



## MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: September 28, 2018

Re: Quarterly Financial Report for the quarter ended June 30, 2018

On behalf of the Mayor and Town Council, please find enclosed the quarterly General Fund financial report for the quarter ended June 30, 2018. This report reflects year-to-date June 30, 2018 revenue and expenditure activity through September 27, 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 nine (9) months of fiscal year 2018 have been favorable versus budget, reflecting a budget surplus of approximately \$420,000, which compares favorably to the corresponding periods of fiscal years 2017 and 2016 when **deficits** of approximately \$285,000 and \$69,000, respectively, were incurred. The 3<sup>rd</sup> quarter results in the fiscal year 2018, on a stand-alone basis, reflect an approximate deficit of \$1.2 million, which is consistent with the deficits realized in the corresponding quarterly periods in fiscal years 2017 and 2016. During the first nine (9) months of fiscal year 2018, approximately \$316,300 of Hurricane Irma related costs were incurred which negatively impacted the operating results. Without those extra costs, the actual surplus for the first nine (9) 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.



Some 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 \$670,000 of storm related costs, primarily for police services, clearing road debris, and some repair projects completed before September 30, 2017. During the nine (9) months ended June 30, 2018, approximately \$316,300 of additional storm related repair/replacement costs were incurred. Significant repairs and replacements are pending for Franjo Park. Through June 30, 2018, the Town received insurance proceeds from our insurance carrier of approximately \$299,000. No FEMA reimbursements have yet been received during this period.

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 nine (9) months ended June 30, 2018 (\$218,373) 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).



### **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 exceeded the budget on a combined basis. While the communications services tax experienced an approximate \$33,000 shortfall versus the budget through the first nine (9) months of fiscal year 2018, on a combined basis, the Town has experienced a favorable variance versus the pro-rated budget for this category of revenues for the first nine (9) months of the fiscal year, which we anticipate will carry through for the remainder of fiscal year 2018.

### **Utility Taxes**

Utility taxes show a slight unfavorable variance versus the budget through June 30, 2018. However, we believe this is merely due to timing issues and, historically, 4<sup>th</sup> quarter results for this revenue category have been strong (which we again anticipate will occur in the 4<sup>th</sup> quarter of fiscal year 2018). As a result, on an annualized basis we do not anticipate an issue with this revenue source.

### **Other Revenues**

Other revenues for the first nine (9) months of the year have exceeded the pro-rated budget by approximately \$427,000. This results primarily from better than anticipated collections of local business tax receipts, burglar alarms, lien search fees, and the aforementioned insurance proceeds from storm related claims.

### **Building & Zoning**

Building & Zoning revenues in the first nine (9) months of the fiscal year have exceeded the pro-rated budget by approximately \$313,500, primarily as a result of strong permit fee revenue collections and higher than anticipated code compliance fees. 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 (3<sup>rd</sup>) 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 \$189,000 more than the pro-rated budget. As noted above, the Town experienced stronger than anticipated permit fee revenues in the first nine (9) months 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 nine (9) months of fiscal year 2018 the Town paid the contractor approximately \$43,000 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 nine (9) months of fiscal year 2018 exceeded the pro-rated budget by approximately \$55,000. This results primarily from Hurricane Irma related repair costs incurred by the Parks department, as well as costs incurred by the Public Works department for installing lights and logos on the new vehicle fleet.

### **Town Hall Building (Cutler Bay Town Center)**

For the first nine (9) months of fiscal year 2018, the Town has generated approximately \$426,300 in rental income from the Town Hall Building, which is approximately \$40,000 more than the pro-rated budget amount. The current year results begin to reflect rental income from certain tenant leases signed in 2016/2017. Leasing activities continue and the Town is currently in negotiations for leasing the remaining space on the 4<sup>th</sup> floor of the building. If this 4<sup>th</sup> floor space is leased, the first five (5) floors of the Cutler Bay Town Center will be fully occupied, leaving only the Penthouse floor (the 6<sup>th</sup> floor) available for lease.

Year to date operating expenses were approximately \$576,400, which were approximately \$2,700 less than the pro-rated budget amount for the first nine (9) months of the fiscal year.

Capital improvements for the first nine (9) months of the fiscal year totaled approximately \$119,200, primarily related to the 5<sup>th</sup> Floor flex space buildout, suite improvements, 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.

Since implementation, the transparency portal has averaged approximately 87 pageviews per month.



***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, 2018			Quarter Ended June 30, 2018		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
<b>Revenues</b>						
Ad Valorem Taxes	5,335,883	4,039,024	1,296,859	203,864	1,346,341	(1,142,477)
Local Option Fuel Tax-6 cents	433,465	405,736	27,729	144,614	135,245	9,369
Utility Taxes	2,306,787	2,325,000	(18,213)	773,068	775,000	(1,932)
Franchise Fees	218,373	150,000	(1)	66,752	50,000	16,752
Communications Services Tax	815,242	848,493	(33,251)	286,730	282,831	3,899
Local Government Half-Cent	2,688,034	2,505,355	182,680	916,652	835,118	81,535
State Revenue Sharing Proceeds	1,003,944	981,077	22,867	351,384	327,026	24,358
Building & Zoning	1,025,246	711,750	313,496	391,370	237,250	154,120
Town Hall Building Rentals	426,295	386,250	40,045	150,882	128,750	22,132
Other Revenues	862,664	435,750	426,914	399,354	145,250	254,104
Interest Income	105,355	30,000	75,355	41,446	10,000	31,446
	15,221,288	12,818,434	2,402,855	3,726,115	4,272,811	(546,693)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	206,250	(206,250)	-	68,750	(68,750)
<b>Total Revenues</b>	<b>15,221,288</b>	<b>13,024,684</b>	<b>2,196,605</b>	<b>3,726,115</b>	<b>4,341,561</b>	<b>(615,443)</b>
<b>Expenditures</b>						
Salaries, Payroll Taxes and Benefits	2,225,911	2,639,806	413,895	724,201	879,935	155,734
Professional Services:						
Law Enforcement	6,906,978	7,433,338	526,360	2,281,680	2,477,779	196,099
Other	171,989	136,500	(35,489)	86,585	45,500	(41,085)
Legal Fees	348,181	356,250	8,069	145,439	118,750	(26,689)
Accounting & Auditing	28,265	27,375	(890)	10,435	9,125	(1,310)
Contractual Services:						
Planning & Zoning	610,566	421,275	(189,291)	230,670	140,425	(90,245)
Other	1,186,590	1,201,194	14,604	547,944	400,398	(147,546)
Travel & Per Diem	52,491	59,850	7,359	17,551	19,950	2,399
Utilities, Communications & Freight Services	190,212	240,830	50,618	64,778	80,276	15,498
Rentals & Leases	66,884	64,628	(2,257)	25,741	21,543	(4,199)
Insurance	142,253	162,000	19,747	49,708	54,000	4,292
Other Current Charges	434,547	379,628	(54,920)	104,877	126,543	21,665
Office and Operating Supplies	95,069	141,263	46,193	37,875	47,088	9,212
Town Hall Building:						
Operating	576,412	579,179	2,767	128,308	193,060	64,752
Capital Outlays	119,247	643,500	524,253	67,000	214,500	147,500
Debt Service	570,400	568,800	(1,600)	189,026	189,600	574
Contributions & Aid to Other Govt Entities	-	225,000	225,000	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	92,213	155,206	62,993	25,640	51,735	26,095
QNIP Debt Payments	346,622	525,000	(2)	0	175,000	175,000
Debt Service - Other	635,962	635,250	(712)	211,392	211,750	358
	14,800,794	16,595,870	1,795,075	4,948,852	5,531,957	583,102
Transfers Out	-	675,000	675,000	-	225,000	225,000
<b>Total Expenditures</b>	<b>14,800,794</b>	<b>17,270,870</b>	<b>2,470,075</b>	<b>4,948,852</b>	<b>5,756,957</b>	<b>808,102</b>
Budgeted carryover, net of reserves	-	4,246,186	(1,2)	-	1,415,396	(1,415,396)
Excess of Revenues Over Expenditures	420,494	-	420,494	(1,222,737)	-	(1,222,737)

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.