

**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: April 30, 2019

Re: Financial Report for the quarter ended December 31, 2018

On behalf of the Mayor and Town Council, please find enclosed the General Fund financial report for the quarter ended December 31, 2018. This report reflects year-to-date December 31, 2018 revenue and expenditure activity through April 30, 2019.

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 three (3) months of fiscal year 2019 have been favorable versus budget. A budget surplus of approximately \$3.03 million was experienced, which compares favorably to the first quarter of fiscal years 2018 and 2017 when the first quarter surpluses were \$2.85 million and \$2.48 million, respectively. The Town continues to maintain its financial strength and healthy financial reserves.

The surplus for the quarter ended December 31, 2018 results primarily from stronger than anticipated revenues versus the pro-rated budget for most all revenue types, as well as from favorable variances in most expenditure categories.

The following sections discuss some of the more significant operational highlights for the quarter ended December 31, 2018

Revenues:

Revenues came in better than expected for almost all major revenue categories. Overall, total operating revenues exceeded the pro-rated budget by approximately \$3.9 million.



By far, the single largest revenue source in the first quarter of fiscal year 2019 was ad valorem taxes. Consistent with prior years, the bulk of the property taxes are collected in the first several months of each fiscal year. Year to date through December 31st (i.e., the first three (3) months of the fiscal year), the Town has collected roughly eighty-eight percent (88%) 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 during the quarter ended December 31, 2018.

Collections of state pass-through revenues (local option gas tax, communications services tax, half-cent sales tax, and municipal revenue sharing) exceeded the pro-rated budget on a combined basis. At this time, we foresee no adverse collection issues for the balance of the fiscal year from these revenue sources.

Franchise fees relate 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 the first quarter of fiscal year 2019 were approximately \$54,700, resulting in a favorable variance versus the \$50,000 pro-rated 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). 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.

Utility taxes experienced strong results in the first quarter of fiscal year 2019, reflecting an approximate \$62,000 favorable variance versus the pro-rated budget. Consistent with prior years, this revenue category typically generates favorable results in the first quarter and the current year results continue that trend. At this time, we foresee no adverse collection issues for the balance of the fiscal year from this revenue source.

Building & Zoning revenues in the first quarter of fiscal year 2019 exceeded the pro-rated budget by approximately \$62,700, 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.

Other revenues experienced a favorable variance of approximately \$50,000 in the first quarter of fiscal year 2019, primarily as a result of Hurricane Irma insurance proceeds of approximately \$16,900, as well as from better than anticipated collections in the first quarter versus the pro-rated budget for local business tax receipts, burglar alarms, lien search fees and lobbyist fees.

Expenditures:

Expenditures had a favorable variance versus the pro-rated budget resulting in a positive variance of approximately \$89,400 (i.e., spent less than budgeted). Almost all expenditure categories experienced favorable budget variances, the most notable exceptions to which were Professional Services – Law Enforcement, Contractual Services - Planning & Zoning, Rentals & Leases, Town Hall Building Operating expenditures, and Capital Costs - Other.

Professional Services – Law Enforcement expenditures exceeded the pro-rated budget by approximately \$167,200, primarily as a result of new contract terms negotiated between Miami-Dade County and the Police union. Certain “catch up” items were paid in the first quarter that negatively impacted the cost. This unfavorable variance in the first quarter was partially recouped in the second quarter of fiscal year 2019, however, through the first half of fiscal year 2019, this expenditure category remains in an unfavorable variance position and will require monitoring going forward.

Contractual Services - Planning & Zoning were approximately \$38,400 more than the pro-rated budget. As noted above, the Town experienced stronger than anticipated permit fee revenues in the first quarter of fiscal year 2019 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.

Rentals & Leases experienced an unfavorable variance versus the pro-rated budget of approximately \$3,600. This was due primarily to unanticipated expenditures for rental of temporary, portable air conditioning units at Cutler Ridge park. The building air conditioning unit unexpectedly failed which necessitated the rental of portable



units until such time as the air conditioner could be replaced (see Capital Costs – Other below).

Town Hall Building operating expenditures exceeded the pro-rated budget by approximately \$69,300 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).

Capital Costs – Other had an unfavorable variance versus the pro-rated budget of approximately \$14,300, due primarily to the timing of expenditures as well as to unanticipated purchases. As noted above, the air conditioning unit at Cutler Ridge park failed and had to be replaced at a cost of approximately \$12,200. Also, new tablets were purchased for certain Public Works, Parks, and Code Compliance staff at a cost of approximately \$11,300. These purchases were not budgeted and, as a result, contributed to the unfavorable variance in the first quarter.

Town Hall Building (Cutler Bay Town Center)

For the first three (3) months of fiscal year 2019, the Town has generated approximately \$172,500 in rental income from the Town Hall Building, which is in-line with the pro-rated budget amount. The Town is currently in negotiation with a current tenant for the potential lease of the entire Penthouse floor. If such lease is consummated, it is anticipated that revenues from this lease would not materially impact fiscal year 2019, but rather fiscal year 2020 and forward, given that the premises will not be ready for occupation until late in fiscal year 2019 at the earliest. Additionally, buildout costs would be incurred by the Town in fiscal year 2019 to get the premises ready for the tenant. These costs would be recouped through the rental rate charged to the tenant.

Operating expenses for the first quarter of fiscal year 2019 were approximately \$266,500, which were approximately \$69,300 more than the pro-rated budget. As discussed above, this resulted primarily from the timing of the property tax payment on the building.

Capital improvements for the first three (3) months of the fiscal year totaled approximately \$8,700, primarily related to work on the building entrance railing safety project as well as to replacement of hallway flooring on the 4th floor.

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 2019, the actual QNIP payment (\$345,765) for the year came in under the amount budgeted for the year (\$347,000).

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 71 pageviews in March 2019.



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 and Three Months Ended December 31, 2018		
	Actual	Pro-rated Budget	Fav (Unfav) Variance
<u>Revenues</u>			
Ad Valorem Taxes	5,099,195	1,454,409	3,644,787
Local Option Fuel Tax-6 cents	143,347	140,003	3,344
Utility Taxes	874,587	812,500	62,087
Franchise Fees	54,722	50,000 (1)	4,722
Communications Services Tax	261,798	258,496	3,302
Local Government Half-Cent	866,056	850,211	15,845
State Revenue Sharing Proceeds	327,576	316,500	11,076
Building & Zoning	320,012	257,250	62,762
Town Hall Building Rentals	172,444	175,000	(2,556)
Other Revenues	189,278	139,000	50,278
Interest Income	50,061	10,000	40,061
	8,359,075	4,463,368	3,895,707
Debt Proceeds	-	-	-
Transfers In	-	56,250	(56,250)
Total Revenues	8,359,075	4,519,618	3,839,457
<u>Expenditures</u>			
Salaries, Payroll Taxes and Benefits	689,070	879,062	189,992
Professional Services:			
Law Enforcement	2,652,593	2,485,372	(167,221)
Other	21,000	41,250	20,250
Legal Fees	52,137	125,000	72,863
Accounting & Auditing	3,000	9,000	6,000
Contractual Services:			
Planning & Zoning	187,868	149,425	(38,443)
Other	376,260	381,210	4,950
Travel & Per Diem	10,456	18,950	8,494
Utilities, Communications & Freight Services	64,078	82,011	17,933
Rentals & Leases	26,727	23,107	(3,620)
Insurance	57,634	57,375	(259)
Other Current Charges	109,441	118,358	8,917
Office and Operating Supplies	31,983	40,719	8,736
Town Hall Building:			
Operating	266,489	197,205	(69,284)
Capital Outlays	8,716	54,500	45,784
Debt Service	191,313	189,600	(1,713)
Contributions & Aid to Other Govt Entities	-	0	0
Capital Outlay - Land Parcel	-	-	-
Capital Costs - Other	26,709	12,375	(14,334)
QNIP Debt Payments	345,765	347,000 (2)	1,235
Debt Service - Other	212,618	211,750	(868)
	5,333,857	5,423,269	89,412
Transfers Out	-	350,800	350,800
Total Expenditures	5,333,857	5,774,069	440,212
Budgeted carryover, net of reserves	-	1,254,451 (1,2)	(1,254,451)
Excess of Revenues Over Expenditures	3,025,218	-	3,025,218

1 - as FPL Franchise Fees are not reported until the 4th quarter of the year, the \$1.05 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.