



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: March 9, 2015

Re: Quarterly Financial Report for the quarter ended December 31, 2014

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended December 31, 2014. This report reflects first quarter revenue and expense activity through March 9, 2015.

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.

As the attached Financial Report demonstrates, the Town's operating results for the first quarter of fiscal year 2015 have been exemplary and the Town continues to maintain its financial strength.

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. In the first quarter of the fiscal year, the Town has collected roughly 84% 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 months ended December 31, 2014.

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 through December 31, 2014 (\$59,639) represents solid waste franchise fees earned in the first quarter. This compares favorably with the budget for this specific item for this revenue category (\$45,000 pro-rated budget for the first quarter of the fiscal year).

Building & Zoning

Building & Zoning revenues in the first quarter have come in lower than anticipated as a result of timing delays for certain anticipated commercial development projects in Town. It is still anticipated that these projects will commence in FY 2014-15 and the first quarter revenue shortfall will be recouped. We will monitor the progress of these projects and inform the Town and the Town Council if further delays are forecast.

Permit revenues are “shared” with the 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). In a recent year, the Town renegotiated the contract with this vendor which provided 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 been in-line with budget estimates or slightly better than expected. The Town’s Municipal Revenue Sharing program payments from the State have lagged from budget estimates for the first quarter of the year, but at this point we do not consider it to be a significant problem to the Town from a total revenue standpoint. Of course, we 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 quarter of FY 2014-15, the Town has generated approximately \$99,700 in rental income from the Town Hall Building, which is approximately \$37,800 less than the pro-rated budget amount for the quarter. This revenue shortfall is due primarily to rent abatements.





In November, one tenant received rent abatement (“free rent”) pursuant to their existing lease. Then, as a result of an HVAC problem and emergency repair (see discussion in the next paragraph), all tenants were given a one month rent abatement. Most tenants took that in December 2014, although some opted to take it in January 2015. The Town is currently pursuing solid leads for rental of additional space in the building and it is believed that this revenue shortfall can be recouped in future quarters.

Operating expenses were approximately \$298,700, which were approximately \$110,000 more than the pro-rated budget amount for the quarter. This resulted primarily from the timing of the property tax payment on the building (approximately \$118,000) which occurred in the first quarter. This payment exceeded the \$35,000 pro-rated budget amount for property taxes by \$83,000. Also contributing to the unfavorable budget versus actual performance for operating expenses was the mechanical failure of the HVAC system in the first quarter of FY 2014-15 which required several weeks to repair and put back into service. Additionally during this repair period, the Town incurred significant expense for rental of portable AC units to be used by Town staff and tenants. All told, costs related to the HVAC repair and the rental of portable AC devices during the repair process was approximately \$84,500, which contributed roughly \$60,000 to the unfavorable budget versus actual performance. The Town did experience favorable budget versus actual performance in professional services and other contractual services (savings of approximately \$36,000 on a pro-rated budget basis) which helped limit the department’s overall operating expense unfavorable budget versus actual performance for the quarter to the aforementioned \$110,000.

Capital improvements continued in the current fiscal year and totaled approximately \$221,200 through December 2014, of which approximately \$196,000 related to the elevator modernization project.

Insurance

The insurance line item shows an approximate \$32,700 over budget result for the quarter ended December 2014. However, that is simply due to the timing of payments (i.e., the 2nd premium installment, for the January through March quarter, was paid in December) and the unfavorable budget versus actual amount will reverse out going forward.

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 (\$348,924) for the year came in under the amount budgeted for the whole year (\$400,000).

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 Three Months Ended December 31, 2014 | | |
|---|---|---------------------|-------------------------|
| | Actual | Pro-rated Budget | Fav (Unfav) Variance |
| Revenue | | | |
| Ad Valorem Taxes | 3,633,744 | 1,085,934 | 2,547,810 |
| Local Option Fuel Tax-6 cents | 139,767 | 127,958 | 11,809 |
| Utility Services | 756,978 | 650,000 | 106,978 |
| Franchise Fees | 59,639 | 282,500 | (222,861) |
| Communications Services Tax | 347,611 | 312,388 | 35,223 |
| Local Government Half-Cent | 751,884 | 744,514 | 7,370 |
| State Revenue Sharing Proceeds | 308,028 | 336,246 | (28,217) |
| Building & Zoning | 233,894 | 286,250 | (52,356) |
| Town Hall Building Rentals | 99,693 | 137,500 | (37,807) |
| Other Revenues | 229,040 | 206,925 | 22,115 |
| Interest Income | 16,270 | 10,000 | 6,270 |
| | 6,576,548 | 4,180,215 | 2,396,333 |
| Debt Proceeds | - | - | - |
| Transfers In | - | 139,000 | (139,000) |
| | 6,576,548 | 4,319,215 | 2,257,333 |
| Expenditures | | | |
| Salaries, Payroll Taxes and Benefits | 601,810 | 781,605 | 179,795 |
| Professional Services: | | | |
| Law Enforcement | 2,150,000 | 2,230,518 | 80,518 |
| Other | 27,788 | 70,000 | 42,213 |
| Legal Fees | 64,728 | 106,250 | 41,522 |
| Accounting & Auditing | - | 10,500 | 10,500 |
| Contractual Services: | | | |
| Planning & Zoning | 142,398 | 201,550 | 59,152 |
| Other | 340,542 | 392,294 | 51,752 |
| Travel & Per Diem | 15,690 | 18,375 | 2,685 |
| Utilities, Communications & Freight Services | 66,316 | 72,745 | 6,429 |
| Rentals & Leases | 18,909 | 22,462 | 3,553 |
| Insurance | 82,680 | 50,000 | (32,680) |
| Other Current Charges | 163,083 | 160,997 | (2,086) |
| Office and Operating Supplies | 32,921 | 48,000 | 15,079 |
| Town Hall Building: | | | |
| Operating | 298,713 | 188,663 | (110,050) |
| Capital Outlays | 221,239 | 142,500 | (78,739) |
| Debt Service | 237,680 | 238,000 | 320 |
| Contributions & Aid to Other Govt Entities | - | 75,000 | 75,000 |
| Capital Outlay - Land Parcel | - | - | - |
| Capital Costs - Other | 5,658 | 91,450 | 85,792 |
| QNIP Debt Payments | 348,924 | 100,000 | (248,924) |
| Debt Service - Other | 179,169 | 179,750 | 581 |
| | 4,998,247 | 5,180,658 | 182,411 |
| Transfers Out | - | 0 | 0 |
| | 4,998,247 | 5,180,658 | 182,411 |
| Budgeted carryover, net of reserves | - | 861,443 | (861,443) |
| Excess of Revenue Over Expenditures, net of Transfers | 1,578,301 | - | 1,578,301 |