

THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

MEMORANDUM

TO: Key West Bight Management District Board

CC: Patti McLaughlin, Todd Stoughton, Steve McAlearney, Christina Bervaldi, Ronald Ramsingh

FROM: Gary Moreira, Senior Property Manager

DATE: March 2, 2023

SUBJECT: Tax, Insurance, and Common Area Maintenance Expense Reconciliation F/Y 21/22

Attached is the Historic Seaport Operating Expense Reconciliation for Fiscal Year 2021/2022. Allocations are made in accordance with the 2004 Maximus Cost Allocation Study and increased monthly CAM amounts will be billed to tenants effective April 1, 2023. The actual allocable expenses for F/Y 21/22 are \$6.33 per square foot. Payments collected from the tenants during the same period based on estimated expenses were \$4.89 per square foot, and a debit of \$139,835.49 is to be collected from the tenants. The shortfall is driven by an unanticipated 43.3% increase in insurance costs due to the latest property appraisal. Monthly tenant assessments are to increase to \$6.87 per square foot effective April 1 which accounts for today's insurance premium expense.

Property Taxes

The property taxes are \$254,517.49 and reflect an allocation to the Upland and Ferry Terminal of 37.92% compared to the 2021 allocation of \$255,414.59 or 40.59% which is based upon a proration of the overall marina and upland revenues.

Insurance

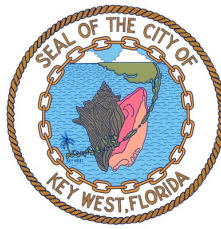
The allocation is based upon property value and is 15.33% of the total City premium for the applicable coverages. The total of \$356,433 is up 43.3% from \$202,243 in 2021. The insurance expense includes an allocation for estimated actuarial ultimate losses for Fund 405 Property and Liability, and 50% of insurance administration.

Promotional Expenses

The Maximus Study applied a 50% allocation as the tenants' share; however, pursuant to the Bight Board's prior directive, no promotional expenses have been allocated to the tenants for this period, even though the CRA has incurred \$268,118.10, a 18.1% increase over 2022.

Maintenance and Operations

The actual expense of \$624,118.10 is allocated at 50% to the upland tenants per Maximus,



THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

MEMORANDUM

however, only \$244,755.27 is included as it is capped at a 5% annual increase over the prior year (\$233,100.26) and combined with the administrative overhead below.

Administrative Overhead

The administrative overhead is determined by the City and based upon the indirect cost allocation study. The operating expense allocation is based upon a percentage of revenue that is 37.92% for the upland tenants which equals \$239,513.78, then further reduced, and allocated at 50% of that cost or \$119,756.89. The cost is combined with maintenance and operations and together they are limited to a 5% annual increase over the previous year, therefore the reimbursable expense for both maintenance and administration for this period is \$244,755.27. The total actual cost of Maintenance and Administration for this period is \$1,255,670.80 before the Maximus allocations are applied.

Surveyed Square Feet and Billable Square Feet

The breakdown of the total net usable and billable square footage is also included and is based upon surveys to arrive at a total net usable area of 110,166 square feet. The breakdown of the billable square footage is also shown and is based upon the occupied areas per the leases in addition to the Maximus report recommendations of calculating outdoor areas at 50% of the square footage. The total billable area is 91,086 square feet.

The difference between the net usable square feet and the billable square feet is the outdoor areas, vacant space, non-leasable space, city offices, restrooms, and Ferry Terminal passenger waiting areas as the operating costs of these areas are paid by the CRA.

Allocation Methodology

The expense reconciliations were performed in accordance with the approved Maximus study, which was undertaken in 2004. The purpose of the Maximus study was to establish the methodology for calculating the allocation of expenses between the marina and upland properties, and between vacant, leased, and non-leasable areas.

ATTACHMENTS

Attached is information detailing the operating expenses for the Historic Seaport, Fund 405 for FY 2021/2022 which includes a prior year summary for comparison purposes and CAM Reconciliation.