city government, reducing the size and cost of government in many areas.
- It reflects a 14% cut in the city government's management workforce, and an historic 10% co-share by city management on its health care.
- It includes more than \$6 million in reductions and belt-tightening in the school budget.
- It generates more than \$21 million in new, non-tax revenue, more than 65% of it renewable annually.
- It calls for the state to supplement its proposed level funding for state education.
- It appeals to city unions to accept modifications in their current contracts, the single largest driver of city spending.
- It calls unequivocally for the private colleges and universities to step in, accept a new level of responsibility, and begin to play a more active role in the city's future by making annual payments in lieu of taxes.
- **It does not raise property taxes.**

- Most importantly, it relies on you, the people of the city and the elected officials who represent them, to ensure the success of our efforts to reduce costs and generate revenue.

Over the course of the next six to eight weeks, your voice must be heard in order for this budget to be realized. Together, we can build this new foundation.

As your Mayor, each week I travel the streets, schools and neighborhoods of Providence, listening to you, the residents, students, retired people, business people of the city — and sharing my vision, my values, for the future of our city. You all know the core elements of that vision, because you have heard me repeat them — sometimes relentlessly — to ensure that we continue to focus on them as we shape the future of our city.

But there is another reason you know this vision so well. It is, fundamentally, your vision. I have merely stitched together the things that hundreds, even thousands of you have been telling me. This, then, is **our** vision.

Providence's future is that of a city with

- o A robust, diversified, dynamic economy...
- o Neighborhoods that are healthy, vibrant and safe...
- o Schools that succeed in their mission to educate young minds...
- o Children and youth who thrive in all areas of life...
- o Ethical, innovative, and professional city government...
- o Affordable, quality housing, and...
- o A reasonable cost of living — including reasonable taxes.

All budgets reflect the vision and the values of those who craft them. A budget, even one as dense and complex as that of the City of Providence, is fundamentally a statement of priorities, a way of showing, in very concrete terms, what we care most about.

This budget is my attempt – and the effort of literally dozens of hard-working city employees – to reflect back to you, the people of the city, the values that you hold most dear. This budget is designed to give the city a chance to do the best job it can at educating all children, keeping neighborhoods safe, growing the Providence economy, and minimizing additional burdens on the city’s taxpayers.

This is a year for bold initiatives in cost cutting and revenue-generation, a year for ensuring that the city conducts its business in a prudent and effective way, a year for providing for our long-term future. Because of the profound long-term impact of this new fiscal prudence, and our emphasis on a shared responsibility for our future, this is precisely the budget the city needs at this time. Through our successful achievement of the goals and ambitions that it embodies, we will clear a path for a wealth of future enterprises and initiatives to support the development of our children, the strength of our neighborhoods and the well-being of our city.

This budget responds to the hard economic times facing the city. The Governor has proposed level funding for the coming year, after several years of substantial increases.

When combined with the additional burdens of rising health care costs, the fixed increases in compensation provided for in pre-existing contracts, rising pension costs, and debt service, the impact on our budget has been dire.

This is why we began the budget process with an estimated \$58.9 million budget gap for the year.

My budget adopts the budget submitted by the Providence School Board. The School Board, the Superintendent and the school staff have done a commendable job in keeping their submission under an 8% increase, most of it driven by labor costs that can only be adjusted when contracts are re-negotiated, or when labor voluntarily enters into negotiated modifications. The Superintendent and the School Board have made hard choices. They have reduced the size of the work force while maintaining their commitment to meet educational needs. The reduction of staff is not easy, but in this case it was necessary due to severe financial constraints.

The City portion of the budget has increased just over 7% as well. Here, as with the School Department, the rising cost of health care, pensions, debt service and salary increases for the union workforce has required difficult choices.

Through the efforts of the newly re-organized Operations and Administration Departments of the city, we have generated a series of cuts and a set of revenue-generating measures that will shrink the budget gap by \$34.5 million, or 60%.

In the face of this budget challenge, the city is doing many things well, with many positive results.

With their assistance, I am announcing today many cuts in personnel at the management level. These were incredibly difficult, even painful, changes to make. I have reduced management positions by 14%, instituted a wage freeze, and made changes in the health care plan design, in its administration, and instituted a 10% co-share for all management employees.

We have also undertaken a complete re-organization of many city departments and undertaken cost-control measures, such as limiting the use of city -owned cell phones, vehicles and other equipment. I have also replaced the old tow system with a new revenue generating model.

In a promising new initiative, we have crafted a package of non-tax, revenue-generating programs. Several of these the City of

Providence can initiate independently with City Council approval, and they will generate more than \$5 million in the first year of implementation. They include new traffic lights with cameras mounted on them, which dramatically improve safety and generate additional revenue; increased enforcement of parking and moving fines; and competitive fees for a variety of city inspections and other services.

A second set of new revenue sources will require state legislation, the innovative Urban Financial Responsibility (UFR) Act. This legislation, introduced at my request, provides many new and beneficial revenue sources that are common to other jurisdictions across the country and should be made law here in Rhode Island. These measures run the gamut from increased consumption fees, adjustments fees for services, and a long-hoped-for rate of return on the Water Supply Board, permitting the city to earn up to \$4 million annually for owning and operating a water supply system that serves nearly 70% of the state. When passed, this legislative package will generate more than \$10 million dollars each year.

Finally, as a routine matter of course with parcels of city-owned property that have outlived their usefulness to the city, we plan to realize slightly more than \$5 million in one-time revenue for the sale of land and buildings.

Taken together, these steps have reduced the budget gap substantially.

Let me now turn my attention to the work we must do together. Here are the three key areas where changes must be made, and solutions can be found. In each of them, I am leading the reform effort. But I need your help.

Tonight I am calling on you, the people of Providence, to help me accomplish these three tasks.

First, after all the cuts and new revenue strategies are implemented, the City of Providence requires an additional \$24.4 million to close the gap. Most of this amount must come from

state aid. Despite its status as the unrivaled engine driving the Rhode Island economy, Providence has been offered a seriously inadequate proposal for state aid in the Governor's budget. If left unchanged, the Governor's current proposal would result in a net loss of \$19.6 million of funding for the public schools of this city.

We cannot let this happen to our children.

Governor Carcieri and the legislature – who already know my strong feelings on this issue – must now expect to hear from the people of the city of Providence about the detrimental impact of this proposal on our children.

The role of Providence in the state's economy simply cannot be overestimated. Nationally, 89% of economic growth in the United States is driven by urban communities.

Each day, Providence grows from a city of 175,000 to almost 300,000, a nearly 40% daily expansion, to accommodate the workers, students, commuters, visitors, and others doing business, enjoying cultural offerings, or otherwise engaging in the life of the city. That is 40% more people than are paying taxes in the city, 40% more people than are shouldering the responsibility – civic and financial – for the city.

Consider this even more sobering data. Each year, Providence residences and businesses generate approximately \$700 million in state income, in the form of sales and other tax payments to the state. How much do we currently get back in state aid? No more than \$300 million – less than 50% of what we are paying in.

The second major challenge, and perhaps the hardest one to solve, is the state of the city's contracts with its city personnel. As in all cities, the largest and most difficult expenses for Providence to contain are in the area of personnel. Contracts for city workers must be adapted to reduce costs and eliminate benefits we can no longer afford.

The workers of this city teach our children, patrol our streets, fight our fires, maintain our parks, and provide the daily services upon which we rely. They deserve decent wages and benefits. But the steeply rising costs of health care, compensation and pension benefits as mandated in current contracts must now become the subject of ongoing negotiation.

I have been meeting with many of the labor leaders of the city's employees for the past several weeks. In my talks with them, I have communicated my concerns and expressed the urgency of the city's situation. Many of the major city contracts will be up for re-negotiation in the coming fiscal year, but it is also their responsibility of union leadership to continue talks modifications to existing contracts.

I urge them to do so.

My third major goal – and I will need your help to achieve it – is to ensure that the private higher education institutions of this city recognize their responsibility to the city and *pay their fair share*.

Providence's private colleges and universities own more than three-quarters of a billion dollars in prime Providence real estate, virtually all of it tax-exempt. Each year they buy more and more land, removing it permanently from the city's tax rolls, further undermining the city's capacity to generate its own revenue through property taxes.

The local history of payments in lieu of taxes is one of much dialogue and little change. However, in the rest of the United States, institutions comparable to Brown University, RISD, and Providence College and Johnson and Wales are paying millions of dollars annually for services received from their host cities, or making voluntary payments in lieu of taxes, or *both*. Here in Providence, our private colleges and universities simply must face up to their responsibilities, and accept this new role as a partner in the long-term well being of the city.

Some critics have suggested that I am singling out the colleges

and universities, and treating them unfairly. This is simply not so.

I have challenged the Governor and the Legislature to respond with changes in their budget.

I have made it clear to the unions and employees of the city that changes must be made in our city contracts.

Absent the increased investment by the state, reduced expenses on compensation, and the long-awaited arrival of payments in lieu of taxes by the private higher education community, the only alternative is to increase taxes.

This is something I simply will not do until I have done everything in my power to get our fair share from other sources, and let me tell you why.

- o Providence taxpayers already face the highest tax burden in the state and
- o The city also suffers from a severely limited tax capacity, or tax base, because so much of our property is tax-exempt.

Others must do their fare share first, before a raise in taxes. Taxes are, for me *and* for the people of the city, the very last resort.

This Budget reflects what I call a Fair Share approach – everyone is asked to do what is fair:

- o The City is making cuts in wide variety of areas – and *all* city departments made cuts
- o The State is challenged to contribute its fair share
- o City employees are being asked to adjust their contracts in the coming year
- o The city’s private colleges and universities are urged to pay a new, fair share

I am not asking, and the city is not asking, for anything more than what I have already done. Indeed, I am leading by example, and urge others to consider the consequences if they were to follow suit.

I am committed to an approach that I call “doing more with less.” By this I do not mean that we can glibly expect to carry on as if no changes had occurred. These cuts are real – and their effects will be felt throughout the city.

But our commitment to maintain or in some cases to increase our levels of service is also real.

People say you cannot do more with less – and in some cases, as, for instance, with serving the elderly or educating young children – that is certainly right. But in many of the things we do, we can save money and time and still get good results. Just this winter, our Operations’ department realized that if it adjusted its snow plowing schedule and program, it could realize major savings. Current estimates are that as much as \$3 million was saved in this fiscal year, with no diminishment of service.

There is a danger in romanticizing the leaner model of government, and I will continue to be vigilant that no cuts be made in the places where they will do grave harm.

But in some areas of city government, with fewer people on the job, stronger and better-trained employees, and higher levels of organization and communication, the quality of the work will remain high, and perhaps even improve.

By now, you will recognize that this is no ordinary budget address. This is a Call to Action.

Over the course of the next six weeks, EVERYONE'S VOICE IS NEEDED.

Here is what you can do:

Familiarize yourself with the budget and the issues surrounding it. We have handouts here to day.

Take your personal story and your opinions, and share them with the people who make policy in this state.

- § Call your legislators
- § Check in with Talk Shows
- § Write a letter to your local paper
- § Encourage the Governor and your legislators to do the right thing
- § Share with the private colleges and universities your views on how they can help the city
- § Encourage those whom you know in city employee unions to consider the long-term interests of the city and its workers
- § Come to the Rally we are having on Tuesday, at 5:30 pm, at the State House
- § Let me know what you think, and what you are doing to help.



There is no mystery here. The future of the city depends on our continuing efforts to trim excess costs, create fair partnerships with the state, the unions and the colleges and universities, and to maintain our focus on the reasons we care so passionately for the city of Providence

This is a city that cares about its children, its neighborhoods, its history and its future. Over the coming years, we must do everything in our power to become an even more vibrant and thriving economic center of creative activity and innovation.

I have witnessed the energy and commitment of the many citizens who have, in the past 100 days, stepped into City Hall to volunteer on behalf of the city they love.

We will make this great future happen.

This budget will be firm foundation on which we can build.

And so, I say to you tonight,

Providence, WE CAN!

A handwritten signature in black ink, appearing to read "J. H. L. L." with a stylized flourish at the end.