



LITTLE COMPTON TAXPAYERS ASSOCIATION

● ● NEWSLETTER ● ●

PO Box 455, Adamsville, RI 02801

EMail: Taxpayers@cox.net

Chairman: Bob Hayden
Vice Chairman: Roy Bonner
Secretary: George Crowell
Treasurer: Roger Lord
Research Analyst: Roger Lord

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The Little Compton Taxpayers Association (LCTA) was formed in 1990 in direct response to a series of annual double-digit tax increases that represented out-of-control spending on the part of Little Compton town government. The Association's members looked into various areas of town government and took an active role in informing the taxpayers of areas where spending increases appeared to be unjustified and excessive. Through newsletters such as this, discussions at various town meetings, and taking positions on various line items presented at the annual Financial Town Meeting, spending soon came under control and within reason. Consequently, by the end of 1994, the LCTA went into "hibernation" while continuing to monitor financial activities.

Renewed concern over town spending started again when Fiscal Year 2003 saw a tax rate increase greater than the State's mandated cap of 5.5% increase over the previous year. When this year's proposed 15.4% tax rate increase unfolded, the "old" LCTA Executive Board regrouped and orchestrated a drive at the Financial Town Meeting to reduce the increase to the State's 5.5% cap. The end result on June 20th was a 6.4% tax rate increase - **UNACCEPTABLE**, but far better than 15.4%. Following that accomplishment, the LCTA launched a new membership drive. As of this writing, the membership has grown to 383 voters who generously contributed \$6,835 making this and future newsletters possible. The newsletters are intended to be informative and provide straight talk about those expenditures or agreements that currently have, or will have, a deleterious effect on the tax rate. This will equip the voters with key and essential information needed to make intelligent choices when voting at the Financial Town Meeting.

From The Chairman (Bob Hayden, Chairman):

We have all received our Little Compton property tax bills for the new fiscal year and have noticed, once again, that our taxes have increased. If not for the efforts of the LCTA, and the impressive voter participation at the Financial Town Meeting (which had one of the largest turnouts in recent memory), our tax bills would be much higher. Next year, spending will be at an all time high unless we act now to intelligently cut spending. The LCTA has begun the process of analyzing where the problems lie and what measures can be taken to keep the budget appropriate to the size of our small town. We will report on these findings in the next LCTA Newsletter.

The State and Federal governments are slashing aid to the town while simultaneously increasing their mandates that inflate town expenses. This is an outrageous situation. The driving force behind our ever increasing spending, however, is the salaries and benefits of town and school employees. We are appreciative of the loyalty and hard work of most town and school employees, but we are trying to rectify the over-hiring of the exuberant 90's. Contract negotiations yield annual pay increases **double to triple the inflation rate**. Annual medical coverage is about \$11,000 for town employees, and almost \$13,000 for teachers, to which very little or nothing is contributed by the employee. Not many of Little Compton's taxpayers can boast of benefits as generous as these.

Including all payroll and benefit costs, the **total** Police-requested appropriation was in excess of \$900,000 for fiscal year 2004, including appropriations drawn from

forfeiture funds. The payroll taxes and benefit costs are cleverly separated from departmental budget requests, misleading taxpayers with the illusion that each department's requested budget is lower than it truthfully is. The LCTA will ask the Budget Committee to allocate these expenses to their respective departments next year so that the voters will know the full cost of each requested budget.

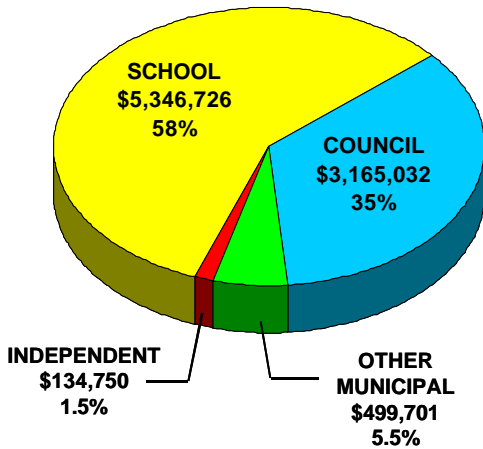
Unfounded "doomsday" predictions were made by some town officials this year after voters at the Financial Town Meeting mandated a reduction in spending increases. Budget constraints forced by the voters' mandate did result in some layoffs in the School and Police departments. However, tactics such as shutting off street lights and keeping the Police boat out of the water are political games designed to annoy and punish the citizens. An unwillingness to accept the will of the voters has caused some town officials to recommend running the Police Department without reduced spending. They would then call for a special Financial Town Meeting to take even more taxpayer money when the appropriated funds run out, with the threat that there will be no police coverage otherwise. This is an arrogant attempt to circumvent the Little Compton town charter that makes the electorate the highest authority in the town. Other officials, however, realize that the voters they serve are the supreme authority, and are working diligently to trim expenses.

The LCTA Newsletters are published to inform you, the taxpayer, of the findings of the LCTA's investigations into the town's financial matters. Our newsletters are made possible by the generous contributions and great support of many Little Compton taxpayers who have joined the LCTA

and agree that unreasonable tax rate increases are intolerable. Sincere thanks go out to you for your support and for the many calls and letters embracing our common cause.

Budget Analysis (Roger Lord, Treasurer): The graph shown at the right is frightening when one considers how closely the Town came to seeing a 15.4% tax rate hike with more to follow in the future. Fortunately, the voters at the Financial Town Meeting (FTM) in June supported various measures to slow the spending down. For what it's worth, the tax rate increased by 6.4% instead of the 15.4% as originally proposed. This is still a lot higher than what it ought to be given that the inflation was only 2.5%. There are several areas that must be examined if the voters at the FTM are to make intelligent choices that will slow everything down to a sensible and affordable growth rate in Town spending.

The first area to examine is where all the tax dollars go. The pie chart below shows exactly that. Not surprisingly,

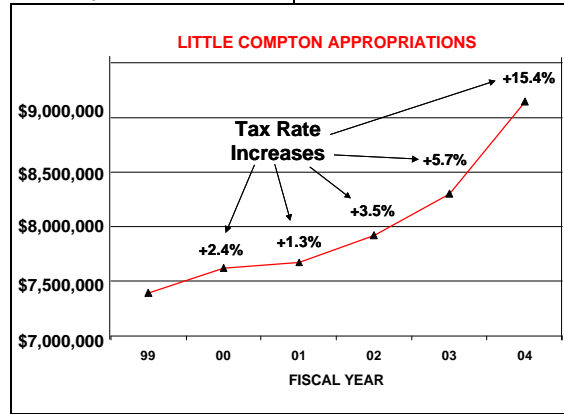


the School takes the lion's share of total spending at 58% followed by the Town Council at 35%, Other Municipal at 5.5%, and lastly, Independent spending at 1.5%. Note: Other Municipal includes Town Clerk, Budget Committee, Treasurer, Assessors, Canvassers, and Beach. Independent includes social programs, library, senior citizen bus, etc.

Clearly, the tax rate is most affected by even moderate increases in the School and Town Council budgets. Consequently, when there is a need to reduce the tax rate, those are the two organizations that must necessarily bear the heaviest budget cuts. Note: the Town Council is responsible for the budgets of the Police Dept., Fire Dept., Transfer Station, Health Benefits, Pensions, and more.

The requested budget increases at the last Financial Town Meeting were as follows:

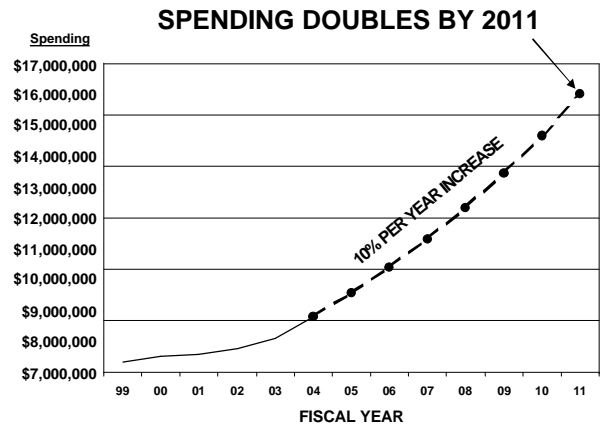
Organization	Increase
SCHOOL:	\$596,719
TOWN COUNCIL:	\$194,702
OTHER MUNICIPAL:	\$55,804
INDEPENDENT:	\$1,800
	<hr/>
	\$849,025



As can easily be seen in the figures above, the requested increases by the School and Town Council represent almost all of the tax hike the taxpayers were facing. The voters reduced the increase by over \$600,000. Prior to the Financial Town Meeting, the Little Compton Taxpayers Association developed its "Tax Alert" as an alternative budget. If the Tax Alert budget had been approved by the voters, the budget increase would have been

less than 5.5%, and the smaller line items (e.g., turning off the street lights) would have been left alone since they do not contribute significantly to the budget. The purpose of cutting those items is questionable as all it did was annoy the citizens. Unfortunately, the Tax Alert was defeated, but the voters were in no mood for a 15.4% tax hike and made cuts in various areas that reduced the hike to 6.4%. It is probably fair to say that everybody was surprised at the outcome. It can best be described as a "wake up call" that will influence the budget process for the foreseeable future.

But what if the 15.4% tax hike was adopted? The requested budget represented a 10% increase in the spending of your tax dollars as compared to last year. If this was allowed to continue, town spending would double by the year 2011 as shown in the graph below.

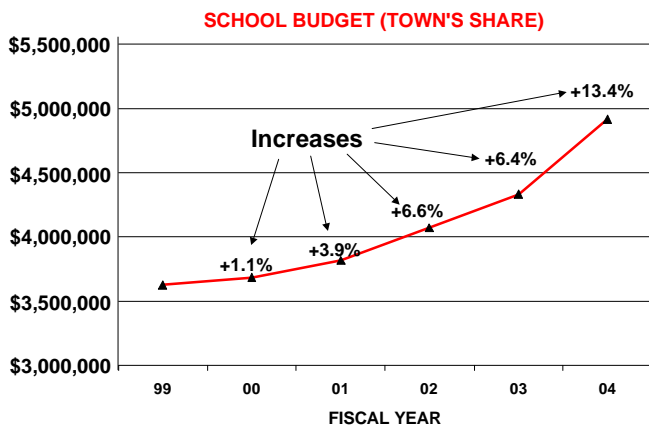


What we have experienced over the last 10 years is an average annual increase in spending of 5% while the average inflation rate over the same time period was 2.5%. **Spending has increased at twice the inflation rate!** There

is no justification for this. The taxpayers need a break and the solution is **FLAT SPENDING** over the next several years. "Flat spending" means **NO** budget increases. At the very worst, the taxes paid by homeowners stays the same. On the brighter side, taxes could actually be reduced by holding the line on spending while the tax base increases (as it probably will as new homes are built).

The flat spending approach is supported by the Little Compton Taxpayers Association membership as discussed at the annual meeting on August 5th. Should this policy be undertaken by the Town Council and School Committee, the employee unions will be faced with some rather difficult decisions. The primary decision point is to either ease off on the benefits, or lose employees year after year. It's a tough decision, but it's unavoidable given that the tax bills have reached the point of the taxpayers' inability to pay.

The School (*George Crowell, Secretary*): The School consumes 58% of the Town's budget. This year, the requested amount of funds was \$4,913,998 (Town's share). The graph below shows the level of the School's budget requests over the past five fiscal years. The trend is rather clear and rather stunning.



Because the School's budget is so large, and because there has been very little oversight on it, the LCTA now has several members regularly attending School Committee meetings. The goal is to understand and question every aspect of their budget and operation. We will put forth ways to curb spending. Currently the teachers pay a paltry \$200 per year as a contribution towards their health care costs. This is totally unacceptable in comparison to the private sector. They should contribute much more. The past few years have been tough financially for most working people. The economy dictated that most companies not give out raises. In fact if you kept your job you were happy.

We have a wonderful school with many very dedicated teachers. It is time to ask the teachers to step up to the plate and offer up some substantial give-backs in order to prevent further cuts and layoffs.

The School Committee was elected to establish policy and the Superintendent is to carry out that policy. They work for

the taxpayers. The School Committee has disregarded the concerns of the taxpayers when its members created and filled a new part-time administrative position before trying to operate the school without it. The LCTA is also looking into both the Federal and State *unfunded* mandates and is hoping that the School Committee will show some leadership in demanding relief from these costly and burdensome mandates. We have also opened a dialogue with the Superintendent and we are hopeful that all our efforts will continue to benefit both the school and the taxpayers.

Health Care (*Roy Bonner, Vice-Chairman*): I think it clear to everyone that health care is a rising cost to all people that are lucky to have health coverage of some sort. The question before the house is how much of the health care cost is the taxpayer able or willing to pay for public employees? Does \$13,000 per teacher seem reasonable?

The plan in Little Compton is very expensive since it has "First Dollar Coverage" with no deductibles and is almost entirely paid for by the taxpayers. The small employee contributions recently negotiated with some of the Town's unions are miniscule when compared to the cost of the coverage. When one considers the salary increase granted to pay for this "concession" it is also clear, on a compounded basis, that it will never pay for itself! This clearly has to change. Contracts have to be renegotiated. If that is not the case then the staffing must be reduced to cover the cost until the contract is up for negotiation.

"First Dollar Coverage", is not an option any longer in the private sector. Even those on Social Security Medicare share a significant portion on their cost of health care. They have a 20% co pay and deductibles for hospital stays.

The choices to provide coverage are many and varied. Some examples: Co-pays, Deductibles.

These are the most obvious. The second tier is health care savings plans that can cover out of pocket expense of the employees. That money remains the property of the employee and is deductible for tax purposes. The town can help fund the savings plan as a benefit to aid in the transition. In addition the town can obtain catastrophic coverage for the cases that have exceeded the deductible.

The Town needs to "cap" health care" costs. The offer has to be a standard basic package at significantly lower premium cost. After a certain amount the employee is free to pay for any additional coverage that they feel necessary.

All of these types of plans are in use in industry and the private sector; but not in the public sector. The town's unions REFUSE to even talk about these issues. The club they use is the threat of litigation which they promise will be more costly than the premium. In plain language that is extortion! Solving this conundrum will require fortitude and courage by our elected officials. Taxpayers should ask their representatives how they feel about this problem and what they plan to do about it. If the answer is unresponsive then

the representative should be replaced as soon as the next election!

I think we are all responsible for this deplorable situation since we are the ones that elected these people! Our criteria have been how "nice" the people were, how affable, how well known, and other soft stuff. This mess is of our own creation and we need good people to clean it up. **START ASKING THE TOUGH QUESTIONS!**

Police Dept. (*Roy Bonner, Vice-Chairman*): The second most expensive department listed in the Little Compton town budget is the Police Department. They are second only to the school. The present labor agreement, just signed, grants a 16.5% increase over the next three years and certainly will put their budget well over the million dollar mark by 2005. Pension costs are computed as a percentage of salary (about 13%) and will result in higher payments to the trust fund which is not in the figure. That is an extraordinary set of expenses for the taxpayers of Little Compton to carry.

Since the Financial Town Meeting in the spring there has been incredible intransigence on the part of the Police Department to reduce their budget as decided by the electors at that meeting. The citizens that voted for that have been reviled personally, in print, in public, and in the press. The taxpayers have been compared to a mob that had little understanding of "what they were doing". Suggestions were made to ignore the mandate by the taxpayers, spend at the requested rate, **intentionally** blow the budget, and then force a special financial meeting to receive more money. The lone voice that prevented that was Donald Gomez, the President of the Town Council. He reminded his fellow council members and the Police Department members, including the Chief, that the taxpayers are the sovereign force in this town and they have spoken! Imagine having to remind everyone of the sovereignty of the people in our republic -- a standard respected by the entire world and a foundational principle since the beginning of the Republic! The council meeting last month was certainly not a civics lesson in good government.

During that same meeting the intimidation factor was evident in that chamber. A council member informed a Police Union official that he did not appreciate the attempt to intimidate the council and the taxpayers of the town. The threats of grievances, unfair labor practices, litigation, and the dire consequences of a single police officer leaving the department occupied the council chamber for well over an hour. Finally, after their confrontational presentations, threats, unworkable solutions, and arguments, the police union and the Chief very reluctantly agreed to act on the decision the taxpayers had made in the spring.

A question still remains and has been an issue for a number of years. Does the Little Compton Police Department have to be as expensive and as fully staffed as it is today even

with the loss of one policeman resulting from the budget cut last June? The answer is NO!

The crime index in Little Compton is 41. This figure is a standard reporting technique that follows the unified crime reporting system of the FBI. It can be found along with the ten year history on the State Police web page on the Rhode Island State web site (www.risp.ri.gov). The other 38 cities and towns are also covered. As a comparison, Providence has an index of over 13,000 and Tiverton 256. Since Little Compton has the lowest reported index in the state, one might conclude that it is due to superior police activity. That conclusion would be dead wrong and a serious error in judgment.

The Providence Journal's reporter Bruce Landis, reporting on police staffing in the state, found that there is substantial research that establishes there is no relationship between the number of police per capita and the crime rate. The research was the work of Professor Leo Carroll, Chairman of the University of Rhode Island's Sociology and Anthropology Department. Professor Carroll is considered an expert on criminal justice issues.

What causes a community to allow such a large police force? Professor Carroll believes that people respond to a "sense of fear and threat." During the Town Council meeting conducted to order the police department to cut its budget, "threat and fear" was much in evidence. The police reminded all those present of the dire consequences that would result if one police officer were to be cut. If sufficient "back up" was unavailable, they claimed, there was a significant threat to the safety of police officers on patrol. Suggestions to call for State Police help if the need arose were rebuffed. Yet, people cannot remember a single incident of a reported attack on a police officer in Little Compton in over 50 years! The myths and the fear have allowed the police department to grow to an unreasonable size. The mere "*possibility*" that something might happen is not a valid criterion for staffing! It is a perfect example of the fear and threat manipulation that Professor Carroll speaks to.

We must reduce the number of police on the Little Compton payroll. As an example, the Police Chief has an extraordinary contract that still has 2 years to run. His increases and his benefits are tied to the union bargaining unit. It is very unusual for a manager to have a vested interest in the union requests for benefits and salary. He may take 62 days off per year and can accumulate his sick days up to 150 days. He is provided with a car, cell phone, beeper, and a gasoline credit card. There are no restrictions in the contract on personal use of these overly generous perks. The Police Department has a significant and expensive management structure with a Chief, Captain, Lieutenant, and Sergeant. The size of the department would suggest that all these nominally supervisory ranks are another symptom of overstaffing and the subsequent salary inflation that has led to this expensive activity.

The LCTA will be represented at the budget hearings and will push to have a drastic reduction in the expense of the Police Department. We need your support in this work. If you have comments on this article please contact us at Taxpayers@Cox.net

Pensions (*Roy Bonner, Vice-Chairman*): The Little Compton pension plan is owned by the Town and funded by the taxpayers. From time to time, adjustments have been made to the plan that has caused the need for funding to rise at a rapid rate. In the recent past, a "COLA" provision has been added of 2% per year (cost of living adjustment). That COLA is a provision that has caused havoc in Rhode Island public employee trust funds. Because of these kinds of features, huge unfunded liabilities have resulted. Knowing about that problem and its adverse effect, Little Compton still allowed that provision to be added to our pension requirements.

The current plan has an account balance of about \$3.5 million and pays out about \$128,000 per year. This year, the pension plan cost to the Town was \$207,000. The actuaries recommended \$290,000. Reducing that figure would require a better performance of our investment portfolio from 7.5% to 10.5%. In order to achieve that, our Trustee (Fleet) was asked to develop a plan to rebalance our investments to achieve that goal. In addition it was recommended that the Trust Fund receive the money for this year (the \$207,000) at the beginning of the year instead of at the end of the year as has been the custom in the past. The objective was to have that money working for us in a known-to-be rising market.

As of this writing, the Market has been rising as predicted. The Pension Committee, however, has not implemented the suggested actions. We are losing money on a daily basis.

The "unfunded liability" that we hear so much about exists because of a relentless assault on the plan for increases in pension benefits. In the late 1980's our plan was self sustaining until the Town allowed the retirement age to be reduced. The consideration of the "last year" earnings is not a common practice in the private sector. The requirements for pension funding are determined by salary and are around 13% of salary. As employees are added and salaries grow to new heights, taxpayer funding requirements grow accordingly. The 16.5% 3-year salary increase given to the Police Department will add to that liability. These costs are hidden in the details of the Budget Report. The expenses should be clearly shown in the expenses of EACH department so those total costs are known and understood.

The pension problem is one that is clearly out of control. Again, we have an example of the taxpayers receiving little to no consideration as these requirements are passed off to their pocketbooks. Comments? Taxpayers@COX.Net

State Representation (*Roger Lord, Treasurer*): Are you feeling that your local taxes are draining your bank account? The State is no innocent bystander when it comes

to squeezing that last nickel out of you. The Sakonnet Times recently published an article entitled "See how your local legislator voted in 2003" (Vol. XXXVX, No. 33, August 21, 2003) that reveals some interesting facts about Little Compton's two legislators: Sen. June Gibbs (R) and Rep. William Enos (D). The following speaks for itself. It's time to ask Rep. Enos exactly how he is representing the taxpayers' interests in Little Compton.

Sen. Gibbs voted YES to raise the minimum wage; YES on separation of power; NO on a 10% tax on prison commissary goods; YES to a ban on smoking in restaurants; and NO to override Gov. Carcieri's veto of the excessive, bloated Rhode Island state budget.

Rep. Enos voted YES to raise the minimum wage; YES on separation of power; YES to oppose the Bush tax cut; YES to raise the meal tax at restaurants; YES on a telephone tax for public Internet; and YES to override Gov. Carcieri's veto of the excessive, bloated Rhode Island state budget.

What message is Rep. Enos trying to send us? If you would like to ask him yourself, his Email address at the State House is rep-enos@rilin.state.ri.us and his home address is 4230 Main Road, Tiverton, RI 02878.

You can't beat someone with no one! The Little Compton Taxpayers Association is non partisan. Our Board has Independents, Republicans, Democrats and others of undeclared voting preferences. As we look at the political landscape and the records of our elected officials, it is abundantly clear that the taxpayers are the last ones in line for any consideration. If you feel as we do that the Town and State are on the wrong road and that a balance has to be reestablished, then the question is how do we do it?

The answer is pretty clear -- **GOOD PEOPLE HAVE TO STEP UP AND RUN FOR OFFICE!** It really doesn't matter about your political preferences. Tip O'Neil said it best, "All politics is local!" If you are interested or have a neighbor that might be interested, talk up the problem. Contact TAXPAYERS@Cox.Net and we will help. Big government spenders need not apply!

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### **Positive Things Are Happening**

Several Town officials realize the financial situation we are in and understand the consequences of the status quo. They have engaged in serious conversation with the LCTA. For example, on Sept. 11th, we were honored with an invitation from the Budget Committee to make a presentation on our concerns and thoughts about spending. It was an extremely productive exchange between the two groups with the LCTA pledging its support of Committee initiatives that could have long term positive effects on the tax rate. On Sept. 23, the LCTA met with the Superintendent of Schools and her administrative assistant to discuss the School budget and some of the constraints they are faced with. This was another productive meeting. A few Town

Councilors have also opened dialog with the LCTA in an exchange of ideas that could prove to be very helpful to the taxpayers in the future. Hopefully, this trend will continue

with an end result of reasonable taxes and Town officials we can all be satisfied with.