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Standard & Poor's "positive outlook" for Providence

July 10, 2014 - Rhode Island

When I took office four years ago, I encountered an unanticipated \$110 million structural budget deficit. I likened it to a "Category 5" fiscal hurricane with the capacity of pushing this great and historic capital city into bankruptcy.

Through hard work, partnership and shared sacrifice, we were able to avoid bankruptcy and right this great city, all but eliminating that inherited massive deficit while providing innovative programs and basic services to our residents, businesses and visitors.

The fruits of our labor - which required the help of our unions and retirees, institutions and colleges and universities, management and taxpayers - are a stronger city and solid foundation for the future.

Late last month, the proof of our hard work was evidenced by a solid "positive outlook" by Standard & Poor's. Citing "recently strong budgetary performance and improving general fund balance" the ratings agency improved Providence's credit outlook from stable to positive...which is pretty remarkable given where we came from when I first took office in January 2011.

The rating agency pointed to Providence's "good financial management practices" and "very strong liquidity, providing very strong cash to cover debt service and expenditures" as reasons for improving its outlook on the city's "BBB" rating.

Providence is on the way back.

S&P's positive outlook on our city's general obligation debt is evidence we have made significant progress in our efforts to restore long-term fiscal stability. We have taken control of Providence's finances. The next administration must continue the fiscal discipline and responsibility my administration has brought to City Hall.

Factors tempering S&P's positive outlook in their financial report to investors include a still-challenging budgetary environment with little flexibility in the wake of Providence's Category 5 fiscal hurricane.

Providence's had a rating of "A outlook negative" from S&P when I took office in January 2011. The rating fell as low as "BBB outlook negative" in June 2012 as my administration worked to pull Providence through a fiscal emergency that threatened the capital city with bankruptcy.

"In 2011, an independent municipal panel, initiated by the mayor, concluded Providence faced a \$70 million structural deficit in fiscal 2011 and a \$110 million structural deficit in fiscal 2012," S&P wrote. "Immediately, the mayor's administration renegotiated employee contracts, closed five public schools, and cut discretionary spending across all city departments. The administration also raised property taxes and renegotiated payments-in-lieu-of-taxes agreements with city hospitals and higher education institutions."

Angel Taveras is the mayor of Providence.