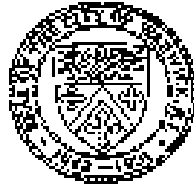


EXECUTIVE CHAMBER

CITY OF WARWICK



RHODE ISLAND

SCOTT AVEDISIAN  
MAYOR

June 6, 2014

TO THE HONORABLE, THE CITY CLERK:

I am transmitting to you my veto of PCR-52-14, as amended. Over the past several days I have given a lot of thought to the City Council's actions regarding the FY 2015 Budget. After reviewing the changes orchestrated by some on the Council and conferring with my budget team and advisors, I have determined that I have no other choice than to veto this budget.

Although it can be trying at times, I am extremely proud of my work in public service and, in particular, the accomplishments we have made here in the City of Warwick. Key among them are balanced budgets, (especially during extremely difficult economic times), sustainable and long-lasting pension reform and working together with Municipal, Police and Fire union leadership to realize long-term savings through contract negotiations, all while maintaining a high level of City services.

As such I do not take governing lightly. It is serious business and we owe it to those we represent to take it seriously. This is why I cannot stand by and allow this budget to pass without taking a stand. The simple solution would be to direct department heads to immediately develop contingency plans to make up for the certain deficit (approximately \$609,000) that some City Councilors have purposely coordinated in the employee healthcare line item - such a deficit would require the City to eliminate approximately 33 existing family plan accounts - a moral and legal dilemma. Another option could be to utilize fund balance at the end of the fiscal year to cover the City Council's built-in deficit. However, neither of these options are representative of responsible government.

On another matter, prior to and during the budget hearings, key administration staff had discussions with several City Council members about developing a long-term plan to address the City's paving needs. A preliminary analysis was underway to determine the feasibility of establishing a bond formula to address this issue. Again, such a plan would result in a long-term, sustainable solution rather than a knee-jerk reaction resulting in irresponsible budgeting. These discussions continue today with several Council members to garner their support for a sustainable, long-term, responsible solution to this issue. In fact, I intend to submit a resolution to the City Council seeking bond authority to undertake a five-year, \$5-million capital improvement program to repave and repair the City's roadways based on need.

So that we understand my position on the Warwick School System; I am a proud product of Warwick Schools and it is my desire to return Warwick to one of the premier systems in the State of Rhode Island. Again, however, this cannot be accomplished without a long-term solution. In 2009, at the request of School Department Administration, I provided the Planning Department's expertise in developing a school capacity analysis of elementary school enrollment trends at the time. This plan was the first step that ultimately led to consolidation at the elementary school level. At that time, the City Planner testified before the School Committee, explaining that school enrollment had been declining since the 1980's and would continue to decline into the foreseeable future.

The City Planner's testimony approximately five years ago was that the Warwick School System should consolidate in order to create efficiencies within the system. It was approximately 1½ years later that the previous School Committee chairman and School Department officials met in the Mayor's Office. The City informed them that the continued effect of declining enrollment was clearly evident at the junior high school level and would soon affect the City's high schools. Declining enrollment and school consolidation is not a new issue and the City and School Administration have been discussing this situation for several years.

Many may not know that there is a provision in the RI General Laws addressing maintenance of effort for local school systems that allows local communities to lower contribution levels based on declining enrollment. In fact, during the budget presentation, the School Department Chief Budget Officer informed the City Council that the FY 2015 State of Rhode Island contribution was less than it could have been due to declining enrollment. Just so we are clear about this provision, based on the October 2013 enrollment figures, the City could have reduced its contribution to schools by more than \$3 million.

Again, I take the responsibility of governing seriously. There is clearly a long-term solution available that would stabilize the Warwick School System and return it to one of the premier school systems in Rhode Island. Believe me, I am aware that change can be difficult, but enrollment continues to decline and the longer the School Committee delays the inevitable in consolidating, the further we put off the opportunity for improvement that we all desire. I do not believe that a token political gesture calculated for political gain is the solution, and this is why I have pledged to support the School Department by allowing the Department to retain any and all savings (in excess of \$4 million according to the Long Term Facilities Planning Committee report) realized through consolidation.

Despite what some may believe, my administration meets regularly with the School Department administration and I continue to communicate regularly with School Committee leadership, keeping the lines of communication open and continuing discussions to develop a responsible, sustainable, long-term solution to the issues related to the Warwick School system.

While there are other, smaller issues related to the City Council's actions Monday evening, including cuts in personnel that I believe to be politically motivated, I have chosen to focus on the big picture issues: health care, roadway paving and schools.

Now that you have a greater understanding of my position on responsible, sustainable, long-term governance, I would ask you to support my action to veto the several amendments made to the proposed FY 2015 City budget.

Respectfully transmitted.

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

Scott Avedisian  
Mayor

MAYOR AVEDISIAN'S CERTIFIED RESPONSES  
TO THE CITY OF WARWICK BUDGET FOR FY 2015,  
PCR-52-14, AS AMENDED, BY THE CITY COUNCIL

Acting in my capacity as Mayor of the City of Warwick, and under the authority of the relevant provisions of the Warwick City Charter, I hereby disapprove each and every amendment made by the Warwick City Council to the City of Warwick Budget for FY 2015, specifically PCR-52-14, as amended, as follows in particular detail:

1. Amendment to Eliminate \$800,000 in Expense (Employee Fiscal Incentive Plan) from Line 75-193 and Reduce \$800,000 in Revenue (Fund Balance Drawdown) from Line 03-690.

I disapprove this amendment for the following reasons: This Amendment eliminates an \$800,000 expense for a one-time \$1,000 payment to each and every full-time employee of the City, except for the Mayor. The three collective bargaining units and other non-unionized full-time employees agreed to three years of zero pay increases during the course of the present collective bargaining agreements which are set to expire on June 30, 2015. During the past several budget years, the City was able to post surpluses to increase the fund balance up to its present \$11,852,791 amount as of June 30, 2013. This noteworthy achievement is even more significant since it was accomplished when many other communities and their taxpayers are struggling under difficult fiscal conditions. This fund balance achievement was due in large part to the agreement of the full-time employees to forgo pay raises. It is only fair and equitable that the gains enjoyed by taxpayers due to the prudent and selfless actions of the City's employees be shared so all benefit justly. This line item is being funded from the fund balance achieved in large part by the sacrifices of the City's employees. It represents a one-time, non-recurring expense to the budget so use of the fund balance in this instance is financially prudent and sound.

If the preceding reasons are not sufficient to convince the City Council to sustain my disapproval of this action – there's more to this story. Due to the absence of pay raises for three years, the several City pension funds' financial condition has been significantly strengthened. **The City's pension fund advisor calculated that the pension fund liability has been reduced by more than \$32 million as a direct result of not having employee pay increases for three years.** This accomplishment provides a tremendous benefit to taxpayers and adds to secure the pension funds' financial well-being. The proposed Employee Fiscal Incentive Plan at budget line 75-193 secures these pension fund savings. The alternative that has been suggested by some on the Council is for the Administration to return to the bargaining table to craft an agreement with the three unions. Such an action would result in a percentage pay increase for all employees

adding to the base pay which would then be compounded by any future contractual increases resulting in additional cost to the taxpayer and would cost the pension funds **up to \$10 million in additional benefit obligations in the future**. This outcome is unnecessary and wholly avoidable. I urge the City Council to sustain my disapproval of this amendment because it is good for the City, taxpayers and the City's full-time employees for their assistance.

2. Amendment to Reduce \$607,929.31 in Expenses (Health Care Insurance Payments) from Lines 75-158, 75-159, 75-160, 75-161, 75-162, 75-163.

I disapprove this amendment for the following reasons: This Amendment to eliminate \$607,929.31 from employee health care payments is unsupported by the facts, ignores sound fiscal principles and represents budgetary recklessness. While the City Council was provided factual and accurate testimony regarding insurance rates and membership data during the budget hearings, the analysis presented to the City Council during its deliberations on Monday evening was incongruous. As a result, the City Council was improperly informed in the reasons offered for this Amendment that these employee health care insurance line items were excessive and not in line with the testimony and health care expense worksheet provided to the City and City Council by the healthcare insurer. The City's health care insurer informed that City and City Council that **rates were being reduced by 2.1 percent, but that City's health insurance expenses would increase due to expected increases in the number of covered employees**. The total expense for employee health care insurance in this budget was set at \$19,629,956 for these line items. This figure was provided to the City by the City's health care insurer. (See Attachment A - FY14/15 Projected Annual Premium Cost - Grand Total \$19,629,956). There was no "padding" in these line items as alleged by this Amendment's sponsor. Accordingly, the City Council's action to cut \$607,929.31 provides for only \$19,022,026.69 to fund employee health care insurance line items. This amount of funds will only allow the City to pay for employees' health care coverage through May of 2015 - leaving the month of June 2015 insufficient funds to cover this expense. I urge the City Council to sustain my disapproval of this Amendment because it is unsupported by the facts, ignores sound fiscal principles and represents budgetary recklessness. This action also invites employee anxiety, which has already begun, about the status of their healthcare and is unnecessary and punitive in effect.

3. Amendment to Eliminate \$20,000 in Expenses (Salaries - Municipal: MIS) from Line 25-141.

I disapprove this amendment for the following reasons: This Amendment to eliminate a wage adjustment for a specific MIS position has no basis in fact. The \$20,000 increase to a position's salary scale was recommended as part of a re-organization and efficiency improvement effort in the MIS department. This salary increase was recommended to bring the position's pay-grade in line with the duties of the position - it was not as a

reward or special benefit to one particular employee. I urge the City Council to sustain my disapproval of this amendment because it is without reason in fact and will not allow the City to retain or recruit suitably qualified individuals to perform this highly skilled position in MIS.

4. Amendment to Eliminate \$100,000 in Expenses (Professional Services) from Line 12-360.

I disapprove this Amendment for the following reasons: This Amendment will impede and restrict the Legal Department from providing necessary and effective legal services to the City in the upcoming budget year. The City Council has requested the City to expand the functions of the Law Department to prosecute more tax assessment appeals from decisions of the Tax Assessment Board of Review, increase foreclosing the rights of redemption of City held tax title properties, and initiate added labor negotiations with local collective bargaining units. These efforts will require additional expenses for the securing of appropriate and necessary expert professionals to assist and testify at hearings before the Tax Assessment Board of Review and appeals of their decisions made to the Superior Court. Increased litigation must be undertaken to expand the number of City held tax lots into title clearing actions. Also, the City must engage in labor negotiations with all three collective bargaining units during this budget year as all three labor agreements expire in June of 2015. The City anticipates that interest arbitration may occur with one or more of the collective bargaining units in the next budget year as the collective bargaining agreements expire. These undertakings will also involve additional expenses to properly assemble the resources required for these endeavors. The Warwick Law Department is a model of efficiency, effectiveness and frugality. To insinuate that the \$100,000 represents an excessive budgetary expenditure is without basis in fact. I only need offer one example where the City of Cranston recently expended almost \$200,000 on one employee disciplinary action – an amount which represents the current budget's entire expense to date for professional services. The Warwick Law Department handles all City legal issues except for covered claims. The Law Department work levels involve numerous criminal prosecutions, administrative and civil actions, attendance at all relevant and necessary court sessions, labor negotiations, grievance and arbitration actions, providing legal counsel to most board and commissions and all City staff. The Law Department also provides training sessions on relevant topics as necessary or beneficial. A budget reduction of \$100,000 as set forth in this Amendment is unnecessary and will hinder the Legal Department from providing necessary and effective legal services to the City in the upcoming budget year. I urge the City Council to sustain my disapproval of this amendment.

5. Amendment to Eliminate \$15,000 in Expenses (Professional Services) from Line 18-360.

I disapprove this Amendment for the following reasons: The elimination of \$15,000 from the Finance Department from their Professional Services line item is unnecessary and contradictory to policy objectives to reduce OPEB and pension expenses. These funds allow for additional work products being produced by the City's pension and OPEB adviser as an integral component of the City's policy objectives to lower OPEB and pension expenses. Without such additional work products, the City's endeavor in this area will be severely curtailed and may even be halted. With the upcoming labor negotiations with all three collective bargaining units, these work products are necessary demonstrative evidence documents to collectively bargain successfully for reduced OPEB and pension expenses. Failure to provide this funding will not merely impair but may derail the City's efforts to reduce OPEB and pension expenses. I urge the City Council to sustain my disapproval of this amendment.

6. Amendment to Eliminate 575,000 in Expenses (Salaries - Municipal) from Line 60-101.

I disapprove this Amendment for the following reasons: The elimination of 575,000 from the Department of City Plan's salary account will require layoffs to current employees in the Department. The Department of City Plan is of vital importance to this City, its neighborhoods, businesses and the general public. A reduction in staff will immobilize the Department's continued effectiveness and hamper tax base expansion - all causing negative effects to the City, the public and the business community. It is vital to the general public and the City's well-being to maintain the Department's operational effectiveness. This Amendment can only be characterized as a patent act of vindictiveness. The Department has expended more than the reduced line item amount on salaries for the past two fiscal years. This action is unacceptable, is shameful and must be rectified by the City Council. I urge the City Council to sustain my disapproval of this amendment.

7. Amendment to Eliminate \$40,000 in Expenses (Contingency) from Line 18-400.

I disapprove this Amendment for the following reasons: This \$40,000 from the contingency line item in the Finance Department serves no meaningful or fiscally prudent purpose. This line item is used as a funding source to make payments for unexpected and unplanned expenses. The funds have been used in past fiscal years to assist the City bridge expenses with payments to accommodate reimbursements and/or avoid added costs due to delayed payments. This account is necessary to allow for the sound fiscal management of unexpected City expenses and the effect of this Amendment will be to unreasonably constrain the City's fiscal management. I urge the City Council to sustain my disapproval of this amendment.

8. Amendment to Eliminate \$100,000 in Expenses (Insurance Premiums) from Line 76-325.

I disapprove this Amendment for the following reasons: Insurance premiums are a fixed cost line item and are required and necessary expenses. As a result, the mere reduction of this budget expense by \$100,000 will not result in lowering insurance premiums or saving the City from the budgeted expense. This Amendment is similar to the health care insurance payment reduction - it is unsupported by the facts, ignores sound fiscal principles and represents budgetary recklessness founded on political motives. The City Council must allow this expense to be restored. I urge the City Council to sustain my disapproval of this amendment to support proper and sound fiscal action - devoid of political motives.

9. Amendment to Eliminate \$40,000 in Expenses (Service Contracts) from Line 66-340.

I disapprove this Amendment for the following reasons: This expense line item is used to procure vendor services by Building Maintenance. This \$40,000 reduction will prevent routine preventative and corrective maintenance efforts and lead to deterioration of such items as heating, ventilating and air conditioning equipment, deferred preventative maintenance causing premature equipment failure and service life. This is a perfect example of unsound budgetary conduct and must be corrected. I urge the City Council to support and sustain my disapproval of this amendment.

10. Amendment to Increase \$597,929.31 in Expenses (Asphalt) in Line 63-290.

I disapprove this Amendment for the following reasons: The City is committed to road surface stabilization and improvements. Allocating additional funds to this line item in an *ad hoc* manner is not sound fiscal policy and is subject to undue political influence on spending. Prior to and throughout the budget hearings there were discussions taking place between senior Administration Staff and some members of the City Council about the possibility of proposing General Obligation Bonds to be presented to the voting public proposing a five year capital paving program. I am prepared, with the support of the City Council, to submit a referendum question to the voters to approve bond authorization to undertake a road network improvement plan. Thus, taxpayers will have the opportunity to vote on the plan and the authority to fund the plan - this effort is transparent, objective and equitable. I urge the City Council to sustain my disapproval of this amendment and allow me the opportunity to undertake the repair of the City's road network in a responsible and diligent manner.

11. Amendment to Increase \$400,000 in Expenses (Appropriation) in Line 89-000.

I disapprove this Amendment for the following reasons: For several years now, my administration has devoted time, effort and resources to work cooperatively with the School Department to compose a plan to re-organize the provision of public education in



the City. With a significant decline in pupil population over the past several years, a trend that is set to continue by all pupil population projection sources, the School Department has refused to responsibly address this situation. Schools remain open that need to be closed, students need classrooms reorganized to increase education training efficiencies, structures are proposed for repairs that should be closed and/or will be closed in the near future thus squandering precious taxpayer funds, and for several years the School Department has returned surplus budgets. In my opinion the School Department does not have a revenue problem, it has a spending problem. Until and unless the School Department addresses these and other systemic deficiencies presently faced, \$119,082,424 is enough at this time. As I have publicly stated, I am committed to allowing the School Department retain the estimated \$4.4 million in projected savings presented in the Warwick Public School's Facilities Long Range Plan to be reinvested in the school system. I urge the City Council to sustain my disapproval of this amendment and demand fiscal accountability first from the School Department before they receive any additional local taxpayer funds.



Group	Group Number	Plan	Renewal Rates		Enrollment (as of April 2014 (week))		FY2016 Projected Annual Premium	
			Individual	Family				
CITY OF WARWICK RETIREES					28	68	\$90,303	\$1,373,861
CITY OF WARWICK POLICE	000007300002	Blue Solutions for WPA	\$610.25	\$1,294.01	31	125	\$219,705	52,012,420
		WRI Rate	\$72.38	\$72.38				
		Total	\$682.63	\$1,366.39				
WARWICK FIRE RETIREES - OUTSTATE	000007300025	HealthMate	\$438.38	\$1,664.01	1	2	\$0,000	\$38,240
WARWICK POLICE RETIREES - OUTSTATE					2	3	\$10,348	\$37,638
CITY OF WARWICK RETIREES (LOCAL)	000007300006	HealthMate	\$637.81	\$1,660.28	4	1	\$49,348	\$20,736
CITY OF WARWICK MUNICIPAL RETIREES	000007300000	HealthMate	\$637.26	\$1,660.71	7	40	\$59,539	\$746,830
WARWICK POLICE RETIREES - BI-STATE	000007300001	HealthMate	\$660.40	\$1,634.87	6	34	\$0	\$687,377
CITY OF WARWICK					1	1	\$7,847	\$10,784
WARWICK POLICE RETIREES - BI-STATE	000007300001	HealthMate	\$660.40	\$1,634.87	7	0	\$53,030	\$88,582
CITY OF WARWICK					0	1	\$0	\$19,610
WARWICK EARLY RETIREES	000007300007	HealthMate	\$637.30	\$1,630.71	01	258	\$711,184	\$4,834,058
WARWICK SPECIAL WORKUP					8	3	\$32,541	\$58,113
WARWICK FIRE DEPARTMENT	000007300008	HealthMate	\$638.38	\$1,664.01	1	0	\$7,647	\$0
		WRS Rate	\$616.00	\$116.00				
		Total	\$1254.38	\$1780.01				
WARWICK FIRE RETIREES - IN-STATE	000007300003	HealthMate	\$637.30	\$1,630.71	44	102	\$394,734	\$2,355,637
CITY OF WARWICK POLICE - CLASSIC (W/M) ONLY	000007300003	Classic	\$789.30	\$1,815.51	21	72	\$104,348	\$1,362,774
WARWICK FIRE RETIREES - OUTSTATE		Classic	\$723.31	\$723.31	1	5	\$10,348	\$130,474
		WRI Rate	\$72.38	\$72.38				
		Total	\$795.69	\$1,495.69				
WARWICK FIRE RETIREES - OUTSTATE					4	3	\$33,677	\$64,213



THE TOWN OF WARWICK

Rate of Health Insurance through 06/30/2014

Rate of Health Insurance for 07/01/2014

Group	Group Number	Plan	Renewal Rates		Enrollment (as of April 2014 (week))		FY1406 Predicted Annual Premium	
			Individual	Family				
CITY OF WARWICK METRO POLICE - CLASSIC	000007320005	Classic	\$771.00	\$1,839.94	12	18	\$111,023	\$362,388
CITY OF WARWICK MUNICIPAL - RETIREES	000007320004	Classic	\$705.77	\$1,718.16	4	11	\$8,711	\$281,351
WARWICK POLICE RETIRES - CLASSIC					4	0	\$8,488	\$0
CITY OF WARWICK - CLASSIC & BLUECHIP	000007320015	BCBP	\$811.50	\$1,807.36	13	1	\$111,023	\$22,878
WARWICK EARLY RETIRES - CLASSIC	000007320020	Classic	\$771.00	\$1,839.94	8	5	\$14,029	\$88,342
WARWICK FIRE DEPARTMENT - CLASSIC & WRI ONLY					4	1	\$9	\$22,306
					4	0	\$8,262	\$0
WARWICK FIRE RETIRES - INSTATE CLASSIC	000007320027	Classic	\$771.00	\$1,839.94	1	0	\$1,389	\$0
		WRI Rate	\$0.00	\$0.00	0	6	\$9	\$143,473
		Total	\$771.00	\$1,839.94	11	31	\$101,771	\$825,019
		Total			216	691	\$2,624,287	\$18,178,002

Rate Effecton July  
2014-December 2264

Plan 86	000007320017	\$431.00	4	0	\$7,000	\$0
Plan 86	000007320018	\$181.50	22	0	\$12,536	\$0
Plan 86	000007320018	\$442.88	1	0	\$8,144	\$0
Plan 86	000007320014	\$181.50	198	0	\$103,718	\$0
Plan 86	000007320019	\$181.50	20	0	\$18,760	\$0
Plan 85	000007320011	\$442.88	17	0	\$20,348	\$0
BlueCHIP for Medicare	W00009-001	\$252.00	117	0	\$32,5728	\$0
BlueCHIP for Medicare	W00009-002	\$204.00	9	0	\$7,144	\$0
	Total		383	0	\$249,746	\$0

Grand Total \$13,829,958