

**PRESS RELEASE FOR IMMEDIATE DELIVERY**

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**MADISON SURPLUS IS \$4.7 MILLION: WHERE'S THE BEEF?**

Madison Mayoral candidate John M. Elias continued in his quest to accurately define Madison's cash position and its surplus which have been the subject of considerable debate throughout the year. Mr. Elias, 53, is a two-term Council member and the Democratic candidate for Mayor in this fall's general election.

"Madison's municipal expenses for 2007 are \$1.6 million more than 2006. Two-thirds of that increase pays for salaries, wages, pension benefits and Social Security costs for the employees who provide the services that we enjoy today. At the same time, the surplus revenues we have derived from owning our own electric utility are drying up.

"Further, we do not have, and never had, \$48 million of available cash. We did have a surplus of \$18 million at the end of 2006, and used over \$9 million of it to meet 2007 expenses. We then left \$4.3 million for our water and electric utilities, and kept only \$4.7 million, or less than 20% of our 2007 expenses, for municipal needs.

"That's right; our municipal surplus is really only \$4.7 million. So, where's the beef?"

"As Mayor I will continue to manage our budget honestly and responsibly. Given that we cannot cut expenses without cutting services, we need to find new and creative ways to replace the electric utility revenues. As mayor, I pledge that I will use my experience as a tax attorney to find solutions that will stabilize Madison's tax situation.

"For the most part, the talking points have been \$48 million of cash on hand for a \$24 million budget," Elias continued. "Unfortunately, those numbers are misleading, as they misstate available cash and fail to distinguish among the Borough's three operating units.

"Let's first compare apples to apples. The Borough had cash on hand at the end of 2006 totaling \$48 million in its municipal, electric and water accounts. But the 2007 budget of \$24 million represents only the municipal and water utility expenditures. The electric utility has separately stated expenditures of \$15 million. And at the end of 2006, the electric utility had \$9 million in its operating surplus account and \$3 million in its capital account. So the comparison should be either \$48 million of aggregate cash on hand to \$39 million of aggregate expenditures (\$24 municipal plus \$15 million electric), or \$36 million of cash on hand (\$48 million less electric utility accounts totaling \$12 million) to the \$24 million municipal budget.

“But more importantly, the \$48 million itself is a gross overstatement, as \$20 million of that sum has already been committed or spent on projects that the Borough, the electric utility or the water utility has already started. In addition, another \$9 million represents contributions to the municipal (\$5 million), electric (\$2 million) and water (\$2 million) capital accounts from prior years for anticipated future projects, such as infrastructure repair, expansion of utility services to the 53 acres from the Exxon transaction, and emergency repairs.

“That leaves approximately \$18 million of cash on hand, which also represents the total profit generated by the Borough’s municipal (\$9.4 million), electric (\$7.4 million) and water (\$1.6 million) operations. Those are the amounts that were available for transfer to meet 2007 municipal expenditures. The Council unanimously agreed to transfer \$4.7 million, \$4.4 million and \$200,000 from the municipal, electric and water operating accounts, respectively, or \$9.3 million in total, to reduce taxes in 2007. In corporate finance terms, that is a dividend in excess of 50% of total profits.

“At the same time, the Council kept \$4.7 million, \$3 million and \$2 million in the municipal, electric and water operating accounts. This Borough has historically relied upon operating surpluses from its three units to reduce the tax burden of its property owners. Yet Madison faces declining electric utility surplus in the immediate future because of electric utility deregulation, and state limits on tax and spending increases that punish municipalities like Madison that rely on operating surplus to meet expenses. In anticipation of these changing economic conditions, the Council retained \$4.7 million of its 2006 municipal operating surplus to continue that practice. The Council also retained \$3 million of the 2006 electric utility operating surplus to cover the spread between the cost of acquiring electric power (up 105% under the new contract) and the consumers’ below market rate increases (9% per year for three years) that we imposed. We retained the \$2 million of water operating surplus in an attempt to increase that account and replace the disappearing electric utility surplus that for so many years subsidized Borough operations.

“In the end, Madison’s 2007 retained municipal surplus is \$4.7 million. That is less than 20% of 2007 municipal appropriations totaling \$24.5 million. Critics of our fiscal policy have argued that we should keep no more than three months, or 25%, of our municipal appropriations on hand. That is exactly what we have done.

“Fiscal responsibility includes candor and full disclosure. It also requires placing the community’s financial well being ahead of personal interest. Five of the six Council members did what was required of them. Two of them, Astri Baillie and John Elias, are on this November’s ballot. For Madison’s financial future, they, and their running mate Christine Tiritilli, deserve your support and vote this year.”

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