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## City of Providence, Rhode Island Office of the Internal Auditor

May 1, 2013

Honorable David A. Salvatore,  
Chairman Ways & Means Committee  
City of Providence  
25 Dorrance Street  
Providence, RI 02903

Dear Chairman Salvatore:

Subject: Third Quarter FY2013 Budget Analysis & Projections

Based upon a careful review of revenues and expenditures through March 31, 2013, I am projecting that the city's FY2013 budget will end with an operating deficit of approximately \$10.8 million.

### Revenues

It is projected that general fund revenues will fall approximately \$530,000 short of budget. Revenue shortfalls in Fines & Forfeits (\$2.0 million), Interest on Overdue Taxes (\$425,000), Rescue Run Reimbursement (\$400,000), Prior Year Taxes (\$400,000), and PSWB Medical Reimbursement (\$375,000) were mitigated by Inspection & Standards revenue (\$872,000), Utility Company Reimbursement (\$850,000), Meals & Beverage Tax (\$600,000), FEMA Blizzard Reimbursement (\$400,000) and Recorder of Deeds revenue (\$234,000).

### Expenditures

It is projected that general fund expenditures will exceed the budget by approximately \$11.1 million. Public Safety Departments (\$3.1 million), Pension Contribution (\$2.9 million), Additional Pensions Savings (\$3.3 million) and Medical Benefits (\$3.5 million) were the major factors in expenditures exceeding budget. Expenditure surpluses in many city departments as well as in the Reserve for Tax Abatements line item (\$600,000) offset a portion of the overspending of the items listed below.

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In the city's third quarter budget report that was provided to the State's Department of Revenue, the Finance Director projected an operating deficit of \$3.2 million. A significant difference between my projected deficit and that of the Finance Director is that his projection already incorporated the additional \$5.0 million in state aid that the city administration has requested.

If you have any questions concerning these projections or if you would like additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", written in a cursive style.

Matthew M. Clarkin, Jr.  
Internal Auditor

Cc: City Council Members  
Michael Pearis, Finance Director