

**South Portland City Council  
Position Paper of the City Manager**

***Subject:***

**ORDER #221-16/17- Transferring \$475,000 from Unassigned Fund Balance to the Property Tax Stabilization Reserve Account. Passage requires majority vote.**

***Position:***

This order is brought forward in conjunction with the FY 2018 Municipal Budget to transfer \$475,000 from the General Fund Unassigned Fund Balance to the Property Tax Stabilization Reserve Account. The City established the Tax Rate Stabilization Reserve Fund a number of years ago to provide a mechanism to utilize fund balance to reduce the amount of taxes needed in subsequent years' budgets. The method we chose was a multi-year approach that provides stability in future years' revenue streams. A common problem that occurs in the use of fund balance as a revenue source is the impact that occurs in subsequent years' budgets when fund balance is no longer available. This produces a significant revenue shortfall and tax rates tend to bounce up and down with the amount of available fund balance. The City has established this fund to allow for the use of fund balance as a revenue source with a funded gradual decline in subsequent years. This mitigates the yo-yo effect of this revenue source and its similar impact on property taxpayers.

Presently, there is approximately \$1,526,000 in this reserve and the anticipated use of fund balance to reduce the amount needed to be raised from taxes is as follows:

FY17	\$500,000
FY18	\$400,000
FY19	\$300,000
FY20	\$200,000
FY21	\$100,000

This \$475,000 transfer will allow a greater amount to be transferred in each of the subsequent five years to fund the various budgets. Note that the reserve has also earned interest \$25,000 over the past year which will also be used to reduce property taxes. By transferring these funds, we are able to implement the following schedule:

FY17	\$500,000	
FY18	\$500,000	(additional \$100,000)
FY19	\$400,000	(additional \$100,000)
FY20	\$300,000	(additional \$100,000)
FY21	\$200,000	(additional \$100,000)

FY22 \$100,000 (additional \$100,000)

This methodology allows the impact of the use of fund balance to fund the budget to be spread over a series of years and not create a major revenue shortfall in future budgets. Another way to look at this is that taxpayers are given a credit against future tax bills.

***Requested Action:***

Council passage of ORDER #221-16/17.



City Manager



CITY OF SOUTH PORTLAND

PATRICIA A. SMITH  
Mayor

SCOTT T. MORELLI  
City Manager

EMILY F. SCULLY  
City Clerk

SALLY J. DAGGETT  
Jensen Baird Gardner & Henry

**IN CITY COUNCIL  
ORDER #221-16/17**

District One  
CLAUDE V. Z. MORGAN

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District Two  
PATRICIA A. SMITH

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District Three  
EBEN C. ROSE

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District Four  
LINDA C. COHEN

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District Five  
BRAD FOX

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At Large  
MAXINE R. BEECHER

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At Large  
SUSAN J. HENDERSON

**ORDERED**, that four hundred seventy-five thousand dollars \$475,000 be transferred from General Fund Unassigned Fund Balance to Fund 1861 Property Tax Rate Stabilization Reserve.

Fiscal Note: \$475,000 transfer of funds

Date: June 19, 2017