



# Town of Highland Beach, Florida

## Monthly Financial Report

April 2019

### OVERVIEW

This financial overview reflects the Town's overall unaudited financial condition through **April 2019**. Except as noted below, revenues and expenditures are generally on target for the 7th month (**58%**) of the fiscal year. The Town's fiscal year begins on October 1<sup>st</sup>.

### GENERAL FUND

With 7 months (58%) of the fiscal year complete, General Fund (GF) revenues are on pace with trends of prior year collections. Through April, the Town's GF has collected a total of **\$10,059,009**, or **81%** of its projected annual revenues. For the same period, the GF has expended **\$7,065,308**, or **57%** of budgeted annual expenditures. The Town begins receiving ad valorem taxes (the largest source of income to the Town) in the month of December. With the exception of capital improvements, debt service and insurance premiums, GF operating expenditures are generally incurred in equal amounts over the 12-month period.

General Fund	Adj. Budget	YTD Actual	Percent
Revenues	\$12,387,766	\$10,059,009	81%
Expenditures	\$12,387,766	\$6,885,751	56%

Property (ad valorem) taxes are the largest source of general fund revenue and make up **72%** of total revenues. Other sources of revenue include building permit fees, half-cent sales taxes, state shared revenue, franchise fees, communication services taxes, fines, and investment earnings.

The General Fund includes all services that are funded through general taxes. It includes all town programs except those that are paid for through user fees (water and sewer).

### GENERAL FUND REVENUES

Overall, revenues are being collected at a rate similar to past trends for 7 months of the fiscal year.

Revenues	Budget	YTD Actual	YTD % Received
Taxes	\$9,604,500	\$8,713,202	91%
Licenses & Permits	633,810	421,977	67%
Intergovernmental	406,900	177,889	44%
Charges for Services	516,000	337,107	65%
Fines & Forfeits	10,700	4,316	40%
Misc. Revenue	517,600	404,518	78%
Reserve	698,256	0	0%
<b>Total</b>	<b>\$12,387,766</b>	<b>\$10,059,009</b>	<b>81%</b>

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## REVENUES

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### *Taxes.*

This category reflects the collection of ad valorem taxes, fuel taxes, utility franchise fees, and communications service taxes. Through April, the Town has collected 91% of the budgeted taxes. Of the \$9.6 million projected, \$8.9 million is in the form of ad valorem taxes. Ad valorem taxes on property are collected by the Palm Beach County Tax Collector on an annual basis beginning on December 1<sup>st</sup>. Historically, the Town receives the majority of its ad valorem taxes in the month of December. The Town budgets for 96% of the projected ad valorem revenues and has received **\$8,208,966**, or **92.4%** of the total budgeted amount.

### *Licenses and Permits.*

This revenue source reflects the collection building permit fees. Fiscal YTD collections total **\$421,977** or **67%** of projected revenue, compared to prior YTD totals of **\$364,922** and **91%** respectively.

### *Intergovernmental.*

Intergovernmental revenues are received (*generally one month in arrears*) from other government agencies such as the State and County. The revenues collected in this category include Sales Tax, County Occupational License, State Revenue Sharing Proceeds, and a few others. Fiscal YTD collections total **\$177,889** or **44%** of projected revenue, compared to prior YTD totals of **\$210,815** and **33%**, respectively. *Current year collections appear to be below the 58% budget benchmark. This is due to the one-month lag in receiving revenue sources such as half-cent sales tax and state revenue sharing.*

### *Charges for Service.*

This category of revenues includes fees for solid waste removal and fees for administrative tasks such as public

record requests, copies, and lien searches. The Town bills its customers approximately \$78,000 every other month for solid waste removal. Fiscal YTD collections total **\$337,107**, or **65%** of projected revenue, compared to prior YTD totals of **\$265,469** and **51%**, respectively.

### *Fines and Forfeitures.*

Fines and forfeiture revenues are received from traffic citations, code violations, library fines, and court fines. Fiscal YTD collections total **\$4,316**, or **40%** of projected revenue, compared to prior YTD totals of **\$4,629** and **37%**, respectively.

### *Misc. Revenue*

Miscellaneous revenues reflect interest on investments, lease payments, and an inter-fund transfer from the Water System Fund. Fiscal YTD collections total **\$404,518**, or **78%** of projected revenue, compared to prior YTD totals of **\$336,596** and **78%**, respectively. *This revenue account is benefiting from a re-structure of the Town's investment portfolio.*

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## GENERAL FUND EXPENSES

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With **58%** of the fiscal year completed, department operating costs are running close to trends from prior years. The following table shows the expenditure budgets for each department. The table provides a snapshot of how much each department is spending each month and throughout the budget year.

Overall the Town has expended **47%** of its budgeted GF expenditures. Departmental operating expenditures are under or over budget as summarized by the following table.

All departments that are **overspent** by more than 3% when compared to the monthly percentage (**58%**) of the year complete have been highlighted and an explanation provided.

Total Expenditures	Budget	YTD Actual	YTD % Spent
Town Commission	\$183,256	\$90,414	49%
Town Manager	447,550	195,443	44%
Town Clerk	342,444	183,072	53%
Finance	371,745	179,300	48%
Legal	200,000	150,484	75%
Public Works	424,050	269,522	64%
Post Office	135,970	59,655	44%
Other Gen. Government	311,120	279,688	90%
Police	2,543,446	1,318,025	52%
Fire Rescue	4,255,000	2,427,879	57%
Building Dept.	553,160	393,819	71%
Solid Waste	440,000	221,445	50%
Library	449,410	232,348	52%
Interfund Transfer	1,558,315	833,875	54%
Contingency	172,300	50,782	29%
<b>Total</b>	<b>\$12,387,766</b>	<b>\$6,885,751</b>	<b>56%</b>

higher than anticipated Information Technology (IT) costs. In May, the Town Commission approved a mid-year budget resolution (which is not reflected in the budget amounts in the above table) which reallocated funds from existing budget accounts to offset these non-departmental IT expenses.

## FUND BALANCE

The Town's GF fund balance is made up of a combination of financial resources. Below is a chart that shows the categories and balances of each fund balance as of April 2019.

Fund Balance	YTD Balance
Non-spendable	\$87,159
Restricted	0
Committed	3,624,339
Assigned	2,442,462
Unassigned	5,844,269
<b>Total</b>	<b>\$11,998,228</b>

## Expenditure Variances

Through April, and with the exception of four departments, the GF department budgets are on pace with or under their annual projections.

- The Town's Legal Department is overspent due to increased legal advisement on Commission matters.
- The Public Works Department is overspent due to higher than anticipated costs for repairs and contractual services such as landscaping.
- The Building Department is overspent for the period due to increased permitting/inspection activity which will be offset with the recognition of additional revenue in a future budget resolution.
- Other General Government (Non-Departmental) expenses are overspent due to

**Non-spendable** fund balance is the amount that is not in a spendable form. The **\$87,159** in non-spendable fund balance represents prepaid expenses, fuel inventory, and petty cash.

**Restricted** fund balance is amounts that can be spent only for specific purposes stipulated by external resource providers. *The Town does not have any funds restricted.*

**Committed** fund balance is amounts that can only be used for specific purposes determined by a formal action of the Town Commission. *The \$3,624,339 in committed fund balance represents current year*

revenue collections and appropriations that are budgeted, but not yet spent.

**Assigned** fund balance is amounts that are intended for specific purposes; the intent is expressed by the Town Commission or delegated to the Town Manager. The Town has **two assigned** fund balance reserves. One is for disaster recovery and it is designed to grow by \$100,000 per year until it reaches an amount equal to 1/12<sup>th</sup> of the then-in-effect General Fund Budget. The second is for budget stabilization and it represents two months of total General Fund budgeted expenditures. *As of April 30, 2019, the amounts in the assigned fund balances are \$850,000 and \$1,592,462 respectively.* These amounts are adjusted annually on October 1<sup>st</sup>.

**Unassigned** fund balance is the Town’s surplus of funds which have accumulated from unexpended operating budgets and excess revenues from prior years. This portion of the fund balance has not been identified as having been appropriated for a specific purpose. This surplus also proves financial stability to potential lenders, while providing the Town with a “rainy day” fund for use in unforeseen, unbudgeted emergency situations and sustained periods of economic retraction. This balance may also be used to fund the construction or acquisition of capital assets or for any other purpose as designated by the Town Commission. As of April 30, 2019, the Town had an unassigned fund balance of **\$5,844,269**.

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**SPECIAL REVENUE FUND**  
(Discretionary Sales Tax)

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Staff has established a Special Revenue Fund to account for the Palm Beach County Infrastructure Surtax (IST) proceeds and expenditures. A Special Revenue Fund was created due to the restrictions on the use of these proceeds. The Fund will allow for optimal transparency and reporting as required by the County Ordinance which established the tax.

**REVENUES-** Through April 2019, the Town has received a total of \$114,481 in tax proceeds.

**EXPENDITURES-** Through April 2019, the Town has expended \$282,416 of these funds. A portion of the expenditures represent the sidewalk paving project which was begun in fiscal year 2018 and finished in 2019.

**FUND BALANCE-** As of April 30, 2019, the IST Fund has a total of \$231,267. This balance represents the sum of current year collections (less current year expenditures) and prior year collections (less prior year expenditures).

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**ENTERPRISE FUNDS (water)**

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**OVERVIEW-** The Town’s Water Department distributes potable water for drinking, hygienic needs, recreation and fire suppression through a system of underground piping. Through reverse osmosis, the Town turns brackish salt water, drawn from the Floridan Aquifer, into safe drinking water. Users of Town water are billed bi-monthly based on the amount of water they consume.

*Water Revenues.*

Fiscal YTD water utility collections total **\$2,305,231** or **50%** of projected annual revenues.

*Water Expenses.*

Fiscal YTD expenses totaled **\$2,068,688** or **45%** of projected expenses. *The water expenses include semi-annual debt payments of approximately \$750,000 made in December and March.*

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**ENTERPRISE FUNDS (sewer)**

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**OVERVIEW-** The Town has contracted with the City of Delray Beach to treat its sewer wastewater. The Town, in turn, bills its resident’s bi-monthly to recover

the contractual cost for waste water treatment. Currently, the Town’s billing rate is a flat \$43.00 per dwelling unit every other month. *Average collections per bi-monthly bill are approximately \$186,000.*

*Sewer Revenues.*

Fiscal YTD collections total **\$760,791**, or **54%** of projected annual revenues.

*Sewer Expenses.*

Fiscal YTD total expenses are **\$550,609** or **42%** of projected annual expenditures.

SUMMARY

This monthly financial summary is based on detailed revenue and expense reports that are produced by the Town’s Finance Department. If you would like additional information, or have any questions about the report, please call Matthew Lalla in the Finance Department at 561-278-4548.

TOWN INVESTMENTS

Approximately 18% of the Town’s funds (General Fund, Special Revenue Funds, and Enterprise Funds) are deposited in the Town’s operating and reserve accounts at PNC Bank, a Qualified Public Depository (QPD). The remaining balance is deposited in US Treasury Money Market accounts at BlackRock and Fidelity Investments, and the State of Florida’s Florida Prime Local Government Investment Pool (LGIP). The weighted average yield of the Town’s investment portfolio is **2.31%** for the month of April.

Class	Market Value	Monthly Investment Earnings	YTD Investment Earnings
BlackRock	\$8,447,538	\$16,344	\$103,958
Fidelity	3,120,230	5,819	39,321
Florida Prime	4,789,259	10,494	60,334
<b>Total</b>	<b>\$16,357,027</b>	<b>\$32,657</b>	<b>\$203,613</b>