



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: June 15, 2016

Re: Quarterly Financial Report for the quarter ended March 31, 2016

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, 2016. This report reflects year-to-date March 31, 2016 revenue and expenditure activity through May 31, 2016.

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, subject to millage rates established by the Town Council.

The Town's operating results for the first half of fiscal year 2016 have been favorable versus budget. While certain budget line items are showing unfavorable variances, as will be explained in the narrative below, those unfavorable variances are primarily due to the timing of actual revenues and expenditures versus the pro-rated budget. The Town continues to maintain its financial strength and healthy financial reserves.

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. Year to date through March 31st (i.e., the first six (6) months of the fiscal year), the Town has collected roughly ninety-three percent (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 (6) months ended March 31, 2016.



Some other items of interest are discussed below:

Franchise Fees

This category primarily relates to the FPL franchise fee payment the Town receives each year, but 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 (6) months ended March 31, 2016 (\$129,579) represents solid waste franchise fees earned in that period. This compares **favorably** with the budget for this specific item (\$100,000 pro-rated budget for the first six (6) months of the fiscal year).

Building & Zoning

Building & Zoning revenues in the first half of the year have come in slightly under budget. Building permit revenue has lagged in the first half of the year versus the pro-rated budget as a result of timing delays for certain anticipated commercial development projects in Town, but this unfavorable variance has been offset by favorable variances in zoning and code compliance revenues. Since the Town's expenditures related to the permitting function are variable based on the amounts of revenues collected (see paragraph below), the shortfall in permit revenues will not have an adverse impact on the Town's finances since there will be correspondingly less expenditures made to the contractor that performs the permitting and inspection functions for the Town. Town Staff will continue to monitor the progress of the planned development projects in Town and inform the Town Council if further delays are forecast which could impact the timing of anticipated permit fee revenue collections.

Permit revenues are "shared" with a third (3rd) party company contracted with 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 exceeded budget estimates, except for collections of Municipal Revenue Sharing. At this time, Town Staff believes that the unfavorable variance in this line item is due to timing issues and that no significant issue exists relative to the Town's budget for this line item. Further, the State has not issued any revised estimates or downward guidance that would indicate any problems with the original estimates provided to us for budget purposes. As a result, Town Staff does not consider the unfavorable variance in this revenue line item to be a significant problem to the Town from a total revenue standpoint.

Town Staff 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 six (6) months of FY 2016, the Town has generated approximately \$302,600 in rental income from the Town Hall Building, which is in line with the pro-rated budget amount. The rental income budget anticipated rents from additional leased space which has not materialized in the first quarter of fiscal year 2016. The Town, through its new leasing agent, is actively marketing the office space and there is some current interest that may yield additional leased space in the second half of fiscal year 2016.

During the quarter, the Town was notified by one of its non-profit tenants that it is electing a provision in its lease to terminate early. The tenant paid the required lease termination penalty payment and will vacate its space in September 2016. While this will not impact the rental income from this tenant for fiscal year 2016, it will impact the Town's budgeted rental income from the building for fiscal year 2017 should the Town not be able to lease the equivalent square footage that this tenant occupies.

Operating expenses and capital expenditures have exhibited favorable variances versus the budget for the first half of fiscal year 2016. Year to date operating expenses were approximately \$365,000, which is approximately \$22,000 less than the pro-rated budget amount for the first six (6) months of the year. Capital improvements for the first half of the fiscal year totaled approximately \$4,700, versus a pro-rated budget of \$657,500 for the period. The major improvements budgeted for fiscal year 2016 have not yet commenced.



Other Contractual Services

Other contractual services (excluding Planning & Zoning), have an **unfavorable** variance of approximately \$130,000 for the first half of the year. This primarily relates to the timing of certain Public Works activities. It should also be noted that a substantial portion of the Public Works expenditures in this category relate to sidewalk repairs and replacements which are being funded by local option gas taxes and not by general fund revenues.

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 (six 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 (\$348,266) for the year came in under the amount budgeted for the whole year (\$350,000).

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.

Town of Cutler Bay
Revenues and Expenditures

**PRELIMINARY
GENERAL FUND**

	Year-to-Date March 31, 2016			Quarter Ended March 31, 2016		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	4,372,704	2,363,380	2,009,324	375,587	1,181,690	(806,103)
Local Option Fuel Tax-6 cents	270,425	265,584	4,841	130,048	132,792	(2,744)
Utility Services	1,417,618	1,375,000	42,618	632,512	687,500	(54,988)
Franchise Fees	129,679	575,000	(445,321)	52,297	287,500	(235,203)
Communications Services Tax	607,992	592,607	15,385	305,825	296,303	9,522
Local Government Half-Cent	1,659,260	1,609,256	50,004	867,066	804,628	62,438
State Revenue Sharing Proceeds	633,607	687,145	(53,538)	316,803	343,572	(26,769)
Building & Zoning	431,309	447,000	(15,691)	208,585	223,500	(14,915)
Town Hall Building Rentals	302,670	300,000	2,670	163,901	150,000	13,901
Other Revenues	561,217	455,173	106,045	313,545	227,587	85,959
Interest Income	24,541	20,000	4,541	13,220	10,000	3,220
	10,411,022	8,690,144	1,720,879	3,379,389	4,345,071	(965,681)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	176,500	(176,500)	-	88,250	(88,250)
Total Revenues	10,411,022	8,866,644	1,544,379	3,379,389	4,433,321	(1,053,931)
Expenditures						
Salaries, Payroll Taxes and Benefits	1,329,533	1,686,670	357,137	707,289	843,335	136,046
Professional Services:						
Law Enforcement	4,262,500	4,580,421	317,921	2,056,563	2,290,210	233,647
Other	51,669	130,000	78,331	37,860	65,000	27,140
Legal Fees	200,692	225,000	24,308	113,544	112,500	(1,044)
Accounting & Auditing	25,330	14,750	(10,580)	25,330	7,375	(17,955)
Contractual Services:						
Planning & Zoning	237,142	319,850	82,708	121,909	159,925	38,016
Other	837,163	707,035	(130,128)	444,399	353,517	(90,882)
Travel & Per Diem	25,983	37,250	11,267	14,462	18,625	4,163
Utilities, Communications & Freight Services	128,878	133,550	4,672	64,020	66,775	2,755
Rentals & Leases	39,101	45,884	6,783	19,999	22,942	2,943
Insurance	78,332	100,000	21,668	51,663	50,000	(1,663)
Other Current Charges	303,419	309,033	5,613	127,814	154,517	26,702
Office and Operating Supplies	80,098	97,473	17,374	44,734	48,737	4,002
Town Hall Building:						
Operating	365,099	387,803	22,704	117,242	193,901	76,659
Capital Outlays	4,679	657,500	652,821	-	328,750	328,750
Debt Service	381,254	379,160	(2,095)	190,103	189,580	(524)
Contributions & Aid to Other Govt Entities	27,275	150,000	122,725	27,275	75,000	47,725
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	120,680	200,200	79,520	57,712	100,100	42,388
QNIP Debt Payments	348,266	175,000	(173,266)	0	87,500	87,500
Debt Service - Other	422,951	423,380	429	211,973	211,690	(283)
	9,270,047	10,759,958	1,489,911	4,433,894	5,379,978	946,084
Transfers Out	-	-	-	-	-	-
Total Expenditures	9,270,047	10,759,958	1,489,911	4,433,894	5,379,978	946,084
Budgeted carryover, net of reserves	-	1,893,314	(1,893,314)	-	946,657	(946,657)
Excess of Revenues Over Expenditures	1,140,975	-	1,140,975	(1,054,505)	-	(1,054,505)