

RESOLUTION OF THE CITY COUNCIL

No. 336

Approved July 31, 2017

WHEREAS, On June 29, 2017, Mayor Jorge O. Elorza and the City's Finance Department submitted a Deficit Reduction Plan "as of June 30, 2017," attached as Appendix A, to the Office of the Auditor General, in conformity with Rhode Island General Laws § 45-12-22.3; and

WHEREAS, On June 30, 2017, Auditor General Dennis E. Hoyle, CPA, responded to the Mayor that he found "the plan generally acceptable and consistent with the [legal] requirements," as further detailed in the attached copy of his letter, Appendix B; and

WHEREAS, Final acceptance by the Auditor General, following adoption by the Providence City Council, is subject to certain requirements delineated in Mr. Hoyle's letter; and

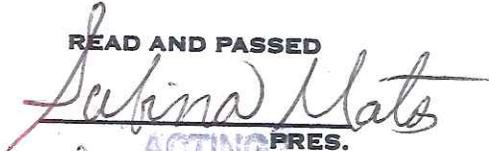
WHEREAS, In addition, Mr. Hoyle commended the City "for eliminating the cumulative deficit more quickly than originally anticipated;"

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Providence adopts and approves the Deficit Reduction Plan as submitted to the Office of the Auditor General.

IN CITY COUNCIL

JUL 20 2017

READ AND PASSED



ACTING PRES.



CLERK

I HEREBY APPROVE.



Mayor
Date: 7/31/17



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

HAND DELIVERED

Honorable Sabina Matos
Acting Council President
Providence City Council
Providence City Hall
Providence RI 02903

RE: City of Providence Deficit Reduction Plan

June 30, 2017

Dear Acting President Matos:

Enclosed please find, for City Council consideration, the latest version of the City of Providence Deficit Reduction Plan, as submitted to the Office of the Auditor General, in conformity with Rhode Island General Laws section 45-12-22.3; along with a letter from the Auditor General, Dennis E. Hoyle, CPA, that the plan is generally acceptable and consistent with the requirements of Rhode Island General Laws Sections 45-12-22.3.

We look forward to a further discussion and presentation at the appropriate next scheduled meeting of the City Council Finance Committee.

Sincerely,

Nicole Pollock
Chief of Staff

CC:

Providence City Council Members
Lori L. Hagen, City Clerk
Lawrence J. Mancini, Finance Director
Matthew M. Clarkin Jr., Internal Auditor

OFFICE OF THE MAYOR

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Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly
Dennis E. Hoyle, CPA - Auditor General

oag.ri.gov

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tel: 401.222.2435 • fax: 401.222.2111

June 30, 2017

Honorable Jorge O. Elorza
Mayor of the City of Providence
25 Dorrance Street
Providence RI 02903

Dear Mayor Elorza:

I have reviewed the City's revised deficit reduction plan to eliminate the remaining cumulative General Fund deficit of \$3,158,000 at June 30, 2016. I understand that you intend to forward the plan for the City Council's consideration today.

I find the plan to be acceptable and consistent with the requirements of General Law section 45-12-22.3 that requires that the deficit be eliminated in equal or diminishing amounts over a period not to exceed five years. As outlined in the plan, the City anticipates complete elimination of the cumulative deficit in fiscal 2017 through generation of a General fund operating surplus for fiscal 2017. We note that the City's elimination of the cumulative deficit is significantly accelerated compared to the plan approved by this office in a letter dated January 29, 2016.

Final acceptance of the City's deficit reduction plan, once adopted by the City Council, is subject to the following requirements:

- Monthly status meetings with the Office of the Auditor General, Division of Municipal Finance, the City's Finance Director and other members of the City administration shall continue for the purpose of receiving updates on the City's budgetary compliance and financial situation.
- Projected Fiscal 2017 operating results are confirmed by submission of the City's fiscal 2017 audited financial statements no later than December 31, 2017.

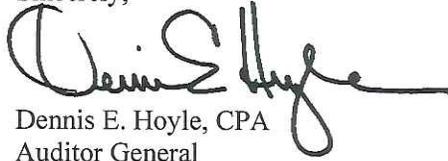
As acknowledged in your revised deficit reduction plan, the plan may require amendment and the City should provide an updated plan, if necessary, as circumstances change.

I commend the City for eliminating the cumulative deficit more quickly than originally anticipated. Further, with the elimination of the deficit, the City can begin to build a necessary budget reserve or "rainy day" account which signals the City's increasing financial stability. We have met with members of your staff monthly to monitor the City's financial situation and, as a result, recognize the many coordinated efforts that yielded timely elimination of the deficit, the anticipated positive operating results for fiscal 2017, and the ability to begin accumulating General fund budget reserves.

Honorable Jorge O. Elorza, Mayor
Page 2
June 30, 2017

As you well know, while the City's current operating budget and near-term fiscal situation has improved substantially, long-term liabilities for pension and OPEB benefits remain a significant challenge. I look forward to continuing to work cooperatively with the City to address those challenges and other efforts to ensure the City's future fiscal stability.

Sincerely,



Dennis E. Hoyle, CPA
Auditor General

C: Providence City Council members
Lawrence Mancini
Nicole Pollock
Matthew Clarkin
Robert Hull
Susanne Greschner



Finance Department
"Building Pride In Providence"

City of Providence
Deficit Reduction Plan
In accordance with Rhode Island General Law
Section 45-12-22.3

As of June 30, 2017

Submitted to:
State of Rhode Island
Office of the Auditor General

Based upon the completion of the June 30, 2016 audit (CAFR) in December 2016, the City of Providence reported a \$10,287,000 surplus.

Based upon GASB 54 reporting requirements, the City reported a net change in fund balance in the City's General Fund of \$10,287,000 from the results of operations at 6-30-16, which thereby results in a cumulative deficit position at June 30, 2016 of (\$3,158,000). (See page 17 of 6-30-16 CAFR)

The City has consistently identified its primary budgetary risks as self-insured medical funding and public safety overtime and call-back on the expenditure side of the budget and instances of non-re-occurring items (one-timers) usually on the revenue side.

Although we have taken a major step in the right direction to improve upon these perennial budget shortfalls, we are cognizant of other budgetary challenges that require continuous monitoring and strong budgetary controls, which have always been in place and will continue to be exercised proficiently and prudently.

During FY 17 the following items, were significantly reduced or increased over the FY 16 budget:

- Non-recurring revenues: Reduction of reliance upon by \$4.3 Million
- Self-insured medical expense: Increase in funding by \$2.0 Million
- Public Safety callback/overtime: Increase in funding by \$3.9 Million

Additional FY 17 Budget actions that have been implemented:



Finance Department
"Building Pride In Providence"

- The fiscal year 2017 budget included an appropriation of \$6.1 million towards deficit reduction.
- As of this date, we have already made 3 quarterly payments of \$1,525,000 each for a total of \$4,575,000 in FY 17 deficit reduction payments into the deficit reduction account maintained by the City Treasurer's Office. The 4th installment of \$1,525,000 is due by July 31, 2017.
- Based upon the results from FY16 and combined with payments made and to be completed for FY 17, there will be a balance of \$10,400,000 in the separate deficit reduction account.

Actions to Eliminate Cumulative Deficit taken in FY17:

- Projected surplus for FY17 is expected to be approximately \$10,000,000 and will eliminate the remaining \$3,158,000 General Fund cumulative deficit from June 30, 2016, three years sooner than had been expected.
- We are continuing to exercise prudent fiscal controls, including reductions in non-contractual spending.
- All non-emergency or non-essential purchase requisitions require 2 additional levels of internal review by Administration and Finance over and above departmental approval.
- Implementation of bargaining unit contract savings and concessions with non-bargaining unit staff (management and non-union) including increase co-shares for dental coverage, less accrual of sick time and reduction and /or elimination of auto and travel allowance/reimbursements.

Other additional revenue enhancements and/or savings opportunities that have not been previously relied upon and have not been part of prior year appropriations include:

- New construction and development tax stabilizations that will generate building inspection fees in the next 12-36 months of approximately \$8-9 million based upon project values and new tax-base growth and hence additional tax revenue eventually over 3-5-7-10 years.
- Expected tax base expansion of \$800 million to \$1 billion between years 2016-2020, predicated upon newly created project developments, mostly with tax stabilization approval.
- This tax base expansion would thereby be generating between \$8 to 32 million, incrementally, in new taxes over the 3-5-7 and 10-year period of stabilization phase-in, based upon current tax rates and without regard to any tax rate increase.
- Additional port revenues associated with newly created Prov Port agreement replacing previously expired agreement.



Finance Department
"Building Pride In Providence"

- The completion in FY17 of a new Tax Stabilization Agreement for an expired tax treaty that generated \$11M in additional revenue for the 4 year period commencing in FY 17 budget and continuing through FY20.
- As we head into the 2018 fiscal year, we will take all necessary measures to continue our best budget and fiscal practices and continue to share information with your office.
- The FY 18 budget includes a rainy day reserve appropriation of \$3.6M.

The Deficit Reduction Plan, as proposed here and ultimately submitted to the Providence City Council for their approval, is a working document that may require amendment from time to time, should the need arise or as circumstances may dictate, from either a positive or negative perspective.

We will continue to provide regular updates to the Providence City Council and schedule monthly meetings with the Office of the Auditor General and Division of Municipal Affairs to provide current budget information and progress with deficit reduction strategies.

HAND DELIVERED

Honorable Sabina Matos
Acting Council President
Providence City Council
Providence City Hall
Providence RI 02903

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June 30, 2017

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Sincerely,

Nicole Pollock
Chief of Staff

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Providence City Council Members

Lori L. Hagen, City Clerk

Lawrence J. Mancini, Finance Director

Matthew M. Clarkin Jr., Internal Auditor

PROVIDENCE CITY COUNCIL
JUN 30 11 30 AM '17

RECEIVED