



# Town of Highland Beach, Florida

## Monthly Financial Report

June 2021

### OVERVIEW

This financial overview reflects the Town's overall unaudited financial condition through **June 2021**. Except as noted below, revenues and expenditures are generally on target for the 9th month (**75%**) of the fiscal year. The Town's fiscal year begins on October 1<sup>st</sup>.

### GENERAL FUND

With 9 months (75%) of the fiscal year complete, General Fund (GF) revenues are on pace with trends of prior year collections. Through June, the Town's GF has collected a total of **\$11,116,342**, or **89%** of its projected annual revenues. For the same period, the GF has expended **\$8,593,653**, or **69%** 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	\$12,470,009	\$11,116,342	89%
Expenditures	\$12,470,009	\$8,593,653	69%

Property (ad valorem) taxes are the largest source of general fund revenue and make up **78%** 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 9 months of the fiscal year. While interest income continues to reflect the negative financial impacts of the coronavirus on the economy, revenue sources such as the Half-Cent Sales Tax and State Revenue Sharing are starting to recover.

Revenues	Budget	YTD Actual	YTD % Received
Taxes	\$10,572,345	\$10,001,369	95%
Licenses & Permits	0	0	0%
Intergovernmental	362,573	254,028	70%
Charges for Services	534,000	423,644	79%
Fines & Forfeits	10,700	7,820	73%
Misc. Revenue	641,500	429,480	67%
Reserve	348,891	0	0%
<b>Total</b>	<b>\$12,470,009</b>	<b>\$11,116,342</b>	<b>89%</b>

## REVENUES

### *Taxes.*

This category reflects the collection of ad valorem taxes, fuel taxes, utility franchise fees, and communications service taxes. Through June, the Town has collected 94.6% of the budgeted taxes. Of the \$10.6 million projected, \$9.7 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 **\$9,453,726**, or **97.5%** of the total budgeted amount.

### *Licenses and Permits.* in

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 **\$254,028** or **70%** of projected revenue, compared to prior YTD totals of **\$280,421** and **66%**, respectively. *Current year collections are behind the 75% budget benchmark for June – reflecting the financial impacts of COVID-19 on sales tax collections and State Revenue Sharing. Revenues in this category are beginning to show signs of recovery compared to 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 \$89,000 every other month for solid waste removal. Fiscal YTD collections total **\$423,644**, or **79%** of projected revenue, compared to prior YTD totals of **\$383,592** and **74%**, respectively.

### *Fines and Forfeitures.*

Fines and forfeiture revenues are received from traffic citations, code violations, library fines, and court fines. Fiscal YTD collections total **\$7,820**, or **73%** of projected revenue, compared to prior YTD totals of **\$3,010** and **28%**, respectively.

### *Misc. Revenue*

Miscellaneous revenues reflect interest on investments, lease payments, and an administrative reimbursement from the Water Enterprise Fund and the Building Department Fund. Fiscal YTD collections total **\$429,480**, or **67%** of projected revenue, compared to prior YTD totals of **\$719,016** and **114%** (of actual revenues), respectively. *Interest earning are down significantly as a result of economic conditions caused by the global pandemic. FY 2020 Miscellaneous Revenues reflected two one-time sources from the settlement with Waste Management and a true-up payment received from Delray Beach under the Fire Rescue contract.*

## GENERAL FUND EXPENSES

With **75%** 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 **69%** 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 4% when compared to the monthly percentage (75%) of the year complete have been highlighted and an explanation provided.

Total Expenditures	Budget	YTD Actual	YTD % Spent
Town Commission	\$168,575	\$89,843	53%
Town Manager	431,890	341,475	79%
Town Clerk	388,080	254,794	66%
Finance	602,791	341,905	57%
Legal	175,000	64,653	37%
Public Works	353,150	162,281	46%
Post Office	142,940	80,113	56%
Other Gen. Gov't	395,992	318,219	80%
Police	2,615,227	1,534,594	59%
Fire Rescue	4,782,579	3,723,188	78%
Solid Waste	468,135	302,692	65%
Library	413,650	262,083	63%
Interfund Transfer	1,482,000	1,111,500	75%
Contingency	50,000	6,312	13%
<b>Total</b>	<b>\$12,470,009</b>	<b>\$8,593,653</b>	<b>69%</b>

## Expenditure Variances

Through June, 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 June 2021.

Fund Balance	YTD Balance
Non-spendable	\$300,779
Restricted	0
Committed	3,063,688
Assigned	3,195,190
Unassigned	6,554,340
<b>Total</b>	<b>\$13,113,997</b>

**Non-spendable** fund balance is the amount that is not in a spendable form. The **\$300,779** 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 \$3,063,688 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 **three 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. The third is for Fire Rescue and reflects true-up payments received from Delray Beach. *As of June 30, 2021, the amounts in the assigned fund balances are \$1,024,361, \$2,061,064, and \$109,765 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 June 30, 2021, the Town had an unassigned fund balance of **\$6,554,340**.

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## **SPECIAL REVENUE FUNDS**

### *Discretionary Sales Tax*

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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 June 2021, the Town has received a total of **\$193,020** in tax proceeds.

**EXPENDITURES-** Through June 2021, the Town has expended **\$40,154** of these funds.

**FUND BALANCE-** As of June 30, 2021, the IST Fund has a total of **\$397,529**. 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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## *Building Department Fund*

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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 June 2021, the Town has received a total of **\$827,311** in building permit revenue. For FY 2021, building permit revenues are forecasted to be approximately \$990,000.

**EXPENDITURES-** Through June 2021, the Building Department has expended **\$625,068** or **62%** of its budget.

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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. Rates were adjusted on April 1, 2021.

### *Water Revenues.*

Fiscal YTD water utility collections total **\$2,650,468** or **55.7%** of projected annual revenues.

### *Water Expenses.*

Fiscal YTD expenses totaled **\$2,433,347** or **50.3%** of projected expenses. *The water expenses include semi-*

annual debt payments of approximately \$774,612 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. Prior to April 1<sup>st</sup>, the Town's billed at a flat rate of \$43.00 per dwelling unit every other month. A new sewer rate structure based on usage will be in place for the second half of Fiscal Year 2021.

### *Sewer Revenues.*

Fiscal YTD collections total **\$736,378**, or **62.6%** of projected annual revenues.

### *Sewer Expenses.*

Fiscal YTD total expenses are **\$941,306** or **43.5%** 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 **0.033%** for the month of June.

Class	Market Value	Monthly Investment Earnings	YTD Investment Earnings
BlackRock	\$8,604,597	\$101	\$1,045
Fidelity	3,171,850	26	237
Florida Prime	5,708,239	494	6,457
<b>Total</b>	<b>\$17,484,686</b>	<b>\$621</b>	<b>\$7,740</b>

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 are expected to continue through the remainder 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.