

# **The Hazards of Carrying Forward Unspent Balances in Harbor Bay CDD's Fiscal Year Budgets as a Stopgap to Raising Tax Assessments**

## **Introduction**

Fiscal management is a critical responsibility for the Harbor Bay Community Development District (CDD), which is tasked with maintaining community infrastructure and services while ensuring financial stability. Recently, Harbor Bay CDD is obligated by statute to take over 60 parcels of land from Park Square, a common requirement at the completion of a community. While the practice of carrying forward unspent balances from one fiscal year to the next may seem like a prudent way to avoid raising tax assessments, it carries significant risks and potential long-term consequences. This paper explores the hazards associated with relying on unspent balances as a fiscal stopgap and emphasizes the importance of planning for the maintenance of these newly acquired parcels.

## **The Appeal of Carrying Forward Unspent Balances**

For Harbor Bay CDD, carrying forward unspent balances can appear to be a fiscally responsible strategy, especially considering the new responsibilities associated with maintaining additional parcels of land. This approach allows the CDD to handle unexpected expenses without immediately increasing tax assessments on residents, thereby maintaining community goodwill. Additionally, it provides a temporary cushion for unforeseen expenditures, creating a sense of financial security for the board and the community.

## **Risks and Hazards**

### **1. Erosion of Fiscal Discipline**

One of the primary risks of relying on unspent balances is the potential erosion of fiscal discipline within Harbor Bay CDD. This practice can lead to complacency in budget planning and execution, as departments may become less motivated to efficiently manage their budgets, relying on unspent funds as a safety net. This erosion of discipline is particularly concerning given the new responsibilities associated with the 60 parcels of land. Without proper planning and allocation of resources for these new assets, the CDD risks inefficient spending and potential service degradation.

### **2. Short-Term Solutions and Long-Term Problems**

Using unspent balances to avoid raising tax assessments is often a short-term solution that does not address underlying fiscal issues. This approach can mask structural deficits and delay necessary adjustments to revenue or expenditure policies. For Harbor Bay CDD, the failure to plan for the maintenance of the newly acquired parcels can exacerbate this

problem. The costs associated with maintaining these parcels will inevitably surface, and **the reliance on unspent balances merely postpones the inevitable financial reckoning. This deferral can lead to a greater increase in assessments next year when the carry forward is no longer available to cover these hidden expenses.**

### **3. Unpredictable and Unsustainable Revenue**

Unspent balances are inherently unpredictable and cannot be considered a reliable source of revenue. Their availability depends on various factors, including the level of underspending and unexpected economic conditions. This unpredictability is particularly problematic for the Harbor Bay CDD, which must now account for the maintenance of additional parcels. Relying on unspent balances creates an illusion of fiscal stability, but as these balances diminish, the CDD may face the need for substantial tax increases or significant cuts to essential services to maintain financial stability.

### **4. Impact on Public Services and Investment**

While carrying forward unspent balances can provide **temporary fiscal relief**, it can also lead to the underfunding of critical services and investment in infrastructure projects. For Harbor Bay CDD, this means that necessary investments in areas such as road maintenance, landscaping, and community amenities may be deferred to preserve unspent balances. With the addition of 60 new parcels, the lack of proper planning and funding could result in a significant degradation of community assets. Moreover, the uncertainty surrounding future funding can hinder the planning and execution of long-term projects essential for the community's continued development and well-being.

### **5. Reduced Transparency and Accountability**

Relying on unspent balances can reduce **transparency** and accountability in the Harbor Bay CDD's financial operations. Avoiding difficult decisions regarding tax assessments or budget cuts may allow the CDD to evade the scrutiny that comes with such decisions. This lack of transparency can lead to confusion and mistrust among residents, who may not fully understand the CDD's fiscal situation, or the challenges posed by the new parcels. Transparency is crucial for maintaining trust between the CDD and its residents, and obscuring the true state of public finances can undermine confidence in the district's governance.

### **Conclusion**

While carrying forward unspent balances in Harbor Bay CDD's fiscal year budgets may offer temporary relief from raising tax assessments, it is **not a sustainable long-term solution**. This practice can erode fiscal discipline, mask structural deficits, and lead to

unpredictable revenue streams such as interest earned. Furthermore, the recent statutory obligation to take over 60 new parcels of land adds a significant burden that cannot be ignored. Without proper planning and transparent fiscal management, the CDD risks facing even greater financial challenges in the future, necessitating substantial tax increases or service reductions. It is crucial for Harbor Bay CDD to adopt a more comprehensive and transparent approach to ensure the community's financial stability and the continued provision of high-quality services.