

Complexities of the County Budget - 10/1/14

By Gordon Burger, Budget and Administrative Services Director

Charlotte County's fiscal year 2014/15 begins today. Most of the questions and reactions I get from citizens about the budget are the result of a structure that is convoluted (even to me) but is mandated by state statutes and government accounting principles. This budget belongs to the citizens of Charlotte County and my goal is to make it as transparent and intuitive as possible—hopefully by explaining some of the complexities I can advance that goal.

The first factor is that governmental budgets are based on fund accounting. Perhaps you have heard “comingling of funds,” which means it is improper or even illegal to take monies designated for a specific purpose and mix them with other monies. There must be a clear accounting separation of how these monies are maintained and spent. Most governmental income, such as grants, fines and taxes, falls into this category. As a result, the budget that was passed in September consisted of 131 distinct funds. Because there are so many, when you have a question about where your tax dollars are going, it is important to know which tax dollar you are talking about. Property taxes go to support general operations and law enforcement. Gas tax supports roads and drainage. Assessments stay within the district for which they are charged. The list goes on and on.

The second factor is that monies are budgeted to be transferred between these funds and that causes the overall budget to be artificially inflated. For example, a small portion of state sales tax is allocated back to each county. This is budgeted as revenue within the general fund. A portion of those dollars are then “transferred out” to various grant funds to cover the county’s “match money” for each grant—this is budgeted as an expenditure. Within the grant, funds that transfer-in are budgeted as revenue and then spent for the grant’s purpose. In the total county budget, the same money has been budgeted twice; once in the general fund and once in the grant fund. You will sometimes hear that the County’s budget is \$915 million; however, \$110 million of that is this double counting from transfers between funds.

The third factor is that state statute requires counties to budget for reserves and beginning balances. This would be the equivalent of you including your savings account in your household budget even though you have no intention of spending it. Let’s say your annual income is \$50,000 and you have put \$100,000 in your savings over the years, when you develop your household budget you base it on \$50,000 not \$150,000. Yet local governments, in the interest of full disclosure, are required to do just that. So out of the budget of \$900 million, \$214 million is the savings account or “reserves.” Your reason for having a savings account is probably to meet major expenses you know are coming (retirement) and also to meet unexpected expenses (medical bills). The county is the same—we have known major future expenses (landfill closure, capital projects) and we need contingencies for the unexpected (hurricanes).

The last factor I would point out is the nature of expenditures for which we budget, specifically the difference between our operating budget and capital budget. As a county with only one incorporated area—Punta Gorda—Charlotte County is responsible for the vast majority of capital projects that occur within our boundaries. In fact, 43 percent of the budget is designated for capital projects, which can be as small as resurfacing tennis courts to as large as widening Burnt Store Road. Five years ago our capital budget was \$178 million, this year it is \$254 million, an increase of 42 percent. Most of this increase is the result of four large road projects that have been in the planning stages and are now beginning construction. On the other hand, our operating budget has remained very stable. Five years ago our operating budget was \$341 million, for the 2014/15 Budget it is reduced to \$337 million.

To recap, our total budget for 2014/15 is \$915 million. When we subtract the \$110 million of double counting that results from transfers and the \$214 million in reserves, we end up with a net budget of \$591 million. Of that \$591 million, \$254 million is for one-time capital projects, leaving \$337 million for the on-going operations of the County.

I hope I have made it a little easier to decipher the barrage of numbers that the budget can be and I invite you to check out the information on the county's website CharlotteCountyFL.gov. On the Transparency page, click "View Budget Process Information." Here we have indexed all of the information pertaining to the budget and the process behind developing it. For a five year history of the issues I have discussed above as well as other key factors, view the one page summary entitled "5-Year Budget History".

As a citizen of Charlotte County this is your budget and there are multiple opportunities for you to have input into the process. Even though the 2014/15 budget begins today we have already began putting together the calendar for the 2015/16 & 2016/17 biennial budget process. This November we will be conducting our citizen's survey, beginning in December we invite all citizens to give us feedback online and in January there will be public input meetings to garner your input. I hope we will be hearing from you.