

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

CHARLES D. MOREAU, in his Capacity
as Mayor of the City of Central Falls

and

the CITY COUNCIL FOR THE CITY
OF CENTRAL FALLS

Plaintiffs

v.

CITY OF CENTRAL FALLS

Defendant

P.B. No. 10- 2984

VERIFIED PETITION FOR APPOINTMENT OF RECEIVER

Plaintiffs respectfully represent that:

1. Defendant City of Central Falls is a duly organized municipal corporation operating under a Home Rule Charter as provided in the Rhode Island Constitution.
2. Plaintiff Charles D. Moreau is the duly elected Mayor of the City.
3. Plaintiff City Council of Central Falls is comprised of the five duly elected members of the City Council.
4. Plaintiff City Council authorized the filing of this Petition by Resolution dated May 18, 2010, a copy of which is attached hereto and incorporated herein.
5. Plaintiffs have determined that the City is fiscally insolvent due to revenue shortfalls and state budget cuts, along with collective bargaining agreements and pension obligations it cannot afford.
6. The City's June 30, 2009 independent audit shows total net assets of negative \$16,866,819. Its fiscal situation has worsened since that time.

7. The City's annual operating budget for fiscal year 2010 (actual) and 2011 (proposed) is just under \$18 million. There is presently a shortfall in the fiscal year 2010 budget of over \$3 million and a projected shortfall in fiscal year 2011 of over \$5 million.

8. Because of its dire fiscal situation, the City has sold off much of its chief pension fund assets to satisfy annual pension obligations. Its actuarial accrued liability exceeds \$35 million dollars and its assets are approximately \$4 million. The City audit reports that for fiscal year 2009, its "required" contribution was over \$2.7 million and the City's actual contribution was \$0. For fiscal year 2010, there are no funds available to contribute and over \$1.5 million in assets would have to be sold to meet present obligations.

9. Of the \$18 million City budget, over \$6.5 is allocated to employees covered by collective bargaining agreements, with approximately \$1.1 million allocated to other employees.

10. The City has municipal bonded indebtedness over \$10 million.

11. Increasing the property tax rate by the State cap of 4.5% would yield additional revenues of less than \$500,000.

12. In light of its extreme fiscal stress, without the appointment of a Receiver, the City is unable under to bring its operating budget into balance or save its chief retirement plan.


13. In the opinion of Plaintiffs, the elected leaders of the City, it is urgent and advisable that a Receiver be appointed immediately to oversee the affairs of the City to assist in balancing the City's budget through spending cuts and revenue enhancement, while equitably balancing the interests of City taxpayers, employees, creditors, vendors, and pensioners and other interested parties.

14. Given the complexity of the issues and non-routine nature of this matter, Plaintiffs respectfully request the appointment of a Receiver at counsel's suggestion, subject to this Honorable Court's approval.

15. This Petition is filed and made in good faith to seek relief as prayed by virtue of and pursuant to this Court's equity powers and pursuant to the powers as authorized by the laws and statutes

of the State of Rhode Island and the appointment of a Temporary Receiver is most desirable to protect the *status quo* of the Defendant pending final hearing on the appointment of a Permanent Receiver.

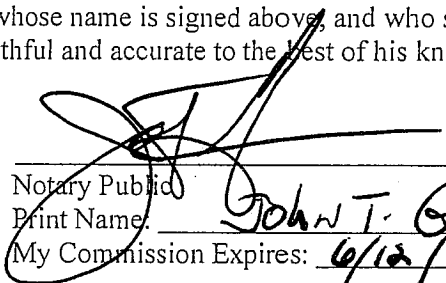
WHEREFORE, Plaintiffs respectfully pray that this Honorable Court appoint a Receiver forthwith to oversee the operation of the City and such other relief as this Court shall deem just and proper.


CHARLES D. MOREAU in his capacity as
MAYOR OF CENTAL FALLS and not
individually

Via Resolution dated May 18, 2010
CENTRAL FALLS CITY COUNCIL

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 18 day of May, 2010, before me personally appeared Charles D. Moreau, proved to me through satisfactory evidence of identification to be the person whose name is signed above, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his knowledge and belief.

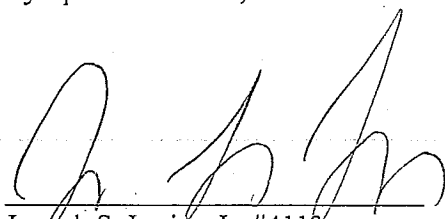

Notary Public
Print Name: John T. GANNON
My Commission Expires: 6/12/13

CERTIFICATE OF ATTORNEYS

We, the undersigned, Attorneys for the Plaintiffs, certify that this Petition is made in good faith for the protection of the Defendant and for the benefit of the Defendant's taxpayers, employees, creditors, vendors, and pensioners and other interested parties, and that the appointment of a Receiver is desirable to protect the *status quo* pending final Hearing for the appointment of a Permanent Receiver.

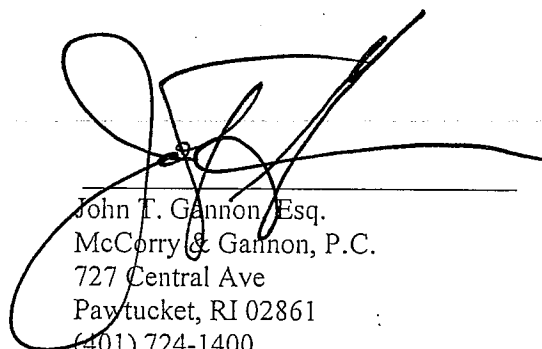
CHARLES MOREAU in his capacity as
MAYOR OF CENTRAL FALLS
and
CENTRAL FALLS CITY COUNCIL

by Special Counsel,



Joseph S. Larisa, Jr. #4113
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by City Solicitor,



John T. Gannon, Esq.
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**IN SUPPORT OF INSOLVENCY PROCEEDINGS THROUGH THE
PETITIONING OF THE SUPERIOR COURT
TO PLACE THE CITY OF CENTRAL FALLS
INTO RECEIVERSHIP TO BALANCE THE CITY BUDGET**

WHERE AS: The Mayor and City Council have determined that the City is fiscally insolvent due to unanticipated revenue shortfalls and state budget cuts, along with collective bargaining agreements and pension obligations it cannot afford; and

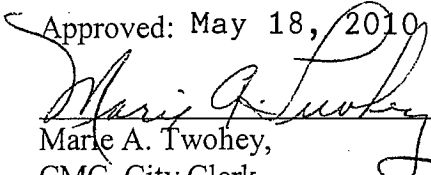
WHERE AS: The City is seeking to balance its budget for Fiscal Year 2010 and Fiscal Year 2011 and needs to resolve its budget crisis before the 2011 tax bills go out in June; and

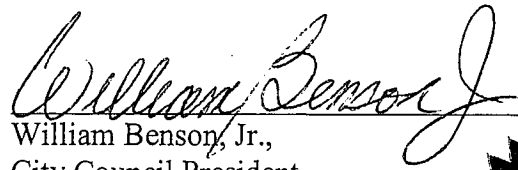
WHERE AS: The extent of the budget crisis is so severe that without a Court appointed Receiver assisting a Court of equity, it is impossible for the City to balance its budget without bankrupting its pension funds or defaulting on obligations to vendors, creditors and/or employees – none of which Mayor and the City Council desires.

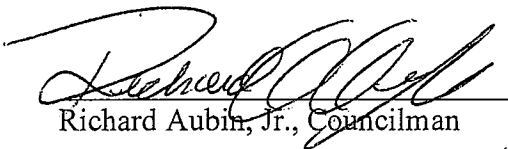
NOW THEREFORE, be it resolved that the Central Falls City Council does hereby join the Mayor in requesting that a petition be filed forthwith in Providence County Superior Court seeking the appointment of a Receiver to exercise all powers necessary and reasonable to return the City to solvency with a budget that is balanced.

Submitted by: Councilor William Benson, Jr.

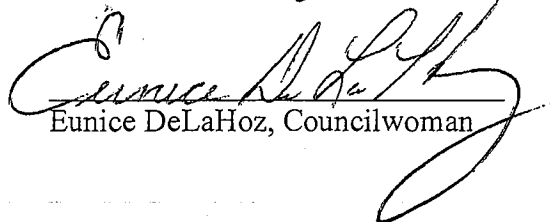
Approved: May 18, 2010


Marie A. Twohey,
CMC, City Clerk


William Benson, Jr.,
City Council President


Richard Aubin, Jr., Councilman

James Diossa, Councilman


Eunice DeLaHoz, Councilwoman


Patrick J. Szlaskta, Councilman

