



Legislation Text

File #: 010851, Version: 1

010851 SUBSTITUTE 1

THE CHAIR

A substitute ordinance relating to the tax stabilization fund.

304-29 rc

This ordinance, relating to the tax stabilization fund, (TSF) repeals provisions relating to use of the fund (to keep tax rate increase under 3%; to use no more than 50% of the fund balance) and establishes new provisions to maintain an unrestricted TSF 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).

In addition, this ordinance makes non substantive revisions to the code text of the TSF (s.304-29) which generally dates to 1965.

Whereas, The Government Finance Officers Association recommends that general purpose governments maintain an unreserved fund balance of no less than 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 government eliminating significant line of service costs, etc.; now, therefore

The Mayor and Common Council of the City of Milwaukee do ordain as follows:

Part 1. Section 304-29 of the code is repealed and recreated to read:

304-29. Tax Stabilization Fund.

1. FUND CREATED. There is created a tax stabilization fund pursuant to the authority of s. 65.07-1-o, Wis. Stats., which shall constitute a separate fund to be used only for the purposes hereinafter set forth.

2. PURPOSES AND OBJECTIVES. The purpose of the fund is: a. To assist in stabilizing the common council controlled tax rate of the city within reasonable limits from year to year.
b. To protect the city and its citizens from fluctuations in the city property tax rate under common council control which can result from erratic variations in nonproperty tax revenues.
c. To improve the city's ability to plan and provide for its financial needs.
d. To better enable the city to comply with statutory limitations.

3. FUNDING SOURCES. a. Revenue Surplus. By April 15 of each year, the difference between estimated nonproperty tax revenues and the corresponding actual receipts for the prior year shall be transferred to the tax stabilization fund by the comptroller except for the internal service funds.
b. Appropriation Balances. By April 15 of each year, the difference between total adjusted operating budget appropriations and total expenditures, commitment, and reserves for the prior year shall be transferred to the tax stabilization fund by the comptroller except for the internal service funds.
c. Other General Surplus. By April 15 of each year, any general surplus balance as of December 31 of the prior year remaining, after steps in pars. a and b have been completed, shall first be transferred by the comptroller to the permanent improvement fund to meet the city's legal obligation to reimburse the federal asset forfeiture trust fund for interest earned on deposits received. Such transfer of funds shall cease if applicable federal requirements shall no longer be in force. The remainder shall be transferred to the tax stabilization fund by the comptroller except for the internal service funds.
d. Tax Levy. When authorized and included in the adopted budget in accordance with ch. 65, Wis. Stats., the proceeds from such levy shall not be used during the budget year for which such levy is made.
e. Contributions received for the purpose of tax stabilization or reduction.
f. Internal Service Funds; Retained Earnings. Retained earnings of the internal service funds funded by the revenue surpluses and appropriation balances shall not exceed 5% of the budget for that year for that internal service fund. Any excess over 5% of the retained earnings shall revert to the tax stabilization fund. The comptroller shall submit an estimate covering items under pars. a, c, e and this paragraph to the mayor by June 1 of each year. Such estimate shall show the amounts that are anticipated to be transferred to the tax stabilization fund by April 15 of the next year. The estimate of par. a shall recognize estimated revenue offset by corresponding appropriations as explained in sub. 4-d-2. The comptroller may revise such estimate up to and including November 10.

4. FUND WITHDRAWALS. The amount that can be withdrawn from the fund in any one year shall be controlled by the following factors:

a. Maintenance of an Adequate Unrestricted Fund Balance. Withdrawals from the fund shall be in compliance with guidelines intended 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. The guidelines established in this paragraph control the absolute amount that can be withdrawn from the fund:

a-1. If the fund balance falls below 5%, annual draws shall be limited to 95% of the previous year's fund regeneration.

a-2. If the fund balance falls between 5% and 7.5%, annual draws shall be limited to the previous year's fund regeneration.

a-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 the 5% guideline.

a-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).

b. Statutory Requirements. The tax stabilization fund may be used to enable the city to comply with statutory requirements in ch. 65, Wis. Stats., notwithstanding the provisions of par. a. Such withdrawal for this specific purpose shall be deemed authorized only if it is included in the adopted budget and is anticipated to be available in the tax stabilization fund as of April 15 of the year covered by such adopted budget. Any part of the April 15 balance may be used for this purpose.

c. Budget Requirements. c-1. The amount authorized for withdrawal from the tax stabilization fund shall be included in the city budget as an income item, in addition to revenues estimated for state aids and shared taxes, licenses, permits, fines, fees and penalties, departmental earnings, commercial earnings and miscellaneous revenues, and shall be used as an offset to the property tax levy.

c-2. It shall be shown in the budget in the following manner: "Withdrawal from the tax stabilization fund \$ _____".

c-3. The amount included for this purpose may be changed by the common council under the provisions of this subsection, up to and including the final budget adoption date set by ch. 65, Wis. Stats.

d. Not for Deficit Purposes. d-1. The tax stabilization fund shall not be used for the purpose of offsetting any deficit that may occur between total estimated and total actual nonproperty tax revenue or between total appropriations and total expenditures. Such an eventuality, if it develops, shall be resolved by emergency borrowing if deemed necessary by the common council.

d-2. The only exception to this prohibition shall be that estimated revenues earmarked for a specific purpose and offset by a corresponding appropriation, such as the funding of grant and aid projects in accordance with common council File #66-1893-a, adopted November 29, 1966, shall be separately considered in context with actual revenue received, appropriations and actual expenditures for this specific purpose, and the net surplus or deficit can be transferred to the tax stabilization fund by the comptroller. Such earmarked revenues shall not be included in determining the deficit referred to in subd. 1.

e. For Temporary Inventory Reserves. The comptroller is authorized to make withdrawals from the tax stabilization fund to temporarily adjust inventory reserves in recognition of temporary increases in inventory levels in accordance with accepted accounting principles and prudent financial management practices. When such reserves exceed amounts reasonable and properly necessary, the excess shall be returned to the tax stabilization fund. The comptroller shall provide the common council with a separate report for adjustments made under this paragraph.

f. Authority. Withdrawal from the tax stabilization fund for any other purposes than the purposes specified in this subsection shall not be authorized.

g. Surplus Estimates. No monetary amount shall be shown in the budget for the classification "surplus" in revenue estimates required by ch. 65.02(7), Wis. Stats..

Part 2. This ordinance takes effect January 1, 2003.

APPROVED AS TO FORM

Legislative Reference Bureau

Date: _____

IT IS OUR OPINION THAT THE ORDINANCE
IS LEGAL AND ENFORCEABLE

Office of the City Attorney

Date: _____

LRB01471-3

BJZ/cac

11/4/2002