



LITTLE COMPTON TAXPAYERS ASSOCIATION

• • NEWSLETTER • •

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May 10, 2006 Vol. VIV, No. 1

Officers

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The 06/07 Budget - 5.2%. The proposed FY-07 (2006/2007) Little Compton budget, as requested, could result in a 5.2% increase in the tax rate. This is 3/10th of a percent less than 5.5% state mandated cap.

The Budget Committee has done an excellent job of honing down the original March 1st requests which would have resulted in a 10.7% increase. Beyond this, the Budget Committee has recommended additional cuts which could further reduce the tax hike to 4.7% if enacted.

It is important to note that at this time last year, the proposed tax rate increase that we went to the Financial Town Meeting with was 10.4%. At that time, the Budget Committee had made recommendations that would have resulted in a 5.0% increase (see our Newsletter Volume VIII, No.2 dated May 2, 2005 in our "Newsletters" section at www.LCTaxpayers.com).

This is quite a contrast when comparing the two years. Of particular note is the School budget proposal. This year, the new School Administration has proposed an FY-07 budget that shows a 5.49% increase over this year's budget. This is in stark contrast to their 11.25% requested increase that led to a marathon 3-night brawl in the gym. Moreover, some of the programs that had been needlessly cut in previous years have been restored.

The Taxpayers Association should feel proud of this accomplishment because it had a lot to do with it. First, various active members worked very closely with all major departments and elected officials in Little Compton to see that the taxpayers were considered in financial decisions. They attended all significant meetings (both recurring and special), and often times voiced their opinions. Second, several of our members now sit on two major organizations: the School Committee and the Budget Committee. **They have made a difference.**

This is not to downplay some of the excellent people that we currently have on the Town Council and School Committee/Administration. With the exception of a few (and we all know who they are), the members of these organizations have done a good job for the Town in both an operational and business sense.

But 5.2% is still too much! There is a move in the State House to lower the cap to 4% - still too much! 4% per

year results in 8.2% in two years, 12.5% in three years, etc. It adds up quickly. Massachusetts has had a law referred to as "Proposition 2.5" for several years. That's their cap - 2.5% and they have managed to comply with it.

Keep in mind that the Consumer Price Index (CPI) has been 1.6% in 2002, 2.3% in 2003, 2.7% in 2004, and 3.4% in 2005 (click on "Consumer Price Index" on our "Links" web page at www.LCTaxpayers.com). 5.5% and 4% are too much based on CPI as well as the ability of low income or fixed income townspeople. Few people get salary raises of this magnitude.

The School Department started this year with a \$219K surplus from last year and it looks like an even larger surplus will occur at the end of this year (see related story on Page 3). Nevertheless, the School is requesting an additional \$311K appropriation for next year. While the actual budget for next year seems to be quite sound, no attempt is being made to use this year's surplus to offset next year's budget. This really should stop as it unnecessarily adds to the tax burden and results in buying things that the voters have no say in.

The following chart is a breakout of the proposed budget (including the School).

Municipal	\$1,032,453	38%
Maintenance	\$510,903	
Boards, Miscellaneous	\$439,421	
Tuition	\$1,890,774	62%
Salaries	\$4,462,851	
Health Care	\$1,013,157	
Pensions	\$540,798	
FICA	\$295,567	

Total: \$10,276,087

As expected, salary & benefits drive the budget. They constitute 62% of all spending. Because of its relatively large portion of the budget, cuts in this area have a major impact. The Town needs to seriously consider **outsourcing certain jobs** that are not so specialized that a contractor couldn't do them. There are many of these jobs. Outsourcing them reduces the salary, health care, FICA, and pension costs - not just salary alone.

CHECK OUT OUR WEB SITE

www.LCTaxpayers.com

Our website contains valuable information about Little Compton, various town labor contracts that you can read, a guide to town services and organizations, the town charter, links to other sites throughout Rhode Island, and much more. Please take a look.

Remember to attend the Financial Town Meeting on May 23, 2006, support the Budget Committee's recommendations, and be prepared to stop any spending frenzies as experienced last year.

A 4% Tax Cap? There has been a proposed constitutional amendment introduced in the Rhode Island legislature called, "Tax and Expenditure Limit" (TEL). It has been introduced by two Democrats, one from the Assembly and one from the Senate. The Governor has given it strong support. The reason for the amendment is to stop runaway spending. The growth in government spending will soon bankrupt Rhode Island and its citizens unless something is done. The programs have become unaffordable.

This amendment has the support of numerous groups including the Rhode Island Public Expenditure Council (RIPEC), Operation Clean Government (OCG), and taxpayer groups from East Providence, Portsmouth, North Kingstown, Shoreline coalition, and Little Compton... among others.

The proposed limit is 4% and it requires a referendum of the voters to override. It forbids the legislature from requiring towns and cities to execute unfunded mandates. It also allows towns and cities to set their own limits if they desire a lower limit. Finally, the override requirement in the Legislature would require 2/3 vote by the members of both houses.

Many of our problems with our local budget find their roots in State mandates that are unfunded. There have also been emergencies declared through the years in Little Compton that have not been emergencies in any conventional definition. These so called emergencies allowed the Town to exceed the 5.5% cap. All that was required to do this was a letter from the Assembly's auditor stating that the emergency was permitted. The difficulty is those "emergencies" are still in the base upon which today's 5.5% is calculated. The total cumulative emergency funds from prior years are in the aggregate of about ONE MILLION DOLLARS! This allows an extra \$55,000 a year in extra spending. This kind of manipulation would stop under the new limitations. We urge you to support this effort. We will keep you posted on this important effort.

CAFS for Fighting Fires. Little Compton pays some of the highest premiums for Fire Insurance that can be assessed. This is because our "ISO rating" is 9 on a scale of 1-10. Most homeowners insurance policies will clearly show this rating. ISO stands for "Insurance Services Offices, Inc." It is the rating agency that is used by insurance companies to determine what to charge for fire insurance.

ISO inspects Fire Departments to evaluate their ability to respond to and put out fires. 40% of the rating is based upon the availability of fire hydrants (Little Compton has none). 10% is associated with the ability to receive and respond to fire calls (we're OK here). The remaining 50%

is based on the operational capability of the Fire Department which considers such things as fire apparatus, manpower, training, fire prevention, record keeping, fire loss experience (we're not OK here), and public education programs.

In this category, we don't fail, but we don't do that well either. Taken all together, our score results in an ISO rating of 9 and high insurance premiums.

There is a relatively new, revolutionary fire fighting technology that can vastly improve our ability to fight fires with very limited water and manpower. The Compressed Air Foam System (CAFS) was originally developed to deal with wildfires near residential areas in the West where water was scarce. Using a mixture of foam, air, and water, one can create ten gallons of foam solution with just one gallon of water. CAFS



makes water work from 5 to 30 times better than water alone in suppressing fires, depending on surface and fuel contributing to combustion. Because it puts out a fire so quickly, it uses much less water resulting in less structural water damage.

One of our fire trucks retrofitted with CAFS (about \$45K) along with two firefighters can potentially knock out a typical house fire that is fully involved in a matter of minutes. This translates into minimal damage and a great deal more safety for firefighters themselves. If CAFS is taken into account, insurance companies may lower our rates. Exeter, which uses CAFS, is in the process of getting their rating down to ISO 7 from ISO 9. Our local Representative, John Loughlin, is preparing legislation that would require insurance companies to take CAFS into account when determining our rates.

Given the water supply problems and operational limitations in the Little Compton Fire Department, CAFS could be a welcome addition to our fire-fighting arsenal. We have seen in the past that delivering water to a fire is a problem because we don't have hydrants for a ready supply. We've seen homes nearly burn to the ground before the first drop of water hits them. Can you imagine the agony of a homeowner watching his house burn for 10 or 15 minutes before any water is applied?

Several members of the Taxpayers Association recently traveled to Exeter and Cumberland to ask about the CAFS equipment they have incorporated into their operation. They will never go back according to their firemen. Their

first attack is with CAFS and they have achieved amazing results in rapidly putting out fires, minimizing property damage, and giving peace of mind to their citizens. Because CAFS can shoot foam/water farther than plain water, the firemen see enhanced safety for themselves.

The current approach by our Fire Department is to spend money on "dry hydrants" and buy large diameter hoses to pump water from them to the scene of the fire... provided that the fire is within 1,000 feet. In those cases, there is some merit to this approach. But CAFS is the more sensible approach in most cases and should be the top priority of the Town and the Fire Department. We all stand to benefit.

Funding CAFS is quite simple. The Fire Department collects approximately \$75K per year from ambulance services. The only known obligation is \$45K per year for the lease of the new fire truck. That leaves \$30K for CAFS. Sellers of CAFS equipment will allow Little Compton to spread the cost over a few years. Additional tax money need not be raised! It's an ideal situation.

The only thing constant is change. The horse and wagon gave way to the automobile, the telephone replaced smoke signals, and the jet engine revolutionized travel literally shrinking the world. It's time for our Fire Department to move into the 21st Century of firefighting technology. Urge your local leaders and elected officials to go with CAFS as quickly as possible.

For a little more on CAFS, visit our website, click on "Articles", and then find "Saving Homes With CAFS."

The School Surplus. Our School entered the current fiscal year with a \$219K surplus from the previous year. The sensible thing to have done with this surplus would have been to use it to reduce the new tax appropriation by the same amount and give the taxpayers a break. RI Law 16-7-23 clearly states the following: "Each community shall contribute local funds to its school committee in an amount not less than its local contribution for schools in the previous fiscal year..."

This law forms a "ratchet" in the School budget such that it can never go down except under a few rare situations (lower enrollment is one of them). Unfortunately, this law also states: "Any surplus of state or local funds appropriated for educational purposes shall not in any respect affect the requirement that each community contribute local funds in an amount not less than its local contribution for schools in the previous fiscal year, subject to subsection (a) of this section, and shall not in any event be deducted from the amount of the local appropriation required to meet the maintenance of effort provision in any given year."

What surplus? As of this writing, the Treasurer said that the School has \$1,661,635 in unspent funds (32% of the budget with 14% of the year left). Traditional spend rates for May and June are \$450K and \$600K. This implies that there could be a surplus on the order of \$600K.

It seems that we've always run a surplus at the School in recent history. It has always been used to buy various

items for the School and start new programs, but this is not the way the School budget process should work! It's being used like a SLUSH FUND escaping the voters.

One of our members (an attorney) looked at a few other RI laws. He concluded that the laws governing school budgets should not be read in isolation. He found in RI Law 16-2-21(c): "Only a school budget in which total expenses are less than or equal to appropriations and revenues shall be considered an adopted school budget." This says you can't spend surpluses.

Also, in RI Law 16-9-1, the following is stated: "The town treasurer shall receive the money due the town from the state for public schools, and shall keep a separate accounting of all money appropriated by the state or town or otherwise for public schools in the town, and shall pay the money to the order of the school committee; provided, however, that school expenditures, encumbrances, and accruals shall not, in any fiscal year, exceed the total revenue appropriated for public schools in the town." This also says you can't spend surpluses!

The Taxpayers Association is currently unable to resolve what appears to be RI laws that directly conflict with each other. With a high probability that major repairs to the School building will soon be necessary, the surplus should probably be retained and spent for that. But creating budgets with surpluses in them needs to STOP!

Call For Candidates. As we approach the November elections, it is time to think about which people in Town should hold local offices. It's important because there are people who would like to hold office who have the attitude that tax money, i.e., your money, is a bottomless pit. We've seen it before and have suffered as a result of it. Make no mistake - there are people with that attitude who plan to run for Town Council, School Committee, Budget Committee, and Town Moderator this November.

We have made significant progress in containing the growth of spending/taxes over the last few years. Put the wrong people in key positions and all bets are off.

WE NEED GOOD CANDIDATES!

Although the LCTA does not usually endorse any candidates for various elected government positions, we can urge our membership and all other interested parties to seek out those candidates with platforms advocating limited spending and holding the line on tax increases.

If you have ever thought of holding elected office, now is the time to throw your hat in the ring. The deadline for filing as a candidate is June 1, 2006 with the Town Clerk. If entering the political ring is not your thing, then work hard for and lend your support to those who share your goals for limited taxation.

Financial Town Meeting

May 23, 2006

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Adamsville, RI 02801

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LITTLE COMPTON TAXPAYERS ASSOCIATION MEMBERSHIP FORM

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EMAIL _____

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CITY/TOWN _____ STATE _____ ZIP CODE _____

HOME PHONE _____

Second Home Address From _____ To _____ (Month/Day)

ADDRESS _____

CITY/TOWN _____ STATE _____ ZIP CODE _____

HOME PHONE _____

SUGGESTED CONTRIBUTION: \$10 (Single) \$15 (Family) \$_____ (Other)

Mail this form and your contribution to: Little Compton Taxpayers Association
PO Box 455
Adamsville, RI 02801