



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: September 19, 2017

Re: Quarterly Financial Report for the quarter ended June 30, 2017

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended June 30, 2017. This report reflects year-to-date June 30, 2017 revenue and expenditure activity through September 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 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 June 30th (i.e., the first nine (9) months of the fiscal year), the Town has collected roughly ninety-nine percent (99%) of the ad valorem taxes it budgeted for the entire fiscal year.

The Town's operating results for the first nine (9) months of fiscal year 2017 have been unfavorable versus budget (an approximate deficit of \$285,000). Notwithstanding, 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 nine (9) months ended June 30, 2017 (\$179,608) represents solid waste franchise fees earned in that period. This compares **favorably** with the budget for this specific item (\$150,000 pro-rated budget for the first nine (9) months of the fiscal year).

Relative to the FPL Franchise Fee, as was previously discussed in our recent Budget Workshops, the Town received the current year payment in August in the amount of approximately \$840,000, significantly less than the \$1 million budgeted. This revenue will be reflected in the fourth quarter 2017 financial report. 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.

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 nine (9) months of the year are in-line with the pro-rated budget. These revenues can be variable in nature as they are dependent upon the timing of commencement of projects in Town. We anticipate that the budgeted revenues should be met on an annual basis.

Since the Town's expenditures related to the permitting function are **variable** based on the amounts of revenues collected (see further discussion below), any 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.

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 since the agreement commenced.

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.

Other Revenues

Other revenues for the first nine (9) months of the year have lagged the pro-rated budget by approximately \$26,000. This results primarily from an approximate \$134,000 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, cell tower ground leases, local business tax receipts, and burglar alarm revenues.

Town Hall Building (Cutler Bay Town Center)

For the first nine (9) months of fiscal year 2017, the Town has generated approximately \$311,000 in rental income from the Town Hall Building, which is approximately \$64,000 less than the pro-rated budget amount. As discussed in previous 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 2017 rental revenues.

Operating expenses and capital expenditures have exhibited favorable variances versus the budget for the first nine (9) months of fiscal year 2017. Year to date operating expenses were approximately \$540,000, which is approximately \$43,000 less than the pro-rated budget amount for the first nine (9) months of the year. Capital improvements for the first nine (9) months of the fiscal year totaled approximately \$128,000, versus a pro-rated budget of \$630,000 for the period. Some of the major improvements budgeted for fiscal year 2017 have been deferred, as was discussed during our recent Budget Workshops.



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).

SUBSEQUENT EVENT - Hurricane Irma

Hurricane Irma impacted the South Florida region, including the Town, in September 2017. As of this date, the Town is in recovery mode and much progress has already been made. Within days of the storm passing the area, the Town’s disaster recovery contractors cleared Town roads to make them drivable. Within a week of the storm passing, FPL restored power to approximately 95% of the Town. While pockets of power and communications outages remain, FPL and the cable and telecommunications companies are working diligently to make the Town whole. Also, as of this writing, the County has commenced the pick-up of debris that was cleared off the road by the Town’s contractors.

Town Hall reopened for business on September 18th. The Town sustained some damage to Town Hall and to several of the parks and 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 overtime.

While not impacting the financial results for the first nine (9) months of fiscal year 2017, the storm will result in additional, unbudgeted expenditures for the Town in the fourth quarter, some of which may not be reimbursable. Even if certain of the additional expenditures are reimbursable, it will require the Town to expend the funds upfront and then wait, possibly for a significant period of time, before reimbursement is received. While we are unable to quantify the potential financial impact to the Town at this time, we are fortunate to have the level of financial reserves in place to successfully guide the Town through this event.

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 June 30, 2017			Quarter Ended June 30, 2017		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	5,030,391	3,806,765	1,223,626	204,014	1,268,921	(1,064,907)
Local Option Fuel Tax-6 cents	423,225	413,528	9,697	148,187	137,843	10,344
Utility Services	2,218,491	2,120,625	97,866	788,378	706,875	81,503
Franchise Fees	179,608	150,000 (1)	29,608	57,283	50,000	7,283
Communications Services Tax	841,059	825,776	15,283	270,085	275,258	(5,173)
Local Government Half-Cent	2,556,897	2,499,119	57,779	874,644	833,040	41,605
State Revenue Sharing Proceeds	997,425	941,813	55,612	369,551	313,938	55,613
Building & Zoning	712,240	711,750	490	299,390	237,250	62,140
Town Hall Building Rentals	310,804	375,000	(64,196)	104,882	125,000	(20,118)
Other Revenues	615,199	640,875	(25,676)	219,823	213,625	6,198
Interest Income	40,445	30,000	10,445	16,841	10,000	6,841
	13,925,785	12,515,250	1,410,535	3,353,080	4,171,750	(818,670)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	225,000	(225,000)	-	75,000	(75,000)
Total Revenues	13,925,785	12,740,250	1,185,535	3,353,080	4,246,750	(893,670)
Expenditures						
Salaries, Payroll Taxes and Benefits	2,174,148	2,572,042	397,893	709,815	857,347	147,531
Professional Services:						
Law Enforcement	6,800,463	7,187,325	386,862	2,260,132	2,395,775	135,643
Other	117,214	202,500	85,287	47,866	67,500	19,635
Legal Fees	240,971	337,500	96,529	87,291	112,500	25,209
Accounting & Auditing	27,265	24,375	(2,890)	8,435	8,125	(310)
Contractual Services:						
Planning & Zoning	421,397	443,775	22,378	159,406	147,925	(11,481)
Other	1,175,382	1,169,715	(5,667)	287,815	389,905	102,091
Travel & Per Diem	50,721	57,375	6,654	24,319	19,125	(5,194)
Utilities, Communications & Freight Services	210,277	226,110	15,833	69,919	75,370	5,451
Rentals & Leases	60,045	88,751	28,705	19,768	29,584	9,815
Insurance	134,329	150,000	15,672	50,388	50,000	(388)
Other Current Charges	257,424	334,852	77,428	85,163	111,617	26,454
Office and Operating Supplies	130,341	133,463	3,121	56,312	44,488	(11,825)
Town Hall Building:						
Operating	540,108	583,435	43,327	129,806	194,478	64,672
Capital Outlays	127,681	630,000	502,319	53,397	210,000	156,603
Debt Service	570,355	568,740	(1,615)	189,041	189,580	539
Contributions & Aid to Other Govt Entities	27,275	225,000	197,725	27,275	75,000	47,725
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	30,519	254,025	223,506	8,515	84,675	76,160
QNIP Debt Payments	347,516	350,000 (2)	2,484	-	-	0
Debt Service - Other	635,940	635,072	(869)	211,400	211,691	290
	14,079,370	16,174,053	2,094,683	4,486,062	5,274,684	788,622
Transfers Out	131,131	-	(131,131)	131,131	-	(131,131)
Total Expenditures	14,210,500	16,174,053	1,963,553	4,617,192	5,274,684	657,492
Budgeted carryover, net of reserves	-	3,433,803 (1,2)	(3,433,803)	-	1,027,934	(1,027,934)
Excess of Revenues Over Expenditures	(284,715)	-	(284,715)	(1,264,112)	-	(1,264,112)

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.