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## MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: February 7, 2017

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

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On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended December 31, 2016. This report reflects year-to-date December 31, 2016 revenue and expenditure activity through February 7, 2017.

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 2017 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 31<sup>st</sup> (i.e., the first three (3) months of the fiscal year), the Town has collected roughly eighty-six percent (86%) 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, 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, as well as to 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. Since the FPL franchise fee is not received until the summer (generally in August), the associated budgeted revenue for those FPL franchise fees have been removed from this report so as not to distort the budget versus actual results. The franchise fee amounts that appear in this quarterly report relate solely to the Town's solid waste franchise fee program.

The amount shown in the actual column for the three (3) months ended December 31, 2016 (\$67,432) 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).

### **Local Government Half-Cent Sales Tax**

Collections of the local government half-cent sales tax revenues for the first three (3) months of year have lagged the pro-rated budget by approximately \$25,600. At this time, we do not anticipate any budgetary issues from this revenue source for the entire fiscal year primarily because actual revenues for the first three (3) months of this year, while lagging the pro-rated budget, are higher than the actual revenues for the corresponding period of the preceding fiscal year and because these revenues are typically stronger in the spring/summer months and we anticipate the first quarter shortfall to be recouped at that time. We will continue to monitor this revenue source and advise the Town Council of any adverse changes.

### **Building & Zoning**

Building & Zoning revenues in the first three (3) months of the year have lagged the pro-rated budget primarily as a result of delayed starts to certain anticipated projects in Town. At this time, Town Staff believes the budgeted revenues should be met on an annual basis, but it will ultimately depend upon the timing of commencement of those projects.

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 and zoning fee revenue collections.

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.

### **Other Revenues**

Other revenues for the first three (3) months of the year have lagged the pro-rated budget by approximately \$10,500. This results primarily from less than anticipated traffic fine revenues. Over the course of the past year, the Town has experienced a decline in average monthly traffic fine revenues. Police Department Command Staff are taking pro-active steps to reverse this trend by increasing enforcement measures going forward (which has the added benefit of increasing public safety).

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

For the first three (3) months of fiscal year 2016-17, the Town has generated approximately \$103,000 in rental income from the Town Hall Building, which is approximately \$22,000 less than the pro-rated budget amount. As discussed in the previous fiscal year quarterly reports, the Town lost a significant tenant in 2016. While the Town has leased additional space to a new tenant, due to the timing of that new 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.

Year to date operating expenses were approximately \$288,250, which were approximately \$93,750 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), as well as from unanticipated repair/maintenance costs related to a service issue with the building HVAC system (which also resulted in unanticipated rental costs to rent portable A/C units for Town and tenant use).



Capital improvements for the first three (3) months of the fiscal year totaled approximately \$59,500, primarily related to continued design costs of the new HVAC system as well as for installation of new flooring in certain suites.

### **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) pursuant to the Interlocal agreement. For fiscal year 2016-17, the actual QNIP payment (\$347,516) for the year came in under the amount budgeted for the year (\$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 and Three Months Ended December 31, 2016		
	Actual	Pro-rated Budget	Fav (Unfav) Variance
<b>Revenues</b>			
Ad Valorem Taxes	4,388,827	1,268,922	3,119,905
Local Option Fuel Tax-6 cents	141,225	137,843	3,383
Utility Services	795,832	706,875	88,957
Franchise Fees	67,432	50,000 (1)	17,432
Communications Services Tax	300,852	275,259	25,593
Local Government Half-Cent	807,430	833,040	(25,609)
State Revenue Sharing Proceeds	313,937	313,938	(0)
Building & Zoning	193,513	237,250	(43,737)
Town Hall Building Rentals	102,888	125,000	(22,112)
Other Revenues	203,135	213,625	(10,490)
Interest Income	11,116	10,000	1,116
	<u>7,326,188</u>	<u>4,171,750</u>	<u>3,154,438</u>
Debt Proceeds	-	-	-
Transfers In	-	75,000	(75,000)
	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>
Total Revenues	<u>7,326,188</u>	<u>4,246,750</u>	<u>3,079,438</u>
<b>Expenditures</b>			
Salaries, Payroll Taxes and Benefits	652,874	857,347	204,473
Professional Services:			
Law Enforcement	2,308,876	2,395,775	86,899
Other	35,691	67,500	31,810
Legal Fees	61,964	112,500	50,536
Accounting & Auditing	-	8,125	8,125
Contractual Services:			
Planning & Zoning	117,104	147,925	30,821
Other	309,093	389,905	80,812
Travel & Per Diem	9,686	19,125	9,439
Utilities, Communications & Freight Services	68,722	75,370	6,648
Rentals & Leases	19,768	29,584	9,815
Insurance	32,888	50,000	17,113
Other Current Charges	87,279	111,617	24,338
Office and Operating Supplies	39,701	44,488	4,786
Town Hall Building:			
Operating	288,242	194,478	(93,764)
Capital Outlays	59,496	210,000	150,504
Debt Service	191,195	189,580	(1,615)
Contributions & Aid to Other Govt Entities	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-
Capital Costs - Other	4,563	84,675	80,112
QNIP Debt Payments	347,516	350,000 (2)	2,484
Debt Service - Other	212,560	211,691	(870)
	<u>4,847,218</u>	<u>5,624,684</u>	<u>777,466</u>
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,847,218</u>	<u>5,624,684</u>	<u>777,466</u>
Budgeted carryover, net of reserves	-	1,377,934 (1,2)	(1,377,934)
Excess of Revenues Over Expenditures	<u>2,478,970</u>	<u>-</u>	<u>2,478,970</u>

1 - as FPL Franchise Fees are not reported until the 4th quarter of the year, the \$1 million budgeted for that revenue source has been adjusted out of this quarterly report so as not to distort the quarterly budget versus actual results.

2 - QNIP payment is paid by the Town pursuant to the Interlocal Agreement with the County in the 1st quarter of each fiscal year. Accordingly, in this quarterly report the budget amount reflects the total annual budget amount, not a pro-rated amount.