



Town of Highland Beach, Florida

Monthly Financial Report

July 2020

OVERVIEW

This financial overview reflects the Town's overall unaudited financial condition through *July 2020*. Except as noted below, revenues and expenditures are generally on target for the 10th month (83%) of the fiscal year. The Town's fiscal year begins on October 1st.

GENERAL FUND

With 10 months (83%) of the fiscal year complete, General Fund (GF) revenues are on pace with trends of prior year collections. Through July, the Town's GF has collected a total of **\$11,824,873**, or **99%** of its projected annual revenues. For the same period, the GF has expended **\$9,124,582**, or **77%** 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	\$11,900,275	\$11,824,873	99%
Expenditures	\$11,900,275	\$9,124,582	77%

Property (ad valorem) taxes are the largest source of general fund revenue and make up **80%** of total

revenues. Other sources of revenue include 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 (Building Department, water and sewer).

GENERAL FUND REVENUES

Most revenues are being collected at a rate similar to past trends for 10 months of the fiscal year. Revenue sources such as the Half-Cent Sales Tax, State Revenue Sharing, and interest income are reflecting the negative financial impacts of the coronavirus on the economy.

Revenues	Budget	YTD Actual	YTD % Received
Taxes	\$10,313,275	\$10,332,681	100%
Licenses & Permits	0	0	0%
Intergovernmental	424,400	289,762	68%
Charges for Services	520,000	454,872	87%
Fines & Forfeits	10,700	3,130	29%
Misc. Revenue	631,900	744,428	118%
Reserve	0	0	0%
Total	\$11,900,275	\$11,824,873	99%

REVENUES

Taxes.

This category reflects the collection of ad valorem taxes, fuel taxes, utility franchise fees, and communications service taxes. Through July, the Town has collected 100% of the budgeted taxes. Of the \$10.3 million projected, \$9.5 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 1st. *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 **\$9,584,940**, or **100.7%** of the total budgeted amount.

Licenses and Permits.

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In prior fiscal years, this revenue category reflected the collection of building permit fees. Beginning with FY 2020, building permit revenues and Building Department expenditures are included in a separate Special Revenue Fund. Information related to the Building Department appears later in this monthly financial report.

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 **\$289,762** or **68%** of projected revenue, compared to prior YTD totals of **\$333,191** and **82%**, respectively. *Current year collections are behind the 83% budget benchmark for July – reflecting the financial impacts of COVID-19 on sales tax collections and State Revenue Sharing. Revenues in this category are forecasted to be 20 percent below budget for FY 2020.*

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 \$85,000 every other month for solid waste removal. Fiscal YTD collections total **\$454,872**, or **87%** of projected revenue, compared to prior YTD totals of **\$443,141** and **86%**, respectively.

Fines and Forfeitures.

Fines and forfeiture revenues are received from traffic citations, code violations, library fines, and court fines. Fiscal YTD collections total **\$3,130**, or **29%** of projected revenue, compared to prior YTD totals of **\$5,561** and **52%**, respectively.

Misc. Revenue

Miscellaneous revenues reflect interest on investments, lease payments, and an administrative reimbursement from the Water Enterprise Fund. Fiscal YTD collections total **\$744,428**, or **118%** of projected revenue, compared to prior YTD totals of **\$461,832** and **89%** (of actual revenues), respectively. *Interest earning are down significantly as a result of economic conditions caused by the global pandemic. This negative impact is offset for FY 2020 by the receipt of two significant one-time revenues -- \$109,000 received from the City of Delray Beach through the true-up process for Fire Rescue Services and a \$150,000 settlement payment from Waste Management for damages to Town roads.*

GENERAL FUND EXPENSES

With **83%** 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 **77%** 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 (83%) of the year complete have been highlighted and an explanation provided.*

Total Expenditures	Budget	YTD Actual	YTD % Spent
Town Commission	\$183,575	\$109,652	60%
Town Manager	361,320	279,524	77%
Town Clerk	375,550	267,805	71%
Finance	519,000	347,322	67%
Legal	175,000	77,350	44%
Public Works	358,300	220,823	62%
Post Office	135,600	90,626	67%
Other Gen. Gov't	362,040	319,301	88%
Police	2,566,550	1,795,376	70%
Fire Rescue	4,469,700	3,710,851	83%
Building Dept.	0	0	0%
Solid Waste	454,500	366,886	81%
Library	407,140	269,870	66%
Interfund Transfer	1,482,000	1,235,000	83%
Contingency	50,000	34,196	68%
Total	\$11,900,275	\$9,124,582	77%

Expenditure variances

Through July, and with the exception of one department, the GF department budgets are on pace with or under their annual projections.

- Other General Government (Non-Departmental) expenses are overspent due to higher than anticipated Information Technology (IT) costs and communications costs.

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 July 2020.

Fund Balance	YTD Balance
Non-spendable	\$279,910
Restricted	0
Committed	3,096,863
Assigned	2,954,157
Unassigned	6,025,132
Total	\$12,356,062

Non-spendable fund balance is the amount that is not in a spendable form. The **\$279,910** 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 \$3,096,863 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

1/12th 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 July 31, 2020, the amounts in the assigned fund balances are \$987,723 and \$1,966,434 respectively.* These amounts are adjusted annually on October 1st.

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 July 31, 2020, the Town had an unassigned fund balance of **\$6,025,132**.

SPECIAL REVENUE FUNDS

Discretionary Sales Tax

A Special Revenue Fund was established 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 July 2020, the Town has received a total of **\$193,020** in tax proceeds.

EXPENDITURES- Through July 2020, the Town has expended **\$40,154** of these funds.

FUND BALANCE- As of July 31, 2020, the IST Fund has a total of **\$359,129**. This balance represents the sum of current year collections (less current year expenditures) and prior year collections (less prior year expenditures).

Building Department Fund

Beginning in FY 2020, the revenues and expenditures associated with the Building Department were segregated from the General Fund in order to comply with new legislation.

REVENUES- Through July 2020, the Town has received a total of **\$879,050** in building permit revenue. For FY 2020, building permit revenues are forecasted to be approximately \$1,050,000.

EXPENDITURES- Through July 2020, the Building Department has expended **\$536,947** or **64%** of its budget.

ENTERPRISE FUNDS (water)

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 **\$2,939,355** or **66.5%** of projected annual revenues.

Water Expenses.

Fiscal YTD expenses totaled **\$2,312,303** or **52.3%** of projected expenses. *The water expenses include semi-*

annual debt payments of approximately \$1,005,308 made in December, March, and June.

ENTERPRISE FUNDS (sewer)

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 \$194,700.*

Sewer Revenues.

Fiscal YTD collections total **\$982,792**, or **64.4%** of projected annual revenues.

Sewer Expenses.

Fiscal YTD total expenses are **\$761,626** or **50.4%** of projected annual expenditures.

TOWN INVESTMENTS

Approximately 16% 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 U.S. 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 **0.16%** for the month of July.

Class	Market Value	Monthly Investment Earnings	YTD Investment Earnings
BlackRock	\$8,602,956	\$454	\$78,547
Fidelity	3,171,559	63	23,906
Florida Prime	5,164,186	1,902	58,868
Total	\$16,938,701	\$2,419	\$161,320

Interest earning on the Town's investment portfolio are down substantially as a result of the general economic conditions caused by the COVID-19 global pandemic. The negative impacts on interest earnings being experienced in FY 2020 are expected to continue through most of FY 2021.

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.