



MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: May 3, 2018

Re: Quarterly Financial Report for the quarter ended March 31, 2018

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended March 31, 2018. This report reflects year-to-date March 31, 2018 revenue and expenditure activity through April 30, 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 six (6) months of fiscal year 2018 have been favorable versus budget. A budget surplus of approximately \$1.6 million was experienced, which compares favorably to the semi-annual periods of fiscal years 2017 and 2016 when the semi-annual surpluses were \$979,000 and \$1.1 million, respectively. During the first six (6) months of fiscal year 2018, approximately \$253,000 of Hurricane Irma related costs were incurred which negatively impacted the semi-annual operating results. Without those extra costs, the actual surplus for the first six (6) months of the fiscal year 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 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 first half of the fiscal year.

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 half of fiscal year 2018, approximately \$253,000 of additional storm related repair/replacement costs were incurred. Significant repairs and replacements are pending for Franjo Park. During the second quarter of fiscal year 2018, 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 six (6) months ended March 31, 2018 (\$151,621) 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 half 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 \$37,000 shortfall versus the budget through the first half of fiscal year 2018, at this time, we foresee no adverse collection issues for the balance of the fiscal year from these revenue sources. On a combined basis, however, the Town has experienced a favorable variance versus the pro-rated budget for this category of revenues for the first half of the fiscal year.

Other Revenues

Other revenues for the first three (3) months of the year have exceeded the pro-rated budget by approximately \$173,000. This results primarily from better than anticipated collections of local business tax receipts, burglar alarms, lien search fees, and insurance proceeds from storm related claims.

Building & Zoning

Building & Zoning revenues in the first half of the fiscal year have exceeded the pro-rated budget by approximately \$159,000, primarily as a result of strong permit fee revenue collections and 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 \$99,000 more than the pro-rated budget. As noted above, the Town experienced stronger than anticipated permit fee revenues in the first half of the year and, since such revenues are shared with the contractor, the corresponding expenditures for the contractor’s



services were also higher than budgeted. Additionally, during the first half of fiscal year 2018 the Town paid the contractor approximately \$29,000 for Town related projects which contributed to the aforementioned budget variance. The net result to the Town, however, was still positive.

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.

Town Hall Building (Cutler Bay Town Center)

For the first six (6) months of fiscal year 2018, the Town has generated approximately \$275,400 in rental income from the Town Hall Building, which is approximately \$18,000 more than the pro-rated budget amount. The current year results begin to reflect rental income from certain tenant leases signed in 2016/2017. In the prior quarterly report we noted that the Town was in negotiation with a potential tenant for lease of the entire Penthouse floor. Such negotiations have ended as the prospective tenant has deferred its decision to lease the space. The space is actively being marketed and there has been some interest shown by other parties. At this time, however, no lease agreement(s) is(are) imminent.

Year to date operating expenses were approximately \$448,100, which were approximately \$62,000 more than the pro-rated budget amount for the first half of the fiscal 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 six (6) months of the fiscal year totaled approximately \$52,000, primarily related to the 5th Floor flex space buildout, replacement of various HVAC components, 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.

In April 2018, the transparency portal had 116 pageviews.



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, 2018			Quarter Ended March 31, 2018		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	5,132,019	2,692,683	2,439,337	436,823	1,346,342	(909,518)
Local Option Fuel Tax-6 cents	288,851	270,491	18,361	148,536	135,246	13,291
Utility Services	1,533,719	1,550,000	(16,281)	667,337	775,000	(107,663)
Franchise Fees	151,621	100,000	(1)	67,629	50,000	17,629
Communications Services Tax	528,512	565,662	(37,150)	254,602	282,831	(28,229)
Local Government Half-Cent	1,771,382	1,670,237	101,146	936,325	835,119	101,207
State Revenue Sharing Proceeds	652,560	654,051	(1,491)	326,277	327,025	(748)
Building & Zoning	633,876	474,500	159,376	389,671	237,250	152,421
Town Hall Building Rentals	275,413	257,500	17,913	139,699	128,750	10,949
Other Revenues	463,310	290,500	172,810	262,842	145,250	117,592
Interest Income	63,909	20,000	43,909	33,767	10,000	23,767
	11,495,173	8,545,623	2,949,551	3,663,508	4,272,813	(609,302)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	137,500	(137,500)	-	68,750	(68,750)
Total Revenues	11,495,173	8,683,123	2,812,051	3,663,508	4,341,563	(678,052)
Expenditures						
Salaries, Payroll Taxes and Benefits	1,501,710	1,759,871	258,160	829,407	879,936	50,528
Professional Services:						
Law Enforcement	4,625,298	4,955,559	330,261	2,335,666	2,477,780	142,114
Other	85,404	91,000	5,596	56,234	45,500	(10,734)
Legal Fees	202,742	237,500	34,758	124,648	118,750	(5,898)
Accounting & Auditing	17,830	18,250	420	17,830	9,125	(8,705)
Contractual Services:						
Planning & Zoning	379,896	280,850	(99,046)	223,145	140,425	(82,720)
Other	638,646	800,796	162,150	359,341	400,398	41,057
Travel & Per Diem	34,940	39,900	4,960	17,165	19,950	2,785
Utilities, Communications & Freight Services	125,434	160,554	35,120	63,211	80,277	17,066
Rentals & Leases	41,143	43,085	1,942	20,480	21,542	1,062
Insurance	92,545	108,000	15,456	56,703	54,000	(2,703)
Other Current Charges	329,670	253,085	(76,585)	126,015	126,542	527
Office and Operating Supplies	57,194	94,175	36,981	30,754	47,087	16,333
Town Hall Building:						
Operating	448,104	386,119	(61,985)	171,912	193,059	21,147
Capital Outlays	52,247	429,000	376,753	13,289	214,500	201,211
Debt Service	381,374	379,200	(2,174)	190,133	189,600	(533)
Contributions & Aid to Other Govt Entities	-	150,000	150,000	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	66,573	103,471	36,897	20,684	51,736	31,051
QNIP Debt Payments	346,622	350,000	(3,378)	0	0	(0)
Debt Service - Other	424,570	423,500	(1,070)	211,988	211,750	(238)
	9,851,943	11,063,913	1,211,970	4,868,606	5,356,957	488,349
Transfers Out	-	450,000	450,000	-	225,000	225,000
Total Expenditures	9,851,943	11,513,913	1,661,970	4,868,606	5,581,957	713,349
Budgeted carryover, net of reserves	-	2,830,791	(2,830,791)	-	1,240,395	(1,240,395)
Excess of Revenues Over Expenditures	1,643,231	-	1,643,231	(1,205,097)	-	(1,205,097)

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.