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1. My testimony will focus on why I am opposed to this legislation. *WARWICK TAXPAYERS are never considered in the discussion.*

- All can agree that the Warwick School Department needs fiscal oversight, and it was through lack of leadership and incompetence by the school administration that the \$9 million school department deficit was allowed to happen.

- However, if we look back at the outside financial experts hired by the city and school department years ago, city and school leaders were warned of the dire consequences related to the unsustainable spending and debt in the city.

- This legislation if approved will do nothing to address the structural problems related to overstaffing in the school department because it does not carry the unnecessary weight to address that issue. *IT'S TOOTHLESS.*

- Also, this legislation totally ignores the city side of Warwick's budget that over the long term, is far worse than the school side of the budget.

2. The question I pose to you, is why not use existing state law under 45-9 Budget Commissions to thoroughly examine both the school and city side of Warwick's budget?

*This legislation shields the city side of the budget from review*

*A BREAKING POINT*

*JACK IN 2002! SCHOOLS WARNED*

*WARWICK DEBT WILL SOON EXCEED \$2.0 BILLION*

3. I understand that in most instances state legislators follow the requests of local mayors and town officials. And that is what you are being asked to do today. *THE LAW ALLOWS STATE OVERSIGHT*

- Warwick Mayor Picozzi doesn't believe there are any issues with the city budget. If that's the case, what is he afraid of. He should be confident that the city side of the budget will pass state scrutiny.
- However, I am here to warn you today that unless the State of RI takes a broader view of the fiscal crisis developing in the City of Warwick, in the span of the next four years, the fiscal situation in Warwick will hit a critical level that you will have no choice but to initiate a state takeover Warwick finances.
- Property taxes are on the verge of exploding. Seniors on fixed income will be faced with the real possibility of being forced to move out of the city.

*CITY & SCHOOLS LOOKING AT MAX TAX OVER NEXT 4 YEARS, SCHOOL BORROWING 6X MAX TAX \$1 BILLION DEBT AND WORSE IN STATE \$200 million over credit limit*

4. How do we know if a city is under fiscal stress?

- RIGL 45-9-3 provides the answer.
- Warwick already meets two of the five events that threaten the fiscal well-being of the city.

*45-9-3 (b) states*

- The city finance director Pedro Schafer testifies at a special city council meeting on January 22 that the health of the city was dire.
- Warwick is facing a drop in its credit rating just when we will be borrowing \$400 million to build new schools.

• SCHOOL DEPARTMENT REQUESTING 3% INCREASE IN LOCAL APP FROM FISCAL 26-27 THAT ALONE REPRESENTS HALF OF A MAX TAX INCREASE EACH YEAR

• ADD IN RAISE FOR POLICE, FIRE, MUNICIPAL EMPLOYEES, INCREASES IN PENSION & HEALTHCARE BENEFITS, WARWICK TAXPAYERS ARE FACING MAX TAX INCREASES OVER THE NEXT 4 YEARS

• BUT IT GETS MUCH WORSE, BY FISCAL 28 OR 29 THE \$400 MILLION DEBT ON THE CONSTRUCTION OF 2 NEW HIGH SCHOOLS WILL HIT TAXPAYERS

• THAT COST ALONE COULD BE BETWEEN \$1370 \$18 million →

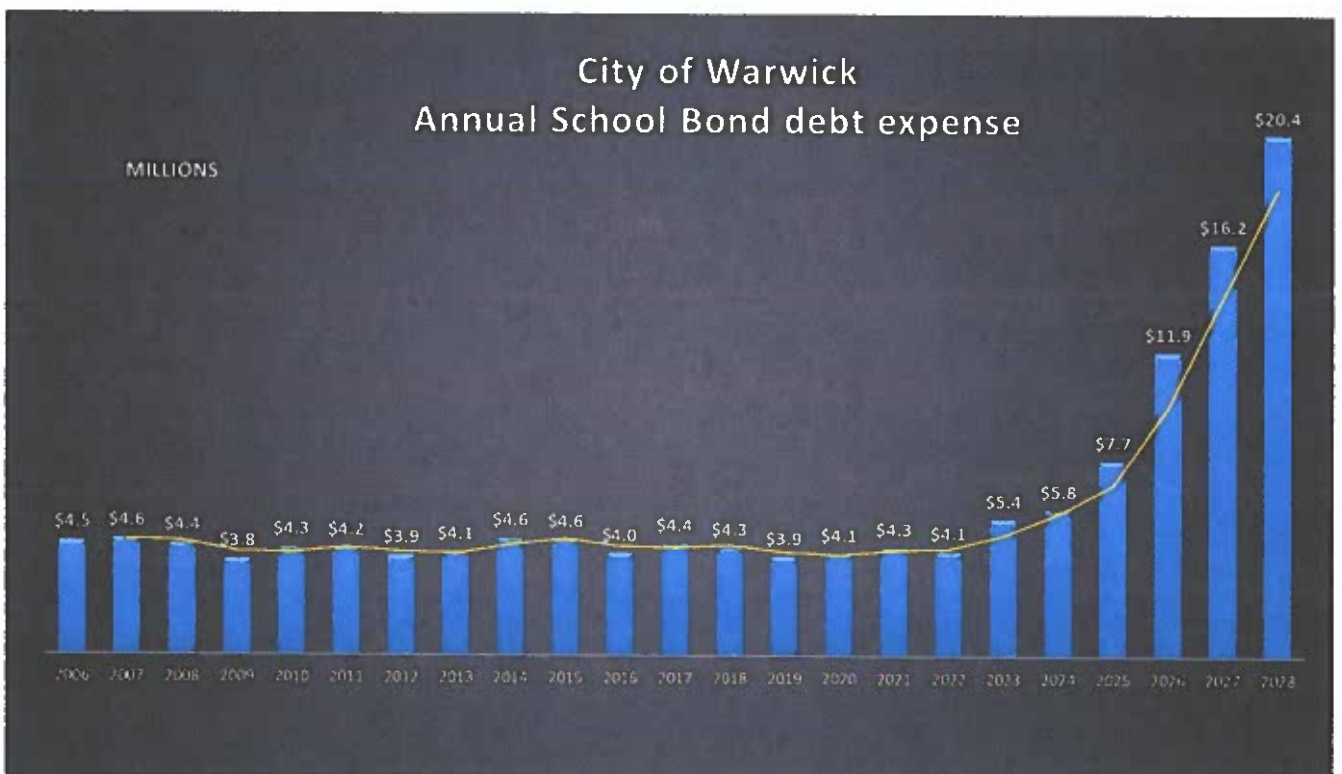
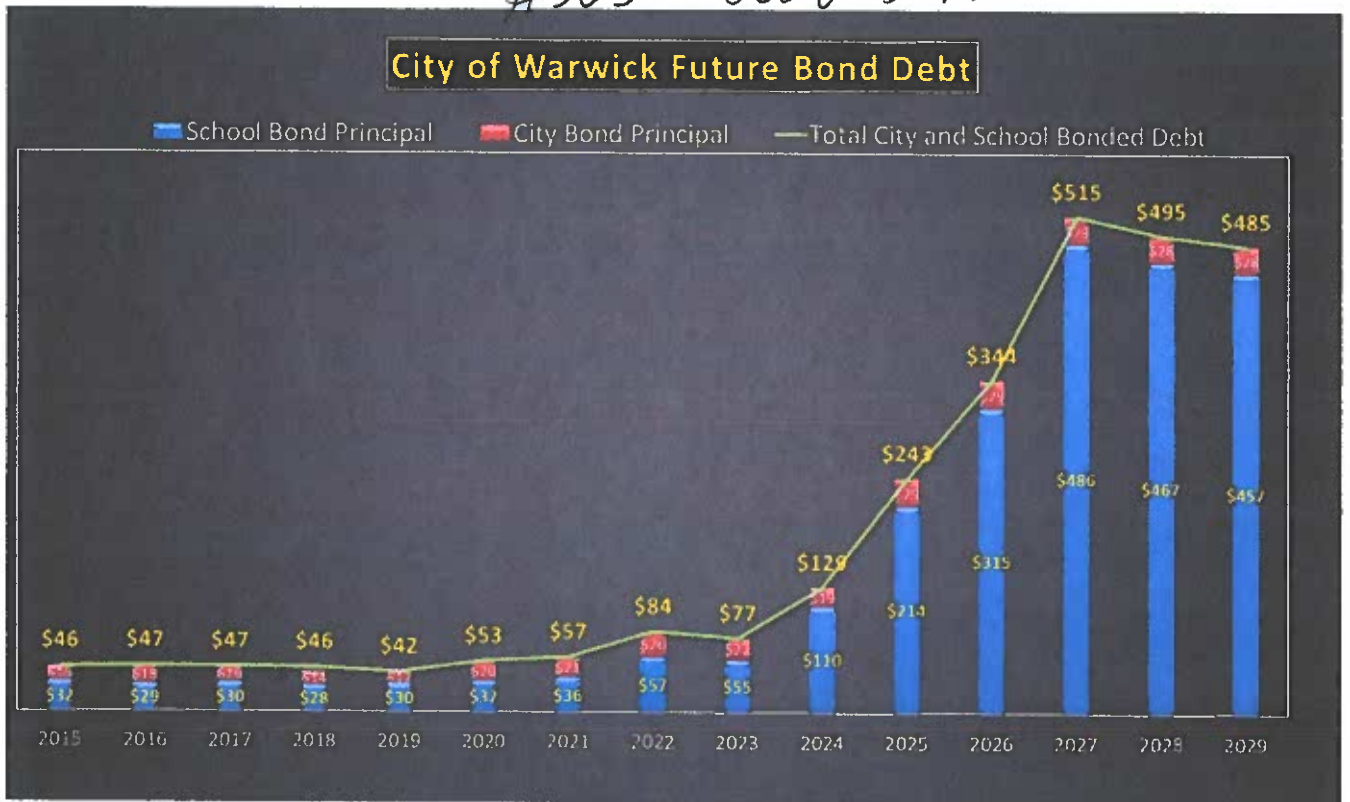
• ALL TOLD TAXPAYERS COULD BE HIT WITH THE EQUIVANT OF A 6 TIMES MAX TAX INCREASE IN 4 YEARS

• LONG TERM OUTLOOK - WORSE \$200 million  
OVER MAX DEBT L11.

OVER  
\$50  
million for  
rep lifting  
earthquake  
in 4 yrs

#319 DEBT LIMIT  
 #525 - 2028 DEBT

#200 MILLION  
 OVER LIMIT



UNFUNDED LIABILITY WILL REACH \$1 BILLION  
 IN WARWICK BY 2028/29.

### City of Warwick Changes in Net Position



JHUN 11 2011  
WARWICK SCHOOL COMMITTEE  
SPECIAL MEETING - 5 YR PLAN

	FY25	FY26	FY27	FY28	FY29
City Allocation	141,437,266	145,680,384	150,050,795	154,552,319	159,188,889
State Aid	46,747,050	49,251,215	49,251,215	49,251,215	49,251,215
Other Revenues	3,350,000	3,350,000	3,350,000	3,350,000	3,350,000
<b>Total Revenues</b>	<b>191,534,316</b>	<b>198,281,599</b>	<b>202,652,010</b>	<b>207,153,534</b>	<b>211,790,104</b>
51000 - Salaries & Other Pays	111,474,492	110,924,492	111,479,299	113,034,107	114,934,107
Skep Increases	-	900,000	900,000	900,000	900,000
52000 - Benefits	45,638,100	46,550,862	47,481,879	48,431,517	49,400,147
Contractual Raise	-	2,663,980	2,654,807	1,000,000	1,000,000
Cuts to Staffing	(550,000)	(3,000,000)	(2,000,000)	-	-
	156,562,592	158,039,334	160,515,986	163,365,624	166,234,254
Non-Staffing Expenditures	43,385,607	41,000,000	41,000,000	42,000,000	42,000,000
Budget Manager Cuts to Non-Staffing	(2,526,000)	-	-	-	-
	40,859,607	41,000,000	41,000,000	42,000,000	42,000,000
<b>Total Expenses</b>	<b>197,422,199</b>	<b>199,039,334</b>	<b>201,515,986</b>	<b>205,365,624</b>	<b>208,234,254</b>
Annual Surplus/(Deficit)	(5,887,883)	(757,735)	1,136,024	1,787,911	3,555,850
Rolling Surplus/(Deficit)	873,000	(5,772,618)	(4,636,593)	(2,848,683)	707,167

① STATE AID → INCREASE \$2,504,165 → UNREALISTIC WITH STATE BUDGET  
FISCAL 2026 5.3% DEFICIT

② INCREASE IN LOCAL TAX DOLLARS 2026 - \$4,243,118 TOTAL \$17,751,623  
EQUIVALENT TO HALF OF A

MAX TAX INCREASE EACH YEAR 2027 - \$4,370,411  
2028 - \$4,501,524  
2029 - \$4,636,570  
A MAX TAX INCREASE PRODUCES \$9 MILLION A YEAR.



**Title 45  
Towns and Cities**

**Chapter 9  
Budget Commissions**

**R.I. Gen. Laws § 45-9-3**

USE THE  
EXISTING LAW  
TO ASSIGN  
FISCAL  
OVERSEER

**§ 45-9-3. Appointment and duties of fiscal overseer.**

(a) Upon joint request by a city's or town's elected chief executive officer and city or town council, or for a fire district, the request of the governing body as established by charter, which request is approved by the division of municipal finance and the auditor general, or in absence of such a request, in the event that the director of revenue, in consultation with the auditor general, makes any two (2) or more of the findings set forth in subsection (b), the director of revenue may appoint a fiscal overseer for the city, town, or fire district to assess the ability of the city or town government or fire district to manage fiscal challenges.

(b) The director of revenue may appoint a fiscal overseer if the director finds, in his or her sole discretion, that any two (2) of the following events have occurred that are of such a magnitude that they threaten the fiscal well-being of the city, town, or fire district, diminishing the city's, town's, or fire district's ability to provide for the public safety or welfare of the citizens of the city, town, or fire district:

- (1) The city, town, or fire district projects a deficit in the municipal budget or fire district budget in the current fiscal year and again in the upcoming fiscal year;
- (2) The city, town, or fire district has not filed its required audits with the auditor general by the deadlines required by law for two (2) successive fiscal years (not including extensions authorized by the auditor general);
- (3) The city, town, or fire district has been downgraded by one of the nationally recognized statistical rating organizations;
- (4) The city, town, or fire district is otherwise unable to obtain access to credit markets or obtain financing when necessary on reasonable terms in the sole judgment of the director of revenue.

WARWICK FINANCE DIRECTOR TESTIFIED AT SPECIAL CITY COUNCIL MEETING ON JAN, 22 THAT WARWICK'S FISCAL HEALTH IS DIRTY WARWICK'S MEETS 2 OF THE 5 CRITERIA.

(5) The city, town, or fire district does not promptly respond to requests made by the director of revenue, or the auditor general, or the chairpersons of the house and/or senate finance committees, for financial information and operating data necessary to assess the fiscal condition of the city, town, or fire district in the sole judgment of the director of revenue.

(c) The director of revenue may also appoint a fiscal overseer if a city, town, or fire district fails to comply with the requirements of §§ 45-12-22.1 — 45-12-22.5.

(d) The fiscal overseer shall without limitation:

(1) Recommend to the elected chief executive officer, fire district board of directors, city or town council, and school committee sound fiscal policies for implementation;

(2) Supervise all financial services and activities;

(3) Advise the assessors, director of finance, city or town treasurer, fire district board of directors, purchasing agent, and employees performing similar duties but with different titles;

(4) Provide assistance in all matters related to municipal or fire district financial affairs;

(5) Assist in development and preparation of the municipal or fire district budget, all department budgets, and spending plans;

(6) Review all proposed contracts and obligations;

(7) Monitor the expenditures of all funds;

(8) Approve the annual or supplemental fire districts budgets or municipal budgets of the city or town and all of its departments; and

(9) Report monthly to the director of revenue, the auditor general, the governor, and the chairpersons of the house finance and senate finance committees on the progress made towards reducing the municipality's or fire district's deficit and otherwise attaining fiscal stability.

(e) All department budgets and requests for municipal or fire district budget transfers shall be submitted to the fiscal overseer for review and approval.



(f) The city, town, or fire district shall annually appropriate amounts sufficient for the proper administration of the fiscal overseer and staff, as determined in writing by the division of municipal finance. If the city, town, or fire district fails to appropriate such amounts, the division of municipal finance shall direct the general treasurer to deduct the necessary funds from the city's, town's, or fire district's distribution of state aid and shall expend those funds directly for the benefit of the fiscal overseer and staff.

(g) Within one hundred twenty (120) days of being appointed by the director of revenue, the fiscal overseer shall develop a three-year (3) operating and capital financial plan to achieve fiscal stability in the city, town, or fire district. The plan shall include a preliminary analysis of the city's, town's, or fire district's financial situation and the fiscal overseer's initial recommendations to immediately begin to address the operating and structural deficits. The fiscal overseer shall have the power to compel operational, performance, or forensic audits, or any other similar assessments. The fiscal overseer shall have the power, at the expense of the city, town, or fire district, to employ, retain, and supervise such managerial, professional and clerical staff as are necessary to carry out the responsibility of fiscal overseer, subject to the approval of the division of municipal finance; provided, however, that the fiscal overseer shall not be subject to chapter 2 of title 37 or chapter 55 of title 45 in employing such staff.