



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: April 20, 2016

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

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended December 31, 2015. This report reflects year-to-date December 31, 2015 revenue and expenditure activity through April 7, 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 three (3) months 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 December 31st (i.e., the first three (3) months of the fiscal year), the Town has collected roughly eighty-five percent (85%) 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 three (3) months ended December 31, 2015.



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 three (3) months ended December 31, 2015 (\$77,382) represents solid waste franchise fees earned in that period. This compares **favorably** with the budget for this specific item (\$50,000 pro-rated budget for the first three (3) months of the fiscal year).

Building & Zoning

Building & Zoning revenues in the first three (3) months of the year have come in on budget. Building permit revenue has lagged in the first quarter 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 the Local Government Half-Cent Sales Tax and Municipal Revenue Sharing. At this time, Town Staff believes that the unfavorable variances in these two (2) line items are due to timing issues and that no significant issue exists relative to the Town's budget for these line items. 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 variances in these two (2) revenue line items 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 three (3) months of FY 2016, the Town has generated approximately \$138,800 in rental income from the Town Hall Building, which is approximately \$11,200 less than 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.

Subsequent to the close of the first 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.

Year to date operating expenses were approximately \$247,800, which were approximately \$54,000 more than the pro-rated budget amount for the first three (3) months of the year. This resulted primarily from the timing of the property tax payment on the building (the full payment for the year was made in November, but the budget is pro-rated equally over twelve months).

Capital improvements for the first three (3) months of the fiscal year totaled approximately \$4,700, versus a pro-rated budget of \$328,750 for the quarter. 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 \$39,200 for the first three (3) months 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.

Other Current Charges

Other current charges have an **unfavorable** variance of approximately \$21,000 for the first three (3) months of the year. This primarily relates to the timing of certain expenditures versus the pro-rated budget and there are no particular items, at present, that we believe indicate an issue with the budget going forward. Of course, Town Staff will continue to monitor these expenditures and advise the Council of any changes in circumstances.

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 (\$348,266) 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 and Three Months Ended December 31, 2015		
	Actual	Pro-rated Budget	Fav (Unfav) Variance
<u>Revenues</u>			
Ad Valorem Taxes	3,997,117	1,181,690	2,815,427
Local Option Fuel Tax-6 cents	140,377	132,792	7,585
Utility Services	785,106	687,500	97,606
Franchise Fees	77,382	287,500	(210,118)
Communications Services Tax	302,167	296,304	5,864
Local Government Half-Cent	792,194	804,628	(12,434)
State Revenue Sharing Proceeds	316,804	343,573	(26,769)
Building & Zoning	222,724	223,500	(776)
Town Hall Building Rentals	138,769	150,000	(11,231)
Other Revenues	247,672	227,586	20,086
Interest Income	11,321	10,000	1,321
	7,031,633	4,345,072	2,686,561
Debt Proceeds	-	-	-
Transfers In	-	88,250	(88,250)
Total Revenues	7,031,633	4,433,322	2,598,311
<u>Expenditures</u>			
Salaries, Payroll Taxes and Benefits	622,244	843,335	221,091
Professional Services:			
Law Enforcement	2,205,937	2,290,211	84,274
Other	13,809	65,000	51,191
Legal Fees	87,148	112,500	25,352
Accounting & Auditing	-	7,375	7,375
Contractual Services:			
Planning & Zoning	115,233	159,925	44,692
Other	392,764	353,518	(39,246)
Travel & Per Diem	11,521	18,625	7,104
Utilities, Communications & Freight Services	64,858	66,775	1,917
Rentals & Leases	19,102	22,942	3,840
Insurance	26,669	50,000	23,331
Other Current Charges	175,605	154,516	(21,089)
Office and Operating Supplies	35,364	48,736	13,372
Town Hall Building:			
Operating	247,857	193,902	(53,956)
Capital Outlays	4,679	328,750	324,071
Debt Service	191,151	189,580	(1,571)
Contributions & Aid to Other Govt Entities	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-
Capital Costs - Other	62,968	100,100	37,132
QNIP Debt Payments	348,266	87,500	(260,766)
Debt Service - Other	210,978	211,690	712
	4,836,153	5,379,979	543,826
Transfers Out	-	-	-
Total Expenditures	4,836,153	5,379,979	543,826
Budgeted carryover, net of reserves	-	946,657	(946,657)
Excess of Revenues Over Expenditures	2,195,481	-	2,195,481