

**JOINT STATEMENT ON MEETING WITH TOWN COUNCIL MEMBERS
SUE CIENKI AND SEAN TODD, and community member Stuart Peterson**
by attendees Eugene Quinn and Anne Musella

On December 20, 2017, Town Council President Sue Cienki and Vice President Sean Todd met with East Greenwich residents Stuart Peterson (former School Committee member, and former Chair of the School Committee's Finance Subcommittee)¹, Eugene Quinn (current community member of the School Committee's Finance Subcommittee)², and Anne Musella (current community member of the School Committee's Transportation Subcommittee) to discuss discrepancies raised by community members in financial information published by the Town of East Greenwich. Cienki expressed an interest in meeting again to discuss further.

All attendees were asked to present supporting documents in advance of our meeting. All community attendees had the opportunity to contribute to this statement. The three of us could not come to a consensus on certain key issues,³ leaving us at an impasse before Peterson would provide complete comments. We have incorporated comments that Peterson did provide. We do not represent that the comments attributed to him fully articulate his position. The distinction, if any, between the Council's position and Peterson's assertions was often unclear.

The documents referenced in this statement are available at:

https://drive.google.com/drive/folders/1KI5Mxp5dmXjSO_0wsyYAeH913C287YQ?usp=sharing

SUMMARY of AGENDA ITEMS:

1. EG's MEDIAN RESIDENTIAL TAX BILL INCREASE 2011-2016.

- o **All agreed the Town's median property tax bill appears to have increased 14.6% from 2011-2016, based on a review of tax rolls from the MUNIS database at the meeting.**
 - In May 2017, the Town mailed a flyer to all East Greenwich residents that claimed that the median residential property tax bill had increased 51% from 2011 to 2016. This analysis assumes that the median tax bill is the tax rate times the median assessed value. However, this approximation overstates the median because it does not capture exemptions.
 - The 14.6% increase is based on the actual tax bills obtained from the tax rolls. An analysis showing a 13% increase was published on social media in October. The difference is the inclusion of about 300 residential condos, which Cienki, Todd and Peterson argued should be included with the 3,818 single-family homes in the October analysis. A supporting document provided at the meeting indicated that the flyer analysis did not include condos.

¹ Peterson is Vice President/Investments at Carney Peterson Wealth Management Group of Janney Montgomery Scott, with a B.A. in Business, and Series 7 and 66 licenses.

² Quinn is Assistant Professor of Mathematics at Stonehill College, and holds an M.S. in Experimental Statistics and a Ph.D. in Applied Mathematics.

³ The major points of contention were: (1) whether we could all agree to accept as fact the pension documents prepared by Peterson (last Spring for the teachers' arbitration), and the data they contained without independent review; (2) whether we could accept as fact that projected expenditures will reach \$100 million without complete supporting documentation; and (3) Peterson's assertion that we agreed to have Cienki and Todd approve this joint statement before distribution.

- Peterson asserted that the median tax bill increased 58% higher than that of inflation during the same period.
- Quinn calculated that only 8% of last year's tax bills increased more than 3.3%.
- Cienki said that the Town would publish corrected data, after reviewing with the Tax Assessor.

2. TOWN COUNCIL PROJECTION OF \$100 MILLION TAX LEVY IN 15 YEARS

- **At the November 25 Town Council meeting, Sean Todd stated that, based on the rate of increase in the Town's tax levy from 1987 through 2015, it is a fact that the Town's tax levy will be \$100 million in 15 years.**
- **Quinn argued that this projection is not mathematically supported by the trend in increases in prior levies alone. Peterson argued that projected expenditures could drive the levy that high.**
 - Peterson cited increases in pension payments, increased compensation and healthcare costs, and projected combined Town / School capital expenditures to be \$87 million over the next six years.
 - No summary of such projections or documents regarding the cap ex projection were provided at the meeting.

3. EG's UNFUNDED PENSION LIABILITY: \$35 MILLION or \$86 MILLION?

- **No consensus on the amount of the Town's unfunded pension liability without further review.**
 - In her August 17, 2017 letter to residents posted on the Town's website, Cienki cited the Town's unfunded pension liability as "more than \$86 million."
 - The Rhode Island Treasurer's Office represented EG's unfunded pension liability as \$34.8 million in its May 2017 Debt Affordability Study, at p. 117.
 - Cienki cited state pension data and Angell Pension Group as her sources.
 - The Angell Pension reports were not made available at the meeting, but were received after the meeting from the Town Clerk in response to an APRA request.
 - At the meeting, Peterson presented documents containing pension data from the State and MERS, as well as data he represented as the data on which Angell Pension relied to support the \$86 million.

SUMMARY of NON-AGENDA ITEMS:

4. SCHOOL FUNDING.

- **The issue of school funding arose in the context of increased pension and compensation costs, which impact the tax levy. Musella noted that the TC's repeated message to the SC is to dig deeper to find inefficiencies. Musella asked where the Town Council believes the School District will find that additional money.**

- Cienki explained that the previous School District finance director's practice was to routinely budget for 5% more than the previous year, without actual analysis of the budget. She said that she agreed with Matt Plain regarding the evolution of educational needs, stating, "You cannot take a budget from 20 years ago without taking a fresh look." Cienki further pointed to the underestimation of the two-tier consolidation cost. She then pointed to the School District's identification of a structural deficit last December, which necessitated a corrective action plan. That plan was the 2017-18 budget.
- She expressed her hesitance to increase funding to the schools until the District arrives at greater clarity. Cienki and Peterson honed in on the fiscal impact statement of the current teachers' contract Peterson prepared last Spring, which unlike the fiscal impact statement distributed by the School Committee, shows the cumulative fiscal impact of that contract. Todd suggested the School District should look harder for opportunities to implement structural changes (curriculum, e.g.), as the Town has done. Also in response to the question, Peterson stated that the School District has \$3.4 million in its general fund (i.e., reserves).
 - Quinn reserves comment until he has a chance to examine the material presented and the RI Department of Education financial database.
 - Musella notes that Providence Analytics was initially engaged, and subsequently Linda Dykeman hired, to find inefficiencies in School District finances, and would like to see what progress Dykeman has made in that regard.

5. FIREFIGHTER OVERTIME.

- The overtime provision in the firefighters' contract calculates overtime from any work beyond a firefighter's "normally assigned work schedule."
http://www.municipalfinance.ri.gov/documents/contracts/EastGreenwich_Fire.pdf
 - Musella asked at the meeting whether paid time off (e.g., a vacation, sick, personal day, etc.) is counted as hours worked for purposes of overtime calculation. Todd confirmed this to be true.
 - Therefore, according to Todd, a firefighter can: (1) take a sick day for one 10-hour shift; (2) cover a 10-hour shift for another firefighter in that same week; and (3) be paid the overtime rate (1.5x regular rate) for the shift he worked for his colleague - even though he didn't actually work all of his originally scheduled hours.
 - Musella asked if this calculation is standard for firefighters (given that in other sectors, overtime is typically calculated based on hours actually worked, not just scheduled). Todd stated that this is standard for Rhode Island firefighters.
 - Todd further said that EG firefighters have engaged in a practice of systematically swapping shifts in this manner to intentionally increase their overtime pay.
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QUINN ADDITIONAL COMMENTS

51%

Quinn comments: The tax roll analysis is entirely straightforward, just read the tax bills from the public record (tax rolls) and compare the 2011 and 2016 bills parcel by parcel. This is the only way to account for exemptions. The total of the extracted tax bills balances to the penny with the total shown on the tax roll.

Unfunded Pension Liability

Quinn comments: From what I have seen, the Town Council's computations were done by qualified individuals using what appear to be standard methods. Officials from the RI State Treasurer's office reviewed the data and expressed the opinion that the \$87 million figure was probably too high. With the caveat that I have not analyzed this material in any depth, my comments are:

- Everyone acknowledges the fact that pension liability is an important issue.
- No one has a crystal ball, All of these estimates are educated guesses.
- According to the RI State Treasurer, East Greenwich is by no means in the worst shape among cities and towns in RI, and is in better shape than most.
- I am not convinced that drastic action based on worst-case assumptions is warranted.
- Pensions are a state-wide (actually nationwide) issue that the Town of East Greenwich cannot solve by itself.
- An 81-page Actuarial Valuation Report was published by the RI State Treasurer two days after our meeting. It contains information specific to EG, and documents numerous adjustments to the actuarial assumptions. I'm currently reviewing it.

Tax Levy

The simplistic method used to obtain the \$100 million levy does not explain recent data very well, and is notorious for over-predicting growth. It is not realistic to project 15 years into the future using 16 years of data. The council's estimate assumes we will hit the 4% cap every year, but there is no evidence that we are close to doing that today and no analysis showing the actual effect of future capital expenditures on the levy was presented.

MUSELLA ADDITIONAL COMMENTS

Unfunded Pension Liability

One of the points of contention is market performance and expected rate of return – State calculates based on a 7% rate of return. Peterson says that's unrealistic. Yet during the meeting, Peterson articulated optimism that the market will perform well over the next two years.

Tax Levy

If the Town Council concedes that a \$100 million tax levy in 15 years is not a foregone conclusion based on historical increases, but projects identifiable large expenditures that will drive the levy that high, the Town Council should identify those expenditures to the community with specificity. The Town Council has been taking drastic measures in its attempt to reverse what Providence Analytics characterized as the Town's path to receivership. To support its actions, the Town has cited astronomical increases and projections in our property tax bills and tax levy. If the actual numbers are less extreme than the Town has represented, would the Town consider taking a more gradual, studied approach, including increased funding for the schools?