



Legislation Text

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021039
ORIGINAL

THE CHAIR

Resolution relating to maintenance of an unrestricted fund balance in the Tax Stabilization Fund. This resolution establishes a policy, commencing with the 2004 City budget, relating to maintenance of an unrestricted fund balance in the Tax Stabilization Fund so as to maintain an unrestricted fund balance between 5 to 10% of the City's previous 3-year average with respect to general budget fund expenditures:

1. If the fund falls below 5%, the annual draw would be limited to 95% of the previous year's fund regeneration.
2. If the fund falls between 5% and 7.5%, the annual draw would be limited to previous year's fund regeneration.
3. If the fund falls between 7.5% and 10%, the annual draw may exceed previous year's regeneration as long as the projected year end balance does not fall below the 5% guideline.
4. If the fund exceeds 10%, a draw must be made to maintain the balance at 10%. However, the use of fund proceeds (above the 10% level) must be used to increase cash financing of city capital projects, or other one-time initiatives designed to strengthen city finances. (i.e. pre-pay debt).

Whereas, The Government Finance Officers Association recommends that general purpose governments maintain an unreserved fund balance of 5 to 15% of regular general fund operating revenues; and

Whereas, Because the City of Milwaukee's revenue stream is fairly stable (with the exception of state government attempts to eliminate or seriously decrease shared revenue), and the fact that the City has a separate reserve fund-the Public Debt Amortization Fund-for city debt, maintaining a Tax Stabilization Fund (TSF) balance of 5 to 10% of regular general fund operating revenues is appropriate; and

Whereas, It is therefore desirable to establish a policy to maintain an unrestricted TSF operating reserve at 5 to 10% of the City's previous 3-year average of general budget fund expenditures; and

Whereas, The selection of the 3-year average of expenditures is appropriate, for it allows for the smoothing of one-year expenditure "highs and lows" due to the timing of wage settlement, significant snow and ice operations, one-time legal settlements, etc.; and also allows the TSF to accommodate significant changes in city operations (expenses), consolidating services with other local governments, eliminating significant line of service costs, etc.; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that commencing with the 2004 City budget, a policy is established to maintain an unrestricted TSF fund reserve at 5 to 10% of the City's 3-year average of general budget fund expenditures according to the following:

1. If the fund balance falls below 5%, annual draws shall be limited to 95% of the previous year's fund regeneration.
2. If the fund balance falls between 5% and 7.5%, annual draws shall be limited to the previous year's fund regeneration.
3. If the fund balance falls between 7.5% and 10%, the annual draw may exceed previous year's regeneration as long as the projected year end balance does not fall below 5%.
4. If the fund balance exceeds 10%, a draw must be made to maintain the balance at 10%. However, the use of fund proceeds (above the 10% level) must be used to increase cash financing of city capital projects, or other one-time initiatives designed to strengthen city finances. (i.e. pre-pay debt).

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BJZ/cac
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