



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: February 6, 2018

Re: Financial Report for the year and quarter ended September 30, 2017

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, 2017. Town staff is currently working on the closeout of fiscal year 2017 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 2017 audit is completed, an updated report will be prepared, if necessary, 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 (i.e., "dip") for fiscal year 2017 of approximately \$1.8 million, the Town's financial results for the year came in much better than originally budgeted. The originally adopted budget for fiscal year 2017 reflected an anticipated \$3.5 million "dip". The actual results represent an approximate \$1.7 million improvement versus the originally adopted budget. Notwithstanding, the Town continues to maintain its strong financial position and healthy financial reserves.

It should also be pointed out that the fiscal year 2017 "dip" was increased by costs incurred related to Hurricane Irma in September (see below). The fiscal year 2017 results reflect approximately \$700,000 of storm related costs, primarily for police services, clearing road debris, and some repair projects completed before September 30, 2017. To date, no FEMA or insurance recoveries have been received. While the Town would have still generated a deficiency of revenues over



expenditures for fiscal year 2017, the additional storm related costs made the fiscal year 2017 results worse than it otherwise would have been. Even with these extra storm related costs, it should be stressed that the actual deficiency experienced in fiscal year 2017 was about half of what was originally budgeted.

Hurricane Irma

Hurricane Irma impacted the South Florida region, including the Town, in September 2017. As of this date, the Town remains, to some extent, in recovery mode. While much progress has already been made, and much activity around town is back to normal, some significant repair/replacement projects are pending.

Town Hall reopened for business on September 18th. The Town sustained some damage to its Town Hall building and to several of its parks. Town Staff is actively working with the Town's insurer (Florida League of Cities FMIT) to get claims processed and paid. The Town is also working with its contractors to ensure that documentation of FEMA reimbursable claims meet the FEMA standards so that there are no issues securing reimbursements for eligible expenses, including reimbursement for Town police hurricane services.

While Town Staff will make every effort to seek reimbursement for the Town's storm related costs, some of the costs may ultimately be denied by FEMA or the insurer or may be not eligible for reimbursement. Even if certain of the additional expenditures are reimbursable, it has(will) required(require) the Town to expend the funds upfront and then wait, possibly for a significant period of time, before reimbursement is received. During this time of recovery, we are fortunate to have the level of financial reserves in place to successfully guide the Town through this event.

The following sections discuss some of the more significant operational highlights for fiscal year 2017

Revenues:

Revenues came in better than expected for all major revenue categories except for franchise fees and Town Hall Building rentals. Overall, however, the shortfalls in those two revenue categories were more than offset by surpluses in other revenue categories yielding total operating revenues of approximately \$302,000 more than the originally adopted budget.

Franchise fees were below budget primarily related to an approximate \$160,000 shortfall in FPL franchise fees. The primary drivers of the shortfall, per County representatives, were lower revenues on which the fee is based as well as higher



property tax payments made by FPL. Per their franchise agreement with the County, to which the Town is a party to through its Interlocal agreement with the County, FPL is allowed to deduct any property taxes paid from the gross fees collected and only remit the net amount.

Regarding the Town Hall Building, rental income was approximately \$65,000 less than budgeted. During fiscal year 2016, 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 did negatively impact the Town's rental income from the building for fiscal year 2017. The Town was able to lease additional space in fiscal year 2017, but due to the terms of the agreements with those new tenants the rental income impacts on fiscal year 2017 were not enough to offset the revenue lost from the tenant that vacated in fiscal year 2016. These new tenants should positively impact rental income streams in fiscal year 2018. The Town is also currently in negotiation with a potential tenant for a significant amount of the remaining leasable space in the building. Should a lease be negotiated with this party, the rental income impacts from this potential tenant would most likely be experienced in fiscal year 2019.

Expenditures:

Expenditures, including transfers out, had a favorable variance versus the originally adopted budget resulting in a positive variance of approximately \$1.4 million. All expenditure categories, except for Law Enforcement and Contractual Services, had favorable budget variances. The negative budget variances in Law Enforcement and Contractual Services result directly to the increased, and unexpected, costs incurred in September 2017 related to Hurricane Irma, some of which may be reimbursed at a later date (see discussion above in Hurricane Irma section).

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 2017, 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 September 30, 2017			Quarter Ended September 30, 2017		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	5,077,377	5,075,687	1,690	46,986	1,268,922	(1,221,936)
Local Option Fuel Tax-6 cents	566,773	551,370	15,403	143,548	137,842	5,706
Utility Services	3,137,950	2,827,500	310,450	919,459	706,875	212,584
Franchise Fees	1,080,786	1,200,000	(119,214)	901,178	1,050,000	(148,822)
Communications Services Tax	1,120,613	1,101,035	19,578	279,554	275,259	4,295
Local Government Half-Cent	3,379,648	3,332,158	47,490	822,751	833,039	(10,288)
State Revenue Sharing Proceeds	1,323,704	1,255,750	67,954	326,279	313,937	12,342
Building & Zoning	950,273	949,000	1,273	238,033	237,250	783
Town Hall Building Rentals	434,736	500,000	(65,264)	123,932	125,000	(1,068)
Other Revenues	859,002	854,500	4,502	243,803	213,625	30,178
Interest Income	57,990	40,000	17,990	17,545	10,000	7,545
	<u>17,988,852</u>	<u>17,687,000</u>	<u>301,852</u>	<u>4,063,068</u>	<u>5,171,750</u>	<u>(1,108,681)</u>
Debt Proceeds	-	-	-	-	-	-
Transfers In	299,900	300,000	(100)	299,900	75,000	224,900
	<u>18,288,751</u>	<u>17,987,000</u>	<u>301,751</u>	<u>4,362,968</u>	<u>5,246,750</u>	<u>(883,782)</u>
Expenditures						
Salaries, Payroll Taxes and Benefits	3,138,417	3,429,389	290,972	964,269	857,347	(106,922)
Professional Services:						
Law Enforcement	9,709,317	9,583,100	(126,217)	2,908,854	2,395,776	(513,078)
Other	166,969	270,000	103,031	49,755	67,500	17,745
Legal Fees	323,855	450,000	126,145	82,884	112,500	29,616
Accounting & Auditing	27,265	32,500	5,235	0	8,125	8,125
Contractual Services:						
Planning & Zoning	581,430	591,700	10,271	160,033	147,925	(12,108)
Other	1,644,376	1,559,620	(84,756)	468,994	389,905	(79,088)
Travel & Per Diem	68,007	76,500	8,493	17,286	19,125	1,839
Utilities, Communications & Freight Services	279,835	301,480	21,645	69,558	75,370	5,812
Rentals & Leases	77,938	118,334	40,396	17,893	29,583	11,690
Insurance	188,963	200,000	11,037	54,634	50,000	(4,634)
Other Current Charges	344,411	446,469	102,058	86,987	111,617	24,630
Office and Operating Supplies	169,043	177,950	8,907	38,702	44,487	5,785
Town Hall Building:						
Operating	681,056	777,913	96,857	140,948	194,478	53,530
Capital Outlays	190,853	840,000	649,147	63,172	210,000	146,828
Debt Service	758,319	758,320	1	187,964	189,580	1,616
Contributions & Aid to Other Govt Entities	297,429	300,000	2,571	270,154	75,000	(195,154)
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	55,547	338,700	283,153	25,028	84,675	59,647
QNIP Debt Payments	347,516	350,000	2,484	-	-	0
Debt Service - Other	846,761	846,762	1	210,821	211,690	869
	<u>19,897,306</u>	<u>21,448,737</u>	<u>1,551,431</u>	<u>5,817,935</u>	<u>5,274,684</u>	<u>(543,251)</u>
Transfers Out	170,185	-	(170,185)	39,054	-	(39,054)
	<u>20,067,491</u>	<u>21,448,737</u>	<u>1,381,246</u>	<u>5,856,989</u>	<u>5,274,684</u>	<u>(582,305)</u>
Budgeted carryover, net of reserves	-	3,461,737	(3,461,737)	-	27,934	(27,934)
Deficiency of Revenues Over Expenditures	<u>(1,778,740)</u>	<u>-</u>	<u>(1,778,740)</u>	<u>(1,494,020)</u>	<u>-</u>	<u>(1,494,020)</u>