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**Mayor Scott Avedisian**  
**Fiscal Year 2010 Budget Address**  
**May 13, 2009**

TO THE HONORABLE, THE CITY COUNCIL AND THE PEOPLE OF THE CITY OF WARWICK:

This is the tenth budget message that I have had the honor of writing. This budget process has been the most difficult one that I have undertaken. Many outside influences have caused us to reassess the work that we do here in our community.

Last year at this time, I wrote that headlines all around us warn of recession, foreclosures, layoffs, and other fiscal downturns. Little did anyone know at that time that our nation was heading for what most people believe is the worst economic downturn since the Great Depression. Rhode Island has not fared well during this recession: State and local revenues have significantly declined as record unemployment and concern over the economy affected individual spending. The State budget has experienced revenue shortfalls of at least \$380 million in the current budget, with that number projected to increase to as much as \$500 million in the next fiscal year.

We therefore find ourselves in a difficult position as we attempt to preserve the core services that our citizens expect and deserve in a constantly-changing fiscal climate.



# **FY2009 Budget**

Due to the economic downturn, State revenues have declined at an alarming rate. As a result, the Governor proposed a mid-year elimination of the General Revenue Sharing (GRS) program to all Rhode Island cities and towns amounting to \$55 million. The City of Warwick's reduction would have been \$4,046,499. Ultimately, in March the General Assembly passed a supplemental budget that restored some municipal aid but still reduced the city's GRS payment by over \$2.2 million.

In addition to this decrease, the State's reimbursement to the City for the motor vehicle phase-out program was reduced by over \$730,000 and many forms of local revenues from realty taxes to investment income were affected by the staggering economy. Clearly, a corrective plan needed to be developed to reduce expenses to make up for these revenue shortfalls.

In December, I approached representatives of the City's three unions (police, fire and municipal) to discuss the economic crisis confronting the City and sought their assistance to address the looming revenue shortfalls. Meanwhile, I implemented non-personnel spending reductions amounting to \$2.3 million. In addition, by leaving vacant positions unfilled and reorganizing municipal departments, we realized savings in salary and benefits costs.

As a result of the ongoing discussions with our union leadership, tentative agreements were reached and ratified by the City Council. These agreements include pay reductions from the beginning of March until June 30 of this year, increased contributions to the health insurance plan premium, no wage increases in FY 2010, and deferral of holiday pay and clothing allowances. Municipal management employees, who were already paying the increased contribution to health care, also agreed to the pay reduction and wage freeze.

I can't say often enough how proud I am of the men and women who work for the City of Warwick. The unions' willingness to work cooperatively with my administration to address these revenue shortfalls speaks volumes about their concern for our community. Although management and labor conflict, and court actions have been commonplace in other Rhode Island cities and towns this year, here in Warwick we worked together for the betterment of the City.

There are still many uncertainties as we approach the close of the fiscal year. As a result, an additional fund balance allocation of \$347,971 may be needed to balance the budget. Also, due the remaining uncertainty of revenue shortfalls, an 80% payment will be made on behalf of the municipal pension plan. This is a decision I make after much deliberation and with some hesitation, but there are few options. This is the first time in my tenure that the City has not made the annual required contribution as determined by our actuaries. However, if we close the fiscal year in a better financial condition than projected, I will direct that an additional pension payment be made.

## **FY2010 BUDGET**

The FY 2010 budget was prepared under the premise that the City's expenses had to be reduced while preserving the core services that have made Warwick the wonderful place to live and work and the envy of many communities. Most City departments have come in under their FY 2009 budget, thanks to the vigilance of our municipal department directors.

Throughout this fiscal year, the City has been holding vacant positions and reorganizing City departments when vacancies occur. These measures and agreements with labor have led to the elimination of 39 positions.

My budget this year will abolish dozens of jobs on the City side of the budget: Chief Minimum Housing Inspector, Plumbing & Mechanical Construction Inspector, Financial Analyst, System Technician, Grant Writer/ Development Coordinator, Health Maintenance Specialist, Youth Program Assistant, Library Deputy Director, Circulation Supervisor, Operation Aide in Recreation, Recreation Program Coordinator, Lead Rehabilitation Specialist, Heavy Equipment Mechanic, Automotive Store Clerk, City Engineer, Senior Surveyor, Senior Foreman, Assistant Fire Chief, Major in the Police Department, two Police Detectives and fourteen Patrol Officers. In addition, three part-time positions – Librarian, Library Page, and a Building Custodian – have been eliminated, along with a Program Planner/Analyst in the Sewer Department and Senior Clerk Cashier in the Sewer/Water Departments.

The salary savings generated by abolishing these jobs is approximately \$1.8 million in salary and an additional savings of nearly \$700,000 in benefits.

Effective March 1, 2009, all of our employees began paying approximately 10 percent of their healthcare premium. This should generate \$900,000 a year. Also, since March 1, 2009, all municipal employees are contributing an extra 1% of their pay towards their pension contribution. This should generate about \$220,000 annually to the benefit of the plan and the City. The overall cost savings to this City because of these and other measures will be more than \$3.6 million for next fiscal year.

This budget includes an allocation of \$150,000 to retain professional assistance as we review airport expansion alternatives and funding to assure that all of our library branches remain open. I have increased the emergency assistance budget that helps residents in crisis. Contributive support for human service organizations and recreation groups remain and the summer playground program has also been funded.

The capital budget is limited to \$75,000 for computer and printer replacement and \$30,000 for a replacement body for the Department of Public Works' VAC-ALL used for drainage work in the City. Acquisitions from the lease purchase program include a sanitation/recycling vehicle, a rescue truck and police cruisers.

I want to take a moment to thank the men and women who serve as my Department Directors. They have a firm hand on their departments and divisions and they are professional and dedicated. I know how hard they work to manage their budgets and they have my deep gratitude.



# Schools

As a product of Warwick Public Schools, I am immensely proud of this school system and the great men and women who educate our young people. I know full well that we have some of the most dedicated and committed educators in the whole state. The recent decision to close John Greene Elementary School and last year's decision to close Potowomut, Christopher Rhodes, and Drum Rock Elementary Schools are disheartening. The elimination of numerous positions in the School Department is equally grim. Yet, the truth of the matter is that school enrollment is declining and these actions, as distasteful as they may be, are necessary given the fiscal realities facing school departments. I must acknowledge the efforts of School Committee Chairman Chris Friel and the members of the School Committee for addressing these difficult issues. I am hopeful that Chairman Friel and his colleagues will develop a comprehensive, long-term plan to address enrollment issues district-wide so that the community is not faced each year with the prospect of school closures.

For the first time in my tenure as Mayor, I did not have a School Committee-adopted budget to review prior to formulating my budget. I understand the dilemma facing the School Committee as they prepared a budget with uncertainty as to the level of State aid they may receive in the upcoming fiscal year. I face the same uncertainties drafting our municipal spending plan, but I am required to submit a budget to the City Council 45 days before the start of the fiscal year.

On May 4, 2009, the School Committee adopted a local government appropriation request to the City of \$128,077,220, which is \$4,109,152 more than the current appropriation of \$123,968,068. According to the Superintendent's proposed budget, \$2,909,001 has been requested to repay the taxpayers for the School Department's deficit spending for the past two fiscal years. Another \$500,000 would go toward future debt service and \$700,151 would support increased operating expenses.

Let me address the request for additional tax dollars to reimburse Warwick taxpayers for the School Department's overspending. I asked the School Committee to develop a deficit reduction plan early last fall. No plan was forthcoming. The request for more taxpayer dollars to reimburse those same taxpayers is not acceptable and would reward bad behavior. Under this proposal, the School Department's base would be increased with a one-time



expense, which would give it a windfall of \$2.9 million in FY 2011 while increasing its base so that more money can be requested in future years.

This is akin to a child who overspends his allowance and then asks his parents for an allowance for the next six months so he can pay them back.

For the reasons above, I will not recommend that amount be added to the local appropriation to repay the deficit incurred by the School Committee.

I will also not include additional debt service to the School Department's budget to pay for capital improvements. With funding limitations and state law regarding how funds are apportioned between municipalities and schools, the City can no longer fund school-related principal and interest payments. Currently, the City's budget contains \$4,255,527 in school-related debt service. I believe the School Department can fund a debt service payment within the funds I am recommending.

The last item of the School Department's appropriation request is \$700,151 for general school operating expenses. When discussing this request, we must look at the schools' current operating budget, which contains a one-time, retroactive teachers' payment of \$4.8 million. This expense will not be duplicated in FY 2010, which means that amount can be reallocated to other operating expenses. In essence, the Superintendent's proposed budget operating increase is in reality \$5.5 million!

It should also be noted that the municipal budget contains other school-related expenses, such as school resource officers, discount ice and pool time and crossing guards, which are not included in the School Department budget.

It is my belief that the School Department can reallocate the one-time, retroactive teachers' payment to other operating expenses and there is no need for an increase in the City's appropriation. Therefore, my recommendation is to level-fund the School Department, at \$123,986,068.

## **Tax Rate**

The proposed budget for Fiscal Year 2010 is \$280,863,000. Of that amount, \$164,609,068 has been allocated to support our school system. This is level funding for the School Department. A total of \$116,253,932 has been allocated to fund municipal services. This is a decrease of \$1,312,518 from the prior year's adopted budget.

This budget calls for a residential tax rate of \$14.14, an increase of 73 cents. The proposed tax rates for commercial/industrial and tangible personal property would be set at \$21.21 and \$28.28, respectively. These rates may vary when the Tax Assessor certifies the tax roll. It is anticipated that these rates may be reduced slightly. The motor vehicle rate will remain the same at \$34.60. These rates represent a proposed tax levy increase of 4.63%, which is less than the State-mandated cap of 4.75%.

It is important to note that the proposed tax increase will be used to replace a reduction in revenues from FY 2009 appropriations. For example, no state General Revenue Sharing, which was budgeted at \$4,046,499 in FY 2009, has been budgeted. Similarly, we are budgeting \$1,553,804 less in motor vehicle phase-out reimbursement. No fund balance drawdown has been included in the FY 2010 spending plan which was budgeted at \$3,291,009 in the current fiscal year. Those three items alone account for a revenue shortfall of \$8,891,312.

It is increasingly apparent that the leadership on Smith Hill simply has decided that they will make decisions that require local communities to increase property taxes. Even with the fact that the City budget will be approximately \$1.3 million less than last year, State cuts of more than \$5 million simply push the burden on local taxpayers.

## **The Future**

As we enter a new fiscal year, my administration will continue – as we have throughout my tenure as mayor – to make environmental protection, human services, and fiscal responsibility our priorities.

For many years, I have advocated the consolidation of services, personnel and programs as a reasonable way to make government run more efficiently and effectively while saving money. Last month, East Greenwich Town Manager William Sequino and I announced a one-year, pilot yard waste program between our communities. The Rhode Island Resource Recovery Corporation allows each community to bring a certain amount of yard waste to Johnston each year, and charges \$25 per ton over the annual cap. Allowing East Greenwich to bring their overflow yard waste to our facility cuts their fees in half while bringing a modest sum to our coffers. Mr. Sequino and I expect this program to benefit both communities and we are continuing to examine other opportunities for collaboration. I have also had discussions with other cities and towns to see in what areas, if any, we might partner.

Likewise, I have long sought to combine some municipal and school operations and departments as a cost-saving measure. Discussions with the School Department have thus far not been fruitful, but I look forward to renewing those talks in the year ahead.

Although we are living in a troubled economy, there is still much to celebrate in the City of Warwick. Two long-awaited public works projects, the Apponaug Bypass and the Warwick Intermodal Train Station, are creating hundreds of local job opportunities while bringing innovative travel and transportation options to our City. We've preserved forty-one acres of spectacular shoreline at Rocky Point, assuring unfettered access to the Bay and outdoor recreational opportunities for generations to come. We continue to attract new businesses, such as Trader Joe's, Davol, Inc. and the LJ Companies, and are watching long-established companies, like Warwick Ice Cream, grow and succeed.

Our non-profit partners, civic groups and neighborhood associations accomplish great things for our community and inspire all of us to do the same. Our residents volunteer in numerous ways, providing a valuable service to those in need. Local businesses support worthwhile charitable events and causes year after year.

Above all, we can celebrate the residents of Warwick. Even in moments of unspeakable grief, or illness, or personal challenges, you continue to demonstrate a collective spirit of compassion, of friendship, of community, of concern for others that has remained strong and unwavering. For that, our City is especially blessed.



Finally, I thank the members of the Warwick City Council – and I welcome the new Councilman from Ward I, Steve Colantuono – for their commitment to the residents of Warwick. I look forward to working with them as we continue to move Warwick ahead.

Respectfully,

A handwritten signature in black ink, appearing to read "Scott Avedisian". The signature is written in a cursive, flowing style.

Scott Avedisian