

Message to East Greenwich Residents

Our 2016 Town Council term began with a deep analysis of town and school finances. This analysis included 20 years of teacher contracts, nine years of fire contracts, six years of fiscal impact statements and 30 years of property tax bills. We quickly became an informed group of elected residents.

Gina Raimondo published a report in 2011 report titled, *Truth In Numbers*. She wrote, "As with solving any problem, it is critical to understand the history leading up to a crisis before offering proposals for change. The decisions made by our elected and appointed leaders, both Democrats and Republican, during the 1960's, 1970's, 1980's and 1990's have caused the current crisis..." So, for the Town of East Greenwich, we evaluated the present, which subsequently led us to the past, which clearly calls attention to the burdensome challenges we will face in the very near future.

This was East Greenwich's financial situation as we took office in 2016:

- Taxes doubled in 15 years leading up to our term, 2 1/2 times the rate of inflation and 4 times East Greenwich resident wage growth
- Taxes doubled in the 15 years leading up to our term, despite a population increase of only 166 residents
- \$86 million in unfunded pension and retiree health insurance liabilities, and climbing
- \$4.1 million a year in pension payments, with contributions compounding exponentially
- 100% increase in our police pension contribution rate in the ten years leading up to 2016
- 70% increase in our teacher pension contribution rate in the ten years leading up to 2016
- 40% increase in our fire pension contribution rate in the ten years leading up to 2016
- \$97 million in funding needed for school maintenance and infrastructure over the next 6 years
- \$33 million in funding needed for town maintenance and infrastructure over the next 6 years
- \$70+ million in existing town debt
- \$5+ million a year in debt payments
- \$4 million a year in retiree health insurance payments, with only \$700,000 actually paid
- \$2.8 million in lawsuits against the town for illegal fire department impact fee collections
- \$2.4 million in errors on teacher contract compensation calculations
- \$1.5 million in errors on fire contract compensation calculations
- Fire Fighter overtime being paid on hour one of the work week, even though after hour 53 is the federal guideline
- 11 side agreements that were unapproved by the Town Council
- Unapproved loans from the Town's general fund
- Multiple untracked bank accounts

This was Rhode Island's financial situation as we took office in 2016, directly impacting East Greenwich:

- \$8.5 billion of cumulative taxable personal income migrated OUT of the State of RI in the ten years leading up to our 2016 term
- \$9.7 billion State budget, an increase of over 50% in 10 years
- An education funding formula, designed by a few, redistributing nearly all personal income tax collected
- \$860 million in personal income tax collected statewide
- \$849 million in educational aid distributed statewide

- 15,308 pension participants added to the State Pension Plan in the ten years leading up to 2016, bringing the total to 79,664

This is what we foresee, which will further impact the financial burden of our residents, both current and future:

- Unfunded pension and healthcare liabilities will continue to dictate budgetary spending
- Infrastructure and maintenance expenditures will be delayed until the damage is beyond repair
- Unions will continue to utilize binding arbitration to dictate contract terms, absorbing every tax dollar available
- Mortgage rates will increase to the historic norm of 6.65%, which will have a staggering impact on East Greenwich home values
- Purchasing power of future homeowners will decline, as property tax bills increase and mortgage rates climb
- Home values will decline as increasing inventories compete for a finite group of potential buyers
- Assessed values will decline as a result
- Property tax rates will increase to counterbalance the decline in assessed value
- Residents with home values in the top quartile will feel unpalatable financial strain
- Homes that were previously insulated from tax increases will be burdened as home values compress
- Although hard to remember, average rates by decade have been:
 - 8.8% in the 70's
 - 12.7% in the 80's
 - 8% in the 90's
 - 6.25% in the 2000's.
- 30-year mortgage rates surpassed 5% for the first time since 2010, and will continue to rise
- East Greenwich is already feeling the impact of increased rates, with 9 months of accumulated inventory above the \$695,000 price point, which is significantly above the norm.
- Will the value of owning a home in East Greenwich prevail over the cost? Without monumental change, not likely.

After serving four years on the school committee and an additional 4 years on the town council, I have great clarity on how the budget of East Greenwich has doubled in the last 15 years. Year after year, a budget increase of 1%-3% is approved by department heads, town managers and governing councils. Most departments will get close to what they want, and only a few tax payers will take the time and effort to contest their portion of the increase. Most people rationally ignore the tax hike, as challenging the increase has been found to be too much work for the expected potential benefit.

This process continues, rationally ignoring the incremental increases, until the financial stress becomes too substantial to ignore. Tax bills are now \$10,000, \$20,000, \$30,000, \$40,000.

Can this trend be reversed? Will taxes double again in the next 15 years? East Greenwich faces a daunting task, regardless of who is in office. The system is poorly designed and has been faltering for decades.

As we took office in 2016, \$223 million in personal income tax was collected from East Greenwich, Barrington, Cranston and Warwick. \$223 million in educational aid was awarded to Providence to fund their salaries, pensions and benefits. As contracts are negotiated, unions use comparable contracts as leverage. East Greenwich is forced to match the salaries, benefits and pensions awarded statewide, even though the contracts they are matching were funded with their own tax dollars.

Although sensitive to income disparity, it takes 90 years for the residents of East Greenwich to collect the same amount of educational aid that Providence collects in a single year. Providence has 9 times the amount of student enrollment, not 90. The severity of the disparity of the educational aid awarded to East Greenwich is the problem. For elected parent volunteers to challenge this system, they are faced with a unified front of opposition.

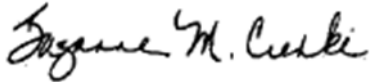
Elected residents are short term players trying to solve long term problems, and the unions use this to their advantage. Unions know, with election cycles in place, that elected residents will find it politically palatable to avoid conflict.

We know with 100% clarity, what the root causes of our financial challenges are. Will the new Council immerse themselves in the labor contract negotiations and educate themselves sufficiently on the economic impact to the residents, or acquiesce to skilled union negotiators who continue to use unpleasant techniques to apply financial and political pressure?

Only time will tell.

We congratulate and wish the new Council the best of luck governing our terrific town for the benefit of our amazing residents. They face the same daunting task we did in 2016 but our work has uncovered a much clearer picture of the Town's financial challenges. Showing the East Greenwich residents what they face and beginning the arduous task of solving the issues is the legacy of our Council. Will continuing to address and solve these same issues be the legacy of the new Council? We really hope so. The future of East Greenwich depends on it .

Sincerely,

A handwritten signature in cursive script that reads "Suzanne M. Cienki".

Suzanne M. Cienki
East Greenwich Town Council President 2016-2018

November 26, 2018