

# City of Central Falls

## Six-Year Financial Projection FY2012 - FY2017

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# **FY 2012 – FY 2017 Financial Projection**

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## *Summary*

This Six-Year Financial Projection has been prepared as part of the Chapter 9 bankruptcy proceedings for the City of Central Falls in Rhode Island (“Central Falls” or “City”).<sup>1</sup> The report provides some historical background on the financial challenges the City has faced, and the circumstances which lead to the enactment by the State of Rhode Island of an Act Relating to Cities and Towns – Providing Financial Stability, codified as R.I. Gen. Laws § 45-9-1 et seq. (the “Fiscal Stability Act”), and the appointment of the City of Central Falls Receiver. The purpose of the Six-Year Financial Projection is to provide a baseline fiscal outlook for the City of Central Falls under the proposed Amended Plan of Debt Adjustment. The Office of the Receiver’s Amended Plan of Debt Adjustment is predicated upon updated revenue projections and an updated cost of the public services funded in each agency budgets, and provides strategies to deal with legacy financial obligations. The Amended Plan of Debt Adjustment is consistent with the following goals or principles:

1. Avoid financial purgatory for the City of Central Falls, and all Rhode Island municipalities, by taking all steps necessary to protect access for the City and all Rhode Island cities and towns to the municipal capital markets.
2. Ensure that the City can live within its means over the six-year planning horizon.
3. Create a Plan of Debt Adjustment that is sustainable in the future and without creating a structural imbalance in the years that follow the planning horizon.
4. Address deferral of expenses, including contributions to Pension and Other Post Employment Benefits (retiree health), capital and maintenance.
5. Look to the future by prioritizing the allocation of scarce resources to government functions that must be addressed to prevent further deterioration.
6. Establish an emergency reserve fund to provide funding in the event of a natural disaster or in the case of an unforeseen emergency.
7. Utilize one-time resources to fund one-time expenses after cumulative deficit is resolved.
8. Amended Plan of Debt Adjustment must be fair and equitable to all classes of creditors and does not unfairly discriminate against any creditors within any particular class.
9. Amended Plan of Debt Adjustment must be feasible.
10. Amended Plan of Debt Adjustment must comply with all requirements for confirmation mandated under Chapter 9 of Title 11, including those requirements set forth in Chapter 11 of Title 11 which are incorporated by reference into Chapter 9.

The Amended Plan of Debt Adjustment is designed to balance the competing financial and equitable objectives cited above. Available revenues are allocated to sustain current municipal services, without further erosion, while addressing historically under-funded pension and OPEB obligations. Both of these objectives compete with the goal of restoring fiscal stability through increasing economic contingency reserves at a time when they are most needed. While the Amended Plan of Debt Adjustment attempts to reflect sound projections of future property tax values, the national economy has not been able to grasp hold of a recovery, and there remains a risk of continued high unemployment and other factors which lead to non-payment of property taxes and foreclosures.

The Office of the Receiver’s Amended Plan of Debt Adjustment identifies resources available for

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<sup>1</sup> The Plan of Debt Adjustment and Financial Projection filed with the Bankruptcy Court on September 22, 2011 was for a five year term from FY 2012 to FY 2016. Since FY 2012 is nearly completed, the City has opted to extend the term through FY 2017.

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## **FY 2012 – FY 2017 Financial Projection**

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the payment of creditors' claims. Creditor negotiations continue within the context of the resources within this Six-Year Financial Projection. Additional stakeholder input and negotiation may lead to changes to certain components of the Amended Plan of Debt Adjustment, but the goals and principles outlined above will continue to guide any such negotiations. The commitment to honest and achievable assumptions, a balanced budget and sustainability are of utmost importance. The Receiver intends to hold public hearings on the Six-Year Financial Projection. It should be noted that FY2013 budget described herein was adopted as a City Ordinance on June 12, 2012.

Please note that known and potential changes to revenues and expenditures have been evaluated and quantified to the extent possible to form the basis of the projections. Various assumptions have been made to project future revenues and expenditures. It must be stressed that these numbers are for the above-mentioned purpose only, and do not constitute an approved budget. Neither are the numbers final. The numbers are based on the best available assumptions at the time this forecast was prepared; however, they may or may not come true. Assumptions have been identified where possible to further assist in the proceedings.

### ***History of the Receivership***

On May 19, 2010, the City filed a Petition for the Appointment of Receiver with the Rhode Island Superior Court, citing fiscal insolvency due to revenue shortfalls and State budget cuts, along with unaffordable collective bargaining agreements and pension obligations. The petition was filed by the Central Falls City Council ("Council") and Mayor Charles Moreau ("Mayor Moreau"). On that same day, a Superior Court judge appointed Jonathan N. Savage, Esq. as temporary receiver of the City ("Judicial Receiver"), establishing oversight of the City's assets, effects, property and business ("Judicial Receivership").

The Judicial Receivership created a state of concern among municipal bond underwriters and rating agencies that were performing services for the State and its municipalities. This reaction within the bond market, which threatened to disrupt State and municipal access to capital markets, combined with the State's overriding interest in assuring the fiscal integrity of its cities and towns, caused the General Assembly to enact the Fiscal Stability Act. On June 11, 2010 Governor Donald L. Carcieri ("Governor Carcieri") signed the Fiscal Stability Act into law. The express purpose of the Fiscal Stability Act is (1) to provide a mechanism for the State to work with the cities and towns undergoing financial distress that threatens the fiscal well-being, public safety and welfare of such cities and towns, or other cities and towns or the State, and (2) to provide continuing access to the municipal credit markets for Rhode Island and its cities and towns through a predictable, stable mechanism for addressing the issues facing cities and towns in financial distress.

The Fiscal Stability Act was structured to provide multiple tiers of State support for, or control over, fiscally unstable cities and towns. The first level of support is the appointment of a "fiscal overseer" whose primary role is to review, supervise and/or approve certain municipal matters and to develop an operating and capital plan to achieve fiscal stability in the municipality.

If a fiscal overseer reports that the city or town is unable to present a balanced budget, faces a fiscal crisis that poses an imminent danger to the safety and welfare of the city or town or its property, will not achieve fiscal stability without the assistance of a budget commission or should not be granted approval of its tax levy for the fiscal year, then the State's Director of Revenue may appoint a budget commission. A budget commission has significantly broader powers than those granted to a fiscal overseer, including the authority to exercise all powers of a city's or town's elected officials.

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## **FY 2012 – FY 2017 Financial Projection**

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However, if a budget commission determines that its powers are insufficient to restore fiscal stability to a city or town, then the Director of Revenue must terminate the budget commission and appoint a receiver. A receiver has all of the powers of the budget commission, but is also provided with the power to file a federal Chapter 9 bankruptcy petition for the city or town.

For a period of five (5) years after the abolition of a fiscal overseer, budget commission or receiver, there is continued oversight and support provided by the State. That oversight is provided through an administration and finance officer selected by a city's or town's chief financial officer from a list of names provided by the Division of Municipal Finance of the Department of Revenue.

A Consent Order dismissing the pending Superior Court Judicial Receivership with prejudice after transitioning the Judicial Receivership to a non-judicial state-appointed receivership pursuant to the Fiscal Stability Act ("State Receivership") was entered by the Superior Court on June 18, 2010.

Under the Fiscal Stability Act, if the Director of Revenue, in consultation with the Auditor General, determines that a fiscal emergency exists, a receiver may be appointed without a fiscal overseer or a budget commission first being appointed. Indeed, on July 16, 2010, the then Acting Director of Revenue, Rosemary Booth Gallogly ("Director Gallogly"), after consulting with the Auditor General, appointed retired Superior Court Justice Mark A. Pfeiffer as receiver of Central Falls ("State Receiver").

By letter dated July 19, 2010, the State Receiver informed Mayor Moreau of his appointment as the State Receiver, that as such he had assumed the duties and functions of the Office of Mayor, and that pursuant to his powers under R.I. Gen. Laws § 45-9-7(c), Mayor Moreau would henceforth act only in an advisory capacity.

When the State Receivership was established, the City was already approximately three (3) weeks into the new fiscal year, FY 2011. A budget for FY 2011 had not been established, and the actual extent of the FY 2010 deficit was unknown.

Therefore, the State Receiver's first priority was to ascertain the extent of the deficit and to establish a FY 2011 balanced budget, thus allowing the State Receiver's team time to analyze the structural fiscal problems and to identify possible long-term solutions. The State Receiver undertook to produce a FY 2011 budget by mid-September 2010 and thereafter to produce a detailed report identifying the structural fiscal problems and long-term solutions, to be presented by the end of the year to Governor Carcieri and Director Gallogly. The Receiver's ninety-three page report, exclusive of appendices, issued on December 14, 2010 provided information on the plan implemented for FY2011 and identified the significant deficits in FY2012-2016 that would occur without swift remedial action. The forecast prepared by the Receiver made it clear that the City's revenues and expense patterns were unsustainable, and maintenance of the status quo would place at risk the City's ability to continue providing the current level of services to its residents.

The deficits for each of the five (5) fiscal years beyond the 2011 fiscal year were projected in December 14, 2010 report by the Receiver as follows:

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## FY 2012 – FY 2017 Financial Projection

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Projected Deficits as a Share of Revenue

Fiscal Year	Operating Deficit	Share of Non-Earmarked Revenues
2012	\$ 4,888,090	32.94%
2013	\$ 5,088,464	33.75%
2014	\$ 5,171,759	33.54%
2015	\$ 5,290,368	33.74%
2016	\$ 5,460,449	34.23%
Total	\$ 25,899,130	

The forecast did not account for funding to address deferred capital investment; funding for the City's Other Post-Employment Benefits ("OPEB") liability, which is currently financed on a "pay-as-you-go" basis; and the statutory contributions to the Central Falls Stabilization Fund to fund school operations as required by Rhode Island General Laws Section 16-7.2-6(d). It was apparent from this forecast, that the City's then-current course was not sustainable.

### *Basis of Accounting*

The City's financial operations are recorded on fiscal year basis, commencing on July 1 and ending on June 30. The City complies with generally accepted accounting principles (GAAP), including all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City's accounting system is organized and operated on a fund basis; each fund is considered a separate accounting entity. Governmental funds, such as the General Fund, Special Revenue Funds, and Capital Project Funds, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both "measurable" and "available" to finance current period expenditures in accordance with Interpretation 3 of Statement 1 of the guidelines established by the National Council on Governmental Accounting. Uncollected property taxes not subject to accrual are recorded as deferred revenue. Expenditures are recorded when the liability is incurred.

The Pension Trust Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the receipt or payment of cash.

The General Fund is the City's primary operating fund. The City has a number of Special Revenue Funds, typically associated with grants such as CDBG Revolving, CDBG 2007, CDBG 2009, CDBG 2010, etc., which remain outside the General Fund. In fiscal year 2012 the City legally incorporated other former Special Revenue Funds, such as Public Rescue, Fire Prevention, Police C.A.R.E., etc. into the General Fund for efficiency and transparency. The Six-Year Financial Projection covers only the City's General Fund.

In the year ended June 30, 2011 the City implemented the following new accounting pronouncements:

- GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, which provided for more consistent recognition, measurement, display, and disclosure guidance for the

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## **FY 2012 – FY 2017 Financial Projection**

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- City once it filed for bankruptcy under Chapter 9
- GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, which required reclassification (non-spendable, restricted, committed, assigned or unassigned) of fund balance reporting on the City's financial position for governmental funds.
  - GASB Statement No. 59 – Financial Instruments Omnibus, which had no impact on the City's fiscal 2011 financial statements.

The City will adopt other GASB accounting pronouncements as required in future years.

### ***Fiscal Year 2011 Audited Financial Results***

The Fiscal Year 2011 Budget, formally adopted on October 1, 2010, estimated \$16,804,762 in revenues and \$16,804,762 in expenditures. This budget, although balanced, would have resulted in no significant impact on the cumulative deficit from FY2010 which was later revealed to be \$2,342,595. The City was able to significantly address the cumulative deficit during FY2011 by accessing cash which was maintained in special funds outside the General Fund. These funds were legally available to offset expenditures that had been provided for in the adopted budget, resulting in one time savings in FY2011 of \$2.1 million. These funds also provided much needed cash flow relief at the close of FY2011. There was \$1,007,420 reflected as one time revenue transfers, including \$504,475 of school capital funds received as a resource to fund general expenditures, and to make up for the lack of budgeted payments from the Wyatt Detention Center, \$498,305 from a general capital account which was earmarked for debt service payments, and \$4,640 released to the General Fund from a lease fund which no longer had any liability.

Additionally, resources were accessed which served to reduce expenditures by making pension payments totaling \$1,111,954, including \$591,611 used to pay fire fighters pensions and \$520,343 to pay police pensions under the City's pension plan for police and firefighters hired before July 1, 1972 and which required contributions of one percent (1%) of salary (known as the "One Percent Plan"). These payments were made from accounts that had been established for such purposes. As a result, General Fund total budgetary expenditures and transfers for FY2011 were \$15,205,752, which is \$1,599,010 less than budgeted.

Audited revenues were \$15,733,224, which was \$1,071,538 less than estimated in the adopted budget. The City's tax revenue collections were \$457,064 less than budgeted while all other revenue lines were \$614,774 less than budgeted, including \$500,000 of budgeted Wyatt impact payments that never materialized.

Also reflected as a long term accounts payable at the close of FY2011 is \$1,073,131 due to the State for reimbursement of oversight costs incurred in FY2011.

The FY2011 audited General Fund balance is a deficit of \$485,015. This balance includes all fund balances from unassigned governmental funds. At June 30, 2011, the Committed Fund Balance consisted of \$608,034. This balance represents the amount committed for sixty day property tax collections and is budgeted in the subsequent fiscal year. Therefore, \$608,034 must be removed from the General Fund deficit of \$485,015 resulting in a year end deficit of \$1,093,049. This closing deficit is addressed over the six-year planning horizon, consistent with the provisions of R.I. Gen. Laws § 45-12-22.3, which requires that the City submit a plan to the Auditor General that will resolve the deficit over no more than a five (5)-year period. Adoption of the plan of debt adjustment will allow the City to present such a plan.

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## **FY 2012 – FY 2017 Financial Projection**

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### ***Fiscal Year 2012 Budget***

The Fiscal Year 2012 budget, which was formally adopted on June 9, 2011, included \$3,675,000 of Actuarially Required Contributions (ARC) needed for the City's John Hancock pension plan. These ARC payments along with increases in other items, such as benefits for both active and retired employees, depicted a clear structural deficit as the City had only \$16.5 million of projected revenues to cover anticipated expenses of \$21.6 million. To cover this structural deficit the City included an assumption that the State would provide special state appropriations to assist the City with the cumulative deficit during the receivership. A Special State Appropriation line item of \$5,152,751 was added to balance the Fiscal Year 2012 budget.

The City did not receive the special state appropriation; the Receiver implemented a series of actions to reduced expenditures and heard an Amended Fiscal Year 2012 Budget on November 14, 2011. Signed as an Order of the State Appointed Receiver on November 16, 2011, the Amended Fiscal Year 2012 Budget balanced \$15,731,986 of expenses with \$16,472,055 of revenue, creating a \$740,070 surplus.

Using year to date actual revenues and expenditures, the City estimates that FY2012 will close with approximately \$16,703,625 of revenues, due mostly to higher than budgeted prior year tax collections, and approximately \$15,536,838 of expenditures, due mostly to reduced full time equivalent positions, negotiated concessions, including employee health insurance cost savings and reductions in the pay as you go pension requirements. Thus, the City estimates a FY2012 surplus of approximately \$1,166,787. This surplus would offset the FY2011 year end deficit of \$1,093,049. Therefore, the estimated FY2013 beginning General Fund balance is a \$73,738 surplus.

### ***The Six-Year Financial Projection***

The Six-Year Financial Projection includes tables that present anticipated revenues and expenditures for the six fiscal years starting July 1, 2011 and ending June 30, 2017.

Under the Six-Year Financial Projection, expenditures are estimated to increase at an average annual rate of 4.95 percent from the FY2012 base to FY2017. Inflation, however, as measured by the CPI, is expected to grow at an average annual rate of 2.50 percent over this five-year period. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below. As with any predictions of the future, a variety of assumptions have been made. Among these assumptions are:

#### **Revenues**

- Overall, revenues are projected to grow at an average rate of 3.50% over the five-year planning horizon, including an estimated increase in school housing aid.
- Real estate and commercial valuations are projected to decrease by the time the next property valuation update is completed as of 12/31/2012 which would impact FY2014.
- No change to valuation exemptions for real property and motor vehicle related taxes; and no change to the homestead tax credit.
- Property tax revenues are forecasted to grow at the maximum allowed according to R.I. Gen. Laws § 44-5-2, which is four and a quarter percent (4.25%) in FY2012 and four percent (4.0%) thereafter.
- Tax collection rates are projected to be 92 percent for real estate, 66 percent for motor vehicle excise taxes, and 94 percent for tangible collections in FY2012 and thereafter.
- State aid is forecasted based on current law, and includes estimated increases in school housing aid



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## **FY 2012 – FY 2017 Financial Projection**

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associated with proposed projects, resulting in an increase from \$2.6 million in FY2012 to \$3.8 million in FY2017.

- Growth in all non-tax revenue categories based upon historical data, increasing and decreasing trends, permit increases effective FY2012, and increases when applicable consistent with the Consumer Price Index.
- No impact fee payments in FY2012-2017 from the Central Falls Detention Center Facility Corporation which owns the Wyatt Detention Center.
- FY2012 includes transfers of \$282,498 from accounts held outside the General Fund to fund eligible expenditures in the budget.
- FY2012 includes sales of scrap copper and surplus equipment of \$85,000. No other “one time” revenues other than those discussed for FY2012 are incorporated in the forecast which could cause structural deficits to occur beyond the planning horizon.

### Expenditures

- Expenditures, excluding debt, contingencies, and retiree costs, are forecasted to grow an average of 3.83% percent over the six-year planning horizon.
- Expenditures are based upon the assumption that changes made in the bankruptcy are continued and are sustainable, especially with respect to collective bargaining issues.
- The Six-Year Financial Projection assumes that the City will make no contribution to support school operations throughout the six year time period.
- The Six-Year Financial Projection assumes that the City will start to make statutorily required reimbursements to the State for the fees and costs incurred for the property administration of the Receiver and his staff. The total costs incurred from the receivership to the present are \$3,299,472. The majority of these costs will be reimbursed outside the period of the Amended Plan and the Six-Year Financial Projection.
- Pension obligations are reduced as a result of negotiations with actives and retirees. The FY 2012 expected benefit payments will decrease by \$1.4 million, from \$3.7 million to \$2.2 million after the restructuring of the plans.
- Progress towards annual funding of much needed capital expenditures is commenced, however at much lower level than needed.

# **FY 2012 – FY 2017 Financial Projection**

## *Projected Surplus/Deficit*

The projected balances for each of the six (6) fiscal years are projected as follows:

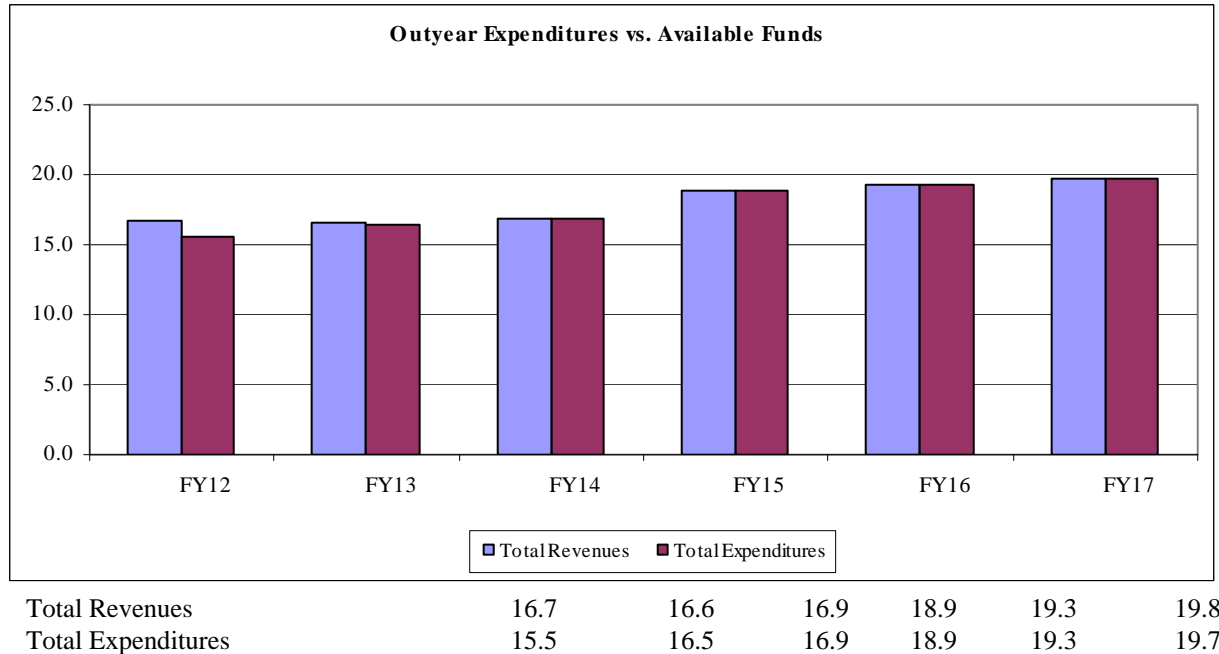
## **Central Falls Outyear Estimates FY 2012 - FY 2017**

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Opening Surplus/ (Deficit)*</b>	<b>(\$1.1)</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.2</b>
<b>Proposed Deferral of State Claim**</b>	<b>[3.2]</b>					
<b>Revenues</b>						
Tax Revenue	\$12.5	\$12.7	\$13.1	\$13.6	\$14.1	\$14.6
NonTax Revenue	1.2	1.2	1.2	1.3	1.2	1.2
State Revenue	2.7	2.7	2.6	4.0	4.0	3.8
Other Revenue	0.4	0.0	0.0	0.0	0.1	0.1
<b>Total Revenues</b>	<b>\$16.7</b>	<b>\$16.6</b>	<b>\$16.9</b>	<b>\$18.9</b>	<b>\$19.3</b>	<b>\$19.8</b>
<b>Total Resources Available</b>	<b>\$15.6</b>	<b>\$16.6</b>	<b>\$17.1</b>	<b>\$19.1</b>	<b>\$19.6</b>	<b>\$20.0</b>
<b>Expenditures</b>						
Municipal	\$15.5	\$16.5	\$16.9	\$18.9	\$19.3	\$19.7
School Support	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Expenditures</b>	<b>\$15.5</b>	<b>\$16.5</b>	<b>\$16.9</b>	<b>\$18.9</b>	<b>\$19.3</b>	<b>\$19.7</b>
<b>Ending Fund Balance</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.3</b>
<b>Operating Surplus or Deficit</b> <b>(revenues-expenditures)</b>	<b>\$1.2</b>	<b>\$0.1</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

\* Actual FY11 General Fund closing deficit is (\$557,003), which included \$608,034 of tax revenue collected after 7/1/2011.

\*\* Proposed deferral of state claim reflects suggested repayment to the State as part of the Plan of Debt Adjustment of costs incurred for Receivership no later than FY2021.

## FY 2012 – FY 2017 Financial Projection



While the operating budget includes some capital expenditures, it still does not yet adequately address deferred capital investments. Therefore, the Six-Year Financial Projection provides for the dedication of a portion of any unexpected resources to capital projects and to start building up a rainy day fund of 5% of the City's General Fund budget, the amount that credit rating agencies suggest that municipalities should have available.

### *Property Tax Revenue*

#### **General**

Under Rhode Island law, municipalities are restricted from levying general taxes except *ad valorem* (at value) taxes upon real and personal property and excise taxes on registered motor vehicles and trailers.

According to Rhode Island law, valuation of real and personal property is assessed as of December 31 of each year and the levy thereon may be paid in full or quarterly without penalty, at the taxpayer's option. As a result of the tax and fiscal year synchronization process, the City's fiscal year begins July 1 with tax assessments as of the prior December 31 (i.e., assessment date 12/31/2011 is the City's fiscal year 2013). Taxes are payable in full July 1 or quarterly in July, October, January and April.

#### **Tax Limitations**

Rhode Island General Laws Section 44-5-2 limits the amount by which a city or town may increase its tax levy unless it qualifies for certain exemptions relating to loss of non-property tax revenue, emergencies, payment of debt service and substantial increase in the tax base necessitating significant expenditures. The maximum amount a city or town may levy in excess of the amount levied for the prior

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## **FY 2012 – FY 2017 Financial Projection**

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fiscal year is gradually decreasing from a five and one-half percent (5.5 percent) cap in FY 2007 to a four percent (4.0 percent) cap in FY 2013 and every year thereafter.

Section 44-5-2 of the Rhode Island General Laws makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1, which provides that the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy ad valorem taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount, except as otherwise provided by or pursuant to law.

### **Assessment and Property Valuation**

In 1990, the City received General Assembly approval to implement a tax classification system. The classification system used by the City currently includes four general classes of property: residential real estate, commercial & industrial real estate, tangible personal property and motor vehicles.

As of December 31, 2011 there are 2,885 buildings in the City with 2,463 or 85 percent classified as residential, 345 or 12 percent classified as commercial, and 77 or 3 percent classified as tax-exempt. Of the 2,463 residential properties, the majority are comprised of 486 single-family dwellings, 619 two-family style buildings, 950 three-family style buildings, and 215 four-family style buildings.

In accordance with Rhode Island General Law Section 44-5-11.6, the City is required to conduct a statistical property valuation update every 3<sup>rd</sup> and 6<sup>th</sup> year with a full revaluation every 9<sup>th</sup> year. As such, the City conducted statistical property valuations update as of December 31, 2006 and December 31, 2009, effective for fiscal years 2008 and 2011 respectively. The City has started its full revaluation with an effective date of December 31, 2012. The new assessed values will be reflected in the 2013 tax bills, which will be collected in FY 2014. Costs for this full revaluation as well as the December 31, 2015 statistical valuation are included in the six-year financial projection. The State of Rhode Island will reimburse 80% of the December 31, 2015 statistical valuation.

The following table indicates the City's assessed valuation of taxable property as of December 31, for the fiscal years 2008 through 2013.

## FY 2012 – FY 2017 Financial Projection

	FY 2008 <sup>2</sup>	FY 2009 <sup>3</sup>	FY 2010	FY 2011 <sup>2,4</sup>	FY 2012	FY 2013	FY08 - FY13 % Change
Residential Real Estate	\$652,675,883	\$659,819,805	\$660,389,945	\$368,845,702	\$369,417,684	\$369,659,546	-43.36%
Commercial Real Estate	\$91,648,167	\$87,926,445	\$90,688,955	\$87,594,198	\$86,882,116	\$88,438,654	-3.50%
Motor Vehicles	\$42,779,256	\$43,082,613	\$37,604,872	\$52,537,345	\$52,539,601	\$52,420,821	22.54%
Tangible Personal Property	18,466,714	13,813,922	15,153,344	14,961,677	15,203,732	15,381,167	-16.71%
<b>Total Gross Assessed</b>	<b>805,570,020</b>	<b>804,642,785</b>	<b>803,837,116</b>	<b>523,938,922</b>	<b>524,043,133</b>	<b>525,900,188</b>	<b>-34.72%</b>
Less Exemptions	70,103,496	75,262,937	82,729,655	47,656,728	46,579,439	45,892,861	-34.54%
<b>Total Net Taxable Property</b>	<b>\$735,466,524</b>	<b>\$729,379,848</b>	<b>\$721,107,461</b>	<b>\$476,282,194</b>	<b>\$477,463,694</b>	<b>\$480,007,327</b>	<b>-34.73%</b>

1. Assessment as of December 31 two years prior to the fiscal year end shown.

2. Statistical Updates conducted as of 12/31/2006 & 12/31/2009.

3. The taxation of Retail / Wholesale inventory was eliminated in calendar year 2007.

4. State Motor Vehicle Statute was changed for FY 2011. Central Falls lowered its motor vehicle exemption from \$6,000 to \$1,000.

Source: Central Falls Tax Assessor's Office

As shown in the table above, following the December 2009 (FY 2011) statistical property valuation update, the City's total gross assessed value declined from \$803.8 million to \$523.9 million between FY 2010 and FY 2011, a decline of 34.8 percent. This decline was largely due to the decrease in residential property assessments in the City. More specifically, residential property values as a whole in the City declined by 44.1 percent from the prior assessment date of December 31, 2008. Commercial property values remained relatively stable, declining by 3.4 percent. Motor vehicle assessments increased by 39.40 percent between FY 2010 and FY 2013, mainly due to the lowering of the motor vehicle exemption from \$6,000 to \$1,000 in FY 2011. For FY2012-FY2017 the motor vehicle exemption is assumed to remain static at \$1,000 (\$500 from State of Rhode Island motor vehicle phase-out and \$500 from the City of Central Falls).

For FY 2013, the total gross assessed value of property for the City of Central Falls, which is the value before any applied exemptions, totals \$525,900,188. This assessment includes \$369,659,546 of gross assessed value from residential properties, of which the majority are multi-family homes, and \$88,438,654 of gross assessed value from commercial properties.

After applied statutory and personal exemptions, the total net assessment which is also known as the total net taxable property for the City is reduced to \$480,007,326 in FY 2013 and includes \$341,682,402 of net assessed value from residential properties and \$88,436,317 of net assessed value from commercial properties.

Overall property values of qualified sales in calendar years 2011 and 2012 year-to-date show a median sales price that was 9 percent and 33 percent less than the assessed value, respectively. For single family homes the values have decreased 11 percent and 20 percent, respectively. For multi-family homes the values have increased 1 percent and decreased 43 percent, respectively. Any decreases in assessed values are mitigated by increases in the tax rates.

Central Falls' homestead exemption prior to the statistical property valuation update of December

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## FY 2012 – FY 2017 Financial Projection

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31, 2009 was \$60,000; following the update, due to the decline in property values the exemption was reduced to \$30,832. Although this change in exemption would normally be effectuated by ordinance, it was implemented in this instance by the Judicial Receiver as part of the revaluation update. The tax credit value of the exemption remained static, as required by R.I. Gen. Laws § 44-3-24, at \$646.86. This six-year forecast assumes that the homestead tax credit to remain the same through FY 2017. In addition to the homestead exemption, the City also offers other exemptions, such as for veterans and the elderly, in accordance with Rhode Island law. The six-year financial projection assumes that the credit value of all exemptions remains static.

Central Falls is not alone in this significant decline in overall net assessed value. Other municipalities that conducted a statistical property valuation update or revaluation as of December 2009 also experienced a decline in overall net taxable property assessments. For example, the decline ranges from 12.32 percent in Providence to 20.22 percent in West Warwick.

The following table indicates the change in net assessments of other municipalities which conducted a statistical property valuation update or revaluation as of December 2009.

Net Assessed Value Comparison			
Municipality *	Net Taxable Property 2008	Net Taxable Property 2009	% Change 08/09
Central Falls	\$721,107,461	\$476,812,855	-33.88%
East Providence	4,537,388,906	3,944,642,057	-13.06%
Johnston	2,948,828,544	2,465,988,235	-16.37%
Lincoln	2,521,364,334	2,177,917,102	-13.62%
Providence	10,314,426,355	9,043,751,702	-12.32%
Warwick	12,008,132,981	9,846,427,518	-18.00%
West Warwick	2,717,263,950	2,167,707,706	-20.22%

\* All municipalities listed had a Revaluation or Statistical Update on December 31, 2009

### Property Tax Rates

Prior to the 2009 statistical property valuation update, the residential tax rate in the City was \$10.78 per \$1,000 of assessed value of residential property, \$28.40 for commercial property and \$58.95 for tangible personal property. Due to the lower assessed values following the update, the FY 2011 tax rates were initially increased to \$19.22 per \$1,000 of assessed value for residential property and \$28.99 for commercial property. These increased tax rates were necessary to raise the same amount of revenue as the prior year, thus, the rate increases did not increase the City's overall revenues from collected taxes.

Later the Receiver decided, however, to issue a supplemental tax in order to generate additional revenue to meet some of the City's obligations. The City received approval from the State to exceed the levy cap based on a certified loss in non-property tax revenue and the Receiver issued an order authorizing the City to exceed the levy cap. Thereby, the City was permitted to levy an additional tax of \$1,566,783

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## **FY 2012 – FY 2017 Financial Projection**

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over the 4.5 percent State mandated levy cap for a total increase in levy from FY 2010 to FY 2011 of \$2,042,452 or 19.32 percent. The FY 2011 supplemental tax rates of \$1.76, \$2.65 and \$5.36 per \$1,000 of assessment of residential property, commercial property and tangible personal property, respectively, generated an additional \$640,563 of tax revenue from residential property, \$232,135 from commercial property and \$80,906 from tangible personal property. The motor vehicle tax rate was not able to be increased due to state law. However, the City chose to reduce the motor vehicle exemption from \$6,000 in FY 2010 to \$1,000 in FY 2011 which resulted in additional revenue. As a result of the supplemental tax and the reduction in motor vehicle exemption, the City had the highest tangible personal property tax rate and the fourth highest commercial real estate tax rate for FY 2011 out of all 39 municipalities within the state. In addition, the City has had the third highest Motor Vehicle tax rate in the State since 1997.

The current FY 2012 City tax rates are \$22.03 per thousand of residential property, \$33.23 per thousand of commercial property, \$48.65 per thousand motor vehicle with a current \$1,000 exemption (\$500 from the State of RI and \$500 from the City), and \$67.11 per thousand of tangible personal property.

The FY 2013 City tax rates will be \$22.95 per thousand of residential property, \$34.61 per thousand of commercial property, \$48.65 per thousand motor vehicle with the \$1,000 exemption (\$500 from the State of RI and \$500 from the City), and \$69.89 per thousand of tangible personal property.

As described in further detail below, tax rates are only one factor when making inter-jurisdictional comparisons.

The table below shows the historical tax rates, levies and overall collection rates of the City.

## FY 2012 – FY 2017 Financial Projection

### Tax Rate, Levy and Collection Record

Fiscal Year Ended June 30,	Tax Rates Per \$1,000	Gross Levy	Net (Abatements) and Additions	Net Levy	Collected Within Fiscal Year	Percent of Net Levy
2002	(1)	\$9,637,616	(\$154,421)	\$9,483,195	\$8,628,318	91.0%
2003	(2)	8,841,115	(83,384)	8,757,731	8,337,294	95.2%
2004	(3)	8,984,283	75,436	9,059,719	8,616,286	95.1%
2005	(4)	9,320,165	(103,679)	9,216,486	8,888,199	96.4%
2006	(5)	9,477,928	(103,009)	9,374,919	9,192,205	98.1%
2007	(6)	9,968,176	(55,688)	9,912,488	9,664,609	97.5%
2008	(7)	10,075,041	(68,904)	10,006,137	9,530,625	95.2%
2009	(8)	10,495,379	(18,210)	10,477,169	10,042,599	95.9%
2010	(9)	10,570,404	(21,363)	10,549,041	10,339,680	98.0%
2011	(10)	12,612,856	(84,440)	12,528,416	12,079,354	96.0%
2012*	(11)	13,148,778	(20,335)	13,128,443	11,998,393	91.4%

- (1) Residential \$21.27, Com/Ind \$35.46, Personal Property \$48.65 & Inventory \$34.06.  
 (2) Residential \$23.75, Com/Ind \$37.50, Personal Property \$48.65 & Inventory \$29.19.  
 (3) Residential \$23.75, Com/Ind \$37.50, Personal Property \$48.65 & Inventory \$24.33.  
 (4) Residential \$13.04, Com/Ind \$34.85, Motor Vehicles \$48.65, Personal Property \$51.33 & Inventory \$19.47.  
 (5) Residential \$13.04, Com/Ind \$34.85, Motor Vehicles \$48.65, Personal Property \$51.33 & Inventory \$14.60.  
 (6) Residential \$13.76, Com/Ind \$36.77, Motor Vehicles \$48.65, Personal Property \$54.15 & Inventory \$9.73.  
 (7) Residential \$10.04, Com/Ind \$26.00, Motor Vehicles \$48.65, Personal Property \$54.90 & Inventory \$4.86.  
 (8) Residential \$10.34, Com/Ind \$27.77, Motor Vehicles \$48.65, Personal Property \$57.64 & Inventory \$0.00.  
 (9) Residential \$10.78, Com/Ind \$28.40, Motor Vehicles \$48.65, Personal Property \$58.95 & Inventory \$0.00.  
 (10) Residential \$20.98, Comm/Ind \$31.64, Motor Vehicles \$48.65, Personal Property \$63.90 & Inventory \$0.00.  
 (11) Residential \$22.03, Comm/Ind \$33.23, Motor Vehicles \$48.65, Personal Property \$67.11 & Inventory \$0.00.

\* Year-to-date 5/11/2012. Annualized data not available yet.

Source: Central Falls tax Assessor and Finance Offices



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## **FY 2012 – FY 2017 Financial Projection**

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### **Motor Vehicle Phase Out Program**

In 1998, the General Assembly enacted legislation to phase out the excise tax on motor vehicles and trailers. However, there have been various legislative changes to the phase out legislation since its inception. One change that passed with the State fiscal year 2010 Supplemental Budget includes reducing a portion of the fourth quarter motor vehicle tax reimbursement to cities and towns. The loss to the City was approximately \$166,272 for the fiscal year ending June 30, 2010. In addition, the FY 2011 State budget reduced the mandatory motor vehicle exemption that municipalities must offer their taxpayers from \$6,000 to \$500 per motor vehicle starting in FY 2011 and thereafter. Cities and towns may provide an additional exemption of any amount above \$500; however, any additional exemption above \$500 that is provided by cities and towns is not subject to reimbursement by the State. Furthermore, reimbursement of the \$500 exemption to cities and towns will be ratably reduced to the annual appropriation by the General Assembly. Total funding enacted in FY2011, FY 2012 and FY 2013 to support this program was \$10.0 million. The General Assembly also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates and ratios of assessment to be lowered from the frozen capped levels.

The City expects to receive \$92,588 in state motor vehicle reimbursements from the State in FY2013, compared to approximately \$1,478,058 in FY2009.

### **Principal Taxpayers**

The following table sets forth the principal taxpayers in the City as of December 31, 2011.

## FY 2012 – FY 2017 Financial Projection

### Top Ten Valuations and Taxes as of December 31, 2011

<b>Taxpayer</b>	<b>Business</b>	<b>Valuation</b>	<b>Tax</b>	<b>Tax Type*</b>
Narragansett Electric Company	Electric Utility	\$2,677,501	\$187,125	TPP
Narragansett Electric Company	Gas Utility	2,071,129	144,747	TPP
Rand Associates	Public Housing	5,699,600	130,783	RE
Osram Sylvania Inc.	Electronics	3,441,000	119,076	RE
Blackstone Falls LLC	Public Housing	4,885,000	112,091	RE
Cox Communications	Utility	934,295	65,296	TPP
Schiff Enterprises	Real Estate Development	1,847,700	63,940	RE
HW Real Estate LLC	Real Estate Development	1,712,900	59,275	RE
Interstar Realty	Real Estate Development	1,641,500	56,804	RE
Combine Distributing Inc	Real Estate Development	1,628,000	56,337	RE
<b>Totals for Top Taxpayers</b>		<b>\$26,538,625</b>	<b>\$995,474</b>	
<b>City Total</b>		<b>\$480,007,326</b>	<b>\$13,674,728</b>	
<b>Percent of Total</b>		<b>5.53%</b>	<b>7.28%</b>	

Source: Central Falls Tax Assessor's Office

\* RE: Real Estate

TPP: Tangible Personal Property

### Fink – High Street Property Tax Exemption

In August, 2011 the City's Solicitor researched the applicable legislation pertaining to Municipal Detention Facilities and the applicable state statutes regarding the taxation of property located at 935-985 High Street, Assessor's Plat 2 Lot 198 owned by Francine and Sanford Fink and leased to the Central Falls Detention Facility Corporation. Previous to the research the property had been listed as tax-exempt since the start of the lease in 2006. The City Solicitor issued a legal opinion that the property, with all buildings and improvements thereon, is taxable to the property owner of record and that property should be assessed the full and fair cash value under R.I.G.L. 44-5-12, taking into account all buildings and improvements thereon under R.I.G.L. 44-4-2. Given the fact that the property was erroneously classified as tax exempt over the past years, the City Solicitor noted that R.I.G.L. 44-5-23 provides for back assessments up to six (6) years.

In accordance with the City Solicitor's legal opinion and the applicable state statutes, the City's Tax Assessor issued supplemental tax bills for 2011, 2010, 2009, 2008, 2007 and 2006 (Fiscal Years 2007-2012) totaling approximately \$192,000 due on July 1, 2012. For Fiscal Year 2013 the tax due on the property is approximately \$42,500.

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## FY 2012 – FY 2017 Financial Projection

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### Comparison with Neighboring or Similar Communities

The table below provides a sample of other surrounding/similar municipalities' current tax rates. Central Falls' tax rates (tax rates are based on 12/31/2010 assessment FY 2012 for all the cities/towns described) for residential and commercial real estate are second highest, for personal property is the highest and for motor vehicles is second highest when compared to the cities/towns mentioned previously.

RI Tax Rates By Class FY 2012				
	Residential Real Estate	Commercial Real Estate	Personal Property	Motor Vehicles
Central Falls	22.03 (2)	33.23 (2)	67.11 (1)	48.65 (2)
Cumberland*	16.87 (6)	16.87 (6)	27.50 (6)	19.87 (6)
Lincoln*	23.82 (3)	27.23 (3)	34.00 (4)	30.66 (4)
Pawtucket	17.78 (5)	24.54 (5)	52.09 (2)	53.30 (1)
West Warwick	21.40 (4)	26.13 (4)	33.95 (5)	28.47 (5)
Woonsocket	25.10 (1)	36.14 (1)	46.58 (3)	46.58 (3)

\*An estimated 10% increase in residential and commercial rates was made to Cumberland and Lincoln due to additional fire district taxes.  
( ) = Rank highest to lowest

However, tax rates, in and of themselves, only provide one picture of the differences among the State's 39 cities and towns. When making inter-jurisdictional comparisons one should also consider other factors, such as the varying tax classification systems, homestead exemptions and separate fire district taxes that exist in some communities. Furthermore, the different motor vehicle exemptions offered by cities and towns have an impact on the tax burden of certain classes of property. Please also note that some communities had a statistical update or revaluation as of 12/31/2010 which impacted the values of properties.

One way to compare the impact of taxes in various distressed communities is to examine the ratio of the community's average tax bill to its average per capita income. The table below provides a comparison of Central Falls to several other distressed communities in the State of Rhode Island.

# **FY 2012 – FY 2017 Financial Projection**

## **COMPARISON OF DISTRESSED COMMUNITIES**

<b>COMMUNITY</b>	<b>PER CAPITA INCOME</b>	<b>% HIGHER THAN CF</b>	<b>TYPE DWELLING</b>	<b>AVG ASSESSED VALUE</b>	<b>% HIGHER THAN CF</b>	<b>AVERAGE TAX BILL</b>	<b>AVG TAX BILL/ INCOME</b>
<b>CENTRAL FALLS</b>	<b>\$15,094</b>		<b>SINGLE</b>	<b>\$115,916</b>		<b>\$2,554</b>	<b>0.169</b>
			<b>MULTI</b>	<b>\$125,609</b>		<b>\$2,768</b>	<b>0.183</b>
E. PROVIDENCE	\$27,349	1.812	SINGLE	\$210,034	1.812	\$4,220	0.154
			MULTI	\$226,240	1.801	\$4,545	0.166
PAWTUCKET	\$21,957	1.455	SINGLE	\$187,911	1.621	\$3,341	0.152
			MULTI	\$191,878	1.528	\$3,412	0.155
WEST WARWICK	\$26,570	1.760	SINGLE	\$186,000	1.605	\$3,980	0.150
			MULTI	\$157,400	1.253	\$3,368	0.127
WOONSOCKET	\$20,846	1.381	SINGLE	\$191,562	1.653	\$4,808	0.231
			MULTI	\$171,774	1.368	\$4,312	0.207

From this table it is clear that the Central Falls average tax bill consumes approximately between 16.9% and 18.3% of the average per capita income of a resident. Only Woonsocket has a higher ratio, with its average tax bill consuming approximately 20.7% to 23.1% of a resident's average per capita income.

### **Property Tax Forecast**

The six-year financial projection assumes the City's property taxes will increase 4.0% each year, the maximum allowed under the property levy cap (R.I. Gen. Laws § 44-5-2). Tax collection rates are projected to be 92 percent for real estate, 66 percent for motor vehicle excise tax, and 94 percent for tangible collections in FY2012 and during the forecast period. As of June 11, 2012 the City has actual collections of 93.4 percent for real estate, 75.8 percent for motor vehicle excise tax, and 94.8 percent for tangible personal property.

The City last performed a statistical property revaluation as of 12/31/2009 for their FY2011. Given the rather depressed real estate market, it is estimated that overall residential and commercial property values in the City will decrease by the time the next property valuation is completed as of 12/31/2012 which would impact FY2014. This assumption is based on conversations with local realtors, appraisers, local tax assessors, and sales analysis of residential sales for the City of Central Falls. An accurate estimation of the decreases in residential property values is especially difficult due to the influence of bank foreclosures, short sales (when the lending institution allows a homeowner to sell a property below the amount owed), and the overall depressed real estate market.

The cities of Pawtucket and Woonsocket are in the process of finishing their 3-year property valuation update as of 12/31/2011, which will be effective FY2013. Pawtucket is estimating that their residential property values will decrease by approximately 20-30 percent, and commercial property values will decrease by 30 percent, compared to their last revaluation effective 12/31/2008. The City of

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## FY 2012 – FY 2017 Financial Projection

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Woonsocket is estimating a residential assessed value decrease of approximately 20 percent, and a commercial property value decrease of 2-3 percent.

In the City there were 185 real estate sales for the period 1/1/2011 – 6/8/2012. Of the 185 sales, 62 sales would be considered true arm's-length transactions. The remaining 123 sales were foreclosure or sale-after-foreclosure transactions. The assessment/sales ratio for the 62 arm's-length sales is 114.1, indicating a 14.1% price decline. The assessment/sales ratio for all 185 sales is 152.7, indicating a 52.7% price decline. A reasonable estimate for the assessment/sales ratio is somewhere between 14.1% and 52.7%.

While it is unfortunate that it appears that Central Falls' overall residential and commercial values are declining, fortunately the number of foreclosures has declined significantly. In 2008 there were 156 foreclosures in the City. This number dropped to 83 in 2009, 55 in 2010 and 55 again in 2011. The annualized number of foreclosures in 2012 is estimated at 34, a 78% drop.

The following levy projections for the City through FY2017 assume a 4 percent maximum levy increase year-to-year per Rhode Island General Law. These levy increases necessitate that, given the expected decline in assessed value, the City will have to increase tax rates in order to generate the 4 percent growth in revenue.

### FY 2014 - 2017 Projected Levies for Central Falls

Class of Property	FY 2014	FY 2015	FY 2016	FY 2017
Residential	\$8,164,592	\$8,491,176	\$8,491,176	\$9,184,164
Comm	3,122,409	3,247,305	3,247,305	3,513,051
Motor Vehicles	1,831,102	1,904,346	1,904,346	2,058,878
Tangible Property	1,103,615	1,147,760	1,147,760	1,241,406
<b>Net Tax Levy*</b>	<b>\$14,221,718</b>	<b>\$14,790,587</b>	<b>\$14,790,587</b>	<b>\$15,997,499</b>

\* Estimated maximum certifiable levies permitted under RIGL 44-5-2

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## FY 2012 – FY 2017 Financial Projection

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### *Other Municipal Revenues*

In FY 2012, the City will continue the FY 2011 attempt to utilize all legally available resources outside the General Fund in order to reduce the General Fund's cumulative deficit. The FY 2012 budget reflects the transfer of funds into the General Fund to provide a one time benefit of \$282,498, including the following transfers to the extent legally permissible:

<b>Transfer of Funds to Cover Eligible General Fund Expenses</b>	
State Seizure	\$45,570
Police Federal	47,319
Care (Police)	44,260
Police Escrow	42,030
Fire Prevention	23,495
Fire Equipment	41,620
Historic Trust	38,204
<b>Total</b>	<b>\$282,498</b>

### *Other Municipal Revenues*

The Six-Year Financial Projection breaks out fees and other non-tax revenue by department for greater transparency. Also, starting in FY2013 several funds traditionally held outside of the General Fund will be legally combined with the General Fund and their separate bank accounts closed. The following are the subheadings with a short description of the budget line items in each:

- City Clerk – fees for licenses, realty stamps, real estate recordings, vital record certificates, etc. – increases or decreases based upon historical data, increasing and decreasing trends, and increases when applicable consistent with the Consumer Price Index.
- Code Enforcement – fees for permits, certificates of occupancy, and code court - permit increases effective FY 2012, increases or decreases based upon historical data, increasing and decreasing trends, and increases when applicable consistent with the Consumer Price Index. Property Preservation (code enforcement) budget line item was \$175,000 in the FY2012 budget and was based on the historical average at the time. The FY2012 number is only \$20,000 as there are few board ups left in the City and only approximately \$140,000 of total code enforcement liens are remain on the City's books.
- Police – fees for VIN checks and road details and traffic and other fines - increases effective FY 2012, increases or decreases based upon historical data, increasing and decreasing trends, and increases when applicable consistent with the Consumer Price Index. Starting FY2013 former Police C.A.R.E fund is integrated in the General Fund under a line item in this section.
- Fire – fees for fire code and hazardous material inspections and permits - increases effective FY 2012, increases or decreases based upon historical data, increasing and decreasing trends, and increases when applicable consistent with the Consumer Price Index. Starting FY2013 former Fire Prevention and Fire Equipment Funds from alarm box fees and smoke detector certificates are

## FY 2012 – FY 2017 Financial Projection

integrated in the General Fund under a line item in this section. The City receives rescue fund reimbursements processed through a third part company, Comstar.

- Local Pilot – payment in lieu of taxes from the Central Falls Housing Authority for Forand and Wilfrid Manors and from Children's Friend.
- Other - include payments made by the Central Falls School District for City services (waste removal, athletic field upkeep) and confirmed federal grants, such as the FY2012 CDBG Award, and a three year COPS Community Policing grant from the U.S. Department of Justice supporting the temporary hire of two police officers during FY2013-FY2016.

### State Aid

State aid revenues include the motor vehicle excise tax reimbursement, distressed communities relief program aid, the Payment in Lieu of Taxes (PILOT) program, public service corporation tax,, meals and beverage tax , school housing aid, library grant-in-aid.

The table below provides for the estimated state aid and the underlying assumptions.

Central Falls State Aid Six-Year Forecast								
	Estimated FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017	Change FY 12-17 Amount	Percent
Distressed Aid (1)	\$292,172	\$292,172	\$292,172	\$292,172	\$292,172	\$292,172	\$ -	0.0%
MV Excise Tax Reimbursement (2)	92,588	92,588	92,588	92,588	92,588	92,588	-	0.0%
PILOT (3)	23,895	22,986	22,986	22,986	22,986	22,986	(909)	-3.8%
Public Service Corporation Tax (4)	288,035	163,243	237,697	248,155	259,074	259,074	(28,961)	-10.1%
School Housing Aid-outstanding (5)	1,570,426	1,748,811	1,598,235	1,556,655	1,511,495	1,511,495	(58,931)	-3.8%
School Housing Aid-new issuance (6)				1,493,115	1,455,787	1,418,459	1,418,459	
Debt Service QSCB Reimbursement	266,525	236,674	206,822	176,971	147,119	117,534	(148,991)	-55.9%
Emergency Management Reimb.	23,502						(23,502)	-100.0%
Misc State Aid/Library grants(7)	62,301	47,079	7,097	16,258	72,942	31,290	(31,011)	-49.8%
Meals & Beverage Tax (8)	90,188	91,626	98,854	101,764	103,297	103,297	13,109	14.5%
<b>Total</b>	<b>\$2,709,632</b>	<b>\$2,695,179</b>	<b>\$2,556,451</b>	<b>\$4,000,664</b>	<b>\$3,957,460</b>	<b>\$3,848,895</b>	<b>\$1,139,263</b>	<b>42.0%</b>
Assumptions:								
(1) Program is level funded at \$10.4 million statewide and pro-rated by municipality								
(2) Program is level funded at \$10.0 million statewide and pro-rated by municipality.								
(3) Program is funded at FY 2012 increased funding of \$33.1 million and pro-rated by municipality.								
(4) Increased by 4.4%, based on most recent statewide increase.								
(5) Forecast for FY 2012-2017 provided by RIDE based on known construction projects as of September 2011 and assumes the remainder of the City's \$5 million bond is completed by June 30, 2012 with no other new projects projected. School housing aid is paid on a reimbursement basis and is (a) subject to appropriation of funds by the General Assembly to make state aid payments and (b) subject to the City's actual payment of debt service in order to be eligible for reimbursement.								
(6) Projected reimbursement of debt service on \$15.5 million of new issuance for FY 2012-2017 provided by RIDE.								
(7) Projected based on state library aid formula using two prior year expenditure base.								
(8) FY 2012 estimate and FY 2013-FY 2017 forecast are based on state level projection of 1.0 percent meal & beverage tax using Moody's Economy.com forecast of employment growth in leisure and hospitality services. The state level projection was then allocated to each community using each community's five-year average percentage of state total 1.0 percent meal & beverage tax for FY 2006 through FY 2010.								
Sources: Division of Municipal Finance, Meals and Beverage Tax forecast from Office of Revenue Analysis, and School Housing Aid from RIDE								

### Personnel and Other Operational Expenditures

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## **FY 2012 – FY 2017 Financial Projection**

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From May 2010 to September 22, 2011, the City reduced its workforce 32% through layoffs and attrition of 56 positions. These reductions have had an impact on the public services received by the citizens in Central Falls. In July 2011, the City closed the Community Center and the Adams Memorial Library, finalizing a one-year shut down that eliminated 39 of the 56 positions. As a result, services such as senior transportation, on-site senior meals, summer programming, and the youth drop-in center were discontinued or reduced.

The plan anticipates the elimination of six positions, the addition of five positions and the restoration of four positions between September 22, 2011 and January 1, 2013. The Six-Year Financial Projection assumes that the City of Central Falls will maintain its diminished but stabilized workforce until the end of FY2017. The major personnel adjustments and assumptions include:

- Elimination of six positions: the deputy city clerk, two part-time positions in the Finance Department, two janitors, and the clerk/dispatcher in the Department of Public Works.
- Addition of five positions: administrative and finance officer in the Executive City Management Department, registrar/assistant city clerk, assistant finance director, and two part-time code minimum housing/environmental inspectors.
- Starting January 1, 2013 restoration of full funding for the City's Mayor and City Council and the restoration of four positions: executive assistant, personnel director, police chief and fire chief.

Organizational charts for each of the City's departments representing the proposed structure are included in Appendix B. The following is a summary of cumulative General Fund workforce reductions by program since May 2010:



## FY 2012 – FY 2017 Financial Projection

### General Fund Workforce Reductions

Department	May 2010	September 2011	Jan 2013
Executive	2	1	3
Clerk/Registrar	5	3	4
Human Resources	1	0	1
Legal	3	1	1
Tax Assessment	2	2	2
Finance	4	7	5
Property Management	2	2	0
Police, Dispatch, ACO, MC	51	43	44
Fire	41	38	39
Code Enforcement	3	2	4
Highway	17	15	14
Library	7	0	0
Recreation	2	2	2
Planning	2	2	2
Community Center	32	0	0
<b>Total Employees</b>	<b>174</b>	<b>118</b>	<b>121</b>
<b>Change</b>		<b>-56</b>	<b>3</b>
<b>Percent Change</b>		<b>-32%</b>	<b>3%</b>

The City's workforce is organized through three employee associations:

- Council 94 Local 1627 ("Council 94"), representing twenty-nine (29) municipal employees
- International Association of Fire Fighters Local 1485 ("IAFF"), representing thirty-seven (37) employees,
- Fraternal Order of Police Lodge #2 ("FOP"), representing thirty-three (33) employees

On November 23, 2011 all three organizations signed Collective Bargaining Agreements that expire on June 30, 2016. In July, 2013 the labor organizations will consider signing Memorandums of Understandings that would extend the terms of the Collective Bargaining Agreements to June 30, 2017 to incorporate FY2017 consistent with the Six-Year Financial Projection.

The following are examples of the changes in the Six-Year Financial Projection in personnel costs as a result of these Collective Bargaining Agreements, contemplated Memoranda of Understanding, and changes in the City's human resource policies:

- Cost of living adjustments for all employees (Council 94, IAFF, FOP and non-represented employees) are as follows: 2.5% in FY2013, 2.9% in FY2014, 2.4% in FY2015, 2.3% in FY2016 and an assumed 2.5% in FY2017.
- Change on August 1, 2011 to a universal Blue Cross Blue Shield of RI Healthmate 2000/4000

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## **FY 2012 – FY 2017 Financial Projection**

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80/60 Deductible Plan for active employees with Health Reimbursement Account; co-share payments of 20% of the premiums.

- Standard paid holidays, bereavement leave, and life and dental insurance benefits and elimination of sick leave payouts upon retirement or termination for all employees.
- Standard longevity payments, vacation accruals, sick leave, sick leave incentive and personal days for all Council 94, IAFF, and FOP employees.
- Decrease in minimum manning for IAFF from 40 to 37, exclusive of the chief, and shift minimum manning from 9 to 7; decrease in minimum manning for FOP from 35 to 33, exclusive of the chief.
- Change in the calculation of overtime pay only for hours worked over forty in a work week (Council 94, FOP, and non-represented employees).
- Significant changes to injured-on-duty provisions, including mandatory light duty assignments, and significant changes to disability retirements, including a distinction between totally and permanently disabled and partially and permanently disabled, recertification and outside income offset provisions.
- Significant changes to retirement provisions for FOP and IAFF, including minimum 25 years of credited service, minimum retirement age of 57, maximum 55% of average salary defined as the highest consecutive five years within the final ten years of employment, health benefits until age 65, and increased pension contributions.

### ***Library***

On July 1, 2011 the Central Falls Adams Memorial Library closed and all six staff members (the Acting Library Director and five members of Council 94) were laid off to reduce expenses for the City saving approximately \$215,000 for FY 2012 net of unemployment expenses. The City could expect to incur gross expenses of \$300,853, \$314,859, \$328,805, \$340,400 and \$352,404 for fiscal years 2013 – 2017 respectively if it had continued to operate the library.

On August 1, 2011 the Trustees of the Adams Memorial Library, the legal property owners of the facility that housed the Central Falls Free Public Library, opened the building with volunteer staffing to offer limited access to the library's facilities and holdings.

The City worked with members of the board of the Trustees of the Adams Memorial, the Chief Library Officer for the State of Rhode Island, and other community leaders to form a non-profit entity, the Central Falls Public Library, in January 2012. The Central Falls Public Library has hired a full-time library director and the City expects to finalize its agreements transferring dedicated trust funds to the Central Falls Public Library by June 30, 2012. The City will contribute \$65,032, \$121,166, \$125,158, \$129,294, and \$132,526 to the Central Falls Public Library for operations and OSL fees for fiscal years 2013 – 2017 respectively. State library grant-in-aid offset these contributions for net City contributions of \$17,953, \$114,069, \$108,900, \$99,002 for fiscal years 2013 – 2017.

### ***City Department Operations and Budgets***

#### **City Executive Management**

During the Receivership Mayor Charles Moreau has held an advisory position with an annual compensation of \$26,000. In June, 2011 health benefits were eliminated for all part-time positions. The Six-Year Financial Projection assumes that this arrangement continues throughout FY2012 and that the City's elected executive will return to office on January 1, 2013 with a \$71,736 annual compensation rate,

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## **FY 2012 – FY 2017 Financial Projection**

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health and other insurance benefits, as well as an annual expense account of \$7,000. At the same time the City will employ a full-time assistant to the city executive at an annual salary of \$33,800 and a fiscal and administrative officer, as required by the Fiscal Stability Act, with an annual salary of \$70,000.

### City Council

The Six-Year Financial Projection assumes the five- member council returns to office on January 1, 2013 with \$2,940 annual stipends and no health insurance or state pension benefits.

### Clerk Office/Registrar

In early June 2011, the City's registrar retired after 30 years of service and by September, 2011 the City Clerk's Office merged with the Registrar's Office and restructured its functions. The city clerk, with a current annual salary of \$65,000 heads the office which includes a registrar/assistant clerk with a current annual salary of \$45,240 and two clerks who are members of Council 94.

### Human Resources/Benefits

Currently, the deputy chief of staff in the Office of the Receiver fills the role of personnel director and handles benefits. The Six-Year Financial Projection assumes the hire of a full-time personnel director starting January 1, 2013 with an annual salary of \$52,000.

### Legal

In early FY 2012 the City reorganized its Legal Department by replacing its city solicitor (set contract rate) and assistant city solicitor (employee with benefits) with a city solicitor at an \$150 hourly rate with a cap of \$50,000 per year and a contracted attorney to cover prosecutions at \$26,000 per year. A full-time legal assistant works with the Office of Receiver and the City's attorneys to provide support on prosecutions, legal, benefits, human resource and other matters at a current annual salary of \$40,300.

### Tax Assessor

The City's Department of Tax Assessment consists of a tax assessor at a current annual salary of \$52,000 and a clerk from Council 94.

### Finance

During FY2012 the City reorganized its Finance Department by replacing two part-time employees and other workers providing consulting services with a full-time assistant finance director position at a current annual salary of \$65,000. A Finance Director at a current annual salary of \$85,000 and three clerks from Council 94 – payroll, accounts payable, and accounts receivable – complete the department. Savings in other professional services start in FY 2012 and continue into FY 2013 by further reducing the need for outside consultants and payroll services.

### City Property

In FY 2012 the City privatized custodial services, eliminating two Council 94 janitorial positions. The Six-Year Financial Projection groups the City's three administration buildings, City Hall, the Public Safety Complex, and the Department of Public Works building, within the City Property budget. Each building has its own budget line items so that budget to actual costs may be tracked easily.

### City Boards

The City currently has 9 active boards with annual stipends ranging from \$225 to \$550. In FY 2012 the City inactivated the Library Board, Personnel Board and Recreation Board and the Six-Year Financial Projection assumes these boards remain inactive or are not subject to stipend payments throughout FY 2017.

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## **FY 2012 – FY 2017 Financial Projection**

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### Police

The Collective Bargaining Agreement with the FOP reflects a minimum force size of 33 uniformed officers: one major, one captain, four lieutenants, six sergeants, five detectives, and sixteen patrol officers. A chief of police returns in January, 2013 with a starting annual salary of \$73,005. The Six-Year Financial Projection groups the Police Department into uniformed personnel (34 - including the chief), animal control officer (1), civilian staff (2), public safety dispatch (6) and general Police Department costs for transparency and cost tracking. In FY 2012 the City consolidated its fire dispatchers and police dispatchers into one Public Safety Dispatch Department serving both the Police Department and Fire Department by handling all 911 calls. The Municipal Court Department traditionally is part of the Police Department and includes one full-time civilian clerk. In FY 2012 the City restructured its Municipal Court Department by eliminating the code enforcement municipal judge and transferring code enforcement cases to 6<sup>th</sup> district court. The Six-Year Financial Projection assumes that the City continues to hold its own municipal traffic court.

### Fire

The Collective Bargaining Agreement with the IAFF reflects a minimum force size of 37 members: one deputy chief, four battalion chiefs, three captains, nine lieutenants, and twenty fire fighters with a seven-man shift minimum. The department also includes an EMA secretary. The Six-Year Financial Projections assumes fire chief returns in January, 2013 with a starting annual salary of \$69,965.

### Inspection Officers

The City has two licensed inspectors on call - plumbing and electrical. The inspectors are paid set stipends for the services they provide.

### Code Enforcement, Planning & Economic Development

In FY 2012 the City restructured its Code Enforcement Department by merging it with the Department of Planning and Economic Development, eliminating the director position and hiring two part-time minimum housing/environmental inspectors. The inspectors work on different schedules to accommodate citizen complaints. The combined department includes a director of planning and code enforcement with a current annual salary of \$65,000, a building official with a current annual salary of \$52,000, a planning and economic development coordinator with a current annual salary of \$40,300 and a code enforcement clerk who is a member of Council 94.

### Public Works

In FY 2012 the City moved the Code Enforcement and Planning and Economic Development Departments from City Hall to the Department of Public Works Building. The move allows the City to eliminate the dispatch clerk position effective FY 2013. The Department of Public Works has includes a director at a current annual salary of \$48,566 and a foreman, mechanic and eleven laborers all members of Council 94. A joint RFP for Sanitation Services has been recently issued by the City of Pawtucket incorporating the City of Central Falls and the City of East Providence. The results of this RFP and any action taken regarding further restructuring of the City's Department of Public Works will only be known in early FY 2013.

### Recreation

In FY 2012 the position director of the Recreation Department was reduced from a full-time position to a part-time position. All maintenance of ball fields is completed by a seasonal employee with no benefits.

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## FY 2012 – FY 2017 Financial Projection

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### *Pensions*

There are three (3) pension plans in Central Falls that cover non-school employees: The John Hancock Pension Plan which covers police, fire and some non-public safety employees hired on or after July 1, 1972; and the so-called “One Percent Plan” which covers police, fire and some non-public safety employees hired before July 1, 1972. All other municipal employees are covered in the Municipal Employees Retirement System (MERS) of Rhode Island.

Unfortunately, Central Falls historically failed to make annual contributions into its locally administered pension funds and thereby created very large unfunded liabilities. The projected “unfunded liability” is based on several factors, including but not limited to: (1) the age at which employees may retire; (2) the life expectancy of employees; (3) the amount of the pension benefits to be paid; and (4) a projection as to the interest rate the municipality will earn on the invested funds. These plans had significant unfunded liabilities as detailed below.

Pension Liabilities for the City of Central Falls				
Plan	Total Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio
MERS (1)	\$7,707,109	\$5,176,066	\$2,531,043	67.2%
Restructured (2)	<u>29,421,723</u>	<u>5,486,573</u>	<u>23,935,150</u>	<u>18.6%</u>
Total	\$37,128,832	\$10,662,639	\$26,466,193	

(1) Actuarial Valuation Report as of June 30, 2010; excludes non-certified Central Falls school employees (unfunded liability of \$4.0 million and funded ratio of 75.0%) and Central Falls Housing (unfunded liability of \$0.8 million and funded ratio of 68.4%).

(2) Sherman Actuarial Services has completed an actuarial valuation as of December 31, 2011 for the John Hancock Pension Plan and the 1% Plan based on new data, including revised mortality tables and the restructured program

For MERS the funded ratio decreased from 78.3 percent in the prior year valuation to 67.2 percent as of June 30, 2010. This is mainly due to the change in the assumed investment rate of return from 8.25 percent to 7.5 percent. For the two locally-administered plans, the funded ratio for the police and fire pension plan declined from 16.2 percent as of June 30, 2010 to 11.7 percent as of June 30, 2011; whereas it declined from 8.8 percent to 0 percent for the 1% pension plan before any reforms were made to the locally-administered plans.

### *Municipal Employees Retirement System (MERS)*

MERS is an agent, multiple-employer public employee retirement system administered by the State statute and funded by participating municipalities. Contribution requirements for employees are established by statute; the employer contributions are established by annual valuations, the payment of which is mandated by statute. Currently, the employee contribution rate is six percent (6%) and the municipal contribution rate is 9.05 percent, based upon an actuarially determined rate. Rhode Island law stipulates that State aid may be

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## FY 2012 – FY 2017 Financial Projection

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withheld if a municipality fails to make the required contribution to MERS (R.I. Gen. Laws § 45-21-42(c)). As a result of this requirement, Central Falls has consistently funded this plan.

In FY 2012 the Rhode Island Retirement Security Act of 2011 was enacted effectively lowering the employer defined benefit rates. For example, prior to the enactment of the Rhode Island Retirement Security Act of 2011 the City was slated to contribute 14.38% for FY 2013. After enactment the rate dropped 11% to 12.78% for FY 2013. The projected rates and contribution amounts assumed in the Six-Year Financial Projection are shown in the table below.

<b>Central Falls MERS Annually Required Contributions</b>		
<b>Year</b>	<b>Payments</b>	<b>Rates</b>
FY 2009	\$217,746	
FY 2010	206,631	
FY 2011	171,559	8.38%
<i>FY 2012</i>	<i>151,151</i>	<i>9.05%</i>
<i>FY 2013</i>	<i>236,379</i>	<i>12.78%</i>
<i>FY 2014</i>	<i>279,182</i>	<i>13.81%</i>
<i>FY 2015</i>	<i>313,110</i>	<i>15.13%</i>
<i>FY 2016</i>	<i>337,731</i>	<i>15.95%</i>
<i>FY 2017</i>	<i>364,167</i>	<i>16.81%</i>

Note: ARC= Annually Required Contr.  
Source: RI ERS for FY 2009-2010.  
Audited FY2011. RI ERS for FY 2013.  
Estimated FY 2014-2017.

### ***One Percent Plan***

The Police and Fire Pension Fund were established by the Public Laws of Rhode Island, in 1925 for all Police and Fire employees hired prior to July 1, 1972. This plan is referred to as the “One Percent Plan.” Unlike the MERS plan, there are no state aid intercept or other coercive provisions that compel the funding of the ARC, although failure to do so can result in negative audit reports with a corresponding negative impact on a municipality’s bond ratings. The value of plan assets on July 1, 2011 was \$0 with an unfunded actuarial accrued liability of \$12,235,742 and a funded ratio of 0.0 percent. All employees eligible to participate in this plan have retired; presently fifty-seven (57) individuals are participating in the plan. The ARC for this plan is \$923,855, with a current pension payroll of approximately \$111,000 per month. The plan also provides disability and death benefits in addition to pension benefits.

### ***John Hancock***

The third pension plan, the John Hancock Plan, covers all Police and Fire employees hired after July 1,

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## **FY 2012 – FY 2017 Financial Projection**

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1972. Again, unlike the MERS plan, there are no state aid intercept or other coercive provisions that compel the funding of the ARC, although failure to do so can result in negative audit reports with a corresponding negative impact on a municipality's bond ratings. The John Hancock Plan also provides disability and death benefits in addition to pension benefits. As shown below, the City has recently failed to fund this plan.

Based on actuarial projections (as of July 1, 2011), the John Hancock Pension Plan for police and fire and other employees hired on or after July 1, 1972 has an unfunded liability of \$32,486,172, and a funded ratio of 11.7%.

### ***Pension Reform***

If the City had contributed the appropriate amount into the John Hancock and the One Percent pension funds, there would have been no need to reduce pension benefits at this time. The accumulated deficit at the end of FY2011 and the ever present cash flow challenges were exacerbated by the notification by John Hancock that in October 2011, the plan would no longer have had sufficient assets, absent a contribution from the City, to make pension payments to the retirees (except for seven guaranteed retirees). In order to avoid a situation like that in Pritchard, Alabama, where pensioners were deemed the lowest priority in the bankrupt community and therefore received no pension at all, the City developed an affordable less generous plan for existing retirees and future retirees. The goal was to act quickly enough to ensure that retirees would continue to receive a portion of their pensions.

#### **a. Current Retirees**

The redesigned John Hancock and 1% pension plans changes include reduced accruals, minimum retirement age, change in disability benefits and "early retirement factor" (ERF) application. Specifically, the restructuring for current retirees sets 60 as the "normal" retirement age. Under the reform anyone who retired before turning 60 faces actuarial pension reduction under the proposal, through the application of ERF. In addition, the maximum pension would be 55 percent of compensation, as opposed to the previous 65 percent. Previously, public safety employees could retire after 20 years on the job and immediately commence collecting pension payments equal to 50 percent of their compensation, regardless of age. However, the redesigned plan has a circuit breaker, which is set at 45 percent so that no pension is reduced by more than 55 percent. Furthermore, under the reform cost-of-living adjustments would be 2 percent annually and would not be compounded. COLAs for retirees were previously the same as for active employees and were compounded. The pension reform also includes fully-funding of newly calculated pension expenses, including ARC for the state-run MERS plan, and the ARC contribution to the John Hancock Plan, and the estimated cost of providing current-year pension benefits to retirees covered by the pre-1972 One Percent Police and Fire pension plan on a pay-as-you-go basis.

The City negotiated with counsel for the Police and Firefighter Retirees and their Associations (the "Represented Retirees") and entered into a Settlement and Release Agreement executed by the Receiver and the Director of the Rhode Island Department on November 30, 2011 (the "Settlement and Release Agreement") to resolve and release their Claims against the City.

The Settlement and Release Agreement was accepted by the requisite number of Represented Retirees, as well as a number of unrepresented retirees, collectively denominated as "Participating Retirees," and was approved by this Court by Order entered January 9, 2012. The primary condition to the enforceability of the Settlement and Release Agreement was the passage of Appropriation Legislation by the Rhode Island General Assembly to fund supplemental payments to the Participating Retirees for a period of five years, resulting in their retirement benefits being reduced by no more than seventy-five

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## FY 2012 – FY 2017 Financial Projection

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(75%) during the five year period. The Appropriation Legislation was passed by the General Assembly on June 12, 2012 and is expected to be signed into law by Governor Chaffee on or before June 18, 2012. The supplemental payments to the Participating Retirees are not part of the City's Amended Plan, but will be paid separately from the Participating Retirees' Restricted 5-Year Account which is a restricted account established by the City for funds received by the State of Rhode Island pursuant to the Appropriation Legislation. An explanation of the Restructured Retiree Benefits and supplemental payments to be paid pursuant to the Settlement and Release Agreement is filed with the Amended Plan as ***Exhibit R***.

b. Active Employees

The City negotiated with each of its labor unions throughout the fall of 2011. On November 23, 2011, the City and R.I. Council 94, AFSCME, AFL-CIO, Local 1627 ("Council 94"); the City and the Fraternal Order of Police, Lodge 2 ("FOP"); and the City and Local 1485, International Association of Fire Fighters, AFL-CIO ("IAFF") entered into new collective bargaining agreements covering the period from November 23, 2011 through June 30, 2012. As part of the collective bargaining agreements with the IAFF and FOP, there were substantial changes to the retirement plan relating to accidental disability pensions and the retirement age.

Specifically, the restructuring for current retirees sets 57 as the "normal" retirement age with 25 years of service. Under the new collective bargaining agreements, an employee who satisfies the service requirement may elect to retire before turning 57 and defer collecting his or her retirement benefits until age 57. If the employee does not defer the collection of retirement benefits, he or she faces actuarial pension reductions through the application of an Early Retirement Factor ("ERF"). In addition, the maximum pension would be 55 percent of compensation, as opposed to the previous 65 percent. Previously, public safety employees could retire after 20 years on the job and immediately commence collecting pension payments equal to 50 percent of their compensation, regardless of age.

In an effort to reverse several years of Central Falls' failing to make contributions into its pension funds, the Receiver plans to begin making annual contributions into Central Falls' pension funds beginning in FY2012, so as to amortize the unfunded liability over a number of years and make these pension funds viable and safe for retirees in the future. Under the proposed plan, the ARC is projected to be less than the Pay-As-You-Go ("PAYGO") costs until 2021, so the City will essentially be paying more than the annual required contribution which will result in a reduction of its "net pension obligation" on its balance sheet.

The following tables provide a comparison of the unfunded liabilities for the two locally-administered plans before the restructuring of the pension plans and after. It demonstrates that the combined ARC payments will decrease by \$2.0 million, from \$3.9 million to \$1.9 million. The FY 2012 expected benefit payments will decrease by \$1.4 million, from \$3.7 million to \$2.2 million after the restructuring of the plans is implemented. It should be noted that the amount budgeted in the Six-Year Financial Projection reflects the estimated PAYGO amount for all retirees as of the date of the settlement agreement, as well as an estimated incremental actuarial contribution amount for the cost of a normal retirement age of 57 years of age as opposed to 60 years of age for active public safety employees.



## FY 2012 – FY 2017 Financial Projection

John Hancock and One Percent Plans					
	Prior Prov.	Percent	Restructured	Percent	Difference
<u>Liability</u>					
active	\$8,411,539		\$5,074,424		
retirees	\$40,595,276		\$24,347,299		
Total	\$49,006,815		\$29,421,723		(\$19,585,092)
<u>Assets</u>					
active	\$735,461		\$941,716		\$206,255
retirees	\$3,549,440		\$4,544,856		\$995,417
Total	\$4,284,901		\$5,486,573		\$1,201,672
<u>UAAL</u>					
active	\$7,676,078	17.2%	\$4,132,708	17.3%	(\$3,543,370)
retirees	\$37,045,836	82.8%	\$19,802,443	82.7%	(\$17,243,394)
Total	\$44,721,914	100.0%	\$23,935,150	100.0%	(\$20,786,764)
<u>Funded Ratio</u>					
active	8.7%		18.6%		
retirees	8.7%		18.7%		
Total	8.7%		18.6%		
<u>ARC</u>					
active	\$1,034,120	26.9%			
retirees	\$2,815,542	73.1%			
Total	\$3,849,662	100.0%	\$1,860,322	0.0%	(\$1,989,340)
<u>FY2012 Expected Benefit Payments</u>					
active	\$124,568	3.4%	\$23,075	1.0%	(\$101,493)
retirees	\$3,556,726	96.6%	\$2,199,945	99.0%	(\$1,356,781)
Total	\$3,681,294	100.0%	\$2,223,020	100.0%	(\$1,458,274)
Source: Actuarial Study by Sherman Actuarial Services, January, 2012, valuation as of December 31, 2011.					

## FY 2012 – FY 2017 Financial Projection

Reduction in Payments			
	Prior Prov.	Restructured	Difference
<u>John Hancock</u>			
ARC	\$2,925,829		
FY2012 Exp.			
Paym.	\$2,418,912		
<u>1%</u>			
ARC	\$923,833		
FY2012 Exp.			
Paym.	\$1,262,382		
<b>Combined</b>			
<b>ARC</b>	<b>\$3,849,662</b>	<b>\$1,860,322</b>	<b>(\$1,989,340)</b>
<b>FY2012 Exp.</b>			
<b>Paym.</b>	<b>\$3,681,294</b>	<b>\$2,223,020</b>	<b>(\$1,458,274)</b>

Source: Actuarial Study by SAS, Jan. 2012, valuation as of December 31, 2011.

As the table below shows, the combined unfunded liability will decline by \$23.3 million, from \$44.7 under the prior provisions to \$21.4 million under the restructured locally-administered pension plans.

Unfunded Liability for Prior Provisions and Restructured Plans			
	Prior Prov.	Restructured	Difference
John Hancock	\$32,486,172		
1% Plan	\$12,235,742		
<b>Total</b>	<b>\$44,721,914</b>	<b>\$23,935,150</b>	<b>(\$20,786,764)</b>

Source: Actuarial Study by SAS, Jan. 2012, valuation as of December 31, 2011.

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## **FY 2012 – FY 2017 Financial Projection**

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### *Central Falls School District*

The Central Falls School District (“CFSD”) has been overseen by the Rhode Island Department of Education (“RIDE”) since July 1, 1991. Following years of financial difficulties prior to that date, the State established the Central Falls Review Commission to assess the financial condition of the City. In its final report, the Commission recommended that the State assume the responsibility for financing the school system. In 1991 an agreement was reached between City and State leadership, which ultimately led to the enactment of legislation transferring the financing and administrative control of the school district to the State. The school committee was replaced with a State-appointed administrator who reported to the Commissioner of Education.

In June 2002, the Rhode Island General Assembly established a seven (7) member board of trustees to replace the State administrator as the governing body of the school district. The Rhode Island Board of Regents for Elementary and Secondary Education (the “Board of Regents”) appoints the members of the board of trustees from nominations made by the commissioner of elementary and secondary education. At least four (4) members must be residents of Central Falls and parents of current or former Central Falls public school students per R.I. Gen. Laws §16-2-34. Effective July 1, 2003 the Board of Regents approved the CFSD’s first board of trustees. Although the General Assembly thus effected changes in the administration of the school district with the passage of the 2002 legislation, the State has remained the primary source of school funding.

The City filed an adversary proceeding as part of the bankruptcy proceedings on December 30, 2011, seeking a determination regarding whether the CFSD was part of the City, in order to ascertain whether the revenues, expenditures, collective bargaining agreements and the overall budget of the CFSD needed to be part of the City’s Amended Plan. After hearings on the City’s Motion for Summary Judgment, on March 27, 2012 this Court issued Proposed Findings of Fact and Conclusions of Law finding that the CFSD was not part of the City. The City did not object to the Proposed Findings of Fact and Conclusions of Law and the adversary proceeding was dismissed by stipulation of all parties filed with this Court on May 14, 2012.

Thereafter, by Order dated April 18, 2012, in accordance with a directive from Governor Lincoln D. Chafee, RIDE “assumed immediate and temporary control of the Central Falls School District’s finances and related administrative functions” and explicitly enumerated powers reserved by the Department of Elementary and Secondary Education with respect to the CFSD.

Consequently, the City has not included the Central Falls School District or its budget as part of its Amended Plan, except to the extent that the City bills certain City services to the Central Falls School District and remains obligated to issue and pay school related bonds.

R.I. Gen. Laws § 16-2-34, as amended, allows for the commissioner of elementary and secondary education to exercise in whole or in part care, control, and management over the public schools of the Central Falls school district within the scope of authority of the board of trustees and board of regents, whenever the commissioner deems such intervention to be necessary and appropriate.

### State Education Aid and Central Falls Stabilization Fund

The State has provided an annual appropriation for the CFSD that has increased significantly over the past twenty years. The 2010 General Assembly established an education funding formula for all cities

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## **FY 2012 – FY 2017 Financial Projection**

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and towns that requires a local contribution to education by the City.

R.I. Gen. Laws §16-7-24 requires the City's annual local contribution to education to be determined pursuant to R.I. Gen. Laws §16-7.2-6(d). R.I. Gen Laws §16-7.2-6(d) allowed for a Central Falls Stabilization Fund to assure that appropriate funding is available to support the community, including the local share for students from the community that attend charter schools, the State-run Davies Career and Technical High School, or the State-run Metropolitan Regional Career and Technical Center, due to concerns regarding the City's capacity to meet the local share of education costs.

R.I. Gen. Laws § 16-7.2-6 (d), as amended, now provides that education aid calculated pursuant to §16-7.2-3 and funding for costs outside the formula "shall be shared between the state and the city of Central Falls." In order to facilitate a balanced Six-Year Financial Projection, RIDE has agreed that the City will not be required to make a local contribution to the Central Falls Stabilization Fund for the term of the Amended Plan. However, pursuant to statute, RIDE shall annually review the allocation between state and city contribution to the Central Falls Stabilization Fund to determine the amount of the state and city contribution.

### School Facilities and Housing Aid

Prior to the enactment of the funding formula, the City of Central Falls was financially responsible only for the maintenance of the school buildings and grounds because it owns the properties. Historically, the City has not budgeted funds specifically for the purpose of maintaining the school properties. The State's share ratio for the City for the school housing aid program, pursuant to R.I. Gen. Laws §16-7-39, has been approximately ninety-three percent (93%) in recent years, with additional funding available for incentive bonuses for certain qualifying projects (up to four percent). Therefore, the City's net capital contributions on debt associated with school facilities are relatively small.

In June 2009, Newport Collaborative Architects (now d.b.a. Northeast Collaborative Architects) completed a feasibility study that identified approximately \$125.8 million of deferred capital improvement needs for the City's schools. The City and School Department collaborated with RIDE and decided to pursue the highest priority emergency repairs as a short-term solution. These district-wide high priority repairs totaled \$20.5 million and were approved by the Board of Regents in September 2009.

Because projects are eligible for school housing aid only upon substantial project completion and considering the City's cash flow challenges, the City was unwilling to bond finance for more improvements than could be completed in one fiscal year. In June 2010, the City issued a \$5.0 million bond for capital improvements to the school facilities. The projects were not completed in one fiscal year as originally planned but are projected to be completed by June 30, 2012. Approximately \$4.0 million of projects were substantially completed by June 30, 2011 and will be eligible for school housing aid in FY 2012. Aid for the remaining \$1.0 million of projects will begin in FY 2013. Housing aid is paid over the term of the bond and will end in FY 2020 for the \$5.0 million bond.

The \$5.0 million bond was used to address high priority life safety and code compliance issues at all district school facilities. There were insufficient funds to address emergency needs at the Central Falls High School, which were considered the highest priority repairs in the original \$20.5 million scope of work. In December 2010, the CFSD requested the use of the remaining \$15.5 million of Board of Regents approval to address high priority repairs at the high school, including but not limited to comprehensive HVAC (Heating, Ventilation, and Air Conditioning) system improvements, hazardous material abatement, structural repairs, and fire protection. Assuming the City is able to issue a \$15.5 million bond to support this project, it would be eligible for state reimbursement through the school housing aid program upon

## FY 2012 – FY 2017 Financial Projection

project completion of an assumed rate of 96.33%. The estimated cost to the City over the projected twenty-year term of the bond is estimated to be approximately \$867,496, as shown below. The following cost projection assumes the project(s) are completed by June 30, 2014 to be eligible for school housing aid in FY 2015. This analysis also assumes the City structures the bond so that the first debt service payment would not be due until FY 2015. The City's Six-Year Financial Projection assumes that the City is able to borrow the \$15.5 million in capital funds to address these critical life and safety issues at the schools, and therefore both expenditures (new debt service) and revenues (new state housing aid) have been adjusted accordingly in the projections.

### Projected Debt Service on \$15 Million of New School Bonds

FY	Total Debt Service (Principal & Interest) (assumes 5% rate)	State Share	Local Share
2015	\$1,550,000	\$1,493,115	\$56,885
2016	\$1,511,250	\$1,455,787	\$55,463
2017	\$1,472,500	\$1,418,459	\$54,041
2018	\$1,433,750	\$1,381,131	\$52,619
2019	\$1,395,000	\$1,343,803	\$51,196
2020	\$1,356,250	\$1,306,476	\$49,774
2021	\$1,317,500	\$1,269,148	\$48,352
2022	\$1,278,750	\$1,231,820	\$46,930
2023	\$1,240,000	\$1,194,492	\$45,508
2024	\$1,201,250	\$1,157,164	\$44,086
2025	\$1,162,500	\$1,119,836	\$42,664
2026	\$1,123,750	\$1,082,508	\$41,242
2027	\$1,085,000	\$1,045,180	\$39,819
2028	\$1,046,250	\$1,007,853	\$38,397
2029	\$1,007,500	\$970,525	\$36,975
2030	\$968,750	\$933,197	\$35,553
2031	\$930,000	\$895,869	\$34,131
2032	\$891,250	\$858,541	\$32,709
2033	\$852,500	\$821,213	\$31,287
2034	\$813,750	\$783,885	\$29,865
	<b>\$23,637,498</b>	<b>\$22,770,002</b>	<b>\$867,496</b>

### *Debt Service Obligations*

The projection of debt service costs reflects outstanding debt service only and does not anticipate any new debt issuances other than that previously described for the school improvements. The City has no authorized but unissued general obligation debt.

As can be seen in the table below, total gross debt service on all currently issued general obligation bonded debt is expected to decrease from \$2,611,775 in FY 2012 to \$2,415,523 in FY 2017, a decrease of \$196,252. The gross debt service in the budget does not reflect reimbursements from the federal government on the qualified school construction bonds (QSCB) issued pursuant to the American Recovery and Reinvestment Act of 2009 since these amounts are included as a revenue item. The debt service payments decline in each fiscal year through FY2028, providing some capacity for the City to issue new

## FY 2012 – FY 2017 Financial Projection

debt when it has the financial ability and market access.

The Amended Plan of Debt Adjustment assumes that general obligation bonds are repaid 100%, and that a financing lease associated with the acquisition of a rescue vehicle is paid under renegotiated terms which extend the term and reduce the interest rate. The policy decision to fully pay the general obligation bonds is consistent with existing state law of general application which creates a lien for all holders of all Rhode Island municipal general obligation debt. As of September 1, 2011, the City's assigned Moody's general obligation bond rating was Caa1, and its assigned Standard & Poor's bond rating was C, which within the industry is deemed to be "junk bond" status. Accordingly, both Moody's and Standard & Poor's placed the City on 'negative' and 'developing' status, respectively, as a result of the City's financial challenges. The table below displays the City's debt service on the outstanding general obligation debt net of the reimbursement from the federal government for the QSCB debt, the projected debt service on the issuance of \$15.5 million for school improvements described earlier, and the resulting combined total projected debt service. The Six-Year Financial Projection reflects the projected costs for the gross outstanding debt and projected new issuance, which are budgeted as gross expenditures. The reimbursements from the federal government for the QSCB debt and estimated school aid reimbursements from the State are reflected as revenue items.

Outstanding Central Falls Aggregate General Obligation Bond Debt Service					
Six-Year Forecast					
Fiscal Year	Principal	Interest	Total Gross Debt Service	QSCB Subsidy	Net Debt Service
2012	\$1,525,000	\$1,086,775	\$2,611,775	-\$266,525	\$2,345,250
2013	1,565,000	1,004,299	2,569,299	-236,674	2,332,625
2014	1,620,000	918,586	2,538,586	-206,822	2,331,764
2015	1,670,000	830,198	2,500,198	-176,971	2,323,228
2016	1,725,000	737,179	2,462,179	-147,119	2,315,060
2017	1,780,000	635,523	2,415,523	-117,534	2,297,989
<b>Total</b>	<b>\$9,885,000</b>	<b>\$5,212,559</b>	<b>\$15,097,559</b>	<b>-\$1,151,644</b>	<b>\$13,945,915</b>

Sources: Aggregate Debt Service Schedule, First Southwest, September 9, 2011

Projected New Issuance General Obligation Bond Debt Service					
Six-Year Forecast					
Fiscal Year	Principal	Interest	Total Gross Debt Service	QSCB Subsidy	Net Debt Service
2012	\$0	\$0	\$0	\$0	\$0
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	775,000	775,000	1,550,000	0	1,550,000
2016	775,000	736,250	1,511,250	0	1,511,250
2017	775,000	699,388	1,474,388	0	1,474,388

## FY 2012 – FY 2017 Financial Projection

<b>Total</b>	<b>\$2,325,000</b>	<b>\$2,210,638</b>	<b>\$4,535,638</b>	<b>\$0</b>	<b>\$4,535,638</b>
Assumptions:					
Bonds for School improvements in the amount of \$15,499,000 issued at 5% with twenty year term.					
State Aid Reimbursement commencing in FY2015 (shown as revenue item).					

Outstanding and Projected General Obligation Bond Debt Service					
Six-Year Forecast					
Fiscal Year	Principal	Interest	Total Gross Debt Service	QSCB Subsidy	Net Debt Service
2012	\$1,525,000	\$1,086,775	\$2,611,775	-\$266,525	\$2,345,250
2013	1,565,000	1,004,299	2,569,299	-\$236,674	2,332,625
2014	1,620,000	918,586	2,538,586	-\$206,822	2,331,764
2015	2,445,000	1,605,198	4,050,198	-\$176,971	3,873,228
2016	2,500,000	1,473,429	3,973,429	-\$147,119	3,826,310
2017	2,555,000	1,334,911	3,889,911	-\$117,534	3,772,377
<b>Total</b>	<b>\$12,210,000</b>	<b>\$7,423,197</b>	<b>\$19,633,197</b>	<b>-\$1,151,644</b>	<b>\$18,481,553</b>

The Amended Plan of Debt Adjustment proposes to modify the terms of the financing lease relating to the acquisition of the rescue vehicle. The term is extended by adding two additional years to the repayment schedule and the interest rate is reduced from five percent (5%) to four percent (4%). This modification provides the City with additional liquidity during the early years of recovery without significantly increasing the overall cost over the term of the extended lease.

## FY 2012 – FY 2017 Financial Projection

Pre-existing Terms of Rescue Lease					
Loan Balance			\$83,403.58		
Interest Rate			5%		
Term			2		
Fiscal Year	Principal	Interest	Total	Outstanding Principal	
				\$83,403.58	
2013	\$40,684.67	\$4,170.18	\$44,854.85	42,718.91	
2014	42,718.91	2,135.95	44,854.86	0.00	
2015				0.00	
2016				0.00	
<b>Total</b>	<b>\$83,403.58</b>	<b>\$6,306.12</b>	<b>\$89,709.70</b>		

Proposed Terms of Rescue Lease					
Loan Balance			\$83,403.58		
Interest Rate			4%		
Term			4		
Fiscal Year	Principal	Interest	Total	Outstanding Principal	
				\$83,403.58	
2013	\$19,640.71	\$3,336.14	\$22,976.86	63,762.87	
2014	20,426.34	2,550.51	22,976.86	43,336.53	
2015	21,243.40	1,733.46	22,976.86	22,093.13	
2016	22,093.13	883.73	22,976.86	0.00	
<b>Total</b>	<b>\$83,403.58</b>	<b>\$8,503.84</b>	<b>\$91,907.42</b>		

Change in Payment Schedule					
Fiscal Year	Principal	Interest	Total	Outstanding Principal	
2013	(\$21,043.96)	(\$834.04)	(\$21,877.99)	\$21,043.96	
2014	(22,292.57)	414.57	(21,878.00)	43,336.53	
2015	21,243.40	1,733.46	22,976.86	22,093.13	
2016	22,093.13	883.73	22,976.86	0.00	
<b>Total</b>	<b>(\$0.00)</b>	<b>\$2,197.72</b>	<b>\$2,197.72</b>		

### Outstanding Principal Balances -General Obligation Debt and Lease Appropriation Obligation

Set forth below is a comparative statement of outstanding debt obligations debt of the City for the fiscal years ended 2007 through 2011.



## FY 2012 – FY 2017 Financial Projection

### General Obligation Debt <sup>1</sup>

Type of Debt	2007	2008	2009	2010	2011
General Obligation School Bonds	\$8,840,000	\$8,335,000	\$7,805,000	\$7,250,000	\$6,670,000
General Obligation Refunding Bonds-School Construction	1,960,000	1,365,000	805,000	275,000	-
General Obligation Municipal Facility Bonds	-	8,700,000	8,555,000	8,275,000	7,985,000
General Obligation School Bonds issued to RIHEBC	-	1,285,000	1,255,000	1,215,000	1,165,000
General Obligation Qualified School Construction Bonds issued to RIHEBC (6/29/2010)	-	-	-	750,000	750,000
General Obligation Bond issued to RIHEBC securing QSCB (6/30/2010)	-	-	-	4,250,000	4,250,000
<b>Gross Bonded Debt</b>	<b>\$10,800,000</b>	<b>\$19,685,000</b>	<b>\$18,420,000</b>	<b>\$22,015,000</b>	<b>\$20,820,000</b>
Tax Anticipation Notes	-	4,000,000	-	-	-
State Aid Anticipation Notes	-	1,000,000	-	-	-
Bond Anticipation Notes	7,900,000	-	-	-	-
<b>Subtotal</b>	<b>\$18,700,000</b>	<b>\$24,685,000</b>	<b>\$18,420,000</b>	<b>\$22,015,000</b>	<b>20,820,000</b>
Financing Lease	-	-	159,053	122,151	83,404
<b>Total All Obligations</b>	<b>\$18,700,000</b>	<b>\$24,685,000</b>	<b>\$18,579,053</b>	<b>\$22,137,151</b>	<b>\$20,503,404</b>

(1) Figures prepared from audited financial statements for 2007-2010, and from outstanding debt schedules for FY2011.

### *Bankruptcy Claims Pool*

The Six-Year Financial Projection provides additional contributions to a “Claims Pool” from which to satisfy the General Fund’s obligations to certain unsecured creditors pursuant to the Amended Plan of Debt Adjustment. Such claims include those held by vendors, terminated employees, certain retirees and others who may have been subject to a rejected contract. The General Fund share of the Claims pool is funded \$600,000 over a five-year period. Funding of these claims over a period of time at a reduced rate will require the auditors to reflect a reduction in the non-disputed payables at the close of FY2011, which would increase the City’s financial position to the extent that they were recorded as payables.

### *Capital Budget*

The Six-Year Financial Projection fails to sufficiently address funding for capital disbursements from tax sources. While this was one of the goals in developing the Six-Year Financial Projection, there were not adequate resources forecasted to accommodate the full funding of deferred capital needs. This will result in continued deterioration of the City’s infrastructure until full funding can be achieved.

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## FY 2012 – FY 2016 Financial Projection

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The City's Six-Year Financial Project does include some budgeted capital expenditures and the City will pass the following proposed Annual Capital Program Ordinance after public hearing on July 11, 2012:

CAPITAL PROGRAM FOR THE FISCAL YEARS						
JULY 1, 2012 TO JUNE 30, 2017						
	Proposed Method	2012	2013	2014	2015	2016
<u>Department/Project</u>	<u>Of Financing</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Finance	Revenue	64,800				
Public Safety Complex	Revenue	33,339		139,719	110,773	
Police Department	Revenue/Grant	76,819	44,613	24,573	29,627	87,646
Fire Department	Grant/Lease	37,500	35,797	45,000	45,000	85,724
Dept Public Works	Lease	45,000	45,000	45,000	45,000	45,000
<b>Totals</b>		<b>\$ 257,458</b>	<b>\$ 25,410</b>	<b>\$ 254,292</b>	<b>\$ 230,400</b>	<b>\$ 218,370</b>

The Amended Plan of Debt Adjustment provides that one-time revenues (which have not been accounted for in the Six-Year Financial Projection) be used for one-time expenditures, and therefore proposes that the following dedications be made to a capital fund for needed infrastructure improvements and other capital:

- Proceeds from the sale of City Assets if not directed to defease or repay outstanding debt City assets
- Proceeds from impacts fees from the Central Falls Detention Facility Corporation's operation of the Wyatt Detention Center
- Proceeds from PILOT fees from organizations not in the Six-Year Financial Projection

**Explanation of Revisions between June 4, 2012  
Preliminary Central Falls Six Year Financial Projection  
and June 15, 2012 Final Central Falls Six Year  
Financial Projection**

**Explanation of Revisions between June 4, 2012 Preliminary Central Falls Six Year Financial Projection and June 15, 2012 Final Central Falls Six Year Financial Projection**

The ending surplus amounts for each fiscal year remain the same as what was submitted June 4, 2012 as the Preliminary Financial Projection. The total department budget for the Police Department remains the same, although certain line items within the Police Department budget, namely capital expenditures, overtime and costs for new recruits, were reduced in order to accommodate the addition of a full-time police chief as of January 1, 2013.

In addition, in order to accommodate the addition of a full-time fire chief as of January 1, 2013, certain line items within the Fire Department budget, namely overtime, costs for new recruits and maintenance, were reduced. Also, additional funds, in the approximate amount of \$25,000 annually, were reallocated from the City Executive Management Department budget to the Fire Department budget to fund the Fire Chief position. The base compensation paid to the administrative finance officer in the City Executive Management Department, a position required under the Fiscal Stability Act, was cut from \$90,000 to \$70,000 annually. The remaining approximately \$5,000 reduction is the employer FICA taxes and MERS contribution related to this base compensation cut.

Also, the FY 2013 dental rates for all City employees was increased 3.09% from those in the June 4, 2012 Preliminary Central Falls Six Year Financial Projection as a result of updated claims experience.

Finally, the June 15, 2012 Final Central Falls Six Year Financial Projection corrects a minor, \$839, mathematical error in the FY 2013 Tax Revenue and corresponding Interest on Taxes budget lines that is offset in the FY 2013 Misc. Departmental Revenue line.

No other changes were made to the June 4, 2012 Preliminary Central Falls Six Year Financial Projection.

July 10, 2012 Summary Preliminary Central Falls Six Year Financial Projection - FY 2012-FY 2017 Budg

Item	FY2012 9/22/2011	FY2012 Estimated	FY2013	FY2014	FY2015	FY2016	FY2017
Tax Revenue	\$11,986,255	\$12,461,255	\$12,675,339	\$13,051,741	\$13,557,011	\$14,092,402	\$14,828,891
Non-Tax Revenue	\$854,432	\$1,167,203	\$1,150,365	\$1,236,585	\$1,265,885	\$1,245,235	\$1,277,135
State Revenue	2,865,657	2,709,632	2,695,179	2,556,451	4,000,684	3,657,460	3,948,895
Department Revenue	429,300						
Other Revenue	530,412	325,475	46,955	48,317	49,477	50,615	51,860
<b>Total Revenue</b>	<b>\$16,472,056</b>	<b>\$16,703,025</b>	<b>\$16,573,037</b>	<b>\$16,833,075</b>	<b>\$18,873,036</b>	<b>\$19,335,801</b>	<b>\$19,756,901</b>
Executive Management	37,172	42,945	143,415	280,143	279,988	289,441	289,461
Council	304,634	293,723	308,539	327,767	320,757	325,700	325,700
City Clerk/Registrar	24,008	15,269	138,435	84,172	81,512	90,460	93,583
HR/Benefits	443,670	148,505	138,984	141,172	144,572	147,059	146,708
Legal	170,760	155,810	142,663	144,608	145,669	228,512	156,712
Tax Assessor	51,446	492,718	473,000	471,245	493,916	503,009	522,469
Finance	627,818	693,289	665,009	658,009	793,611	688,705	685,695
City Property	12,735	9,975	8,975	8,975	8,975	8,975	8,975
City Board	3,045,180	3,115,020	3,328,520	3,523,127	3,745,888	3,952,946	3,952,946
Police	2,769,187	2,769,248	2,759,188	2,921,811	3,045,844	3,193,818	3,325,963
Fire	7,309	7,654	7,309	7,309	7,309	7,309	7,309
Probate Court	94,443	93,761	93,985	97,047	100,710	103,461	106,403
Municipal Court	40,734	11,613	8,646	8,646	8,646	8,646	8,646
Animal Control	182,387	153,837	175,089	181,746	186,079	193,741	189,685
Inspection Officers	1,140,296	1,105,985	1,191,024	1,235,982	1,291,036	1,322,629	1,223,271
Code Enforcement	394,000	371,877	403,850	415,602	425,535	435,322	445,335
Highway	69,387	61,052	65,032	121,166	125,158	129,254	132,528
Public Works	63,986	69,068	62,573	64,673	66,598	68,368	70,243
Library	137,895	145,982	147,742	153,972	160,178	165,598	171,322
Recreation	6,819	6,819					
Planning & Community	2,665,008	2,665,008	2,670,841	4,092,453	4,092,453	3,897,301	3,897,301
Community Center	621,000	563,242	385,500	380,500	292,500	207,500	771,500
Confingencies	1,182,504	1,202,792	800,565	678,586	670,750	670,980	687,421
Employee Benefits	1,461,518	1,501,519	2,370,950	2,424,951	2,473,128	2,521,487	2,570,038
Retirement							0
<b>Total Expenditures</b>	<b>\$15,731,601</b>	<b>\$15,536,838</b>	<b>\$16,466,082</b>	<b>\$16,857,839</b>	<b>\$18,855,352</b>	<b>\$19,329,300</b>	<b>\$19,716,934</b>
Original	\$740,455	\$1,166,787	\$87,755	\$35,236	\$17,684	\$7,411	\$39,967
Annual Operating Surplus/(Deficit)*	\$740,455	\$1,166,787	\$87,755	\$35,236	\$17,684	\$7,411	\$39,967

\* Annual operating surplus/(deficit) reflects the total revenues minus total expenditures in a year, but does not take into account the prior year's fiscal condition.

FY2012 9/22/2011	FY2012 Estimated	FY2013	FY2014	FY2015	FY2016	FY2017
Opening Surplus/(Deficit)**	(\$2,030,192)	(\$1,063,049)	\$73,738	\$161,493	\$166,729	\$214,413
Proposed Deferral of State Claim**	[-1,073,131]	[-3,200,000]				
Operating Surplus/(Deficit)**	\$740,455	\$1,166,787	\$87,755	\$35,236	\$17,684	\$7,411
Ending Fund Balance	(\$1,289,737)	\$73,738	\$161,493	\$166,729	\$214,413	\$221,824
Actual FY11 General Fund closing deficit is (\$557,093), which included \$608,034 of tax revenue collected after 7/1/2011 (60 day rule). FY12 opening deficit deducts the 60 day rule revenue.						
** Proposed deferral of state claim reflects suggested repayment to the State as part of the Plan of Debt Adjustment of costs incurred for the Receivables by the State Department of Revenue over a period no longer than no later than FY2021.						
*** Annual operating surplus/(deficit) reflects the total revenues minus total expenditures in a year, but does not take into account the prior year's fiscal condition.						

July Summary Change in Estimated Revenues and Expenditure

Item	FY 2013- FY 2012	FY 2014- FY 2013	FY 2015- FY 2014	FY 2016- FY 2015	FY 2017- FY 2016
Tax Revenue	\$ 214,084	\$376,402	\$505,270	\$25,490	\$48,500
Non-Tax Revenue	(898)	60,201	20,319	(20,660)	(18,100)
State Revenue	(14,453)	(138,728)	1,444,213	(43,204)	(108,568)
Department Revenue					
Other Revenue	(328,520)	1,382	1,160	1,138	1,285
<b>Total Revenue</b>	<b>(\$129,787)</b>	<b>\$319,237</b>	<b>\$1,979,951</b>	<b>\$462,765</b>	<b>\$421,100</b>
Executive Management	100,470	125,729	10,844	9,453	10,020
Council	7,350	7,350			
City Clerk/Registrar	15,116	18,919	(7,320)	32,468	2,758
HR/Benefits	27,876	40,989	3,379	2,648	3,132
Legal	(7,071)	2,818	2,860	2,487	2,849
Tax Assessor	69,143	(80,355)	18,393	78,543	(88,800)
Finance	95,388	(70,641)	18,393	18,779	16,779
City Property	24,619	(16,342)	155,046	96,094	(204,050)
City Board					
Police	212,860	194,628	113,619	118,241	108,959
Fire	2,853	162,411	124,333	129,276	129,276
Probate Court	(545)				
Municipal Court	124	3,162	3,663	2,771	2,992
Animal Control					
Inspection Officers	(2,867)				
Code Enforcement	21,232	8,668	8,333	5,962	5,643
Highway	55,039	44,959	45,053	41,763	(99,558)
Public Works	31,863	16,712	9,873	9,787	10,012
Library	(3,163)	56,154	3,692	4,136	3,232
Recreation	(1,523)	2,100	1,825	1,770	1,875
Planning & Community	(8,819)	6,236	6,266	5,420	5,725
Community Center	(54,355)	(30,713)	1,511,612	(75,769)	(108,383)
Municipal Debt	(177,743)	(35,000)	(59,000)	(25,000)	510,000
Confingencies	(402,207)	(121,989)	(7,837)	8,341	8,341
Employee Benefits	915,431	48,001	48,177	48,359	48,551
Retirement					
<b>Total Expenditures</b>	<b>\$949,244</b>	<b>\$371,757</b>	<b>\$1,997,513</b>	<b>\$473,038</b>	<b>\$398,544</b>

	FY 2013- FY 2012	FY 2014- FY 2013	FY 2015- FY 2014	FY 2016- FY 2015	FY 2017- FY 2016
<b>Total Revenue Growth*</b>					
Annual dollar growth	-\$129,787	\$319,237	\$1,979,951	\$462,765	\$421,100
Annual percentage growth	-0.78%	1.93%	11.72%	2.45%	2.18%
Average annual growth FY2012- FY2017					3.50%
<b>Total Expenditure Growth*</b>					
Annual dollar growth	649,244	371,757	1,997,513	473,038	388,544
Annual percentage growth	8.11%	2.25%	11.85%	2.51%	2.01%
Average annual growth FY2012- FY2017					4.85%
<b>Expenditure Growth Excluding Debt, Contingencies, Employee Benefits, Retirement</b>					
Annual dollar growth	678,117	511,467	503,660	518,117	(99,964)
Annual percentage growth	7.03%	4.96%	4.65%	4.57%	-0.59%
Average annual growth FY2012- FY2017					4.12%

\* See assumptions for revenue and expenditure growth in the footnotes to detailed line item budget and the narrative contained in Executive Summary.

## 2102

Chapter 9 Final Filing July 10 Revision Central Falls Six-Year Financial Projection Final - 7-10-2012

## Chapter 9: Final Filing July 10 Revision: Carnival Falls Six-Year Financial Projection Final - 7-10-2012

Chapter 9: Final Filing July 10 Revision: Carnival Falls Six-Year Financial Projection Final - 7-10-2012

	FY 2012 8/22/2012	FY 2012 Estimated	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Source/Note
53216 Non-Capital Expenses	300	2,013	1,647	1,677	1,103	1,128	1,150	Based on historic
54014 Collection Agency Fees	5,000	2,163	2,104	2,812	2,252	2,104	2,135	Based on historic
54016 Accounting/Auditing	30,000	28,000	28,000	28,812	28,503	30,182	30,837	FY12 based on contract through FY13
54023 Other Professional Services	68,500	75,400	60,000	30,870	33,146	32,338	33,146	FY12 based on contract through FY13
54221 Education & Training	1,000	265	500	500	500	500	500	Reduction of ADP expenses from in-house payroll upon Unified system implementation
59999 Capital Expenditures	7,300	492,778	64,800	471,529	485,019	505,689	502,489	Unified system
<b>TOTAL</b>	<b>\$ 511,039</b>	<b>\$ 545,168</b>	<b>\$ 471,529</b>	<b>\$ 485,019</b>	<b>\$ 505,689</b>	<b>\$ 522,489</b>	<b>\$ 522,489</b>	
<b>CITY PROPERTY: 1-1000-100-4210-</b>								
<b>51101 Sheriff</b>	<b>\$ 21,970</b>	<b>\$ 19,773</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
51120 Overtime	-	-	-	-	-	-	-	
53025 Clothing	-	-	-	-	-	-	-	
53140 Liability Pk	1,761	1,560	-	-	-	-	-	
53142 Security	1,372	1,372	-	-	-	-	-	
53260 Medical Security	1,815	1,800	-	-	-	-	-	
53262 Municipal State Pension	1,815	1,800	-	-	-	-	-	
53266 Medical Insurance	8,631	7,641	-	-	-	-	-	
53267 Dental Insurance	667	700	-	-	-	-	-	
<b>CITY PROPERTY: 1-1000-100-4210-</b>								
<b>53000 Office Supplies</b>	<b>5,000</b>	<b>6,000</b>	<b>6,150</b>	<b>6,333</b>	<b>6,480</b>	<b>6,639</b>	<b>6,795</b>	
53003 Office Supplies	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
53004 Janitorial Supplies	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
53041 Dues/Subscriptions	850	1,011	1,129	1,181	1,189	1,216	1,247	
53216 Non-Capital Expenses	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
54006 Advertising	12,500	13,518	15,701	16,156	17,377	17,777	18,241	
54013 Travel Costs	-	-	-	-	-	-	-	
54013 Travel Costs	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
54210 Contracts R & M	17,500	23,126	24,432	25,139	25,132	25,132	25,132	
54210 General Liability/Property Insurance	225,000	196,614	215,000	231,233	226,545	231,735	237,530	
54422 Workers Compensation Insurance	40,000	50,468	50,000	51,400	52,665	53,897	55,244	
59108 Misc City Property	500	581	568	613	628	642	659	
<b>Public Safety Complex</b>								
53008 Heating Fuel - Fire	15,000	15,000	15,376	15,821	16,201	16,573	16,988	Heating fuel reclass from Fire Dept
53008 Heating Fuel - Police	15,000	15,000	15,376	15,821	16,201	16,573	16,988	Heating fuel reclass from Police Dept
54041 Telephone Communications - Police	13,500	14,981	14,948	15,379	15,748	16,110	16,513	
54042 Telephone Communications - Fire	9,000	10,461	10,723	11,033	11,298	11,558	11,847	
54072 Electric - Fire	20,000	19,463	19,463	19,463	19,463	19,463	19,463	
54000 Public Safety Complex R & M - Common Area Costs	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
54000 Water - Public Safety Complex	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
54000 Custodial Services - Public Safety Complex	19,885	20,467	20,467	21,051	21,635	22,222	22,814	
59999 Capital Expenditures	-	-	33,339	-	139,719	110,773	-	Row A overhead costs on Public Safety Building
<b>DPW Building Costs</b>								
53008 Heating Fuel	7,150	7,150	7,329	7,541	7,722	7,900	8,087	Heating fuel reclass from DPW
54073 Electric - Highway (DPW Building)	3,500	3,500	3,500	3,500	3,500	3,500	3,500	
54073 Electric - Highway (DPW Building)	11,250	7,901	8,130	8,365	8,616	8,874	9,139	Includes street lighting
54000 DPW Building R & M - Common Area Costs	500	500	500	500	500	500	500	
54000 Water - DPW Building	1,800	1,800	1,800	1,800	1,800	1,800	1,800	
54000 Custodial Services - DPW Building	3,100	3,100	3,100	3,100	3,100	3,100	3,100	
59999 Capital Expenditures	-	-	5,029	-	5,058	5,055	5,055	
<b>Other City Building Costs (Including City Hall)</b>								
53008 Heating Fuel - Other City Buildings	10,000	8,533	8,736	8,889	9,005	9,117	9,232	
54003 Telephone Communications - Other City Building	35,000	24,637	25,351	26,065	26,779	27,493	28,207	
54011 R & M Other City Buildings	5,000	2,961	2,961	2,961	2,961	2,961	2,961	
54015 Water - Other City Buildings	12,000	15,348	15,348	15,348	15,348	15,348	15,348	
54023 Custodial Services - Other City Building	15,000	4,800	4,920	5,043	5,164	5,285	5,406	
59999 Capital Expenditures	-	-	-	-	-	-	-	
<b>TOTAL</b>	<b>\$ 645,551</b>	<b>\$ 629,289</b>	<b>\$ 633,929</b>	<b>\$ 638,608</b>	<b>\$ 703,611</b>	<b>\$ 689,703</b>	<b>\$ 685,655</b>	
<b>CITY BOARDS: 1-1000-100-4230-</b>								
51510 Pension Board	675	675	675	675	675	675	675	Eliminate FY12
51511 Personnel Board	-	-	-	-	-	-	-	Eliminate FY12
51512 Library Board	675	675	675	675	675	675	675	Eliminate FY12
51513 Purchasing Board	900	900	900	900	900	900	900	Eliminate FY12
51514 Appeals Board	900	900	900	900	900	900	900	Eliminate FY12
51516 Planning Board	1,125	1,125	1,125	1,125	1,125	1,125	1,125	Eliminate FY12
51517 Zoning Board	1,750	1,750	1,750	1,750	1,750	1,750	1,750	Eliminate FY12
51518 Housing Authority Board	2,750	2,750	2,750	2,750	2,750	2,750	2,750	Eliminate FY12
51518 Canvasers Board	2,100	2,100	2,100	2,100	2,100	2,100	2,100	Eliminate FY12
51518 Wyatt Board	2,750	2,750	2,750	2,750	2,750	2,750	2,750	Eliminate FY12
<b>TOTAL</b>	<b>\$ 12,725</b>	<b>\$ 9,975</b>	<b>\$ 9,975</b>	<b>\$ 9,975</b>	<b>\$ 9,975</b>	<b>\$ 9,975</b>	<b>\$ 9,975</b>	
<b>POLICE: 1-1000-200-4530-</b>								
51101 Police Salaries	\$ 1,538,669	\$ 1,538,669	\$ 1,538,669	\$ 1,538,669	\$ 1,538,669	\$ 1,538,669	\$ 1,538,669	Row A, contract FY13-16, COPS pay
51005 Police Training Wages	19,485	19,485	19,485	19,485	19,485	19,485	19,485	3 candidates FY 13, 1 candidate subsequent year
51120 Police Overtime	175,000	175,000	175,000	175,000	175,000	175,000	175,000	Defined as over 40 hours detail not include
59127 Social Investigations Overtime	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
51130 Police Holding Fin	91,328	93,307	97,449	100,245	103,041	105,837	108,633	
51133 Detective Shift Differential	56,334	56,000	56,000	56,000	56,000	56,000	56,000	
52025 Police Clothing/Tool Allowance	33,476	33,000	33,000	33,000	33,000	33,000	33,000	
52045 Police Social Security	1,563	1,500	1,500	1,500	1,500	1,500	1,500	FY12 Social Security for J. Moran, delete as occur
52050 Police Medical	23,024	31,125	33,483	35,443	37,403	39,363	41,323	
52060 Police Medical Insurance	240,334	219,640	235,302	255,457	275,611	295,766	315,921	
52067 Police Dental Insurance	22,750	21,000	21,668	22,337	23,006	23,675	24,344	
52069 Medical (Work Related Injuries)	40,326	37,050	44,403	48,965	53,527	58,089	62,651	
<b>Annual Costs</b>								



## Chapter 06Final Filing\July 10 Revision\Control Falls Six-Year Financial Projection Final - 7-10-2012

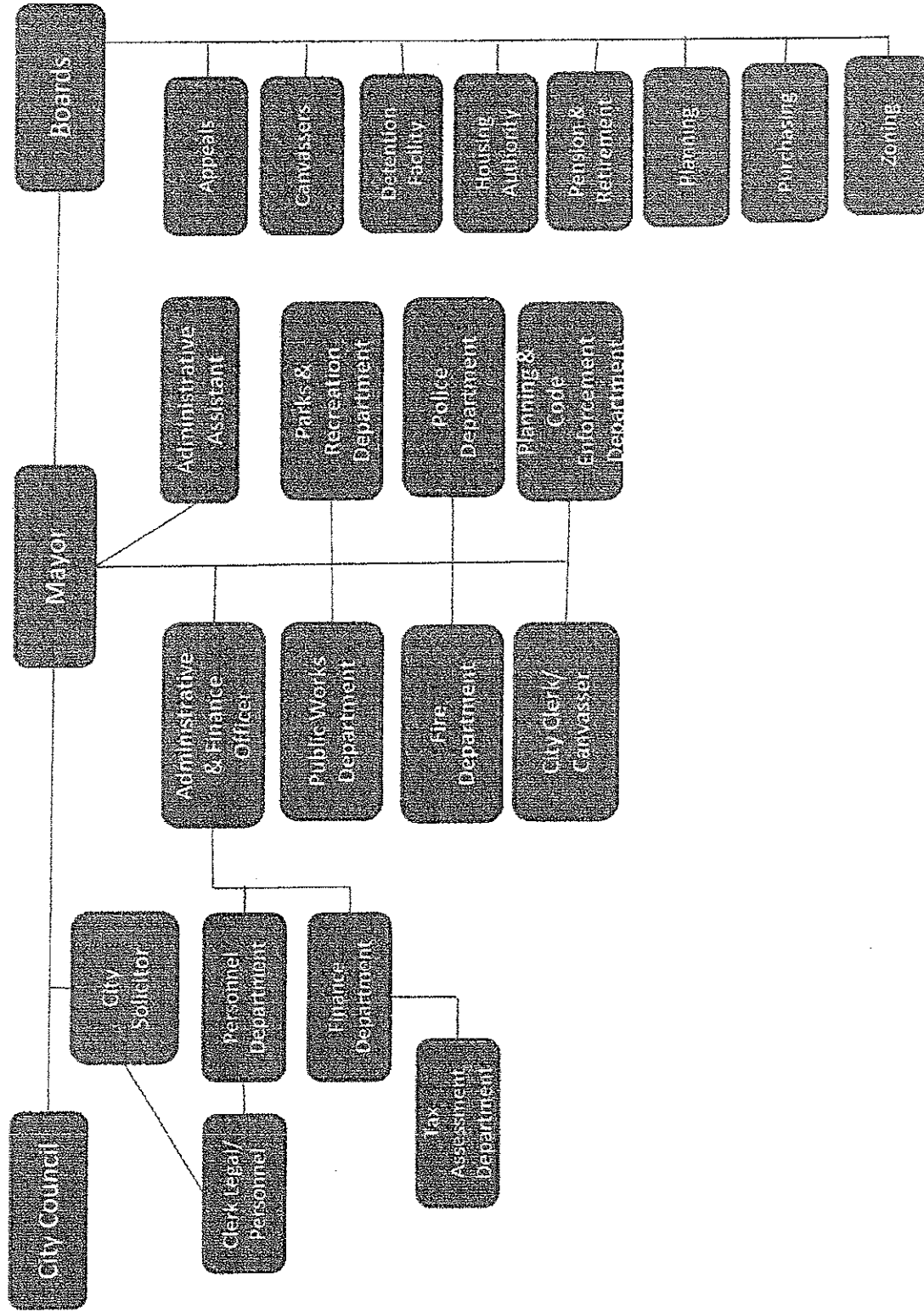
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	FY 2012 6/22/2012	FY 2012 Estimated	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Source/Note
<b>TOTAL</b>	<b>\$ 92,698</b>	<b>\$ 93,161</b>	<b>\$ 93,885</b>	<b>\$ 97,427</b>	<b>\$ 100,710</b>	<b>\$ 103,481</b>	<b>\$ 108,483</b>	
<b>INSIDE CITY OFFICERS: 1-1000-200-4850-</b>								
51501 Plumbing Inspector	4,654	4,645	4,323	4,323	4,323	4,323	4,323	1099
51502 License Officer	-	-	-	-	-	-	-	-
51503 Electrical Inspector	4,654	4,645	4,323	4,323	4,323	4,323	4,323	1099
<b>TOTAL</b>	<b>9,307</b>	<b>9,290</b>	<b>8,646</b>	<b>8,646</b>	<b>8,646</b>	<b>8,646</b>	<b>8,646</b>	
<b>CODE ENFORCEMENT: 1-1000-200-4590-</b>								
51100 Salaries	127,308	114,740	130,370	134,151	137,371	140,330	143,762	
51101 Overtime	-	-	-	-	-	-	-	
51140 Occupancy Fee	2,334	2,600	3,000	3,000	3,000	3,000	3,000	
52025 Clothing	1,184	1,184	1,100	1,213	1,242	1,271	1,300	
52045 Social Security	7,894	6,673	6,337	6,579	6,780	6,976	7,180	
52050 Medicare	1,846	1,590	1,490	1,608	1,653	1,700	1,747	
52060 Municipal State Pension	2,854	2,423	2,288	2,406	2,451	2,500	2,547	
52065 Dental Insurance	2,000	1,748	1,653	1,738	1,783	1,830	1,877	
53003 Other Supplies	400	200	200	211	216	221	227	
54003 Other Professional Services	2,300	1,300	1,333	1,371	1,404	1,436	1,472	
54221 Education & Training	5,000	2,435	2,500	2,500	2,500	2,500	2,500	
54222 Property Protection	5,000	2,435	2,500	2,500	2,500	2,500	2,500	
<b>TOTAL</b>	<b>152,418</b>	<b>133,621</b>	<b>133,688</b>	<b>139,174</b>	<b>140,972</b>	<b>143,741</b>	<b>146,855</b>	
<b>HIGHWAY: 1-1000-400-8750-</b>								
51101 Salaries	634,100	628,380	604,948	622,481	637,431	652,082	667,000	Elimination of CPW clerk position after consolidation of CPW with Code Enforcement and Planning Department
51102 Overtime	45,000	15,165	49,125	47,453	48,502	49,720	50,893	
51150 Mechanical Operator	-	36,000	-	-	-	-	-	
51160 Signaling	39,049	36,000	28,500	28,500	30,000	30,000	30,000	
52025 Clothing/Tool Allowance	4,145	4,145	3,850	3,850	3,850	3,850	3,850	
52045 Social Security	36,039	30,789	28,341	28,341	28,341	28,341	28,341	
52050 Medicare	6,438	5,438	5,016	5,016	5,016	5,016	5,016	
52060 Municipal State Pension	82,901	68,491	64,312	64,312	64,312	64,312	64,312	
52065 Dental Insurance	10,000	8,800	8,375	8,375	8,375	8,375	8,375	
53003 Other Supplies	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
53009 Vehicle Fuel	50,000	55,944	58,605	58,605	60,011	61,382	62,828	
53216 Non-Capital Equipment	4,000	6,410	6,500	6,500	6,500	6,500	6,500	
53217 Winter Road Supplies	16,000	16,000	16,000	16,000	16,000	16,000	16,000	
54012 Vehicle R & M	80,000	75,536	78,499	78,499	80,123	81,784	83,489	
54033 Other Professional Services/Snow Removal	-	-	-	-	-	-	-	
54038 Road R & M	45,000	45,000	48,125	47,453	48,502	49,720	50,893	
54221 Education & Training	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
54222 Traffic Signal R & M	5,500	3,000	3,075	3,164	3,240	3,315	3,398	
54223 Misc. Highway	2,000	675	682	712	720	748	764	
<b>TOTAL</b>	<b>1,138,420</b>	<b>1,105,895</b>	<b>1,071,024</b>	<b>1,055,892</b>	<b>1,071,024</b>	<b>1,086,829</b>	<b>1,102,871</b>	
<b>PUBLIC WORKS: 1-1000-400-8950-</b>								
54467 Hydrants	79,000	71,620	76,875	76,104	81,003	82,666	84,772	
54468 Streetlights	14,000	19,097	14,300	14,768	15,121	15,466	15,822	
54469 Street Sweeping	149,000	149,000	149,000	149,000	149,000	149,000	149,000	
54472 Trash Removal/Recycling	180,000	162,800	184,000	188,756	172,806	176,781	180,847	Consolidation of City Property and DPW line item
<b>TOTAL</b>	<b>392,000</b>	<b>374,517</b>	<b>403,850</b>	<b>404,629</b>	<b>407,930</b>	<b>413,935</b>	<b>424,425</b>	
<b>LIBRARY: 1-1000-500-6100-</b>								
51101 Salaries	10,707	20,746	-	-	-	-	-	
51140 Occupancy	-	4,112	-	-	-	-	-	
52045 Social Security	664	3,033	-	-	-	-	-	
52050 Medicare	155	709	-	-	-	-	-	
52052 Municipal State Pension	1,017	666	-	-	-	-	-	
52054 Compensated Absence	1,501	1,501	-	-	-	-	-	
52060 Medical Insurance	9,662	6,670	-	-	-	-	-	
53003 Office Supplies	349	349	-	-	-	-	-	
53003 Other Supplies	21,017	93	-	-	-	-	-	
53008 Heating Fuel	-	-	-	-	-	-	-	
53241 Dues/Subscriptions	-	-	-	-	-	-	-	
53216 Non-Capital Equipment	-	-	-	-	-	-	-	
53220 Books	-	-	-	-	-	-	-	
54003 Other Professional Services	-	-	-	-	-	-	-	
54033 Other Professional Services - OS	-	-	-	-	-	-	-	
54221 Education & Training	24,024	14,250	105,846	105,846	108,825	111,846	113,866	
<b>TOTAL</b>	<b>66,387</b>	<b>61,032</b>	<b>121,166</b>	<b>121,166</b>	<b>125,158</b>	<b>127,294</b>	<b>132,526</b>	
<b>RECREATION: 1-1000-600-8150-</b>								
51101 Salaries	37,700	38,666	34,912	35,924	36,786	37,632	38,498	
52045 Social Security	2,457	3,033	2,227	2,227	2,227	2,227	2,227	
52050 Medicare	547	547	547	547	547	547	547	
52052 Municipal State Pension	2,377	2,116	3,440	3,825	4,290	4,829	4,989	
52060 Medical Insurance	-	-	-	-	-	-	-	
52067 Dental Insurance	-	-	-	-	-	-	-	
53003 Other Supplies	5,000	5,000	5,125	5,274	5,400	5,524	5,653	
54011 General R & M	6,500	6,500	6,663	6,846	7,020	7,182	7,361	
54033 Other Professional Services	5,750	5,750	5,884	6,045	6,210	6,383	6,572	
54033 Public Events & Activities	1,000	1,000	1,025	1,059	1,080	1,105	1,133	
5404 Team Safety	2,775	2,775	2,844	2,927	3,016	3,105	3,194	
<b>TOTAL</b>	<b>63,968</b>	<b>69,095</b>	<b>82,573</b>	<b>84,673</b>	<b>86,598</b>	<b>88,368</b>	<b>90,243</b>	
<b>PLANNING: 1-1000-100-6250-</b>								

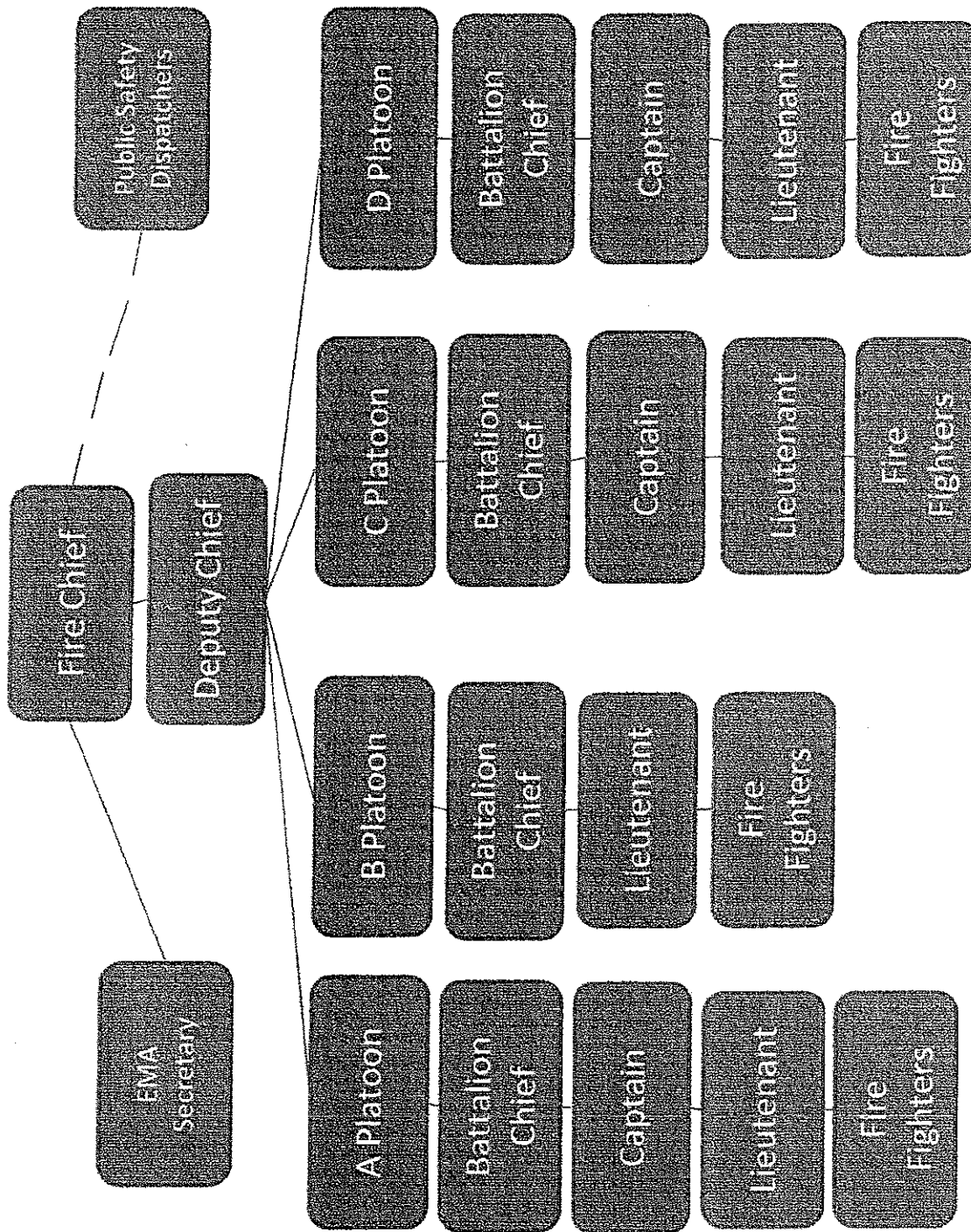
		FY 2012	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Source/Note
		9/2/2012	Estimated							
5101	Salaries	105,338	\$	107,633	\$	111,083	\$	115,344	\$	116,020
5204	Special Security	6,412	\$	6,412	\$	6,412	\$	6,412	\$	6,412
5250	Medicare	1,840	\$	1,840	\$	1,840	\$	1,840	\$	1,840
5252	Municipal State Pension	8,022	\$	13,784	\$	13,784	\$	13,784	\$	20,007
5206	Medical Insurance	14,599	\$	16,374	\$	17,587	\$	20,009	\$	21,387
5207	Dental Insurance	1,319	\$	1,385	\$	1,485	\$	1,602	\$	1,604
TOTAL		137,589	\$	145,992	\$	147,742	\$	165,688	\$	171,322
<b>CHILWICH ONE: 1-100-100-8270-</b>										
5101	Salaries	8,819	\$	8,819	\$	-	\$	-	\$	-
5203	Program (Other) Supplier	-	\$	-	\$	-	\$	-	\$	-
5402	RH Community Center (Operating Expense)	6,819	\$	6,819	\$	-	\$	-	\$	-
TOTAL		15,638	\$	15,638	\$	-	\$	-	\$	-
<b>MUNIC IPAL DEBT: 1-100-800-3000-</b>										
5700	Bond Principal	1,025,000	\$	1,025,000	\$	1,025,000	\$	1,025,000	\$	1,025,000
5701	Bond Interest	1,086,775	\$	1,086,775	\$	1,086,775	\$	1,086,775	\$	1,086,775
5702	School Bond - New Insurance for FY15-FY17	44,865	\$	44,865	\$	22,877	\$	22,877	\$	22,877
5708	Lease Purchase	9,278	\$	9,278	\$	9,278	\$	9,278	\$	9,278
5709	Other Debt Fees	2,665,008	\$	2,665,008	\$	2,661,653	\$	2,661,653	\$	2,661,653
TOTAL		5,230,826	\$	5,230,826	\$	5,205,513	\$	5,205,513	\$	5,205,513
<b>CONT NGCIES: 1-100-100-9320-</b>										
5001	Capital Contingencies	125,000	\$	77,242	\$	75,000	\$	75,000	\$	75,000
5002	Capital Contingencies	50,000	\$	40,000	\$	37,500	\$	37,500	\$	37,500
5003	Reimbursement to State for Oversight Costs	448,000	\$	448,000	\$	448,000	\$	448,000	\$	448,000
5004	Reimbursement to State for Oversight Costs	448,000	\$	448,000	\$	448,000	\$	448,000	\$	448,000
5005	Reimbursement to State for Oversight Costs	448,000	\$	448,000	\$	448,000	\$	448,000	\$	448,000
5006	Post-confirmation Attorney Fees	38,000	\$	38,000	\$	38,000	\$	38,000	\$	38,000
5007	Creditor Pay	150,000	\$	150,000	\$	150,000	\$	150,000	\$	150,000
5008	Contribution to School District	150,000	\$	150,000	\$	150,000	\$	150,000	\$	150,000
5009	Contribution to State of RI - Reimbursement Cost	150,000	\$	150,000	\$	150,000	\$	150,000	\$	150,000
TOTAL		1,500,000	\$	1,500,000	\$	1,500,000	\$	1,500,000	\$	1,500,000
<b>EMPLOYE BENEFITS: 1-100-100-4400-</b>										
5204	Social Security	-	\$	-	\$	-	\$	-	\$	-
5205	Medicare	-	\$	-	\$	-	\$	-	\$	-
5206	Municipal State Pension	52,500	\$	52,500	\$	52,500	\$	52,500	\$	52,500
5207	Unfunded Pension	52,500	\$	52,500	\$	52,500	\$	52,500	\$	52,500
5208	Unfunded Pension	52,500	\$	52,500	\$	52,500	\$	52,500	\$	52,500
5209	Group Life	17,750	\$	17,750	\$	17,750	\$	17,750	\$	17,750
5210	Medical Insurance (Retiree)	807,000	\$	807,000	\$	807,000	\$	807,000	\$	807,000
5211	Dental Insurance (Retiree)	150,000	\$	150,000	\$	150,000	\$	150,000	\$	150,000

# ORGANIZATIONAL CHART

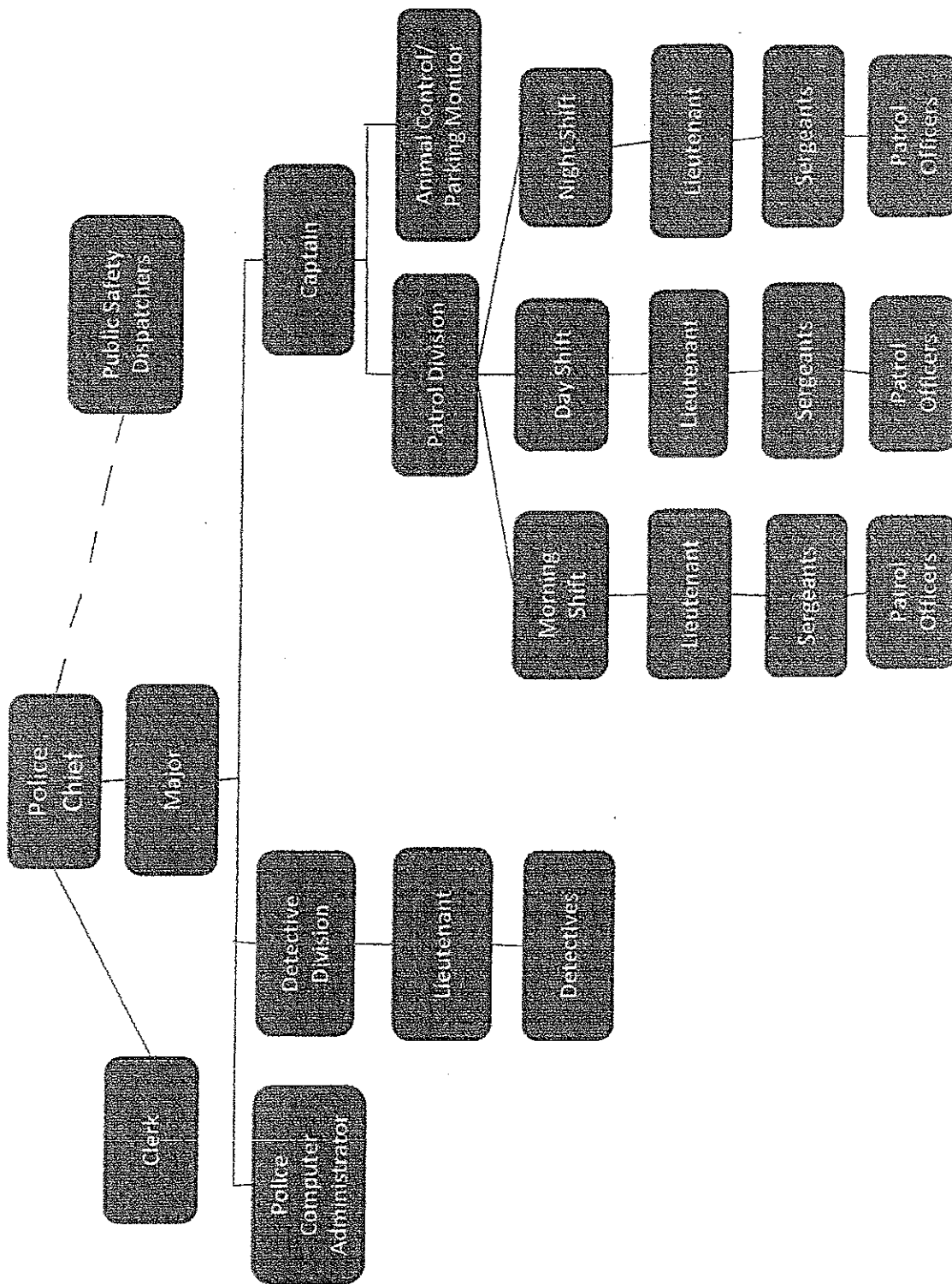
City of Central Falls/Proposed FY 13



Central Falls Fire Department/Proposed FY 13



Central Falls Police Department/ Proposed FY 13



## **RESTRUCTURED BENEFITS**



# Active Employees

## John Hancock Pension Plan – Police, Fire & some Non-Public Safety Employees Hired on or after 7/1/72

	<b><u>Benefit Prior to 8/1/11</u></b>	<b><u>Restructured Benefit</u></b>
<b><i>Employee Contribution:</i></b>	7% until 30 years of service	9.5% for current employees; 10.5% for new members
<b><i># Active Employees:</i></b>	77 as of June 21, 2011	70 as of December 1, 2011
<b><i>Eligibility:</i></b>	<ul style="list-style-type: none"> <li>• Retirements prior to 7/1/92 – eligible at 25 years of service</li> <li>• Retirements on or after 7/1/92 – eligible at 20 years of service</li> </ul>	<ul style="list-style-type: none"> <li>• Normal retirement: - eligible at age 57 with 25 years of service</li> <li>• Early retirement – eligible with 25 years of service</li> <li>• Any benefit payments made prior to age 57 are impacted by early retirement actuarial reduction (see table); applies to all active employees.</li> <li>• Employees may elect to retire prior to age 57, and defer benefit payments until age 57 without an early retirement actuarial reduction.</li> </ul>
<b><i>Vesting Period:</i></b>	5 year vesting period <ul style="list-style-type: none"> <li>• 50% of annual salary at 20 years               <ul style="list-style-type: none"> <li>○ After 20 years an additional 2% benefit for each year up to 5 years</li> <li>○ After 25 years an additional 1% benefit for each year up to 5 years</li> <li>○ Maximum benefit of 65% of annual salary after 30 years</li> </ul> </li> <li>• Final year annual salary includes base wages, adjustments, longevity, holiday pay (limited to 13 or 14; contract specific)</li> </ul> <p>For Public Safety, COLA based on current active position amount in contract (compounded). No COLA for non-Public Safety</p>	5 year vesting period <p>For all active employees</p> <ul style="list-style-type: none"> <li>• 50% of employee's average salary at 25 years               <ul style="list-style-type: none"> <li>○ After 25 years an additional 1% for each year up to 5 years</li> <li>○ Maximum benefit of 55% of annual salary after 30 years</li> </ul> </li> <li>• "Average salary" means the highest five (5) consecutive years "annual salary" of the last ten years of employment</li> <li>• "Annual salary" includes base wages, adjustments, longevity, and holidays paid by contract</li> <li>• Up to 2% simple COLA (not compounded) each year</li> </ul>
<b><i>Pension Benefit:</i></b>		

<p><i>Disability Pension:</i></p>	<ul style="list-style-type: none"> <li>• Paid 66 2/3% of the salary being received by active members holding the same rank</li> <li>• Benefit continues until the member reaches the normal retirement date (contract/ordinance specific), at which time the member is transferred to the retirement list and receives normal retirement benefits</li> <li>• At age 62 or 65 (contract/ordinance specific) pension is reduced to no less than 50%</li> <li>• COLA based on current active position amount in contract (compounded)</li> </ul>
	<p>Service Connected Disability (Accidental Disability)</p> <ul style="list-style-type: none"> <li>• Eligibility: Active member incurring illness or sustaining injury as a result of performance of job duties</li> <li>• Benefit: <ul style="list-style-type: none"> <li>◦ Permanent Total – 66.67% of annual salary of rank held at time of disability for life</li> <li>◦ Permanent Partial – 50% of annual salary of rank held at time of disability until Social Security retirement age</li> <li>• No reduction based on early retirement actuarial reduction</li> <li>• No change at normal retirement age for permanent total disability</li> <li>• Partially and permanently disabled may be placed on regular pension at Social Security retirement age. Member can elect higher of normal retirement benefit or 25% of salary</li> <li>• Up to 2% simple COLA applied prospectively (not compounded) each year</li> </ul> </li> </ul> <p>Non Service Connected Disability (Ordinary Disability)</p> <ul style="list-style-type: none"> <li>• Eligibility: Active member becoming disabled that is not incurred as a result of the performance of his or her duties for the City of Central Falls. The member is unable to perform the essential requirements of the job and has completed at least 5 years of service. If the member does not have 5 years of service, the member shall be treated as if they terminated employment.</li> <li>• Benefit <ul style="list-style-type: none"> <li>◦ Permanent Total – 50% of the employee's highest salary, including longevity and holiday pay of the rank held at time of disability</li> <li>◦ Permanent Partial – Accrued benefit as of date of disability based upon a 2% per</li> </ul> </li> </ul>

		<p>year of credited service of his or her highest salary at the time of disability</p> <ul style="list-style-type: none"> <li>Start Date: The disability benefit will be payable at age 57. However, if the member elects to commence payments prior to age 57, a reduced benefit applying the early retirement actuarial reduction for early commencement will be payable at the date elected by the member.</li> <li>No change at normal retirement age</li> <li>Up to 2% simple COLA applied prospectively (not compounded) each year.</li> </ul>
<b>Double Dipping Prohibition:</b>	N/A	<p>Cannot receive compensation from the City without sacrificing pension &amp; OPEB</p>
<b>Determination Of Disability</b>	<ul style="list-style-type: none"> <li>Unable to return to normal duties as police officer or firefighter</li> </ul>	<ul style="list-style-type: none"> <li>Total permanent disability from all gainful employment utilizing the same standards as Social Security disability</li> <li>Partial permanent disability can no longer perform duties as police officer or firefighter, but is able to pursue other gainful employment based upon age, education or impairment</li> </ul>
<b>Recertification Of Disability</b>	N/A	<ul style="list-style-type: none"> <li>Applicable to all partially disabled members, whether service connected or non-service connected</li> <li>Not applicable to members determined to be totally and permanently disabled</li> <li>Examination by City physician once a year within no more than four (4) years from placement on disability; no more than 2 examinations per year</li> <li>City shall cancel disability pension upon evidence member is no longer disabled from service</li> <li>If member does not reenter service with the City, he or she may elect to continue receiving a pension which benefit would be either 50% of the prior disability pension, or a normal retirement benefit with an accrual of 2% per year of service prior to disability, reduced by</li> </ul>

		<p>the early retirement actuarial reduction</p> <ul style="list-style-type: none"> <li>Member may elect in lieu of pension to receive a refund of any excess contributions over disability payments made</li> <li>Refusal to submit to an examination for one year may result in suspension of disability benefits</li> </ul>
<i>Outside Income Offset</i>	N/A	<ul style="list-style-type: none"> <li>Disability pension reduced dollar for dollar by any amount by which earned income plus the disability pension exceeds the salary, including paid holidays and longevity, to a permanent member with the same rank and seniority</li> <li>Not applicable to any member determined to be totally and permanently disabled.</li> </ul>

### Early Retirement Reductions

Employees commencing benefits before age 57 will be subject to a reduction in the benefit payable based on the following table. The table represents the fraction of the benefit to be paid at whole ages. If the benefit commences at a fractional age such as 55 and 3 months, then the appropriate factor will be determined that would be between the factors of 55 and 56.

### Early Retirement Actuarial Reduction Factor

ERF	
30.00	0.1072
31.00	0.1159
32.00	0.1252
33.00	0.1354
34.00	0.1464
35.00	0.1584
36.00	0.1713
37.00	0.1854
38.00	0.2007
39.00	0.2174
40.00	0.2354
41.00	0.2551
42.00	0.2766
43.00	0.2999

44.00	0.3254
45.00	0.3532
46.00	0.3836
47.00	0.4169
48.00	0.4533
49.00	0.4932
50.00	0.5370
51.00	0.5852
52.00	0.6382
53.00	0.6967
54.00	0.7613
55.00	0.8327
56.00	0.9120
57.00	1.0000
58.00	1.0000
59.00	1.0000
60.00	1.0000

# Retired Employees

## John Hancock Pension Plan – Police, Fire & some Non-Public Safety Employees Hired on or after 7/1/72

	<u><b>Benefit as of 8/1/11</b></u>	<u><b>Restructured Benefit</b></u>
<b>Employee Contribution:</b>	7% until 30 years of service	N/A (No active employees)
<b># Retirees:</b>	85 retirees & beneficiaries as of July 14, 2011 (and those that have given notice)	85 retirees and beneficiaries as of December 1, 2011 (and those that have given notice)
<b>Eligibility:</b>	<ul style="list-style-type: none"> <li>• Retirements prior to 7/1/92 – eligible at 25 years of service</li> <li>• Retirements on or after 7/1/92 – eligible at 20 years of service</li> </ul>	<ul style="list-style-type: none"> <li>• Normal retirement: - eligible at age 60 with 10 years of service</li> <li>• Early retirement – eligible at age 55 with 10 years of service or at any age with 25 years</li> <li>• Any benefit payments prior to age 60 are impacted by early retirement actuarial reduction (see table); applies retroactively to all retirees/beneficiaries receiving benefits.</li> </ul>
<b>Vesting Period:</b>	5 year vesting period	5 year vesting period
<b>Pension Benefit:</b>	<ul style="list-style-type: none"> <li>• 50% of annual salary at 20 years               <ul style="list-style-type: none"> <li>◦ After 20 years an additional 2% benefit for each year up to 5 years</li> <li>◦ After 25 years an additional 1% benefit for each year up to 5 years</li> <li>◦ Maximum benefit of 65% of annual salary after 30 years</li> </ul> </li> <li>• Final year annual salary includes base wages, adjustments, longevity, holiday pay (limited to 13 or 14; contract specific)</li> <li>• For Public Safety, COLA based on current active position amount in contract (compounded). No COLA for non-Public Safety</li> </ul>	<p>Applied retroactively for all retirees</p> <ul style="list-style-type: none"> <li>• 40% of annual salary at 20 years               <ul style="list-style-type: none"> <li>◦ After 20 years an additional 2% for each year up to 5 years</li> <li>◦ After 25 years an additional 1% for each year up to 5 years</li> <li>◦ Maximum benefit of 55% of annual salary after 30 years</li> </ul> </li> </ul>
<b>Disability Pension:</b>	<ul style="list-style-type: none"> <li>• Paid 66 2/3% of the salary being received by active members holding the same rank</li> <li>• Benefit continues until the member</li> </ul>	<ul style="list-style-type: none"> <li>• Retroactive calculation applied to all retirees: paid 45% of salary being received at time of retirement (no refunds from retirees of previously paid benefits)</li> </ul>

	reaches the normal retirement date (contract/ordinance specific), at which time the member is transferred to the retirement list and receives normal retirement benefits <ul style="list-style-type: none"> <li>At age 62 or 65 (contract/ordinance specific) pension is reduced to no less than 50%</li> <li>COLA based on current active position amount in contract (compounded)</li> </ul>	<ul style="list-style-type: none"> <li>No change at normal retirement age</li> <li>Up to 2% simple COLA applied prospectively (not compounded) each year</li> <li>Service Connected Disability (Accidental Disability) <ul style="list-style-type: none"> <li>No reduction for the actuarial early retirement reduction</li> </ul> </li> <li>Non Service Connected Disability (Ordinary Disability) <ul style="list-style-type: none"> <li>Eligibility: Active member becoming disabled that is not incurred as a result of the performance of his or her duties for the City of Central Falls. The member is unable to perform the essential requirements of the job and has completed at least 10 years of service.</li> <li>The disability benefit will be payable at age 60. Those members who elected to receive disability benefits prior to age 60 have had their benefit reduced by the early retirement actuarial reduction</li> </ul> </li> </ul>
<b>Circuit Breaker:</b>	N/A	No pension currently being received shall be reduced by more than 55% based on restructured plan, nor shall the benefit be reduced if the current pension is less than \$10,000 per year.
<b>Double Dipping Prohibition:</b>	N/A	Cannot receive compensation from the City without sacrificing pension & OPEB
<b>Determination of Disability</b>	Unfit to return to normal duties as a police officer or firefighter	Unfit to return to normal duties as a police officer or firefighter
<b>Recertification of Disability</b>	N/A	City may review disability determination for fraud.
<b>Outside Income Offset</b>	N/A	N/A

1% Plan – Police, Fire & some Non-Public Safety Employees Hired before 7/1/72

	<u>Current Benefit</u>	<u>Restructured Benefit</u>
<b>Employee Contribution:</b>	1%	N/A (no active employees)
<b># Active Employees:</b>	0 All participants have retired	0 All participants have retired
<b># Retirees:</b>	56 as of July 14, 2011	48 as of December 1, 2011 (8 guaranteed pensions through John Hancock not subject to restructuring)
<b>Eligibility:</b>	20 years of service	Any retirements prior to age 60 impacted by early retirement actuarial reduction (see table); applies retroactively to all retirees/beneficiaries receiving benefits.
<b>Pension Benefit:</b>	<p>50% of annual salary at 20 years</p> <ul style="list-style-type: none"> <li>• After 25 years an additional 2% for each year</li> <li>• Maximum benefit of 65% of salary after 33 years</li> <li>• Annual salary includes base wages, longevity, holiday pay</li> </ul>	<p>40% of annual salary at 20 years</p> <ul style="list-style-type: none"> <li>• Additional 2% for years 20-25</li> <li>• Additional 1% for years 25-30</li> <li>• Maximum benefit of 55% of annual salary after 30 years</li> <li>• Up to 2% simple COLA (not compounded) each year</li> </ul>
<b>Disability Pension:</b>	<ul style="list-style-type: none"> <li>• Paid 66 2/3% of the salary being received by active members holding the same rank</li> <li>• Benefit continues until the member reaches the normal retirement date (contract/ordinance specific), at which time the member is transferred to the retirement list and receives normal retirement benefits</li> <li>• At age 62 or 65 (contract/ordinance specific) pension is reduced to no less than 50%</li> </ul>	<p>Retroactive calculation applied to all retirees, paid 45% of the salary being received at time of disability retirement (no refunds from retirees for previously paid benefits)</p> <ul style="list-style-type: none"> <li>• No change at retirement age</li> <li>• Up to 2% simple COLA applied prospectively (not compounded) each year</li> <li>• Service Connected Disability <ul style="list-style-type: none"> <li>◦ No reduction for the actuarial early retirement reduction</li> </ul> </li> <li>• Non Service Connected Disability (Ordinary Disability) <ul style="list-style-type: none"> <li>◦ Eligibility: Active member becoming disabled that is not incurred due to the performance of his or her duties for the City of Central Falls. The member is unable to perform the essential requirements of the job and has completed at least</li> </ul> </li> </ul>



		<p>10 years of service.</p> <ul style="list-style-type: none"> <li>○ The disability annuity benefit will be payable at age 60. Those members who elected to receive disability benefits prior to age 60 have had their benefit reduced by the early retirement actuarial factor.</li> </ul>
<i>Vesting:</i>	Five year vesting	Five year vesting
<i>Circuit Breaker:</i>	N/A	No pension currently being received shall be reduced by more than 55% based on reform, nor shall the benefit be reduced if the current pension is less than \$10,000 per year.
<i>Double Dipping Prohibition:</i>	N/A	Cannot receive compensation from the City without sacrificing pension & OPEB

## Early Retirement Reductions

Employees commencing benefits before age 60 will be subject to a reduction in the benefit payable based on the following table. The table represents the fraction of the benefit to be paid at whole ages. If the benefit commences at a fractional age such as 57 and 3 months, then the appropriate factor will be determined that would be between the factors of 57 and 58.

Age at Commencement	Reduction Multiplier
30	0.0806
31	0.0871
32	0.0942
33	0.1018
34	0.1101
35	0.1191
36	0.1289
37	0.1395
38	0.1510
39	0.1635
40	0.1771
41	0.1919
42	0.2080
43	0.2256
44	0.2447
45	0.2657
46	0.2885
47	0.3135
48	0.3409
49	0.3709
50	0.4039
51	0.4401
52	0.4800
53	0.5240
54	0.5726
55	0.6263
56	0.6859
57	0.7521
58	0.8258
59	0.9080
60	1.0000