A Strategic Fiscal & Management Plan for the City of Providence:

A Plan for Sustainability and Investment

April 25, 2016

The National Resource Network

- The National Resource Network, a core component of the federal government's Strong Cities, Strong Communities initiative, develops and delivers innovative solutions for American cities to help them address their toughest economic challenges
- The Network focuses its efforts in economically challenged cities – defined by unemployment, poverty and population decline
- Since its launch in 2013, the Network has worked with or is currently working in 50 cities nationally. Cities apply to the Network for assistance, the Network conducts an assessment to determine key challenges and opportunities, and cities and the Network work together to identify direct assistance

The National Resource Network

- The Network is administered by a consortium selected by the U.S. Department of Housing and Urban Development through a competitive process:
  - Enterprise Community Partners
  - Public Financial Management (PFM)
  - HR&A Advisors
  - New York University's Robert F. Wagner Graduate School of Public Service
  - International City/County Management Association (ICMA)

Note: The findings and recommendations of this study reflect the work of a Public Financial Management project team and do not necessarily reflect the views of the National Resource Network consortium members that did not participate in the project

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

National Resource Network in Providence

- In 2015, Providence applied to the Network for assistance. Based on an assessment, the Network recommended that it work with the City to develop a 10-year financial plan to help stabilize the City's finances and increase its economic competitiveness
- The Network and the City, with input from five local stakeholder workgroups, developed a 10-year baseline financial projection for Providence and identified a series of initiatives that the City can pursue to close projected deficits and invest in its future
- Working groups were advisory and the recommendations in this Plan were developed by the Network team. Many recommendations, however, were supported and suggested by working group members

Why a Ten Year Plan

- Providence has extraordinary competitive assets – from its location to the presence of strong anchor institutions in higher education and health care
- Since the end of the Great Recession, Providence has added population, reduced its crime rate, and seen urban neighborhoods become areas of choice
- Yet, Providence's economic competitiveness has been limited by local government's fiscal challenges. The City has struggled to achieve fiscal sustainability and has been limited in its ability to make necessary investments in education and infrastructure – essential to its long term economic resilience

Why a Ten Year Plan

- Most cities try to manage their budget from year to year. The problem with that approach is that it makes it hard to understand the long-term costs and benefits of specific policy decisions

- Providence's fiscal challenges were not created in a short period of time and will not be solved in one or two fiscal years. Some efforts to close fiscal gaps will not realize savings or revenue until one or two years after they are implemented. As a result, a long-term plan allows a City to manage in ways that are not feasible just going from one annual budget to another

- A Ten Year Plan also allows Providence to go beyond only closing budget gaps. It allows the City to plan ahead for how best to make strategic investments in "what it takes" to be competitive for years to come

Defining the Challenge:

Summary of the Fiscal Gap
FY2017-FY2026

Defining the Challenge
Overview

Limited Options to Raise Revenues, Challenges with Poverty, High Local Tax Burden:

- Providence, like most local governments, has a limited number of ways to raise revenues
- In Rhode Island, and other states, municipalities require enabling State legislation to pursue and adopt many new revenue streams
- Providence is serving a more financially challenged population and doing so with constrained revenue resources – including reduced State aid
- Coupled with a significant number of tax exempt parcels, resident and commercial tax burdens are high

Significant Unfunded Liabilities and Operational Challenges:

- Providence faces significant structural costs stemming from substantially underfunded retiree liabilities (pension and OPEB) and escalating active employee health care costs
- The City has serious operational challenges to provide effective, efficient, and affordable municipal services

Defining the Challenge
Overview

Required and Essential Investments Crowded Out:

- Funds are not available for needed infrastructure investment, essential for community revitalization and economic growth
- Long-term strategies to reduce poverty and increase economic competitiveness require new investment in children and public schools

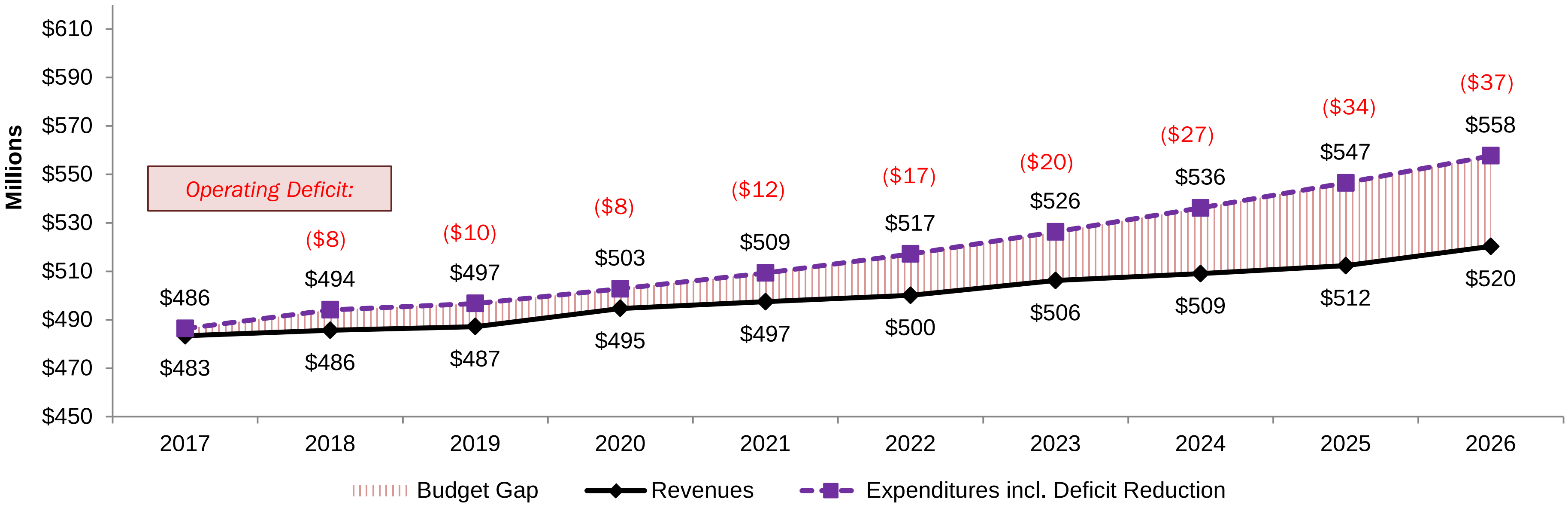
Result:

- Providence has high tax rates, limited investment in infrastructure and education, and a constrained ability to provide municipal services in a manner consistent with policy and stakeholder priorities
- Taken together, all of these factors hinder the City's economic competitiveness

Defining the Challenge:
Projecting the Deficit

- The baseline projections (e.g. without any investment in infrastructure, talent/salaries, children) show a structural deficit – recurring expenses are growing faster than recurring revenues – with the City relying mostly on the property tax to fund expenses. Expenditure increases are driven by rising active and retired employee costs that are expected to grow faster than revenues
- In the near-term, the City's projected baseline deficit in FY2019 – without layering in necessary OPEB funding -- is nearly $10 million; approximately equivalent to 105 police officers or a commercial and residential tax rate increase of 4%

General Fund Baseline Projection, FY2017 - FY2026

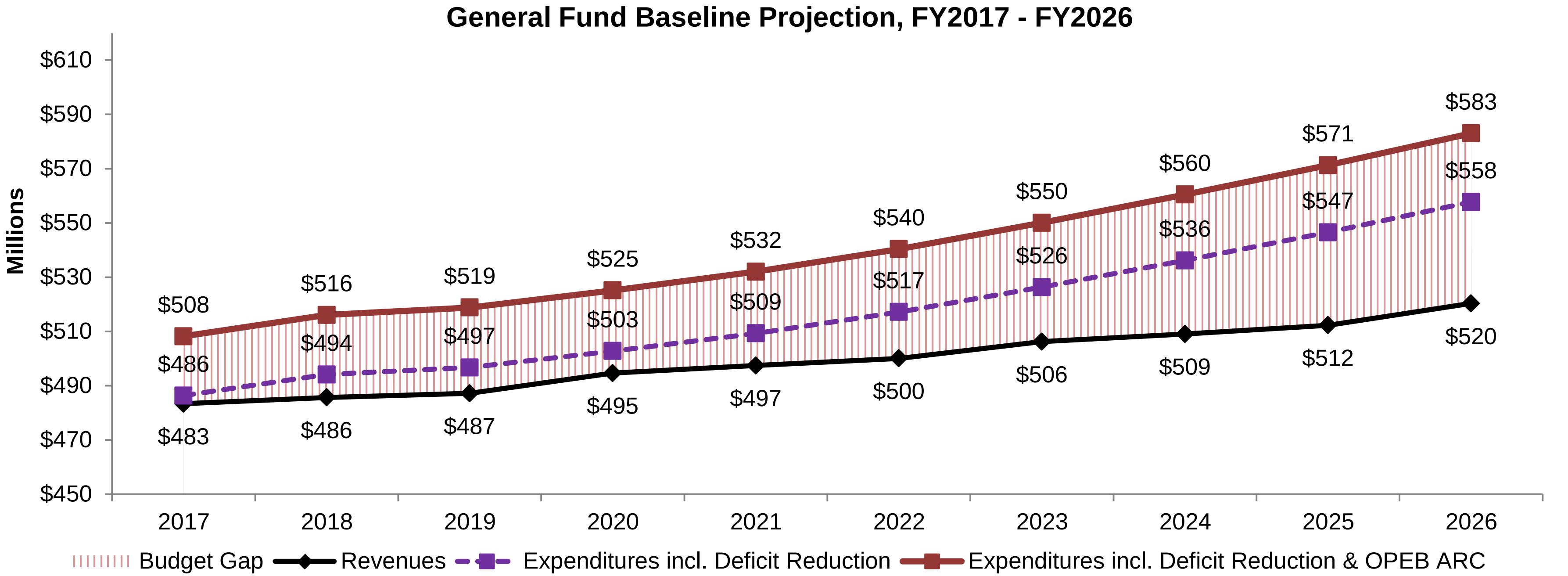


Note: Projected savings from PFD call back savings are not included in baseline projection due to the ongoing legal proceedings

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Defining the Challenge:
Projecting the Deficit

- If the City does nothing else differently, it will face a structural deficit – without even considering the full cost of necessary and required OPEB funding – of more than $37 million by FY2026; a sum approximately equal to 11% of the non-schools FY2016 General Fund budget, and more than 52% of the FY2016 Police Department budget
- Even if the City closes this gap, it will not have the resources needed for critical investments in education and infrastructure -- let alone reasonable increases in salary over time. As a result, the goal cannot be to just "close the gap," but rather to create sufficient funding to truly address the City's fiscal and operational needs



Note: Projected savings from PFD call back savings are not included in baseline projection due to the ongoing legal proceedings

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

The Need to Meet the Challenges:
Defining the Opportunity

- From FY2017 through FY2026, Providence's *cumulative* baseline fiscal gap is projected to total $176.8 million

- Informed by workgroup participation, the National Resource Network has identified a series of actions that, if fully implemented during the 10-year period, could realize up to:
  - **$225 million in additional revenue**
    - *Plus another $393 million in one-time revenue from asset transfers, sales, leases*
  - **$500 million in expenditure reductions, and**
  - **$200 million in recommended investments in the City's neighborhoods, children, infrastructure, and tax reform**

Note: Users must consider the fiscal impact of each initiative in tandem with other selected initiatives in order to achieve an accurate summation of the potential fiscal impact. Simply adding the impacts of individual initiatives to achieve a total fiscal impact would risk double-counting some new revenues or savings.

Factors Driving the Gap

Factors Driving the Gap:
Key Drivers of Fiscal Gap

The City's projected fiscal gap is principally driven by four factors:

- The City's unfunded pension and OPEB liabilities
- Growing health benefits costs (health care and other benefits)
- Revenue growth that cannot balance long-term expenditure growth and the past loss of State Aid
- Maintenance of high carrying costs (e.g. workforce levels, overtime)

FY2017 - FY2026 (% Change)

Total Revenues: +7.6% ($36.9M)

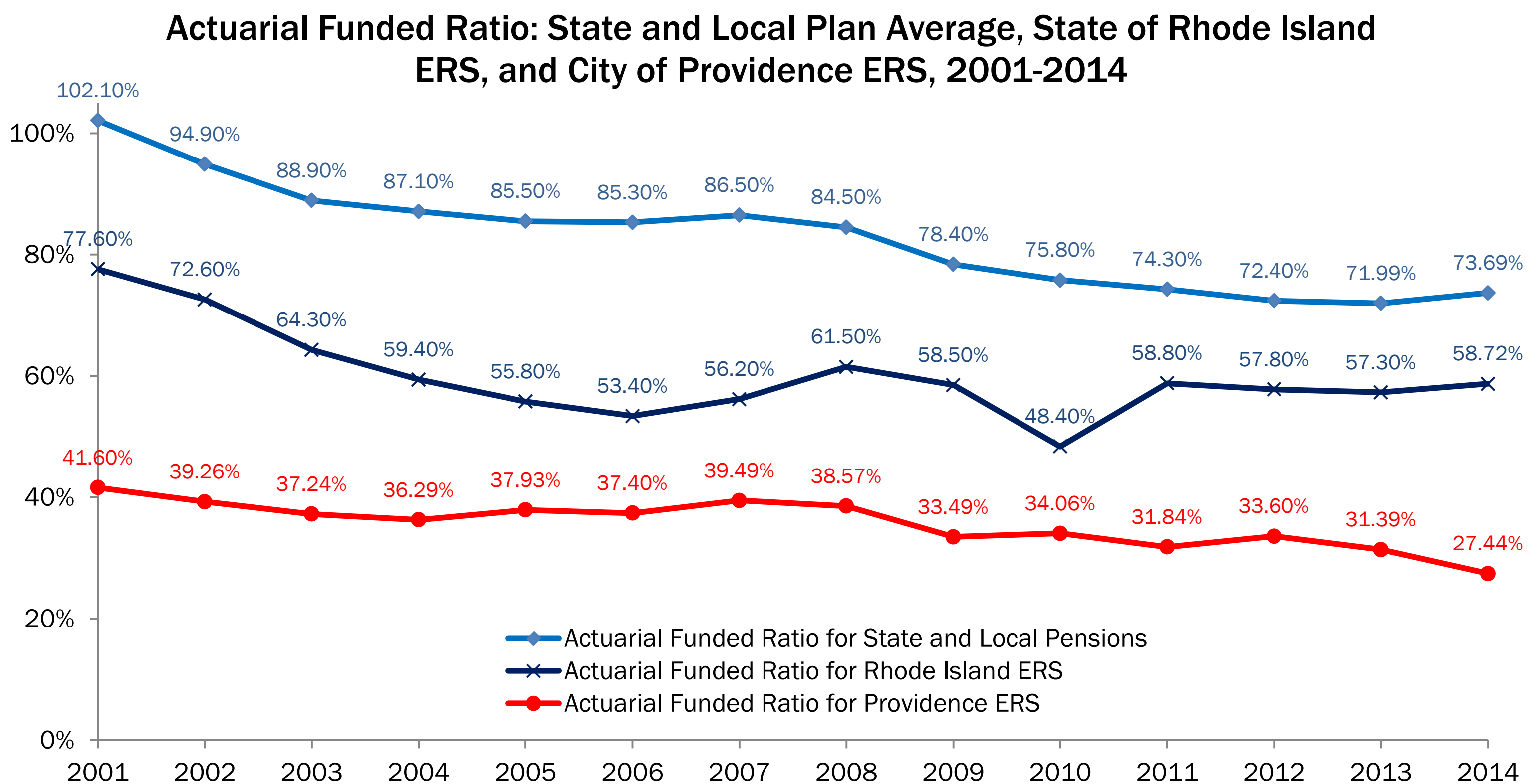
- Taxes: +10.2% ($37.5M; $36.0M from local taxes)
- State Aid: +4.9% ($1.7M; does not include school debt construction)
- Local PILOTs: -8.0% (-$836,000; not including Manchester St transition to tax base in FY17)
- Flat fines and forfeitures: 0.0% ($0)

Total Expenditures: 14.7% ($71.3M)

- Salaries and cash compensation: +1.3% ($1.6M)
- Health care (Active and Retiree): +59.5% ($30.3M)
- Pension: +35.3% ($21.7M)
- Service and Fees: +36.0% ($6.4M)
- Debt Service: -6.0%; (-$4.0M)
- Deficit Reduction: +221.2% ($11.6M)

Factors Driving the Gap:
Historically Underfunded Pension System

- The City of Providence's pension system has been historically underfunded by any standard, significantly lagging national averages and the State's plan

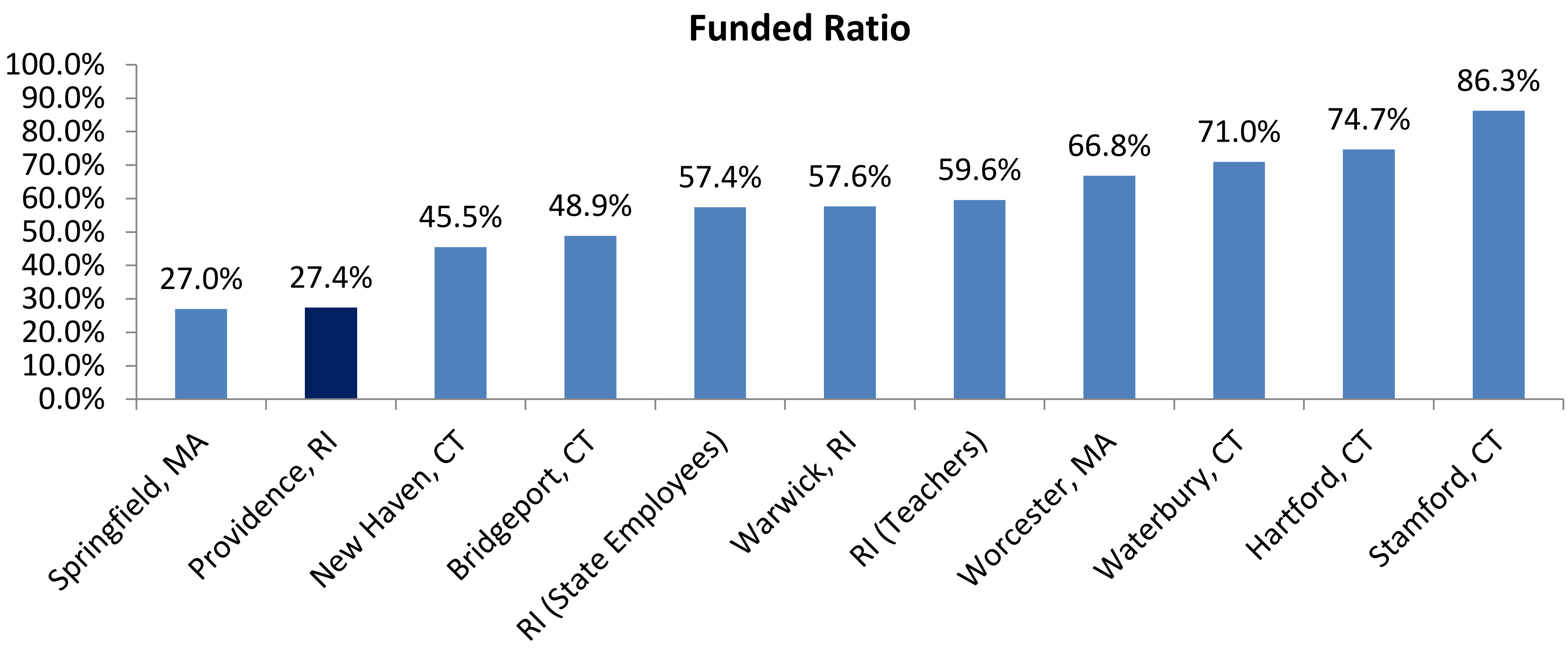


Sources: Public Plans Data 2001-2013; City ERS 2007, 2013, 2014 Actuarial Valuation Reports; State ERSRI 2014 Valuation Report

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Factors Driving the Gap:
Unsustainable Funded Ratio

- Among New England comparators, Providence is one of two benchmarked pension funds with less than 30% funded status – which significantly impacts the long-term sustainability and affordability of the City's retirement system



**Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above chart shows the Cities' plan for retirees retired before the switch*
Source: 2014 CAFRs

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Factors Driving the Gap:
Significant Pension Liability and Contribution

- Providence's unfunded liability per capita, annual required contribution (ARC) per capita, and unfunded liability as a percentage of covered payroll are among the highest compared to other New England cities

	Annual Required Contribution	ARC Per Capita	Unfunded Liability (UAAL)	UAAL Per Capita	UAAL as a % of Covered Payroll
Providence, RI	**$62,140,000**	**$348**	**$894,336,839**	**$5,006**	**639.30%**
Hartford, CT	$42,710,000	$341	$325,692,000	$2,601	225.20%
New Haven, CT	$41,285,083	$316	$541,315,700	$4,146	491.10%
Springfield, MA	$42,866,226	$279	$731,048,417	$4,752	523.40%
Stamford, CT	$33,290,000	$265	$52,905,000	$422	49.10%
Worcester, MA	$40,415,585	$221	$407,846,543	$2,235	241.50%
Waterbury, CT	$16,085,000	$146	$165,629,000	$1,507	201.90%
Bridgeport, CT	$12,489,803	$85	$232,475,383	$1,585	14,332.60%
Median Excl. Providence	$40,415,585	$265	$325,692,000	$2,235	241.50%
Rank	1 of 8	1 of 8	1 of 8	1 of 8	2 of 8

**Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above table shows the Cities' plan for retirees retired before the switch; therefore covered payroll is only a fraction of total City payroll*

Note: Rank is measured from highest to lowest

Source: FY2014 CAFRs

Factors Driving the Gap:
Significant, Growing OPEB Liability and Contribution

- When compared with other New England cities' OPEB liabilities and costs, Providence has one of the highest annual contributions as well as one of the highest unfunded liabilities as a percentage of covered payroll

	Unfunded Liability (UAAL)	UAAL as a % of Covered Payroll	Annual OPEB Cost	Annual OPEB Cost per Capita	Annual Contribution Per Capita
Providence, RI	**$1,032,887,000**	**386.40%**	**$65,830,000**	**$369**	**$365**
Waterbury, CT	$889,600,000	495.10%	$71,601,000	$651	$669
Springfield, MA	$873,436,035	330.50%	$56,635,785	$369	$442
Worcester, MA	$737,522,000	218.70%	$48,269,000	$265	$258
Bridgeport, CT	$723,711,649	326.80%	$53,928,632	$370	$351
New Haven, CT	$444,143,000	155.80%	$37,127,900	$285	$296
Hartford, CT	$262,716,000	73.60%	$20,144,000	$161	$160
Stamford, CT	$259,804,000	105.40%	$27,955,000	$225	$224
Median Excl. Providence	$723,711,649	218.70%	$48,269,000	$284	$295
Rank:	1 of 8	2 of 8	2 of 8	3 of 8	3 of 8

Note: Rank is measured from highest to lowest

Source: FY2014 CAFRs

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Factors Driving the Gap:
Higher OPEB Cost

- The total OPEB (e.g. retiree healthcare) cost in FY2016 is approximately $22.6 million based on the current mix of retirees
- While Local 1033 has more retirees than pre-65 Police and Fire, its cost is lower because the majority of Local 1033 retirees enroll in the individual plans while most Police and Fire retirees enroll in the family plans

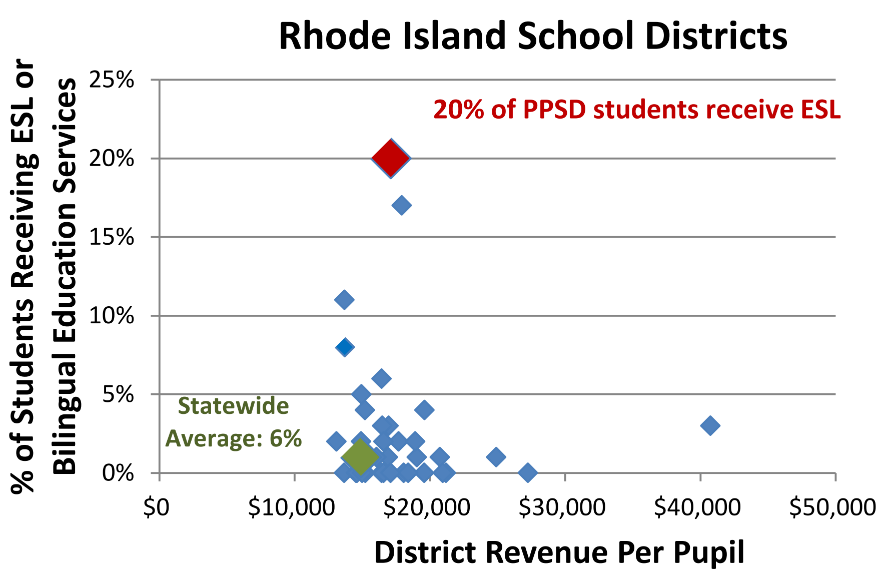
2016 Estimated Cost of Retirees' Benefits

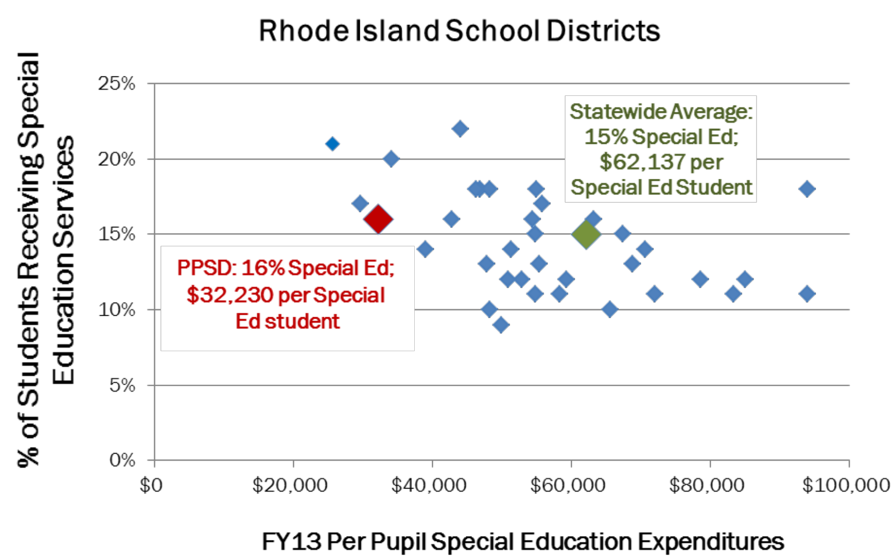
	Individual Plan	Individual +1	Family Plan	2016 Est. Cost	% of Total Cost
1033 Retirees	329	59	14	$4,105,644	18.2%
Fire Retirees	110	0	226	$6,645,540	29.4%
Police Retirees	113	0	235	$7,107,869	31.5%
Non-Bargained/Non-Union	19	14	7	$252,096	1.1%
Post-65 Police and Fire	455	0	260	$4,470,046	19.8%
Total	571	73	482	$22,581,195	100.0%

Source: City of Providence

Factors Driving the Gap:
PPSD Serves More Students with More Needs

- PPSD serves the highest percentage of ESL students in the state, yet the current funding formula does not provide for additional funding for these students
- With few exceptions, PPSD spends the least per pupil on Special Ed while serving more children with severe disabilities

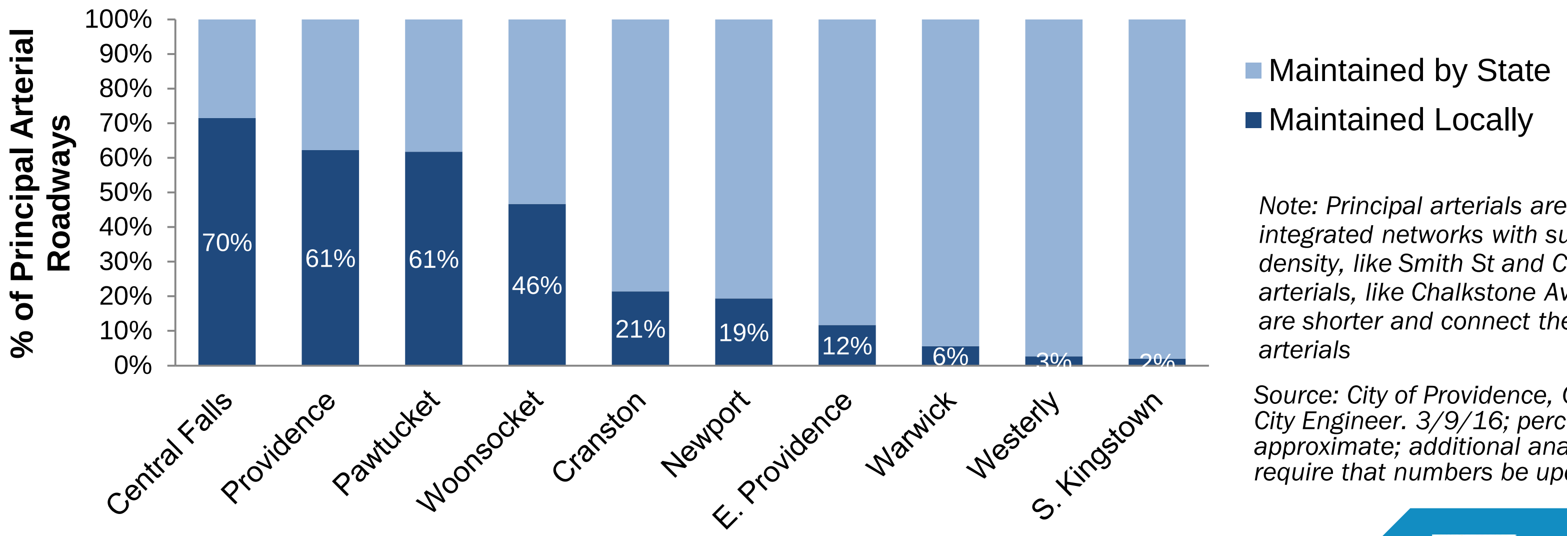




NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Factors Driving the Gap:
Significant Capital Maintenance Responsibility

- Providence appears to have responsibility for maintaining a larger percentage of principal and minor arterial roadways than other large Rhode Island cities
  - For example, a City analysis indicates that Providence is responsible for about 61% of its principal arterial roadways
  - The two next largest cities in RI are responsible for a far lower percentage of principal arterials – about 21% and 6% for Cranston and Warwick, respectively
  - According to the analysis, Central Falls is responsible for a higher percentage of its principal arterial roadways than Providence, but a far lower total number of miles – 2.1 miles compared to Providence's 16.3 miles
  - It should be noted that state law defines principal arterials as state roads (Title 24)

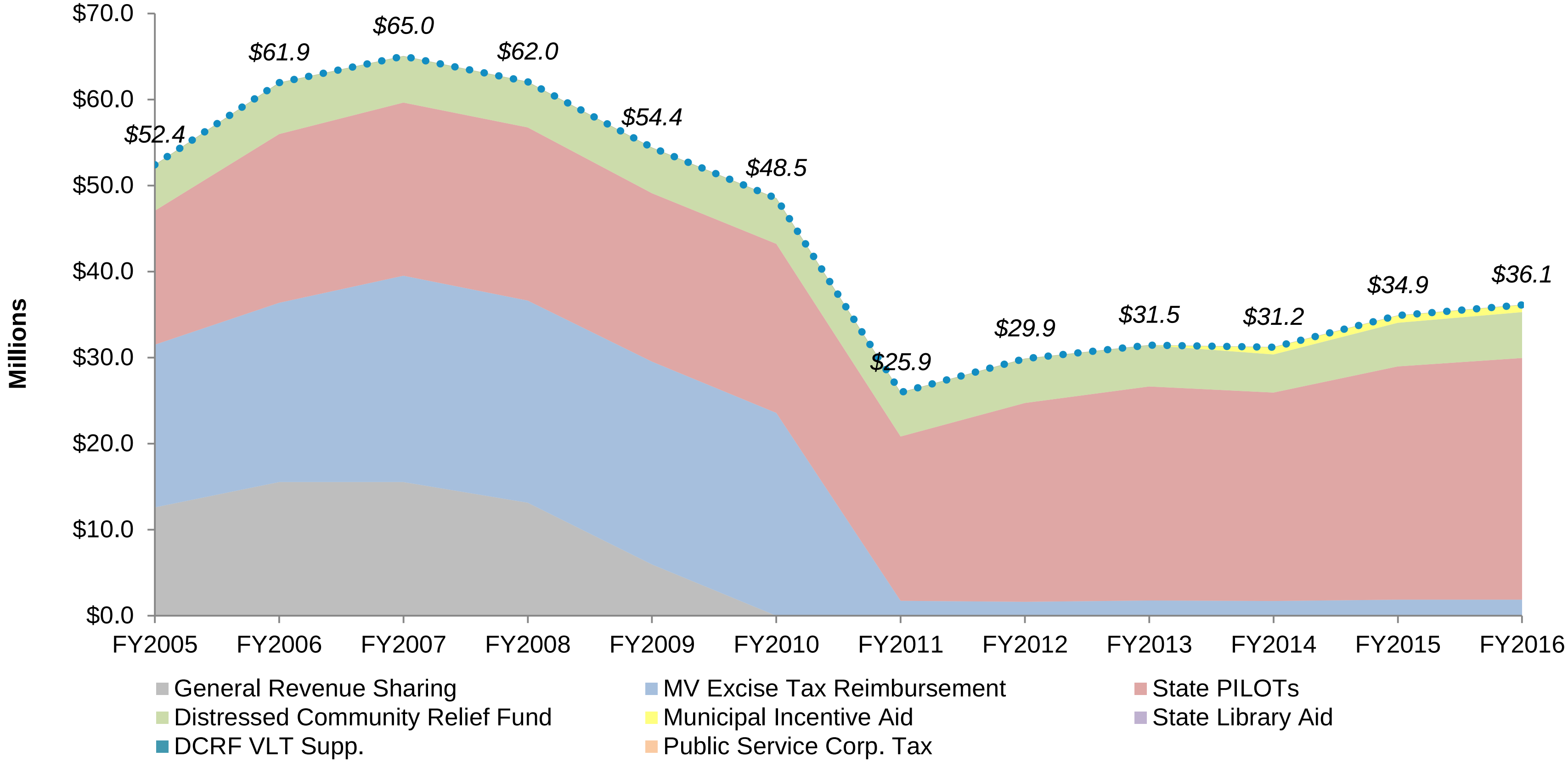


Note: Principal arterials are parts of integrated networks with substantial traffic density, like Smith St and Charles St; minor arterials, like Chalkstone Ave and Public St, are shorter and connect the principal arterials

Source: City of Providence, Office of the City Engineer. 3/9/16; percentages are approximate; additional analysis will require that numbers be updated

Factors Driving the Gap:
Decrease in State Revenues

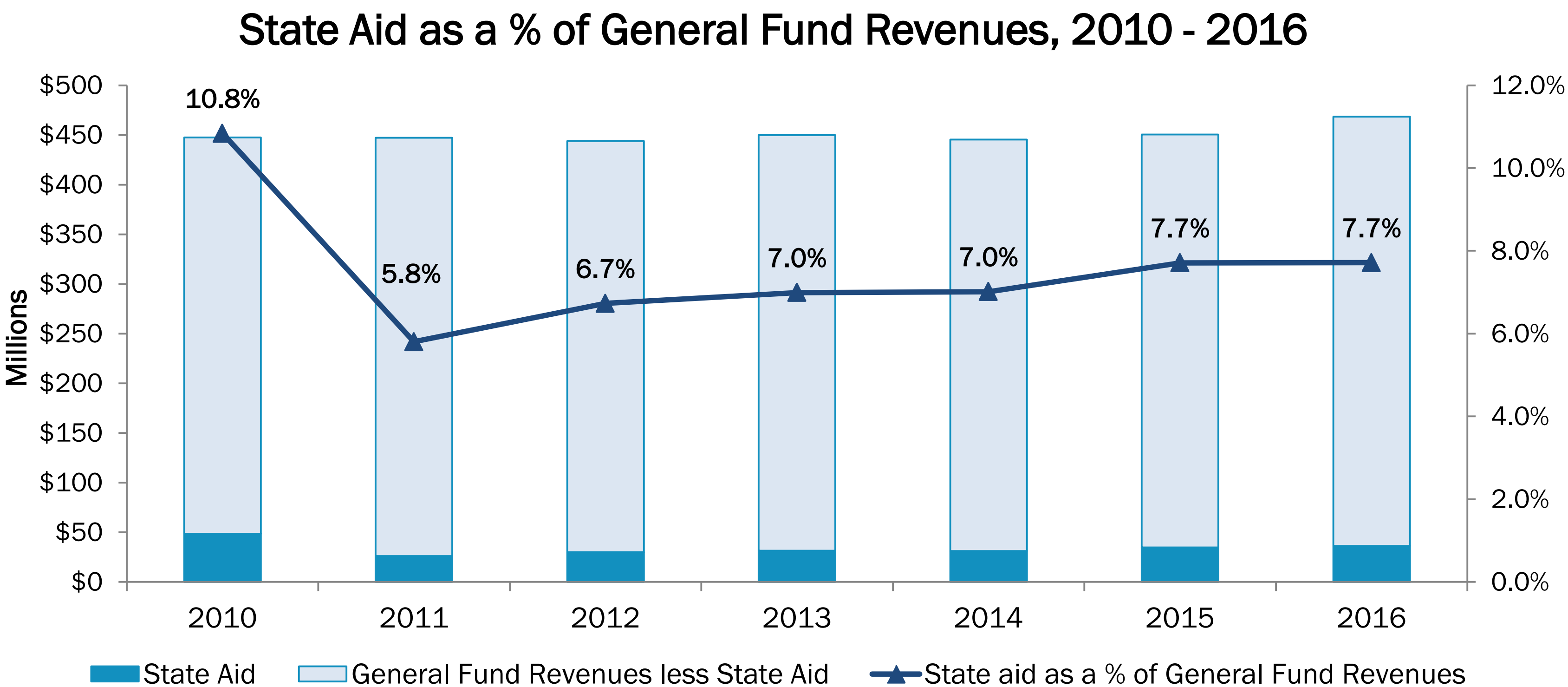
- From FY2005 to FY2016, revenues to Providence decreased by 32.0%, or $17.5 million. Since State Aid peaked in FY2007, the City's State Aid revenues decreased by 44.3 percent or $29.6 million



Source: RI Division of Municipal Finance data; not including educational aid

Factors Driving the Gap:
Decrease in State Revenues Increases Local Burden

- State aid as a percentage of total General Fund revenue decreased from 10.8 percent in 2010 to 5.8 percent in 2011



Factors Driving the Gap:
Decrease in State Revenues Increases Local Burden

- In FY2011, the State ceased reimbursements for a $6,000 exemption on vehicles, eliminating more than $21 million in revenue to the City
- Cumulatively, from FY2010 through FY2015, City excise tax revenue increased by $16.5 million (105.8%)
- From FY2005-FY2016, Distressed Community Relief revenue remained nearly flat at approximately $5.3 million
- FY2016 State PILOT revenue ($28.1M) is nearly double the amount received in FY2005
- The decrease in State Aid has led to an increased reliance on local property taxes:
  - From FY2010 to FY2015, State Aid as a share of total General Fund revenues decreased from 10.8% to 7.7%, or -28.1% ($13.6 million)
  - From FY2010 to FY2015, local property tax revenues grew as a share of total General Fund revenues from 63.6% to 73.1%, or 15.0%

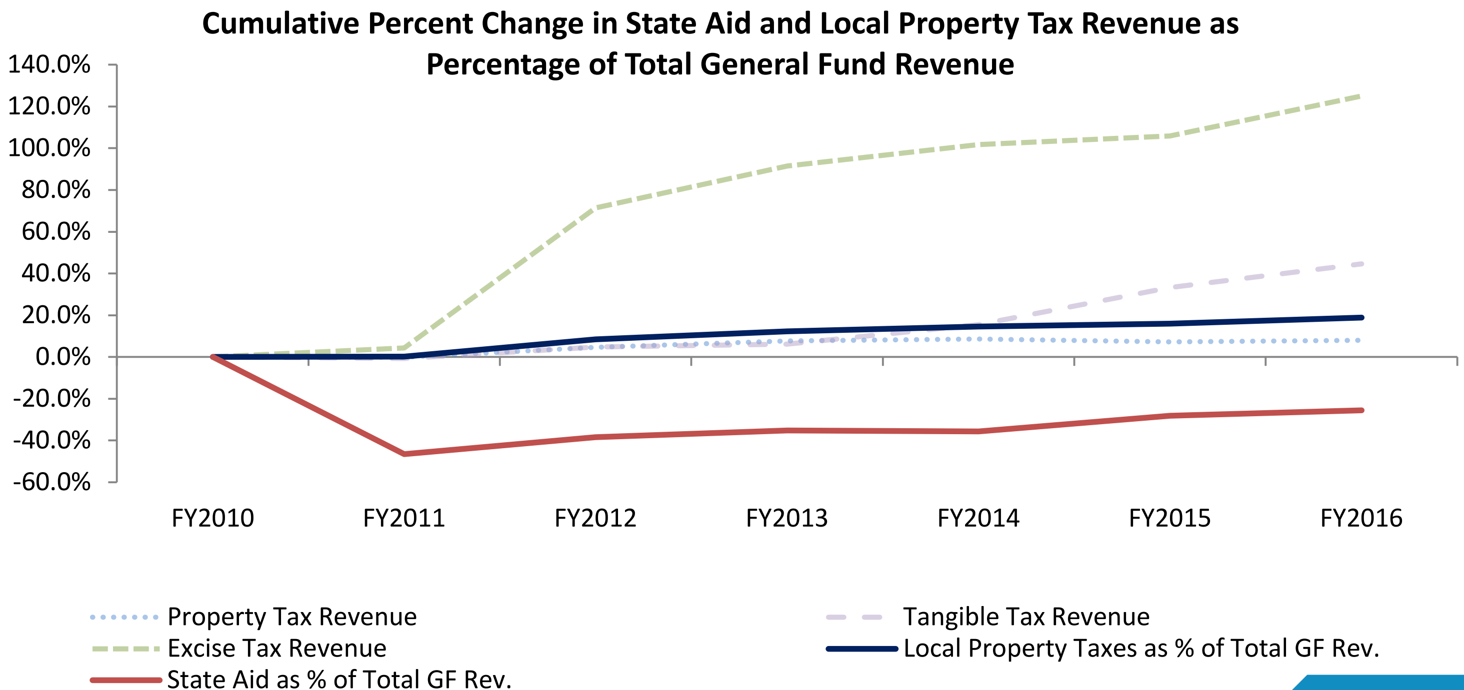
Property Taxes as Percentage of General Fund Total Revenues

(millions)	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Property Tax Revenue	$234.7	$234.5	$245.6	$252.9	$254.9	$251.8	$253.4
Tangible Tax Revenue	$34.3	$34.0	$35.9	$36.4	$39.6	$45.7	$49.5
Excise Tax Revenue	$15.6	$16.2	$26.7	$29.8	$31.4	$32.0	$35.0
TOTAL GF REVENUE	$447.6	$447.2	$443.9	$449.9	$445.3	$450.6	$468.5
Property Taxes % of GF Revenue Total	63.6%	63.7%	69.4%	70.9%	73.2%	73.1%	72.1%

Source: City of Providence data

Factors Driving the Gap:
Decrease in State Revenues Increases Local Burden

- As the City lowered the exemption allowance for the excise tax from $6,000 to $1,000, the associated growth more than doubled the proportional share of excise tax revenue paid by residents as a share of total General Fund revenue
- Cumulatively, residential and commercial tax revenues increased by 7.3% while cumulative tangible tax revenue increased by 33.2%



Factors Driving the Gap:
Small Number of Entities Pay Local PILOTs

- In FY2016, the City budgeted to receive PILOT payments from 6 entities:
  - Brown University
  - Johnson and Wales University
  - Providence College
  - Rhode Island School of Design
  - Care New England
  - Lifespan
- Currently, the City has received agreements for payments with 5 of the 6 major not-for-profit entities

FY2016 Local PILOT by Source

	Projected FY2016 PILOT Agreements (millions) *(as of March 31, 2016)*	PILOT as a % of Taxes if Taxable
Brown University	$5.17	13.70%
Johnson and Wales*	$0.65	9.50%
Providence College	$0.60	5.20%
Rhode Island School of Design	$0.44	4.80%
Care New England	$0.25	2.40%
Lifespan	$0.00	0.00%
Total	**$7.10**	**6.80%**

**Johnson & Wales pre-paid $332,762 of its FY2016 PILOT in 2012 that is not shown in the Projected FY2016 column, but is included in the final column (PILOT as percentage of taxes if taxable)*

Note: Total may not sum due to rounding. Additionally, transitional parcel payments – agreements that phase-out newly purchased parcels by not-for-profit entities over a 15-year period – are not included in the above PILOT figures.

Source: City of Providence

Providence's Challenges

Providence's Challenges:
Weak Credit Rating, Negative Fund Balance

- Compared to nine other New England cities, Providence has the lowest credit rating, with a Baa1 rating as of its most recent 2015 bond issue
- Although a city's unrestricted fund balance is not the sole determining factor in its credit rating, the table below shows how the two are related

	Current Moody's Credit Rating	2015 General Fund fund Balance as a % of General Fund Revenues
Stamford, CT	Aa1	7.7%
Worcester, MA	Aa3	6.0%
Manchester, NH	Aa3	10.0%*
Warwick, RI	A1	7.9%*
Waterbury, CT	A1	5.5%
Bridgeport, CT	A2	2.4%*
Springfield, MA	A2	13.9%
Hartford, CT	A3	3.7%
New Haven, CT	A3	0.3%
Providence, RI	**Baa1**	**-3.0%**
Median Excl. Providence	A1	6.0%
Rank	10 of 10	10 of 10

**Manchester, Warwick and Bridgeport data as of 2014*
Source: Moody's Investors Service, Inc. as of March 30, 2016

Note: Rank is measured from highest to lowest

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Providence's Challenges:
Higher Local Tax Burdens

- When compared to other New England cities, Providence's tangible and motor vehicle property tax rates are among the highest and the residential owner occupied property tax rate is among the lowest
- Providence's commercial and tangible property tax rates are often cited as barriers to the City's economic competitiveness, while creating a challenging issue with tax stabilization agreements

New England Cities' Property Tax Rates[1]

	Population	Commercial	Residential Owner-Occupied	Residential Non Owner-Occupied	Tangible	Motor Vehicle
Worcester, MA[2]	182,511	33.98	20.61	20.61	33.98	25.00
Providence, RI[3]	**178,562**	**36.75**	**19.25**	**33.10**	**55.80**	**60.00**
Springfield, MA[2]	153,836	38.77	19.67	19.67	38.77	25.00
Bridgeport, CT[4]	146,680	29.54	29.54	29.54	29.54	29.54
New Haven, CT[4]	130,553	29.09	29.09	29.09	29.09	29.09
Stamford, CT[4,5]	125,401	17.80	17.80	17.80	17.80	19.08
Hartford, CT[4]	125,211	52.00	52.00	52.00	52.00	52.00
Manchester, NH[6]	110,065	19.15	19.15	19.15	-	18.00
Waterbury, CT[4]	109,887	40.75	40.75	40.75	40.75	40.76
Warwick, RI[3]	82,065	31.13	20.75	20.75	41.50	34.60
Median Excl. Providence	125,401	31.13	23.44	23.44	33.98	29.09
Rank	2 of 10	4 of 10	8 of 10	3 of 10	1 of 9	1 of 10

[1] *Connecticut jurisdictions assess property at 70% of market value; figures for these cities are shown at rates commensurate with assessment of 100% market value for comparative purposes*
[2] *Motor Vehicle excise tax is capped at 25 mills in MA; value subject to formula based on age of vehicle and original manufacturer list price; no general exemptions*
[3] *Rhode Island communities elect an excise tax exemption level not lower than $500: Providence: $1,000; Warwick: $1,500*
[4] *Motor Vehicle excise tax will be capped at 32 mills in CT as of July 1, 2016, and to 29.36 mills as of July 1, 2017; no general exemptions*
[5] *Stamford has four taxing districts with tax rates ranging from 24.61 mills to 25.43 mills*
[6] *Manchester currently assesses property at 97.1% of market value; Manchester levies a Registration Permit Fee that varies based upon a vehicle's model year, the original factory list price, and the expiration date. Capped at 18 mills*

Providence's Challenges:
Higher Household Tax Burden

- Providence residents and businesses bear a significant tax burden due to the City's limited sources of revenue and large concentration of tax-exempt parcels
- The City's estimated, combined property tax and auto tax burden as a percentage of household earning levels is nearly double the median of other cities for most household earning levels

Estimated Property Tax and Auto Tax Burden at Various Household Earning Levels[1]

	$25,000/year	$50,000/year	$75,000/year	$100,000/year	$150,000/year
Providence, RI	9.8%	7.0%	7.9%	7.5%	8.0%
Median of 51 Cities	7.3%	3.6%	3.7%	3.8%	3.9%
Est. Providence Dollar Value	$2,444	$3,494	$5,892	$7,469	$12,066

[1] Tax policies and structures differ from locality to locality and state to state. Cities in other states may have structures that levy different taxes at different levels of government and in different manners, thereby creating different burdens. Data are not dispositive, but are presented for illustrative context

Source: Tax Rates and Tax Burdens in the District of Columbia – A Nationwide Comparison; District of Columbia Office of Chief Financial Officer, 2014 (issued December 2015)

Providence's Challenges:
Higher Commercial Taxes

- Similarly, another recent study found that Providence's commercial tax rate is among the highest of the 53 cities reviewed in the study – ranking fourth or fifth highest depending on the value of the commercial property (as shown below)
- The City's high relative commercial property taxes may hinder economic growth and competitiveness

Table 9: Urban Cities with Highest and Lowest Commercial Property Taxes, Payable 2014

Rank (of 53)	$100,000		$1,000,000		$25,000,000	
	City, State	Tax	City, State	Tax	City, State	Tax
1	Detroit, MI	$5,057	Detroit, MI	$50,574	Detroit, MI	$1,264,360
2	New York, NY	$4,760	New York, NY	$46,894	New York, NY	$1,189,931
3	Chicago, IL	$4,632	Chicago, IL	$46,323	Chicago, IL	$1,158,087
4	Providence, RI	$4,376	Providence, RI	$43,757	Des Moines, IA	$1,105,851
5	Bridgeport, CT	$4,098	Des Moines, IA	$43,385	Providence, RI	$1,093,931
49	Wilmington, DE	$1,320	Wilmington, DE	$13,199	Wilmington, DE	$329,984
50	Virginia Beach, VA	$1,173	Virginia Beach, VA	$11,726	Virginia Beach, VA	$293,155
51	Seattle, WA	$1,136	Seattle, WA	$11,358	Seattle, WA	$283,947
52	Honolulu, HI	$1,089	Honolulu, HI	$10,892	Honolulu, HI	$272,304
53	Cheyenne, WY	$831	Cheyenne, WY	$8,309	Cheyenne, WY	$207,719

Source: Lincoln Land Institute and Minnesota Center for Fiscal Excellence, "50-State Property Tax Comparison Study," April 2015

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Providence's Challenges:
Public Safety Staffing Crowds Out Other Functions

- When compared to other New England cities, Providence has among the highest public safety staffing levels per capita. Police FTEs per capita are slightly below the median of peer cities and Fire FTEs per capita are among the highest compared to peer cities
- Non-Public Safety FTEs per capita are among the lowest of comparator cities

Staffing Ratios - 2014 CAFR Reported Data

	Population	Public Safety FTE per 1,000 Capita*	Non-Public Safety per 1,000 Capita*	Total FTE per 1,000 Capita*
Worcester, MA	182,511	4.98	4.58	9.56
Providence, RI	**178,562**	**5.88**	**3.92**	**9.81**
Springfield, MA	153,836	4.88	3.19	8.07
Bridgeport, CT	146,680	5.10	3.74	8.84
New Haven, CT	130,553	7.11	4.24	11.35
Stamford, CT	125,401	4.68	4.38	9.06
Hartford, CT	125,211	7.16	4.88	12.04
Manchester, NH	110,065	4.35	6.11	10.47
Waterbury, CT	109,887	5.64	7.91	13.55
Warwick, RI	82,065	5.82	4.90	10.72
Median Excl. Providence	125,401	5.10	4.58	10.47
Rank	2 of 10	3 of 10	8 of 10	6 of 10

**Emergency Operations Communications personnel are categorized as non-Public Safety personnel. Public Safety FTEs include only Fire and Police FTEs*
Source: FY2014 Comprehensive Annual Financial Reports (CAFRs)
Note: Bridgeport, New Haven, Stamford, and Worcester use private EMS operators to assist with service delivery
Note: Rank is measured from highest to lowest

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Providence's Challenges:
Higher Public Safety Spending Per Capita and FTE

- Compared with other New England cities, Providence is one of three cities to spend more per capita on Fire than on Police

Location	Total FY15 Budget Per Capita		Total FY15 Personnel Budget Per FTE	
	Police	Fire	Police	Fire
Stamford, CT	$301.80	$267.70	$96,708	$102,572
Hartford, CT	$300.10	$252.00	$76,070	$78,579
New Haven, CT	$297.90	$223.90	$61,458	$71,690
Springfield, MA	$262.50	$131.70	$72,612	$72,020
Waterbury, CT*	$241.40	$164.40	$66,470	$66,215
Bridgeport, CT	$238.30	$149.10	$64,429	$73,160
Worcester, MA	$237.90	$184.60	$85,556	$82,385
Warwick, RI*	$218.00	$257.60	$66,918	$81,868
Providence, RI	**$217.10**	**$225.10**	**$66,335**	**$75,960**
Cranston, RI	$204.80	$276.80	$75,035	$94,524
Manchester, NH*	$199.40	$178.30	$80,805	$83,754
Pawtucket, RI	$190.50	$163.10	-	-
Median Excl. Providence	$238	$185	$73,824	$80,223
Rank**	9 of 12	5 of 12	9 of 11	7 of 11

** Manchester, Warwick, and Waterbury FTE data as of FY2014 **Rank is measured from highest to lowest*

Note: Bridgeport, New Haven, Stamford, Springfield, and Worcester use private EMS operators to assist with service delivery

Source: FY2015 Budgets (excluding health benefits, pension costs, and capital costs); 2010-2014 American Community Survey; FY2015 CAFRs, FY2014 CAFRs

Providence's Challenges:
Police Dept. Staffing Near Median; Low Overtime Costs

- PPD is comparable to the median in terms of crime rates, size of the Police force, and the balance of officers, supervisors, and civilians
- PPD's average overtime per sworn officer is 61% below the median

	2014 Part I Crimes per 100,000 Residents	2014 Part I Crimes per Sworn Officer	FY16 Uniform FTE per 1,000 Capita	FY16 Sworn Officers per Supervisors	FY16 Sworn Officers per Civilian	FY15 Overtime Spending per Sworn Officer
Hartford, CT	5,319	15.9	3.5	1.57	5.91	$11,943
New Haven, CT	5,011	14.3	3.8	2.41	8.11	$12,047
Springfield, MA	4,918	17.4	3.1	5.45	6.45	$3,881
Waterbury, CT	4,549	18.4	2.6	1.59	4.06	$11,232
Manchester, NH	4,263	21.0	2.2	4.78	4.02	$4,802
Providence, RI	**4,125**	**16.6**	**2.4**	**4.17**	**4.72**	**$4,126**
Worcester, MA	4,036	16.7	2.5	4.29	8.58	$10,564
Bridgeport, CT	3,834	14.5	1.0	1.90	9.04	
Pawtucket RI	3,263	16.9	1.9	3.09	4.48	$5,408
Warwick, RI	2,376	11.9	2.1	1.36	3.13	
Cranston RI	2,108	11.8	1.9	3.25	4.50	$6,364
Stamford, CT	1,865	8.4	2.2	4.31	13.14	$20,207
Median Excl. Providence	4,036	15.86	2.2	3.09	5.91	$10,564
Rank*	6 of 12	6 of 12	6 of 12	5 of 12	7 of 12	9 of 10

** Rank is measured from highest to lowest*

Source: 2014 UCR data; 2010-2014 American Community Survey; FY16 Budgets; FY2015 budgets, FY15 CAFRs

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Providence's Challenges:
Higher Levels of Fire Staffing, Fire Coverage

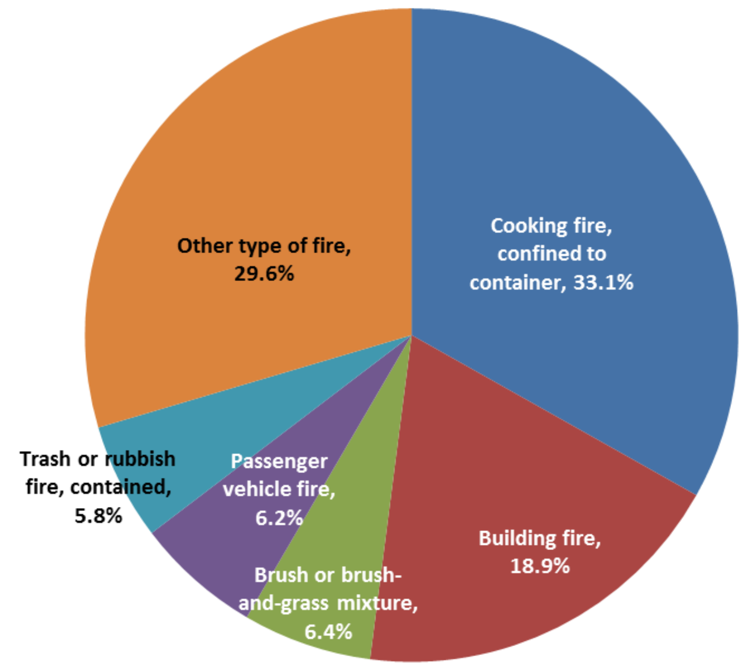
- When compared to other New England cities, Providence has among the highest Fire suppression FTE per capita ratio – almost 20% higher than the median
- The PFD has the greatest number of engine and ladder companies per square mile – over three times the median for engines and over twice the median for ladders

	Fire Suppression FTE* per 1,000 Capita	Engine Companies per Square Mile	Ladder Companies per Square Mile
Providence, RI	**2.60**	**0.76**	**0.33**
New Haven, CT	2.76	0.54	0.21
Stamford, CT	2.15	-	-
Worcester, MA	2.17	0.24	0.19
Hartford, CT	3.11	0.63	0.29
Cranston RI	2.19	0.21	0.11
Bridgeport, CT	2.02	0.56	0.25
Waterbury, CT	2.32	0.25	0.11
Warwick, RI	2.84	0.26	0.09
Springfield, MA	1.70	0.25	0.13
Manchester, NH	2.03	0.06	0.00
Median Excl. Providence	2.18	0.25	0.16
PVD Variance from Median	+19.4%	+203.1%	+159.8%
Rank	4 of 11	1 of 10	1 of 10

Note: Rank is measured from highest to lowest
**Does not include EMS Personnel; In Providence, and other select other cities, fire suppression personnel also can (and do) respond to EMS calls*
Source: FY2015 and FY2014 Comprehensive Annual Financial Reports (CAFRs); City data on engines and ladders

Providence's Challenges:
Fire Incidents by Type and Level of Severity

Type of PFD Fire Responses, 2012 - 2015



According to PFD data:

- PFD responds to, on average, 21 fires per week. Of these, 4 are building fires
- Between 2012 and 2015, most fire incidents were contained cooking or trash fires, vehicles fires, and brush fires
- Multiple-alarm fires accounted for 1.5% of all fire incidents and 30% of all building incidents. On average, 4 multiple-alarm fires occur every quarter

Multiple Alarm Fire Incidents, 2013 - 2015

	Total Fire incidents	2 Alarm	3 Alarm	4 Alarm	5 Alarm	2-5 Alarm Incidents	Multiple Alarm Fires as % of Total Fire Incidents
2013	1,075	6	3	0	0	9	0.8%
2014	1,076	12	3	0	0	15	1.4%
2015	942	19	3	0	1	23	2.4%

Note: PFD incident data does not include 12,690 unknown calls that could not be validated by the Department

Source: 2013-2015 NFIRS data as reported by the municipality

NATIONAL RESOURCE NETWORK NEW SOLUTIONS FOR CITIES

Providence's Challenges:
High Min. Staffing Drives Significant Overtime Cost

- In FY2015, Providence spent $7.6 million on Fire Department overtime, 96% of which was driven by callback spending
  - This represents almost 20% of total personnel costs and almost 3x more than Police overtime
- Callback spending is driven by minimum staffing requirements stipulated in the collective bargaining agreement - no fewer than 94 firefighters per shift, including 14 EMS personnel
- Compared to eight other New England cities, Providence has the highest minimum staffing level, the highest fire suppression minimum staffing level, slightly greater per capita fire suppression staffing, and the highest minimum staffing per square mile

	Total Min. Staffing (FTE per Shift)	Min. Fire Suppression Staffing (FTE per Shift)	Min. Fire Suppression Staffing Per Capita	Min. EMS Staffing (FTE per Shift)	Total Min. Staffing per Sq. Mile
Providence, RI	94 per shift	80	45	14	5.11
Worcester, MA	69 per shift	69	38	0	1.85
Bridgeport, CT	62 per shift	62	42	0	3.88
New Haven, CT	72 per shift	68	52	4	3.85
Hartford, CT	68 per shift	68	54	0	3.91
Warwick, RI	46 per shift	46	56	0	1.31
Springfield MA	42 per shift	42	27	0	1.32
Cranston, RI	41 per shift	33	41	8	1.45
Pawtucket, RI	30 per shift	30	42	0	3.46
Median Excl. Providence	54 per shift	54	42	-	2.66
Rank	1 of 9	1 of 9	4 of 9	1 of 9	1 of 9

** Rank is measured from highest to lowest*
Source: Cities' Collective Bargaining Agreements; U.S. Census Bureau 2010-14 ACS data

NATIONAL RESOURCE NETWORK NEW SOLUTIONS FOR CITIES

Providence's Challenges:
Deferred Maintenance Backlog

- According to City estimates, the approximate cost of catching up on deferred maintenance needs alone is $868 million

Category	Est. Need
Roads	$ 117.9 million
Schools	$ 607.2 million
Sewers	$ 53.0 million
Sidewalks	$ 90.0 million
Total	**$ 868.1 million**

- This list does <u>*not*</u> include several other categories of capital assets, like non-school buildings, street lights, vehicles, and equipment

Providence's Challenges:
Annual Capital Investment Needs

- Beyond addressing deferred maintenance, Providence needs to achieve a cycle of proactive capital investment based on asset useful lives

Theoretical Estimates of Annual Capital Life-Cycle Funding Needs

Asset	Qty.	Useful Life (yrs)	Annual Target (Qty)	Est. Cost/ Unit	Annual Target ($M)
Roads (miles)	400	12	33.3	$350K/ mi	$ 11.7
Schools	39	50	0.78	$29.3M/ bldg	$ 22.8
Other Buildings	90	50	1.8	$300K/SF	$7.2

- Based on these theoretical calculations, capital funding needs for life-cycle projects might be **$42 million per year** just for roads and buildings – not including sewers, sidewalks, or anything else

The Need to Meet the Challenges:
With No Corrective Action…

- If unabated, the operating deficit will grow to more than $37 million by FY2026 according to baseline projections
- The City is already operating with a negative fund balance. If no corrective action is taken, the City will inevitably face cash flow challenges, an inability to invest in priorities, and the need to further reduce services and increase taxes
- Providence faces the prospect of additional rating agency credit downgrades, increased debt issuance costs, and limited access to capital markets

The Need to Meet the Challenges:
With No Corrective Action…

- In fact, the longer it takes for the City to acknowledge and confront its fiscal challenges, the harder and more painful it will become to implement viable solutions
- However, if the City takes a multi-year approach to enacting sustainable fiscal and operational policies, it can make targeted investments to grow its future

What could make the City's credit rating go down:

- Further weakening of reserve levels
- Inability to structurally balance operations
- Increase in debt burden
- Lack of progress in funding long-term liabilities

Moody's credit report on Providence Public Schools Revenue Bond, Series 2015 B, Nov 13, 2015

Meeting the Challenges:

Eliminating the Fiscal Gap

Revenue Enhancement

Meeting the Challenges, Creating Opportunities: *Overview*

- The City must take a series of actions – in both the near-term (FY2017 and FY2018) and long-term (FY2019-FY2026) in order to achieve fiscal sustainability
- Providence must reduce and rebalance its spending to reflect broader community priorities that have been articulated by many stakeholders as well as achieve new sources of revenue in order to:
  - broaden its concept of and investment in education to enhance student outcomes and job readiness
  - increase its tax competitiveness
  - grow its investment in capital infrastructure to support economic growth and quality of life improvements

Meeting the Challenges, Creating Opportunities: *Overview*

- The short-term actions require a **shared commitment** from a variety of stakeholders in order to stabilize the City in a sustainable fiscal and operational reality that **shares in the benefits** in future years

- This plan recommends necessary **new sources of revenue, expenditure reductions, and service delivery changes**

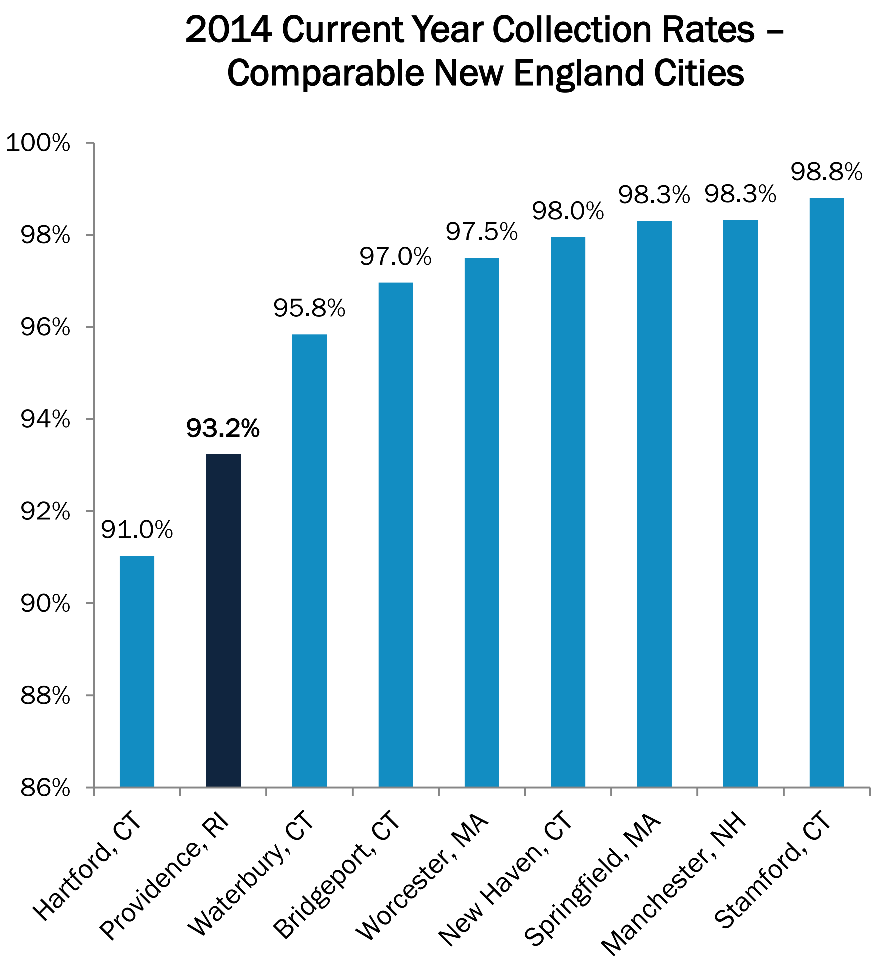
Meeting the Challenges, Creating Opportunities: *Revenue*

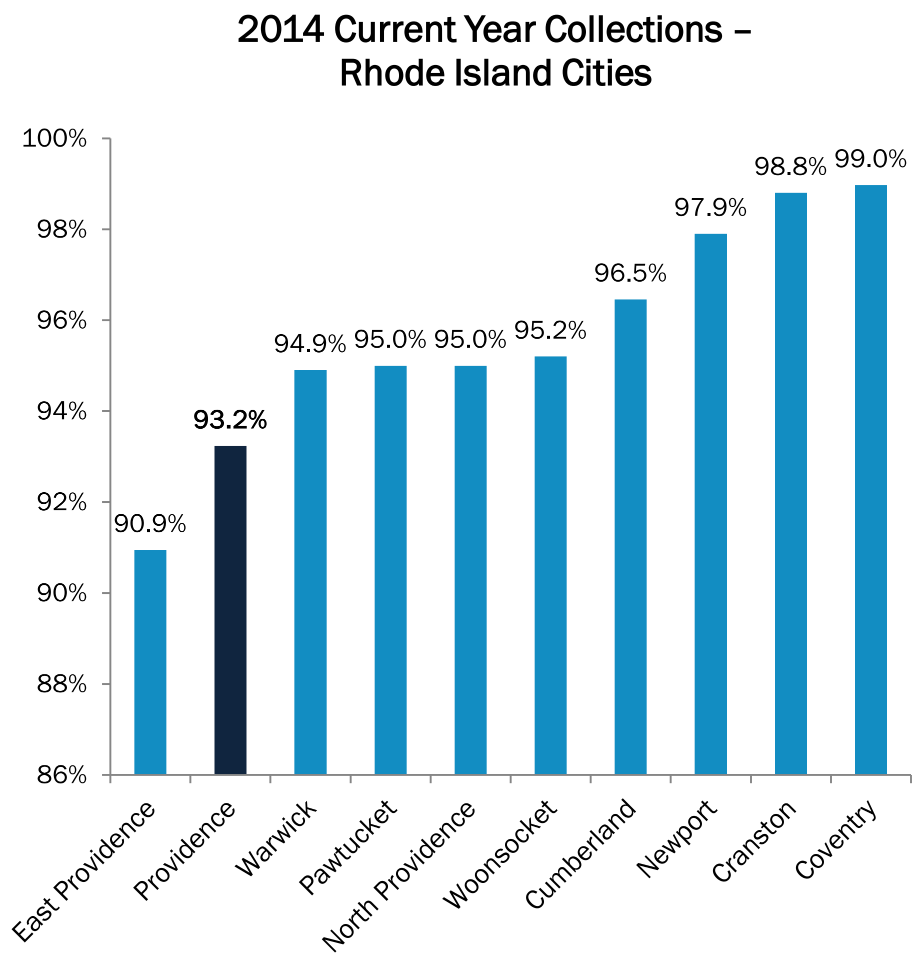
- In order to ease the tax burden on residents and businesses, new sources of revenue will be required
- Solving only for year-to-year balance would result in Providence levying tax rates that continue to deter investment and residents
- Instead, Providence can:
  - **increase its collection rate** of levied taxes, fees, fines, and other charges
  - **adopt new sources of revenue** (many requiring State authorization) to ensure a fairer burden-to-benefit ratio
    - Currently, some groups that benefit from City services are not paying their "fair share"
  - **strike a grand (local) bargain to move toward shared goals and visions with anchor institutions** (blight reduction, capital investment, workforce development, etc.)
  - **identify opportunities to transfer, sell, or lease assets** to achieve sufficient revenue to make a material investment in its staggering unfunded retiree liabilities (pension and OPEB)

Revenue Initiatives:
Increase Collection Rates

- In FY2016, Providence’s real estate tax revenue is budgeted to comprise 70% of the City’s total General Fund revenue
- The City's real estate tax collection rate rose from 90.3% in 2011 to 93.2% in 2014 and 93.1% in 2015
- When compared to eight New England cities, Providence’s collection rate ranked as second-lowest. Among other Rhode Island cities, Providence also ranked second-lowest
- The International City/County Management Association (ICMA) recommends a 95% collection rate as a best practice

Revenue Initiatives:
Increase Collection Rates





Source: 2014 CAFRs

Revenue Initiatives:
Increase Collection Rates

- The City collects current year taxes through its tax collector and uses a third-party contractor for delinquent collections
- Taxes are due on a quarterly basis in July, October, January and April
- While increasing "current year" collection rates would mean collecting less in "prior year" revenue in subsequent years, the City can explore ways to increase tax collections in the quarters the revenue are due

Phased-in increase in property tax collection rate to 95%

- **2017 Revenue Impact** - $2.7 million
- **Revenue Impact Through FY2026** - $35.9 million

Revenue Initiatives:
Align Use with Cost – Pay as You Throw

- Providence faces a proposed $1.3 million (58.9%) increase to its tipping fees in FY2018 as a result of RI Resource Recovery Corp. proposals
- A pay-as-you-throw (“PAYT”) system can:
  - *Reduce waste generation*
  - *Relieve pressure on landfills*
  - *Promote use of recycling*
  - *Enhance equity* - charging citizens based on the actual amount of waste they produce rather than a flat fee

Revenue Initiatives:
Align Use with Cost – Pay as You Throw

- Many other major cities implement a PAYT, or similar, system:

Jurisdiction	Rate (Annual)	Pay-As You Throw Application
Austin, TX	$230.85	Per 32-gallon can
Fort Wayne, IN	$119.40	Annual single family fee
Fort Worth, TX	$150.00	Per 32-gallon cart
Philadelphia, PA	$300.00	Annual fee on commercial/multi-unit property
Seattle, WA	$408.00	Per 32-gallon can
Spokane, WA	$351.00	Per 68-gallon
Springfield, MA	$90.00	Per city-provided barrel
Tampa, FL	$418.92	Annual residential fee
Worcester, MA	$1.50/$0.75 per bag	Cost per large/small trash bag

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Align Use with Cost – Pay as You Throw

- In addition, PAYT programs are common statewide initiatives in the New England region:
  - Act 148 in **Vermont** requires all cities to implement a variable rate pricing system of charging customers for waste disposal by weight or volume
  - Over 140 communities in **Maine** currently utilize a PAYT program
  - **Connecticut** has a Save Money And Reduce Trash (SMART) program that allows municipalities to implement a system of charge based on the amount disposed
  - 143 municipalities out of 351 in **Massachusetts** have adopted a PAYT program[1]
    - **Worcester, MA**, which has used PAYT since 1993, reported achieving recycling rates of more than 45% and having avoided millions in tipping fees
  - According to the data provided by the US Environmental Protection Agency, over 7,000 communities nationwide have a PAYT program

[1] *Massachusetts Department of Environmental Protection, Pay-As-You-Throw Fast Facts*

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Align Use with Cost – Pay as You Throw

- The City can implement a program with variable rates for customers using different sized garbage carts (e.g. 32, 64 or 96-gallons) as part of their monthly fee, with the cost escalating as the size of the cart increases, and use City authorized bags for collection of items that do not fit in the cart and provide recycling carts at no charge

- The City can provide special discounts for low-income, senior, or disabled customers to promote equity, as other cities have done:
  - **Springfield, MA** offers a $40 discount on its $90 annual trash fee for the elderly, disabled veterans, the blind, and the indigent
  - **Seattle, WA** offers low income customers, seniors, and persons with disabilities up to a 50% discount on garbage bills

Revenue Initiatives:
Align Use with Cost – Pay as You Throw

- Shifting to a full PAYT will require careful consideration of how to educate the public on the change, strategies to reduce a potential increase in illegal dumping and to ensure that the pricing structure produces cost recovery goals, among other items
- On average, if Providence implements a PAYT program that achieves a $7.00 per garbage bin in payment (whether through bin fees and/or bag fees), it can annually yield approximately $3.0 million in new revenue plus unquantified additional cost avoidance in tipping fee charges

PAYT Implementation

- **FY2018 Revenue Impact** – $756,000
- **Revenue Impact Through FY2026** – $27.2 million

Revenue Initiatives:
Improving Rental Housing Safety and Code Compliance

- Many cities have adopted a rental registration fee to incentivize owners to foster responsible landlord behavior and sound, well-managed rental housing in the community
- Allows City to have point of contact and roster of all rental properties in City to ensure nuisance or code violations addressed to enhance high quality neighborhoods and quality of life for residents

Revenue Initiatives:
Improving Rental Housing Safety and Code Compliance

Jurisdiction	Rate Per Unit	Description
Baltimore, MD	$40	Owner-occupied, one or two tenants; one-time fee
	$50	Owner-occupied, three or more tenants; one-time fee
	$50	Not owner-occupied, one-time fee
Binghamton, NY	$25	--
Boston, MA	$25	Maximum $2,500/building, $5,000/complex
Buffalo, NY	$10	Single unit
	$20	Two-unit
Pittsburgh, PA	$12	Annual registration fee
	$30 / $10 /$5	One-time inspection fee, first unit/second unit/subsequent units in same building
Portland, ME	$35	--
Raleigh, NC	$15	3 or few rental units on parcel
	$25	More than 3, less than 20 rental units on parcel
	$50	More than 20 rental units on parcel
Syracuse, NY	$150	One-time fee

Revenue Initiatives:
Improving Rental Housing Safety and Code Compliance

- If owner resides outside of Rhode Island, the City could require owner to contract with an in-State agent
- Owners must agree to abide by all state and local rules and legislation
- Serves as more of a compliance and enforcement goal than a revenue goal with inspections on 3 or 5 year cycles
- Providence could charge a $30 annual registration fee per rental unit to promote effective property management

<u>$30 Annual Rental Registration Fee</u>

- **FY2017 Revenue Impact** - $585,000
- **Revenue Impact Through FY2026** - $12.2 million

Revenue Initiatives:
Review Fees and Fines

- Revenue collected from licenses and permits, fines and forfeitures, departmental fees, and charges for service comprised 5.5% of total General Fund revenues for Providence in FY2015
- Given the relatively low levels at which many of the City's fee and fine rates are currently set, there is a significant opportunity for revenue enhancement through reviewing and adjusting these rates to appropriate levels
- Several cities have examined their fee levels in comparison to the actual cost of service
  - **Austin, TX** conducted a comprehensive fee study for its Planning and Development Review Department in 2015, projected to yield $3.8 million in revenue
  - **San Diego, CA's** 2015 Parks and Recreation fee study identified $5.3 million in unrecovered costs
  - **Dallas, TX's** recent comprehensive fee study identified $4.7 million in net revenue from cost-of-service fee adjustments

Revenue Initiatives:
Review Fees and Fines

- **Conduct a comprehensive fee study to review all fines, fees and collections**
  - Conduct a comprehensive fee study to evaluate and adjust all city fines, fees, and charges
  - Assumes $60,000 fee study and 3.2% boost to fines, fees, and charges (Dallas experience)
- **Fee/fine intercepts, fee/fine amnesty program, and delinquent fine collections (may require State partnership)**
  - Hold vehicle registration and/or license renewals for individuals with delinquent parking fines
  - Add environmental fines to property bills
  - Comprehensive review of delinquent fees/fines and increase collection efforts
  - Consider implementing a one-time, structured fee/fine amnesty program

Review all fines, fees and collections

- **FY2017 Revenue Impact** - $248,000
- **Revenue Impact Through FY2026** - $9.5 million

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
State Authority for Local Option Taxes

- Providence needs new revenue streams to more equitably share the cost of City government among those it serves and those who benefit from services
- The City requires State legislation in order to pursue many forms of potential new revenue streams
- While the City *may or may not* need to implement every new revenue source identified, having State authority to enact various local revenue options provides additional, important revenue diversification options.
- The City should phase-in such revenue options as needed based on the success of the overall Plan in closing the identified gap and freeing needed funds for investment

Revenue Initiatives:
Parking Tax for Capital Investment

- The City needs sufficient funding to invest in capital improvements that benefit residents, commuters, and visitors to the City. Having adequately paved roads, structurally-sound bridges, ADA-compliant sidewalks and safe, reliable public safety facilities benefits all people who spend time in Providence, regardless of their residency
- The goal of levying a parking tax is to shift some of the responsibility of funding capital investments to visitors and commuters. A 12% parking tax could yield approximately $4 million per year when fully implemented
- When parking rates are at the maximum the market will bear, the burden of parking taxes tends to fall entirely on the parking operator

Examples of Parking Tax Rates

Jurisdiction	Area	Rate
Baltimore	City-wide	19%
Chicago	City-wide	22% (Weekdays)
		20% (Weekends)
		20% (Valet Parking)
Cleveland	City-wide	8%
Harrisburg, PA	City-wide	20%
Miami	City-wide	22%
Newark, NJ	City-wide	15%
New York City	Manhattan	10.38% (Residents)
	Manhattan	18.38% (Non-residents)
	All other boroughs	10.38%
Philadelphia	City-wide	22.50%
Pittsburgh	City-wide	37.50%
Washington DC	City-wide	18%

<u>12% tax on all parking lot and garage receipts in the City</u>

– **FY2018 Revenue Impact** - $4.3 million
– **Revenue Impact Through FY2026** - $42.1 million

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Implement Admissions Tax

- Nationally, governments levy an admissions tax on tickets for entry to concerts, sporting events, performing arts events, and other sporting, entertainment, and cultural events
  - The State of Connecticut imposes an admission tax of 10% to any place of amusement, entertainment, or recreation
  - Cleveland, OH levies an 8% admissions tax
  - Richmond, VA levies a 7% admission tax
  - Philadelphia, PA levies a 5% tax
  - Reading, PA levies a 5% admission tax
- The tax is typically assessed as either a flat fee per ticket or a percentage of sales
- One goal of the tax is to import revenue from non-resident visitors who utilize City services and infrastructure, but otherwise do not directly contribute to funding such services

Revenue Initiatives:
Implement Admissions Tax

- Given Providence's status as a primary cultural and entertainment center for Rhode Island and the greater multi-state region, the City should pursue State authorization to allow for implementation of a local Admission Tax
- For the purposes of this analysis, it is assumed that the City would implement a 5% admission tax and that the tax would apply to most, if not all, ticketed entertainment, cultural, and recreational events in the City
- Entities in the performing arts, spectator sports, amusement, gambling and recreation industries generated approximately $65 million in revenues per year[1]
- Using a 95% collection rate and assuming a reduced demand as a result of the increased ticket prices, a 5% admissions tax would generate approximately $2.8 million per year

5% Admissions Tax

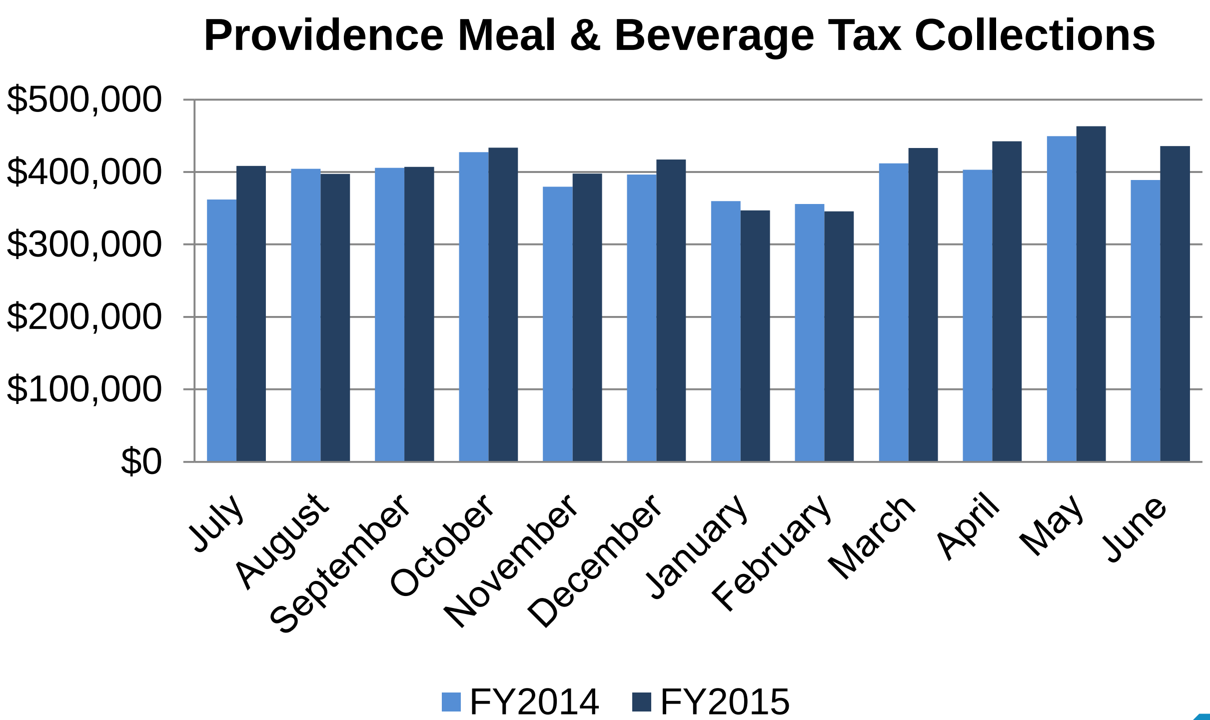
- **FY2018 Revenue Impact** - $2.8 million*
- **Revenue Impact for FY2026** - $27.8 million*

[1] *Approximated based on the 2012 Economic Census*

**incl. reduction for elasticity*

Revenue Initiatives:
Increase Meal and Beverage Tax

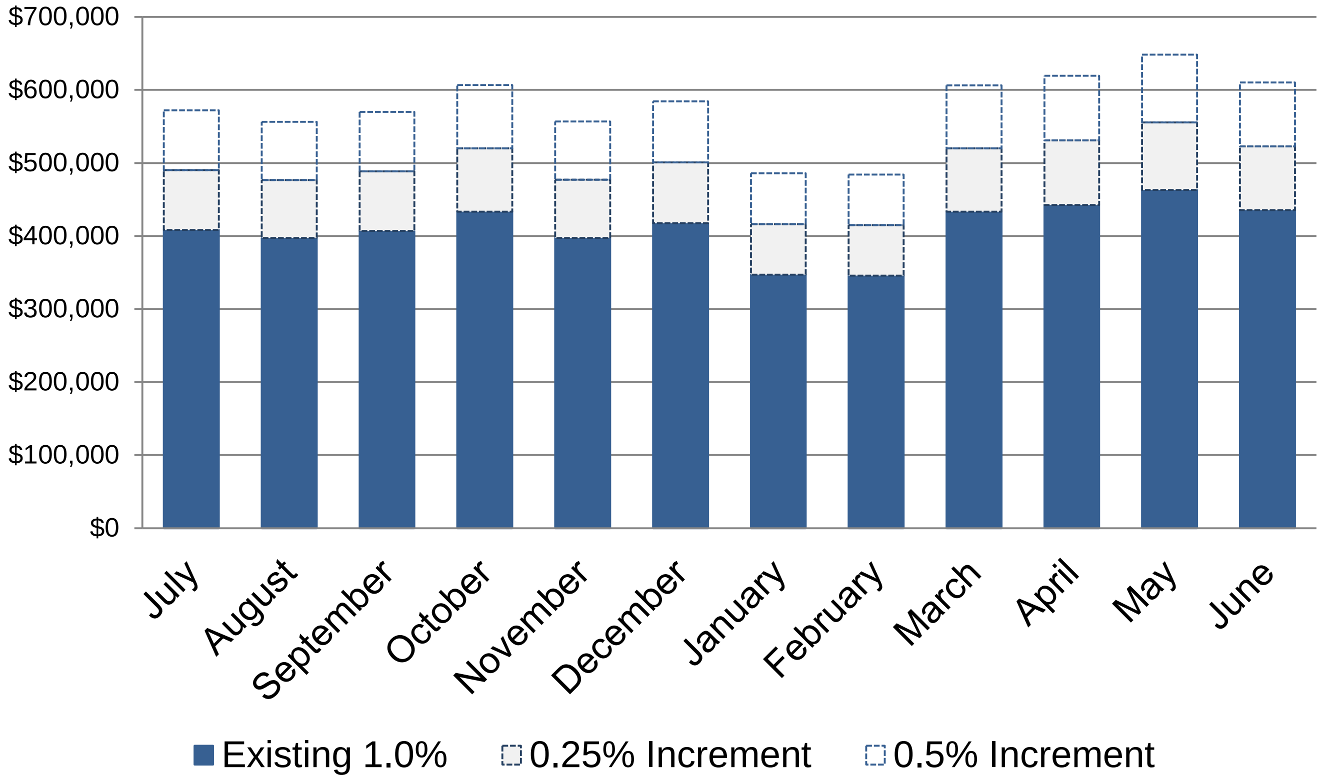
- Meal & Beverage Tax collections in Providence are somewhat seasonal, but relatively stable annually in FY2014 and FY2015; total collections were $4.7M in FY2014 and $4.9M in FY2015 (at a tax rate of 1.0%)
- Collections in Providence represented 21% of total state collections in FY2014 and FY2015



NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Increase Meal and Beverage Tax

- Each additional 0.25% increment in taxation would generate approximately $1.3 million per year



Revenue Initiatives:
Increase Meal and Beverage Tax

- If deemed affordable, the City could choose to dedicate the meal and beverage tax revenues to a specific investment or cost (e.g. pension cost, infrastructure)
- For context, other municipalities use Meal & Beverage taxes to fund a dedicated purpose:
  - **Henrico County, VA** – 4% for schools
  - **Champaign, IL** – 0.5% for streetscapes, traffic signals, landscape, and other purposes

<u>Increase Meal and Beverage Tax from 1.0% to 1.25%</u>

- **FY2018 Revenue Impact** - $1.3 million*
- **Fiscal Impact Through FY2026** - $12.9 million*

**incl. reduction for elasticity*

Revenue Initiatives:
Implement Cigarette Tax

- Rhode Island currently has a $3.75 per pack cigarette tax and the FY2017 budget proposes an increase to $4.00 per pack
- All cigarette tax revenues are state revenues – there is no distribution of revenues to municipalities
- Other local governments levy a local option cigarette tax:
  - Philadelphia: $2.00 per pack
  - Chicago, IL: $1.18 per pack
  - New York, NY: $1.50 per pack
  - Fairfax, VA: $0.85 per pack

Revenue Initiatives:
Implement Cigarette Tax

- A local option tax of $0.50 per pack tax on all cigarettes sold in Providence would result in approximately $2.0 million of revenue per year
- The $2.0 million increase in revenues assume legal pack sales of 4.2 million per year[1]

<u>$0.50 per pack Cigarette Tax</u>

- **FY2018 Revenue Impact** - $2.0 million*
- **Revenue Impact Through FY2026** - $20.0 million*

**incl. reduction for elasticity*

[1] 4.2 million legal pack sales estimated based on FY2017 RI budgeted cigarette tax sales and applying a local estimate share using data from the 2012 Economic Census

Revenue Initiatives:
Implement Plastic Bag Tax

- Plastic Bag Tax
  - $0.05 tax on all retail plastic bags distributed in the city
  - Estimate based on Washington, DC's experience
    - The plastic bag tax generated approximately $2 million per year
    - Based on a sample survey, 75% of residents reported that they reduced their plastic bag usage as a result of the $0.05 plastic bag tax
    - 85% of the impacted stores and shops reported a neutral or positive impact from the fee
    - Selected grocery stores reported savings through ordering few bags as a result of the plastic bag tax

Plastic Bag Tax

- **FY2018 Revenue Impact** - $638,000
- **Revenue Impact Through FY2026** - $5.7 million

Revenue Initiatives:
Street Cut Fees

- Providence requires street cut permits, and charges $75 per permit
- The City has issued more than 1,500 Street Cut Permits each year since 2011, and more than 1,800 permits in each of the last 2 years
- The goal of street cut permits is not to generate funds, but to make utilities accountable and ensure that streets are re-surfaced properly
- The City Engineer reports that streets are generally not re-surfaced properly, and that Public Works does not have sufficient staff for inspection and enforcement

Year	# Permits	Total Fees
2010	1,415	$ 106,125
2011	1,833	$ 137,475
2012	1,629	$ 122,175
2013	1,689	$ 126,675
2014	1,851	$ 138,825
2015	1,859	$ 139,425

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Street Cut Fees

- Several other Rhode Island municipalities charge more for street cut permits
- The application/permit fee in other Rhode Island communities is greater than the same fee in Providence; West Warwick also charges by the hour for inspections and requires a $5,000 bond

City	Street Cut/ Excavation Fees
West Warwick	$100 application fee
Coventry	$100
Smithfield	$300
Cranston	$125
Providence	**$75**

- If Providence's street cut fee was equal to Smithfield's, the City would have generated nearly $558,000 in 2015 – about $418,000 more than was actually generated

Revenue Initiatives:
Street Cut Fees

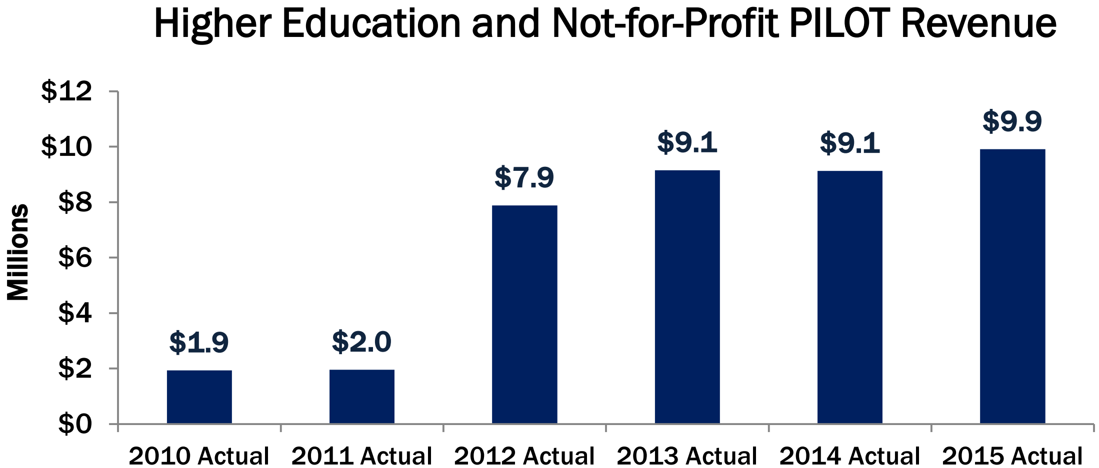
- Providence should increase its street cut permit fee to generate sufficient revenues to properly staff inspections
  - Amounts below assume that Providence adopts a $300 permit fee
  - It is also assumed that a new Engineering Aide IV position is hired in Public Works to administer permits, inspect street restoration work, follow up on unsatisfactory work, and look for unauthorized street cuts
    - Even if each permit required only one hour each for inspections and permit processing, including travel time, street cut permits represented 89% of the time of one Public Works staff person in 2015
- More importantly, Providence needs to impose a bond or deposit requirement so that the City has funds to complete the resurfacing work properly if necessary

Street Cut Fees

- **FY2018 Revenue Impact** - $311,000
- **Revenue Impact Through FY2026** - $3.1 million

Revenue Initiatives:
Strike a Grand (Local) Bargain

- In lieu of paying taxes, some tax exempt entities make voluntary contributions to the City (e.g. higher education institutions, hospitals, etc.)
- In Providence, local institution participation and revenue levels have historically fluctuated
- In FY2015, the City realized nearly $10 million in local PILOT revenue; however, the expiration of several agreements and the "ad hoc" nature of subsequent agreements and predictable contributions create uncertainty for both those paying PILOTs and for the City



Revenue Initiatives:
Strike a Grand (Local) Bargain

- More than 40% of the City's parcels are owned by tax exempt entities
- Some anchor institutions have made significant contributions in recent years:
  - Cash payments
    - Payments by four institutions from 2004-2023
      - Brown University, Johnson & Wales University, Providence College, Rhode Island School of Design
      - $3.9 million per year from Brown University from 2012-2016 in exchange for street conveyances and parking spaces
  - 15-yr "transition" payments for newly acquired parcels
  - Many of the City's anchor institutions make significant non-monetary contributions to the City's quality of life – including programs for Providence youth
    - RISD: free education programs at the RISD Museum; arts education and mentoring through the Open Door program for Providence teens
    - Roger Williams University: support and funding for the Center for Justice
    - Brown University: BEAM mentorship program at D'Abate Elementary School

Revenue Initiatives:
Strike a Grand (Local) Bargain

- In FY2015, more than 35 of Boston's hospitals, higher education institutions, and cultural institutions combined to provided community benefits and cash PILOT payments totaling nearly 20% of their taxable value
- In FY2016, Providence budgeted $9.0 million in PILOT payments – primarily from just four higher education institutions – less than 2% of the City's General Fund budget, or less than 7% of its General Fund non-tax revenues

Revenue Initiatives:
Strike a Grand (Local) Bargain

- The six major entities making PILOT payments in FY2016 owned 422 tax-exempt parcels with a combined assessed value of $3.0 billion
  - PILOT payments by these six institutions represent approximately 6.8% of their taxable obligation if not tax-exempt

FY2016 Select Local PILOTs by Source

	Tax-Exempt Properties (#)	Tax-Exempt Properties ($)	Commercial Tax Rate	Tax Revenues if Taxable	FY2016 PILOT *(as of 3/31/16)*	PILOT as a % of Taxes if Taxable
Brown University	158	$1,030,437,300	36.75	$37,868,571	$5,173,526	13.70%
Johnson and Wales*	42	$281,239,700	36.75	$10,335,559	$976,954	9.50%
Providence College	24	$313,637,700	36.75	$11,526,185	$596,323	5.20%
Rhode Island School of Design	40	$245,098,300	36.75	$9,007,363	$436,571	4.80%
Care New England	30	$288,424,100	36.75	$10,599,586	$250,000	2.40%
Lifespan	128	$819,453,800	36.75	$30,114,927	$0	0.00%
Total	**422**	**$2,978,290,900**	**36.75**	**$109,452,191**	**$7,433,374**	**6.80%**

Source: City's Finance Department's response to internal Auditor, May 15, 2015; City Assessor's Office data.
**Johnson & Wales pre-paid $332,762 of its FY2016 PILOT in 2012.*

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Strike a Grand (Local) Bargain

Strike a Grand (Local) Bargain with Anchor Institutions

- Providence already stands out as one of a minority of cities where some non-profit anchor institutions make voluntary PILOT payments to the local government
- Anchor institutions also contribute significant benefits to the local economy and their growth is an important economic engine for the City
- On the other hand, the expansion of non-profit anchor institutions actually can have a negative impact on the City budget – the City does not share in sales tax growth and a large percentage of property parcels are tax exempt
- Providence and all anchor institutions need to move beyond a transactional relationship

Revenue Initiatives:
Strike a Grand (Local) Bargain

Strike a Grand (Local) Bargain with Anchor Institutions

- Fiscally, the goal should be to maintain FY2015 PILOT level of $9.9 million in FYs 2017 and 2018 and grow total PILOTs to 15% of Exempted Revenue by 2021 through formula-based, predictable agreements
- To win anchor institution support for the increase in PILOT payments, the City needs to work more closely with anchor institutions to identify targeted investments for increased PILOTs (e.g. dedicated funding for City health initiatives, education, infrastructure) and support joint planning and partnerships around specific projects

Move Beyond Transactional Relationship with Anchor Institutions

- **FY2017 Revenue Impact** - $1.7 million
- **Revenue Impact Through FY2026** - $27.2 million

Revenue Initiatives:
Strike a Grand (Local) Bargain

Examples of Capital Cost Sharing

- Cooper Health System has renovated and is maintaining 3 neighborhood parks in the Lanning Square neighborhood of Camden, NJ. The investments help create a clean and safe neighborhood around the hospital, so benefits accrue to both the city and Cooper
- The City of Scranton, PA and the University of Scranton cooperated on the $4 million Mulberry Street Improvement Project, completed in 2012. The project improves the corridor and connects the campus to the surrounding neighborhood
- The $17.5 million Summit Street Improvement Project in Kent, OH, started in 2015, is 80% funded by the Ohio Dept. of Transportation; 10% City of Kent, and 10% Kent State University. The street runs through the heart of Kent State University; the project will significantly reduce traffic congestion, making it safer for motorists, cyclists, and pedestrians
- The Community Health and Literacy Center in Philadelphia, PA, is a $42.5 million combination of a City health center, library and recreation center with a Children's Hospital of Philadelphia primary care office. The City will lease the land to CHOP for a nominal fee and contribute $2.2 million. Other funds are CHOP donations, CHOP operating revenues, and New Markets Tax Credits

Revenue Initiatives:
Strike a Grand (Local) Bargain

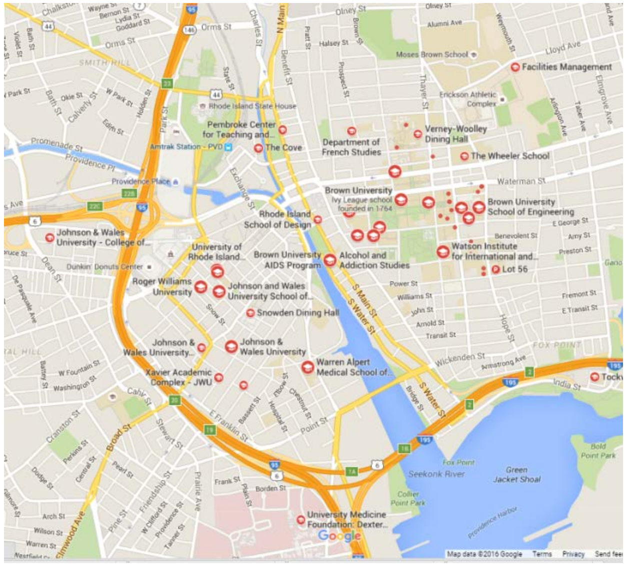
Potential Benefits of Joint Projects

- Contributions in the form of capital projects could have multiple benefits
  - Identify shared priorities with the City
  - Entities may be more willing to make contributions if they have a say in how funds are to be spent
  - Helps forge a partnership relationship rather than City asking for money
- Potential project types:
  - Road resurfacing projects could be accelerated with funding contributions from tax-exempt institutions
  - Traffic calming and “complete streets” projects would benefit communities with large populations of walkers and cyclists
  - New facilities could include space for City services
  - Open spaces or green spaces could be developed or improved
  - Universities could partner with public schools, as the University of Pennsylvania has with the Penn Alexander pre-K-8 school
- If anchor institutions joined together in capital planning, they could join together to identify opportunities, develop more ambitious projects, coordinate construction, and share best practices

Revenue Initiatives:
Strike a Grand (Local) Bargain

Joint Planning Proposal

- Given the extent to which Providence universities in particular are integral parts of Downtown, College Hill, Elmhurst, and Mount Pleasant, there are likely to be multiple road, traffic, and park projects that would be mutually beneficial
- E.g., traffic projects and park projects make neighborhoods safer and more attractive for everyone, including students and employees
- Since the City will have to work with each institution to identify priority projects, no fiscal impacts are assumed at this time
- Pursue Joint Planning and Cost Sharing Cooperation with Anchor Institutions, Dedicating a Portion of PILOT funds to Joint Planning Control for Investment



Source: www.google.com retrieved 3/8/16

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Monetize PWSB, Proceeds to Retiree Liabilities

Providence Water Supply Board (PWSB)

– PWSB is Rhode Island's primary system of reservoirs, water treatment, and water distribution
  - 74,340 retail service connections in Providence, North Providence, Cranston, and Johnston
  - 9 wholesale water customers: Greenville Water, the City of East Providence, East Smithfield Water, Town of Smithfield, Lincoln Water, Kent County Water, Bristol Water, City of Warwick, and the Town of Johnston
  - 250 employees
  - Nearly 1,000 miles of water mains, four storage reservoirs; three primary pumping facilities
  - Assets valued at $372 million in FY2015

– Currently upgrading and modernizing all facets of the water production, treatment, and distribution system, with plans to expend $486 million over 20 years

Revenue Initiatives:
Monetize PWSB, Proceeds to Retiree Liabilities

- Many local governments have found they can stabilize long-term liabilities or other pressures by monetizing City assets:
  - Allentown, PA
    - Water system leased for 50 years with a $220 million upfront payment and an annual royalty of $500,000 per year starting in 2016
  - Reading, PA
    - Water system leased to the Reading Area Water Authority (RAWA) with payments of $8 million per year
    - Parking meters leased to Reading Parking Authority (RPA) with payments of $1 million per year
  - Indianapolis, IN
    - 3,600 parking meters leased for 50 years with a $20 million upfront payment, an estimated $600 million share of ongoing revenues, and a commitment to upgrade the system (2010)

Revenue Initiatives:
Monetize PWSB, Proceeds to Retiree Liabilities

- An upfront payment through an asset sale or lease would help the City reduce its significant retiree liabilities and – leveraged with significant, necessary actions for pension and OPEB sustainability – could meaningfully address the affordability for taxpayers and the sustainability of benefits for retirees -- an opportunity to address both the revenue and expenditure sides of the City's retiree liabilities. The transfer may require State legislation or other permissions in order to ensure proceeds can be used toward the City's significant retiree liabilities
- Providence has substantial assets (PWSB, golf course, sewers) that could be transferred or leased for significant revenue, but some will likely require State approval
- The City should also use the opportunity to create a City-wide Public-Private Partnership (PPP) policy

Asset Transfer

- One-time receipt of *at least* $372 million (current net assets of PWSB), or smaller annualized payments over time

Revenue Initiatives:
Monetize PWSB, Proceeds to Retiree Liabilities

- The City could potentially benefit from transferring or entering into a transfer, sale, or long-term lease of revenue-generating assets to fund its significant retiree liabilities
- The City's Actuary was asked to provide an example of the impact of various lump sums on the pension fund and the associated savings to the City in reduced unfunded liability expenses

Effect of additional $50 million in assets on 7/1/2017

- **FY2018 Expenditure Reduction Impact** - $3.0 million (funded status improves by approximately 4%)
- **Expenditure Reduction Impact Through FY2026** - $31.0 million

Effect of additional $250 million in assets on 7/1/2017

- **FY2018 Expenditure Reduction Impact** - $15.0 million (funded status improves by approximately 19%)
- **Expenditure Reduction Impact Through FY2026** - $155.3 million

Revenue Initiatives:
Sell Golf Course, Proceeds to "Invest in Youth Fund"

- The 18-hole Triggs Memorial is the only public golf course ever designed by nationally renown golf course architect Donald Ross. According to The Professional Golfers' Association of America, Triggs Memorial is one of the top 5 municipal golf courses in New England
- Located in western Providence, in the Mount Pleasant neighborhood, Triggs Memorial is adjacent to an elementary school, a high school, and Rhode Island College
- Since 1990, Triggs Memorial has been managed under a lease agreement with FCG Associates, which has undertaken over $1 million in capital improvements including irrigation, cart paths, and a driving range

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Revenue Initiatives:
Sell Golf Course, Proceeds to "Invest in Youth Fund"

- Triggs Memorial occupies 70 urban acres and, in 2014, had a recorded assessed value of $21.36 million if it were developed in accordance with its residential zoning
  - Rhode Island is one of several states that allows preferential tax valuation for open space land, including golf courses. If sold and used as a golf course, the taxable value of the property would be substantially lower[1]
- <u>If Triggs Memorial were privately owned, and developed into housing, annual property tax receipts would be at least 1.9x times higher than current lease payments</u>
  - If operated as a golf course, any sales price over $10.28 million would be net profitable to the City

[1] *Pinho, Rute. August 2013. Property Tax on Golf Courses. 2013-R-0273. Connecticut General Assembly, Office of Legislative Research*

Revenue Initiatives:
Sell Golf Course, Proceeds to "Invest in Youth Fund"

Impact of a FY18 sale of Triggs Memorial Golf Course

- The current contract grants the right of first refusal to FCG Associates
- Because current operating revenues are not publicly reported, it is possible that ongoing use as a golf course may become financially infeasible once the land is no longer tax-exempt
- The below estimates assume the new property owner will choose to construct residences on the property. Once housing construction is complete, the assessed value and property tax receipts will be substantially higher
- If the City sells the property, it should dedicate the large, one-time infusion of revenue from the sale to create an "Invest in Youth" Fund to support outcomes-oriented funding for programs to improve student performance (see subsequent plan recommendation to leverage Fund)
- Any one-time revenues should either be invested in a dedicated Fund or used for non-recurring expenditures

Sell Triggs Memorial Golf Course and Create "Invest in Youth Fund"

- *FY2018 est. one-time revenues from sale:* $21.8 million
- *Projected annual property tax revenues:* $720,000 - $770,000
- Revenue Impact Through FY2026: *$24.5 million*

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Meeting the Challenges:

Eliminating the Fiscal Gap

Expenditure Reduction

Meeting the Challenges, Creating Opportunities: *Expenditure Context*

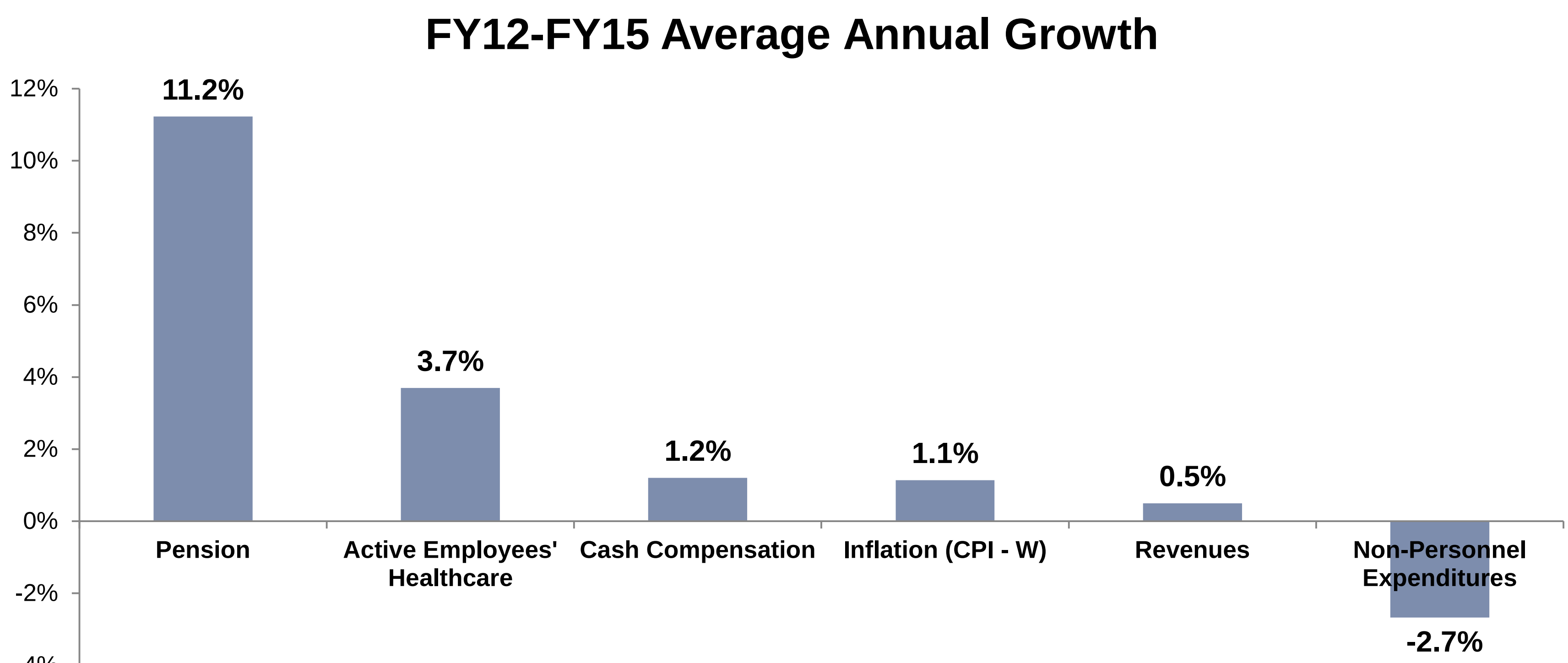
- Even if the City enacts a majority of the plan's revenue items, it would not sustainably solve the fiscal challenge, nor would it allow for adequate and sustainable investment for growth
- Solving only for year-to-year balance would result in the City continuing with retiree liabilities that threaten its fiscal stability and the long-term security of its public workers
- Instead, Providence can:
  - **increase the affordability and sustainability of its retiree benefits** with a goal of making them sustainable and competitive
  - **modify its employee compensation structure and staffing levels** to be affordable and sustainable for both City and employees
  - **provide best-in-class municipal services** at an efficient cost by focusing attention, measuring, and managing basic, core municipal operations in different ways
  - **reduce its expenditures by transferring specific functions** to the State, a regional entity, or the private sector to allow for greater attention and funding for policy priorities

Meeting the Challenges:
Eliminating the Fiscal Gap

Expenditure Reduction – Affordability and Sustainability of Retiree Benefits

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

- The City's expenditure growth from FY2012 to FY2015 was largely driven by growth in active healthcare and retirees' benefits. With minimal revenue growth, the City reduced its non-personnel spending by 2.7% annually in order to maintain a balanced budget



Note: Cash compensation includes salaries, longevity, overtime, sick leave, vacation, holiday, uniforms, workers' compensation, FICA and tuition benefits

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

- Providence's average benefit compared to other New England cities is above average ($31,212) but lower than the median ($32,419)
- The distribution of pension amounts suggests that most recipients may be below the average and accidental disability recipients may be disproportionately above the average benefit

	Benefits per Capita	Benefit Payments	# Retirees	Average Benefits per Retiree
Manchester, NH	$120	$13,156,502	833	$15,794
Bridgeport, CT	$271	$39,770,533	1,032	$38,537
Stamford, CT	$295	$37,017,337	1,309	$28,279
Waterbury, CT	$425	$46,667,000	2,139	$21,817
Warwick, RI	$432	$35,430,652	926	$38,262
Providence, RI	**$541**	**$96,570,000**	**3,094**	**$31,212**
New Haven, CT	$576	$75,244,289	2,321	$32,419
Hartford, CT	$754	$94,458,000	2,911	$32,449
Median Excl. Providence	$425	$39,770,533	1,309	$32,419
Rank	6 of 8	8 of 8	8 of 8	4 of 8

Source: 2014 CAFRs

Notes: Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above table shows the Cities' plan for retirees retired before the switch. Manchester, NH plan information does not include police and fire retirees hired since 1974, who are in the state plan; Worcester, MA and Springfield, MA are excluded because insufficient benefits information were available.

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

- When compared with other New England cities, Providence ranks high in unfunded liability per capita, annual required contribution (ARC) per capita as well as unfunded liability as a percentage of covered payroll

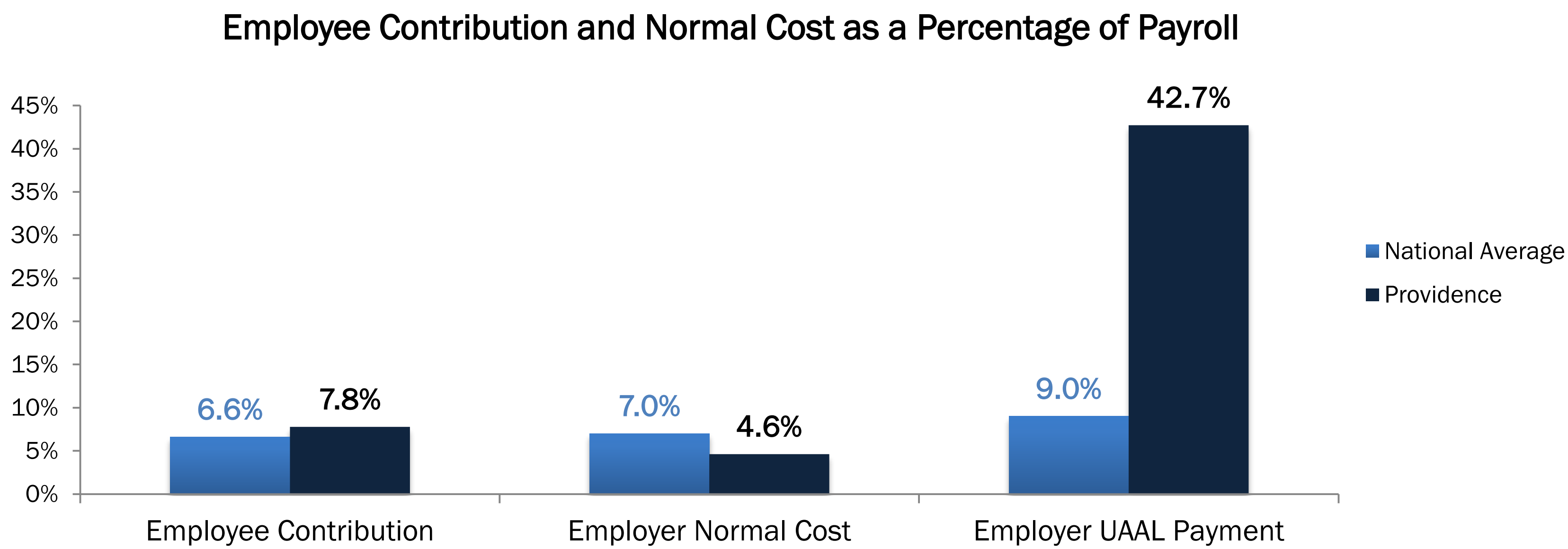
	Unfunded Liability (UAAL)	UAAL Per Capita	UAAL as a % of Covered Payroll	Annual Required Contribution	ARC Per Capita
Stamford, CT	$52,905,000	$422	49.10%	$33,290,000	$265
Waterbury, CT	$165,629,000	$1,507	201.90%	$16,085,000	$146
Bridgeport, CT	$232,475,383	$1,585	14,332.60%	$12,489,803	$85
Worcester, MA	$407,846,543	$2,235	241.50%	$40,415,585	$221
Hartford, CT	$325,692,000	$2,601	225.20%	$42,710,000	$341
Warwick, RI	$277,441,629	$3,381	599.10%	$33,144,730	$404
New Haven, CT	$541,315,700	$4,146	491.10%	$41,285,083	$316
Springfield, MA	$731,048,417	$4,752	523.40%	$42,866,226	$279
Providence, RI	**$894,336,839**	**$5,009**	**639.30%**	**$62,140,000**	**$348**
Median Excl. Providence	$301,566,815	$2,418	366.30%	$36,852,793	$272
Rank	9 of 9	9 of 9	8 of 9	9 of 9	8 of 9

Source: 2014 CAFRs.
Note: Manchester, NH excluded because uniformed police and fire employees are part of a state retirement system; Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figure shown in the above table shows the Cities' plan for retirees retired before the switch. Rank shown from least to greatest

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

- Providence as compared to national average:
  - Employee contribution is only slightly higher
  - Employer normal cost (the cost of additional benefits earned in that year) is now lower than a national average, following the 2013 settlement
  - Payments on the unfunded liability for benefits already earned are significantly higher than the national average and are the primary driver of Providence's higher-than-average liability and expense, and lower-than-average funded ratio



Source: Center for Retirement Research at Boston College, State and Local Pension Plans, Aubry and Munnell (2015)

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

Providence Employees' Retirement System (ERS) Risks

- The ERS's relatively high earnings assumption (8.25%) creates investment risk, with the potential for increases in liability and required contributions
- The ERS is amortized using a level percent of payroll schedule
  - Tends to back-load liability principal payments
  - Payments escalate with assumed increases in salaries, then suddenly end.
  - When salaries do not increase as assumed, required contributions spike
- The ERS is using mortality tables from 2000. The Actuary is proposing to use newer mortality tables, which will increase the liability

Expenditure Initiatives:
Sustainable, Affordable Retiree Benefits

- The City subsidizes spousal and dependent coverage for some groups of retirees
  - Local 1033 coverage is only for the individual retiree (post-1995 retirees)
    - Police, Fire, 1033: City provides single coverage for spouse upon death of retiree
  - The State of Rhode Island offers spousal coverage paid 100% by the retiree at the group rate
  - The City provides family coverage to Police and Fire retirees for those hired prior to 1998/1996
  - Although recent City efforts to create more sustainable retiree benefits have revised retirement eligibility and benefits, the majority of Police and Fire retirees in the ten-year projection period will be eligible for City subsidy of family coverage
- The current contract provisions for Local 1033 members states that employees hired on and after July 1, 2008, shall no longer receive an employer subsidy for Medicare health benefits
  - May purchase at the retiree's full cost at the City's group rate
  - Employees shall be required to participate in a Designated Savings Account/ Health Savings Account to pre-fund the cost of the insurance

Expenditure Initiatives:
Providence ERS Recent History

- The City's Retirement Board authorized significant Cost of Living Adjustments (COLAs) for retirees in 1989

- The City entered into a Consent Decree in 1991 formalizing elements of the COLA structure

- Following extended litigation and numerous court and arbitration decisions, large categories of City retirees were awarded COLAs at rates significantly higher than national averages:
  - Fire retirees prior to 1995 received at least 5% compounded, 3% thereafter
  - Police retirees prior to 1992 received at least 5% compounded, 3% thereafter
  - Municipal employees prior to 1991 received 3% compounded

- The Employee Retirement System has had relatively low funding levels dating back to at least 1994
  - The City significantly reduced its annual contributions to the system between FY98 and FY02, preventing it from improving fund assets like most other systems nationally during strong market conditions. The City did not fully fund the annual contribution between FY96 and FY07

Expenditure Initiatives:
Providence ERS Recent History

- The City of Providence adopted ordinances in 2012 to address sustainability concerns related to pension and OPEB benefits
- Following court challenges, the City reached a legal settlement with labor groups in state Superior Court in 2013
  - Suspended cost-of-living adjustments (COLAs) for 10 years and modifications thereafter for retirees/vested employees
    - The compounded COLAs earned to date remained as part of the retiree's pension benefit
  - Revised pension benefits for new hires
  - Required eligible retirees to shift to Medicare coverage
- Providence is not alone in making changes (and requiring additional adjustments) to its pension system for sustainability and affordability reasons – many retirement systems have taken significant steps to ensure the sustainability of their respective funds

Expenditure Initiatives:
Providence ERS Recent History

- In order to create a sustainable and affordable pension system, Providence likely needs to take actions that – at minimum – mirror those of the recent State of Rhode Island modifications
- Providence may also need to enact additional changes beyond those adopted by the State of Rhode Island
- As a result, the following pages provide an overview of other recent system changes and a series of system policy options that may be part of a larger solution for sustainability and affordability
  - The City's actuary is also costing additional options for City consideration that were not completed at the time of this plan
- Given the persistently low funded ratio of the Providence ERS, the large unfunded liability, the escalating cost of benefits, and the projected structural deficits, **without necessary sustainability changes to the ERS, the City and pensioners may be forced to consider reductions in benefits – temporary or permanent – because the of the system's unsustainability**

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Expenditure Initiatives:
Examples of Pension Sustainability Initiatives

State of Rhode Island Employee Retirement System

- Prior to reforms, 6/30/09:
  - Funded ratio: 59%
  - UAAL: $4.7 billion (State and Teachers)
  - Prior to passing reform legislation in 2011, the ERS reduced the investment earnings assumption and updated mortality tables, which significantly increased the unfunded liability
- Converted new hires and current employees with less than 20 years of service to a hybrid DB/DC plan
- Increased age and service requirements for all members within certain criteria
- Suspended annual COLAs until the funded ratio of the plans reach 80%, with interim COLAs every four years
  - COLA formula reduced from 2.5-3.0% compounded on all compensation to an index-based formula, where 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5yr Return - 7.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3.0%) for a total max COLA of 3.5%.
  - This COLA is calculated on the first $25,855 of compensation, effective 01/01/16, and indexed as of that date as well.
- The original version of the legislation reduced unfunded liability by $2.7 billion
- The reforms enacted in 2011 were modified by a settlement agreement in state Superior Court in 2015

Expenditure Initiatives:
Examples of Pension Sustainability Initiatives

City of Baltimore, MD Fire and Police Retirement System

- Prior to reforms, 6/30/09:
  - Funded ratio: 85%
  - UAAL: $463.7 million (funded ratio and UAAL reflected less than half of an accumulated loss of $412.8 million as of 6/30/05 that was recognized over ten years)
- Reformed a variable COLA that was diverting asset gains over 7.5% to a reserve fund for supplemental annuities/COLAs to a two-tier fixed COLA (1% for 55 to 65, 2% over) for existing employees and retirees
- Increased age and service requirements for all members not yet eligible for service retirement
- Increased average final compensation period from 18 months to 3 years for non-grandfathered members
- Increased employee contributions for all actives from 6% to 10% over a period of three years
- Reduced the earnings assumption from 8.25% to 8%
- AAL was reduced by $88.8 million (3%) and FY employer contribution reduced by $21.2 million
- US District Court upheld most of the changes as reasonable and necessary to serve an important public purpose. The exception was the tiered COLA, which the judge determined unfairly penalized younger retirees or retirement-eligibles

Expenditure Initiatives:
Examples of Pension Sustainability Initiatives

<u>City of Lexington, KY Police and Fire Retirement Fund</u>

- Prior to reforms, 7/1/11:
  - Funded ratio: 66%
  - UAAL: $257.8 million
- Increased employee contributions for all members by 1% of pay
- COLA rates of up to 5% for retirees and actives were lowered to 0-2% based on tiers of pension income until 85% funded ratio achieved
  - Rates for new hires lowered from a max of 3% to 2%
  - New retirees have COLA suspended for their first five years of retirement
- Existing employees not yet retired have new minimum retirement age requirement
- New tier with reduced multiplier, higher vesting and retirement requirements (50 plus 25 instead of no age, 20)
- City increased annual funding to beyond state requirement – which only covered normal cost and the interest on the unfunded liability
- Unfunded liability reduced from $296.8 million to $161.8 million, 7/1/12
- Agreement was made through task force with administration, labor members, and ratified by local and state law

Expenditure Initiatives:
ERS Assumptions

- In March 2016, the City's Actuary provided a preliminary recommendation that Providence reduce its assumed rate of return from the current level of 8.25%. The Actuary also recommended that the City update its mortality tables
- The baseline budget gap *does not* include the Actuary's recommendations because the City has not taken policy action on these items at the time of this plan. However, the City may take some policy action in future years which will alter that baseline projection
- It is recommended that the City address all of its pension system modifications (see following slides) collectively so that the City, its employees, and its retirees can collectively address the system's significant challenges in a comprehensive, affordable, and sustainable manner
- The Actuary is presently costing the potential fiscal impact of the City adopting modifications that mirror the State's recent changes – at the time of this report, the results are not available

Expenditure Initiatives:
Suspend Pension COLAs

- The State Superior Court encouraged settlements in both the State and City recent sustainability cases that included suspension of COLAs – such issues are currently being litigated in Rhode Island Superior Court
  - Changes to future accruals/new hires will not materially change the UAAL
  - Benefits for new hires are generally consistent with peers
- Eliminating, suspending, or reducing COLAs are among the options that could offer a combination of liability reduction

Expenditure Initiatives:
Suspend Pension COLAs

- The City's pension settlement suspended COLAs for a fixed period of time, ten years, ending in 2023
  - Funded ratio estimate in 2023: 35%
  - The State's pension settlement suspended COLAs until the funded ratio reaches 80%
  - Therefore, the Actuary was asked to analyze the impact of suspending COLAs until the funded ratio of the plan improves

Suspend Pension COLAs Until Funded Ratio reaches 60%

- **FY2018 Savings** - $5.2 million
- **Cumulative Savings Through FY2026** - $54.1 million

Suspend Pension COLAs Until Funded Ratio reaches 80%

- **FY2018 Savings** - $6.2 million
- **Cumulative Savings Through FY2026** - $64.4 million

Expenditure Initiatives:
Freeze DB Plan, Convert to DC Plan

- Closing the Defined Benefit (DB) plan to new members or for future service of current employees and shifting to a Defined Contribution (DC) plan does not address the existing accumulated pension liability, but can reduce the City's investment risk and the potential for further unfunded liability
  - The Actuary is continuing to model the impact of introducing a defined contribution (DC) plan for new hires, or a hybrid DB/DC plan that splits the employer's contribution into both. The State of Rhode Island changes implemented a hybrid plan for new hires and future service of many current employees

Expenditure Initiatives:
Freeze DB Plan, Convert to DC Plan

- **Close the DB plan and provide a DC plan for future years of service for all current and new employees**
  - City contributes 2% of pay per year to DC plan
  - Class A and Class B employees, with the current amortization schedule:*

Close the DB Plan and Provide DC Plan for Future Years of Service (current employees and new hires) with current amortization schedule

- **FY2019 Savings** - $4.0 million
- **Cumulative Savings Through FY2026** - $36.0 million*

**Closing a plan often entails changing the amortization schedule to reflect the loss of payroll growth, which increases contributions in initial years. The Actuary has estimated the impact with a revised schedule. The amortization schedule is a policy choice.*

Expenditure Initiatives:
Freeze DB Plan, Convert to DC Plan

- Close the DB plan and provide a DC plan for future years of service for all current and new employees, adopting a level dollar amortization schedule instead of the current level percentage of pay amortization schedule
  - City contributes 2% of pay per year to DC plan
  - Class A employees only: negligible impact
  - Class A and Class B employees, with the level dollar amortization schedule:*

Close the DB Plan and Provide DC Plan for Future Years of Service (current employees and new hires) with level dollar amortization schedule

- **FY2019 Cost** - $14.0 million
- **Cumulative Costs Through FY2026** - $48.7 million**

** Class A: civilian, non-uniform employees, including Local 1033 members, non-union-represented employees and management, and elected officials; Class B: police and fire uniformed employees*
*** Closing a plan often entails changing the amortization schedule. Providence, like many plans, assumes an amortization that increases in the future along with assumed payroll increases (level percent of salary). Once a plan is closed to new members, the pensionable payroll would be less likely to increase, and if the plan is closed to all future service, there would technically be no pensionable payroll. Therefore, an amortization with a constant payment (level dollar) may be more appropriate as a reflection of resources available to the plan. A level dollar amortization increases contributions in initial years compared to the escalating level percent of salary. The Actuary has estimated the impact with a revised schedule. The amortization schedule is a policy choice*

Expenditure Initiatives:
Increase Employee Share Toward Benefit

- Nationally, recent changes have sought to set employee contributions to half the normal cost of benefits
- The current employee contributions for Class B employees are roughly half the normal cost and are greater than half for Class A employees, as all employees contribute roughly 8% of pay but the normal cost is significantly higher for Class B employees
- Increased employee contributions could be combined with a shortened amortization period to produce savings while improving the health of the pension fund at a faster pace

Increase Employee Contributions to 10% of Pay

- **FY2019 Savings** - $2.7 million
- **Cumulative Savings Through FY2026** - $25.0 million*

Increase Employee Contributions to 12% of Pay

- **FY2019 Savings** - $5.5 million
- **Cumulative Savings Through FY2026** - $50.2 million*

**Funded ratio does not change materially because the amortization schedule is unchanged. Potentially, this could be combined with a shorter amortization schedule*

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Expenditure Initiatives:
Participant Separation

- Certain classes of retirees and employees may have relatively greater amounts of associated liability than others
- Separating groups with relatively high liability and tracking the related assets, liabilities and benefit payments independently can help manage the liability, target investment strategies more specifically, and provide greater transparency into the nature of pension issues
  - The Actuary estimated a separate amortization for retirees that separated prior to modifications to the COLA structure
  - This amortization was extended beyond the existing amortization to reflect that this relatively high liability may need to be spread over a longer period of time and more equitably across generations of taxpayers

<u>Separate pre-June 30, 1995 retirees and amortize their liability through 2050</u>

- **FY2019 Savings** - $1.9 million
- **Cumulative Savings Through FY2026** - $17.6 million

Expenditure Initiatives:
Reduce Earnings Assumption

- Reducing the rate of return would reduce investment risk and volatility and bring the assumption more in line with national averages – but it would also increase cost
- The Actuary is working with the City to identify various costs associated with potential revisions and implementation of a reduced rate of return
- If the City pursues a reduction in the City's assumed rate of return, it can be addressed in the context of the suite of actions to enhance the sustainability of the ERS

Expenditure Initiatives:
End Family Medical OPEB Subsidies

Increase Sustainability and Affordability of Retiree Benefits

- End family medical subsidy for Pre-Medicare coverage
  - Estimated impacts of paying the individual rate only going forward
  - Estimates assume the 30% phase-in of employee cost-sharing
  - Takes effect after current union contracts expire

End Family Medical OPEB Subsidies

- **FY2017 Savings** - requires actuarial costing to verify; estimated to be approximately $3.4 million
- **Cumulative Savings Through FY2026** - requires actuarial costing to confirm; estimated to be approximately $69.8 million

- Expanding use of savings accounts with employee and possibly employer contributions in a DC model of medical insurance coverage to other employee groups and pre-Medicare plans could potentially reduce the City's risk and liability for OPEB (similar to DC plans for pensions)
- Since the City pays these benefits pay-as-you-go and has not established an OPEB Trust or long-term assets, there would be no offsetting impact of changing the amortization schedule or diverting employee contributions from the plan

Meeting the Challenges:

Eliminating the Fiscal Gap

Expenditure Reduction – Employee Compensation Structure and Benefits

Expenditure Initiatives:
Sustainable, Affordable Health Benefits

Providence has proactively managed its healthcare expenditures in several ways in recent years:

- Post-65 retirees’ shift to Medicare (2012)
- Coordination of Benefits among FOP (2012), IAFF (2012), non-represented employees (2014), and Local 1033 (2015)
- Dependent audit that resulted in the removal of 440 dependents (2014)
- Pharmacy initiatives, including drug savings review, prior authorization requirements, quantity limitation and other safety and monitoring initiatives (2015)

Expenditure Initiatives:
Sustainable, Affordable Health Benefits

- Providence's CBA required FOP and IAFF members to contribute a fixed dollar amount in FY2016, which is approximately **20% of premium for individual coverage** and **15% for family coverage**
- Instead of a fixed dollar amount, Local 1033 members contribute 15% if the annual wage is less than $50,000 and 20% if it is higher than $50,000
- With 75% of the City's General Fund workforce choosing family coverage, the cost of health insurance is significantly increased

FY2016 Projected Healthcare Spending for Active Employees

	Individual (#)	Family (#)	Individual ($)	Family ($)
Police (FOP)	86	345	$470,820	$4,813,432
Fire (IAFF)	66	310	$411,846	$4,929,838
General Fund Municipal (Local 1033)	183	454	$1,146,246	$7,120,427
Non-Represented	69	117	$485,436	$2,079,133
Total	404	1,226	$2,514,348	$18,942,829

Source: Providence Department of Human Resources

Expenditure Initiatives:
Sustainable, Affordable Health Benefits

- According to the 2015 Kaiser survey, nationally, workers contribute **17%** ($1,071) of their average annual health insurance premium ($6,251) for individual coverage and **28%** ($4,955) of their average annual health insurance premium ($17,545) for family plans*
- With the cost of employee health care rising, many cities have moved to a fixed percentage of salary, fixed dollar amount, or fixed percentage of premium contribution from employees

	FOP Employee Share	IAFF Employee Share
Providence, RI	**$1,075/year (individual) ~20%; $2,150/year (family) ~ 15%**	**$1,170 (individual) ~20% $2,340 (family) ~15%**
Hartford, CT	14%	11%; capped at 25% growth rate
New Haven, CT	15% - 33% depending on plan selection	14.5% for HDHP/HSA plan; Employee buy-up for PPO plan
Bridgeport, CT	11%[1]	25% - 30% (increasing 1% per year to 50% cap)
Springfield, MA	25%	25%
Worcester, MA	25%	25%
Warwick, RI	20%; Capped at <=8% increase per year	20%
Manchester, NH	12.5% - 15%	15%
Waterbury, CT	5% - 20% depending on plans2	5% - 20% depending on plans[3]
Cranston, RI	$1,352/year (individual) $2,704/year (family)	HDHP/HSA Plan - 44.2% (individual and family)

**Source: 2015 Employer Health Benefits Survey*

[1] 2008-2012 contract; the most recent contract has not been signed as of March 2016

[2] 2009 -2012 contract, which is the most recent contract as of March 2016

[3] 2011-2014 contract

Expenditure Initiatives:
Sustainable, Affordable Health Benefits

- Health care consumerism is a cost containment strategy that seeks to change human behavior through enhanced consumer involvement and accountability. This approach encourages and enables people to:
  - Actively take charge of their personal health
  - Make informed decisions about their health care needs
  - Be aware of the overall costs of utilization
- Consumerism may rely on a variety of “carrot and stick” tools to incentivize positive, cost-efficient behaviors. Examples include:
  - Low cost plan with tiered buy-ups for enhanced coverage, offered at the actual level of cost
  - Surcharges for tobacco use
  - Higher deductibles
  - Enhanced prevention and wellness offerings and rewards
- Benefits can include: positive changes in employee health and wellness awareness; reduced sick leave usage; reduced premiums for low risk employees; and increased employee contributions to claims (through deductibles)

Expenditure Initiatives:
Increase Consumerism, Wellness, and Cost Sharing

- Providence Police and Fire employees currently contribute between 15% (individual) and 20% (family) of healthcare premium costs. The collective bargaining agreements govern the flat dollar contribution amount each year
- **Currently members of Local 1033 are required to pay 20% of the cost of their post-retirement medical premium**
  - Consistent with the State's retiree medical plans
- **Police retirees are required to pay flat dollar amounts which are equivalent to 5.4% of individual and 4.2% of family coverage for FY2017**
- **Fire retirees do not contribute to the cost of their medical coverage**
- **Providence should extend the 20% co-share to all *new* retirees by FY2019 and increase to 30% by FY2021**
  - Takes effect after current bargaining agreements expire
  - Contribution increase phased-in

Expenditure Initiatives:
Increase Consumerism, Wellness, and Cost Sharing

- Introducing aspects of consumerism, a robust wellness program, and a phased cost-sharing structure can help improve health outcomes for covered participants, shield the City from some of the rising healthcare costs, and maintain competitiveness in the New England region

Phase-in 30% Active and Retired Employee Health Contribution

- **FY2017 Savings -** $76,000
- **Cumulative Savings Through FY2026 -** $42.5 million

Expenditure Initiatives:
HSA Replacement with HDHP/HSA

- In addition to revising cost-sharing models, many cities are also providing High-Deductible Health Plan (HDHP)/Health Savings Account (HSA) plans to contain healthcare cost growth
- Cities like **New Haven, CT**, **Woonsocket, RI** and **Cranston, RI** started offering HDHP/HSA plans with buy-up options for PPO plans in recent years
- In 2014, Mercer Consulting provided Providence with an analysis of providing a high deductible PPO with HSA option
  - Employees responsible for the first $2,500 (individual) or $5,000 (family) deductible
  - The City contributes $950 (individual) or $1,350 (family) toward deductions
  - Mercer Consulting estimated that the City would save $868,000 per year with 100% HSA participation

HSA Plan Replacement with HDHP/HSA

- Replace existing Health Savings Account Plan with a hybrid High-Deductible Health Plan/Health Savings Account Plan
- Implements 2014 Mercer Consulting recommendation
- Assumes 50% of current HSA plan employees transfer to HDHP/HSA

- **FY2017 Savings** – $502,000
- **Cumulative Savings Through FY2026** - $5.6 million

Expenditure Initiatives:
Change Longevity Pay to Flat Dollar Amount

- The City currently provides longevity payments to certain employee groups based on years of service (primarily uniformed public safety employees and Local 1033 employees). In FY2016, the City budgeted $5.7 million in longevity payments
- A police officer or fire fighter with over 10 years of service receives an additional 8% of salary in longevity compensation under the current contract
- To continue to manage personnel cost growth and provide retention incentives, the City should convert longevity from percentage of salary to flat dollar amounts so that longevity payments are no longer tied to salary growth
- **Bridgeport, CT** currently provides fire longevity payments using flat dollar amounts ($75 per YOS); **Waterbury, CT** does not provide fire longevity payments
- **Hartford, CT, New Haven, CT** and **Waterbury, CT** do not provide longevity to new police hires in the most recent contract

Convert longevity from % of salary to flat amounts ($100/year of service)

- **FY2018 Savings -** $3.2 million
- **Cumulative Savings Through FY2026 -** $26.5 million

Expenditure Initiatives:
Implement Sick Leave Pool

- According to the U.S. Bureau of Labor Statistics, nationally, workers receive an annual median of 6 paid sick days
- Among State and Local government employees, the annual median is 12 paid sick days
- Providence employees, depending upon bargaining unit, receive various amounts of sick leave – however, the City has negotiated 12 sick leave days for new Local 1033 employees (as of 7/1/2015) and all Local 1033 employees as of 7/1/2017
- Sick Leave Pools allocate bonus sick or vacation hours to employees based on the aggregate number of sick hours taken department-wide. Sick Leave Pools can also be used to manage sick time usage to prevent/discourage excessive usage
- Examples of cities that use this tool include San Marcos, TX, Hollywood, FL, Augusta, GA, and Louisville, KY
- Memphis, TN is also moving toward adopting this tool

Expenditure Initiatives:
Implement Sick Leave Pool

- Under the Louisville model (specific to the Fire Department), the Fire Chief compiles the total amount of used sick leave for the entire department on a fiscal year basis, not including leave used as a result of catastrophic illness or disease
- An average number of hours per firefighter is determined. If the average is less than 48 hours per firefighter, then all fire fighters receive a bonus (extra vacation day) and the amount of bonus hours can increase if a lower amount of sick leave is used
- If the average amount of sick leave used is more than an agreed upon number of hours, then each fire fighter pays a one-time penalty in the form of lost vacation time (unless he or she specifically used less than 24 hours sick leave that year)
- Providence should consider moving towards a sick leave pool, substantially mirroring the model established by Louisville
- This model creates an incentive for employees to refrain from sick leave abuse or risk losing vacation time. Since the application of the policy is based on a Department-wide average, there is also an incentive for peer accountability

Expenditure Initiatives:
Implement Sick Leave Pool

- Overtime hours incurred by the Police Department and the Fire Department are, in part, the result of sick leave usage.
  - In FY2015, the City spent $7.3 million on Fire Department callback pay and $1.3 million on Police Department callback pay – a portion of each Department's expense was related to sick leave usage
- Assuming that the City could realize at least a 5% reduction in public safety callback costs through the implementation of a sick leave pool, it could generate approximately $460,000 of savings in FY2018 and $4.1 million through FY2026

Establish a sick leave pool

- **FY2018 Savings -** $460,000
- **Cumulative Savings Through FY2026 -** $4.1 million

- Currently, Providence does not budget for uniform Fire Department sick leave severance pay or for uniform attrition; however, the City does budget for Police sick leave severance pay and attrition
- Going forward, the City should consider budgeting for Fire Department sick leave severance pay
  - One option may be to align budgeted sick leave severance pay with an amount commensurate with the retirement-eligible employees' sick leave value in a given year – or a significant percentage thereof

Expenditure Initiatives:
Move to 10 Paid Holidays Per Year

- The City currently provides 13 paid holidays per year to Police and Fire employees and is budgeted to pay $2.7 million in FY2016 holiday pay
- Other cities and the Federal government provide fewer paid holidays:
  - Bridgeport, CT and Hartford, CT provide 12 days for Police and Fire employees.
  - New Haven, CT provides 11 days for fire fighters
  - Seattle, WA offers 10 paid holidays to its employees
  - The Federal government also offers 10 holidays to its employees
  - Nationally, local government workers are offered an average of 11 paid holidays per year[1]
- Eliminating three paid holidays per year would reduce the City's spending by approximately $460,000 per year

> **Move to 10 Paid Holidays Per Year**
>
> - **FY2018 Savings** - $459,000
> - **Cumulative Savings Through FY2026** - $4.2 million

- The City could also take actions to cap the number of personal days used per shift in public safety operations to achieve additional savings not quantified here

[1] *U.S. Dept of Labor, Bureau of Labor Statistics, 2015 National Compensation Survey*

Meeting the Challenges:

Eliminating the Fiscal Gap

Expenditure Reduction – Creating Affordable, Best In Class Municipal Services

Expenditure Initiatives:
Providence Fire Department – Deployment Analysis

- Almost one-third of all Providence Fire Department incidents – or approximately 12,700 incidents each year -- are recorded as "unknown type." This practice is unique among the Fire Departments surveyed
- As a result, it is likely that Providence's NFIRS data significantly undercount the demand for EMS services in the city
- The lack of accurate incident type data precludes responsive, needs-driven deployment

2014 National Fire Incident Report System Data

Incident Type	Fire	Rescue & EMS Incident	False Alarm & False Call	Unknown
Providence RI	2.8%	44.6%	12.9%	32.5%
Bridgeport CT	3.8%	63.5%	14.6%	0.0%
Hartford CT	2.6%	70.1%	8.6%	0.0%
Waterbury, CT	3.1%	73.5%	7.6%	0.0%
New Haven, CT	2.2%	69.7%	7.8%	8.5%
Springfield MA	5.2%	47.1%	16.6%	0.0%
Worcester MA	4.3%	72.1%	10.2%	0.0%
Median Excl. Providence	3.4%	69.9%	9.4%	0.0%
Rank**	5 of 7	7 of 7	3 of 7	1 of 7

Source: 2014 NFIRS data as reported by each municipality. Not all incident types are displayed, totals will not sum to 100%

Expenditure Initiatives:
Providence Fire Department – Deployment Analysis

- The PFD would significantly benefit from a full-scale, comprehensive operations analysis
  - Such a study would seek to better align resource allocation and service needs, identifying redundancies and cost savings where appropriate
  - Note: The Providence City Council chartered a PFD study in late 2015/early 2016 that may include some of the items described below. As of early April 2016, the study's results were not finalized
- Areas for analysis would include:
  - A risk assessment based on demographics, development patterns, and known hazards
  - An operational performance analysis based on deployment patterns, workload, response capacity, and response times
  - An simulation of alternate deployment models, including expected impacts on performance and costs

The Network recommends that such a study be commissioned as soon as possible, but no later than mid-FY2017. The City should then strongly prioritize the implementation of any opportunities to enhance resource allocation

- **FY2017 Cost** - $150,000

Expenditure Initiatives:
Providence Fire Department – Deployment Analysis

- Absent a thorough analysis of service patterns, it is not possible to pinpoint and cost the exact operational changes needed

- Available fire incident data and operational metrics from other New England cities suggest the PFD fire staffing is higher than in peer cities. This results in a more costly system with little flexibility to adjust staffing based on service demand needs. Possible adjustments include:
  - Consolidation of fire stations
  - Elimination of fire companies
  - Reduction in minimum staffing levels
  - Initiatives to reduce EMS and False Alarm calls

- The following initiatives should be considered for illustrative purposes only, depicting the type of operational changes and the associated cost savings that may emerge from a comprehensive, data-driven PFD deployment analysis

Expenditure Initiatives:
Eliminate 4 Engine Companies, 2 Ladder Companies

- According to the National Fire Protection Association, decisions regarding fire station location and apparatus deployment should be driven by the community's response time goals and the likelihood that a multiple alarm event or several multiple alarm events will occur
- A 2006 study of Providence's ladder needs recommended that PFD consider consolidating two fire stations and reducing the number of ladder companies from 8 to 7, redeploying personnel to other companies[1]
  - The study found that these modifications would have a minor effect on response times: PFD would be able to reach 87.5% of the city's population within 4 minutes, down from 88.1%
- PFD's concentration of engine companies is three times the median of other New England cities reviewed; the concentration of ladder companies twice the median of comparable cities
  - In order to be near the median of benchmarked cities, Providence's apparatus deployment would need to be reduced by 9 fewer engine companies and 5 fewer ladder companies
    - *Note: this is not a specific recommendation, but suggests additional review – such as a comprehensive deployment analysis – would better inform the City's policy decisions*

[1]*MMA Consulting Group Inc. September 2006. Study of Rescue and Ladder Needs. Prepared for the City of Providence Fire Department*

Expenditure Initiatives:
Eliminate 4 Engine Companies, 2 Ladder Companies

Fiscal Impact of Eliminating 4 Engine Companies and 2 Ladder Companies

- A 27% reduction in the number of fire suppression companies would align PFD's concentration of apparatuses with that of Bridgeport and Hartford, the cities with the next highest numbers of companies per square mile
- The 18 Firefighters associated with the eliminated companies could be redeployed to shifts currently covered via overtime hours
- Note: PFD's minimum apparatus standards are defined in the IAFF collective bargaining agreement

Eliminate 4 Engine Companies, 2 Ladder Companies

- **FY2018 Savings** - $1.9 million
- **Cumulative Savings Through FY2026** - $16.8 million

Not included in estimates:

- Potential sale of PFD's underutilized single engine station
- Maintenance, fuel, and capital cost savings
- Effects of a corresponding reduction in Minimum Staffing
- Reduction in the size of future training classes

Note: This initiative – and others – should be considered for illustrative purposes only, depicting the type of operational changes and the associated cost savings that may emerge from a comprehensive, data-driven PFD deployment analysis

Expenditure Initiatives:
Suspend Min. Staffing Based on Perf. Metrics

There are several ways to adjust minimum staffing requirements in order to reduce overtime expenditures. All require collective bargaining:

- Lower the minimum staffing requirement for the duration of the union contract
- Temporarily suspend or reduce the minimum staffing requirement
  - South Portland, ME has reduced minimum staffing from 8am to 6pm
  - Costa Mesa, CA and St. Petersburg, FL suspended minimum staffing entirely
- Eliminate use of overtime to achieve minimum staffing levels
  - Examples: Des Moines, IA; Lexington, KY; Cambridge, MA; Concord NH
- Suspend or reduce minimum staffing based on performance standards
  - Springfield, IL reduces minimum staffing from 49 to 46 if sick time used by firefighters exceeds 1,344 hours in any 30 day period
  - Reading, PA is considering a suspension of minimum staffing once overtime expenditures exceed $850,000. Minimum staffing would remain suspended for the duration of the fiscal year

Expenditure Initiatives:
Suspend Min. Staffing Based on Perf. Metrics

Fiscal impact of Suspending Minimum Staffing based on Performance Metrics

Example: akin to the Reading, PA approach, PFD would suspend minimum staffing for the duration of the fiscal year once overtime spending exceeds a fixed threshold

- Suggested Threshold: suspension of minimum staffing would occur once a 10% OT/Salary ratio (comparable to that of the PPD) was exceeded
  - FY15 PPD OT/Salary ratio = 10% (PD OT: $2.7 million)
  - FY15 PFD OT/Salary ratio = 30% (FD OT: $7.3 million)

Suspend Minimum Staffing Based on Performance Metrics

- **FY2018 Savings** - $2.6 million
- **Cumulative Savings Through FY2026** - $23.2 million

- The above cost savings projection assumes – based on PFD's estimate – that only 50% of PFD overtime expenditures are associated with meeting minimum staffing requirements. This estimate should be refined as part of any deployment analysis conducted by the City

Expenditure Initiatives:
Redeploy Uniform Personnel Serving in Admin Positions

- The most effective way to reduce overtime expenses while maintaining response times is to assign firefighters to fire suppression duties instead of to clerical or administrative duties
- At present, PFD's Communications unit includes four Dispatcher Lieutenants, one Firefighter, and one Fire Captain Dispatcher. These positions coordinate with civilian dispatchers in the Public Safety Communications Division
- Four firefighters serve as Plan Reviewers within the Fire Prevention Bureau, alongside two civilians. As agreed in the 2010-2013 IAFF Contract, once these four positions become vacant, PFD will not be required to fill them

covered by this agreement unless as otherwise agreed to by the parties. As of July 1, 2010, the parties agree to eliminate the following positions: the four (4) fire prevention plan reviewers and the juvenile fire-setter coordinator when said positions become vacant in accordance with Article IV, Section 1C. Members currently serving in the position(s) of juvenile fire-setter coordinator and fire prevention plan reviewers, upon ratification of this Agreement, shall remain in said positions until such time that said positions become vacant. Once the positions become vacant, the Department shall not be required to be fill the positions of fire prevention plan reviewer and juvenile fire-setter coordinator. Therefore Article I Section 1 Paragraph 2 shall not apply to the

Source: 2010-2013 IAFF Collective Bargaining Agreement, p56 - 57

Expenditure Initiatives:
Redeploy Uniform Personnel Serving in Admin Positions

Fiscal Impact of Civilianizing FD Dispatchers and Plan Reviewers (10 FTEs)

- Hire civilian dispatch replacements at competitive pay step, with experience commensurate with current civilian dispatchers. Do not hire replacement civilian plan reviewers
- Redeploy firefighters to shifts currently covered by overtime hours
- Potentially reduce the size of future academies to maintain fire suppression headcount level informed by detailed, data-driven deployment analysis

Civilianize FD Dispatchers and Plan Reviewers

- **FY2018 Savings** - $1.0 million
- **Cumulative Savings Through FY2026** - $7.9 million

Expenditure Initiatives:
Redeploy Uniform Personnel Serving in Admin Positions

Fiscal Impact of Eliminating Carpenter, Air Supply Technician, and Supply Room Positions

- Modern operating standards have made these positions redundant
- Redeploy firefighters to shifts currently covered by overtime hours

Eliminate Carpenter, Air Supply Technician, and Supply Room Positions

- – FY2018 Savings - $475,000
- – Cumulative Savings Through FY2026 - $4.3 million

Expenditure Initiatives:
Redeploy Uniform Personnel Serving in Admin Positions

- One of the most effective ways to combat crime is to assign uniformed officers to street patrol instead of to clerical or administrative duties
- Over the last several years, PPD has increased the number of civilians performing duties previously assigned to uniformed officers. Opportunities to civilianize remain in dispatch and in the data processing unit
- The principal benefit of civilianization is increasing the number of sworn officers available for high priority crime reduction efforts. Any associated cost savings are a secondary benefit

Fiscal impact of civilianizing desk positions and redeploying officers

Example: Redeploying PPD's two data processing officers to overtime duties, hiring experienced civilians to fill their positions, and reducing the size of the FY18 trainee class by two

Civilianize PPD Desk Positions and Redeploy Officers

- **FY2018 Savings** - $160,000
- **Cumulative Savings Through FY2026** - $1.5 million

Expenditure Initiatives:
Promote Employee Innovation

Establish a Productivity Bank

- A Productivity Bank is an internal revolving loan program that allows departments to make otherwise unaffordable up front investments in return for longer-term cost savings, revenue gains and service improvements
- The Productivity Bank can provide loans to City departments for individual or collaborative projects that normally would cause a spike in annual operating allocations
- Example: Philadelphia, PA created its Productivity Bank in 1992 to promote a strategic approach to the way in which City government conducted its business
  - Using a capital base of $20 million, the Bank proved to be a significant management tool in reforming the operations of the government, especially for technology upgrades
  - These projects created long-lasting innovations that enhanced service benefits well beyond their significant financial impacts

Expenditure Initiatives:
Promote Employee Innovation

Establish a Productivity Bank

- Providence should consider creating a Productivity Bank of its own
- If Providence made an initial investment of $1.0 million and achieved savings similar to that of Philadelphia, the City could see a 24% average annual return on its investment

Establish a Productivity Bank

- **FY2020 Cost -** $700,000 ($1.0 million investment; $300,000 savings
- **Cumulative Savings Through FY2026** - $7.2 million

Meeting the Challenges:

Eliminating the Fiscal Gap

Expenditure Reduction – Transferring Functions to Other Entities

Expenditure Initiatives:

Potential Partnership for Operation and Maintenance of Park & Zoo

- Roger Williams Park's 435 acres has many regional attractions, including the Zoo, Museum of Natural History, Casino, and Botanical Center. Roger Williams Park is a regional asset as the largest urban park in Rhode Island with 1.5 million visitors per year

- The City of Providence owns and operates the Park because the Park's original 102 acres were bequeathed to the City in 1870 by Roger Williams' descendent, Betsy Williams

- In 2016, the Rhode Island Foundation launched a $10 million campaign to create a conservancy for Roger Williams Park. Half of the funds will be used for immediate capital improvements; the other half will establish a permanent endowment for perpetual operating support

Expenditure Initiatives:
Potential Partnership for Operation and Maintenance of Park & Zoo

- According to the Trust for Public Land, a growing number of cities are creating nonprofit organizations to leverage private donations for the revitalization and maintenance of iconic urban parks[1]
  - Examples: Central Park Conservancy, Golden Gate National Park Conservancy, Buffalo Olmsted Parks Conservancy, and Trust for the National Mall
- For significant regional amenities like Zoos, it is uncommon for the City to bear primary responsibility for ongoing operations and maintenance costs
  - In FY15, the Philadelphia Zoo received 1.3% of its operating budget from the City of Philadelphia ($530,000);
  - In FY12, the Atlanta-Fulton County Zoo received 0.7% of its operating budget from the City of Atlanta ($145,747)
- In some cases, metropolitan parks with significant regional attractions and amenities are managed as part of the State Park System
  - Examples: Goddard Memorial State Park in Warwick RI; the White River State Park & Zoo in Indianapolis IN; the Los Angeles State Historic Park

[1] *Harnik, P & Martin, A (2015). Public Spaces/Private Money: The Triumphs and Pitfalls of Urban Park Conservancies. The Trust for Public Lands*

Expenditure Initiatives:
Potential Partnership for Operation and Maintenance of Park & Zoo

Precedents for Regional Asset Transfers:

- **RI: Dunkin Donuts Center.** In 2005, the enabling legislation of the RI Convention Center Authority was amended to allow the RICC to own, operate, and finance a "civic center," allowing the RICC to issue bonds to acquire the Dunkin Donuts Center
- **PA: Moon Lake Park.** Luzerne County, PA is in the process of transferring several park areas, including Moon Lake Park, to the Commonwealth of Pennsylvania; according to a PA state senator, "the natural resources and passive recreational assets of Moon Lake Park will be preserved and enhanced to the great benefit of every citizen…"

Policy considerations:

- The most impactful approach for any City government is to do the basics well: deliver quality municipal services at a competitive rate that reflects policy priorities – state-wide attractions like Roger Williams Park & Zoo are unlikely to fall within the boundaries of "basic" municipal services
- By transferring a substantial share of cost pertaining to operation and maintenance of Roger Williams Park and the Zoo to either the State, a Park Conservancy, and/or the Rhode Island Zoological Society, the City can both reduce its non-mission critical expenditures, streamline operations, and ensure that a vibrant park and zoo remain in city limits

Expenditure Initiatives:
Potential Partnership for Operation and Maintenance of Park & Zoo

- Impact of gradually transferring Roger Williams Park & Zoo operating and maintenance responsibility/costs to State or Philanthropy at end of current labor contract (effective FY2019)
  - Note: The City would retain ownership of the Park land

Create Partnership for Operation and Maintenance of Roger Williams Park & Zoo Over 5 Years

- **FY2019 Savings** - $822,000
- **Cumulative Savings Through FY2026** - $26.8 million

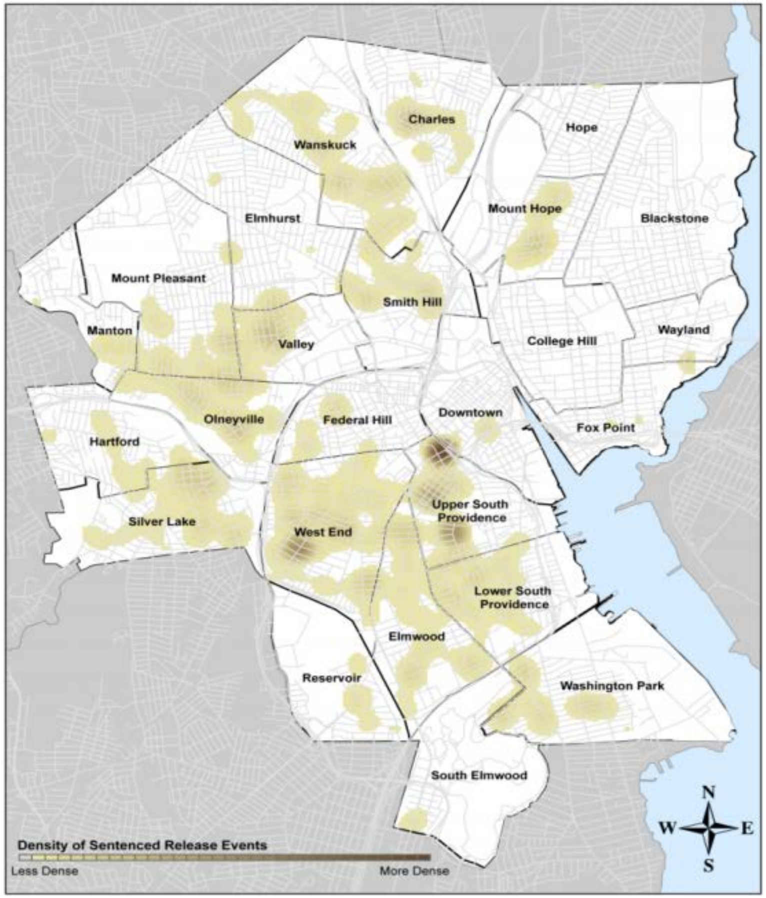
Create Partnership for Operation and Maintenance of Roger Williams Park & Zoo Over 10 Years

- **FY2019 Savings** - $411,000
- **Cumulative Savings Through FY2026** - $16.2 million

Expenditure Initiatives:
Support Prisoner Reentry and Crime Reduction Plan

- According to the RI Department of Corrections (DOC), almost one-third of the state's probation and parole offenders live in Providence (5,782 individuals as of June 30 2015), many in the City's high unemployment neighborhoods
- Roughly 1,000 offenders are released every year to Providence addresses
- According to a 2013 DOC study, 48% of Rhode Island offenders are incarcerated within 3 years. Research has found that reentry success is correlated with the ability to obtain steady employment
- In 2007, the DOC and the Providence Police launched a partnership to share data on released offenders and locate probation and parole officers at police substations in key neighborhoods

Density of Released Offenders



Source: Rhode Island Dept. of Corrections, Planning & Research Unit. July 2012. Community Profile: Providence RI

Expenditure Initiatives:
Support Prisoner Reentry and Crime Reduction Plan

- Based on cost estimates provided by the Center for Employment Opportunities, a national reentry employment agency can provide basic maintenance services to the City of Providence for $45,000 less per FTE than the City's current personnel expenditures
  - CEO estimates include the costs of site supervisors, program supplies, and overhead
- Several basic maintenance tasks may lend themselves to outsourcing, including parks groundskeeping and janitorial work. At present, 7 City staff provide Janitorial services to the City Hall, Public Safety Complex, and Police substations

Transfer City Janitorial Duties to Reentry Employment Agency

- **FY2019 Savings** - $219,000
- **Cumulative Savings Through FY2026** - $2.2 million

Investment Initiatives:
Transfer Sewer/Stormwater Assets

- Given that the City is not able to invest in the maintenance of its sewer and stormwater assets, its need for resources to invest in other capital assets, and the presence of a viable alternative service provider, the City should advocate for the transfer of these assets to the Narragansett Bay Commission (NBC)
  - *Note: NBC is under the regulatory jurisdiction of the Public Utilities Commission*
- A regional stormwater management district is under consideration; the potential district would include Providence and 6 other municipalities
  - If a regional stormwater district is implemented, it is estimated to be 5 years before there are any concrete impacts on Providence
- Transfer might include a transition plan under which Providence continues to budget at the same levels for sewer and stormwater operations for a period of several years, but transfers those funds to NBC to allow for a gradual ramp-up of user fees to cover the costs of operations, capital needs, and regulatory compliance (FY2020-FY2023)
- Following the transition period, funds that would have gone to the operating budget can be re-directed to the Capital Fund or a Capital Reserve (FY2024-FY2026)

Expenditure Initiatives:
Transfer Sewer/Stormwater Assets

- If a transfer of sewer and stormwater assets can't be accomplished, then the City must establish a revenue stream dedicated to these assets
- The City could establish a new enterprise fund or an authority for sewer and stormwater services
- The City might be able to partner with the Providence Water Supply Board or with NBC to bill customers for sewer and stormwater services and collect revenues on behalf of the City
  - Sewer bills could be based on water use
- The City could combine bills for sewer and stormwater services with property tax bills

Transfer Sewer/Stormwater Assets

– **FY2024 Cost** - $938,000
– **Cumulative Cost Through FY2026** - $2.9 million

Creating Opportunities:

Program to Re-invest Savings in Providence and Share Benefits of Growth

Meeting the Challenges, Creating Opportunities: *The Need for Investment*

- Achieving sustainable growth and shared economic benefits requires that Providence invests in itself and its future
- Investments are required to enhance economic growth – which is the best and most desired manner to increase economic competitiveness
- Making only the minimum level of budget changes to maintain year-to-year balance, without investing in longer-range needs will result in continually deteriorating assets, infrastructure failures, and higher life cycle costs
- Instead, to achieve its collective aspirations, the City can:
  - **Reduce the tax burden** for residents and businesses to increase economic activity and competitiveness
  - Provide its children with the best possible opportunities to realize and **achieve improved student performance** through support of outcomes-oriented funding for programs
  - Strengthen its capital infrastructure to provide the **foundation for stronger neighborhoods, improved quality of life of residents**, and **increased economic attractiveness and competitiveness** for employers
  - Advance a culture of **results-oriented, innovative, and high-performing government**

Investment Initiatives:
Reduce Commercial and Excise Tax Rates by 3%

Reduce the Tax Burden

- Providence should make a commitment to reform and rebalance its tax structure to reduce the tax burden on residents and businesses. A first step in the process can be a 3% reduction in the commercial and excise tax rates in FY2018
- In order to achieve this investment, necessary expenditure reductions and new sources of revenue are required
- A 3% reduction in the commercial tax rate and a 3% reduction in the excise tax rate (or an equivalent increase in the exemption level) would reduce associated tax collections, in sum, by approximately $4.9 million

Investment Initiatives:
Reduce Commercial and Excise Tax Rates by 3%

Reduce the Tax Burden

- This 3% rate reduction could be considered a down payment on further rebalancing the tax burden to more appropriately share the funding burden among those who benefit from City services
- If the City were to further reduce the commercial tax rate and excise tax rate (or an equivalent increase in exemption level) by 3% in FY2022, it would cost an additional $28.9 million through FY2026, or a total of $72.9 million from FY2018 through FY2026

Reduce Commercial and Excise Tax Rates by 3%

- **FY2018 Cost** - $4.9 million
- **Cumulative Cost Through FY2026** - $46.9 million

Creating Opportunities:
Investing in Student Success

- Investing in education should be a priority for the City
  - Post-secondary education attainment is a key lever to moving individuals out of poverty and strengthening the middle class
- Excellent public schools, combined with quality summer and afterschool learning opportunities, are among the City's strongest tools for workforce development, crime prevention, and important building blocks for economic prosperity
- Identifying outcomes-based investments in out-of-school initiatives for students is a priority, along with improving educational outcomes for students.
- The City should continue to take a leadership role in coalescing stakeholders around a clear, articulated vision for success of students

Investment Initiatives:
Create Youth Innovation Fund

Shift PPSD-funded Summer Learning and Remedial Programs to a 'Youth Innovation Fund'

- Allocations from the Innovation Fund would be based on a best practice budget process known as "budgeting for outcomes" (BFO)
- Rewards outcomes, collaborative partnerships, and innovative programming
- Does not require an immediate increase in current funding, but instead changes the allocation process – shifting resources from existing City programs to create a pilot, collaborative Fund
- The City can pursue a sale of Triggs Memorial Golf Course in FY2018 to seed the "Youth Innovation Fund" and annually increase funding for outcome-based programming

Create Youth Innovation Fund to Enhance Youth Learning and Achievement

- **FY2018 Cost** - $2.0 million
- **Cumulative Cost Through FY2026** - $32.0 million

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Investment Initiatives:
Increase MOE

- A comprehensive 2013 study by ETS delved into both the increased costs of educating students in poverty, as well as the relationship between economic success and educational attainment
  - The concentration of child poverty dramatically increases the costs of improving student outcomes by increasing the necessity for targeted educational interventions and supplemental services, most of which require additional professional staff and additional time
  - Equitable and adequate funding for schools is a prerequisite condition for ensuring reasonable class sizes, competitive teacher wages, and the ability to provide specific programmatic interventions that may help to counterbalance the adverse effects of increased poverty and growing income inequality

Investment Initiatives:
Increase MOE

- The City has not increased the MOE in the past 7 years, while the portion of PPSD budget from the state has decreased over the past 12 years from 63.89% to 62.07%
- Currently, PPSD revenue per student is $17,106, with 80% of students receiving subsidized meals and 39.7% of Providence's children living in poverty
- The number of PPSD students receiving subsidized meals is 70% higher than the statewide average, even though PPSD per-student revenues are only 4% higher than the statewide average.

Increase City Maintenance of Effort to PPSD in FY2020

- **FY2020 Cost** - $5.0 million
- **Cumulative Cost Through FY2026** - $35.0 million

Investment Initiatives:
Create Formal Capital Planning/Budgeting Process

- Currently the City does not have a real capital budget or capital plan, and does not have a formal process for planning or monitoring capital investments
  - Capital budgets do not reflect actual capital investments
  - Capital budgets do not reference capital funding sources
- Capital revenues and expenditures are accounted for in the General Fund, including State reimbursements for school construction projects and debt service payments to the PPBA for school construction projects
- Establishing a separate Capital Fund would have multiple benefits:
  - The separate fund would help clarify the difference between operating or everyday revenues and expenditures, and those that have longer useful lives
  - The fund will help prevent operating and capital funds from getting mixed up
  - The budget for the Capital Fund would not lapse at the end of the fiscal year, simplifying the budgeting process for construction projects
  - There may be instances in which separating funds is helpful or necessary for demonstrating legal compliance

Investment Initiatives:
Create Formal Capital Planning/Budgeting Process

- Based on projected debt issuance, the proposed Parking Tax, and any other capital revenue sources that may be available, the City should develop 10-year capital funding projections
  - The City should also establish a Capital Fund to improve transparency
- Based on projected revenues, the City should plan for capital spending by asset category
- The goal of the spending plan should be to approach annual investment targets for all capital asset categories based on asset life cycles and costs
- The spending plan should serve as a framework for a Capital Improvement Plan that identifies specific capital projects (discussed later in this presentation)
  - Whatever capital funding is available, the City needs to allocate some funds to its other capital needs besides School projects
  - The City has reasonably invested more heavily in school projects than other kinds of capital projects because of the 80% reimbursement from the State
  - Although this is a rational approach given limited financial resources, the City has to shift to a more balanced approach to investments across asset categories

Investment Initiatives:
Create Formal Capital Planning/Budgeting Process

Coordination with PPSD

- Providence Schools does have a capital planning process in place that references many capital planning principles and GFOA recommendations:
  - "Ensuring that the City's five-year capital improvement program is affordable
  - Forming investment decisions based on an open and objective process that emphasizes long-term planning
  - Enhancing the linkages between the City's capital and operating budgets
  - Increasing accountability by identifying the individual projects to be funded during the capital planning period
  - Monitoring and managing City debt use for long-term capital improvements" (Providence Schools 2007-2011 CIP)
- While Providence Schools has a capital planning process in place, the City currently does not
  - The City needs to establish practices for planning and managing its own capital assets
  - Moreover, since the Schools and the City are financially linked, their capital planning processes need to be integrated

Investment Initiatives:
Create Formal Capital Planning/Budgeting Process

- Providence should pursue a formal capital planning and budgeting process to make investments in targeted needs (e.g. infrastructure, etc.)
- With revenue from the Parking Tax (discussed earlier in this Plan), the City can dedicate a revenue stream to help it leverage funds to begin addressing its significant capital and infrastructure investment priorities
- Costs below are net of the costs of the proposed sidewalk cost sharing program (discussed on the following pages)

Create Formal Capital Planning/Budget Process to Invest Capital and Infrastructure Priorities

- **FY2019 Cost** - $4.3 million
- **Cumulative Cost Through FY2026** - $31.1 million

Investment Initiatives:
Sidewalk Program

- An October 2014 study estimated that there are approximately 3,500 sidewalk repair applications, with an estimated total cost of $20 million
- Many other sidewalks also need repair; a ballpark estimate of cost for unidentified repairs is $70 million
- A study is in progress to estimate and assess the condition of all sidewalks and develop a more reliable cost estimate

Sidewalk Category	2015 Est. Cost (M)
Applications on File	$ 20.0
Unidentified Upgrades (est.)	$ 70.0
Est. Total	**$ 90.0**

- In Providence, the Code does already allow the City to have property owners repair sidewalks, or pay for repairs completed by the City
  - In practice, however, property owners are required to repair sidewalks only in the event of new construction on the property
- Given the existing backlog of sidewalk repairs, a cost-sharing model might be the best way of making progress on the backlog

Investment Initiatives:
Sidewalk Program

- Many RI municipalities' laws allow property owners to be required to make sidewalk repairs, or allow the city to make repairs at the property owner's expense
  - Warwick, West Warwick, Cranston, East Providence and North Providence all have sidewalk repair ordinances
- West Warwick Sidewalk Cost Sharing Program:
  - Property owners select one of several pre-qualified contractors
  - Cost estimate is provided to the Town for review
  - Approved projects are reimbursed at the rate of 50% of project cost, up to a maximum of $1,000
  - Reimbursements are subject to availability of funding
- East Providence Sidewalk Cost Sharing Program:
  - East Providence pays the up-front cost of sidewalk replacements
  - Property owners repay the City in semi-annual payments over a five year period

Investment Initiatives:
Sidewalk Program

- A sidewalk cost sharing program would allow the City to gradually eliminate the estimated backlog of 3,500 sidewalk repair applications at a more manageable level of investment. As shown in the table below:
  - With no cost sharing program, the City would have to invest more than $4 million per year for 7 years to eliminate the backlog beginning in FY2022
  - **A 50-50 cost sharing program over 7 years would require an annual investment of $2.2 million. The costs of the program would be distributed among those who benefit**

Create a Sidewalk Cost Sharing Program

- **FY2022 Cost** - $2.2 million
- **Cumulative Cost Through FY2026** - $11.0 million

	Cost Sharing	No Cost Sharing	Cost Sharing	No Cost Sharing	Cost Sharing	No Cost Sharing
Repairs per Year	250	250	500	500	700	700
Time to Eliminate Backlog	1,075,000	2,150,000	2,150,000	4,300,000	3,010,000	6,020,000
City Cost (per Year)	1,075,000	0	2,150,000	0	3,010,000	0
Property Owner Cost (per Year)	14	14	7	7	5	5

Note: assumes private sector sidewalk repairs at lower per unit cost ($4,300)

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Investment Initiatives:
Create Performance Management Office

- Local Governments across the nation have adopted "PerformanceStat" models, creating a dedicated performance data team that identifies opportunities for increased efficiency and cost savings
- Example: The Office of Performance Improvement in **Louisville KY** [1]
  - Monitors unscheduled overtime, sick time usage, work-related illness and injury, and responsiveness to citizen concerns, among other metrics
  - Identified $3.6 million in cost savings in Year 1 (2012), including a $3.1 million reduction in unscheduled overtime and $500,000 in increased revenue from better accounting for special events
  - Removed more than 200 days from key administrative processes like hiring
  - Decreased overall Lost Time injury rate by more than 30%
  - Reduced hours not worked due to sickness or injury by 28%
- Example: Focus on Results in **Atlanta GA** [2]
  - A 2013 collaboration with the Police Department reduced the error rate of citations from 15% to <1%, saving over 2,000 hours of policing time
  - The introduction of ePayment for citations increased fine payment from 10% to 34%, saving over 4,000 hours of staff time in court

[1] *Results for America. June 2015. Louisville: Open Data, Performance Management, and Continuous Improvement. Invest in What Works: Local Moneyball for Government Case Study*

[2] *Results for America. April 2015. Focus on Review. Invest in What Works Policy Series*

NATIONAL RESOURCE NETWORK
NEW SOLUTIONS FOR CITIES

Investment Initiatives:
Create Performance Management Office

- How to Structure a Performance Management Office in Providence:
  - Dedicated team of 3-4 data analysts that examine cross-functional and cross-division topics
  - Leverage data from Providence's 311 system on how City divisions respond to public requests for service, along with Department-specific metrics
  - Report to COO, Mayor, and Department leaders every few weeks. Meetings should create a space to think critically about actions and corrections

Create Performance Management Office

- **FY2017 Cost** - $179,000
- **Cumulative Savings Through FY2026** - $257,000

Note: above cost estimates assume that hiring is phased in during FY17 and FY18, conservatively assuming that each data analyst will be self-sufficient after 4 years and generates net savings. In Louisville KY, the performance management team achieved self-sufficiency in its first year and has since generated annual savings that exceed staff costs by a ratio of 5 to 1[1]

[1] *Results for America. June 2015. Louisville: Open Data, Performance Management, and Continuous Improvement. Invest in What Works: Local Moneyball for Government Case Study*

Investment Initiatives:
Adopt Budgeting for Outcomes

- Budgeting for Outcomes (BFO) starts with a set of results that matter to citizens, and reallocates financial resources towards the activities that will best achieve those results
- Key components include:
  - Spotlight what the public gets for its tax dollars
  - Measure and track outcomes
  - Enhance general understanding of how tax dollars are spent.
  - Encourage innovation and accountability in service delivery
  - Integrated at all levels of government.
  - Refocus all public employees on performance

- The Government Finance Officers Association (GFOA) recommends BFO as a best practice for state and local governments

Investment Initiatives:
Adopt Budgeting for Outcomes

BFO in Practice: New Orleans, Louisiana

- New Orleans began implementing BFO in 2007. Every budget cycle, the City undertakes the following process:
    1. Determine how much money is available
    2. Prioritize up to 10 results (2-3 outcome measures per result)
    3. Allocate resources among high priority results
    4. Conduct analysis to determine what strategies, programs, and activities will best achieve desired results
    5. Allocate available dollars to the most promising activities
    6. Set measures of annual progress and monitoring
    7. Check what actually happened and make changes to underperforming programs
- In July 2014, the City was one of 29 jurisdictions recognized by ICMA for superior performance management