



REPORT

LEGISLATIVE REFERENCE BUREAU

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1. Tax Stabilization Fund, 2014

Proposed Plan and Executive Budget Review

1. Tax Stabilization Fund

I. EXECUTIVE SUMMARY.

1. The Tax Stabilization Fund (TSF) balance available for 2014 and subsequent years' budgets is approximately \$59.8 million. See Table 1.1 on page 2 for a 10-year history of available balances and withdrawals.

2. The 2014 Proposed Budget TSF annual withdrawal of \$20.0 million would leave a remaining available balance of approximately \$39.8 prior to 2013 regeneration.

3. At this time, the Budget Office estimates that the 2013 TSF regeneration will be approximately \$12.0 million.

4. At the end of 2013, the Budget Office estimates the TSF balance will be approximately \$51.8 million.

5. Since the Common Council has not acted on the proposed legislation increasing extra cart, solid waste, snow and ice removal charges, certain license fees and the apartment garbage charge, the City Comptroller has not recognized the additional revenue.

6. Although not yet recognized by the Comptroller, the Administration included the additional revenue in the 2014 Proposed Budget as an additional \$2,161,955 "in anticipation of revenue withdrawal" from the Tax Stabilization Fund.

7. It is important for the TSF to maintain a stable or growing balance. In 2009, 2 debt-rating agencies, Moody's and Fitch, noted the decline in the TSF balance in recent debt-rating reports. Moody's includes, "Deterioration of reserve levels with no demonstrated commitment to restoring structural financial balance", as a factor that

could move the rating down in its March 20, 2009 report.

8. Fitch noted that "continued financial weakening resulting from economic erosion and/or state funding losses could trigger a bond rating downgrade. By continued "financial weakening", Fitch was referring to further drawdowns of the TSF balance.

II. FUND DESCRIPTION & LEGAL BASIS

1. The TSF is the portion of the unrestricted general fund balance not designated for a specific purpose.

2. Withdrawal from the TSF serves as a revenue item in the budget, and offsets the amount of property tax levy that would otherwise be required.

3. State law permits cities of the first class to establish a TSF. The City established the fund under s. 304-29 of the code to assist in stabilizing the City's tax rate from year to year; to protect from fluctuations in the City property tax rate; to improve the City's financial planning ability; and to better enable the City to comply with state levy limits.

4. The primary funding sources for the TSF established under s. 304-29 of the code include:

- Revenue surpluses, i.e., the difference between estimated revenues and the actual receipts;
- Unexpected appropriations not carried over, except from internal service funds; and
- Any internal service fund retained earnings that exceed 5% of that fund's budget.

Table 1.1. Available Balances and Withdrawals from Tax Stabilization Fund, 2005-2014.

Budget Year	Balance Available	Withdrawal Made
2005	\$34,342,000	\$16,621,000
2006	\$33,858,000	\$16,328,000
2007	\$46,651,000	\$23,175,000
2008	\$58,914,000	\$29,475,500
2009	\$44,757,000	\$22,378,500
2010	\$20,039,000	\$13,070,000
2011	\$29,096,000	\$14,600,000
2012	\$29,224,789	\$13,767,000
2013	\$34,937,000	\$14,900,000
2014	\$59,799,680	\$20,000,000*
Average	\$39,161,847	\$18,431,500

*Proposed 2014 Withdrawal.

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