



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: April 10, 2018

Re: Quarterly Financial Report for the quarter ended December 31, 2017

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended December 31, 2017. This report reflects year-to-date December 31, 2017 revenue and expenditure activity through February 28, 2018.

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 2018 have been favorable versus budget. A budget surplus of approximately \$2.85 million was experienced, which compares favorably to the first quarter of fiscal years 2017 and 2016 when the first quarter surpluses were \$2.48 million and \$2.19 million, respectively. During the first quarter of fiscal year 2018, approximately \$118,000 of Hurricane Irma related costs were incurred which negatively impacted the first quarter operating results. Without those extra costs, the actual first quarter surplus would have been greater.

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, as well as to the incurrence of Hurricane Irma related costs. 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-six percent (87%) 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, 2017.

Some other items of interest are discussed below:

Hurricane Irma Update

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. The fiscal year 2017 results reflected approximately \$700,000 of storm related costs, primarily for police services, clearing road debris, and some repair projects completed before September 30, 2017. During the first quarter of fiscal year 2018, approximately \$118,000 of additional storm related repair/replacement costs were incurred. Significant repairs and replacements are pending for Franjo Park. To date, no reimbursements have been received from FEMA. During the second quarter of fiscal year 2018 (not reflected in this first quarter report), the Town received initial insurance proceeds from our insurance carrier of approximately \$67,000.

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.

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, 2017 (\$83,992) 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).



State Pass-Through Revenues

Collections of state pass-through revenues (local option gas tax, communications services tax, half-cent sales tax, and municipal revenue sharing) have generally been in line versus the budget. While the communications services tax experienced an approximate \$9,000 shortfall versus the budget through the first quarter of fiscal year 2018, at this time, we foresee no adverse collection issues for the balance of the fiscal year from these revenue sources.

Other Revenues

Other revenues for the first three (3) months of the year have exceeded the pro-rated budget by approximately \$55,000. This results primarily from better than anticipated collections of local business tax receipts, burglar alarms and lien search fees.

Building & Zoning

Building & Zoning revenues in the first three (3) months of the year have been favorable versus the pro-rated budget primarily as a result of higher than anticipated code compliance fees. 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 anticipated projects.

Town Staff will continue to monitor the progress of the planned development projects in Town and inform the Town Council if any delays are forecast which could impact the timing of anticipated permit and zoning 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 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.

Contractual Services for Planning & Zoning were approximately \$16,300 more than the pro-rated budget primarily as a result charges from the contractor noted above for Town related, not resident or commercial, projects.



Other Current Charges

Other current charges for the first quarter of fiscal year 2018 exceeded the pro-rated budget by approximately \$77,000. This results primarily from Hurricane Irma related repair costs incurred by the Parks department, as well as to the timing of certain budgeted IT projects.

Town Hall Building (Cutler Bay Town Center)

For the first three (3) months of fiscal year 2018, the Town has generated approximately \$135,700 in rental income from the Town Hall Building, which is approximately \$7,000 more than the pro-rated budget amount. The current year results begin to reflect rental income from certain tenant leases signed in 2016/2017. The Town is currently in negotiation with a potential tenant for lease of the entire Penthouse floor. If such lease is consummated, it is anticipated that revenues from this lease would not impact fiscal year 2018, but rather fiscal year 2019, given that the premises will not be ready for occupation until the fall of 2018 at the earliest (after the end of fiscal year 2018). Additionally, buildout costs would be incurred by the Town in fiscal year 2018 to get the premises ready for the tenant. These costs would be recouped through the rental rate charged to the tenant.

Year to date operating expenses were approximately \$276,200, which were approximately \$83,000 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), as well as from unanticipated repair/maintenance costs related to Hurricane Irma related issues with the building HVAC system.

Capital improvements for the first three (3) months of the fiscal year totaled approximately \$39,000, primarily related to the 5th Floor flex space buildout, replacement of an HVAC compressor, and replacement of the rooftop doors damaged by Hurricane Irma.

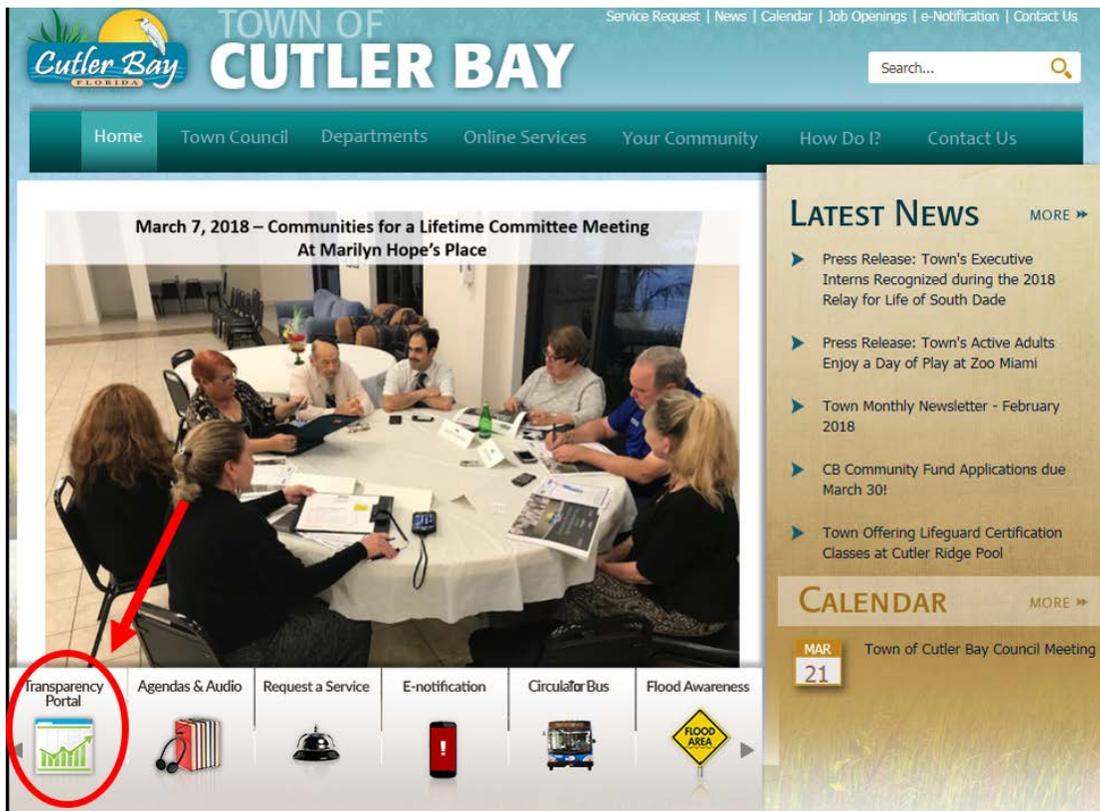
Quality Neighborhood Improvement Program (“QNIP”)

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 2018, the actual QNIP payment (\$346,622) for the year came in under the amount budgeted for the year (\$350,000).



Financial Transparency Portal

In late March 2018 the Town launched its financial transparency portal which can be accessed via the link at <http://cutlerbay-fl.gov/>. The Town's financial data on the portal is updated weekly and will give users a more current, updated look at the Town's operating results for the current year, as well as actual historical data for the prior three years. In a user-friendly format, information can be searched by category, fund, department or vendor, thereby giving users more insight into the Town's transactions than can be shown on the summarized quarterly report or in a simple check register listing. We trust this is one more step in providing government transparency to our residents and other interested parties.



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, 2017		
	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues			
Ad Valorem Taxes	4,695,196	1,346,341	3,348,855
Local Option Fuel Tax-6 cents	140,315	135,245	5,070
Utility Services	866,382	775,000	91,382
Franchise Fees	83,992	50,000 (1)	33,992
Communications Services Tax	273,910	282,831	(8,921)
Local Government Half-Cent	835,057	835,118	(61)
State Revenue Sharing Proceeds	326,283	327,026	(742)
Building & Zoning	244,205	237,250	6,955
Town Hall Building Rentals	135,714	128,750	6,964
Other Revenues	200,468	145,250	55,218
Interest Income	30,142	10,000	20,142
	<u>7,831,666</u>	<u>4,272,811</u>	<u>3,558,855</u>
Debt Proceeds	-	-	-
Transfers In	-	68,750	(68,750)
	<u>7,831,666</u>	<u>4,341,561</u>	<u>3,490,105</u>
Expenditures			
Salaries, Payroll Taxes and Benefits	672,303	879,935	207,632
Professional Services:			
Law Enforcement	2,289,632	2,477,779	188,147
Other	29,170	45,500	16,330
Legal Fees	78,094	118,750	40,656
Accounting & Auditing	-	9,125	9,125
Contractual Services:			
Planning & Zoning	156,751	140,425	(16,326)
Other	279,305	400,398	121,093
Travel & Per Diem	17,775	19,950	2,175
Utilities, Communications & Freight Services	62,223	80,277	18,054
Rentals & Leases	20,663	21,543	880
Insurance	35,842	54,000	18,158
Other Current Charges	203,655	126,543	(77,112)
Office and Operating Supplies	26,440	47,088	20,647
Town Hall Building:			
Operating	276,192	193,060	(83,133)
Capital Outlays	38,958	214,500	175,543
Debt Service	191,241	189,600	(1,641)
Contributions & Aid to Other Govt Entities	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-
Capital Costs - Other	45,889	51,735	5,846
QNIP Debt Payments	346,622	350,000 (2)	3,378
Debt Service - Other	212,582	211,750	(832)
	<u>4,983,337</u>	<u>5,706,957</u>	<u>723,619</u>
Transfers Out	-	225,000	225,000
	<u>4,983,337</u>	<u>5,931,957</u>	<u>948,619</u>
Budgeted carryover, net of reserves	-	1,590,395 (1,2)	(1,590,395)
Excess of Revenues Over Expenditures	<u>2,848,329</u>	<u>-</u>	<u>2,848,329</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.