

City of East Providence Budget Commission
City Hall
145 Taunton Avenue
East Providence, RI 02914
(401) 435-7500

Ms. Rosemary Booth Gallogly
Director
Rhode Island Department of Revenue
1 Capitol Hill
Providence, RI 02903

March 12, 2013

Dear Ms. Gallogly:

As you are aware, the City has been under the control of the Budget Commission for fifteen (15) months. During this time, with your assistance, the Commission and City staff has made many improvements to bring fiscal stability to the City, including:

- Stabilized the cash flow issues, including the elimination of multi-year operational deficit; and brought the accounts payable current, including payments to Bradley Hospital;
- Reduced the City's reliance on short-term borrowing to meet cash flow needs including issuing the lowest amount of Tax Anticipation Notes since FY 2003;
- Adopted a balanced five (5) year plan which fully funds the pension fund Annual Required Contribution (ARC) and the Other Post Employment Benefit (OPEB) liability.
- As part of the fiscal stability plan, adopted a revised FY2011-2012 budget that reduced division budgets by an average of 20% and built in the average personnel turnover rate of 2%; with such changes becoming a base for subsequent fiscal years.
- Created a budget reserve fund which was approved by the voters as a charter amendment. The budget reserve funds will provide for a rainy day fund equal to 10 percent (10%) and excess funds will flow into a pay-go capital account;
- Supported a charter amendment which was approved by the voters that permits the City to change its fiscal year to align with tax receipts in the future;
- Brought school expenditures for programs such as special education, athletics, and transportation in line with other similar communities;
- Stabilized the City's Moody's bond rating from Baa2 (negative) to Baa2 (stable) and Standard & Poor's general obligation rating from BB+ (negative / credit watch) to BB+ (positive / no credit watch) ;

- Secured financing for the Wastewater treatment plant upgrades and Tax Anticipation Notes;
- Secured financing through RIHEBC for school building safety improvements, saving approximately \$150,000 annually as a result of a more favorable programmatic credit analysis by a national rating agency due to adoption of a statutory change relating to the timing of state aid payments;
- Successfully implemented the state's first income tax refund offset program for municipalities in conjunction with the State Division of Taxation resulting in recovery of \$2.9 million in outstanding tax revenue in response to the City issued demand letters;
- Adopted resolutions to phase-out the fifteen percent (15%) homestead exemption and the three percent (3%) pre-payment discount;
- Conducted an audit of the homestead exemption to ensure that those homeowners receiving the exemption were actually entitled;
- Reviewed all tax exempt properties and brought properties not entitled to tax exemptions back on the tax rolls for additional revenue of approximately \$500,000;
- Adopted a Funding Improvement Plan which reflects receipt of the Google settlement asset forfeiture equitable sharing funds for the Police portion of the unfunded liability, in accordance with the requirements of the Locally Administered Pension Plan Study Commission;
- Successfully negotiated five (5) year contracts for six (6) of the City's nine (9) unions (Teachers, Teachers Assistants, Educational Secretaries, Steelworkers A, Steelworkers B, and the East Providence Professional, Technical, and Managerial Employees Association) with negotiations ongoing with the three remaining unions (Police, Fire, and School Custodians).
- Substantially reduced the Other Post Employment Benefit liability for school and municipal employees by limiting coverage to one year post retirement;
- Standardized medical benefits for all employees, including a hybrid deductible plan with a graduated premium co-share based on salary for school and municipal staff as well as increased deductibles and co-pays; and, if ratified, a high deductible health plan with a Health Savings Account with a \$2,000/\$4,000 deductible for Police and Fire.
- Secured health plan rates reduction of over \$120,000 by combining the experience pools for City and School employees, while changing the insurance year to coincide with the future fiscal year change.
- Consolidated the City and School Finance and Human Resources Departments;
- Moved school administrative personnel into City Hall to allow for the future sale of surplus property, streamlining of operations, and increased communication;
- Appointed an interim Superintendent of Schools for stability and continuing continuity of operations;
- Completed a screening process for the hiring of a new permanent Superintendent of Schools;

- Secured an Interim Human Resources Director, Purchasing Agent and Finance Director services to insure that key functions of government were properly staffed;
- Appointed permanent, consolidated Human Resources Director and Finance Director;
- Procured bids and awarded contracts for capital improvements, such as improvements to two (2) of the City's fire stations and sprinkler and fire alarm upgrades in City Hall.
- Authorized the City's participation in the regional sanitation bid, which will save the City over \$325,000 annually once the biweekly, automated recycling collection is implemented.
- Approved the bid for a replacement Enterprise Resource Planning/Financial Management software to replace an outdated system, with the RFP yielding combined City and School actual to budget savings of over \$350,000 the first year and \$50,000 thereafter.
- Authorized the Street Light Management program with the annual savings of \$150,000; and
- Adopted policies and procedures to provide increased transparency for purchases and personnel actions, thus assuring a continued culture of accountability.

At this time, the Commission believes that it has met its goals under the Fiscal Stability Act, and recommends transitioning control of the City back to its elected officials and administration under the oversight of the Municipal Administration and Finance Officer as required by RIGL §45-9-10.

Thank you for your support of the Budget Commission and its endeavors over the last fifteen (15) months. Please let me know if there is any additional information that the Budget Commission needs to provide in order to assist you in any way.

Sincerely,



Diane Brennan
Chairperson, East Providence Budget Commission

Cc: East Providence Budget Commission
Susanne Greschner, Chief of Municipal Finance
Christy Healey, Deputy Director Department of Revenue
Robert Eaton, Municipal Advisor

EPBC/ceh