



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: June 17, 2015

Re: Quarterly Financial Report for the quarter ended March 31, 2015

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the six months and quarter ended March 31, 2015. This report reflects year-to-date March 31, 2015 revenue and expense activity through May 31, 2015.

The General Fund is the chief operating fund of the Town. It is used to account for the general operating revenues and expenditures, as well as to account for the collection and recording of property taxes that have been assessed on properties within the Town's boundaries, subject to millage rates established by the Town Council.

As the attached Financial Report demonstrates, the Town's operating results for the first six months of fiscal year 2015 have been favorable versus the budget, and the Town continues to maintain its financial strength.

The operating budget results fluctuate from period to period as a result of the normal timing flow of revenue collections and expenditure payments. For example, the bulk of the property taxes are collected in the first several months of each fiscal year. In the first six months of the fiscal year, the Town has collected roughly 93% of the ad valorem taxes it budgeted for the entire fiscal year. Going forward, the amount collected for property taxes will, naturally, be much less than collected through the six months ended March 31, 2015.

Some other items of interest are discussed below:

Franchise Fees

This category primarily relates to the Florida Power & Light (FPL) franchise fee payment the Town receives each year. It also includes the solid waste franchise fees that the Town collects from haulers licensed to operate in the Town pursuant to the Town's solid waste franchise fee ordinance. The budget for this line item represents the pro-rated annual amount. Since the FPL franchise fee is not received until the summer (generally in August), it appears that there is an unfavorable variance for this revenue category, even though that is not the case.



The amount shown in the actual column for the six months ended March 31, 2015 (\$112,174) represents solid waste franchise fees earned in the first half of the year. This compares favorably with the budget for this specific item for this revenue category (\$90,000 pro-rated budget for the first six months of the fiscal year).

Building & Zoning

Building & Zoning revenues in the first half of the year have come in approximately \$15,000 lower than anticipated as a result of timing delays for certain anticipated commercial development projects in Town. It is still anticipated that this shortfall will be recouped as the year progresses and, in that regard, the second quarter's favorable budget variance of approximately \$37,000 will almost eliminate the first quarter's approximate \$52,000 shortfall. We will monitor the progress of these projects and inform the Town and the Town Council if further delays are forecast.

Permit revenues are "shared" with the 3rd party company contracted by the Town to provide such services. The contractor is paid a percentage of the revenues collected and the Town retains a portion (the contractor pays its own operating costs out of its share of the revenues at no additional cost to the Town). The current contract with this vendor recently negotiated by Town Staff provides for a more favorable "share" of the revenues for the Town and this new revenue split has resulted in increased net revenue for the Town.

State Pass-Through Revenues

For the most part, revenues passed through from the State have been in-line with budget estimates or slightly better than expected. The Town's collections of the Local Government Half-Cent Sales tax have remained particularly strong. Municipal Revenue Sharing program payments from the State have lagged from budget estimates for the first half of the year, but at this point we do not consider it to be a significant problem to the Town from a total revenue standpoint.

As with regard to the Municipal Revenue Sharing program, The State pays a uniform amount each month of the year and makes a "catch-up" adjustment in the summer to reconcile the actual revenue sharing collections for the State's fiscal year (July 1 – June 30) with the estimated monthly payments made to the municipalities during the period. It is very possible that the "catch-up" adjustment this summer could make us whole as to this revenue source. Of course, we will continue to monitor these revenue sources, as we do with all of our other revenue sources, in order to keep the Town and the Town Council abreast of any material adverse impacts.

Town Hall Building (Cutler Bay Town Center)

For the first half of FY 2014-15, the Town has generated approximately \$221,000 in rental income from the Town Hall Building, which is approximately \$54,000 less than the pro-rated budget amount for the quarter. This revenue shortfall is due primarily to rent abatements.



In November, one tenant received rent abatement (“free rent”) pursuant to their existing lease. Then as a result of an HVAC problem and emergency repair (see discussion below), all tenants were given a one month rent abatement. Most tenants took that in December 2014, although some opted to take it in January 2015. The Town recently completed an RFP for a new leasing agent and it is hoped that this new agent can pursue rental opportunities as we move forward during the year in order to recoup most, if not all, of this revenue shortfall.

Operating expenses were approximately \$399,000, which were approximately \$21,000 more than the pro-rated budget amount for the first six months of the year. This represents an improvement of approximately \$89,000 in the second quarter which recouped most of the first quarter shortfall (\$110,000).

As discussed more fully in the first quarter report, the first quarter operating expense’s unfavorable variance resulted primarily from the timing of the property tax payment on the building and the mechanical failure of the HVAC system which required unanticipated equipment rental and repair and maintenance costs (offset by savings in professional services and other contractual services which helped limit the department’s overall first quarter operating expense unfavorable budget versus actual performance to the aforementioned \$110,000). In the second quarter, The Town was able to operate on a more normalized basis with significant reductions in repairs and equipment rental costs as the HVAC issue from the first quarter did not carry over into the second quarter. As a result, second quarter operating expenses came in approximately \$89,000 less than budgeted which reduced the overall year to date unfavorable variance to approximately \$21,000.

Capital improvements continued in the current quarter and for the first half of the fiscal year totaling approximately \$303,200 through March 2015, of which approximately 85% related to the elevator modernization project.

Quality Neighborhood Improvement Program (“QNIP”)

As a condition of incorporation, the Town is required to pay its share of the QNIP bonds issued (or authorized) by the County at the time of incorporation, as set forth in the Town’s Interlocal agreement with the County. The full, yearly, QNIP payment was made to the County in the first quarter of the year (as it is each year), while the budget amount on the enclosed financial report represents a pro-rated (three months) amount. This is not a true over-budget line item and this anomaly will self correct as the year progresses.

In fact, the actual QNIP payment (\$348,924) for the year came in under the amount budgeted for the whole year (\$400,000).

Further information regarding any of the above noted matters, or any other details related to the Town’s first quarter results, may be obtained through the Finance Department during regular business hours.

**PRELIMINARY
GENERAL FUND**

| | Year-to-Date Six Months Ended March 31, 2015 | | | Quarter Ended March 31, 2015 | | |
|---|--|---------------------|-------------------------|---------------------------------|---------------------|-------------------------|
| | Actual | Pro-rated Budget | Fav (Unfav) Variance | Actual | Pro-rated Budget | Fav (Unfav) Variance |
| Revenue | | | | | | |
| Ad Valorem Taxes | 4,036,069 | 2,171,869 | 1,864,200 | 402,325 | 1,085,934 | (683,609) |
| Local Option Fuel Tax-6 cents | 270,848 | 255,917 | 14,932 | 131,081 | 127,959 | 3,123 |
| Utility Services | 1,341,404 | 1,300,000 | 41,404 | 584,426 | 650,000 | (65,574) |
| Franchise Fees | 112,174 | 565,000 | (452,826) | 52,535 | 282,500 | (229,965) |
| Communications Services Tax | 663,894 | 624,776 | 39,118 | 316,283 | 312,388 | 3,895 |
| Local Government Half-Cent | 1,565,632 | 1,489,028 | 76,604 | 813,748 | 744,514 | 69,234 |
| State Revenue Sharing Proceeds | 616,057 | 672,491 | (56,434) | 308,029 | 336,245 | (28,216) |
| Building & Zoning | 557,436 | 572,500 | (15,064) | 323,542 | 286,250 | 37,292 |
| Town Hall Building Rentals | 220,980 | 275,000 | (54,020) | 121,287 | 137,500 | (16,213) |
| Other Revenues | 512,224 | 413,850 | 98,374 | 283,184 | 206,925 | 76,259 |
| Interest Income | 33,238 | 20,000 | 13,238 | 16,968 | 10,000 | 6,968 |
| | 9,929,956 | 8,360,430 | 1,569,526 | 3,353,408 | 4,180,214 | (826,806) |
| Debt Proceeds | - | - | - | - | - | - |
| Transfers In | - | 278,000 | (278,000) | - | 139,000 | (139,000) |
| Total Revenue | 9,929,956 | 8,638,430 | 1,291,526 | 3,353,408 | 4,319,214 | (965,806) |
| Expenditures | | | | | | |
| Salaries, Payroll Taxes and Benefits | 1,238,009 | 1,563,211 | 325,201 | 636,199 | 781,606 | 145,406 |
| Professional Services: | | | | | | |
| Law Enforcement | 4,261,062 | 4,461,035 | 199,973 | 2,111,062 | 2,230,517 | 119,455 |
| Other | 55,462 | 140,000 | 84,538 | 27,674 | 70,000 | 42,326 |
| Legal Fees | 205,700 | 212,500 | 6,800 | 140,972 | 106,250 | (34,722) |
| Accounting & Auditing | 9,830 | 21,000 | 11,170 | 9,830 | 10,500 | 670 |
| Contractual Services: | | | | | | |
| Planning & Zoning | 325,793 | 403,100 | 77,307 | 183,395 | 201,550 | 18,155 |
| Other | 728,432 | 784,588 | 56,156 | 387,890 | 392,294 | 4,404 |
| Travel & Per Diem | 27,074 | 36,750 | 9,676 | 11,384 | 18,375 | 6,991 |
| Utilities, Communications & Freight Services | 135,114 | 145,490 | 10,376 | 68,798 | 72,745 | 3,947 |
| Rentals & Leases | 39,441 | 44,924 | 5,483 | 20,532 | 22,462 | 1,930 |
| Insurance | 82,680 | 100,000 | 17,320 | - | 50,000 | 50,000 |
| Other Current Charges | 269,211 | 321,993 | 52,782 | 106,128 | 160,996 | 54,868 |
| Office and Operating Supplies | 68,595 | 96,000 | 27,405 | 35,674 | 48,000 | 12,326 |
| Town Hall Building: | | | | | | |
| Operating | 398,740 | 377,326 | (21,414) | 100,027 | 188,663 | 88,636 |
| Capital Outlays | 303,201 | 285,000 | (18,201) | 81,962 | 142,500 | 60,538 |
| Debt Service | 475,359 | 476,000 | 641 | 237,679 | 238,000 | 321 |
| Contributions & Aid to Other Govt Entities | - | 150,000 | 150,000 | - | 75,000 | 75,000 |
| Capital Costs - Other | 59,035 | 182,900 | 123,865 | 53,377 | 91,450 | 38,073 |
| QNIP Debt Payments | 348,924 | 200,000 | (148,924) | 0 | 100,000 | 100,000 |
| Debt Service - Other | 358,338 | 359,500 | 1,162 | 179,169 | 179,750 | 581 |
| | 9,390,001 | 10,361,316 | 971,315 | 4,391,753 | 5,180,657 | 788,904 |
| Transfers Out | - | - | - | - | - | - |
| Total Expenditures | 9,390,001 | 10,361,316 | 971,315 | 4,391,753 | 5,180,657 | 788,904 |
| Budgeted carryover, net of reserves | - | 1,722,886 | (1,722,886) | - | 861,443 | (861,443) |
| Excess of Revenue Over Expenditures, net of Transfers | 539,955 | - | 539,955 | (1,038,345) | - | (1,038,345) |