



Stoughton Utilities

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Serving Electric, Water & Wastewater Since 1886

Opinion

Robert P. Kardasz, P.E.

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In support of tax-exempt financing

Stoughton has many things to look forward to as we ring in the New Year. Among them is the 126th anniversary of our municipally owned, not-for-profit utility, Stoughton Utilities, which provides reliable, affordable power and excellent hometown electric, water, and wastewater service to our community. But, while we celebrate our community's strong tradition of local ownership, we also look to the future with some trepidation. Tax-exempt municipal bonds, the important financial tools that have made our successful service history possible, are under significant threat in Washington, D.C.

Municipal bonds are the means by which state and local governments finance the critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility systems. For example, Stoughton Utilities relies on this tool to fund critical utility infrastructure projects, helping to ensure that our utility can provide reliable, affordable power and clean, safe drinking water; a fast and customer-focused response to storms and outages; and the local jobs and cost-effective, energy-saving programs that help support Stoughton's local economy.

But, some in Washington call tax exemption a subsidy from the federal government, even though municipal bond interest is--and always has been--exempt from federal tax, just as federal bonds are exempt from state and local taxes. A number of proposals have been made to repeal, or limit, this tax exemption to help balance the federal budget. If that happens, our municipalities will have to pay higher interest rates to compensate investors for the taxes they would have to pay. This would have immediate and negative impacts on not-for-profit Stoughton Utilities and our community, because tax-exempt financing is the only tool we have to fund capital improvements; we cannot look to shareholders to raise capital, and we are not eligible for tax incentives available to private entities. When faced with higher borrowing costs, the City of Stoughton and Stoughton Utilities have two options: 1) to raise taxes and electric, water, and wastewater rates on our citizens and

customers, or 2) to defer or forgo improvements, which could imperil critical systems and services. Neither is acceptable.

The economic turbulence of the last few years has been especially hard on local governments. Taxing municipal bonds to bail out Washington will make the recovery all the more difficult. Simply put, retaining the federal tax exemption for interest on municipal debt is critical to the fiscal health of the City of Stoughton and Stoughton Utilities and to our ability to reliably and cost-effectively serve our community.

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Founded in 1886, Stoughton Utilities serves electric customers in Stoughton and the surrounding area, and wastewater and water customers in Stoughton.