



## MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: January 30, 2017

Re: Financial Report for the year and quarter ended September 30, 2016

On behalf of the Mayor and Town Council, please find enclosed the preliminary General Fund financial report for the year and quarter ended September 30, 2016. Town staff is currently working on the closeout of fiscal year 2016 in preparation for its annual audit by the Town's independent CPA firm. Accordingly, the amounts reflected in this report are subject to change as we continue the year-end closing process, but any such changes are not expected to be material. After the Town's fiscal year 2016 audit is completed, an updated report will be prepared and placed on the Town's web site (along with the Town's Comprehensive Annual Financial Report).

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.

While the Town experienced a deficiency of revenues over expenditures for fiscal year 2016 of approximately \$390,000, the Town's financial results for the year came in much better than originally budgeted. The originally adopted budget for fiscal year 2016 reflected an anticipated \$3.8 million deficiency of revenues over expenditures. The actual results represent an approximate \$3.4 million improvement versus the originally adopted budget. Notwithstanding, the Town continues to maintain its financial strength and holds healthy financial reserves.

***The following sections discuss some of the more significant operational highlights for fiscal year 2016***



### **Revenues:**

Revenues came in better than expected for all major revenue categories except for State Revenue Sharing, Communications Services Taxes and Ad Valorem Taxes. Overall, however, the shortfalls in those three revenue categories were more than offset by strong surpluses in other revenue categories yielding total operating revenues of approximately \$467,500 more than the amended budget.

All other major revenue sources, including utility taxes, franchise fees, gas taxes, and sales taxes experienced favorable budget variances. Town generated revenues, including, but not limited to, permit and zoning fees, licensing and registration fees, lien search fees, and parks fees, all had positive contributions versus budget to the Town's fiscal year 2016 revenue. While 2016 ad valorem taxes came in less than budgeted, such revenues continue to be received in fiscal year 2017. Due to the timing of the receipt, however, they are not reported in fiscal year 2016, but rather as collection of delinquent revenues in fiscal year 2017.

Transfers in to the General Fund from the Special Revenue Fund totaled approximately \$394,350, comprised of gas taxes and impact fees. These monies were expended in the General Fund to continue the Town's sidewalk repair program (using gas taxes totaling approximately \$342,175 in fiscal year 2016), as well as for the purchase of two patrol vehicles for the police department (using police impact fees totaling approximately \$52,175). By utilizing gas taxes and impact fees on these allowed projects/purchases, the Town did not have to expend ad valorem or other General Fund revenues on these items.

### **Building & Zoning:**

While actual Building & Zoning revenues for the year were approximately \$82,000 more than budgeted, the permit fees component came in approximately \$7,000 below the budgeted amount. This small shortfall in permit fees, however, was offset by stronger revenues than budgeted for zoning fees (approximately \$63,000 more than budget), code violation collections (approximately \$10,000 more than budget) and other permit and license fees (approximately \$14,000 more than budget).

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 fee revenues versus the budget did not have an adverse impact on the Town's finances since there was a correspondingly smaller expenditure made to the contractor that performs the permitting and inspection functions for the Town.

Permit revenues are "shared" with a third (3<sup>rd</sup>) 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 provides for a more favorable “share” of the revenues for the Town than did the original contract the Town had with the vendor, and this new revenue split has resulted in increased net revenue for the Town.

**Town Hall Building (Cutler Bay Town Center):**

Town Hall Building (“CBTC”) rentals for fiscal year 2016 were in line with amounts budgeted. For fiscal year 2016, the CBTC had an operating loss (before capital outlay and debt service) of approximately \$90,000, which compares favorably to the approximate \$175,000 operating loss budgeted for the year for CBTC. The reason for this favorable variance in operating deficit is that the CBTC’s expenditures for fiscal year 2016 came in \$85,000 under budget by virtue of prudent property management and cost containment.

During the year, the Town was notified by one of its non-profit tenants that it elected a provision in its lease to terminate early. The tenant paid the required lease termination penalty payment and vacated its space in September 2016. While this did 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. In that regard, the Town has leased additional space to a new tenant for fiscal year 2017, but due to the timing of the lease start date the revenue impact from this new tenant will not significantly impact fiscal year 2017 rental income. Also, an existing tenant is considering additional space in the building to expand their operations in 2017, although the tenant has not yet made any final decisions.

Town Hall Building capital improvements for the fiscal year totaled approximately \$76,000, primarily related to the HVAC design project and to new flooring installed in parts of the building.

**Capital Outlay:**

Capital outlay, other than related to Town Hall Building as discussed above, was approximately \$229,000 in fiscal year 2016. Purchases included various IT hardware and software upgrades and operating improvements for several of the Town’s parks, such as a lightning detection system at several parks, some new water coolers and playground structures and new flooring at Cutler Ridge Park. Additionally, two new police vehicles were acquired (approximately \$52,175, using police impact fees) as well as new radar detection equipment (approximately \$6,200, using law enforcement training trust funds).





**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). For fiscal year 2016, the actual QNIP payment (\$348,266) came in under the amount budgeted (\$350,000).

***Further information regarding any of the above noted matters, or any other details related to the Town’s financial report, may be obtained by contacting the Finance Department at 305-234-4262 during regular business hours.***



Town of Cutler Bay  
Revenues and Expenditures  
**GENERAL FUND**  
**PRELIMINARY**

	Year-to-Date September 30, 2016			Quarter Ended September 30, 2016		
	Actual	Budget As Amended	Fav (Unfav) Variance	Actual	Budget As Amended	Fav (Unfav) Variance
<b>Revenues</b>						
Ad Valorem Taxes	4,638,277	4,726,759	(88,482)	60,560	1,181,690	(1,121,130)
Local Option Fuel Tax-6 cents	546,782	531,167	15,615	138,031	132,792	5,239
Utility Services	3,026,608	2,900,000	126,608	910,948	837,500	73,448
Franchise Fees	1,319,529	1,150,000	169,529	1,135,104	287,500	847,604
Communications Services Tax	1,163,147	1,185,214	(22,067)	273,045	296,303	(23,258)
Local Government Half-Cent	3,297,361	3,218,512	78,849	797,290	804,628	(7,338)
State Revenue Sharing Proceeds	1,274,244	1,297,290	(23,046)	316,246	266,572	49,674
Building & Zoning	1,016,068	934,000	82,068	289,263	263,500	25,763
Town Hall Building Rentals	600,467	600,000	467	149,723	150,000	(277)
Other Revenues	1,087,162	961,345	125,817	282,751	278,586	4,165
Interest Income	42,112	40,000	2,112	5,427	10,000	(4,573)
	18,011,756	17,544,287	467,469	4,358,387	4,509,071	(150,684)
Debt Proceeds	-	-	-	-	-	-
Transfers In	394,348	378,077	16,271	394,348	113,327	281,021
<b>Total Revenues</b>	<b>18,406,104</b>	<b>17,922,364</b>	<b>483,740</b>	<b>4,752,735</b>	<b>4,622,398</b>	<b>130,337</b>
<b>Expenditures</b>						
Salaries, Payroll Taxes and Benefits	2,916,601	3,373,340	456,739	913,367	843,335	(70,032)
Professional Services:						
Law Enforcement	8,641,740	9,160,842	519,102	2,224,245	2,290,210	65,965
Other	160,359	260,000	99,641	40,451	65,000	24,549
Legal Fees	407,062	450,000	42,938	109,228	112,500	3,272
Accounting & Auditing	25,765	29,500	3,735	0	7,375	7,375
Contractual Services:						
Planning & Zoning	570,401	739,700	169,299	166,041	259,925	93,884
Other	1,509,902	2,024,070	514,168	310,401	963,517	653,116
Travel & Per Diem	48,556	74,500	25,944	11,632	18,625	6,993
Utilities, Communications & Freight Services	259,462	267,100	7,638	65,894	66,775	881
Rentals & Leases	80,219	91,768	11,549	21,561	22,942	1,381
Insurance	194,063	200,000	5,937	66,030	50,000	(16,030)
Other Current Charges	521,785	633,065	111,280	87,503	169,516	82,013
Office and Operating Supplies	185,666	194,945	9,279	41,250	48,736	7,486
Town Hall Building:						
Operating	690,516	775,606	85,090	195,276	193,901	(1,375)
Capital Outlays	75,954	557,725	481,771	67,560	(428,525)	(496,085)
Debt Service	758,319	758,319	0	188,009	189,580	1,571
Contributions & Aid to Other Govt Entities	326,926	327,275	349	299,651	102,275	(197,376)
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	229,426	405,400	175,974	54,765	105,100	50,335
QNIP Debt Payments	348,266	350,000	1,734	0	87,500	87,500
Debt Service - Other	845,199	846,760	1,561	210,841	211,690	849
	18,796,188	21,519,915	2,723,727	5,073,706	5,379,977	306,271
Transfers Out	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>18,796,188</b>	<b>21,519,915</b>	<b>2,723,727</b>	<b>5,073,706</b>	<b>5,379,977</b>	<b>306,271</b>
Budgeted carryover, net of reserves	-	3,597,551	(3,597,551)	-	757,580	(757,580)
<b>Deficiency of Revenues Over Expenditures</b>	<b>(390,084)</b>	<b>-</b>	<b>(390,084)</b>	<b>(320,971)</b>	<b>-</b>	<b>(320,971)</b>