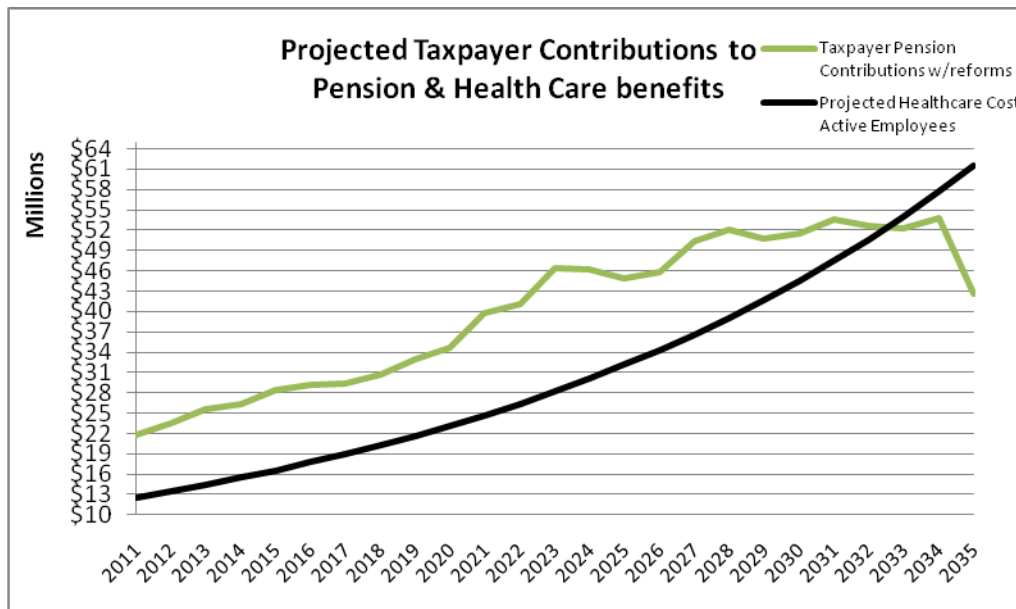


City of Warwick fiscal 2012 budget analysis & Proposed cuts in municipal spending.

By Robert Cushman
Former Warwick City Councilman & School Committee Chairman

While many Warwick residents and businesses have be forced to downsize or cut their own spending, city spending is at an all time high. Mayor Scott Avedisian's is proposing new taxes in his fiscal 2012 budget in order to fund salary and benefit increases for all city employees.

With current projections forecasting exploding employee pension and health care costs, new unsustainable tax increases will be required each year unless city officials enact the structural changes necessary to control these costs.



Many Warwick property owners are experiencing plunging home and business valuations, stagnant wages, increases in their own benefit costs while local taxes continue to increase, cutting more and more into their discretionary spending.

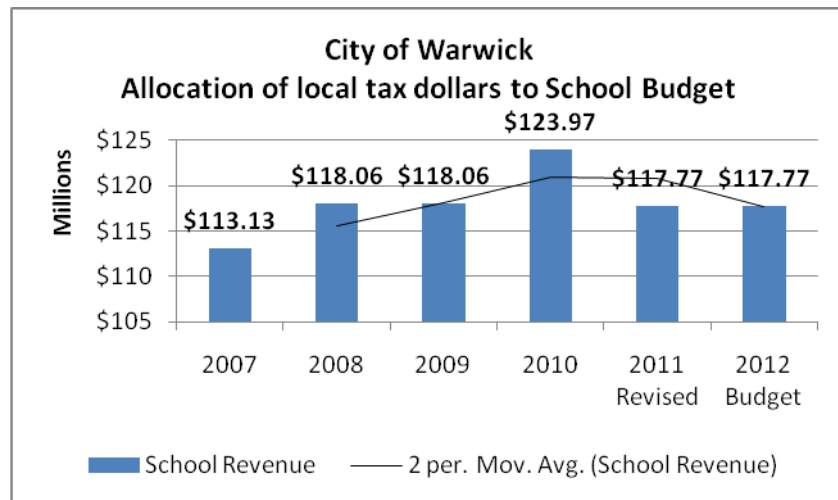
Senior citizens have not received a cost of living adjustment (COLA) in three years yet automatic COLA's are paid to some retired city workers in Warwick.

Pages upon pages of foreclosed Warwick property litter the newspaper and with water and sewer rates increasing each year and a new car tax proposed along with a property tax increase, many are on the brink of losing their homes.

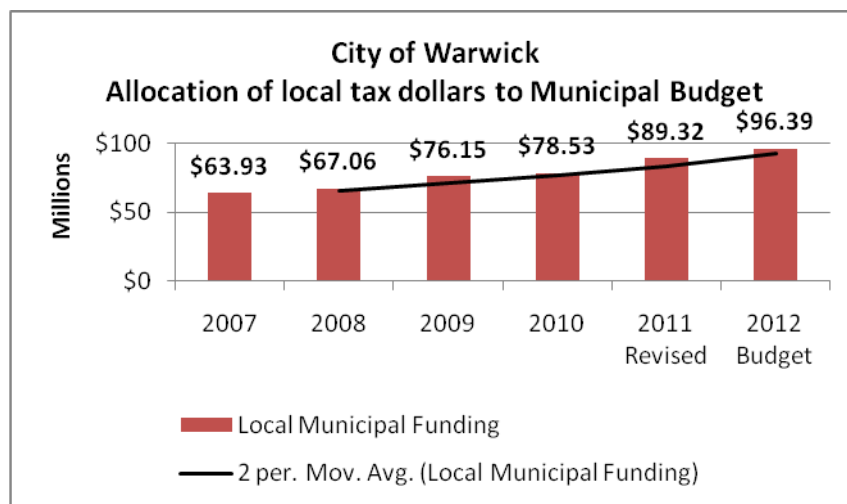
If Mayor Avedisian won't show the leadership necessary to cut spending then the city council must step up to the plate and provide tax relief measures immediately by proposing "real" cuts in the municipal budget.

Although the mayor claims he has won substantial concessions from the city unions, in reality overall spending on employee salary and benefits continue to climb.

Last year over \$6 million in local support was cut from the school budget, and with cuts to state and federal aid over \$13 million in total was cut from the budget, yet the school committee still balanced their budget. They accomplished this by continuing to downsize the department with job reductions and cutting other areas of the budget.



One-hundred percent of last year’s property tax was allocated to the city side of the budget. With the mayor proposing to level fund schools again, that means that every new dollar in taxes in the fiscal 2012 budget will once again go to support new city spending.



Keep in mind last June Mayor Avedisian enacted a budget reduction plan to cut approximately \$2.7 million in spending in the fiscal 2011 budget. We learned at the budget hearing that a large portion of those cuts have not been realized.

The question is, where was the oversight? Republican Councilman Steve Colantuono a member of the powerful Finance Committee and it’s two other members all closely aligned with the mayor are responsible for monitoring city spending. Instead of sounding the alarm they remained passive as department directors spent at will.

In the case of the fire department, Chief Kevin Sullivan did not realize one dollar of the \$1.2 million in planned fire budget reductions and his overtime cost is projected to exceed budgeted amounts by over one million dollars.

Three years ago when Councilman Donovan and I served on the Finance Committee, department directors testified before the committee in preliminary hearing months before the budget meeting. The purpose was to address current spending trends and direct them on guidelines on drafting a proposed budget for the next fiscal year.

With new council leadership and a new Finance Committee chairman this practice was terminated three years ago along with the responsibility of financial oversight by the committee.

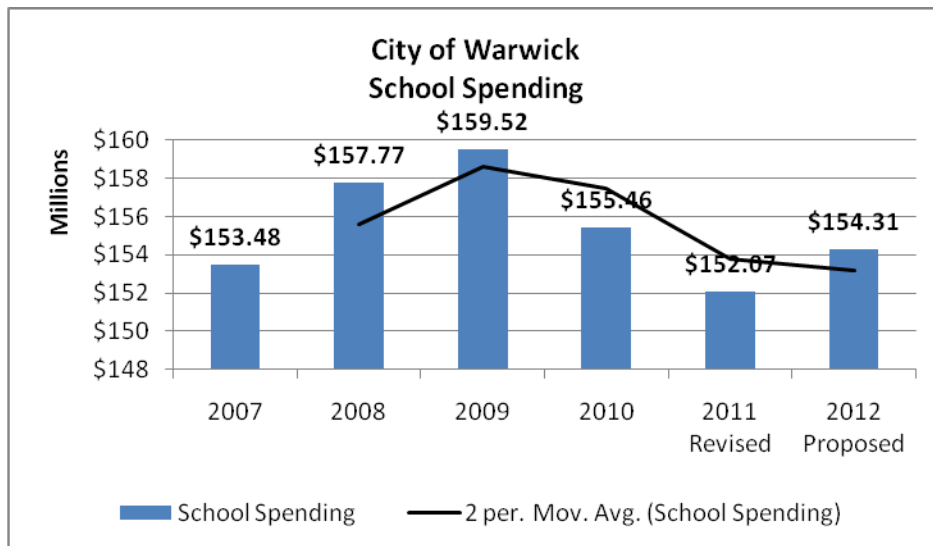
Also the practice of the mayor's office providing the council with a breakout of departmental transfers of funds from line item to another was also discontinued leaving the council with incomplete information regarding departmental spending patterns.

Not only has spending cuts not been realized but current projections are forecasting an approximate \$3 million revenue deficit by the end of this fiscal year. Mayor Avedisian commented at the budget hearing that the city may have to rely on anywhere from \$2 to \$5 million from the city surplus to balance the budget.

Moody's investment agency recently dropped the city's bond rating as a result of continued spending from the surplus and the fact that it now stands at a dangerously low level any further reduction in its level will continue to damage the city bond rating.

Why didn't the mayor or the Finance Committee enact emergency actions to freeze spending?

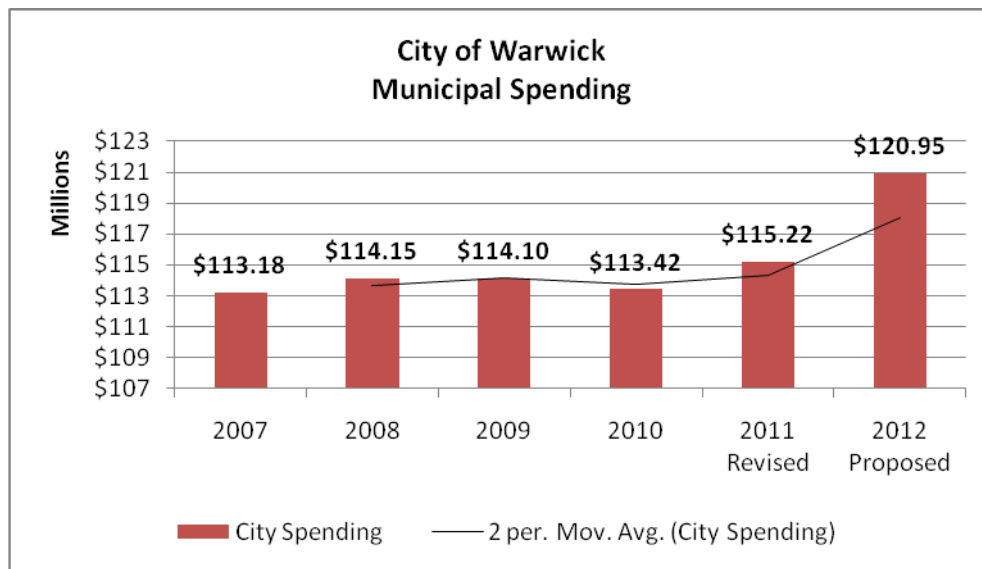
School spending is slightly above 2007 levels. Other than 2010 when school spending was increased primarily due to the influx of federal stimulus dollars; school spending has been leveled funded for 4 out of the last 5 years. The current school budget is slightly below the 2008 budgeted amount while the city budget is at an all time high.



Level funding schools in fiscal 2012 will result in a \$9 million structural deficit, meaning the school committee must get concessions from mainly the teacher's union to balance their budget. This won't be easy.

Similarly, level funding the city will result in a deficit meaning the city must seek similar concessions from all unionized employees. Level funding also means there will be no need for a new car tax and the proposed property tax can practically be eliminated.

In Providence city leaders have already taken steps by proposing to rescind promised employee raises or layoff employees to realize spending cuts. With the political will Warwick can do the same. Without that structural changes Warwick is a few years away from mirroring the fiscal situation in Providence.



But this will not solve the structural problems in future budgets. The only way that will happen is with reforms to pensions that save real dollars today and addressing eliminating lifetime health care benefits for all city employees.

Notes on the attach budget document:

Purple column to the right is proposed city spending cuts by line item.

The next column, in tan is the resulting new proposed budget.

Approximately \$5.9 million in cuts are listed – they include the following highlights:

1. No raises, no step increases – practically freeze personnel costs at 2011 levels.
2. 10% additional co-pay for all active employee health care benefits
3. 25% co-pay on retirees for health care
4. Eliminate sick pay bonus for all employees
5. Cut firefighter overtime allocation
6. Cut \$875,000 in special youth program budget for school sports - schools need to be responsible to fund school sports
7. There will be additional saving in FICA due to reduction in salary - this has not been calculated.
8. Schools budget level funded