



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: May 8, 2017

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

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended March 31, 2017. This report reflects year-to-date March 31, 2017 revenue and expenditure activity through May 5, 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 six (6) months of fiscal year 2017 have been favorable versus budget. 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 March 31st (i.e., the first six (6) months of the fiscal year), the Town has collected roughly ninety-five percent (95%) 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 six (6) months ended March 31, 2017.

The Town continues to maintain its financial strength and healthy financial reserves.

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 six (6) months ended March 31, 2017 (\$122,325) represents solid waste franchise fees earned in that period. This compares **favorably** with the budget for this specific item (\$100,000 pro-rated budget for the first six (6) 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 been favorable versus the budget. At this time, we foresee no adverse collection issues for the balance of the fiscal year from these revenue sources.

Building & Zoning

Building & Zoning revenues in the first six (6) 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 further discussion 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 (3rd) party company contracted 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 six (6) months of the year have lagged the pro-rated budget by approximately \$32,000. This results primarily from an approximate \$80,000 shortfall in traffic fine revenues versus the pro-rated budget. 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). This shortfall in traffic fine revenue has been offset to a large extent by better than expected collections of lien search revenues, local business tax receipts, and burglar alarm revenues.

Town Hall Building (Cutler Bay Town Center)

For the first six (6) months of fiscal year 2016-17, the Town has generated approximately \$206,000 in rental income from the Town Hall Building, which is approximately \$44,000 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. While the Town continues to work with its broker to develop leads on possible new tenants, at this time we do not anticipate any possible new tenant making a significant impact on fiscal year 2016-17 rental revenues.

Year to date operating expenses were approximately \$410,300, which were approximately \$21,300 more than the pro-rated budget amount for the first six (6) 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 six (6) months of the fiscal year totaled approximately \$74,300, primarily related to continued design costs of the new HVAC system as well as for installation of new flooring in certain suites.



Expenditures – Other Contractual Services

Other contractual services (excluding Planning & Zoning), have an **unfavorable** variance of approximately \$108,000 for the first half of the year. This primarily relates to the timing of certain Public Works activities. It should also be noted that a substantial portion of the Public Works expenditures in this category relate to sidewalk repairs and replacements which are being funded by capital local option gas taxes and not by general fund revenues.

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 March 31, 2017			Quarter Ended March 31, 2017		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	4,826,377	2,537,844	2,288,533	437,550	1,268,922	(831,372)
Local Option Fuel Tax-6 cents	275,038	275,685	(647)	133,813	137,842	(4,029)
Utility Services	1,430,113	1,413,750	16,363	634,281	706,875	(72,594)
Franchise Fees	122,325	100,000 (1)	22,325	54,893	50,000	4,893
Communications Services Tax	570,974	550,518	20,456	270,122	275,259	(5,137)
Local Government Half-Cent	1,682,253	1,666,079	16,174	874,823	833,040	41,783
State Revenue Sharing Proceeds	627,874	627,875	(1)	313,937	313,937	0
Building & Zoning	412,850	474,500	(61,650)	219,337	237,250	(17,913)
Town Hall Building Rentals	205,922	250,000	(44,078)	103,034	125,000	(21,966)
Other Revenues	395,376	427,250	(31,874)	192,241	213,625	(21,384)
Interest Income	23,604	20,000	3,604	12,488	10,000	2,488
	10,572,705	8,343,500	2,229,205	3,246,519	4,171,750	(925,231)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	150,000	(150,000)	-	75,000	(75,000)
Total Revenues	10,572,705	8,493,500	2,079,205	3,246,519	4,246,750	(1,000,231)
Expenditures						
Salaries, Payroll Taxes and Benefits	1,464,333	1,714,695	250,362	811,459	857,348	45,889
Professional Services:						
Law Enforcement	4,540,331	4,791,550	251,219	2,231,457	2,395,775	164,318
Other	69,348	135,000	65,652	33,657	67,500	33,843
Legal Fees	153,680	225,000	71,320	91,716	112,500	20,784
Accounting & Auditing	18,830	16,250	(2,580)	18,830	8,125	(10,705)
Contractual Services:						
Planning & Zoning	261,991	295,850	33,859	144,887	147,925	3,038
Other	887,567	779,810	(107,757)	578,474	389,905	(188,568)
Travel & Per Diem	26,402	38,250	11,848	16,716	19,125	2,409
Utilities, Communications & Freight Services	140,358	150,740	10,382	71,636	75,370	3,734
Rentals & Leases	40,277	59,167	18,890	20,509	29,583	9,074
Insurance	83,941	100,000	16,059	51,053	50,000	(1,053)
Other Current Charges	172,261	223,235	50,973	84,982	111,618	26,635
Office and Operating Supplies	74,029	88,975	14,946	34,328	44,487	10,159
Town Hall Building:						
Operating	410,302	388,957	(21,346)	122,060	194,479	72,418
Capital Outlays	74,284	420,000	345,716	14,788	210,000	195,212
Debt Service	381,314	379,160	(2,154)	190,119	189,580	(539)
Contributions & Aid to Other Govt Entities	-	150,000	150,000	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	22,004	169,350	147,346	17,441	84,675	67,234
QNIP Debt Payments	347,516	350,000 (2)	2,484	-	-	0
Debt Service - Other	424,540	423,381	(1,159)	211,980	211,690	(290)
	9,593,305	10,899,369	1,306,063	4,746,089	5,274,685	528,595
Transfers Out	-	-	-	-	-	-
Total Expenditures	9,593,305	10,899,369	1,306,063	4,746,089	5,274,685	528,595
Budgeted carryover, net of reserves	-	2,405,869 (1,2)	(2,405,869)	-	1,027,935	(1,027,935)
Excess of Revenues Over Expenditures	979,400	-	979,400	(1,499,570)	-	(1,499,570)

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.