



Finance Department

Robert Daddario, CPA, CGMA
Finance Director

MEMORANDUM

To: Residents of the Town of Cutler Bay

From: Robert Daddario, CPA, CGMA, Finance Director

Date: September 18, 2019

Re: Financial Report for Year-to-Date and Quarter Ended June 30, 2019

On behalf of the Mayor and Town Council, please find enclosed the General Fund financial report for year-to-date and quarter ended June 30, 2019. This report reflects year-to-date June 30, 2019 revenue and expenditure activity through September 5, 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 nine (9) months of fiscal year 2019 have been favorable versus budget. A budget surplus of approximately \$908,700 was experienced, which compares favorably to the year-to-date results through the third quarter of fiscal years 2018 and 2017, which reflected a surplus of approximately \$420,500 and a deficit of approximately \$284,700, respectively. The Town continues to maintain its financial strength and healthy financial reserves.

The year-to-date surplus through June 30, 2019 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 year-to-date June 30, 2019 period

Revenues:

Operating revenues came in better than expected for almost all major revenue categories. Overall, total operating revenues exceeded the pro-rated budget by approximately \$2.2 Million.



By far, the single largest revenue source for 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 June 30th (i.e., the first nine (9) months of the fiscal year), the Town has collected almost one hundred percent (99.8%) of the ad valorem taxes it budgeted for the entire fiscal year.

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. While communication services taxes have experienced an approximate \$18,000 shortfall versus the pro-rated budget, it has been more than offset by surpluses in collections of the other state pass-through revenue types. 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 nine (9) months of fiscal year 2019 were approximately \$160,300, resulting in a favorable variance versus the \$150,000 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. Notwithstanding the foregoing, the Town received its annual FPL franchise fee from the County in August 2019 in the amount of approximately \$1,023,000, just slightly less than the \$1,050,000 budgeted (such amount will be reflected in the results for the fourth quarter of fiscal year 2019).

Year-to-date through June 30, 2019, utility taxes have lagged the pro-rated budget. However, consistent with prior years, this revenue category typically generates strong results in the fourth quarter (July/August/September summer months) and we anticipate that trend to continue in 2019. 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 nine (9) months of fiscal year 2019 exceeded the pro-rated budget by approximately \$124,400, 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 \$313,000 in the first nine (9) months of fiscal year 2019, primarily as a result of Hurricane Irma insurance proceeds and FEMA reimbursements of approximately \$16,900 and \$206,900, respectively, as well as from better than anticipated collections versus the pro-rated budget for local business tax receipts, burglar alarms, park fees, lien search fees and lobbyist fees.

Expenditures:

Operating expenditures had a favorable variance versus the pro-rated budget resulting in a positive variance of approximately \$898,600 (i.e., spent less than budgeted). Almost all expenditure categories experienced favorable budget variances, the most notable exception to which was Contractual Services - Planning & Zoning.

Contractual Services - Planning & Zoning expenditures were approximately \$79,7000 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 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.

Capital Costs – Other had a small unfavorable variance versus the pro-rated budget of approximately \$4,000, due primarily to the timing of expenditures as well as to unanticipated purchases. As noted in the first quarter report, 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 for the year.



Town Hall Building (Cutler Bay Town Center)

For the first nine (9) months of fiscal year 2019, the Town has generated approximately \$554,000 in rental income from the Town Hall Building, which is approximately \$29,000 more than 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 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. If the Town moves forward with this space, it is currently anticipated that the prospective tenant would take the space essentially “as is” requiring only modest build out/refurbishment costs to be incurred by the Town.

Operating expenses for the first nine (9) months of fiscal year 2019 were approximately \$530,000, which were approximately \$61,700 less than the pro-rated budget.

Capital improvements for the first nine (9) months of the fiscal year totaled approximately \$74,400, primarily related to work on the building entrance railing safety project as well as to air conditioning system upgrades and betterments and 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 57 pageviews in June 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 Nine Months Ended June 30, 2019			Quarter Ended June 30, 2019		
	Actual	Pro-rated Budget	Fav (Unfav) Variance	Actual	Pro-rated Budget	Fav (Unfav) Variance
Revenues						
Ad Valorem Taxes	5,804,420	4,363,226	1,441,194	273,001	1,454,408	(1,181,407)
Local Option Fuel Tax-6 cents	429,727	420,009	9,718	150,121	140,003	10,118
Utility Taxes	2,327,367	2,437,500	(110,133)	781,893	812,500	(30,607)
Franchise Fees	160,275	150,000	10,275	53,911	50,000	3,911
Communications Services Tax	757,564	775,487	(17,923)	246,382	258,496	(12,114)
Local Government Half-Cent	2,739,625	2,550,633	188,992	927,812	850,211	77,601
State Revenue Sharing Proceeds	1,013,931	949,500	64,431	358,779	316,500	42,279
Building & Zoning	896,190	771,750	124,440	315,733	257,250	58,483
Town Hall Building Rentals	553,997	525,000	28,997	184,001	175,000	9,001
Other Revenues	730,021	417,000	313,021	281,103	139,000	142,103
Interest Income	172,772	30,000	142,772	62,614	10,000	52,614
Operating Revenues	15,585,889	13,390,105	2,195,784	3,635,350	4,463,368	(828,018)
Debt Proceeds	-	-	-	-	-	-
Transfers In	-	168,750	(168,750)	-	56,250	(56,250)
Total Revenues	15,585,889	13,558,855	2,027,034	3,635,350	4,519,618	(884,268)
Expenditures						
Salaries, Payroll Taxes and Benefits	2,196,964	2,637,185	440,221	708,964	879,062	170,098
Professional Services:						
Law Enforcement	7,439,389	7,456,115	16,726	2,376,948	2,485,373	108,425
Other	79,498	123,750	44,253	39,350	41,250	1,901
Legal Fees	231,132	375,000	143,868	72,424	125,000	52,576
Accounting & Auditing	35,940	27,000	(8,940)	12,610	9,000	(3,610)
Contractual Services:						
Planning & Zoning	527,978	448,275	(79,703)	173,570	149,425	(24,145)
Other	1,108,549	1,143,630	35,081	448,983	381,210	(67,773)
Travel & Per Diem	49,457	56,850	7,393	22,191	18,950	(3,241)
Utilities, Communications & Freight Services	192,304	246,033	53,729	59,794	82,011	22,217
Rentals & Leases	66,651	69,322	2,671	20,271	23,107	2,836
Insurance	151,470	172,125	20,655	56,797	57,375	578
Other Current Charges	306,482	355,075	48,593	78,869	118,358	39,489
Office and Operating Supplies	93,735	122,156	28,421	27,172	40,718	13,546
Town Hall Building:						
Operating	529,893	591,616	61,723	139,433	197,205	57,772
Capital Outlays	74,378	163,500	89,122	39,957	54,500	14,543
Debt Service	570,497	568,800	(1,697)	189,010	189,600	590
Contributions & Aid to Other Govt Entities	-	-	-	-	-	-
Capital Outlay - Land Parcel	-	-	-	-	-	-
Capital Costs - Other	41,114	37,125	(3,989)	931	12,375	11,444
QNIP Debt Payments	345,765	347,000	1,235	-	-	-
Debt Service - Other	636,012	635,250	(762)	211,386	211,750	364
Operating Expenditures	14,677,207	15,575,806	898,599	4,678,659	5,076,268	397,609
Transfers Out	-	1,052,400	1,052,400	-	350,800	350,800
Total Expenditures	14,677,207	16,628,206	1,950,999	4,678,659	5,427,068	748,409
Budgeted carryover, net of reserves	-	3,069,352	(1,2)	-	907,451	(907,451)
Excess of Revenues Over Expenditures	908,681	-	908,681	(1,043,309)	-	(1,043,309)

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.