



Fiscal Year 2013 Budget

Key Points and Background Information

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Mayor Taveras has taken on the tough choices to make comprehensive structural reforms in Providence. The FY13 budget offers a balanced approach to move Providence forward during challenging times and protects taxpayers from additional taxes. The FY13 budget is fiscally responsible, strengthens the Capital City's footing to survive the immediate fiscal crisis and positions the city to thrive for years to come. The Mayor is laying a path for progress that will move Providence forward toward our shared goals to foster a welcoming economic climate, improve education and improve public safety.

Key Points

FY13 Budget: A Comprehensive, Responsible and Balanced Approach

- Mayor Angel Taveras is committed to making the difficult structural reforms to **put Providence on stronger financial ground** and **position the Capital City for future growth**.
- Because of the Mayor's fiscal leadership, the FY13 budget grows the city's tax base **without raising taxes**. Through new ordinances and more thorough accountability, Providence will collect **more than \$4.8 million in additional revenue**, including an additional \$6 million in property and car taxes partly attributable to the reforms we made to the homestead exemption.
- The FY13 budget offers a **comprehensive, responsible and balanced approach** that will help Providence make progress toward the city's shared goals:
 - Goals to **foster an economic climate that is welcoming** to entrepreneurs and businesses so that we can create jobs and get people back to work;
 - Goals to **improve education** so all students have access to a world-class education; and
 - Goals to **improve public safety** so all of our neighbors feel safe in each and every community in our city.
- The \$638.4 million budget **holds the line on city spending** and invests **\$7.7 million in the city's rainy day fund**.
- To build a stronger city, all who love and care about Providence – including retirees and tax-exempt institutions – must be a part of our work. **Providence can only move forward as One City**, with all of our parts working together. The FY13 budget includes the assumption of additional contributions from the City's tax-exempts, savings realized due to comprehensive pension reform and additional state support for public education.

- We choose to invest in the creative capital of our students so that they are equipped to compete for and create jobs in the New Economy. The FY13 budget calls helps to set our children out on the right path. The Mayor's proposed budget **increases the budget for public education by \$19.7 million**, due to increases in state aid and Gov. Chafee's proposed action to accelerate education payments.
- **If Providence does not take action** to reform the city's pension system and if our tax-exempt institutions refuse to join their employees, students and patients in the sacrifice, residents face the threat of more cuts in vital services and additional taxes, current workers face the prospect of retiring without a pension and retirees – including those collecting small percentages of their final salary – risk having their pensions slashed.

Providence Pension Protection Plan

- If Providence does not take action to reform the city's pension system, residents face the threat of more cuts in vital services, current workers face the prospect of retiring without a pension and retirees – including those collecting small percentages of their final salary – risk having their pensions slashed.
- Providence's current pension system is unsustainable and is threatening the city's ability to provide vital services and compete with other cities in the New Economy. The City Council must pass the **Providence Pension Protection Plan** to save the Capital City from fiscal crisis and position Providence for the future.
- Mayor Taveras and the City Council have spent months examining the city's pension crisis and have developed a comprehensive plan to save Providence's pension system for current employees and retired city workers. The **Providence Pension Protection Plan** will save pensions for current employees and all of Providence's retirees and will allow the City to protect and improve the health, safety and quality of life for all Providence residents.
- Mayor Angel Taveras and the Council Leadership are committed to making the difficult structural reforms to put Providence on stronger financial ground and position the Capital City for future growth.
- Taken together, the **Providence Pension Protection Plan** will save taxpayers at least \$16 million in FY13 and reduce the city's unfunded pension liability by more than \$236 million.
- The **Providence Pension Protection Plan** alone will not solve the city's fiscal challenges, but these reforms will provide the city with the necessary flexibility to make adjustments to get through FY12 and begin FY13 on stronger fiscal ground.



Proposed Fiscal Year 2013 Budget: Revenues

	Budget FY 2012	Proposed Budget FY 2013	Change FY 12 to FY 13	Percent Change
Taxes	\$311,392,369	\$315,812,500	\$4,419,861	1.42%
State Revenues and Aid (includes aid to education)	\$245,772,753	\$270,951,124	\$25,178,371	8.09%
Local Receipts				
PILOT Payments	\$14,222,937	\$14,322,936.96	\$100,000	0.70%
Licenses and Permits	\$5,913,000	\$4,890,300	-\$1,022,700	-17.30%
Fines and Forfeits	\$9,400,000	\$9,400,000	-	0.00%
Interest Income	\$5,525,000	\$5,525,000	-	0.00%
Charges for Services	\$4,693,000	\$4,743,877	\$50,877	1.08%
Tuition	\$585,000	\$585,000	-	0.00%
Rentals	\$20,000	\$20,000	-	0.00%
Departmental Fees	\$7,428,500	\$8,101,557	\$673,057	9.06%
Other Funding Sources	\$8,881,112	\$4,044,200	-\$4,836,912	-54.46%
Total Local Receipts	\$56,668,549	\$51,632,871	-\$5,035,678	-8.89%
Total Revenues	\$613,833,940	\$638,396,496	\$24,562,554	4.00%

Proposed Fiscal Year 2013 Budget: Expenditures

Expenditure	FY2012 Budget	Proposed FY2013	FY12 to FY13
Mayor's Office	\$2,546,905	\$2,528,988	- \$17,917
City Solicitor's Office	\$3,707,457	\$3,801,970	\$94,513
Finance Department	\$6,367,293	\$6,507,875	\$140,583
Information Technology	\$2,579,403	\$2,640,033	\$60,630
Human Resource Department	\$3,746,854	\$3,367,064	\$385,790
Public Safety			
<i>Commissioner of Public Safety</i>	\$1,399,423	\$1,474,114	\$74,690
<i>Police Department</i>	\$62,071,423	\$60,353,427	- \$1,717,996
<i>Fire Department</i>	\$61,905,807	\$63,443,911	\$1,538,104
<i>Communications</i>	\$8,713,526	\$8,101,197	- \$612,329
<i>Emergency Management</i>	\$560,636	\$495,826	- \$64,810
Public Safety Total	\$134,650,815	\$133,868,475	- \$782,340
Planning and Development	\$5,262,598	\$4,728,620	- \$533,977
Public Works Department	\$19,847,318	\$19,452,337	- \$394,981
Parks & Recreation	\$13,906,358	\$13,474,227	- \$432,131
Inspection and Standards	\$4,023,576	\$3,788,885	- \$234,691
Public Property and Purchasing	\$6,250,494	\$6,044,935	- \$205,559
Housing Court	\$372,887	\$381,762	\$8,875
Human Services Department	\$1,041,646	\$1,263,948	\$222,303
Miscellaneous Departments			
<i>Board of Canvassers</i>	\$697,085	940,878	243,793
<i>Board of Licenses</i>	758,163	667,429	- \$90,734
<i>Vital Statistics</i>	302,870	291,022	- \$11,848
Total Miscellaneous Departments	1,758,119	1,899,330	\$141,211
Unallocated Expenses			
<i>Reserve for Abatements</i>	600,000	600,000	No change
<i>Deferred Expenditures</i>	-	-	No change
<i>Contingencies</i>	-	-	No change
<i>Miscellaneous</i>	185,666	-	- \$185,666
<i>Providence Pension Protection Plan</i>	-	- \$3,300,000	- \$3,300,000
<i>Debt Service</i>	69,673,342	67,019,273	- \$2,654,069
<i>Unallocated Benefits/Retiree Medical</i>	10,567,800	17,648,529	\$7,080,727
Total Unallocated Expenses	81,026,808	81,967,800	\$940,992
Heat, Power & Light	7,000,000	6,000,000	- \$1,000,000
Grants Commissions	4,537,811	4,203,560	- \$334,250
Ceremonies	\$9,030	\$9,030	No change
City Council	\$6,645,564	\$6,455,410	- \$190,154
Rainy Day Fund	-	\$7,722,217	\$7,722,217
Total Municipal Services Expenditures	\$305,280,935	\$310,100,467	\$4,819,533
Providence Public Schools Expenditures	\$308,553,007	\$328,296,029	19,743,022
Total Expenditures	\$613,833,942	\$638,396,497	\$24,562,554

Providence Pension Protection Plan Savings

PROVIDENCE PENSION PROTECTION PLAN (Subcommittee Recommendations)	FY13 ARC SAVINGS*	REDUCTION IN UNFUNDED LIABILITY*
Recommendation 1: Suspend Guaranteed Annual Raises (COLAs) until Pension Plan is Funded 70 Percent	\$15.6 million	\$236.1 million
Recommendation 2: Require Employees to Contribute to Pension System so long as Member is Accruing Pension Credit	\$1.5 million	Increases Liability \$1 million
Recommendation 3: Adjust Base Pension Benefit to an Average of the Highest Five Consecutive Years during Employee's Final 10 Years of Services	\$1.3 million	\$10.3 million
Recommendation 4: Reduce Benefit for Accidental Disability from 66 2/3 Percent to 50 Percent	\$500,000	\$1.4 million
Recommendation 5: Cap Pensions at 1.5 Times Rhode Island Median Household Income**	---	---
Recommendation 6: Require Retirees and Spouses Who Receive Health Benefits to Pay 20 Percent Co-Pay	Not applicable to pension savings	Not applicable to pension savings
Recommendation 7: Adopt Formal Process for Considering and Accepting an Assumed Rate of Return on Pension Investments	Not applicable to pension savings	Not applicable to pension savings

*based on analysis provided by Buck Consultants – April 12, 2012

***Rhode Island median household income based on 2010 census data: \$51, 914. Current data would cap pensions at \$77,871.

Providence Pension Protection Plan Reforms

CURRENT PROVIDENCE PENSION PLAN	PROVIDENCE PENSION PROTECTION PLAN REFORMS
Retirees receive compounded guaranteed annual raises up to 6 percent. Guaranteed annual raises cost city \$16.5 million.	Suspend all guaranteed annual raises (COLAs) until plan is 70 percent funded.
Workers contribute to pension system for 25 years, but some can continue to collect free credit for the life of their employment. Put another way, some retirees collected and some workers are collecting free credit for decades after they stopped contributing to the system.	Require retirees to contribute as long as they are accruing pension credit.
No cap on pensions. The top 25 retirees each collect more than \$109,000. The highest-paid retiree collects \$198,000 – more than any current employee. In 10 years, this retiree will collect more than \$400,000	Cap pensions at 1.5 times Rhode Island median household income*
Pension benefit based on three highest years of city service.	Adjust base pension benefit to average of highest 5 years during final 10 years of service
Accidental disability pension based on 66 2/3 of salary. 425 retirees currently collect a disability pension, including more than 33 percent of Class A Fire retirees.	Reduce accidental disability pension to 50 percent of final salary
Annual Required Contribution: \$58.9 million	At least \$16 million in annual savings**
Unfunded pension liability: \$900 million	Unfunded liability cut by at least 26 percent (\$236 million)**

*Rhode Island median household income based on 2010 census data: \$51,914. Current data would cap pensions at \$77,871.

**anticipated savings based on analysis provided by Buck Consultants – April 12, 2012