

## 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:** Albert Childress, Todd Stoughton, Steve McAlearney, Christina Bervaldi, Ronald Ramsingh

**FROM:** Gary Moreira, Senior Property Manager

**DATE:** January 10, 2024

**SUBJECT:** Tax, Insurance, and Common Area Maintenance Expense Reconciliation F/Y 22/23

Attached is the Historic Seaport Operating Expense Reconciliation for Fiscal Year 2022/2023. Allocations are made in accordance with the 2004 Maximus Cost Allocation Study and increased monthly CAM amounts will be billed to tenants effective February 1, 2024. The actual allocable expenses for F/Y 22/23 were \$7.53 per square foot. Payments collected from the tenants during the same period based on estimated expenses were \$6.87 per square foot, and a debit of \$72,595.29 is to be collected from the tenants.

### Property Taxes

The Bight property taxes were \$264,148.27 compared to the 2022 amount of \$254,517.49. The revenue percentage allocated to Upland and Ferry Terminal tenants is 38.98% of the total or \$102,952.76 compared to the 2022 allocation of \$ 96,524.69.

### Insurance

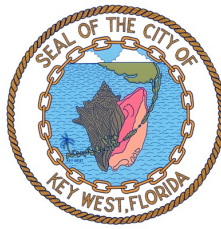
The allocation is based upon assessed property value and is 15.29% of the total City premium for the applicable coverages. The total of \$418,083 is up 17.3% from \$356,433 in 2022. The insurance expense includes an allocation for estimated actuarial ultimate losses for Fund 405 Property and Liability, and 50% of insurance administration.

### Promotional Expenses

Upland lease agreements provide for reimbursement of 100% of costs related to "seasonal decorating" however, pursuant to the Bight Board's prior directive, no promotional expenses have been allocated for recovery since sometime prior to 2012, despite the CRA incurring \$279,276 in total promotional expenses during F/Y 22/23. During this reconciliation, 50%, or \$51,388.00 of the seasonal decorating expense will be passed through to the tenants and is included in the \$7.53 per square foot expense recovery above.

### Maintenance and Operations

Total expenses were \$628,109.07 and capped at 50% for upland tenants per Maximus,



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(\$314,055.00). Only a portion of this reduced number is subject to recovery as Maintenance and Operations expenses and Administrative Overhead expenses are capped at 5% over the prior year. The total amount eligible for recovery under both categories is \$256,993.00.

### **Administrative Overhead**

The administrative overhead is determined by the City and based upon the indirect cost allocation study. The expense allocation is based upon a percentage of revenue that was 38.98% for the upland tenants which equals \$344,507.00 and allocated at 50% of the cost or \$172,253.59. Only a portion of this reduced number is subject to recovery as Administrative Overhead and Maintenance and Operations expenses are capped at 5% over the prior year. The total amount eligible for tenant recovery is \$256,993.00 with the CRA absorbing the shortfall of \$230,315.00 between Administrative and Maintenance and Operations expenses.

### **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 2022/2023 which includes a prior year summary for comparison purposes, CAM Reconciliation and estimated 23-24 impounds.