

**Finance Department**

Robert Daddario
Finance Director

M E M O R A N D U M

To: Residents of the Town of Cutler Bay

From: Robert Daddario, Finance Director

Date: March 8, 2019

Re: Financial Report for the year and quarter ended September 30, 2018

On behalf of the Mayor and Town Council, please find enclosed the General Fund financial report for the year and quarter ended September 30, 2018. This report reflects year-to-date September 30, 2018 revenue and expenditure activity through February 28, 2019. The Town is currently undergoing its annual financial audit for fiscal year 2018 and, as a result, the amounts reported herein are subject to change. While we do not anticipate any audit adjustments at this time, it should be noted that the State is currently reviewing one of the Town's Hurricane Irma claims for approximately \$192,000 which could result in the claim being denied or reduced. The claim was obligated in fiscal year 2018, and revenue was accordingly accrued at September 30, 2018. If the State's review results in disallowance of the claim, or approving the claim at a lower amount, the Town will need to adjust its financial statements accordingly.

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.

For the fiscal year ended September 30, 2018, the Town generated a budget surplus of approximately \$671,000, which compares favorably to the adopted budget that reflected a deficit (a "dip") of approximately \$4.4 million, reversing a trend of three consecutive years of operating deficits. The surplus results primarily from revenues recorded for FEMA and insurance claims related to Hurricane Irma, stronger than anticipated revenues versus the adopted budget for most all revenue types, including other miscellaneous revenues as discussed below, as well as from the cancellation of the Town Plaza project, the significant design cost for which was included in the fiscal year 2018 budget. Other significant capital expenditure projects, primarily related to the Town Hall property, were also deferred which contributed to the savings versus the fiscal year 2018 adopted budget.



The Town continues to maintain its financial strength and healthy financial reserves. At September 30, 2018, total fund balance of the General Fund is approximately \$19.4 million (a portion of which is restricted and/or not available for appropriation).

Some items of interest are discussed below:

Hurricane Irma Update

Hurricane Irma impacted the South Florida region, including the Town, in September 2017. 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 fiscal year 2018, approximately \$340,000 of additional storm related repair/replacement costs were incurred. Significant repairs and replacements are pending for Franjo Park. Through September 30, 2018, the Town received or accrued approximately \$627,000 for FEMA claims obligated in fiscal year 2018 and approximately \$326,000 for insurance claims processed by our insurance carrier.

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.

The following sections discuss some of the more significant operational highlights for fiscal year 2018

Revenues:

Revenues came in better than expected for all major revenue categories except for communications services tax. Overall, however, the shortfall in this revenue category was more than offset by surpluses in other revenue categories yielding total operating revenues of approximately \$2.5 million more than the originally adopted budget.

Franchise fees experienced an approximate \$352,000 favorable variance versus the budget. 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. Solid waste franchise fees received in fiscal year 2018 were approximately \$292,000, resulting in a favorable variance versus the \$200,000 adopted budget for such fees.



The Town continues to operate under the FPL franchise fee agreement between the County and FPL. While the Town recently negotiated its own franchise fee agreement with FPL, it will not commence until expiration of the agreement between the County and FPL (May 2020, unless otherwise terminated earlier). FPL franchise fees received in fiscal year 2018 were approximately \$1,160,000, resulting in a \$260,000 favorable variance versus the \$900,000 adopted budget.

Collections of state pass-through revenues (local option gas tax, communications services tax, half-cent sales tax, and municipal revenue sharing) exceeded the adopted budget on a combined basis. While the communications services tax experienced an approximate \$54,000 shortfall versus the budget for fiscal year 2018, on a combined basis, the Town experienced a significant favorable variance versus the budget for this group of revenues for fiscal year 2018.

Building & Zoning revenues in fiscal year 2018 exceeded the adopted budget by approximately \$353,000, primarily as a result of strong permit fee revenue collections and higher than anticipated code compliance fees. Town Staff continues to monitor the progress of the planned development projects in Town and will 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 specified 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, thereby increasing the net revenue for the Town.

Utility taxes experienced an approximate \$102,000 favorable variance versus the adopted budget. As discussed in the 3rd quarter report, this category was under-budget through June 30, 2018, but we anticipated strong revenues for the 4th quarter and those revenues did materialize (almost \$900,000 in utility taxes collected in the July through September period) thereby providing a favorable variance for the fiscal year.

Other revenues comprise a diverse group of revenue sources, several of which generated revenue for which no amounts could be estimated, or anticipated, when the budget was established. Other revenues experienced an approximate \$1.3 million favorable variance versus the adopted budget, of which approximately \$1,136,000 is attributable to five sources which were not budgeted (there was no reasonable basis to budget for such items when the budget was adopted). These items are as follows:



- a. FEMA reimbursements – approximately \$627,000 was recorded for Hurricane Irma claims obligated in fiscal year 2018. Such amounts were received during the year or accrued as of September 30, 2018.
- b. Insurance proceeds – approximately \$326,000 was recorded for Hurricane Irma claims processed during the year.
- c. Trade-in of old vehicle fleet – upon leasing its new vehicle fleet, the Town returned its prior leased vehicles which were then sold by the vendor and approximately \$68,000 from the sale was returned to the Town pursuant to the terms of its lease.
- d. Cambridge program refund – upon expiration of the Interlocal Agreement with Miami Dade Schools, the School Board returned to the Town approximately \$54,000 in unspent funds related to the Cambridge program.
- e. Reversal of amount accrued for Miami Dade School Interlocal – in the initial year of the Interlocal Agreement with Miami Dade Schools, a portion of the amount funded was for capital improvements to the school buildings. The School Board used all but approximately \$61,000 of that allocated funding. That amount was held in reserve as the School Board had the right to request the balance for eligible expenditures during the term of the agreement. Once the agreement expired, the reserve was no longer necessary and the reserve was eliminated.

In addition to the items mentioned above, other revenues benefited from better than anticipated collections versus the adopted budget for local business tax receipts, burglar alarms, and lien search fees in fiscal year 2018.

Transfers in were approximately \$48,000 less than the adopted budget. This shortfall was simply due to the timing of sidewalk repairs/replacements funded with 2nd local option gas taxes transferred in from the Special Revenue Fund.

Expenditures:

Expenditures, including transfers out, had a favorable variance versus the originally adopted budget resulting in a positive variance of approximately \$2.6 million (i.e., spent less than budgeted). Almost all expenditure categories experienced favorable budget variances, the most notable exceptions to which were Contractual Services - Planning & Zoning, Contractual Services – Other, and Other Current Charges.

Contractual Services - Planning & Zoning were approximately \$212,000 more than the adopted budget. As noted above, the Town experienced stronger than anticipated permit fee revenues in fiscal year 2018 and, since such revenues are shared with the contractor, the corresponding expenditures for the contractor's services were also higher than budgeted. The net result to the Town from this arrangement, however, was still positive.



Contractual Services – Other experienced an unfavorable budget variance of approximately \$235,000, due primarily to unplanned activity. Certain activities were not anticipated when the budget was adopted and, as a result, these activities were not reflected in the adopted budget. In the General Government department, approximately \$75,000 was expended related to GOB Bond marketing and property appraisals. The Public Works department incurred approximately \$119,000 in costs related to tree services for damages related to Hurricane Irma. Likewise, the Parks department incurred approximately \$26,000 of Hurricane Irma related costs and also recorded approximately \$38,000 in costs related to abandoned capital projects (the Town Plaza and basketball court projects). These costs were offset to some extent by savings from the Clerk department resulting from lower than budgeted costs for elections and Municode.

Other current charges for fiscal year 2018 exceeded the adopted budget by approximately \$37,000. This results primarily from costs incurred by the Public Works department for installing lights and logos on the new vehicle fleet, costs incurred by the General Government department to update network switches for Cutler Ridge Park and Pool, and costs incurred by the Police department to re-logo/re-brand the police fleet.

Town Hall Building (Cutler Bay Town Center)

For fiscal year 2018, the Town has generated approximately \$587,000 in rental income from the Town Hall Building, which is approximately \$72,000 more than the adopted budget amount. The current year results began to reflect rental income from certain tenant leases signed in 2016/2017. Leasing activities continue and the Town is currently in preparing space on the 4th floor of the building for a new tenant. With this new tenant, the first five (5) floors of the Cutler Bay Town Center will be fully occupied, leaving only the Penthouse floor (the 6th floor) available for lease.

Year to date operating expenses were approximately \$782,000, which were approximately \$9,800 more than the adopted budget amount for the fiscal year.

Capital improvements for the fiscal year totaled approximately \$122,000, primarily related to the 5th Floor flex space buildout, suite improvements, replacement of various HVAC components, and replacement of the rooftop doors damaged by Hurricane Irma. Significant budgeted capital expenditure projects for the Town Hall Building were deferred, resulting in a favorable budget variance of approximately \$736,000 for this category.



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.

The transparency portal had 103 page-views in February 2019, the highest single month total since the portal was launched.



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 September 30, 2018			Quarter Ended September 30, 2018		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
<u>Revenues</u>						
Ad Valorem Taxes	5,412,467	5,385,365	27,102	76,584	1,346,341	(1,269,757)
Local Option Fuel Tax-6 cents	577,746	540,981	36,765	144,281	135,245	9,036
Utility Taxes	3,202,656	3,100,000	102,656	895,869	775,000	120,869
Franchise Fees	1,452,707	1,100,000	352,707	1,234,334	950,000	284,334
Communications Services Tax	1,076,863	1,131,324	(54,461)	261,621	282,831	(21,210)
Local Government Half-Cent	3,541,752	3,340,473	201,279	853,718	835,118	18,600
State Revenue Sharing Proceeds	1,331,520	1,308,102	23,418	327,576	327,025	551
Building & Zoning	1,302,062	949,000	353,062	276,816	237,250	39,566
Town Hall Building Rentals	587,180	515,000	72,180	160,885	128,750	32,135
Other Revenues	1,888,854	581,000	1,307,854	1,026,190	145,250	880,940
Interest Income	125,767	40,000	85,767	20,412	10,000	10,412
	20,499,572	17,991,245	2,508,327	5,278,286	5,172,811	105,476
Debt Proceeds	-	-	-	-	-	-
Transfers In	227,132	275,000	(47,868)	227,132	68,750	158,382
Total Revenues	20,726,704	18,266,245	2,460,459	5,505,418	5,241,561	263,858
<u>Expenditures</u>						
Salaries, Payroll Taxes and Benefits	3,178,762	3,519,741	340,979	952,851	879,935	(72,916)
Professional Services:						
Law Enforcement	9,395,890	9,911,117	515,227	2,488,912	2,477,779	(11,133)
Other	90,730	182,000	91,270	(81,259)	45,500	126,759
Legal Fees	424,262	475,000	50,738	76,081	118,750	42,669
Accounting & Auditing	28,265	36,500	8,235	0	9,125	9,125
Contractual Services:						
Planning & Zoning	773,721	561,700	(212,021)	163,155	140,425	(22,730)
Other	1,836,225	1,601,592	(234,633)	649,635	400,398	(249,239)
Travel & Per Diem	65,662	79,800	14,138	13,171	19,950	6,779
Utilities, Communications & Freight Services	252,979	321,107	68,128	62,767	80,277	17,510
Rentals & Leases	87,287	86,170	(1,117)	20,403	21,542	1,140
Insurance	196,294	216,000	19,706	54,041	54,000	(41)
Other Current Charges	543,242	506,170	(37,072)	108,695	126,542	17,847
Office and Operating Supplies	130,319	188,350	58,031	35,250	47,087	11,837
Town Hall Building:						
Operating	782,052	772,238	(9,814)	205,640	193,059	(12,581)
Capital Outlays	122,117	858,000	735,883	2,870	214,500	211,630
Debt Service	758,319	758,400	81	187,919	189,600	1,681
Contributions & Aid to Other Govt Entities	-	300,000	300,000	-	75,000	75,000
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	139,943	206,941	66,998	47,730	51,735	4,005
QNIP Debt Payments	346,622	350,000	3,378	0	0	(0)
Debt Service - Other	846,761	847,000	239	210,799	211,750	951
	19,999,452	21,777,826	1,778,374	5,198,660	5,356,954	158,293
Transfers Out	56,243	900,000	843,757	56,243	225,000	168,757
Total Expenditures	20,055,695	22,677,826	2,622,131	5,254,903	5,581,954	327,050
Budgeted carryover, net of reserves	-	4,411,581	(4,411,581)	-	340,393	(340,393)
Excess of Revenues Over Expenditures	671,009	-	671,009	250,515	-	250,515