

News-Press

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Section: NEWS

Lee fund reserve 'healthy'

County balance 2nd-highest in state

LEE WOLVERTON

Lee County's estimated fund balance entering the fiscal year last fall was the second-highest per-capita in the state, according to research by The News-Press.

Loosely defined as unused money, Lee's balance of \$978 million was roughly equivalent to the gross national products of such countries as Greenland, Grenada and Guyana. It adds up to \$1,712.58 for each of the county's 571,344 residents.

Only Monroe County in the Florida Keys had a higher per-capita balance, at \$2,016.

About two-thirds of Lee's balance is tied up in contracts or bonds and cannot be tapped, according to county Clerk Charlie Green. The remainder, \$335 million, is still more than the county collected in property taxes just two years ago.

No wonder a representative from KPMG, the Tampa firm paid to review Lee's financial reports, referred to the county's condition as "healthy" during a meeting with officials earlier this year. Critics prefer less flattering terms, such as fat or bloated.

"Any way you look at it, the county gets a heckuva lot of money and the county spends a heckuva lot of money," said Erik Jorgensen, chairman of the Golden Goose committee, a budget watchdog group formed by the local Republican Party. "The reserves have just been building tremendously."

Defined as unallocated money, reserves are rolled over as the starting fund balance in annual county budgets. During each of the last

three years, Lee's annual actual reserves outpaced the budgeted amounts by more than two thirds.

Lee officials say the difference is largely the result of their conscious tendency to underestimate revenues and overestimate expenditures.

"If we're going to be wrong, I want expenditures to be less than what I expected, not the other way around," county Manager Donald Stilwell said. Lee's fund balance "says we're being very conservative in our budgeting."

Financial directors frequently lean toward such an approach, but it can be taken too far, said Michael Crawford, chairman of the advisory council of the Norwalk, Conn.-based Governmental Accounting Standards Board.

"When actual fund balances are more than two-thirds higher than what you've budgeted that can cause problems," said Crawford, an Oklahoma City accountant. "That can be misleading for the decision-makers. It can be tough to predict some of those numbers when there's a lot of growth, but you should try to come as close as you can."

Lee was among counties that rode a wave of soaring real estate values as people flocked to Florida's coasts in the first half of the decade. Even as countywide property tax rates have been cut by more than 18 percent, property tax revenues -- expected to reach \$460.7 million this year -- have more than doubled since 2000.

Figures such as those have fueled the property tax reform push in Tallahassee. Lawmakers last week agreed on a tiered package that would slash tax revenues in the cities and counties that reaped the highest windfalls while shielding central and northern communities that fell beyond the real estate boom's reach.

Under the plan, Lee's tax revenues next year would be cut by 7 percent -- or about \$32 million -- from 2006-07 levels.

"What governments across the state have been able to say is, 'We reduced your tax rates,' but people's taxes have gone up. We're taking away the ability of local governments to do that," state Rep. Gary Aubuchon, R-Cape Coral, said. "Now we're saying if you're going to raise taxes in the future, you're going to have to vote on it rather than simply have a windfall create property tax increases."

Reserves

Much of the recent attention on Lee's budget has focused on the fund balance, or reserves, with critics such as Jorgensen charging the county has stockpiled more money than it needs.

Determining how credible such a claim is and untangling how much money is actually available, either here or elsewhere, can be tricky in large part because of the complexity of government accounting.

The balance listed in Lee's budget, for example, represents not only leftover operating money for government services, such as public safety or capital improvements, but also for several businesses run by the county under what's referred to as enterprise funds, covering such things as bridge tolls or water and sewer treatment.

Money for enterprise funds mostly comes from fees, not property taxes. County officials cannot legally spend enterprise reserve cash on other government services, although they can borrow against it.

"If money has accumulated in those funds, there's nothing we can do about it," county Manager Stilwell said. "Our hands are tied."

Also included in the fund balance is cash set aside for bonds or contracts. That money cannot legally be spent on another use, and officials say that leads to some inflated ideas about how much governments actually have on hand.

In Monroe, that's especially true, Budget Director Salvatore Zappulla said. More than half of Monroe's \$150 million balance is earmarked for an airport project along with a new courthouse, fire stations and other public works improvements, Zappulla said.

"You really can't make a one-size-fits-all comparison. There are just too many variables," Zappulla said. "There's a lot of money included in the fund balance that is not money you can access, and it's not money that comes from ad valorem taxes, so you can't really say it's accumulated on the backs of taxpayers."

Officials can tap freely reserve money in what's known as the general fund, which covers government services and depends mostly on property taxes. Lee has \$57 million in its general fund reserve.

Most government finance experts advise keeping a minimum reserve equivalent to 5 percent of the general fund budget. In Lee's case, the ratio is about 17 percent.

"I like having a (general) fund balance of 30 to 50 percent, so if, in your case, a hurricane comes along, you have some money to operate on," said Crawford, the accounting advisory board chairman. "It's good to have that money available because you never know when you're going to need it."

Still, Jorgensen can't help thinking Lee could get by with less.

"People are starting to move to the Carolinas because they can't afford the taxes here," he said. "Something needs to be done."

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After much confusion, Lee County officials agree that reserve number is \$34 million

By CHARLIE WHITEHEAD

Monday, June 11, 2007

Lee County's budgetary reserves total \$807 million.

Or they total \$335 million.

Or they total \$57 million.

Or they total \$34 million.

Officials did agree Monday morning that the unrestricted, undesignated reserves -- the money actually available that isn't already committed somewhere else -- is \$34 million. That agreement itself, they said, is a big step.

According to the county's outside auditors, there was \$807 million in reserve at the end of the 2006 fiscal year. Some \$464 million of that is designated for specific expenditures for specific functions.

There is \$335 million in county reserves left, but much of that money is restricted. There's \$40 million in library reserves, which can be spent only on libraries. There's \$56.4 million in road impact fees, money available only for roads.

Money likewise restricted by use cuts the available reserves to \$57 million.

When county commissioners adopted their budget last September, they designated \$23 million for stormwater management improvements.

That took county reserves, the amount actually available for emergencies or unanticipated spending, to \$34 million. That's about 13 percent of the budget, budget director Dinah Lewis said.

Officials have railed against confusion over reserve amounts and a public perception the county is flush with cash. A Republican budget watchdog committee called the Golden Goose Committee has pushed for cuts, as has Clerk of Courts Charlie Green.

All parties finally agreed to the \$34 million number, though committee member Matthew Caldwell did say that in those certain accounts, commissioners might consider delaying projects and cutting specific tax rates.

"If my insurance bill doubles, then maybe I have to think about stopping cable until I find a solution to my insurance bill," he said. "If you give increases for roads and for the sheriff, then maybe the new library is not a need."

Commissioners continue to discuss budget issues at a workshop with other elected officials this morning.



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June 14, 2007

Section: OPINION

Lee County spending outpaces growth

On June 11, 2007, I attended the Lee County Budget workshop meeting where I heard much talk about how the public was being misled about the true level of county reserves and that in order to keep up with the growth in population, the county needed all of the money it has collected and maybe more. I also heard the county has about \$1.5 billion in cash on deposit in a bank. That's right, \$1.5 billion. And more than 90 percent of that is either restricted or designated to be spent on some needed project.

For more than a year, the Republican Party Golden Goose Committee has been examining official county records in an effort to find out how our county has been financially managed. Following are some facts which may help to answer that question, and we leave it to the reader to render judgment.

It is a fact that the population of the county has grown from 475,073 people in 2002, to 585,608 people in 2006, a 23 percent increase. During that same time period, real estate taxes collected by the county grew from \$254.3 million to \$434.8 million, or 71 percent. That is a part of the total revenues collected for general government funding (excluding the business entities run by the county). The total amount collected in 2006 was \$810.5 million versus \$442.8 million in 2002, or an 83 percent increase. To summarize: In four years population grew 23 percent while revenue grew 83 percent.

Now let's look at spending. In 2002 total spending was \$404.9 million; by 2006, spending was at \$733.2 million, an 81 percent increase. Please note that in spite of the fact that spending went up 3 1/2 times faster than the population, some money was still left over and added to the "Fund Balance." That is part of the cash which wound up in the bank account. The Fund Balance in 2002 stood at \$336.3 million and by 2006 it had grown to \$607.7 million or 81 percent. To summarize: In four years population grew by 23 percent while spending and Fund Balances both grew a whopping 81 percent.

All of the foregoing data came from the 2006 County Comprehensive Annual Financial Report. In addition, that report said the businesses the county operates, had \$246,428,000 of unrestricted money available for spending. ... "At the County's discretion." It is no wonder that with all of that money, the county budgeted an 8.3 percent increase for salaries and payment for performance for its employees in this fiscal year. And remember, with all of that spending, we still have that \$1.5 billion sitting in the bank, most of which we were told, is also planned to be spent soon. That is one heck of a lot of additional spending for a county which has only grown by 23 percent. I for one, would like to see what all of that "designated" money will be spent on and when. Not in general terms, but in very specific terms which will add up to \$1.5 billion.

This is public information which each commissioner should become familiar with, and it is our hope that, notwithstanding the needs growth has brought with it, the commissioners will see that the burden of taxation many residents and businesses have been bearing, far exceeds what it should have been. With or without new state mandates, the county needs to tighten its belt.

We also need some major tax cuts.

-- Sal Grasso is a member of the Golden Goose Committee.

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Section: Opinion

Judah wrong about budget reserves

Lee Republican Party members not 'liars'

Lee County Commissioner Ray Judah clearly needed to have some time for venting as he declared the Lee County Republican Party, the Golden Goose subcommittee, and Chairman Gary Lee "liars" regarding the \$1.3 billion in reserves for the county budget.

He chastised all for not using his preferred number of \$57 million in "unrestricted, undesignated funds" when referring to the reserve amount. What we know for certain is that there are now closer to \$1.4 billion in the bank, earning millions of dollars in interest for the county every month. What makes up the difference between these two numbers? First, let's take a step back to find how we arrived at the point of attacking the reserves, all \$1.4 billion of them.

The Golden Goose subcommittee started in mid-2006 under the inkling that we were all paying too much in taxes. When you begin to dig into the budget during the boom years of 2003-06, you find that the increase in each yearly budget exceeded that of the previous year by a percentage greater than the rate of growth and the increases in cost of living. Follow the logic here. Every year since 2003, the budget has increased beyond what was needed to address the rise in inflation (costs) and the growth in population. Where was this extra tax revenue going?

You will find it stashed in various locations around the county budget, much of it for projects that are so far off in the planning stage that it cannot be adequately described. For example, there are millions available for the eventual construction of a regional library. Somewhere in North Fort Myers/North Cape Coral. Someday. Maybe. Unless we want to move it to another library project. Or maybe we want to move it over to the parks fund. You get the idea.

The reality is, a vast majority of the \$1.4 billion is "slush" money, that can be moved at will between accounts. Some will try to obfuscate the matter by pointing to those smaller funds that were collected for a specific purpose and cannot be moved. These are not what make up most of the reserves. These excess funds collected from the taxpayer may very well be for things that we need and want, but they should not be paid for at the expense of our economic productivity and on the backs of the small business owner.

The county is in the unique advantage of setting both their budget and their income. While most households have to see what they can earn and then spend as best they can, the county can find all the projects they want and then find taxes to pay for them. The final gasp of desperation on the part of Commissioner Judah was when he tried to play the political sleight of hand by blaming others for the problem. He stated that the ad valorem taxes of Lee County only represent 28 percent of a property owner's tax bill and that all who complain should go after the other 72 percent.

While I may agree with him on the latter point, I do not do so at the exclusion of the former point. As an example, if there were 10 murderers running amok in Lee County, would we take seriously the claims of the three we were prosecuting that it was unfair to do so, because we had not taken the other seven to trial as of yet? It is ridiculous to listen to such nonsense and it is insulting that the commissioner thinks so little of the taxpayers to believe that they will not see through this nonsense.

--Matthew H. Caldwell lives in Lehigh Acres. He is active with the Lee County Republican Party and serves on the East County Water Control District's budget and audit committees.

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Lee County is being fiscally responsible

*State legislators balance Florida's budget on the backs of taxpayers, and we should get real relief
Special to The News-Press*

Guest Opinion: Ray Judah

Prior to the Lee County Board of Commissioners' first public hearing on the county budget for fiscal year 2007-08, the Lee County Republican Party Golden Goose watchdog group sent a mailer to a select group of active Republican voters suggesting that the county had a bloated budget with \$1.3 billion in cash reserves.

In reality, Lee County has \$57 million in unrestricted cash reserves, which is 17 percent of the operating budget.

Professional finance and accounting organizations recommend unrestricted reserves of 15 percent to 25 percent of expenditures to cover unanticipated events such as emergencies, impacts of economic changes and avoidance of debt. Lee County spent \$40 million in response to Hurricane Charley in 2004.

The majority of the \$1.3 billion is encumbered for capital projects such as the Sanibel Causeway, expansion of the waste-to-energy facility, construction of new jail facilities and courtrooms as required by federal court order, roads and a new regional library. Those designated funds are invested in an interest-bearing account and are drawn down once the projects are production-ready.

The Lee County General Fund represents approximately 28 percent of the total tax bill along with a variety of other taxing districts such as the Lee County School Board, fire districts, Lee County Mosquito Control and the South Florida Water Management District.

The school board represents approximately 45 percent of the total tax bill, but the state of Florida's extremely low ranking (approximately 45th out of 50 states) in per capita spending per student, places tremendous financial pressure on our local school board struggling to keep pace with skyrocketing student enrollment.

A real travesty is the \$53 million the Lee County taxpayer contributes to the South Florida Water Management District, where the funds are primarily spent to operate the water management system in the sugar cane fields in the Everglades Agricultural Area between Lake Okeechobee and the Everglades.

Lee County's return on such a huge expenditure is polluted water that is back-pumped from the sugar cane fields into Lake Okeechobee and discharged into the Caloosahatchee and our coastal bays and estuaries.

Despite accounting for less than one-third of the total tax bill, Lee County instituted deep cuts in eliminating more than \$100 million from the budget -- \$25 million in county departments; \$9 million constitucionals (including \$6.7 million from the sheriff's office); \$9 million major maintenance; and \$62 million capital projects.

Our local community needs to direct attention to the state Legislature for meaningful tax relief.

The latest tax reform effort by the state legislature is a colossal failure in providing limited relief to commercial businesses and non-homestead residents.

The state legislature shows a penchant for balancing the state budget on the backs of local taxpayers. In fact, in health and human services such as Medicaid and mental health, the state imposes approximately \$320 million in unfunded mandates on counties statewide.

State-mandated programs in human services and court-related programs in Lee County total \$36 million and constitute approximately 8 percent of local ad valorem taxes.

Florida is a no-income-tax state and relies heavily on property and sales tax to provide services and infrastructure for the fourth most populous state in our nation.

Unfortunately, over the years the state legislature has granted sales tax exemptions to more than 300 businesses and organizations totaling \$25 billion annually. In fact the state exempts far more than it collects in sales taxes.

Medicine, food and rent should remain exempt, but the state legislature should make a concerted effort to remove sales tax exemptions as a way to provide property tax relief and sufficient funding for such essential services as health care, human services, education and law enforcement.

-- Ray Judah is the Lee County commissioner representing District 3.

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September 20, 2007

Section: Opinion

Page: 11B

Attend today's budget hearing and ask for fiscal forbearance

Judah's recent writings littered with errors, misrepresentations

The Lee County Republican Party's Golden Goose subcommittee recently invited members of the public to speak out at the budget hearing on Sept. 6, 2007.

In this invitation, we highlighted only one area that begs to be addressed, and that is the growing balance of cash in the "bank," which is currently more than \$1.3 billion.

Commissioner Ray Judah chastised the work of the committee, calling us "liars" regarding this sum at the budget hearing.

We responded in a courteous manner shortly thereafter. In response to this, Commissioner Judah chose to spread misinformation, in an attempt to confuse the public into a state of inaction on these issues. In his recent editorial, the commissioner makes three misleading assertions that must be refuted.

First, he claims that "Professional(s) ... recommend unrestricted reserves of 15 to 25 percent. ..." However, we need only look at the Lee County budget of 2000-2007 on Page C-3 to find a stated policy of 3 percent to 5 percent reserves.

In addition, Florida law regarding county budgets (FS 129.01(c)1) states: "A reserve for contingencies may be provided in a sum not to exceed 10 percent of the total of the budget." The current and proposed budgets fail the test of both their policy and the law.

Second, he claims that the "majority" of the \$1.3 billion is encumbered for a number of capital projects, one of which is a new regional library.

The most recent addition to our system was the Lakes Regional Library. This project cost roughly \$19 million. However, the fund for future libraries has now grown to just more than \$67 million.

Considering that the cost of land, materials, and labor are continuing to fall, one has to wonder why we are saving enough money to build three new libraries, when there are not even solid plans for one at this time.

Third, he claims to have "instituted deep cuts in eliminating more than \$100 million from the budget."

One can only assume he is referring to the proposed budget from earlier this summer. While we applaud any effort to reduce the burden on the taxpayer, in reality, we find the budget amount that is to be considered for approval is \$2.759 billion. That results in a 22 percent increase over the 2006-2007 approved budget of \$2.262 billion.

Incidentally, even though the county approved a budget of \$2.262 billion for 2006-2007, the total expenditures will likely come to \$3 billion when the fiscal year draws to a close.

This follows a pattern in the last few years of grossly underestimating the budget. While state law requires the county to purposefully underestimate revenues by 5 percent, in case of economic disaster, etc., our county budgets have consistently missed the mark by more than 30 percent.

The Golden Goose subcommittee has been unswerving in its call to cut taxes by 20 percent, and in turn reduce the unnecessary "stash" of cash the county maintains in the bank.

Many more articles could also be written regarding policy decisions, such as paying cash up front for capital projects or the current policy of defined benefit, rather than defined contribution, retirement plans.

We call on Commissioner Judah to set the model of fiscal responsibility and leadership.

By leading his fellow board members to set a reasonable budget, that does not place punitive tax burdens on our citizens and small business owners, we may then be able to earnestly call on the other taxing authorities to follow suit, just as he desires.

The final budget hearing is at 5 p.m. today in the Old Lee County Courthouse. We encourage every concerned citizen to attend and to voice their opinion.

-- Matthew H. Caldwell is a seventh generation Floridian and lifelong resident of Lee County. He currently resides in Lehigh Acres and is a member of the Lee County Republican Party Golden Goose Committee.

IF YOU GO

• WHAT: Lee County Commission final budget hearing

• WHEN: 5 p.m. today

• WHERE: Old Lee County Courthouse, 2120 Main St., downtown Fort Myers

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Golden Goose putting out bad information again

Cuts are easy to suggest from afar

Ray Judah

Freelance

It is gratifying to know that the Lee County Republican Party Golden Goose subcommittee took time to review the Lee County budget. Lee County government maintains an open-door policy in providing budget documents to the public.

Unfortunately, members of the subcommittee fail to fully comprehend the budget and have attempted to discredit local government's fiscal policy with misinformation and unfounded allegations.

It is noteworthy that in his recent commentary, subcommittee member Matthew Caldwell backpedals from his earlier, erroneous criticism that Lee County held \$1.3 billion in cash reserves to recognizing that Lee County has \$1.3 billion in cash invested in interest-bearing accounts for a myriad of capital projects (i.e. roads, correctional facilities, utilities) either currently under construction or programmed to be built when production ready.

Mr. Caldwell takes issue with Lee County's efforts to maintain unrestricted reserves of 15-25 percent of operating funds by referencing Lee County's budget manual and Florida law concerning budget reserves. Mr. Caldwell attempted to make a case that according to Lee County's general budget policy, reserves should be 3-5 percent. If Mr. Caldwell had read the general budget policy in its entirety, he would have realized that 3-5 percent pertained to contingency reserves to cover any unanticipated expenses.

In fact, the general budget policy references 20 percent reserves for cash flow and working capital. Lee County's independent auditor recently reported that he was comfortable with an operating reserve of 15-25 percent and fully supported Lee County's operating fund reserves of 17 percent.

Operating fund reserves are necessary for unforeseen events such as hurricane recovery, economic changes and avoiding debt.

Mr. Caldwell attempted to find fault with Lee County's Library Fund as an example of "stashing cash" in various county funds, and "that the Library Fund has grown to just over \$67 million with no solid plans to build even one at this time".

In fact, there is actually \$58 million in the Library Fund, which combines operating and capital obligations. Apparently Mr. Caldwell was unaware that there is \$18-20 million designated for a new regional library in northwest Cape Coral expected to break ground in March 2008. Additionally, Lee County has set aside \$20-25 million to renovate or rebuild the Fort Myers regional downtown library and several million dollars to partner on the Bonita Springs library expansion. The balance is for future operational and capital needs of our 11 regional and community libraries.

The \$100 million cut from next year's budget was not just a wish list, as suggested by Mr. Caldwell. I believe the sheriff would argue he needs more road deputies, but that was not possible with a \$6.7 million cut to his budget. Capital projects, such as parks and road improvements were either cut or delayed. The county's capital budget is driven largely by state mandated concurrency requirements to keep up with parks, roads, utilities and solid waste: infrastructure that is critical to economic growth and quality of life.

The county's projected spending for next year is \$949 million for county operations, constitutional officers, and capital projects. That is a 1.5 percent increase from the past year. That is a reasonable increase considering inflation was 2.7 percent, 30,000 new residents moved to our community during the past year, and the sheriff has to staff up for an eight-story jail expansion.

Mr. Caldwell suggests a tax rate reduction of 20 percent, but what services, programs and capital projects would he wish to

eliminate? From what parks, roads, libraries, water and sewer capacity improvements, emergency medical services, human service agency support or law enforcement would he withhold financial support? In fact, even with Lee County's explosive growth and state-mandated concurrency requirements for services and infrastructure, over the last four years, the county has reduced the tax rate by 28.3 percent.

Mr. Caldwell suggests Lee County use our obligated cash to cut taxes. In doing so, we would risk state imposed sanctions, diminution of our quality of life, degradation of our infrastructure, and critical reduction of public safety, health and human services.

Lee County must demonstrate our resolve to provide a balance in being fiscally prudent with tax payer dollars and fulfilling our responsibilities to meet the public health, safety and welfare needs of our community.

--Ray Judah is Lee County commissioner for District 3.

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GUEST OPINION: Public repeatedly misled by Lee County budgets - Sal Grosso

Sal Grosso

For too long now, some locally elected officials and the people they have hired to run our local governments have been putting out budgets for public consumption which appear to be fabrications.

And the sad part of this is that most people are unaware this is happening and no one gets punished for repeatedly misleading the public. The end result has been uncontrolled spending increases made possible by excessive taxation.

If you were to examine the Lee County Budget for each of the years from 2002 through 2006, you would find "Actual" year end budgets exceeded the "Original Budget" by huge amounts in each of those years.

For example, the "Original Budget" in fiscal year 2001-2002 was published as \$1.402 billion but by year end it was increased to \$1.652 billion.

Move ahead to fiscal year 2005-2006 and the "Original Budget" was published as \$1.986 billion but the "Actual" budget became \$2.779 billion. That was a \$793 million increase.

As for the year that just ended, the "Original Budget" said we would spend \$2.26 billion but it was amended to increase to \$2.81 billion.

Since the law requires budgets to be balanced, we must assume \$2.8 billion of revenues were available to cover that increased level of spending.

However, I have just been informed that someone finally decided to put the brakes on spending and that total spending for the year that just ended was held down to the "Original" \$2.26 billion.

One could further conclude that since the planned spending was reduced by \$550 million, that our taxes could also have been reduced by a similar amount - but of course that did not happen.

Report true reserves

Another very disturbing fact is how "Reserves" are grossly understated in each year's county budget. If we look at 2002-2003, the "Original Budget" said reserves would be \$452.7 million but when the year ended the "Actual Reserves" were shown as \$995.5 million.

Move up to 2004-2005 and the "Original Budget" said reserves would equal \$480.7 million whereas the year end reserves came in at \$1.136 billion.

And in 2005-2006 the numbers were "Original Budget" of \$581.4 million versus "Actual" year end reserves of \$1.249 billion.

In each of the past five years, the year end "Actual" was about double what was put into the "Original" budget.

Notwithstanding the fact that some reserves are legally restricted, I say setting the reserves artificially lower at the beginning of the budget cycle makes it look like we need more money to cover proposed spending.

That results in a higher tax millage rate to support the planned expenditures and that in turn leads to higher taxes and higher spending than what is actually needed.

It also allows the county to claim it is not in violation of a state law which limits reserves for contingencies to 10 percent for any given fund plus an additional 20 percent to pay for projects carried over from the prior fiscal year.

Falsifying reserves in the corporate world is a violation of federal law.

A recent Wall Street Journal article described how two former executives of Comverse Technology falsified earnings reports by manipulating reserves over a six-year period. Both have pleaded guilty to criminal charges related to the manipulations.

Control spending

I should also point out that a recent county report said that during the first three months of the 2008 fiscal year, ad valorem (property) taxes collected were 11 percent higher than what was collected during the same three months of last year.

That is in spite of the downturn we have had in the economy. Bottom line: Unless some changes are made to control how budgets are set and administered, total spending and reserves will keep growing well beyond current levels.

Space does not permit me to describe similar budget manipulations which have taken place in Cape Coral over the past few years. A state audit found the city was in violation of state law because it failed to include all available net assets in two recent years' budgets.

Suffice it to say, this kind of activity must be better controlled by state law. Current state laws allow this to happen because there are no provisions in the law for punishing people who intentionally mislead the public on budgets. None!

Of particular interest to those of us who live in Lee County is the fact that in the most recent election, our county had the highest turnout of voters and that we overwhelmingly approved the Property Tax Exemption Amendment by a vote of 82.1 percent.

Again, that was the highest in the state. The people of our county have sent a message which cannot be ignored.

I urge everyone who reads this to contact your elected officials and let them know you want to see some changes made in how budgets are created and administered.

There is also a need for punishing those who repeatedly mislead the public with inaccurate budget numbers.

- Sal Grosso is a member of the Golden Goose Committee of the Lee County Republican Party. He resides in Cape Coral.

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Page: B9

Lee County budget process open, audited

Recent comments by a guest opinion included accusations of misleading budgets in Lee County, and the facts must be repeated to correct these ill-advised statements.

The budget process is open and follows all laws in its adoption and mid-year amendment. The process includes a board of county commissioners workshop in June, and two public hearings — all of which are publicized, broadcast on cable television and open to the public. Any changes to increase the budget require board approval in a public session.

In addition, the county's budget is open to the public by being posted on the Web site at (www.lee-county.com/BudgetServices/Autopage_T1_R66.htm), and staff is available for questions. Mr. Grosso and other members of the Golden Goose Committee have met with staff regularly to discuss various fiscal topics.

The major confusion seems to be a lack of understanding that the budget is a plan, adopted at the beginning of a fiscal year, which is intended to guide the county's activities. If the plan changes during the year (by vote of the elected commissioners), such as adding a new program, receiving new federal grants, or accelerating a capital project, the adopted budget will change.

One of the elements of the budget is the county's reserves, which are monies available but not currently allocated to a particular expenditure, much like a balance in a bank account. The reserve amount will increase when the county collects more than budgeted (such as higher traffic fines or sales tax) or when the county spends less than budgeted (such as lower employee salaries or delayed capital expenditures). These reasons for higher reserves than budgeted do not come from poor or misleading budgeting process, they come from good and prudent fiscal management.

Every year the county's finances are audited — both by the Clerk of Courts Internal Audit team and by an independent CPA firm. Neither has found "misleading" elements or "fabrications" in the budget process. Indeed, the accounting firm consistently comments on the quality of financial reporting and commends the county on its accuracy and compliance with all accounting rules.

In short, we believe the budget process is open and reliable. We actively encourage questions and suggestions on improvements to the content/process/communication features, but strongly disagree that the public is poorly served.

— Dinah Lewis is Lee County's administrative services director.

GUEST OPINION: DINAH LEWIS

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Matthew Caldwell: Lee budget practices must be changed

In 2006, the "Golden Goose" committee, under the Lee County Republican Party, began a review of the Lee County budget based on our desire for responsible fiscal policy. This review has led the committee to make several recommendations. First, any tax increases should correlate with the growth of our population and inflation. Since 1998, the property taxes have increased 221 percent. In that same period, the combined increases in population and inflation were 71 percent. How can we not be keeping up with growth, when taxes have increased three times faster than growth?

Second, the stated reserves are "misleading" inasmuch as they do not reflect the actual cash position of the county. For the 2004-05 budget, the approved reserves were \$481 million, while the actual cash position for that year was \$1.135 billion, or 2.36 times greater. This gap continues in the 05/06, 06/07, and 07/08 budgets. Who could obscure half their cash position and still have "good and prudent fiscal management," as was claimed in a recent article by county staff?

Third, budgeted amounts should accurately reflect the needs of the county. In September 2005, \$277 million was approved for transportation for the 05/06 cycle. In April 2006, a new estimate was presented as \$322 million. Yet in January 2007, the actual number was finalized at \$258 million. How is this possible and what happened to the \$64 million shown between the estimated and actual budgets?

Fourth, taxes should not be collected too far in advance of the actual expenditure. Today, there is \$83 million in the library fund, yet no real progress has been made on the proposed capital projects. The newest library on Gladiolus Drive cost roughly \$20 million for land and construction. There is now enough funding to build four libraries. Why have we collected this money so soon and why is the county manager intent on not bonding these projects, forcing present taxpayers to bear all the expense and exempting future users from sharing in the burden?

Fifth, there are currently no state standards for the treatment of these issues. In instances where we believe the budget presentation may have been purposely misleading, there are no legal remedies. We have asked our state legislators to look into creating simple, yet effective, standards and remedies for this type situation.

At the end of the day, no one can justify the growth in spending over the last decade. Ten years ago the county budget was around \$500 million. This year it will break \$3 billion. I challenge the citizens of Lee County to make a list of what they are getting for that extra \$2.5 billion. Do the benefits and numbers match up?

We believe change will only come at the direction of the county commission. The county manager is fond of stating that "all he needs is three votes" to pass the budget. The time has come for the taxpayers of Lee County to receive their "three votes."

- Matthew H. Caldwell is a member of the Golden Goose Committee.

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Guest Opinion: Lee County budgeters responding to challenges

Don Stilwell

I would like to respond to the recent column from the Golden Goose Committee about Lee County Government's budget practices. A continuing theme by the committee is the county's \$1.3 billion of cash and investments is money that is in reserve, and completely uncommitted and undesignated.

That cash balance - not unlike an individual's personal checking and savings accounts - includes not only savings (reserves), but also funds committed to capital projects (of which there are \$511 million this year), and continuing operational monies (county departments and the constitutional officers, including the sheriff, have a combined operating budget this year of \$696 million).

Most of the county's financial reserves are restricted for enterprise activities (such as Utilities and Solid Waste) and capital projects. The criticism of the library fund fails to mention that both current operations and capital projects are paid for from these dollars, including a new library in Cape Coral and revitalization of the downtown library.

This year's approved annual spending (operating and capital, including funding to the constitutional officers) of \$1.2 billion was a 1.8 percent decrease from 2007. Budget models recently submitted by county departments - three reduction models were requested - would result in additional decreases of 2 percent, 4 percent, and 7 percent. This is the second year in a row the county has kept spending well below population growth and inflation (which would equate to an annual increase of 8 percent for both 2007 and 2008).

The Board of Lee County Commissioners has decreased property tax rates by 28.3 percent since 2004. Revenues from tax base growth during that time were spent primarily on growth-driven infrastructure and state and federally mandated programs, including roads (\$60 million), the new justice center building (\$30 million to supplement a bond), purchasing the SunTrust and Wachovia buildings downtown for court-related and constitutional operations (\$30 million), and funding post-retirement liabilities (\$46 million).

Lee County is doing a number of things to respond to reduced revenues from the economic downturn and tax reform.

Beginning in early 2007, the county began holding as many vacant positions open as possible while still maintaining service levels. The county currently has 207 vacant positions.

The county will be offering an early buy-out to employees as a way to further reduce personnel costs and facilitate reorganization and restructuring of county departments, combining functions and management structure.

And in December, the county began limiting the post-retirement benefits of new hires as a way to contain a growing liability.

The county estimates revenues will be at least \$140 million less this coming year. The Golden Goose projected a budget for 2009 of more than \$3 billion (25 percent above the 2008 budget); instead we expect it will be less than 2008. That is why we have taken these steps and continue to look for ways we can operate more effectively and efficiently.

The goal is to maintain as high a service level as possible within the available revenues, while recognizing that Lee County must continue to act responsibly in providing a balance between the protection of our quality of life and adapting to the challenges of the current economic conditions.

- Don Stilwell is Lee County manager.

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Lee County looking to tap into reserves

RYAN LENGERICH

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About \$124 million — the most ever in unrestricted reserves — could keep Lee County construction going and prevent even more painful program cuts this turbulent budget season, county officials say.

A local watchdog committee said the county shouldn't even have that kind of money sitting around.

Lee County is facing its most challenging budget year in decades. Officials estimate it will take in \$145 million to \$185 million — at least 13 percent less in revenue than this budget year. Just how ugly the scenario is will be known Monday, when Lee County Property Appraiser Ken Wilkinson must release preliminary property values.

Property taxes, which account for about a third of the county's revenue, depend on those values.

County budget gurus then will have a better idea how deep they might cut into reserves accumulated during recent high economic times.

The county has several ways it will try to close the gap, said Dinah Lewis, the county's budget specialist.

About an \$85 million shortfall this budget year is caused mostly by fewer impact fees, building permits and gas-tax fees. That money pays for new construction. So next year, new construction projects will be killed, delayed or forced to use reserve money.

The remaining shortfall, as much as \$100 million, will be handled through rounds of cuts.

There are 200 vacant positions. At an average \$50,000 per opening, eliminating those jobs would save about \$10 million. The county is slashing its \$453 million operating budget, which includes spending such as salaries and day-to-day costs. If it cuts by even 6 percent, that shaves off another \$27 million.

The county is offering an early buyout program to almost 800 employees. Lewis said total savings will depend on how many take the buyout and how the county restructures to get the same jobs done with different or fewer people.

Even with all that, the county must somehow cover as much as \$60 million under the worst- case scenario.

"We are not going to open up a door and find \$40 million," said Pete Winton, assistant county manager. "You really scrub, you really scrub and you scrub some more."

Last year the county cut budget requests by \$100 million, half from capital improvements and the other half from operations.

Reserves will play a role, Winton said. The county had \$248 million in total reserves at the end of last fiscal year, between designated and undesignated cash. That's up from \$144 million two years earlier.

"This is the first year in a long time where we have looked at reserves to maintain operating at a certain service level," Winton

said.

Though complete reserve spending information was not immediately available, the county has spent at least \$18 million this year, including \$10 million in December to the South Florida Water Management District to purchase 1,700 acres for a water quality project.

He said reserves are created when the county does not spend as much as it planned in a year, or when revenues are higher than expected. He warned against spending down reserves hastily. They take years to accumulate and the county should take a long-term approach if it chooses to spend them down.

Matthew Caldwell is a member of the Golden Goose Committee of the Lee County Republican Party, which has been digging into the county's spending and budgeting habits for three years. He said the committee's conflict with the county's fiscal practices has less to do with dollar figures in reserve and more with philosophy.

"The past four years to me it has been clear the attitude in county government has been, if there is a problem in the entire world, county government can solve it," Caldwell said.

The county's unrestricted reserves total 30 percent of its operating budget. Caldwell said with government's ability to borrow cash quickly, that number could safely be around 3 percent, or about \$13 million based on the current operating budget.

Commissioner Tammy Hall said she expects to know more about how reserves will be affected when Wilkinson releases property values.

"We are going to definitely dip into them. We want to keep capital projects moving forward," Hall said. "That is why we have reserves, for when things like this happen."

Key budget dates

- Monday — Final day for Property Appraiser Ken Wilkinson to release preliminary property assessments. This will give county departments an idea how much property values have slipped and how much property-tax revenue could fall.
- JUNE 18 — A 9:30 a.m. budget workshop brings together county commissioners to meet with the county manager, representing 27 departments, and officials from each constitutional office such as clerk of courts and election supervisor's office.
- JULY 1 — The property appraiser's office submits the assessment rolls to the Florida Department of Revenue for review and approval.
- AUGUST — Truth in millage notices are mailed to all Lee County property owners. Property owners have 25 days from the mailing date to meet with an appraiser to discuss value, or file a petition with the Value Adjustment Board contesting the property's value.
- SEPT. 11 — The first budget hearing will be at 5 p.m. This is the first chance for residents to speak with commissioners in a public setting about the budget. There will be no votes taken at this meeting.
- SEPT. 25 — Second budget hearing. Residents once again have the chance to speak. Commissioners generally make final changes and can adopt the budget at this hearing.
- OCT. 1 — The 2008-09 budget takes effect.

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