



TOWN OF PALM BEACH LONG TERM FINANCIAL PLAN

FY2014 – FY2024

PREPARED BY: FINANCE DEPARTMENT

360 South County Road, Palm Beach FL 33480

www.townofpalmbeach.com

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INTRODUCTION

Long Term Financial Plan Overview

The National Advisory Council on State and Local Budgeting (NACSLB) recommends that governments establish a financial planning process that assesses the long-term financial implications of current and proposed policies, programs, and assumptions, and that develops appropriate strategies to achieve its goals.

The Town of Palm Beach has prepared a Long Term Financial Plan every year since 2003 except in 2008, when a more extensive Comprehensive Review of Town Operations (CRTO) was completed. The Long Term Financial Plan (LTFP) is intended to serve as a tool, providing the Mayor, Town Council and staff with the insight required to address issues impacting the Town's financial condition. This plan consists of the following sections:

- Introduction
- Status of the FY14 Budget
- Reserve Analysis
- General Fund Revenue Trend Analysis
- General Fund Expenditure Trend Analysis
- General Fund Forecast Summary
- Forecast Details
- Recreation Enterprise Fund Trend Analysis
- Recreation Enterprise Fund Forecast Summary
- Other Funds Trend and Forecast Summary

Financial planning expands a government's awareness of potential problems and opportunities, and of options for addressing them. The long-term revenue, expenditure and service implications of continuing or ending existing programs or adding new programs, services and debt can be identified. The financial planning process helps shape decisions and permits necessary and corrective action to be taken before problems become more severe.

A financial plan does not state what is certain to happen. Rather, it highlights significant issues or problems that must be addressed if goals are to be achieved and provides forecasts of results expected if certain actions are taken.

The emphasis of this document is on the Town's General Fund. Forecast and trend information on the Recreation Enterprise Fund, Risk Insurance Fund, Health Insurance Fund, OPEB Trust Fund, and Debt Service Funds are also included in this document.

This LTFP will be presented at the Town Council meeting on April 8, 2014, in the Town Council Chambers.

CURRENT STATUS OF FY14 BUDGET

Status of the FY14 Budget

The FY14 budget is 9.54% more than the FY13 budget., due primarily to a \$2.6 million increase in annual debt service and a \$4.2 million transfer to the Coastal Protection Fund. Personnel count was reduced by 5 positions, bringing the total reduction in employees since FY07 to 66.79 (all by attrition with no layoffs). A monthly financial report has been sent to the Mayor and Town Council detailing the status of revenues and expenditures in the General Fund, Recreation Enterprise Fund and summary information for other funds.

General Fund Revenues

Overall, revenues for FY14 are expected to exceed the budget estimates. Several of the budgeted revenues for FY14 are under the budget standard through February. These include utility taxes, franchise fees, sales and use taxes, building permit, public safety revenues, code violations, rents, and investment income. Utility taxes, sales and use taxes, franchise fees, and state shared revenue are below the budget standard, but above FY13 collections. None of these revenue sources represent cause for concern. We will be monitoring these revenue accounts closely for the remainder of the fiscal year and will continue to provide a monthly financial update to the Mayor and Town Council.

General Fund Expenditures

Through February, expenditures for most departments were below the budget standard. General Government, Information Systems, and Library Services are above the budget standard. General Government is over budget due to payments made for the vacation buy-back program in November; this program is expected be at or below the budget standard by the end of the fiscal year. Information Systems is over budget due to annual payments made for software support; this program is expected be at or below the budget standard by the end of the fiscal year. Library Services is over the budget standard due to the first of two installment payments made to the Four Arts Library; this program is expected be at the budget standard by the end of the fiscal year. All of these overages are planned expenditures that present no cause for concern. All other operating departments are below the budget standard.

Summary

Year to date revenues are \$1,839,544 more than FY13 revenues as of the end of February. Expenditures for FY14 are \$1,433,665 more than expenditures through February 2013.

Unless the revenue status worsens, or if Palm Beach experiences a major storm event during the summer, we expect to end the year with a surplus.

Tables summarizing General Fund Revenues and Expenditures through February 2014 can be found on the next two pages.

CURRENT STATUS OF FY14 BUDGET

General Fund Revenues

General Fund Revenues For the Period Ended February 28, 2014 (42% of FY2014)								
	FY2014 Budget	FY2014 YTD Actual	% Budget vs. Actual	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2013 Actual	% Budget vs. Actual
Ad Valorem Taxes	38,647,700	34,077,982	88.2%	36,865,400	32,440,082	88.0%	37,473,108	101.6%
Sales, Use and Fuel Taxes	310,000	100,339	32.4%	310,000	97,230	31.4%	299,081	96.5%
Utility Service Taxes	5,007,500	1,923,168	38.4%	4,957,500	1,859,745	37.5%	5,198,714	104.9%
Business Tax Receipts	665,500	604,681	90.9%	625,000	599,831	96.0%	666,789	106.7%
Building Permits	5,610,700	2,230,663	39.8%	5,333,300	2,279,092	42.7%	6,500,257	121.9%
Franchise Fees	2,050,000	474,301	23.1%	2,210,000	449,326	20.3%	2,036,065	92.1%
Other Licenses, Fees and Permits	369,000	232,871	63.1%	306,000	177,654	58.1%	459,522	150.2%
Federal and Local Grants	21,000	0	0.0%	3,850	3,861	100.3%	3,861	100.3%
State Shared Revenues	1,001,000	422,518	42.2%	996,600	346,446	34.8%	944,041	94.7%
Shared Revenues from Other Local Units	30,000	11,490	38.3%	20,000	32,420	162.1%	42,813	214.1%
Public Safety Fees	1,508,500	594,612	39.4%	1,582,700	597,349	37.7%	1,440,533	91.0%
Physical Environment Fees	1,218,925	938,218	77.0%	1,217,566	969,695	79.6%	1,264,060	103.8%
Transportation Fees	789,000	355,772	45.1%	811,000	315,863	38.9%	830,151	102.4%
Other Charges for Services	35,850	18,063	50.4%	40,850	14,414	35.3%	41,413	101.4%
Judgments and Fines	971,000	501,960	51.7%	1,087,000	396,989	36.5%	837,791	77.1%
Violations of Local Ordinances	210,000	43,650	20.8%	212,000	100,400	47.4%	416,394	196.4%
Interest and Other Earnings	425,373	136,008	32.0%	900,500	59,225	6.6%	32,425	3.6%
Rents and Royalties	98,845	-	0.0%	95,981	8,827	9.2%	69,606	72.5%
Disposition of Fixed Assets	0	0	0.0%	0	83,574	100.0%	425,474	100.0%
Miscellaneous Revenues	92,000	10,677	11.6%	94,000	5,404	5.7%	351,269	373.7%
Interfund Transfers	6,344,600	368,750	5.8%	5,841,588	368,750	6.3%	885,000	15.1%
Total Revenues	65,406,493	43,045,722	65.8%	63,510,835	41,206,178	64.9%	60,218,364	94.8%

CURRENT STATUS OF FY14 BUDGET

General Fund Expenditures

General Fund Comparison of Expenditures Expenditures by Department For the Period Ended February 28, 2014 (42% of FY2014)								
	FY2014 Budget	FY2014 YTD Actual	% Budget vs. Actual	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2013 Actual	% Budget vs. Actual
Legislative	95,600	37,919	39.7%	95,600	27,218	28.5%	59,958	62.7%
General Government	788,300	476,905	60.5%	571,140	405,450	71.0%	623,738	109.2%
Town Manager	802,669	332,646	41.4%	741,371	302,375	40.8%	735,878	99.3%
Advice and Litigation	518,915	134,297	25.9%	468,915	219,552	46.8%	538,450	114.8%
Information Systems	1,867,798	986,996	52.8%	1,822,385	987,874	54.2%	1,812,592	99.5%
Human Resources	710,293	256,668	36.1%	679,988	229,162	33.7%	633,447	93.2%
Finance	1,956,080	803,953	41.1%	1,882,423	738,687	39.2%	1,835,107	97.5%
Planning, Zoning & Building	3,716,581	1,389,010	37.4%	3,600,142	1,314,886	36.5%	3,301,796	91.7%
Library	297,659	148,830	50.0%	288,989	136,200	47.1%	288,989	100.0%
Fire-Rescue	11,031,311	4,330,179	39.3%	10,652,190	4,136,670	38.8%	10,267,593	96.4%
Police	13,507,634	5,060,004	37.5%	12,885,527	4,823,713	37.4%	11,996,206	93.1%
Public Works	14,523,703	5,722,020	39.4%	14,330,768	5,393,208	37.6%	13,051,893	91.1%
Emergency Management	47,950	771	1.6%	47,950	4,440	9.3%	5,581	11.6%
Transfers:								
Capital Improvement Fund	1,000,000	416,665	41.7%	1,000,000	416,685	41.7%	1,000,000	100.0%
Coastal Protection Fund	4,200,000	1,750,000	41.7%	4,765,099	1,161,290	24.4%	4,765,099	100.0%
Debt Service Fund	6,100,000	1,458,335	23.9%	3,500,000	1,458,315	41.7%	3,500,000	100.0%
OPEB Trust Fund	1,506,000	627,500	41.7%	1,769,000	737,080	41.7%	1,769,000	100.0%
Risk Insurance Fund	1,876,000	782,425	41.7%	1,892,780	788,653	41.7%	1,922,571	101.6%
Contingency	860,000	0	0.0%	717,013	0	0.0%	0	0.0%
Total	65,406,493	24,715,122	37.8%	61,711,280	23,281,457	37.7%	58,107,899	94.2%
General Fund Comparison of Expenditures Expenditures by Type								
	FY2014 Budget	FY2014 YTD Actual	% Budget vs. Actual	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2013 Actual	% Budget vs. Actual
Salaries and Wages	24,298,881	8,898,237	36.6%	24,444,929	8,937,771	36.6%	22,943,974	93.9%
Pension Benefits	6,173,015	2,572,090	41.7%	4,495,764	1,873,235	41.7%	4,495,764	100.0%
Other Employee Benefits	8,415,555	3,857,028	45.8%	8,588,286	3,984,926	46.4%	8,379,116	97.6%
Contractual	8,472,843	4,244,984	50.1%	8,258,348	3,992,922	48.4%	9,116,873	110.4%
Commodities	1,701,960	577,266	33.9%	1,528,071	475,639	31.1%	1,584,342	103.7%
Capital Outlay	2,010,580	791,688	39.4%	2,084,014	844,473	40.5%	2,033,744	97.6%
Contingency	860,000	0	0.0%	843,000	0	0.0%	0	0.0%
Other	13,473,659	3,773,830	28.0%	11,468,868	3,172,490	27.7%	9,554,088	83.3%
Total	65,406,493	24,715,122	37.8%	61,711,280	23,281,457	37.7%	58,107,900	94.2%

CURRENT STATUS OF FY14 BUDGET

Recreation Enterprise Fund

The revenues for the Recreation Center and investment earnings are under budget due to the seasonal nature of these programs and the current interest rate environment. Town Dock revenue is over budget due to the annual slip lease revenue. Tennis revenue is over the budget standard due to the sale of annual permits and Par 3 Golf Revenue is over budget due to increased play and the opening of the Par 3 clubhouse in January.

Expenses are over the budget standard for Town Docks due to the full payment for the annual submerged land lease. Equipment Replacement is over the budget standard due to the purchase of equipment for the Par 3 Golf Course. These items were planned expenditures that present no cause for concern.

Town of Palm Beach, Florida Recreation Enterprise Fund Revenue and Expenditure Report February 28, 2014								
	Budget FY2014	YTD Actual	% Budget vs Actual	Budget FY2013	YTD Actual 2013	% Budget vs Actual	Actual 2013	% Budget vs Actual
Revenues								
Town Dock Revenue	3,183,500	3,123,518	98.12%	3,235,500	2,784,946	86.07%	3,036,368	93.85%
Recreation Center Revenue	347,000	84,620	24.39%	351,300	99,765	28.40%	315,150	89.71%
Tennis Revenues	230,100	124,839	54.25%	229,600	125,988	54.87%	187,083	81.48%
Par 3 Golf Revenue	1,198,600	562,668	46.94%	1,066,800	453,622	42.52%	943,337	88.43%
Investment Earnings	7,600	1,785	23.49%	17,500	6,445	36.83%	(2,219)	-12.68%
Miscellaneous Revenue	17,600	48,086	273.22%	16,500	4,947	29.98%	19,005	115.18%
Total Revenues	4,984,400	3,945,516	79.16%	4,917,200	3,475,714	70.68%	4,498,723	91.49%
Expenditures								
Administration	416,481	167,562	40.23%	341,715	144,110	42.17%	306,766	89.77%
Tennis	346,463	127,566	36.82%	342,666	122,721	35.81%	267,767	78.14%
Recreation Center	687,374	206,973	30.11%	671,435	209,587	31.21%	523,797	78.01%
Town Docks	865,332	392,541	45.36%	842,653	412,014	48.89%	755,437	89.65%
Par 3	1,050,337	425,342	40.50%	1,042,764	458,591	43.98%	920,883	88.31%
Equipment Replacement	80,200	42,288	52.73%	32,000	30,954	96.73%	58,354	182.36%
Debt Service - Par 3	126,300	52,625	41.67%	128,000	53,335	41.67%	117,337	91.67%
Depreciation	597,900	0	0.00%	515,000	0	0.00%	0	0.00%
Total Expenditures	4,170,387	1,414,897	33.93%	3,916,233	1,431,311	36.55%	2,950,341	75.34%
Operating Revenue over/(under)	814,013	2,530,619		1,000,967	2,044,403		1,548,382	
Transfers and Contingency	(1,134,220)	(368,750)		(1,120,600)	(368,750)		(800,000)	
Total Revenues over/(under)	(320,207)	2,161,869		(119,633)	1,675,653		748,382	
% of Fiscal Year Completed: 42%								

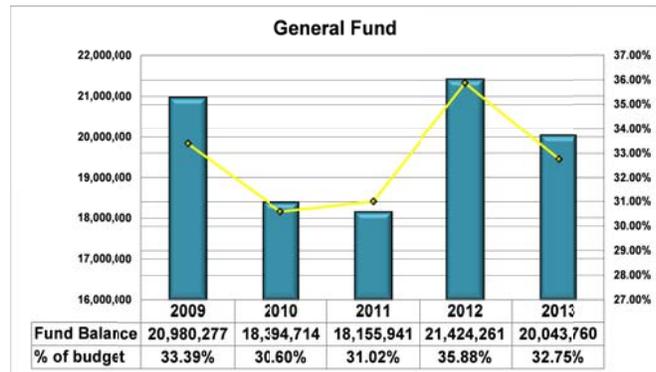
RESERVE STATUS

Town of Palm Beach Reserves

The Town Council has adopted eighteen financial policies, fifteen of which address reserves. The reserve policies serve to safeguard the Town's financial resources and ensure fiscal stability. The size of a municipality's fund balance can affect its ability to withstand financial emergencies. Reserves can also be used to accumulate funds for capital purchases or capital projects without having to borrow.

Unassigned Fund Balance - General Fund

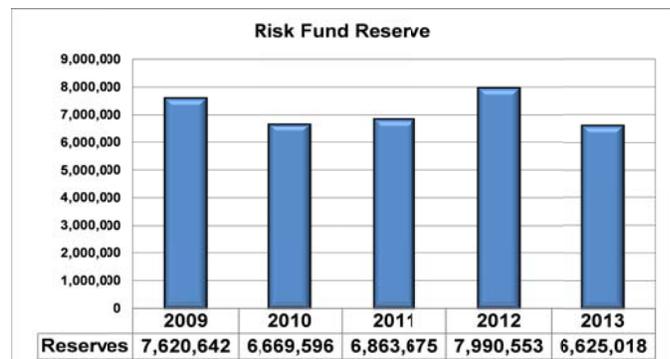
Pursuant to adopted policy, the unassigned fund balance for the General Fund is to be maintained at a minimum level of 25% of current year General Fund budgeted expenditures. This minimum level is to be maintained to protect the Town against economic downturns, temporary revenue shortfalls, unpredicted one-time expenditures, and for tax rate stabilization purposes. Twenty-five percent of the FY14 General Fund operating budget (General Fund budget less coastal transfer) is \$15,301,623. The FY13 ending fund balance was \$20,043,760.



The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart details the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents. For the FY14 budget, a transfer of \$860,000 from fund balance was used to fund the contingency reserve as directed by policy. During FY13, the Town Council approved a budget amendment transferring \$2,000,000 from the undesignated fund balance to the coastal protection fund for future coastal projects and the FY14 budget contains an additional transfer of \$4,000,000 to the coastal protection fund.

Reserves - Risk Fund

The total reserve balance for the Risk Fund was \$8,625,018 as of September 30, 2013. Out of this reserve balance, the Town funds the Reserve for Catastrophic Exposures/Emergencies - Risk Fund in the amount of \$2,500,000 and the Contingency Reserve for \$500,000. Included in the FY14 budget is a Town Council authorized the transfer of \$2,000,000 of the excess Risk Fund reserves to the Coastal Protection Fund. This amount has been deducted from the reserve balance. The trend for the Risk Fund Reserve is shown in the table.



RESERVE STATUS

Reserve for Catastrophic Exposures/Emergencies - Risk Fund

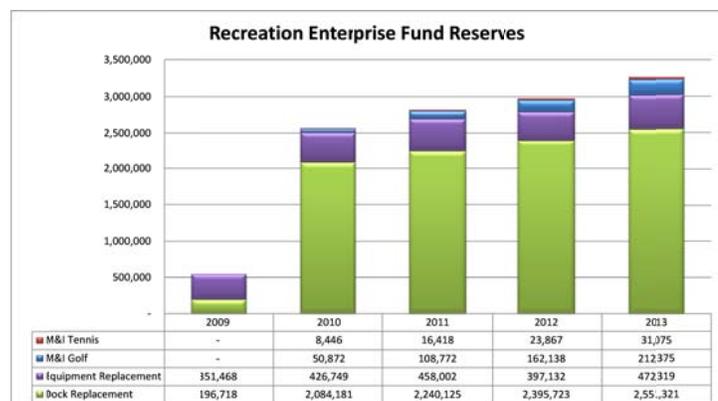
The Reserve for Catastrophic Exposures/Emergencies for the Risk Fund is funded at a minimum of \$2,500,000. This reserve was established to set aside emergency funds to protect the Town against the potential financial impacts large judgments in excess of insurance coverage and the financial impacts of response to and recovery from a man-made or natural emergency situation. In addition, the reserve can be used in response to increases in premium rates and/or loss fund increases. This reserve is funded with a budget appropriation from the Net Asset reserves of the Risk Fund.

Recreation Enterprise Fund Reserves

The Recreation Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,246,100 for FY14. The purpose of the reserve is to provide an adequate level of net assets for unanticipated financial impacts as well as to provide for one-time expenditures to improve the facilities.

The Town's enterprise fund includes the operations of the Town Docks, the Par 3 Golf Course, tennis activities and youth and adult recreation programs.

At the end of FY13, the net asset balance for the Recreation Enterprise Fund (REF) was \$3,753,556. Separate reserves have been set aside from this amount for the dock replacement, Par 3 Improvements, tennis improvements and equipment replacement.



At the end of FY13, \$2,551,321 had been set aside in the Dock Replacement Reserve. The Dock Replacement reserve was created to fund the replacement cost of the construction of the Town's docks whenever it is determined they must be replaced. The replacement reserve is to be maintained at 100% of accumulated depreciation plus accumulated interest earned on the reserve.

The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. At the end of FY13, the balance is \$212,375.

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY13 is \$31,075 and has been set aside for improvements to the tennis centers.

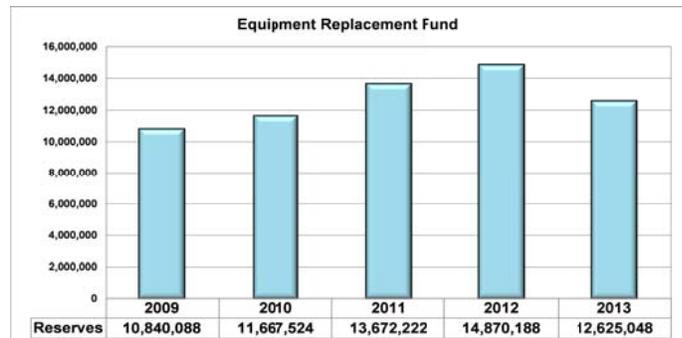
The Recreation Enterprise Fund's equipment replacement reserve allows for the purchase of capital equipment and is funded with accumulated replacement cost depreciation from Recreation Net Assets. The balance in the REF Equipment Replacement Fund for FY13 is \$472,319.

RESERVE STATUS

Equipment Replacement Fund

The Townwide Equipment Replacement Fund is intended to fund the replacement cost of existing equipment, vehicles and computers when they reach the end of their useful life. This reserve significantly reduces the budgetary fluctuations due to purchases of large pieces of equipment and ensures compliance with the fixed asset inventory and depreciation schedule required by GASB34.

The balance in the Equipment Replacement Fund for year-end FY13 is \$15,483,961. For FY14, income including the depreciation transfer will total \$1,959,535 and expenditures for capital equipment are budgeted at \$3,010,895. An analysis of the reserves determined an excess balance of \$2,858,913 caused by the accumulated interest earned by the fund and identification of equipment that will not be replaced. The Town Council authorized a transfer of this excess amount to the coastal protection fund for FY14. The transfer has been deducted from the total and the reduced reserve is shown in the chart.

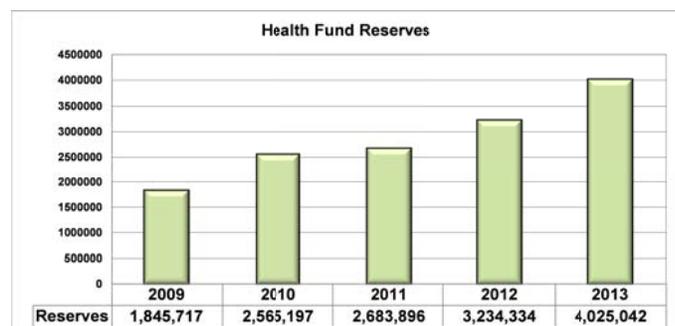


Designation of General Fund Balance for Payment of Liability Related to Compensated Absences Leave Balances

A Reserve for Compensated Absences reduces the budgetary fluctuations due to the payout of accrued leave time to employees when they leave Town service. This reserve is funded at a rate of 100% of the fiscal year end accrued leave balances. Funds are appropriated annually from this reserve based upon estimates of pay-outs of eligible accrued vacation, sick and compensatory time and the related payroll tax liability. The balance in the reserve as of September 30, 2013, was \$3,390,226. The FY14 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$599,600.

Health Insurance Reserve

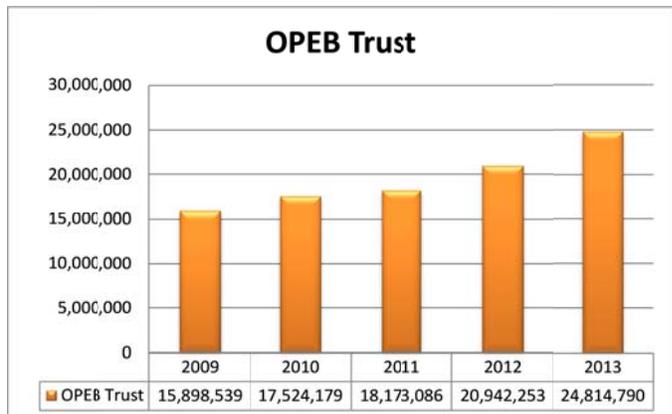
The balance of the reserve in the Health Fund at the end FY13 is \$4,025,042. These reserves guard against any deficiencies in the Town's self insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. The balance has been improving over the past 5 years.



RESERVE STATUS

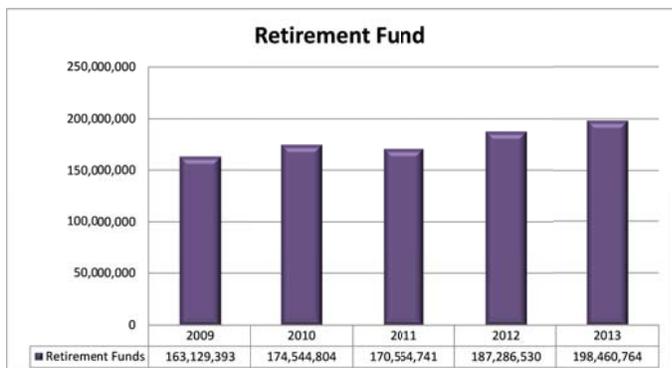
OPEB (Other Post Employment Benefits) Trust

The Town's OPEB Trust Fund was established to comply with GASB Statements 43 and 54, which required the establishment of a liability for actuarially determined costs of retiree health benefits. This fund is overseen by the Town's Investment Advisory Committee. The net asset balance in this trust is \$24,814,790 as of September 30, 2013. The actuarially determined transfer from the General Fund for the OPEB liability for FY14 is \$1,506,000. The Town continues to be well ahead of other government agencies in funding this liability.



Retirement Fund

The Town provides pension benefits for General Employees, Lifeguards, Police Officers, and Firefighters. The funds were separately managed by 3 pension boards until the consolidation on April 1, 2012 into the Employee's Retirement Fund. The Retirement Board oversees all of the Town's pension assets and retirement programs. The net assets of the consolidated fund at the end of FY12 were \$187,286,530. The balance at the end of FY13 is \$198,460,764.



Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Recreation Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at 1.5% of the FY14 operating budget. The Capital Fund Contingency is appropriated at 10% of the capital budget, while the Equipment Replacement Fund, Risk, and Health Contingency Reserves are appropriated at \$500,000 each. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses. All of the contingency reserves are annually appropriated in the budget process from the net asset reserves of each of the funds. In most years a small amount from the contingency is allocated for expenditures through an affirmative vote of the Town Council.

The table on the following page identifies the contingency budgets and actual expenditures for the fiscal years 2010 through 2014.

RESERVE STATUS

Contingency Reserves FY2013 and FY2014

Contingency	2010	2011	2012	2013	2014
General Fund Budget	967,000	929,468	807,397	843,000	860,000
General Fund Actual	719,250	421,302	806,988	556,668	-0-
CIP Budget	432,500	186,000	181,000	201,000	205,000
CIP Actual	-0-	45,000	94,000	-0-	-0-
ERF Budget	500,000	500,000	500,000	500,000	500,000
ERF Actual	237,214	51,311	-0-	156,528	61,869
Risk Budget	500,000	500,000	500,000	500,000	500,000
Risk Actual	-0-	-0-	50,000	-0-	-0-
Health Budget	500,000	500,000	500,000	500,000	500,000
Health Actual	-0-	85,000	-0-	-0-	-0-
Recreation Budget	253,300	176,700	155,000	235,600	249,220
Recreation Actual	-0-	-0-	137,000	35,000	-0-

Unassigned Net Position

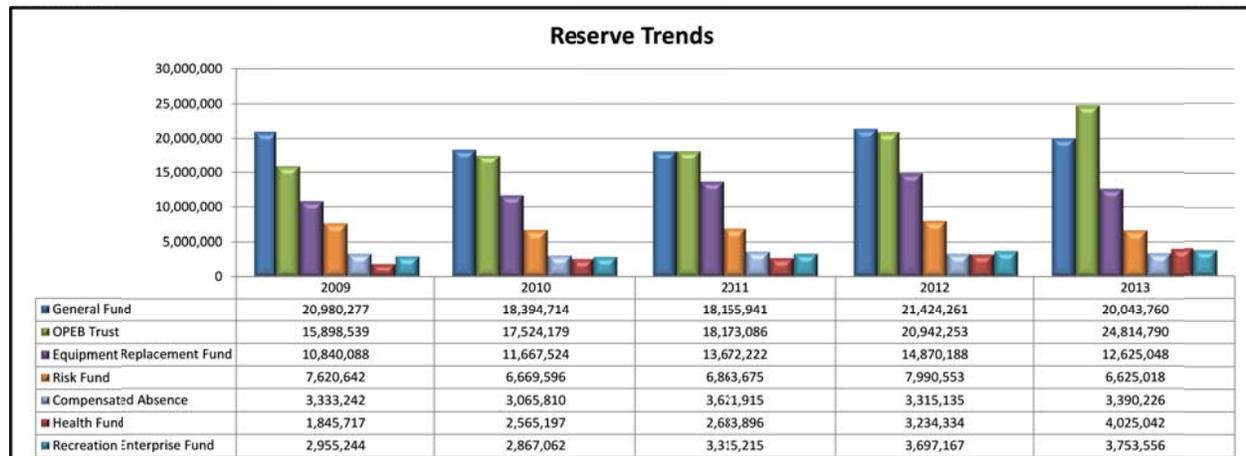
All reserves are at or over the policy established minimum. The financial strength of the Town can be measured by the health of its reserves. Bond rating agencies look closely at the reserve levels and the financial policies in place when rating a municipality. In 2010 and 2013, the rating agencies reviewed the Town's credit ratings in preparation for the issuance of the 2010 and 2013 Bonds. They cited the Town's healthy reserves, solid fiscal policies, and conservative management practices as some of the reasons for our exceptional bond ratings. Moody's Investors Service gave the Town an Aa1 for the 2010 and 2013 Revenue Bonds and confirmed the Town's Aaa issuer credit rating. Standard and Poor's issued a AA+ credit rating on the 2010 and 2013 Revenue bonds confirmed the Town's issuer credit rating of AAA. These Revenue Bond ratings and issuer credit ratings are the highest ratings these two services issue and represent the highest quality investment grade debt.

The table and the chart on the following page summarize the trend of the unassigned net position, net asset balances, compensated absence, and replacement reserve balances for FY09 through FY13.

RESERVE STATUS

Reserve Balances Fiscal Years 2009 – 2013

Fund	2009	2010	2011	2012	2013
General Fund	20,980,277	18,394,714	18,155,941	21,424,261	20,043,760
Compensated Absence (GF)	3,333,242	3,065,810	3,621,915	3,315,135	3,390,226
Equipment Replacement Fund	10,840,088	11,667,524	13,672,222	14,870,188	12,625,048
Recreation Enterprise Fund	1,050,115	294,764	413,966	707,381	486,466
Recreation ERF	351,468	426,749	458,002	397,132	472,319
Dock Replacement	196,718	2,084,181	2,240,125	2,395,723	2,551,321
Par 3 M&I Reserve	0	50,872	108,722	162,138	212,375
Tennis M&I Reserve	0	8,446	16,418	23,867	31,075
Health Fund	1,845,717	2,565,197	2,683,896	3,234,334	4,025,042
Risk Fund	7,620,642	6,669,596	6,863,675	7,990,553	6,625,018
Health - OPEB Trust	15,898,539	17,524,179	18,173,086	20,942,253	24,814,790
Pension Fund	<u>163,129,393</u>	<u>174,544,804</u>	<u>170,564,741</u>	<u>187,286,530</u>	<u>198,460,764</u>
Total	225,246,199	237,296,836	236,972,759	262,749,495	273,738,204



Initiatives to Restore and Maintain Fiscal Stability



GENERAL FUND TREND ANALYSIS

Initiatives to Restore and Maintain Fiscal Stability

In late 2007, Town staff presented a Comprehensive Review of Town Operations to identify costs savings measures and non-tax revenue increases. In the years since, the Town has implemented many of the recommendations from this review and researched and implemented many other cost savings measures in order to provide fiscal sustainability for the Town of Palm Beach taxpayers. The budget peaked in FY09 due to soaring personnel and pension costs. The tables below show the FY09 vs. FY14 budget comparisons.

Revenue	FY2009	FY2014	FY09 vs. FY14 Difference	% Change
Ad Valorem Taxes	\$42,543,000	\$38,647,700	(\$3,895,300)	-9.16%
Non Ad Valorem Taxes	7,043,000	7,367,500	324,500	4.61%
Licenses & Permits	5,612,900	6,588,200	975,300	17.38%
Intergovernmental	1,261,400	1,052,000	(209,400)	-16.60%
Charges for Services	3,158,400	3,552,275	393,875	12.47%
Fines and Forfeitures	1,521,200	1,181,000	(340,200)	-22.36%
Investment Earnings	1,201,300	425,373	(775,927)	-64.59%
Miscellaneous	309,300	247,845	(61,455)	-19.87%
Interfund Transfers	550,000	885,000	335,000	60.91%
Transfers From Reserves – Contingency/Compensated Absences	<u>2,135,100</u>	<u>1,459,600</u>	<u>(675,500)</u>	<u>-31.64%</u>
Total Revenue Budget	65,335,600	61,406,493	(3,929,107)	-6.01%
Fund Balance Transfer – Coastal Protection	<u>2,000,000</u>	<u>4,000,000</u>	<u>2,000,000</u>	100.0%
Total Revenues	<u>\$67,335,600</u>	<u>\$65,406,493</u>	<u>(\$1,929,107)</u>	<u>-2.86%</u>

GENERAL FUND TREND ANALYSIS

Expenditure Category	FY2009	FY2014	FY09 vs. FY14 Difference	% Change
Salary and Wages	\$28,624,800	\$24,298,881	(\$4,325,919)	-15.11%
Pension Benefits	6,649,700	6,173,015	(476,685)	-7.17%
Other Employee Benefits	9,166,730	8,415,555	(751,175)	-8.19%
Contractual	7,588,890	8,472,843	883,953	11.65%
Commodities	1,698,390	1,701,960	3,570	0.21%
Capital Outlay	2,804,666	2,010,580	(794,086)	-28.31%
Other	<u>8,802,424</u>	<u>10,133,659</u>	<u>1,331,235</u>	15.12%
Total Operating Expenditures	\$65,335,600	\$61,206,493	(\$4,129,107)	-6.32%
Coastal Transfer	2,000,000	4,200,000	2,200,000	110.00%
Total General Fund Budget	<u>\$67,335,600</u>	<u>\$65,406,493</u>	<u>(\$1,929,107)</u>	<u>-2.86%</u>

As these tables show, the operating budget since 2009 has declined 6.32%. Property taxes have been reduced by 9.16% and expenditures in almost every area have been cut.

Summary of Major Financial Initiatives

The major changes implemented by the Town since 2009 are summarized below:

Salary and Wages Since 2007, the Town has reduced staffing levels by 66.79 FTEP (16%). This was accomplished entirely through attrition with no lay-offs. In addition, across-the-board pay increases were eliminated and all pay was frozen during FY10 and FY11.

Pension Benefits The Town began to consider pension reform in late 2008. In 2009, the Town hired a consultant to review the pension system and provide recommendations. In 2010, staff recommended a hybrid pension plan and after negotiations with the police and fire-fighter unions, the pension reform measures were adopted and implemented in 2012. The first year cost savings in FY12 was \$5,369,248. Since that time, the Pension Board has reduced the investment return and wage inflation assumptions and the Town approved changes in employee contribution rates.

Other Benefits Employee benefit costs have been reduced due to many factors including the reduction in the number of employees. In addition, the Town has taken measures to reduce health insurance costs through wellness programs, modifying employee and retiree contribution amounts, implementing plan modifications, and offering 3 plan options with pricing models that encourage employees to choose less expensive plans.

The Town modified the employee bonus program to make it entirely performance based. The grandfathered longevity program costs are

GENERAL FUND TREND ANALYSIS

declining due to the significant number of grandfathered employee retirements.

Contractual Services The Town has contracted out some of the services that were previously handled by employees. These services include: Landscape maintenance, Electrical Repairs, vehicle repairs, EMS billing, and fire-rescue vehicle repair.

Capital Outlay The Town maintains an equipment replacement reserve. Over the past few years, Town staff has reviewed the assets in the reserve and either eliminated or extended the expected life of many of the assets. This effort has produced long term cost savings for the Town and has allowed the Town to transfer \$2,858,913 of “excess” reserves to the Coastal Protection Fund for beach projects in FY14.

Debt In 2010, the Town issued 2010A bonds to refund the 2003 and 2008 outstanding debt and to begin to implement the Accelerated Capital Improvement Program (ACIP). In 2013, the Town issued bonds for the second phase of the ACIP, the bondable portion of the Coastal Program and to reimburse the Recreation Enterprise Fund for the Town portion of the Par 3 Clubhouse Construction. The FY14 budget included funding for the debt service on the 2013 bond. The net impact of these actions is an increase in annual debt service that is more than offset by a reduction in the amount that would have had to be appropriated annually to fund these capital improvements with cash.

Capital Improvement As mentioned above, the Town issued bonds totaling \$41,232,000 in 2010 to fund the ACIP. Projects completed since 2010 include: pump station improvements, significant sections of force main replacement, street and traffic light improvements, telemetry system improvements, and the subaqueous force main crossing. An assessment project coordinated with the Worth Avenue commercial district included improvements to the roadway and streetscape design of the area. This project was financed with the 2010B bonds and will be paid for with assessments on the affected property owners. The 2013 Bond will provide funding of \$55,560,548 for the second phase of the ACIP. Projects in this phase include: the Town Hall Square and Memorial Fountain replacement projects; The North Ocean Boulevard Seawall replacement project; additional pump station improvements and force main replacements; drainage improvements; curb, gutter, and sidewalk replacement program; and additional street light improvements.

Coastal Protection The Town adopted a 10 year \$84,189,000 Coastal Protection Program. This program includes beach renourishment projects, seawall replacements, groin rehabilitation projects, and sand transfer plan costs. Since 2009, the Town has accumulated approximately \$20 million in reserves in the Coastal Protection Fund from transfers from “excess”

GENERAL FUND TREND ANALYSIS

reserves in the General Fund, Equipment Replacement Fund, and Risk Insurance Fund. The 2013 bond included funding of \$11.9 million for “bondable” structures such as seawalls and groins. In 2013, the Town Council studied options to finance the remaining costs of the program. Town Council approved an ad valorem tax increase beginning in FY15 to fund annual costs of \$4,776,000. The FY15 LTFP includes an ad valorem increase to cover these costs.

Property Taxes

Since FY09, property taxes have declined \$3,895,300 (9.16%). This reduction was due in part to reductions in taxable value from the 2010 peak of \$13.380 billion, dropping to a low of \$11.623 billion in 2012, then recovering to the current value of \$12.529 billion. The millage rate was maintained at 3.2512 from 2009 through 2013 and reduced in 2014 to 3.2468. Cumulative savings for Palm Beach taxpayers total \$23,508,445 over the five year period. As mentioned above, the FY15 budget will include a property tax increase to fund the annual coastal protection costs as well as additional funding for debt service for the 2013 bond. Property values in the Town are expected to increase which will offset the extent of the millage rate increase.

Other Revenues

- Building permit revenues declined due to the recession, but have recovered and now exceed 2009 levels.
- The Town increased parking meter rates for ocean front parking areas and also increased parking ticket fines.
- Special Assignment Overtime charges were reduced to reflect the reduction in the cost of pension benefits.
- EMS rates were increased to bring them in line with the local area rates.
- The transfer from the Recreation Enterprise Fund increased from \$550,000 to \$885,000.

Recreation Enterprise Fund

In conjunction with the Townwide review of operations, the Recreation Department went through a thorough analysis of all operations, considered privatizing or outsourcing certain functions, and ultimately decided on new business growth strategies as well as redistributing and reorganizing staffing levels to ensure the long term sustainability of the fund.

Revenues

Much of the revenue increase in the Marina operations represents strategic increases in rates and growth in business. The renovated Par 3 Golf Course opened in December 2009, and enhanced marketing efforts, new price structures, growth in play, and payments from the restaurant vendor have increased revenues. The Tennis and Recreation Center program revenue increased due to changes in the structure of teaching contracts and increased participation.

GENERAL FUND TREND ANALYSIS

Expenditures

The Recreation Enterprise Fund has eliminated 11.2 (37%) positions throughout the various operations of the Fund. In the Marina operations, an Assistant Dockmaster position was eliminated, The Par 3 golf course has made use of contract labor for maintenance, and eliminated an Equipment Operator position. The Golf Pro-Manager leadership model was eliminated and replaced with a Golf Manager. The Tennis program eliminated the Tennis Pro-Manager position, and eliminated a facility supervisor and maintenance worker. The Assistant Director of Recreation position was eliminated. The costs savings provided the ability for the fund to increase the annual transfer to the General Fund from \$550,000 to \$885,000.

Capital Improvement

In 2009, the Par 3 Golf Course was redesigned and rebuilt. The Par 3 Foundation was formed and a significant portion of the costs of the project was funded by donations from the Foundation. The total cost of the project was \$5,452,150 and the Town's portion totaled \$2,000,000, of which \$1,740,844 was included in the 2010 bond. In 2013, the Par 3 Foundation and the Town worked together to design and construct a new two story clubhouse. The construction budget for the clubhouse was \$3,135,000 and the Town's portion was \$1,250,000. The Clubhouse opened January, 2014. Electrical upgrades at the Australian Dock were completed in 2013 at a cost of \$130,666.

General Fund Revenue Trend Analysis



GENERAL FUND TREND ANALYSIS - REVENUE

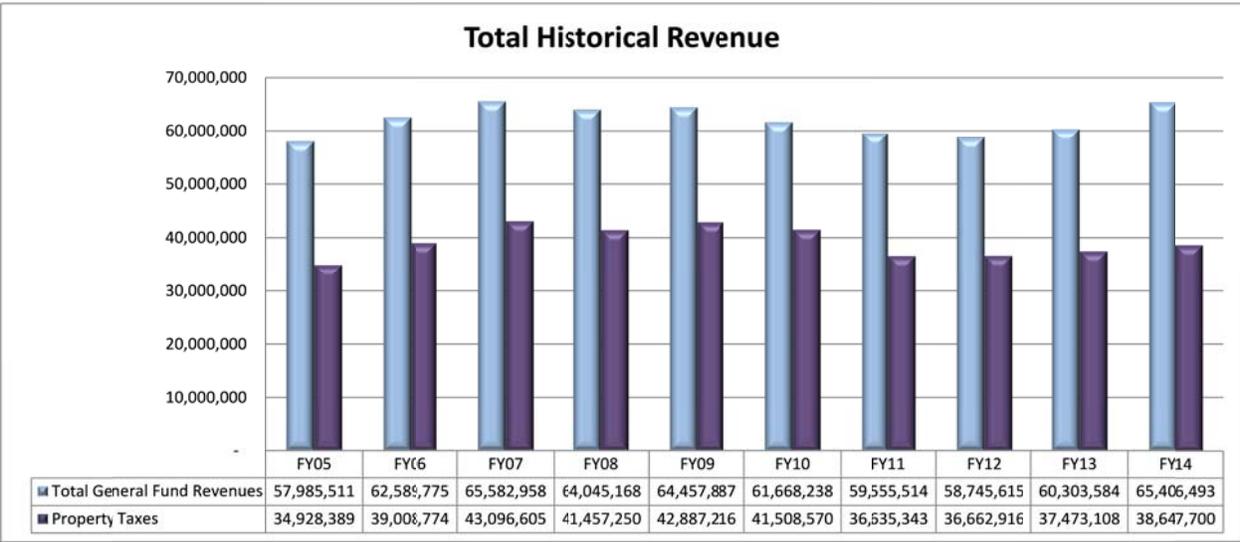
General Fund Revenue Trend Analysis

Financial Trend analysis assists the Town in evaluating its financial condition. The trend analysis describes the fluctuations in the major categories of General Fund revenues and departmental expenditures. The financial trends present a picture of the Town’s financial strengths and weaknesses and allow staff to identify emerging issues before they become serious problems.

The Town was not immune to the effects of the 2007-2009 recession and the slow economic recovery that followed. Town taxable value dropped 15% between 2009 – 2012. Total General Fund revenues dropped 8.8% during that time. Recently, property values have increased and non ad valorem revenues, such as building permits, public safety fees, utility taxes and some state revenues have also shown improvement. There is still weakness in investment income.

General Fund Revenues

Revenues determine the capacity of a municipality to provide services. Important issues to consider when reviewing revenue trends are growth, flexibility, diversity, reliability and administration. Revenues should grow at a rate equal to or greater than the combined effects of inflation and expenditures. In this section, the details of the ten-year trend for all major General Fund revenues are discussed.



General Fund Revenues are 12.8% higher in FY14 than they were in FY05. Between FY05 and the FY07 peak, revenues increased 13.1%. Between FY07 and FY12, revenues decreased by 10.4%. Between FY12 and FY14, revenues increased by 11.34%. The major cause of the increase is due to a \$4 million transfer from unassigned net assets in FY14 to fund coastal protection projects. Without that transfer, the increase from FY12 to FY14 would have been 4.53%.

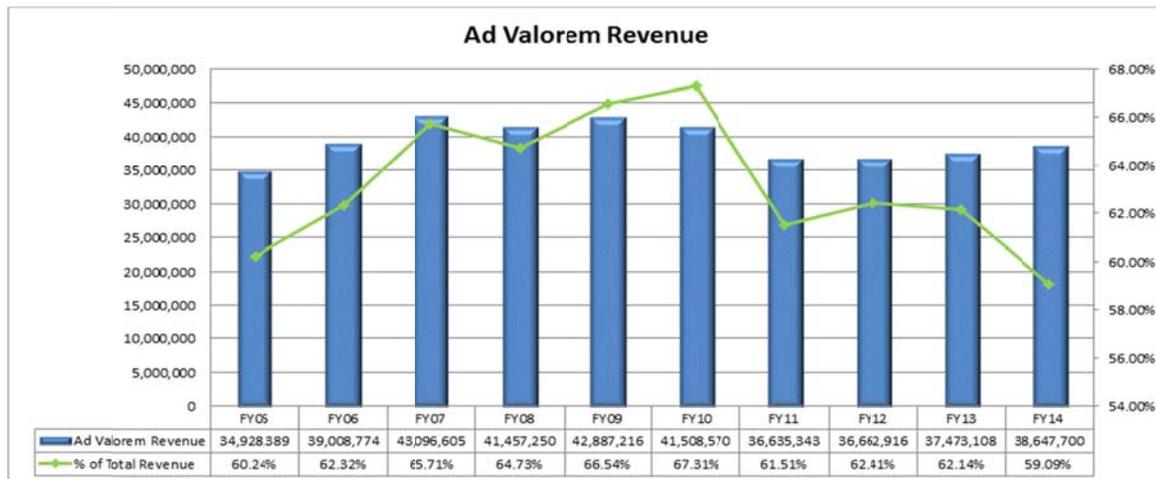
Ad Valorem Revenue

Ad valorem taxes are the Town’s largest revenue source. Municipalities in Florida are not permitted to levy property taxes at a rate of more than 10 mills for the operating millage. In recent years, ad

GENERAL FUND TREND ANALYSIS - REVENUE

valorem revenue has declined due to property tax reform in FY08 and to a decline in taxable value in FY10, FY11 and FY12. In FY13, ad valorem revenue increased by 2.41% and in FY14 ad valorem revenue increased by 4.83%. Ad Valorem Revenue peaked at 67.3% of total revenues in FY10. Currently, ad valorem revenue accounts for 59.09% of total revenue.

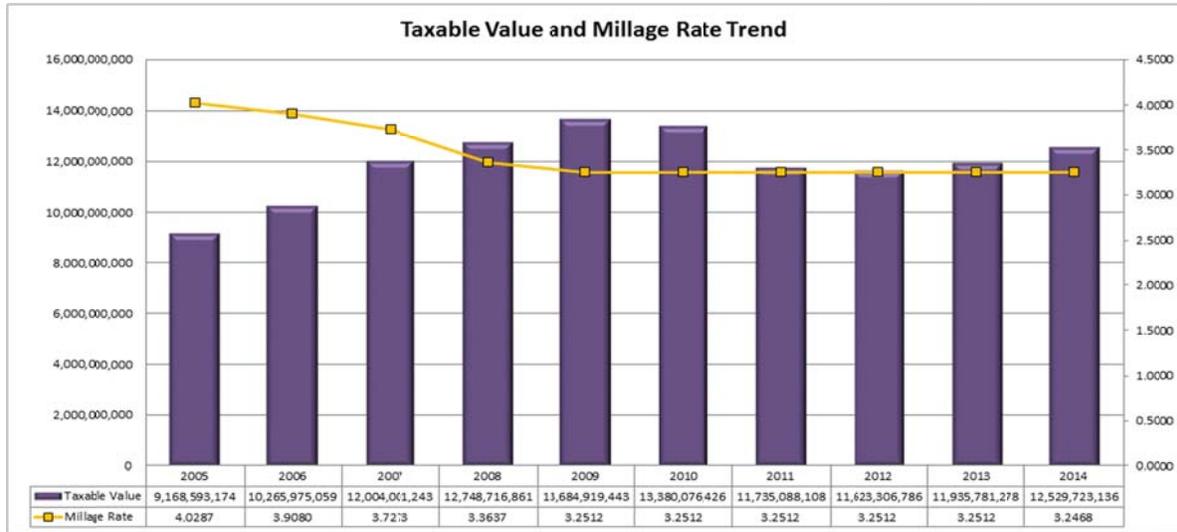
Revenue increases from FY05 through FY07 were accomplished with increasing taxable value and declining millage rates. The millage rate was maintained at 3.2512 from FY09 through FY13 which resulted in declining revenue due to the declining taxable values for FY10 – FY12. Taxable value increased by 2.69% in FY13 resulting in a slight increase in property tax revenue and in FY14, taxable value increased and the millage rate was decreased to 3.2468. The additional revenue generated was used to partially fund the increased debt service for the 2013 bond issue.



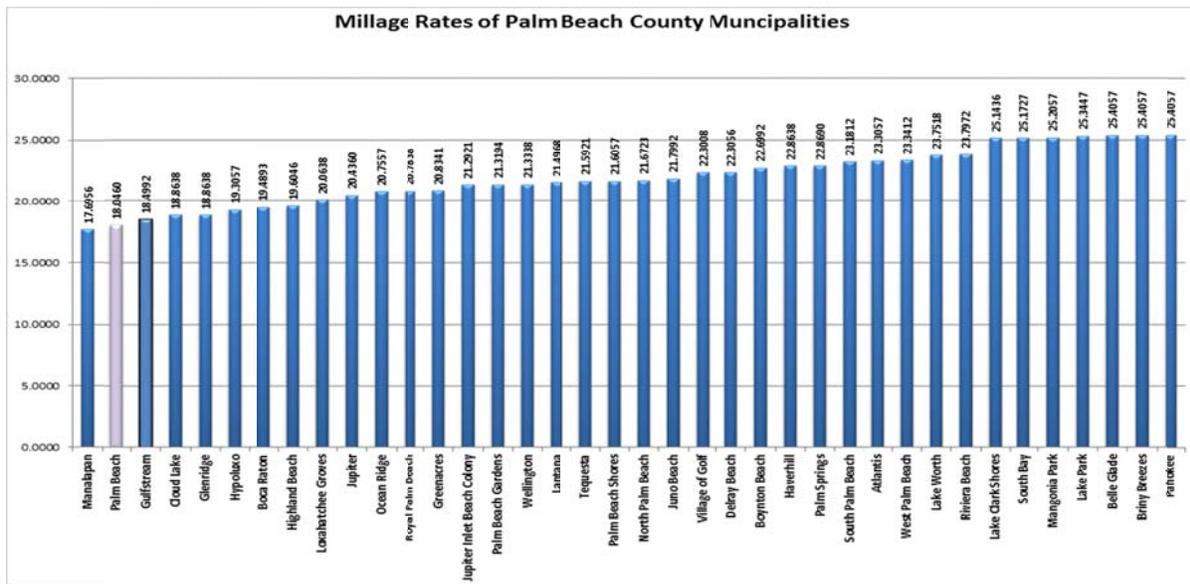
State law limits millage rate increases to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments are allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. For FY14, the Town adopted a millage rate slightly less than FY13 which resulted in an increase in taxes of \$1,782,300 due to a 5.16% increase in taxable value. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, decreased 1.58% from 18.3348 to 18.0460. The Town's portion of the total millage is 17.99% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY13 to FY14 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY13 Millage Rate	FY14 Millage Rate	FY14 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
Palm Beach	3.2512	3.2468	\$3,247	-\$4.40	-0.14%	17.99%
Palm Beach County	4.9902	4.9852	\$4,985	-\$5.00	-0.10%	27.62%
Palm Beach County School District	7.7780	7.5860	\$7,586	-\$192.00	-2.47%	42.04%
South Florida Water Mgmt	0.3676	0.3523	\$352	-\$15.30	-4.16%	1.95%
Children Services	0.7300	0.7025	\$703	-\$27.50	-3.77%	3.89%
Florida Inland Navigation	0.0345	0.0345	\$35	\$0.00	0.00%	0.19%
Health Care District	1.1220	1.0800	\$1,080	-\$42.00	-3.74%	5.98%
Everglades Construction	0.0613	0.0587	\$59	-\$2.60	-4.24%	0.33%
Grand Total	18.3348	18.0460	\$18,046	-\$288.80	-1.58%	100.00%

GENERAL FUND TREND ANALYSIS - REVENUE



The Town of Palm Beach's total millage rate is the second lowest in Palm Beach County. The owner of a home with a taxable value of \$1 million pays \$18,046 in total taxes in Palm Beach versus \$19,489 in Boca Raton, \$21,319 in Palm Beach Gardens and \$23,341 in West Palm Beach.

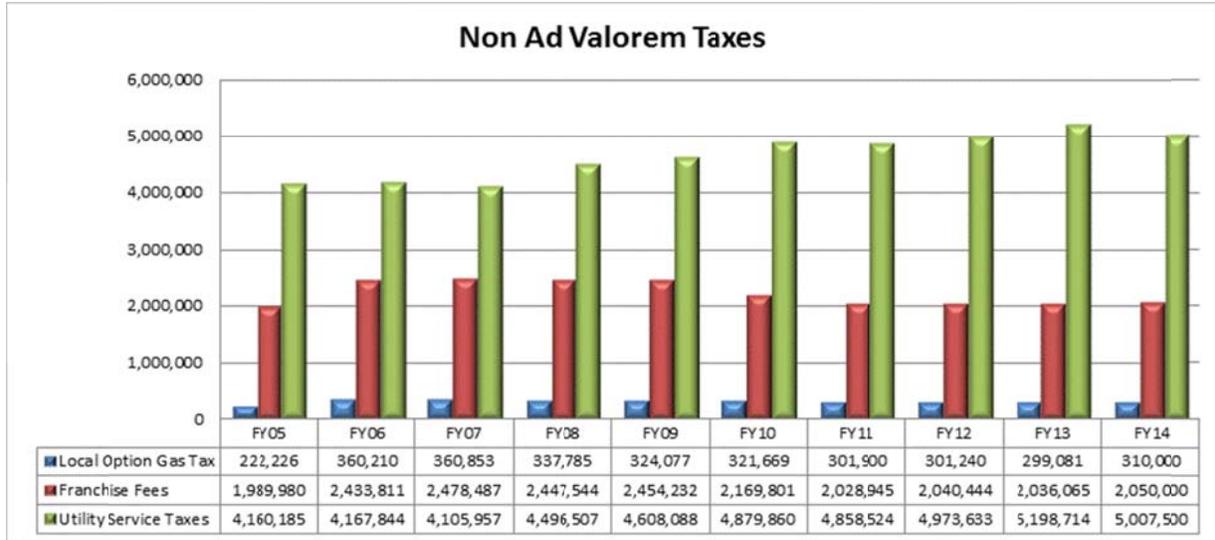


Many other municipalities in Palm Beach County have enterprise funds and charge separate fees for sewer, stormwater, sanitation, and other services over and above the funds collected from ad valorem taxes. The Town of Palm Beach does not charge fees for these services as all costs are included within the Town's tax rate.

GENERAL FUND TREND ANALYSIS - REVENUE

Non Ad Valorem Tax Revenue

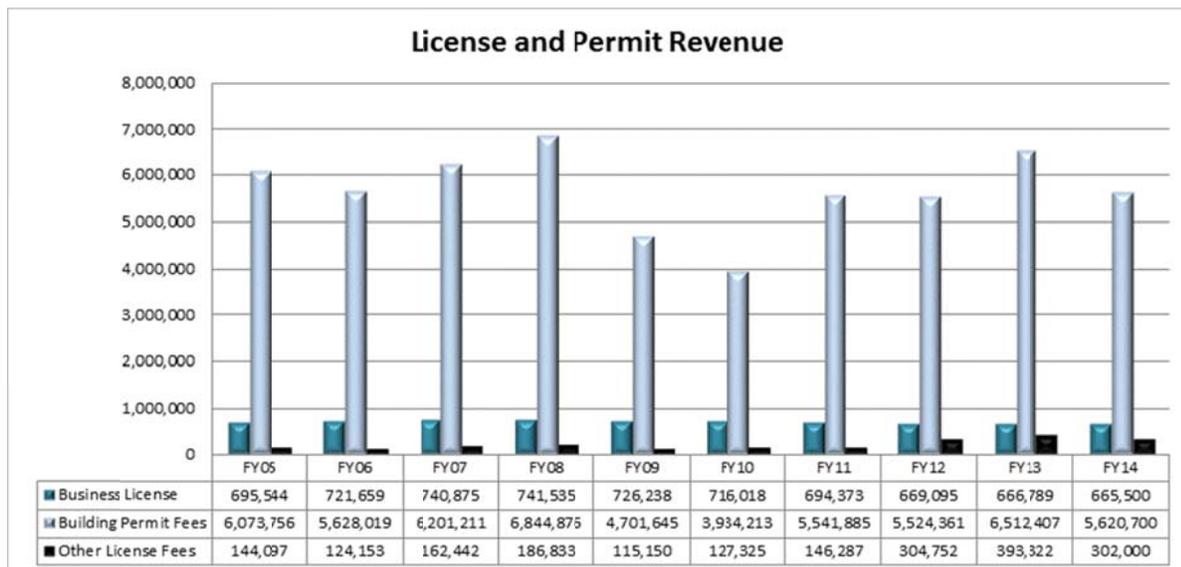
Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.



Local Option Gas Tax and Franchise fee revenue declined from FY10 through FY13. It is anticipated that revenues will increase slightly or remain flat for FY14. Utility service taxes have increased throughout the 10 year period. The budget estimates for FY14 were conservatively based upon prior year trend.

License and Permit Revenue

License and permit revenue includes, business licenses, building permit revenues and parking permits. The trend chart is shown below.

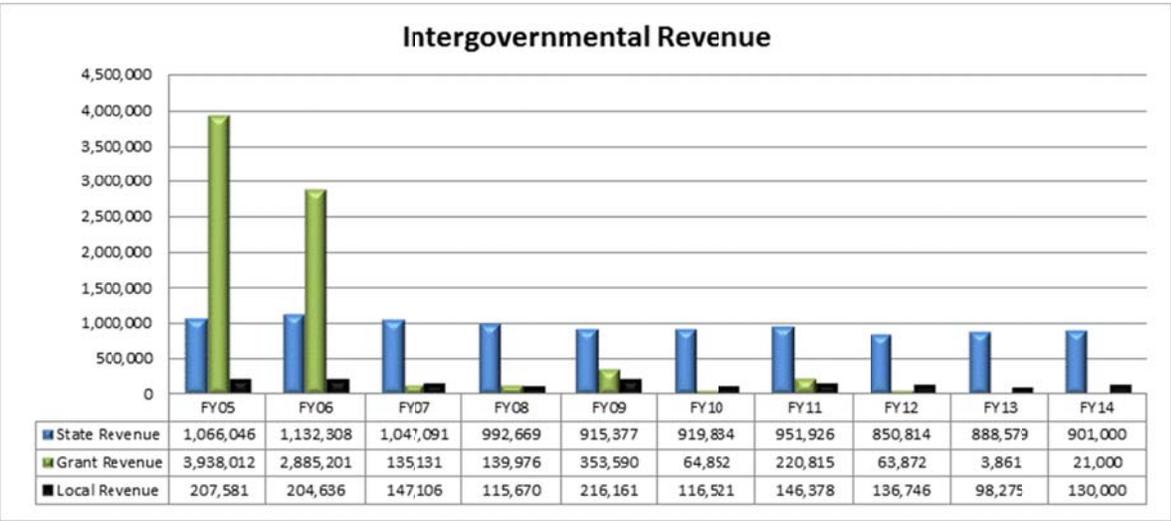


GENERAL FUND TREND ANALYSIS - REVENUE

Building permit revenue makes up the majority of these revenues. Building permit revenues dropped significantly from a high of \$6.8 million in FY08 to \$3.9 million in FY10. The recession and downturn in housing caused the decline. Since FY11, revenues have improved due to increases in building activity. The FY14 budget reflects a conservative estimate for building permit revenues. The number of business licenses have declined since FY09. A change in state law exempting real estate brokers from the business license tax will cause a further decline in FY14.

Intergovernmental Revenue

Intergovernmental revenue includes revenue received from Federal, State, County and Local government sources. Revenues from the State of Florida sources include State revenue sharing, local government sales tax, and alcoholic beverage licenses. Local revenues include County occupational license revenue and Palm Beach County 911 reimbursement. Federal, State and Local grants are also included in this category.



The large amount of grant revenue for FY05 and FY06 is due to FEMA reimbursements for Hurricanes Frances, Jeanne and Wilma. State revenues have declined in the past few years due to declines in sales tax receipts because of the downturn in the economy.

Charges for Services

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches.

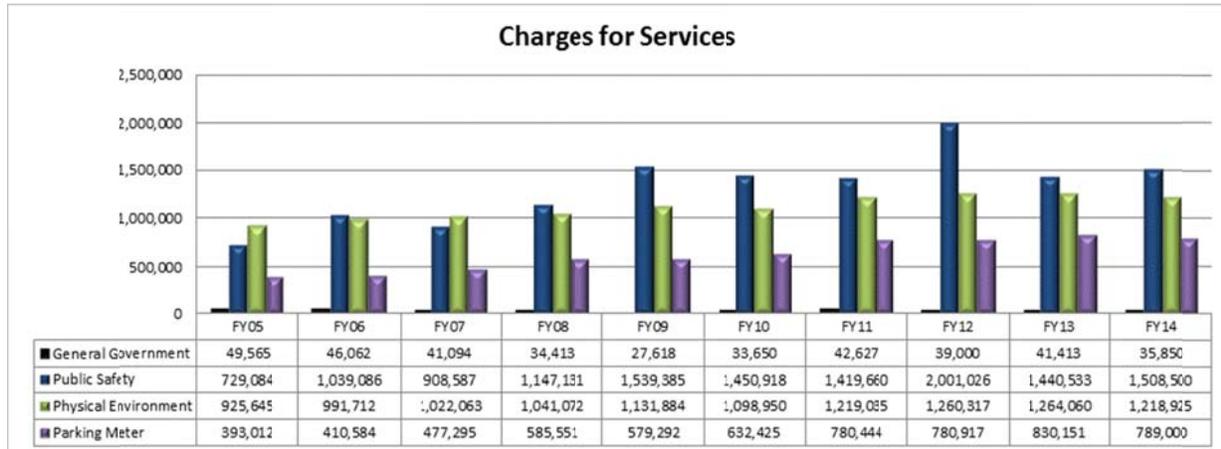
Public safety fees have increased over the past 10 years due to the addition of fire prevention fees in FY06, increases in the EMS transport fees in FY12, and increases in revenues for police special detail.

Physical environment fees include solid waste fees and beach cleaning fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage

GENERAL FUND TREND ANALYSIS - REVENUE

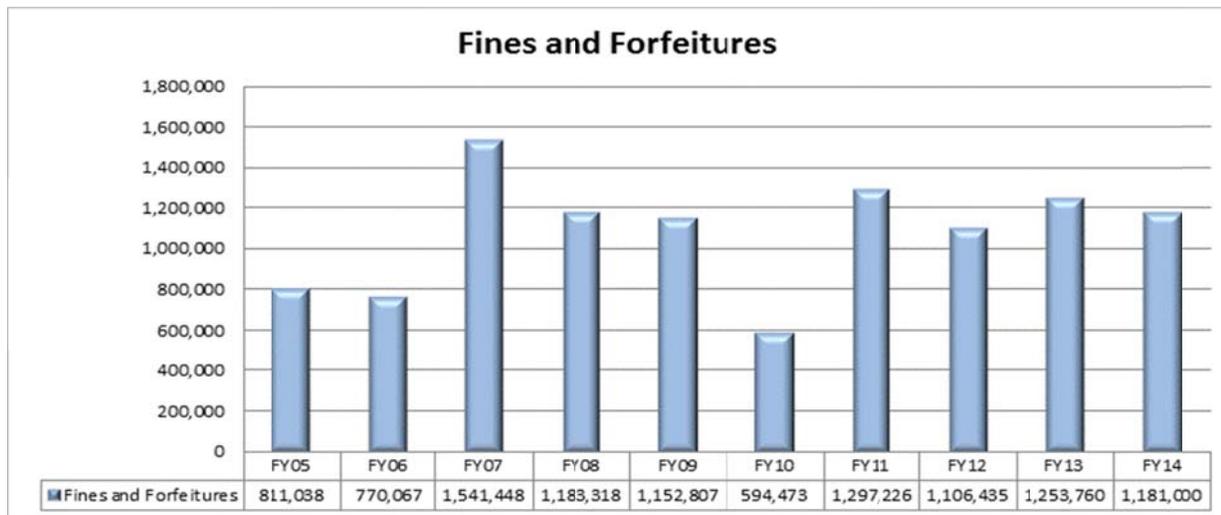
fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service. Beach cleaning fees were collected until FY10 when the program was discontinued.

Parking meter rates were increased in FY08 from \$1 to \$2 per hour. In FY11, meter rates at Mid-Town Beach and Phipps Ocean Park were increased from \$2 to \$5 per hour.



Fines and Forfeitures

Fine and forfeiture revenue includes traffic violation fines and penalties, parking fines and penalties and code enforcement violation fines.

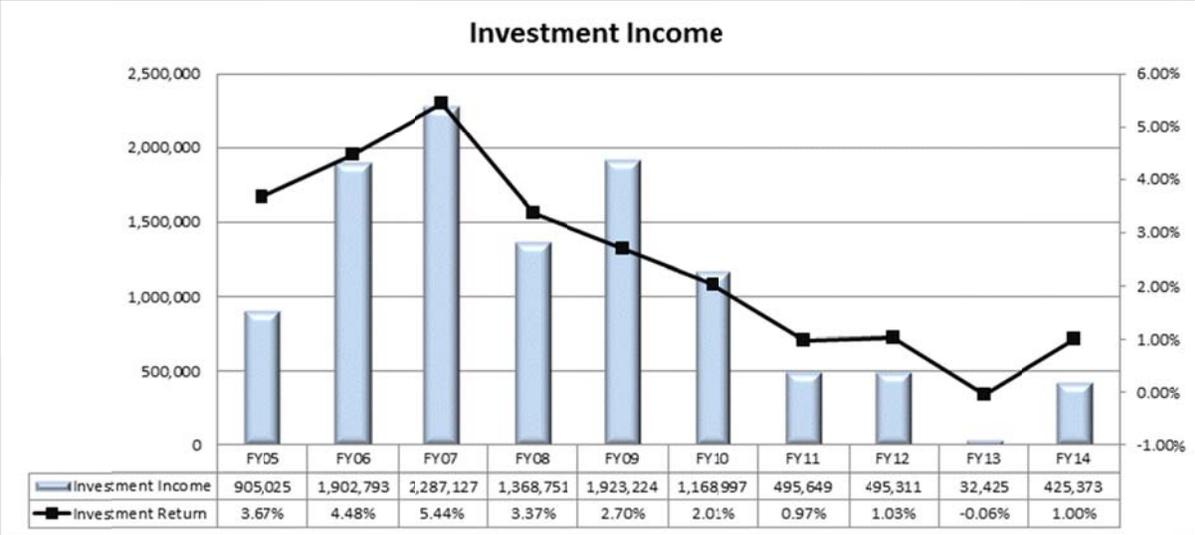


Parking fines and penalties were increased in FY08. In FY07, FY08 and FY09, large code enforcement fines were collected. Revenues from these sources declined in FY10 but increased in FY11 due to the collection of large code enforcement fines. In FY13 revenues from parking tickets increased due to an increase in parking fines.

GENERAL FUND TREND ANALYSIS - REVENUE

Investment Income

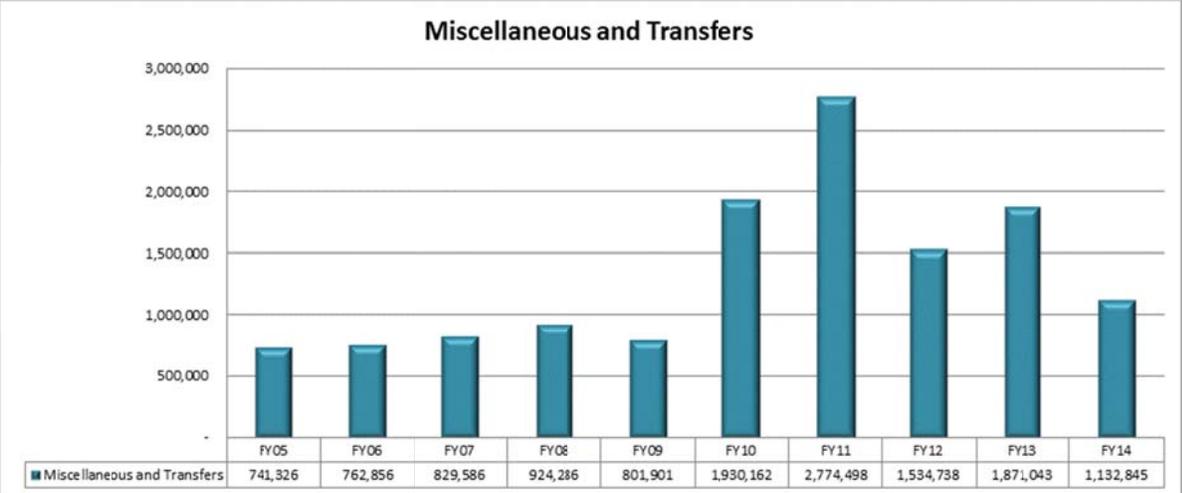
The Town’s Investment Advisory Committee oversees the investment of the Town’s surplus funds as well as the investments in the Town’s OPEB trust. The Town’s surplus funds are invested in fixed income securities, money market accounts and two bond funds with the Florida League of Cities Investment Trust.



Interest rates in FY05, FY06 and FY07 were higher than the recent historical trend. Since then, historically low rates have caused investment revenue to decline.

Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, sales of fixed assets and other revenue. Transfers include transfers from the enterprise fund and other transfers between funds.



GENERAL FUND TREND ANALYSIS - REVENUE

In FY10, FDOT took by eminent domain, Town property located just east of the Flagler Bridge. FY11 revenues included a transfer from the Capital Improvement Fund and an increase in the Recreation Enterprise Fund transfer. The Town had transferred \$2.6 million in FY10 to the Capital Improvement Program to begin to fund the 20 year CIP program. Bonds were issued in FY10 to fund the program, so most of the funds were no longer needed in the CIP program and \$1.4 million was transferred back to the General Fund. FY12 includes a transfer of \$800,000 from the Recreation Enterprise Fund and insurance proceeds from a large claim. Revenues in FY13 include a transfer of \$885,000 from the Recreation Enterprise Fund and the proceeds from the sale of property.

General Fund Expenditure Trend Analysis

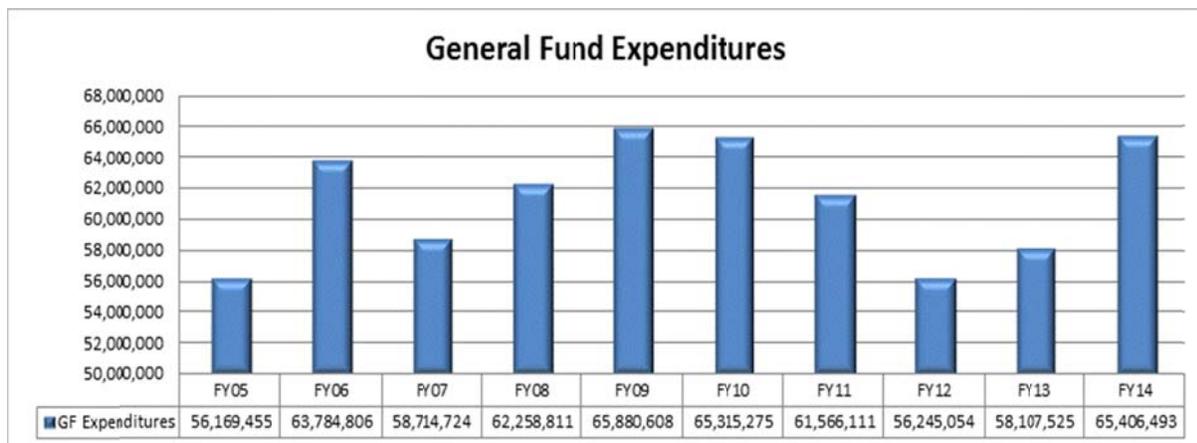


GENERAL FUND TREND ANALYSIS - EXPENDITURES

General Fund Expenditures

Expenditures are a measure of a municipality's service output. Ideally, a municipality's expenditure growth should not exceed its revenue growth rate and the government should have maximum flexibility to adjust spending.

The total General Fund budget increased by 9.54% in FY14 from the FY13 budget. A transfer of \$4,200,000 from excess unassigned net assets to the coastal protection fund was the major cause of the increase. Operating expenditures increased 7.48% year over year. Between FY05 and FY09, the average annual increase was 6.38% and the total increase was 17.3%. Between FY09 and FY12, expenditures decreased 14.6%.



Increases in expenditures in FY06 relate to the response to and recovery from Hurricanes Frances, Jeanne and Wilma. A significant portion of the hurricane expenditures were reimbursed from FEMA and state sources. The major changes in the General Fund budget for FY05 – FY14 are detailed below. Large expenditures for Capital and Coastal projects and other non-recurring expenditures are noted in bold face type. Personnel cost changes are noted in italics.

Year	Major Areas of Change to General Fund Revenues and Expenditures
FY2005 Budget Increase 10.4%	<ul style="list-style-type: none"> • Total General Fund Budget - \$52,380,731 • Reduced the millage rate by .6% to 4.0287, taxable value increase 9.22% • <i>Added 5.3 positions to the budget</i> • <i>Increase in the contribution to the retirement fund - \$746,692</i> • <i>Increase in health insurance costs - \$347,166</i> • Increase in the transfer to the Capital Improvement Fund for the Town Hall renovation project \$1,171,000 (transfer from fund balance reserves) • Increase in debt service funding - \$84,700 • Decrease in transfer to Risk Insurance Fund – (\$300,000) • Purchase of tasers for the Police Department - \$58,300 • Costs associated with the recovery efforts for Hurricanes Frances and Jeanne
FY2006 Budget	<ul style="list-style-type: none"> • Total General Fund Budget - \$57,544,075

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Increase 9.9%	<ul style="list-style-type: none"> • Reduced millage rate by 3% to 3.908, taxable value increased by 12.4% • <i>Added 5.5 new positions to the budget</i> • <i>Implementation of the compensation study - \$312,000</i> • <i>Increase in the contribution to the retirement fund - \$718,274</i> • <i>Police and Firefighter retirement multiplier improvement – 3.25% to 3.5% (Estimated cost \$555,578)</i> • <i>Increase in health insurance costs - \$470,071</i> • Funding for a traffic and parking improvement plan - \$150,000 • First year funding of Townwide software upgrade - \$230,000 • Purchase of the police radio system - \$665,000 • Increase in debt service funding - \$830,650 • Increase in the transfer to the Capital Improvement Fund - \$116,559 • Decrease in the transfer to the Risk Insurance Fund – (\$120,033) • Modification to the ERF for replacement cost funding - \$4,205,523 added to the reserve with a transfer from fund balance. • Costs for response to and recovery from Hurricane Wilma
FY2007 Budget Increase 8.9%	<ul style="list-style-type: none"> • Total General Fund Budget - \$62,642,654 • Reduced millage rate by 4.62% to 3.7273, taxable value increased by 16.13% • <i>Increase in the contribution to the retirement fund - \$1,751,939</i> • <i>Added 1.87 positions to the budget</i> • Increased in the transfer to the Capital Improvement Fund - \$762,200 • Increased funding for coastal permitting, monitoring and legal - \$1,057,000 • Town wide software upgrade - \$350,000 • Increase in milling and resurfacing funding - \$275,000
FY2008 Budget Increase 2.7%	<ul style="list-style-type: none"> • Total General Fund Budget - \$64,332,559 • Property Tax Reform was enacted to the State of Florida requiring a reduction in property tax revenue of \$1,925,130 and a millage rate reduction of 9.76% to 3.3637 • Increased parking ticket fines and meter rates - \$400,000 • Reduced transfer to the Capital Improvement Fund (\$1,282,801) • <i>Eliminated 3.95 positions</i> • <i>Increase in the contribution to the retirement fund - \$674,018</i> • <i>Increase in the transfer to the Health Insurance Trust - \$472,300</i> • Townwide software upgrade - \$350,000 • Decreased contribution for feral cat program – (\$50,000) • Purchase of parking kiosks - \$500,000, and electronic chalking devices - \$210,000 • Increase in depreciation due to modification of policy - \$669,153 • Increase in debt service funding - \$123,000 • Increase in the transfer to the Risk Insurance Fund - \$171,799
FY2009	<ul style="list-style-type: none"> • Total General Fund Budget - \$67,335,600

GENERAL FUND TREND ANALYSIS - EXPENDITURES

<p>Budget Increase 4.7%</p>	<ul style="list-style-type: none"> • Reduced millage rate by 3.34% to 3.2512, taxable value increased 7.73% • <i>Special competitive pay increases for all firefighters and police officers - \$585,984</i> • <i>First year cost of the early retirement buyout - \$922,800</i> • <i>Decrease in the contribution to the retirement fund - (\$636,848)</i> • <i>Increase in the transfer to the Health Insurance Fund - \$900,000</i> • Townwide software upgrade - \$350,000 • Transfer to the Coastal Protection Fund for pending litigation - \$2,000,000 • Increase in Debt Service Funding - \$138,000 • <i>Decrease in the transfer to the Risk Insurance Fund - (\$474,000)</i> • <i>Decrease in the transfer to the Capital Improvement Fund - (\$279,000)</i> • <i>Reduced .89 positions</i>
<p>FY2010 Budget Decrease .7%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$66,853,300 • Maintained millage rate at 3.2512, taxable value declined 2.23% • Reduction in property tax revenue - (\$1,217,000) • <i>Elimination of 9.25 positions (savings of \$1,058,100)</i> • <i>Salary freeze implemented for all employees</i> • <i>Second year cost of early retirement buyout - 858,000</i> • <i>Increase in contribution to retirement fund - \$655,631</i> • <i>Elimination of extraordinary longevity - (\$88,700)</i> • <i>Decrease in Town contribution for health insurance - (\$300,000)</i> • Final year of Townwide software upgrade - \$160,000 • <i>Decreased contribution for feral cat program - (\$50,000)</i> • Increase in debt service funding - \$132,000 • Increase in transfer to the Capital Improvement Program - \$3,011,957 (included \$2,600,000 from fund balance for one time transfer for 20 year CIP program) • <i>Contracted a Pension Consultant - \$127,268</i> • <i>Contracted with an Internal Auditor - \$110,710</i> • <i>Elimination of printing and mailing of Annual Report - (\$9,500)</i>
<p>FY2011 Budget Decrease 4.7%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$63,734,848 • Maintained millage rate at 3.2512, taxable value declined 11.42% • Reduction in property tax revenue - (\$5,080,500) • <i>Second year of a salary freeze for all employees</i> • <i>Elimination of 32.65 positions - (savings of \$1,788,439)</i> • <i>Increase in contribution to retirement fund - \$1,568,698</i> • <i>Final payment for early retirement buyout - \$136,000</i> • <i>Decrease in Town contribution for health insurance - (\$205,000)</i> • <i>Reduced funding for lobbying services - (\$50,000)</i> • <i>Cut employee events - (\$40,000)</i> • <i>Eliminated funding for 4th of July event - (\$25,000)</i>

GENERAL FUND TREND ANALYSIS - EXPENDITURES

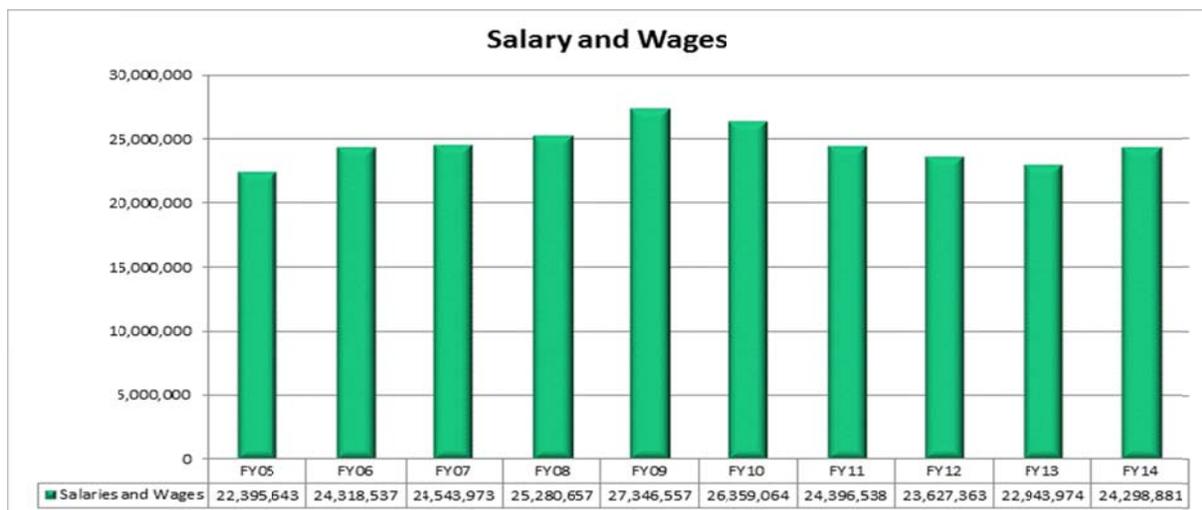
	<ul style="list-style-type: none"> • Decrease in debt service funding - (\$422,000) • Decrease in transfer to the Capital Improvement Program - (\$4,328,957) • Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)
FY2012 Budget Decrease 8.2%	<ul style="list-style-type: none"> • Total General Fund Budget - \$58,535,436 • Maintained millage rate at 3.2512, taxable value declined .46% • Reduction in property tax revenue - (\$246,300) • <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i> • <i>Elimination of 4.68 positions</i> • <i>Reinstated performance based pay increases for employees - \$327,300</i> • <i>Increase in health insurance funding - \$272,700</i> • New funding for the Palm Beach County Inspector General - \$100,000 • Modification to funding for Equipment Replacement Program - (Savings of \$344,271) • Increased transfer from Recreation Enterprise Fund - \$161,000 • Increased the transfer to the Capital Improvement Program by - \$500,000 • Transfer to Coastal Protection Fund - \$3,960,000
FY2013 Budget Increase 2.01%	<ul style="list-style-type: none"> • Total General Fund Budget - \$59,711,280 • Maintained millage rate at 3.2512, taxable value increased by 2.69% • Increase in property tax revenue - \$866,200 • <i>Elimination of 8.71 positions</i> • <i>Increased the pay ranges 3% for all non-union positions.</i> • <i>Increase in pension costs - \$1,035,548</i> • <i>Increase in health insurance and OPEB costs- \$556,727</i> • <i>Decrease in FICA tax - \$115,019</i> • Increase in sewage treatment and disposal costs - \$303,634 • Increase in risk insurance costs - \$101,273 • Transfer to Coastal Protection Fund - \$2,765,099
FY2014 Budget Increase 9.54%	<ul style="list-style-type: none"> • Total General Fund Budget - \$65,406,493 • Reduced millage rate to 3.2468, taxable value increased by 5.16% • Increase in property tax revenue - \$1,782,300 • <i>Elimination of 5.00 positions</i> • <i>Provided for merit pay raises for all non-union positions</i> • <i>Increase in DB pension costs - \$1,939,921. Changed investment earnings and wage assumptions. Used \$930,690 in prepaid Town contributions as a partial offset.</i> • <i>Provided for a discretionary 4% employer contribution to DC plan - \$587,902</i> • <i>Modification to required employee contribution to pension plan - \$152,515</i> • Increase in debt service transfer for 2013 bond - \$2,600,000 • Transfer to Coastal Protection Fund - \$4,200,000

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Expenditure by Category Trend Analysis

Salaries and Wages

The salary and wage trend is shown on the graph below. Salary and wage increases from FY05 through FY09 were due to staffing increases and across the board and pay for performance salary increases. In FY05 – FY06, costs also increased due to overtime related to Hurricanes Frances, Jeanne and Wilma. In FY06, salaries for certain positions were increased following an independent compensation study. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09 these costs were added to the budget. The final payout for the buyout was in FY11. In FY09, special competitive pay increases were granted for all firefighters and police officers. A wage freeze was in effect for FY10 and FY11 for all employees. For FY12, merit and step increases were included the budget and in FY13 merit and step increases were included, along with a 3% increase in employee pay ranges. The FY14 budget included merit and step increases for employees.



Another reason for the growth in Salaries and Wages in the early part of the decade is the addition of personnel from FY03 to FY07. During that time, 17.1 positions were added to the budget. Since FY07, 66.79 (16%) positions have been eliminated from the budget through attrition. Town staffing is now at its lowest level since 1986. The trend in Full Time Equivalent Positions (FTEP) is shown on the following page:

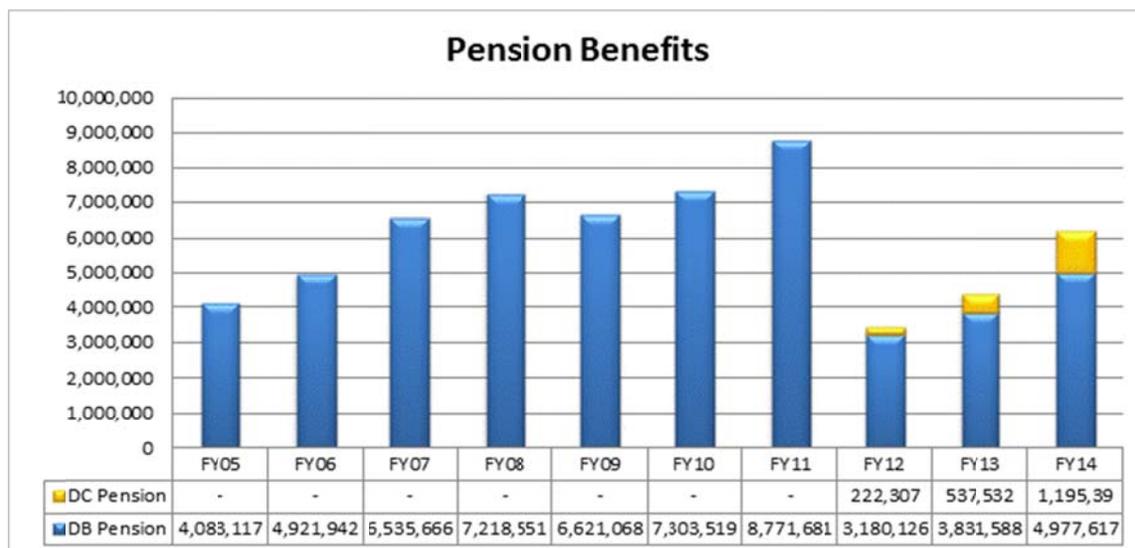
GENERAL FUND TREND ANALYSIS - EXPENDITURES



Employee Benefits

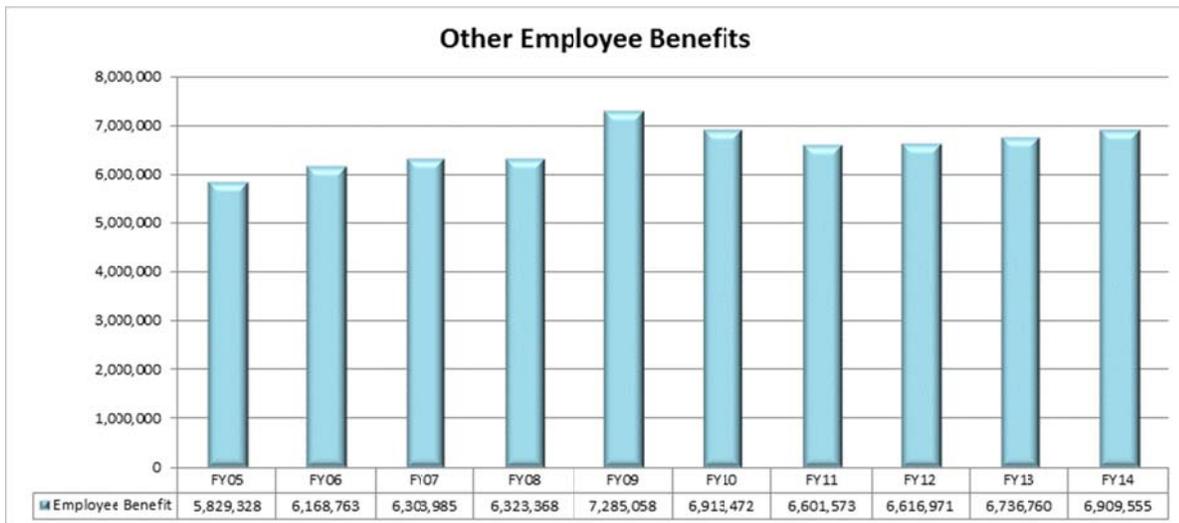
For purposes of this analysis, we have broken employee benefits into pension trends and other employee benefit trends.

The Town's cost to provide employee pension benefits increased 762% from FY02 through FY11. The increases were due to poor market performance in FY01 and FY08 as well as benefit increases in FY01 and FY05. On May 1, 2012, pension reform measures to decrease the level of benefits and reduce the long term cost were implemented. The first year savings was \$5,369,248. The new benefit is a hybrid plan with a defined benefit and defined contribution component. Increases in FY13 and FY14 were due to additional modifications to the plan. The actuarial assumptions for investment returns and wage inflation were reduced and employee contribution rates were modified. In FY14, the Town Council approved a discretionary 4% employer contribution to the defined contribution plan.



GENERAL FUND TREND ANALYSIS - EXPENDITURES

Other employee benefits include health insurance, FICA, bonuses, allowances, incentives, and uniform maintenance. The total cost of other employee benefits in FY14 is 18.53% higher than it was in FY05. Nationally, health insurance increases for the last decade have been over 100%. The Town has taken measures to control the increase in health insurance costs and has offered less expensive plan options to employees.



In FY09, the transfer to the Health Insurance Fund increased by \$900,000. Since FY09, health insurance costs have been maintained and increases have been minimized through changes in the program, cost shifting to employees, and having fewer employees in the plan due to the reduction in full time staff positions.

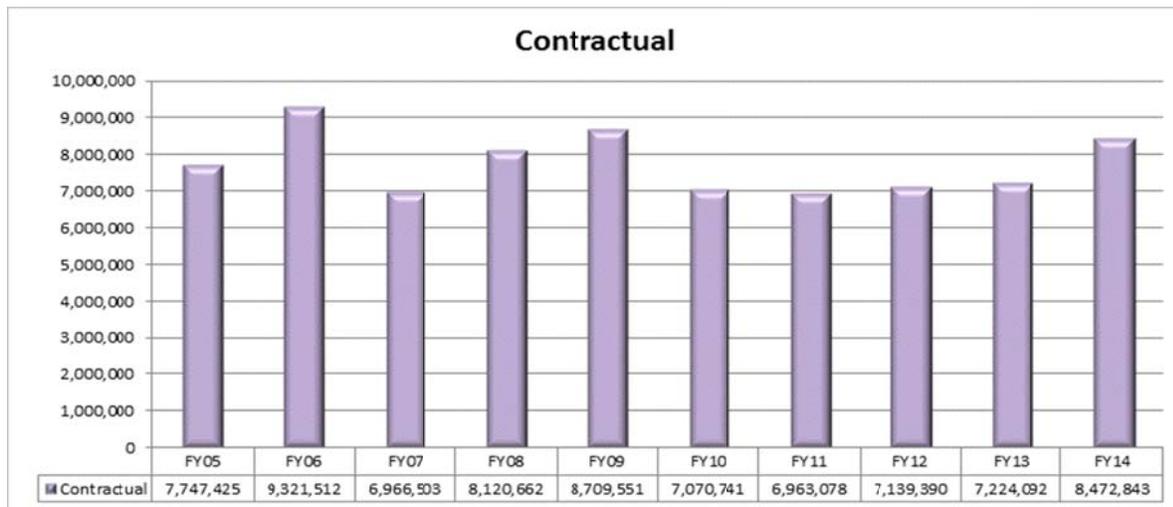


The trend for benefits as a percent of salary through FY11 shows steady increases due primarily to pension costs. The trend declined significantly in FY12 due to the implementation of pension reform. In FY13 and FY14, the trend increased due to the increases in DB and DC pension costs mentioned above.

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Contractual Services

Contractual services include legal advice, consulting services, sewage treatment, solid waste disposal costs, building maintenance, landscape contracting and software maintenance.

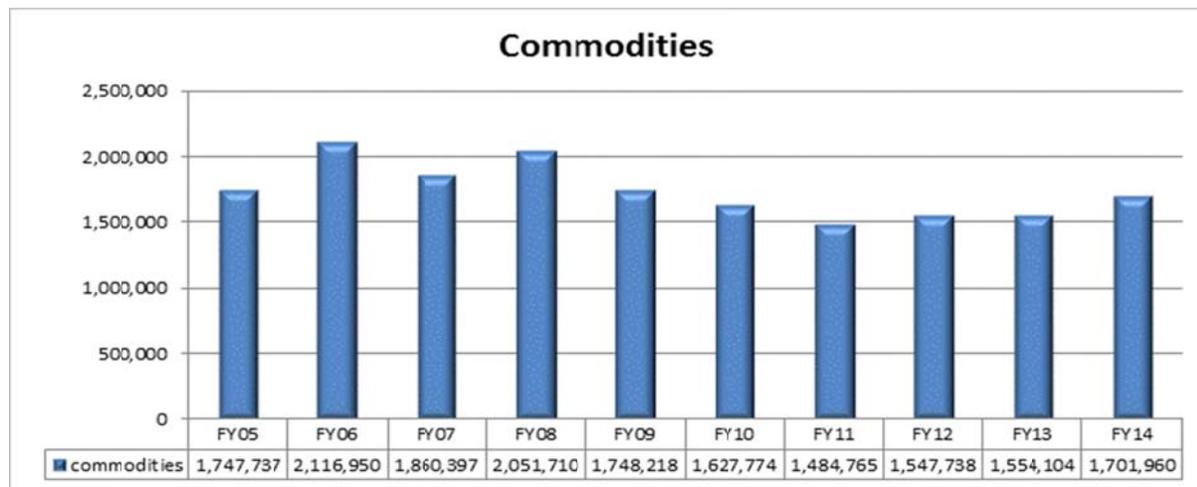


The total cost of contractual services in FY14 is 9.36% higher than it was in FY05. Increases in FY05 and FY06 are due to the costs associated with hurricane response and recovery. The increases in FY08 and FY09 were due to increases in lobbying costs, software licensing and support, codification updates, legal advertising, the Comprehensive Plan, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town post construction monitoring, and risk insurance funding. In FY09, funds also were set aside to repay FEMA for an overpayment in reimbursement of hurricane debris removal costs. In FY12, \$100,000 was added to the budget for the voter approved costs related to the new Palm Beach County Inspector General's Office. Increases in FY13 were due to increases in sewage treatment and disposal costs, contracting with Palm Beach County for Fire-Rescue mechanic services, landscape contracting, legal services, lobbying, landmark preservation consulting, credit card fees for payment of building permits, and coastal regional monitoring costs. In FY14, contractual costs increased due to landfill maintenance, employee recruiting, and digital scanning.

Commodities

Commodity costs include fuel, electric, water, office supplies and equipment, building and vehicle maintenance supplies, publications and subscriptions, membership dues, medical supplies, and uniform services.

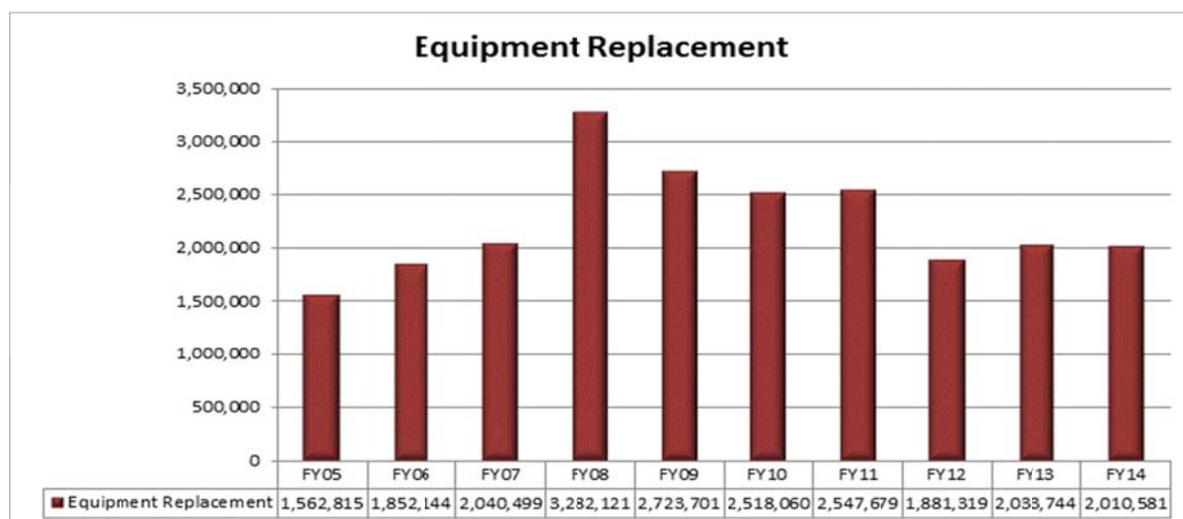
GENERAL FUND TREND ANALYSIS - EXPENDITURES



The total cost of commodities in FY14 is 2.62% lower than it was in FY05. The increase in FY05 was due to the hurricane response and recovery. The increase in FY06 was due to computer equipment and software purchases. The increase in FY08 was due to a spike in fuel costs. Decreases during FY09 through FY11 were due to the implementation of cost containment measures throughout all Town departments. The increase for FY12 related to anticipated increases in fuel costs. The increase in FY14 is due to increases in fuel, minor computer equipment, supplies, and uniforms.

Capital Outlay/Equipment Replacement

Capital Outlay expenses include depreciation on the Town's fixed assets, purchases of new equipment that are not purchased through the Equipment Replacement Fund, purchases of equipment through grant funding, and storm and sanitary sewer rehabilitation costs that are not included in the Capital Fund.



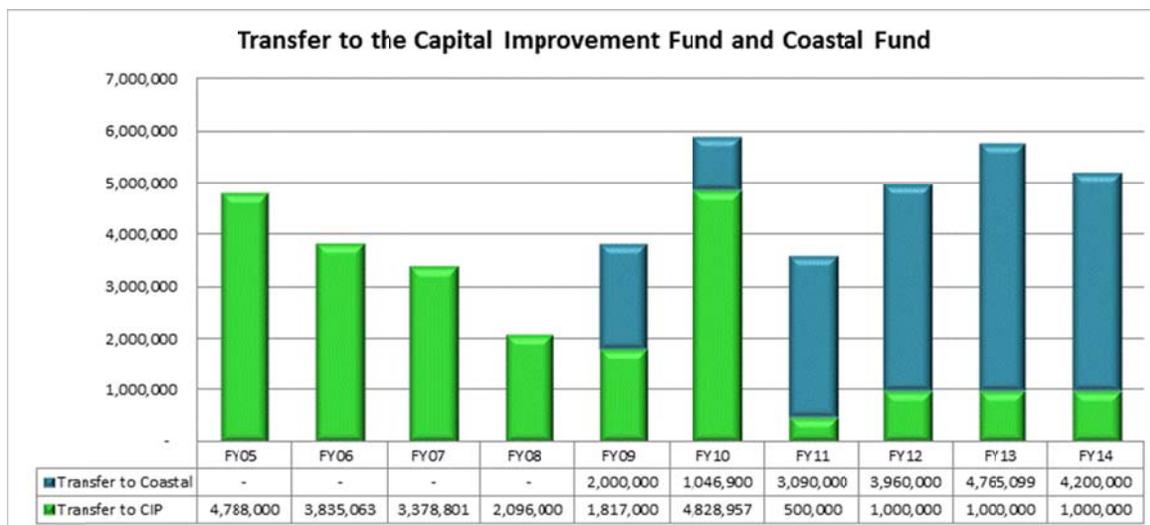
The total cost of capital equipment in FY14 is 28.65% higher than it was in FY05. In FY02 the Town established the Equipment Replacement Fund (ERF). Beginning in FY03, transfers were

GENERAL FUND TREND ANALYSIS - EXPENDITURES

made to the ERF based on the annual depreciation of the original cost of the fixed assets. In 2007, the policy was modified to increase the transfer based on depreciation calculated on the replacement cost of the asset to ensure funds are available to purchase expensive equipment with long useful lives. The depreciation increase is reflected in the FY08 peak year, which also included new parking kiosks, electronic chalking devices, and surveillance cameras for the Town's bridges. In FY12, the depreciation transfer decreased by \$344,271. The reduction is the result of a thorough analysis by staff of the useful lives of the equipment, which resulted in extension of useful lives for some items and elimination of some other items. The increase in FY13 is due to increases in depreciation on new equipment purchased in late FY11 and FY12.

Transfer to Capital Funds

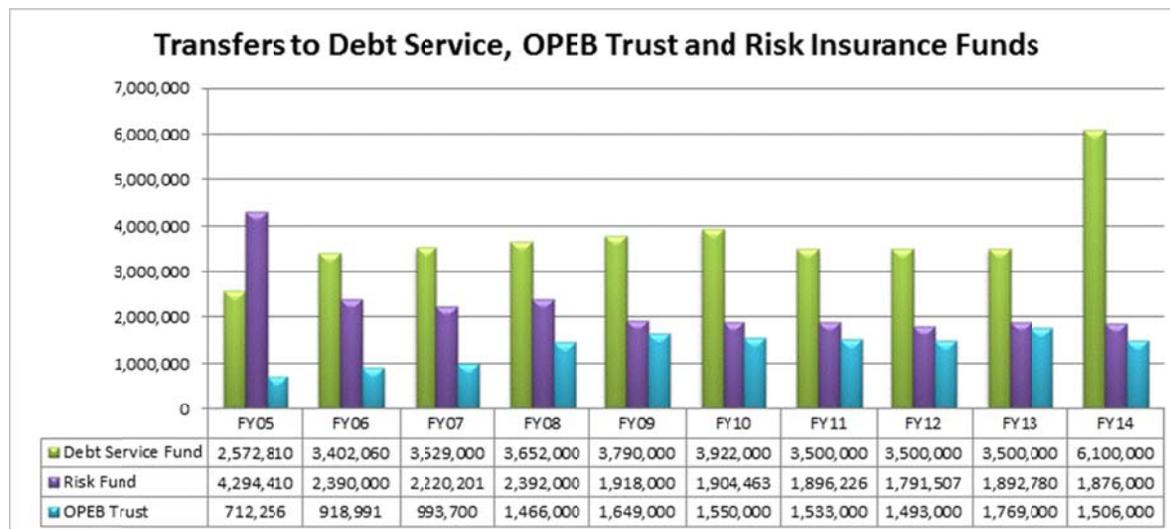
Historically, the Town funded capital projects on a pay-as-you-go basis. If additional funding was necessary for larger projects, transfers from fund balance were used to supplement the funding. In FY10, the Town issued a bond that included approximately \$43 million to fund the initial costs of the 20 year Accelerated Capital Improvement Program. The trend in the transfer to the Capital Improvement Program and the Coastal Protection fund is shown below.



In FY05, \$1.2 million was transferred for the Town Hall renovation project. In FY09, \$2 million was transferred to the Coastal Protection Fund for pending litigation regarding Lake Worth Inlet. In FY10, a one-time transfer of \$2.6 million was included to begin to fund the 20 year Capital Improvement Program and \$1,046,000 was transferred from the unassigned net assets to the Coastal Protection Fund for a sand search study and groin analysis. In FY11, a total of \$3,090,000 was transferred to the Coastal Protection Fund for projects and \$500,000 was budgeted for the pay-as-you-go portion of the Capital Improvement Program. In FY12, \$3,960,000 was transferred to the Coastal Protection Fund and the transfer to the Capital Improvement Program was increased to \$1,000,000. In FY13, \$4,765,099 was transferred to the Coastal Protection Fund and in FY14 an additional \$4,200,000 was transferred. A reserve of approximately \$20 million from these transfers is available to partially fund the \$84 million coastal protection program.

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Transfers to the Debt Service Fund, OPEB Trust Fund and Risk Insurance Fund



Debt Service

The Town issued Revenue Bonds in 2000 for the Coastal Protection Project. In FY06, the Town refinanced the 2000 bonds and issued additional debt for the construction of the Central Fire-Rescue Station. In 2008 the Town issued a revenue note for the Town Hall renovation project. In 2010, the 2000 revenue bond for coastal projects was paid in full. In addition, the Town issued a bond for the 20 year accelerated capital improvement program and refinanced the 2006 bond and the 2008 revenue note. The payoff of the 2000 bond and the issuance of the new bond resulted in lower annual debt service payments in FY11. In 2013, the Town issued bonds for the second phase of the accelerated capital improvement program. The FY14 increase reflects the additional debt service for the new bonds.

Retiree Health Benefits (OPEB Trust)

For many years, the Town accumulated reserves in the Health Insurance Fund in anticipation of the implementation of GASB 43 which required governments to begin to fund their retiree health benefits in the same manner as retirement benefits. In FY07, the Town established the Health Insurance Trust with a transfer of \$16 million from the health insurance fund. Prior to the implementation of GASB 43, the Town paid retiree health benefits on a pay-as-you-go basis. The new pronouncement required an actuarial study to determine the amount of the Town's total liability and the amount of the annual contribution. The Town's total Actuarial Accrued Liability as of October 1, 2012 was calculated to be \$29,288,881. The actuarial value of assets in the trust at that time was \$20,942,251. The Unfunded Actuarial Accrued Liability is \$8,346,630. The funded ratio for the plan was 71.5%. The actuarial valuations are performed on a bi-annual basis. The annual budgeted contribution for FY14 is \$1,506,000.

The increase between FY07 and FY08 is a result of the implementation of GASB 43. The FY07 amount represents the pay-as-you-go funding prior to GASB 43 and the FY08 amount represents

GENERAL FUND TREND ANALYSIS - EXPENDITURES

the actuarially determined contribution based upon the Town's liability and the initial \$16 million invested in the trust. Changes in the retiree contribution formula in FY09 (shifting more cost to participating retirees) caused the Town's liability to decline in FY10 through FY12.

Risk Insurance Fund

The Town funds the Risk Insurance Program with a transfer from the General Fund. The Risk Insurance program includes insurance for property, liability and worker's compensation insurance.

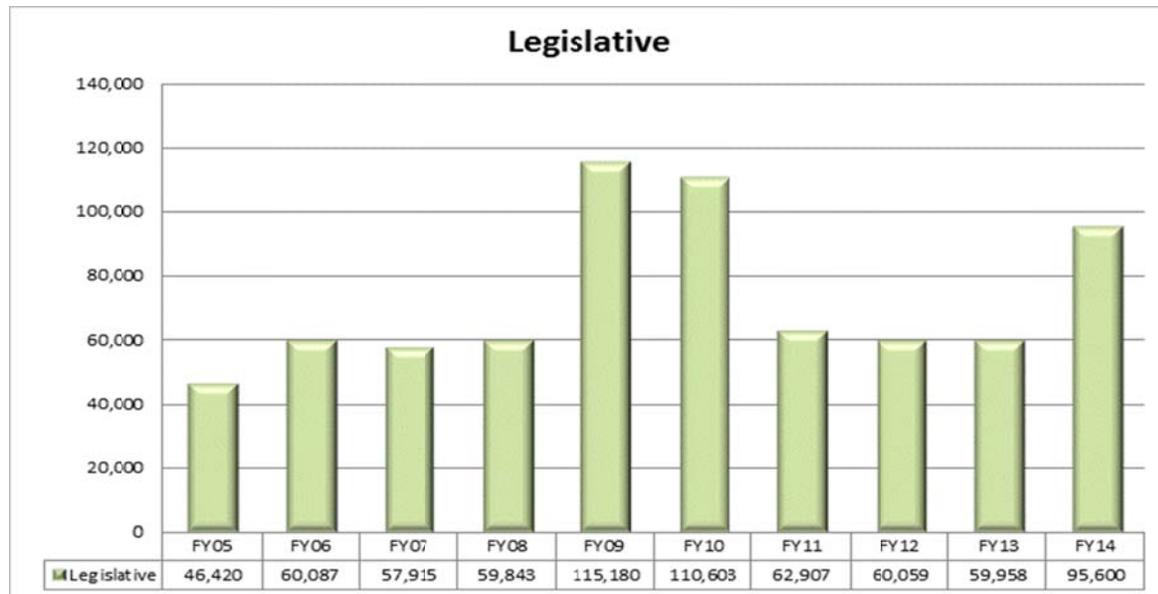
Since FY05, the transfer to the Risk Fund has declined by 56%. In FY05, additional funds were transferred from fund balance to cover uninsured costs for a construction related lawsuit. Overall the Town's risk insurance costs have declined over the past decade, due to the changes in carriers and cost-saving measures in the overall insurance program.

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Departmental Expenditure Trend Analysis

Legislative

The Legislative program includes funding for the Mayor and Town Council, intergovernmental, and lobbying expenses.



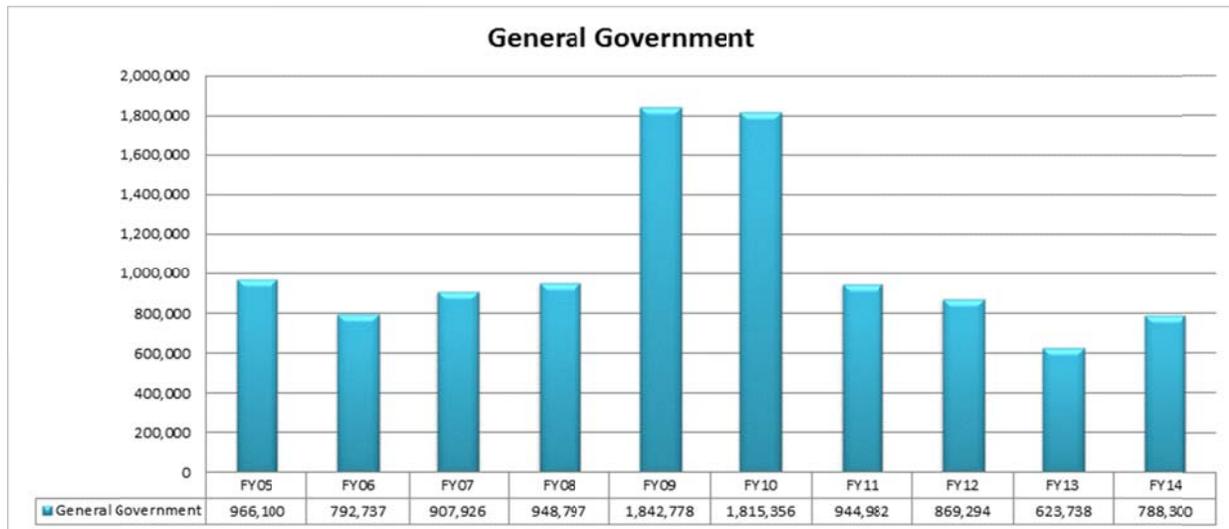
In FY09, the budget for lobbying services was increased to include a Washington DC lobbyist on retainer. In FY11, the funding was cut by 50% for lobbying services in both Washington and Tallahassee. The budget was increased in FY14 to restore the full retainer cost for federal lobbying services.

General Government

The General Government budget represents the cost of all government services and activities which are not specifically or reasonably classified elsewhere within the departmental program classifications.

The program has funded compensated absence pay-outs, the early retirement buy-out program, holiday decorations, annual report and calendar, July 4th celebration, one-time studies, Palm Beach Island Cats donations, Palm Beach County Inspector General Fees and other expenditures that are not related to specific departments.

GENERAL FUND TREND ANALYSIS - EXPENDITURES



In FY05, pay-outs for compensated absences, a compensation study, and a citizen survey were included in the budget. In FY09 and FY10, most of the increase is due to the costs associated with the early retirement incentive program. In addition, in FY09, expenses related to the Shore Protection Board and costs for a study related to a reverse osmosis water system were included in the program. In FY10, a pension consultant was hired to conduct an analysis of options for reducing the Town's pension costs and the Town Council hired a contractual internal auditor to review Town operations. The decline in FY13 was due to a drop in anticipated pay-outs for compensated absences. The FY14 budget included additional funding for the compensated absence pay-outs.

Town Manager

Expenditures for the Town Manager's Office are 25.06% higher in FY14 than they were in FY05. From FY05 through FY09, the budget increased by 28.53%. Since FY09, the budget has declined by 2.71%. Most of the increases through FY09 were due to increased personnel costs. The reduction in FY10 was due to the elimination of the Assistant Town Manager position.

The Town Manager's Office budget represents 1.23% of the total Town budget in FY14. The Town Manager's Office currently has 5.1 full time staff members.

GENERAL FUND TREND ANALYSIS - EXPENDITURES



Advice and Litigation

The Advice and Litigation program reflects expenditures related to the Town Attorney and other attorneys, including the labor attorneys who represent the Town in collective bargaining negotiations and disciplinary matters.



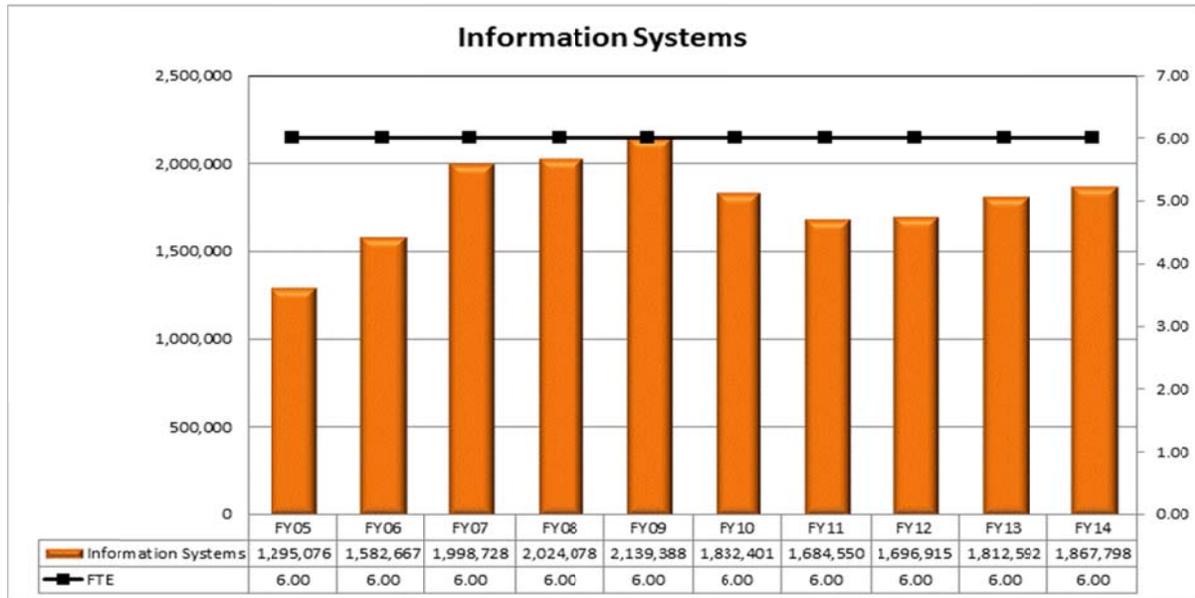
The expenditures for advice and litigation are 64.72% higher in FY14 than they were in FY05. From FY05 through FY08, expenditures increased by 56.5%. Since FY08, the expenditures have increased by 5.22%. In FY12, legal costs spiked due to costs related to labor matters and union negotiations.

The Advice and Litigation budget represents .79% of the total Town budget in FY14.

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Information Systems

The Information Systems budget accounts for all computer hardware and software costs, telephone fixed costs and internet costs.



In FY06, expenditures increased due to initial funding for the implementation of a new Townwide software system. These expenditures continued through FY10.

In FY14, expenditures for the Information Systems program are 44.22% higher than they were in FY05, but they are 12.69% lower than they were in FY09.

The Information Systems budget represents 2.86% of the total Town budget in FY14. Information Systems has 6 full time staff members.

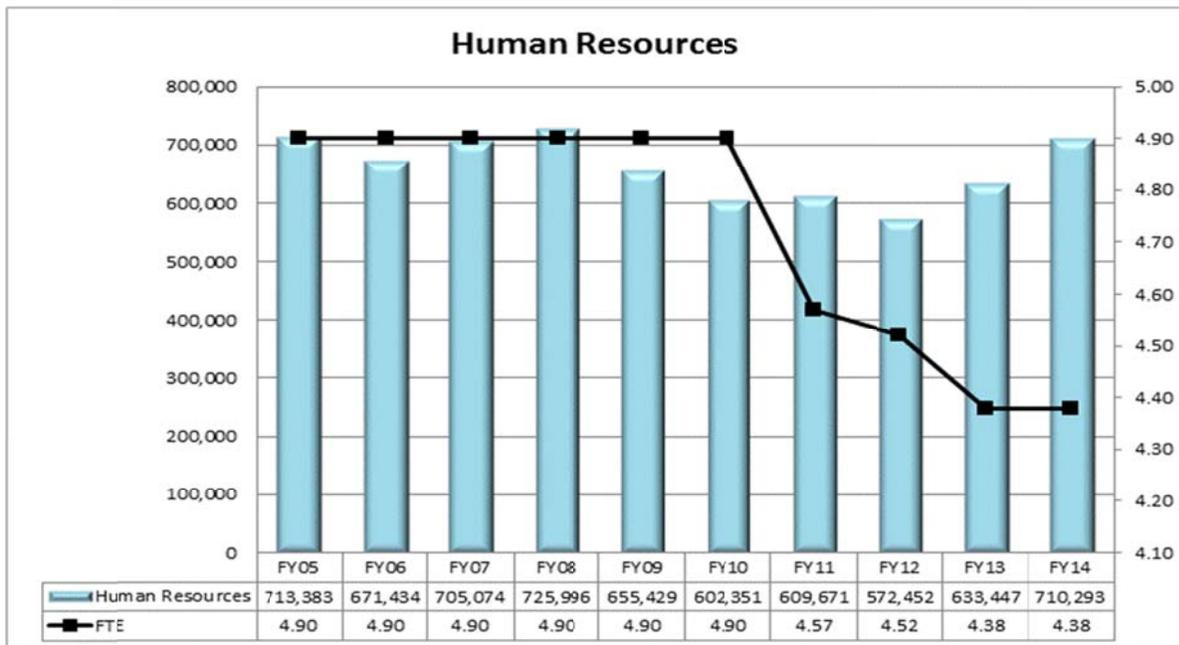
Human Resources Department

The Human Resources Department oversees all hiring, compensation and employee benefit administration.

The expenditures for the Human Resource Department are .43% lower in FY14 than they were in FY05. From FY05 through FY08, expenditures increased by 1.77%. From FY08 through FY14, expenditures declined by 2.16%. In FY14, recruiting costs increased.

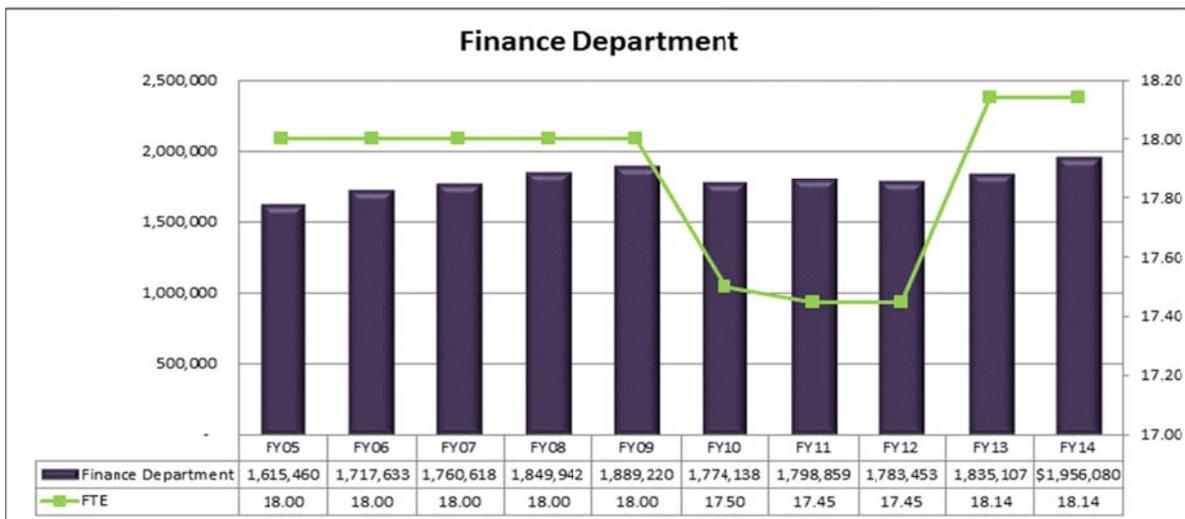
The Human Resource budget represents 1.09% of the total Town budget in FY14. The Human Resource Department currently has 4.38 full time staff members.

GENERAL FUND TREND ANALYSIS - EXPENDITURES



Finance Department

The Finance Department oversees the operations of the Town Clerk, Purchasing and all accounting, investment, and finance functions of the Town.



The expenditures for the Finance Department are 21.09% higher in FY14 than they were in FY05.

The Finance budget represents 2.99% of the total Town budget in FY14. The Finance Department currently has 18.14 full time staff members. The FY13 increase in FTE is due the conversion of a part time position to a full time position in the purchasing division to address the increased workload related to the Accelerated Capital Improvement Program.

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Planning, Zoning and Building Department

The Planning, Zoning and Building Departments implements and recommends the policies relative to the development, redevelopment and use of real property. In addition, this Department includes the budgets for code enforcement (which is administered by the Police Department) and fire prevention (which is administered by the Fire-Rescue Department).



The expenditures for the Planning, Zoning and Building Department are 33.22% higher in FY14 than they were in FY05. In FY06, expenditures increased due to the expansion of the Fire Prevention program including the addition of 3 additional personnel. In FY08, the code enforcement division was established and personnel from the Police Department were charged to this budget to expand the Town's code enforcement efforts. Building permit activity has increased since 2010. Increases in contractual costs relating to inspections and digital scanning caused the FY14 budget to increase.

The Planning, Zoning and Building budget represents 5.68% of the total Town budget in FY14. The Department budget currently has 26.25 full time staff members.

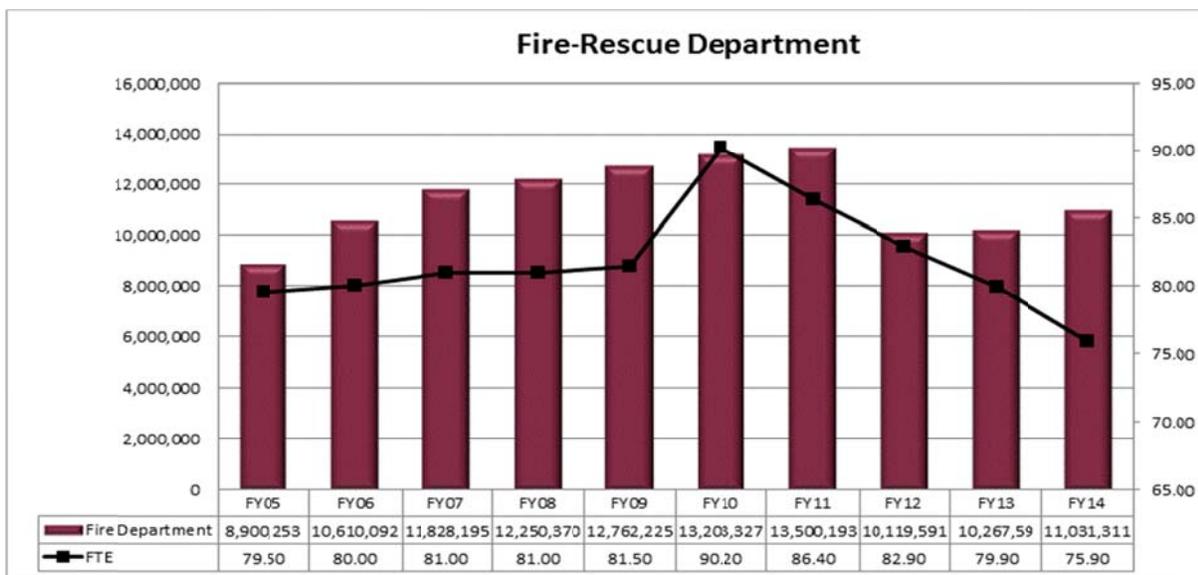
Fire-Rescue Department

The Fire-Rescue Department provides for EMS services and fire prevention and response services. The Town has three Fire-Rescue stations.

The expenditures for the Fire-Rescue Department are 23.94% higher in FY14 than they were in FY05. For the period of FY05 through FY11, expenditures increased by 51.7%. The decrease from FY11 to FY14 was 18.3%. In FY05, the Town began billing for EMS services and added an EMS billing technician. In FY05 and FY06 expenditures increased due to the response to the hurricanes. In FY10, the Ocean Rescue program was moved from the Police Department to the Fire-Rescue

GENERAL FUND TREND ANALYSIS - EXPENDITURES

Department. The 10 lifeguards were added to the staffing levels of Fire-Rescue. In FY11, 3 firefighters and 1 Administrative Lieutenant were cut from the budget. In FY12, the Fire-Rescue Chief position was eliminated from the budget and the Public Safety Director position was established to oversee the operations of the Police Department and Fire-Rescue Department. In addition, Fire Lieutenant, Driver/Engineer EMT, and Lifeguard Supervisor positions were eliminated. In FY13, 2 lieutenant positions and a mechanic position were eliminated. In FY14, 3 firefighter positions and a medical billing specialist were eliminated and EMS billing was contracted out. In total 14.3 positions have been eliminated from the Fire Rescue department since 2009. From FY02 through FY11, the Town's retirement contribution for the Firefighter's Pension Plan increased from \$233,590 to \$3,189,802. This represented a 1266% increase. Pension reform measures reduced the budget in FY12. The Fire-Rescue budget represents 16.87% of the total Town budget in FY14. The Fire-Rescue Department currently has 75.9 full time staff members.



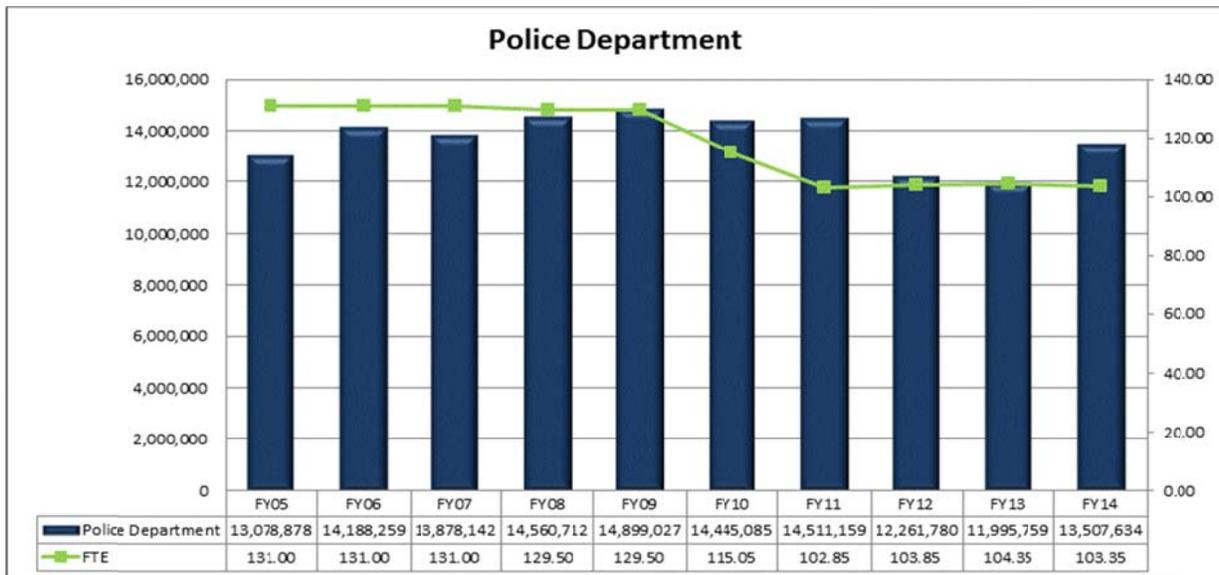
Police Department

The Police Department provides for the prevention of crime and the protection of life and property.

The expenditures for the Police Department are 3.28% higher in FY14 than they were in FY05. For the period of FY05 through FY09, expenditures increased by 13.92%. Since FY09, expenditures have decreased by 9.34%. Increases in FY05 and FY06 were due to overtime related to the hurricanes. In FY06, a new radio system was purchased. In FY08, the budget included funding for the electronic chalking devices for parking enforcement. In FY11 a total of 12.2 positions were eliminated, but those savings were offset by increases in pension costs. In FY12, expenditures declined due to a reduction in personnel and pension costs. For the period of FY02 through FY11, the Town's contribution to the Police Retirement Fund increased from \$310,756 to \$2,828,758. This is an 810% increase. Pension reform measures reduced the budget in FY12. FY13 actual costs were lower than budget estimates due to vacancies in the department. Increases in maintenance costs for surveillance equipment, new software, and increases in uniform costs for new hires caused the FY14 budget to increase.

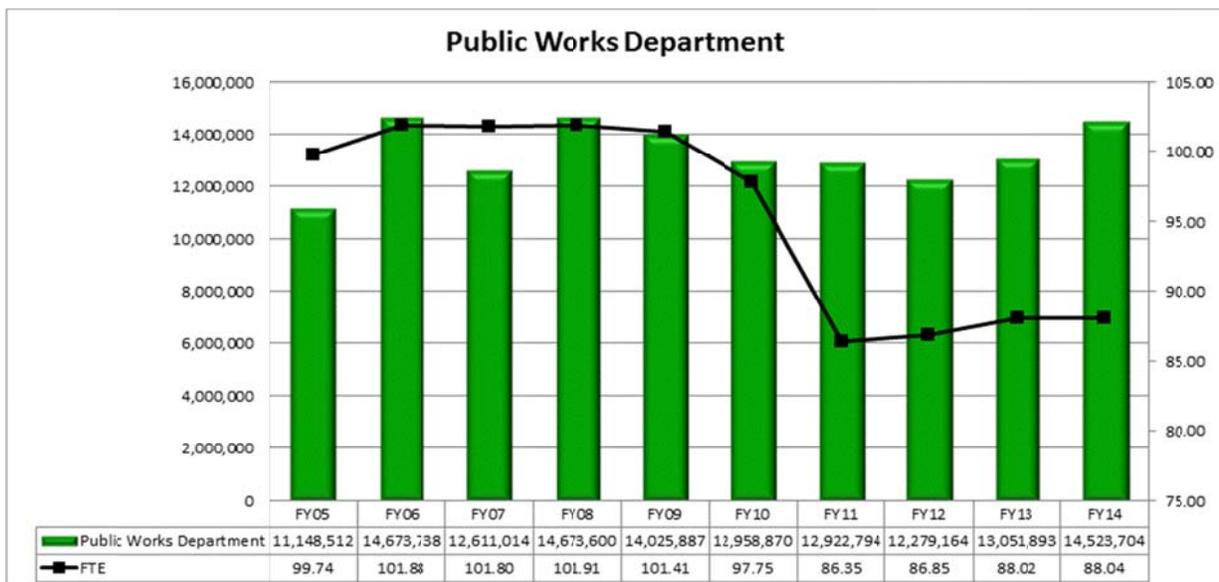
GENERAL FUND TREND ANALYSIS - EXPENDITURES

The Police Department budget represents 20.65% of the total Town budget in FY14. The Police Department currently has 103.35 full time staff members.



Public Works Department

The Public Works Department provides for the maintenance of the Town's parks, buildings, equipment and infrastructure, for collection and disposal of residential and commercial garbage, and for storm and sanitary sewer maintenance and treatment.



The expenditures for the Public Works Department are 30.27% higher in FY14 than they were in FY05. For the period of FY05 through FY08, expenditures increased by 31.6%. Since FY08, expenditures have decreased by 1.02%. In FY05 and FY06, most of the increase is due to the

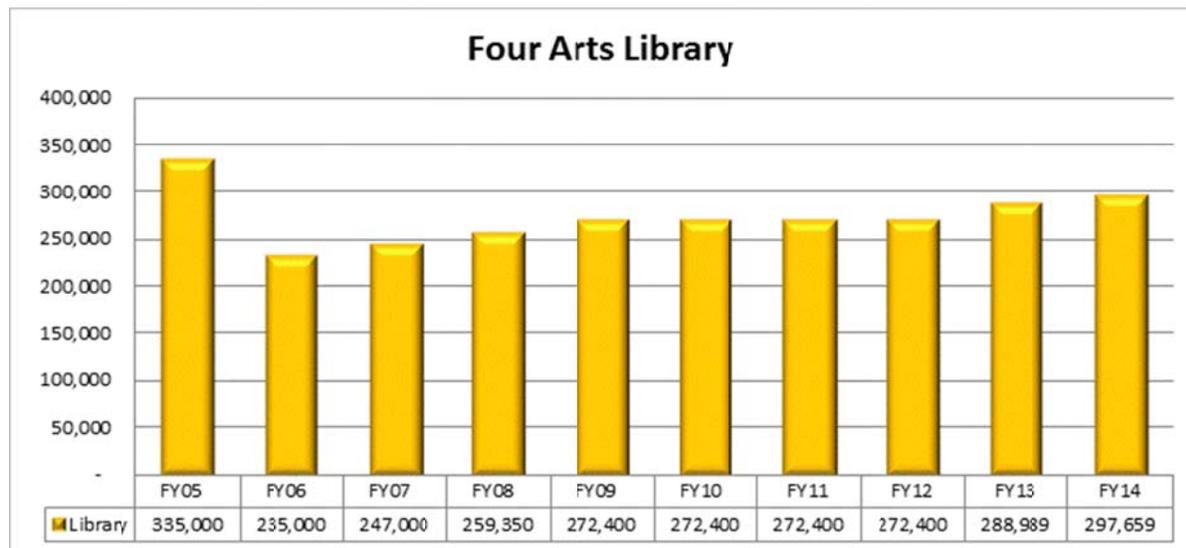
GENERAL FUND TREND ANALYSIS - EXPENDITURES

overtime related to the hurricane efforts for debris removal and repair of Town facilities. In FY05, an Assistant Director position was added and in FY06, a mechanic and an equipment operator position were added. In FY08, expenditures relating to the purchase of a parking kiosk system and contractual costs for coastal projects were included. In FY09, costs associated with an accelerated roadway milling and resurfacing project were included. Since FY08, 13.87 positions have been cut from the Department's budget. Contractual cost increases have offset some of the personnel savings, as the Town has implemented "privatization" of some Public Works services. The FY13 budget increased due to increases in pension costs and sanitary sewage treatment costs. Increases in FY14 include landfill maintenance costs, fuel and personnel expenses.

The Public Works budget represents 22.21% of the total Town budget in FY14. The Public Works Department currently has 88.04 full time staff members.

Four Arts Library

The Town contracts with the Society of the Four Arts Library to provide library services to Palm Beach residents. The annual appropriation takes the place of, and is substantially less than, property taxes that would be levied upon Town residents by the Palm Beach County Library District. Using FY14 taxable value and the Palm Beach County library millage, the taxes that would be paid to the County library system would total approximately \$7,200,000.



The expenditures for the Four Arts Library are 11.15% less in FY14 than they were in FY05. In FY05, an additional \$100,000 was appropriated to the library for a renovation project. The increase from FY06 to FY14 was 26.66%. The Four Arts Library budget represents .46% of the total Town budget in FY14.

FORECAST SUMMARY

Long Term Financial Plan Forecast Summary

Financial forecasts are the foundation of a long term financial plan. These forecasts provide the Mayor, Town Council and staff with information they need to more effectively determine future levels of service and methods of funding. This forecast of General Fund revenues and expenditures includes the FY14 budget and forecasts through FY24.

Assumptions

The forecast for the first 2 - 3 years is based upon recent trends and specific expectations. The forecast for the remaining 6 - 7 years is less tactical and more mathematical, and is based primarily upon estimates by actuaries and long term inflation expectations.

The major assumptions that were used to prepare the forecast are as follows:

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Ad Valorem Tax Increase	3.0%*	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General Inflation	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Salaries & Wages	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Health Insurance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Pension	9.5%	7.8%	9.9%	0.23%	2.36%	3.8%	3.9%	4.1%	4.0%	4.15%
Other Employee Benefits	3.2%	-0.1%	1.4%	.9%	1.4%	3.1%	3.2%	3.1%	2.1%	2.9%
Property Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Liability Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
W/C Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

*Ad Valorem tax increase for FY15 for operating purposes is 3%, additional increases are included for coastal protection funding and debt service funding as previously approved by Town Council.

The assumption for inflation of 2.1% is based upon the forecast in the *Livingston Survey* issued by the Federal Reserve Bank of Philadelphia. The salary and wage assumption is based upon the average annual increases for all employee groups. The health insurance forecast assumption remained constant at 10% based upon input from our health consultants regarding future increases related to the Affordable Care Act. The pension forecast assumption was updated by the Town's pension

FORECAST SUMMARY

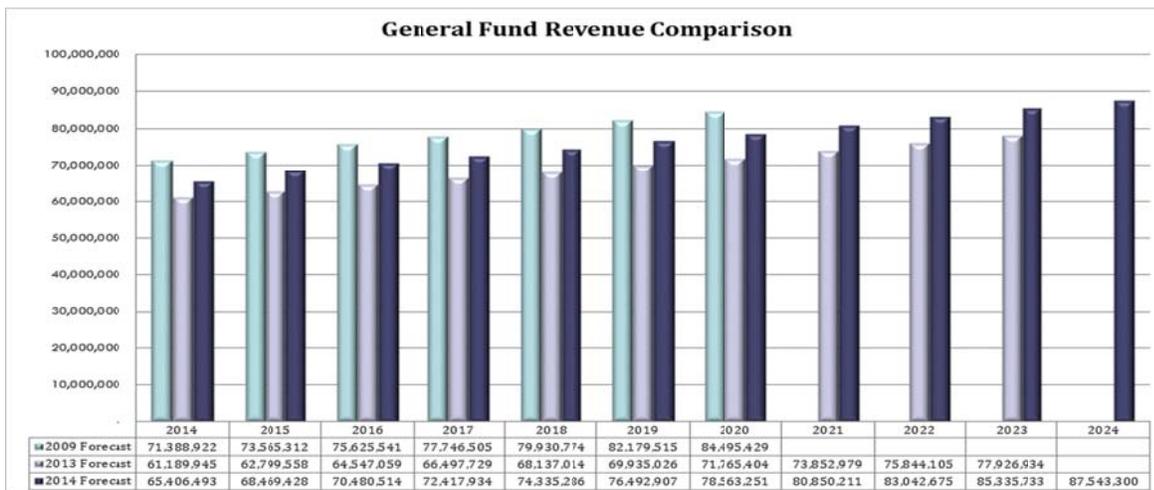
actuary to reflect the actual costs of the adopted pension reform measures and the costs associated with the investment and wage assumption changes made by the Retirement Board in 2013. The other employee benefit assumptions have been calculated based upon anticipated retirements and other inflation factors. Property, Liability and Workmen’s Compensation insurance assumptions are based upon information received from our brokers regarding potential increases.

2014 Forecast

The forecast charts shown on the following pages include a comparison of the original 2009 forecast through 2020 to the 2013 and 2014 forecast projections. The original 2009 forecast showed deficits throughout the forecast period. Since that time, staff and the Town Council have been able to make major reductions in expenditures and to slow future growth to sustainable levels. The 2014 forecast highlights the progress and also includes sufficient funding for the Town’s future infrastructure and coastal projects. The 2014 forecast contains funding for the investment assumption change (8% to 7.5%) for the pension system that was approved in 2013. The 2015 forecast budget is \$494,000 more than anticipated due to this change.

General Fund Revenue Forecast

In total, the General Fund revenue forecast has declined since the 2009 forecast, mainly due to the reduction in property tax revenue and license and permit revenue. Improvement in these revenue sources over the past few years has improved the forecast over the 10 year period. The forecast is conservative and should allow for minor fluctuations in various revenue sources. The forecast details for each major revenue category are included in this analysis.



FORECAST SUMMARY

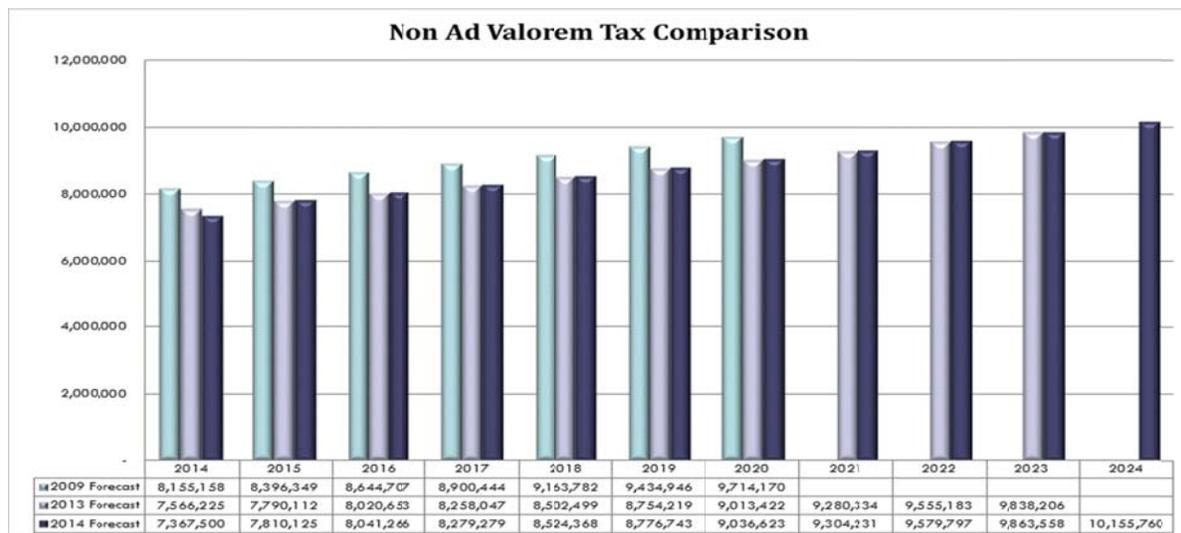
Property Tax Revenue

Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. We project the increase to be 3% for each year of the forecast. In addition, \$4,776,607 has been included for the annual funding for the coastal protection program and \$175,000 for additional debt service for the 2013 bond, as directed by the Town Council during 2013. The total increase in ad valorem revenue for FY15 is estimated to be 15.8%.



Non Ad Valorem Taxes

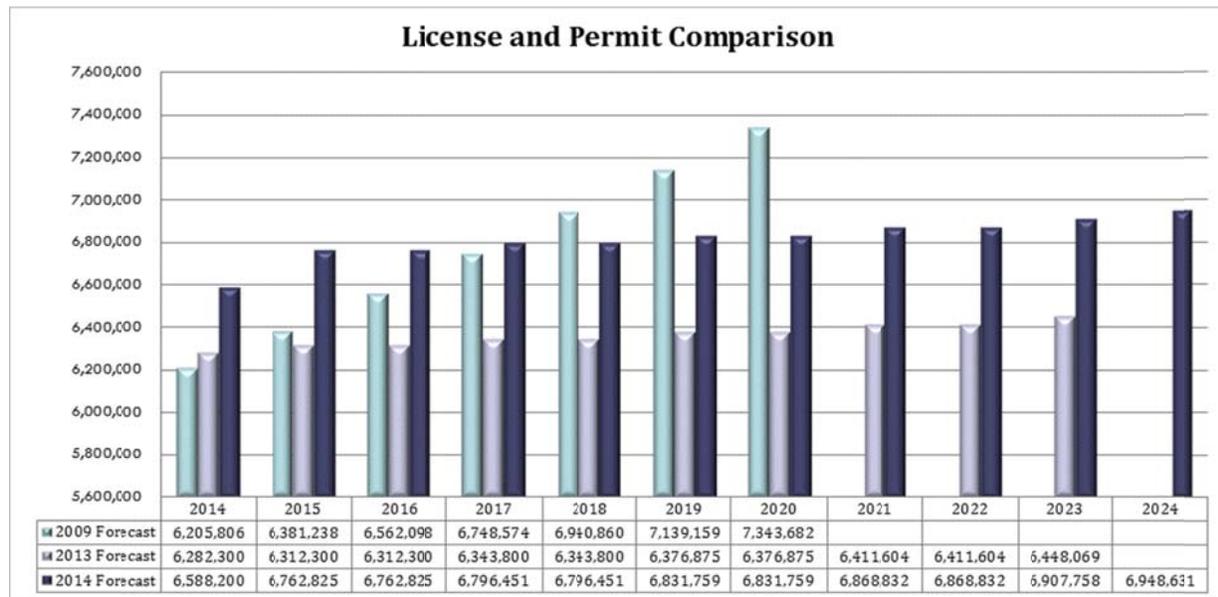
Non ad valorem taxes include local option gas taxes, franchise fees and utility service taxes. There has been little change in the forecast for these revenues since 2009. The decline in revenue is due to reductions in recent collections of franchise fee and utility tax receipts. The forecast trend chart is shown below.



FORECAST SUMMARY

License and Permit Revenue

License and permit revenue includes business licenses, building permit revenues and parking permits.



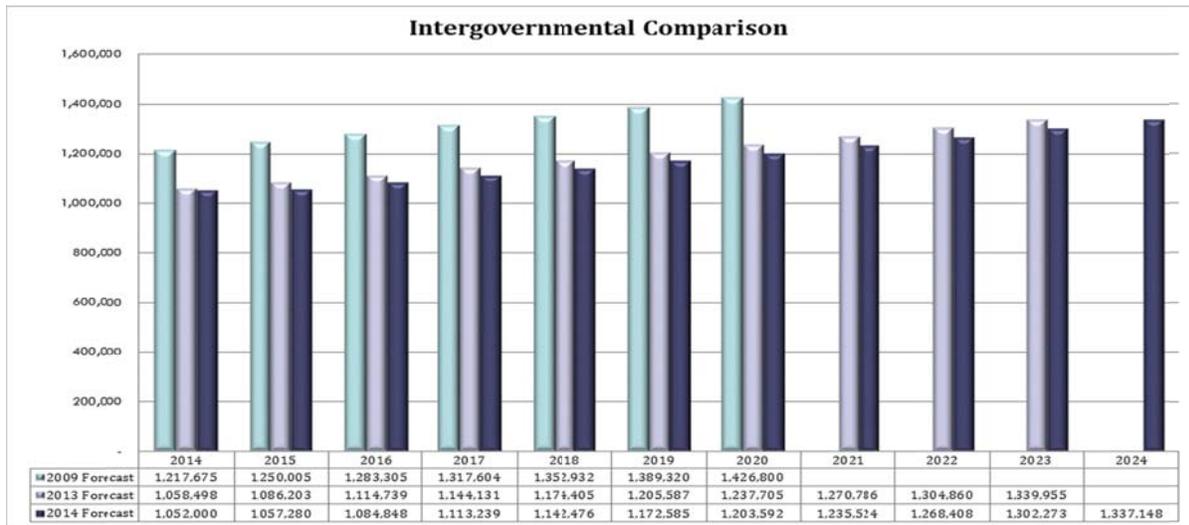
The real estate market has improved in recent years. The budget for FY14 was increased over the 2013 forecast due to improved collections. The 2014 forecast shows higher revenues in 2014 and 2015 due to improved conditions, but, to be conservative, the forecast period from 2016 through 2024 does not anticipate much of an increase in the license and permit revenue sources. Due to a recent change in state law, the forecast for business tax receipts has been reduced to reflect the exemption of real estate brokers from purchasing a license.

Intergovernmental Revenue

Intergovernmental revenue includes revenue received from Federal, State, County and local government sources. Revenues from the State of Florida include State revenue sharing, local government sales tax and alcoholic beverage licenses. Local revenues include County occupational license revenue, and the 911 reimbursement from Palm Beach County. Federal and State grants are also included in this category.

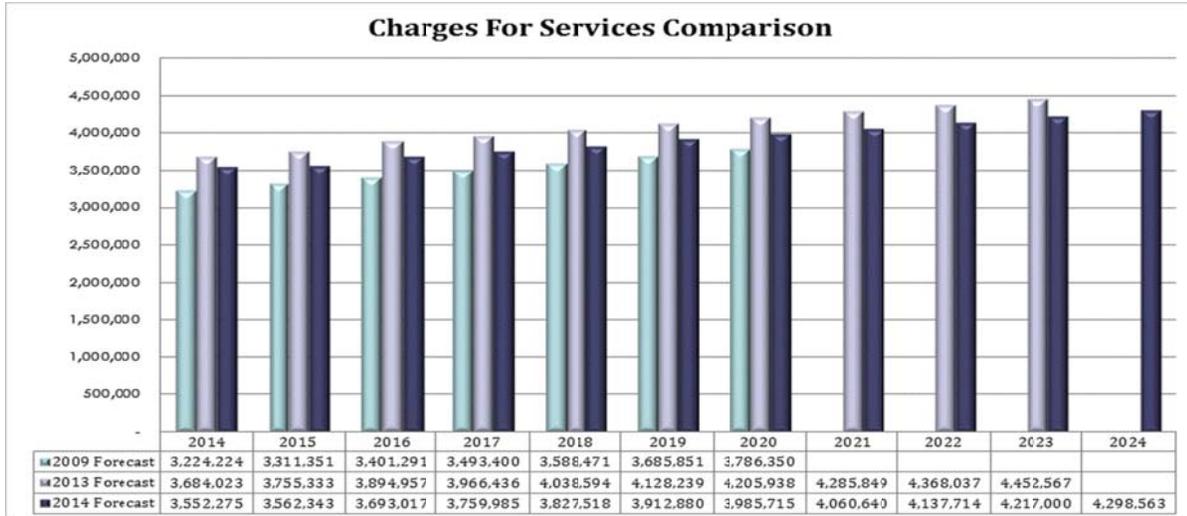
The forecast for intergovernmental revenues has declined due to declines in revenues received from the State of Florida for sales tax and revenue sharing. The forecast anticipates a small inflationary increase per year in the State revenues.

FORECAST SUMMARY



Charges for Services

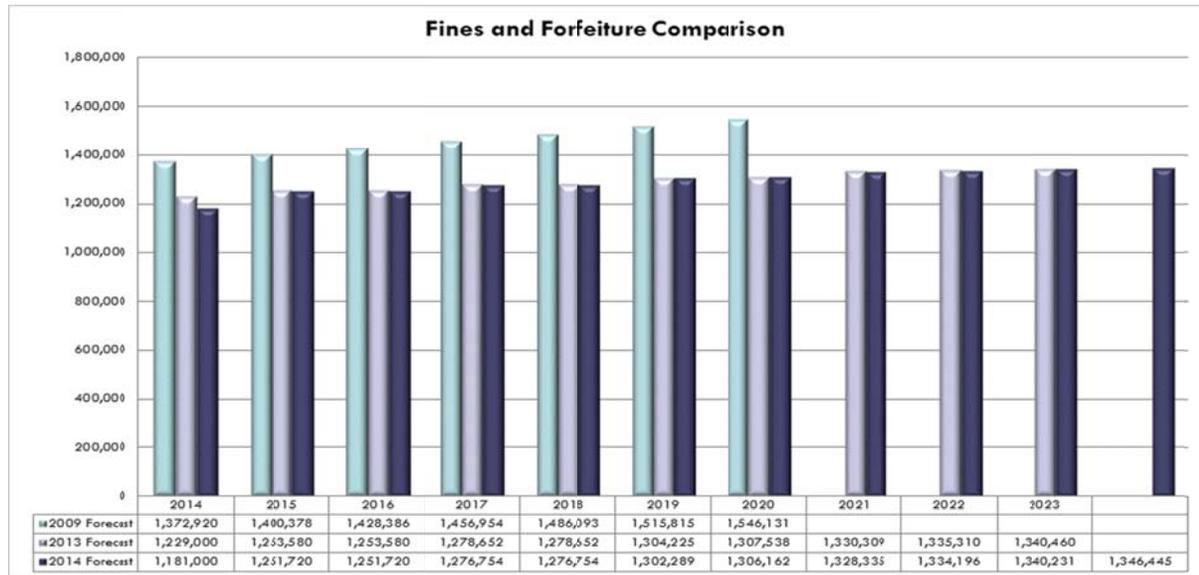
Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The forecast for these revenues has increased since 2009 but lower public safety revenues and solid waste collection revenue caused the 2014 revenues to decline.



FORECAST SUMMARY

Fines and Forfeitures

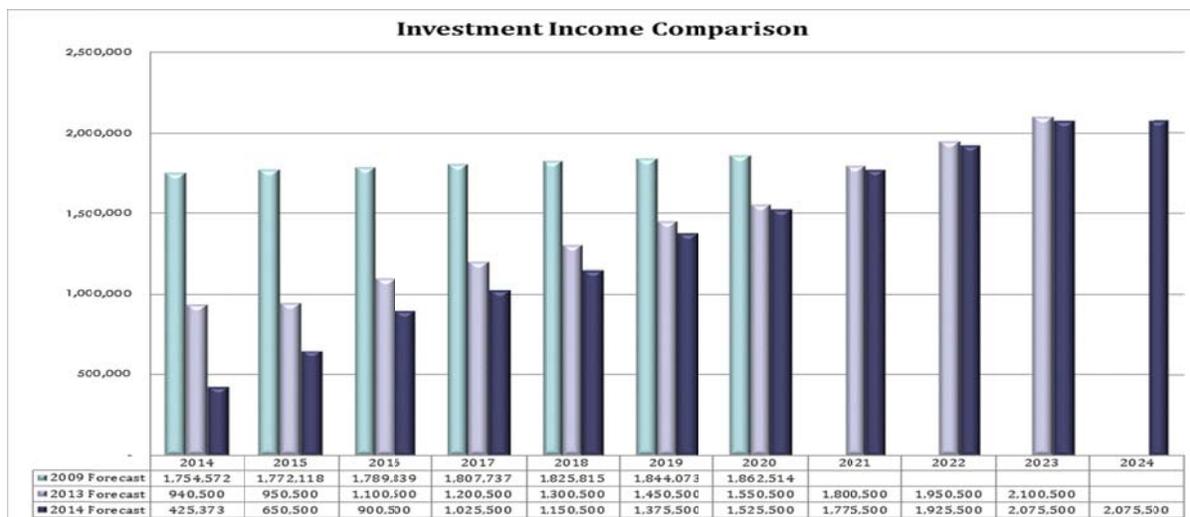
Fine and Forfeiture revenue includes traffic violation fines and penalties, parking fines and penalties and code enforcement violation fines.



Revenues from these sources have decreased since the 2009 forecast. The majority of the decrease is due to the forecast for code enforcement fines. This revenue source is volatile and for FY14, collections are exceeding budget expectations. During 2012, the Town Council approved increases in parking ticket fines. The forecast from 2013 to 2014 is virtually unchanged.

Investment Income

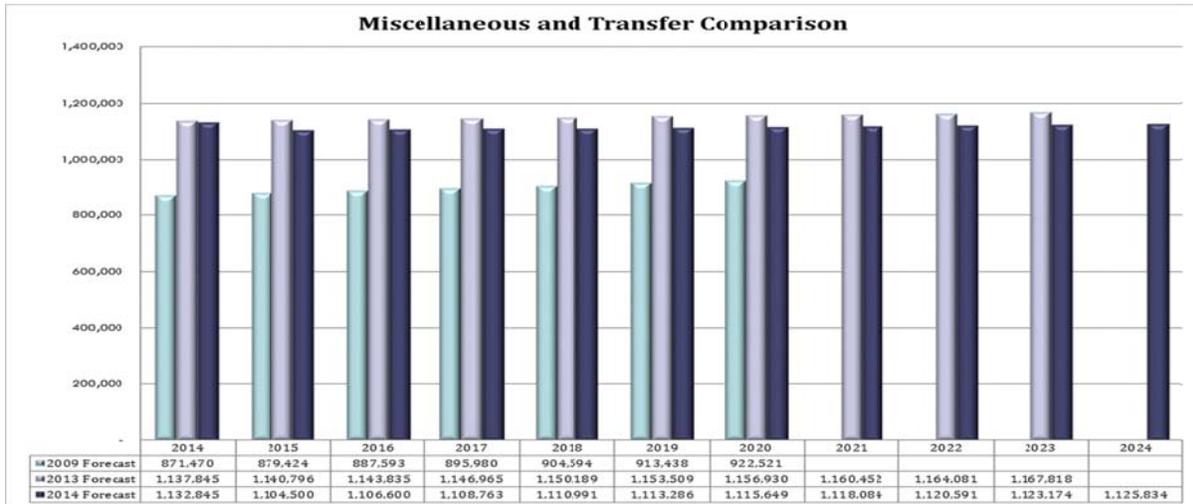
The investment income forecast has declined from 2009 due to the prolonged depressed interest rate environment. We are predicting, for purposes of this forecast, investment returns will continue to remain depressed through most of the forecast period with a slight improvement over 2014.



FORECAST SUMMARY

Miscellaneous and Transfers

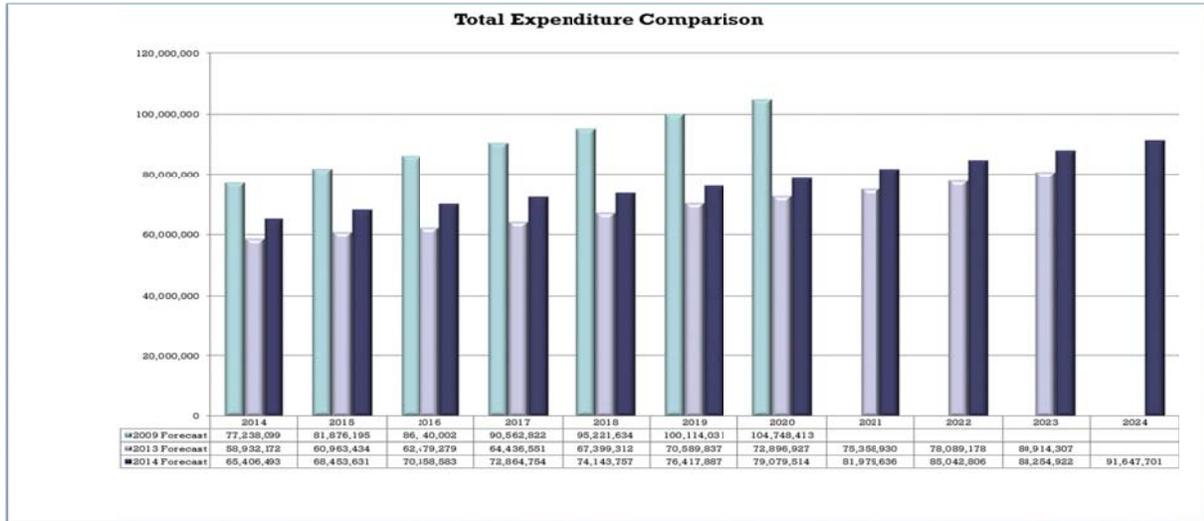
Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. Transfers include transfers from the Recreation Enterprise Fund. The increase in the forecast is due to an increase in the fees associated with the charitable solicitation permits and an increase in the transfer from the Recreation Enterprise Fund due to the savings generated through the reorganization efforts. The decrease in 2015 is due to the termination of a lease for a cellular tower.



FORECAST SUMMARY

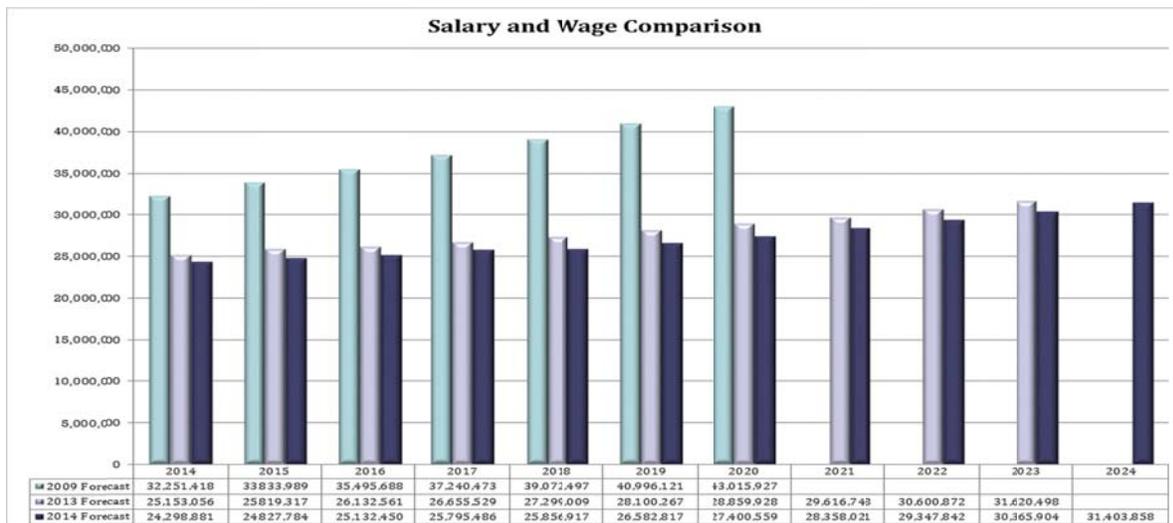
Total General Fund Expenditures

Overall, significant cuts have been made since the original 2009 forecast. Most of the savings is due to reductions in personnel, pension and related employee benefit costs. The balance is due to reductions in the equipment replacement fund depreciation transfer, and a reduction in the transfer for risk insurance. The 2014 forecasted expenditures have increased due primarily to increased debt service for the 2013 bonds and an increase in the transfer to the coastal protection fund to fund the approved 10 year program.



Salary and Wages

Salary and Wage increases are based upon the modifications to the Town's employee pay policies, reductions in personnel, and replacements of retirees at lower salaries through the forecast period. The forecast assumptions show an average annual increase of 3%, but between employee groups the growth rates range from between less than 1% to 3.75%.

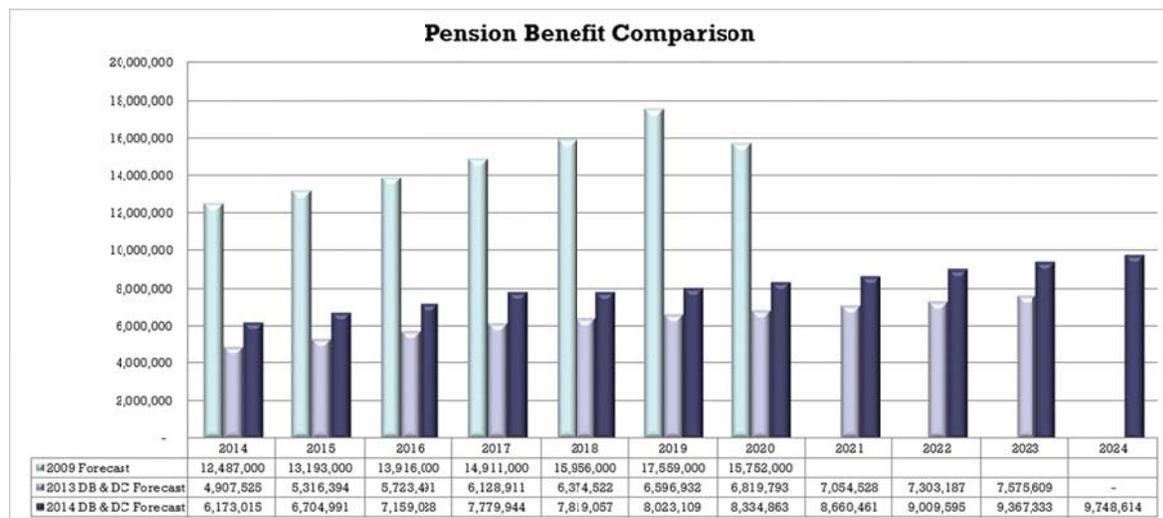


FORECAST SUMMARY

This expenditure category has decreased significantly since the original 2009 forecast. The 2009 assumptions for salary and wage increases had been 5.5%. Between FY01 and FY09, Town salaries increased at an average rate of over 6% per year – more than double the average annual rate of inflation for the same period. Future salary growth was reduced to an average of 3% per year or less. A combination of actions (changing pay policies, reducing staffing, etc.) has made this goal achievable throughout the forecast period. The 2014 forecast for salaries is reduced even further due to additional reductions in personnel in FY14 and retirements in FY15.

Pension Benefits

The pension estimate is based upon the actuary’s estimates for pension costs based upon the pension reform changes implemented in 2012. These changes have significantly reduced this category of expenditures throughout the forecast period.



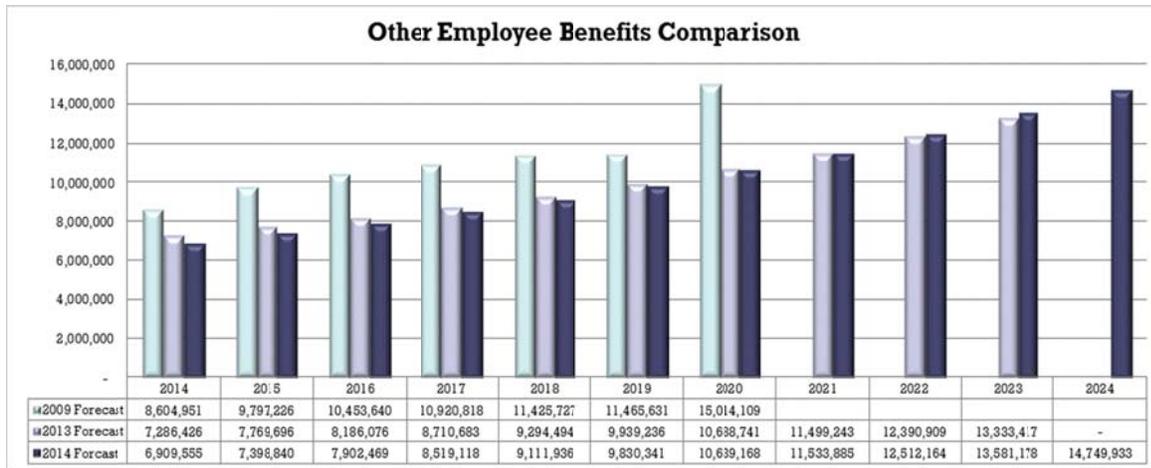
The Town’s Retirement Board recommended a change in the investment assumption from 8% to 7.5% in 2013. This change is added additional cost for pension benefits and is the major cause for the increase from the 2013 forecast. The Town also made a change to the employee contribution rates for some of the employee groups.

The Town has always budgeted and contributed the required contribution as determined by the actuary. For the past few years, the State has required a contribution based upon a percent of payroll. Since total Town payroll has been declining, the amount due per the State requirements has been lower than the Town’s budgeted contribution. The Town contributed the total budgeted amount, resulting in surplus contributions to the Retirement Fund. Total prepaid contributions through September 30, 2013, were \$2,169,323. The Town used \$930,690 of the prepaid amount in the FY14 budget to offset a portion of the investment assumption change increase. The 2015 forecast uses \$750,000 of prepaid funds to offset the pension increase and the 2016 forecast uses the balance of the prepaid contribution (\$488,633) to smooth the effects of implementing the assumption change increase. In FY14 the Town Council approved a discretionary DC contribution of 4% for all non-union employees. The forecast includes the discretionary contribution.

FORECAST SUMMARY

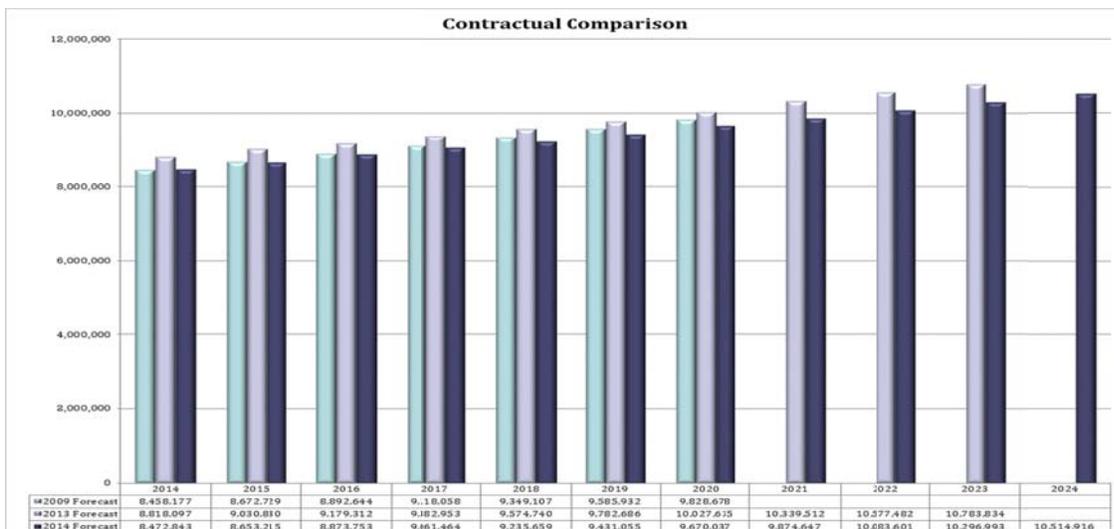
Other Employee Benefits

Other Employee Benefits includes all other benefits including health insurance. We anticipate health insurance costs will increase at 10% per year and other employee benefits (including FICA, longevity, incentives, and allowances) will increase at a much lower rate. The forecast decreased from 2013 due to steps taken to reduce insurance costs in 2014.



Contractual

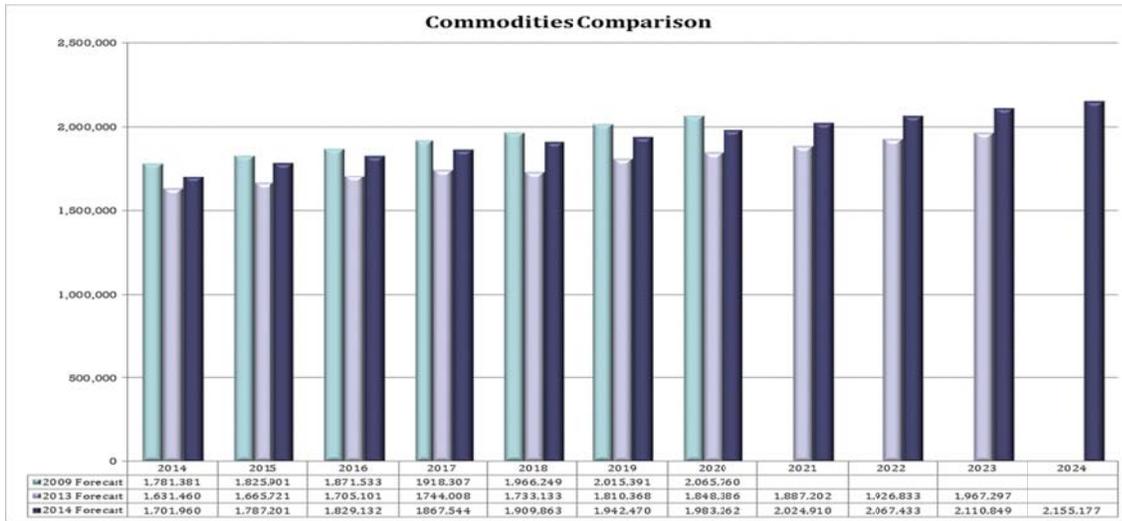
Contractual expenditures are forecasted to increase by the rate of inflation. As a result of the privatization that has occurred since 2009, contractual expenses are higher than the original 2009 forecast, but this increase has been far surpassed by the related savings in employee pay and benefits.



FORECAST SUMMARY

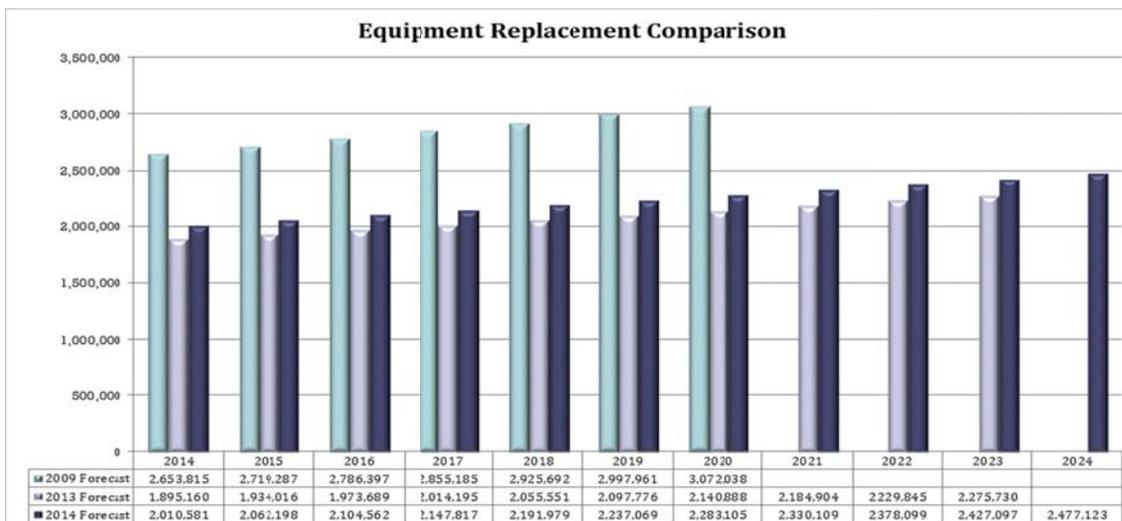
Commodities

The commodity forecast is based upon the assumed rate of inflation. Commodity budgets include fuel, supplies, dues, software, some computer hardware and vehicle maintenance and uniforms. The 2014 forecast has increased based upon FY14 budget increases in these areas.



Equipment Replacement/Capital Outlay

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. During FY11, staff conducted a thorough review the useful lives of the Town's equipment. In some cases, departments identified equipment that could be retired instead of replaced. In others, departments extended the expected useful life of equipment before scheduled replacement. Due to this review and subsequent work by departments, savings have been forecasted for the future. The 2014 forecast increase is due to depreciation on new equipment purchased in 2013.



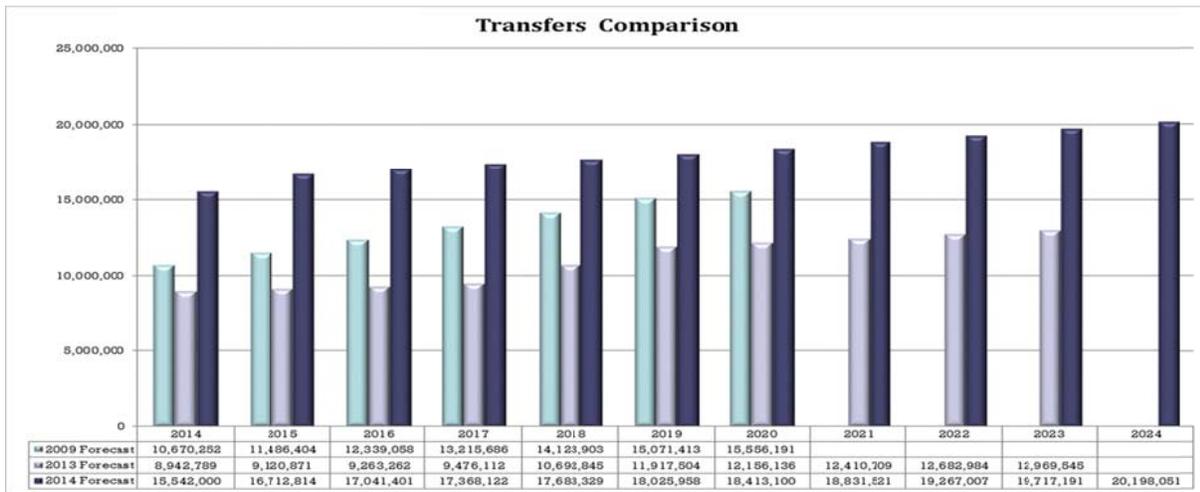
FORECAST SUMMARY

Transfers

The Transfers category includes transfers to the Capital Improvement Program, Coastal Protection Fund, Debt Service Fund, Risk Insurance Fund and Retiree Health Insurance Trust. It also includes the annual contingency allocation.

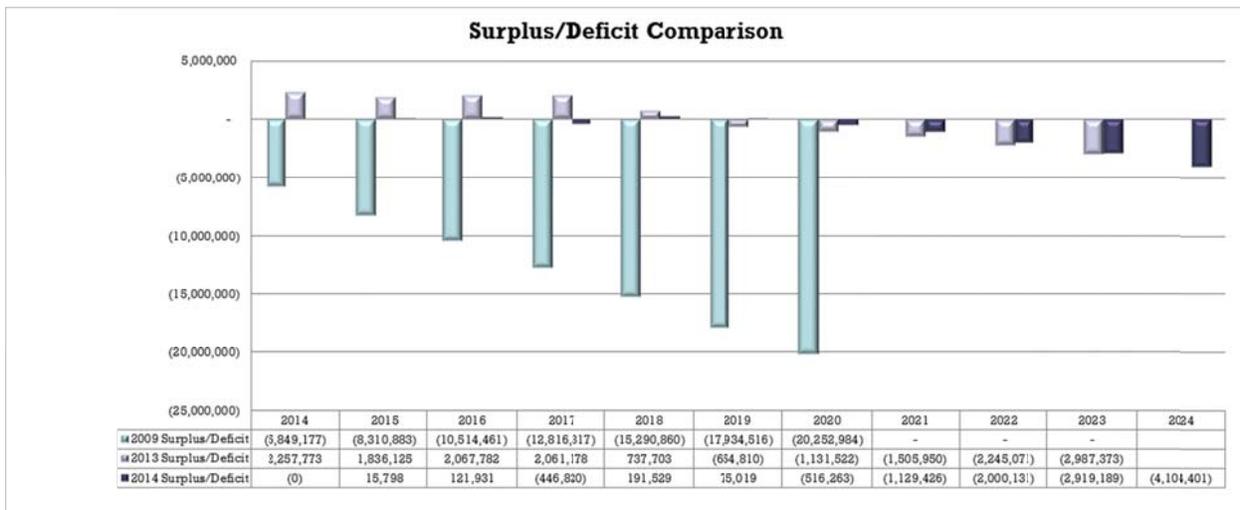
- The forecast includes a transfer to the Capital Improvement Program of \$1 million per year for Capital Projects (such as the Town's annual road paving program) that have not been included in the 20 year CIP program.
- The Town Council approved a 10 year \$84 million Coastal Protection program in 2013. The first year funding is \$4,776,607. Due to the amount of reserves that have been accumulated in this fund, the transfer is much less than originally anticipated. The transfer is forecasted to increase at a rate of 3% per year.
- Debt service was increased for 2014 by \$2.6 million and an additional \$175,000 is necessary in 2015 for the 2013 Revenue bond. The 2013 forecast assumed the bond for the second phase of the Accelerated Capital Improvement Program would be issued in 2017 and debt service would begin in 2018.
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 5% per year, and Worker's Compensation 3% per year throughout the forecast period. The 2015 budget forecast also includes an increase for claim reserves.
- Retiree Health Insurance is based upon a forecast for Town Contributions prepared by the Town's actuary.
- The General Fund contingency appropriation has been estimated to be 1.5% of the forecasted expenditures as required by Town policy. The General Fund contingency is funded through a transfer from fund balance rather than through operating revenues. Staff is reviewing the amount of the transfer and may make a recommendation to revise the policy and lower the appropriation during the budget process.
- The Town's contribution to the Four Arts Library is forecasted to increase by 3% per year.

FORECAST SUMMARY



Projected Surplus/ Deficit

Due to the deep cuts in expenditures mentioned in the section above, the projection of annual surpluses/deficits has changed dramatically since the 2009 forecast. Deficits were originally forecast to begin in 2012 and continue throughout the forecast period, peaking at \$20.2 million in 2020. Compared to last year's forecast, the 2014 forecast contains smaller projected surpluses in the early years due to the appropriations for the Coastal Protection Program, 2013 debt service and other minor increases. However, even after accounting for these increases, the longer term forecast has improved in 2014 as compared to a year ago.



Planning for the FY15 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. Staff currently is preparing the FY15 proposed budget to reflect exact needs and specific proposals, and we intend to submit a proposed budget that is in line with the forecast.

General Fund Forecast Summary



**Town of Palm Beach
Revenue and Expenditure Forecast
LTFP FY2014 - FY2024**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenues											
Ad Valorem Taxes	38,647,700	44,758,738	46,101,500	47,484,545	48,909,081	50,376,354	51,887,645	53,444,274	55,047,602	56,699,030	58,400,001
Non Ad Valorem Taxes	7,367,500	7,810,125	8,041,266	8,279,279	8,524,368	8,776,743	9,036,623	9,304,231	9,579,797	9,863,558	10,155,760
Licenses & Permits	6,588,200	6,762,825	6,762,825	6,796,451	6,796,451	6,831,759	6,831,759	6,868,832	6,868,832	6,907,758	6,948,631
Intergovernmental	1,052,000	1,057,280	1,084,848	1,113,239	1,142,476	1,172,585	1,203,592	1,235,524	1,268,408	1,302,273	1,337,148
Charges for Services	3,552,275	3,562,343	3,693,017	3,759,985	3,827,518	3,912,880	3,985,715	4,060,640	4,137,714	4,217,000	4,298,563
Fines and Forfeitures	1,181,000	1,251,720	1,251,720	1,276,754	1,276,754	1,302,289	1,306,162	1,328,335	1,334,196	1,340,231	1,346,445
Investment Earnings	425,373	650,500	900,500	1,025,500	1,150,500	1,375,500	1,525,500	1,775,500	1,925,500	2,075,500	2,075,500
Miscellaneous and Transfers	1,132,845	1,104,500	1,106,600	1,108,763	1,110,991	1,113,286	1,115,649	1,118,084	1,120,591	1,123,174	1,125,834
Total Operating Revenues	59,946,893	66,958,031	68,942,276	70,844,516	72,738,139	74,861,396	76,892,645	79,135,420	81,282,640	83,528,524	85,687,882
Transfer to Fund Balance	5,459,601	1,511,398	1,538,237	1,573,417	1,597,146	1,631,511	1,670,606	1,714,792	1,760,036	1,807,209	1,855,417
Total Revenues	65,406,494	68,469,429	70,480,513	72,417,933	74,335,285	76,492,907	78,563,251	80,850,212	83,042,676	85,335,733	87,543,299
Expenditures											
Salaries and Wages	24,298,881	24,827,784	25,132,450	25,795,486	25,856,917	28,582,817	27,400,559	28,358,021	29,347,842	30,365,904	31,403,858
Pension Benefits	4,977,617	5,472,148	5,902,961	6,494,601	6,520,683	6,681,567	6,944,825	7,220,962	7,518,990	7,824,191	8,151,829
DC Plan Benefits	1,195,398	1,232,843	1,256,068	1,285,343	1,298,374	1,341,542	1,390,038	1,439,499	1,490,605	1,543,142	1,596,785
Other Employee Benefits	6,909,555	7,398,840	7,902,469	8,519,118	9,111,936	9,830,341	10,639,168	11,533,885	12,512,164	13,581,178	14,749,933
Contractual	8,472,843	8,653,215	8,873,753	9,061,464	9,235,659	9,431,055	9,670,037	9,874,647	10,083,601	10,296,993	10,514,916
Commodities	1,701,960	1,787,201	1,829,132	1,867,544	1,909,863	1,942,470	1,983,262	2,024,910	2,067,433	2,110,849	2,155,177
Equipment Replacement	2,010,581	2,062,198	2,104,562	2,147,817	2,191,979	2,237,069	2,283,105	2,330,109	2,378,099	2,427,097	2,477,123
Library Services	297,659	306,588	315,786	325,260	335,017	345,068	355,420	366,083	377,065	388,377	400,028
Other											
Transfer to Capital Improvement	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfer to Coastal Protection	4,200,000	4,776,607	4,919,905	5,067,502	5,219,527	5,376,113	5,537,397	5,703,519	5,874,624	6,050,863	6,232,389
Debt Service	6,100,000	6,273,613	6,265,462	6,275,412	6,266,687	6,274,162	6,266,337	6,267,587	6,268,212	6,263,087	6,266,837
Retiree Health	1,506,000	1,577,000	1,667,000	1,765,000	1,869,000	1,981,000	2,101,000	2,230,000	2,367,000	2,514,000	2,671,000
Transfer to Risk Insurance Fund	1,876,000	2,075,518	2,140,987	2,181,713	2,227,437	2,260,185	2,334,387	2,411,911	2,492,878	2,577,474	2,665,901
Contingency	860,000	1,010,077	1,048,047	1,078,495	1,100,678	1,134,498	1,173,979	1,218,504	1,264,293	1,311,767	1,361,924
Total Expenditures	65,406,494	68,453,632	70,358,582	72,864,755	74,143,757	78,417,887	79,079,514	81,979,637	85,042,806	88,254,922	91,647,700
Surplus/(Deficit)	-	15,797	121,931	(446,822)	191,528	(1,924,980)	(516,263)	(1,129,425)	(2,000,130)	(2,919,189)	(4,104,401)

Town of Palm Beach
Revenue Forecast
FY14 - FY24

Analysis of Revenues by Category	2014 Budget	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated
Revenue Sources											
Ad Valorem Revenues	38,647,700	44,758,738	46,101,500	47,484,545	48,909,081	50,376,354	51,887,645	53,444,274	55,047,602	56,699,030	58,400,001
% Increase	3.13%	15.81%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	1,174,592	6,111,038	1,342,762	1,383,045	1,424,536	1,467,272	1,511,291	1,556,629	1,603,328	1,651,428	1,700,971
Non Ad Valorem Taxes	7,367,500	7,810,125	8,041,266	8,279,279	8,524,368	8,776,743	9,036,623	9,304,231	9,579,797	9,863,558	10,155,760
% Increase	-2.21%	6.01%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
	-166,359	442,625	231,142	238,013	245,089	252,375	259,880	267,608	275,566	283,762	292,202
Licenses and Permits	6,588,200	6,762,825	6,762,825	6,796,451	6,796,451	6,831,759	6,831,759	6,868,832	6,868,832	6,907,758	6,948,631
% Increase	-13.00%	2.65%	0.00%	0.50%	0.00%	0.52%	0.00%	0.54%	0.00%	0.57%	0.59%
\$ Increase	-984,318	174,625	0	33,626	0	35,308	0	37,073	0	38,927	40,873
Intergovernmental Revenue	1,052,000	1,057,280	1,084,848	1,113,239	1,142,476	1,172,585	1,203,592	1,235,524	1,268,408	1,302,273	1,337,148
% Increase	6.19%	0.50%	2.61%	2.62%	2.63%	2.64%	2.64%	2.65%	2.66%	2.67%	2.68%
\$ Increase	61,285	5,280	27,568	28,390	29,237	30,109	31,007	31,932	32,884	33,865	34,875
Charges for Services	3,552,275	3,562,343	3,693,017	3,759,985	3,827,518	3,912,880	3,985,715	4,060,640	4,137,714	4,217,000	4,298,563
% Increase	-0.67%	0.28%	3.67%	1.81%	1.80%	2.23%	1.86%	1.88%	1.90%	1.92%	1.93%
\$ Increase	-23,881	10,068	130,674	66,968	67,533	85,361	72,836	74,925	77,074	79,286	81,563
Fines and Forfeitures	1,181,000	1,251,720	1,251,720	1,276,754	1,276,754	1,302,289	1,306,162	1,328,335	1,334,196	1,340,231	1,346,445
% Increase	-5.80%	5.99%	0.00%	2.00%	0.00%	2.00%	0.30%	1.70%	0.44%	0.45%	0.46%
\$ Increase	-72,760	70,720	0	25,034	0	25,535	3,873	22,173	5,860	6,035	6,215
Interest Income	425,373	650,500	900,500	1,025,500	1,150,500	1,375,500	1,525,500	1,775,500	1,925,500	2,075,500	2,075,500
% Increase	1211.86%	52.92%	38.43%	13.88%	12.19%	19.56%	10.91%	16.39%	8.45%	7.79%	0.00%
\$ Increase	392,948	225,127	250,000	125,000	125,000	225,000	150,000	250,000	150,000	150,000	0
Miscellaneous and Transfers	1,132,845	1,104,500	1,106,600	1,108,763	1,110,991	1,113,286	1,115,649	1,118,084	1,120,591	1,123,174	1,125,834
% Increase	-39.45%	-2.50%	0.19%	0.20%	0.20%	0.21%	0.21%	0.22%	0.22%	0.23%	0.24%
\$ Increase	-738,198	-28,345	2,100	2,163	2,228	2,295	2,364	2,434	2,508	2,583	2,660
Transfers from Fund Balance	5,459,600	1,511,398	1,538,237	1,573,417	1,597,146	1,631,511	1,670,606	1,714,792	1,760,036	1,807,209	1,855,417
% Increase	100.00%	-72.32%	1.78%	2.29%	1.51%	2.15%	2.40%	2.64%	2.68%	2.68%	2.67%
\$ Increase	5,459,599	-3,948,202	26,839	35,180	23,729	34,365	39,095	44,186	45,244	47,173	48,208
Total Revenues	65,406,493	68,469,428	70,480,514	72,417,934	74,335,286	76,492,907	78,563,251	80,850,211	83,042,675	85,335,733	87,543,300
% Increase	8.46%	4.68%	2.94%	2.75%	2.65%	2.90%	2.71%	2.91%	2.71%	2.76%	2.59%
\$ Increase	5,102,908	3,062,935	2,011,086	1,937,420	1,917,352	2,157,621	2,070,344	2,286,960	2,192,464	2,293,058	2,207,567

Town of Palm Beach
Expenditure Forecast
FY14 - FY24

Analysis of Expenses by Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenditure Categories	Estimated										
Salaries/Wages	24,298,881	24,827,784	25,132,450	25,795,486	25,856,917	26,582,817	27,400,559	28,358,021	29,347,842	30,365,904	31,403,858
% Increase	5.91%	2.18%	1.23%	2.64%	0.24%	2.81%	3.08%	3.49%	3.49%	3.47%	3.42%
\$ Increase	1,354,907	528,903	304,667	663,036	61,431	725,900	817,741	957,462	989,822	1,018,061	1,037,954
Pension Benefits	4,977,617	5,472,148	5,902,961	6,494,601	6,520,683	6,681,567	6,944,825	7,220,962	7,518,990	7,824,191	8,151,829
% Increase	29.91%	9.94%	7.87%	10.02%	0.40%	2.47%	3.94%	3.98%	4.13%	4.06%	4.19%
\$ Increase	1,146,029	494,531	430,812	591,640	26,082	160,884	263,258	276,137	298,028	305,201	327,638
DC Plan	1,195,398	1,232,843	1,256,068	1,285,343	1,298,374	1,341,542	1,390,499	1,439,499	1,490,605	1,543,142	1,596,785
% Increase	122.39%	3.13%	1.88%	2.33%	1.01%	3.32%	3.61%	3.56%	3.55%	3.52%	3.48%
\$ Increase	657,866	37,445	23,225	29,275	13,032	43,168	48,496	49,461	51,106	52,537	53,643
Other Employee Benefits	6,909,555	7,398,840	7,902,469	8,519,118	9,111,936	9,830,341	10,639,168	11,533,865	12,512,164	13,581,178	14,749,933
% Increase	2.56%	7.08%	6.81%	7.80%	6.96%	7.88%	8.23%	8.41%	8.41%	8.54%	8.61%
\$ Increase	172,796	489,285	503,630	616,649	592,818	718,405	808,827	894,717	978,279	1,069,014	1,168,755
Contractual	8,472,843	8,653,215	8,873,753	9,061,464	9,235,659	9,431,055	9,670,037	9,874,647	10,083,601	10,296,993	10,514,916
% Increase	17.29%	2.13%	2.55%	2.12%	1.92%	2.12%	2.53%	2.12%	2.12%	2.12%	2.12%
\$ Increase	1,248,751	180,372	220,538	187,711	174,195	195,397	238,981	204,610	208,955	213,391	217,923
Commodities	1,701,960	1,787,201	1,829,132	1,867,544	1,909,863	1,942,470	1,983,262	2,024,910	2,067,433	2,110,849	2,155,177
% Increase	9.51%	5.01%	2.35%	2.10%	2.27%	1.71%	2.10%	2.10%	2.10%	2.10%	2.10%
\$ Increase	147,856	85,241	41,931	38,412	42,318	32,607	40,792	41,648	42,523	43,416	44,328
Equipment Replacement	2,010,581	2,062,198	2,104,562	2,147,817	2,191,979	2,237,069	2,283,105	2,330,109	2,378,099	2,427,097	2,477,123
% Increase	-1.14%	2.57%	2.05%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%
\$ Increase	-23,163	51,617	42,365	43,254	44,162	45,090	46,037	47,003	47,990	48,998	50,027
Library Services	297,659	306,588	315,786	325,260	335,017	345,068	355,420	366,083	377,065	388,377	400,028
% Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	8,670	8,930	9,198	9,474	9,758	10,051	10,352	10,663	10,982	11,312	11,651
TRANSFER TO OTHER FUNDS											
CAPITAL IMPROV. FUND (307)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309)	4,200,000	4,776,607	4,919,905	5,067,502	5,219,527	5,376,113	5,537,397	5,703,519	5,874,624	6,050,863	6,232,389
DEBT SERVICE FUND (203)	6,100,000	6,273,613	6,265,462	6,275,412	6,266,687	6,274,162	6,266,337	6,267,587	6,268,212	6,263,087	6,266,837
RETIREE HEALTH INS.(OPEB) (610)	1,506,000	1,577,000	1,667,000	1,765,000	1,869,000	1,981,000	2,101,000	2,230,000	2,367,000	2,514,000	2,671,000
RISK/W.C. LIAB.PROP. (501)	1,876,000	2,075,518	2,140,987	2,181,713	2,227,437	2,260,185	2,334,387	2,411,911	2,492,878	2,577,474	2,665,901
CONTINGENT APPROP.	860,000	1,010,077	1,048,047	1,078,495	1,100,678	1,134,498	1,173,979	1,218,504	1,264,293	1,311,767	1,361,924
Total Transfers and Other	15,542,000	16,712,814	17,041,401	17,368,122	17,683,329	18,025,958	18,413,100	18,831,521	19,267,007	19,717,191	20,198,051
% Increase	20.23%	7.53%	1.97%	1.92%	1.81%	1.94%	2.15%	2.27%	2.31%	2.34%	2.44%
\$ Increase	2,615,121	1,170,814	328,586	326,722	315,206	342,630	387,142	418,421	435,486	450,184	480,860
Total Expenditures	65,406,493	68,453,631	70,358,583	72,864,754	74,143,757	76,417,887	79,079,514	81,979,636	85,042,806	88,254,922	91,647,701
% Increase	12.62%	4.66%	2.78%	3.56%	1.76%	3.07%	3.48%	3.67%	3.74%	3.78%	3.84%
\$ Increase	7,328,833	3,047,137	1,904,952	2,506,172	1,279,003	2,274,130	2,661,626	2,900,123	3,063,170	3,212,116	3,392,779

RECREATION ENTERPRISE FUND TREND ANALYSIS

Recreation Enterprise Fund Trends

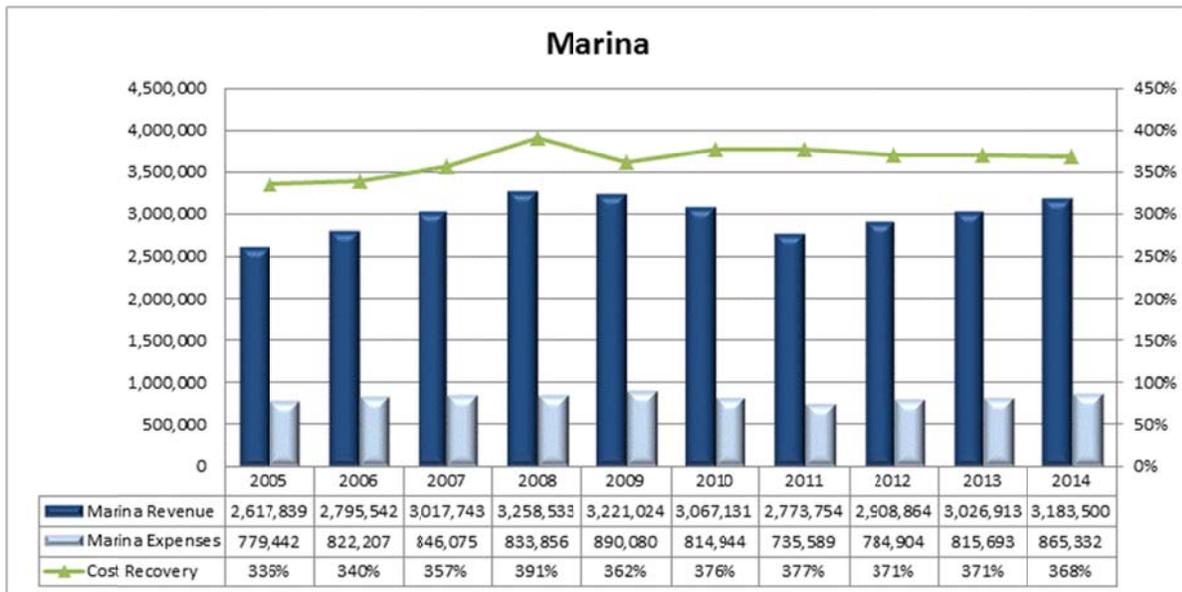
Marina

Revenues

2003 - 2008: Revenue increases reflect strategic increases in rates and growth in transient business.
 2010 - 2011: Decrease in revenue is attributed to continuing slow economy and boating/yacht market, and not achieving 100% occupancy.
 2012 - 2013: Revenue increases from growth in business as yachting industry improves.
 2014: Revenue increases due to increased occupancy and minor increases in dockage rates and electrical charges.

Expenses

2009: Increased expenses are attributed to minor facility improvements.
 2010: Decreased expenses are due to an unfilled vacancy of the Assistant Dockmaster position for most of the fiscal year.
 2011: Decreased expenses due to the elimination of Assistant Dockmaster position, reduction in private security contract costs, and Dockmaster vacancy for a large part of the fiscal year.
 2012: Increased expenses due to fully funded Dockmaster position and partial reallocation of an Assistant Director's salary.
 2013: Increased expenses due to minor facility improvements.
 2014: Increased expenses are due to upgraded shore power and minor facility improvements.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Par 3 Golf Course

Revenues

2008: Decreased revenue is attributed to downturn in play due to slumping economy.

2009: The Par 3 closed for renovation starting in April 2009.

2010: The Par 3 remained closed until mid-December. Also, unseasonable weather negatively impacted play from December - March. Along with the weather challenges, the overall economic conditions had a lasting effect on golf play.

2010 - 2011: Revenue increases reflect re-positioning efforts of the golf course, through enhanced marketing approaches, new price structures, and growth in play.

2012: Revenue decreases due to rainier than normal season and A1A road closure.

2013: Revenue increases from growth in business and improved golf economy.

2014: Revenue increases from growth in rounds played and merchandise sales, as well as new revenue associated with the restaurant vendor agreement.

Expenses

2008: Decrease in expenses can be attributed to the elimination of Registration Clerk II position.

2010: Expenses reflect the use of contract labor to establish and maintain a higher level of maintenance standards which offset the elimination of a full-time Equipment Operator position.

2011: Eliminated the Pro-Manager leadership model and a Golf Manager model was implemented.

2013: Increase in expenses due mostly to purchase of new golf cart fleet.

2014: Increase in expenses attributed to additional staff needed to meet increased play and pro-shop business, as well as operating costs for the new clubhouse.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Tennis Programs & Facilities

Revenues

2009: Revenue increase is attributed to pricing increases for annual passes and daily play rates.

2010 - 2013: Revenue increase due to growth in income share from the teaching contract, and increased participation.

2014: Revenue increase is attributed to expectation that lower nonresident fees will increase overall participation, thus total revenue.

Expenses

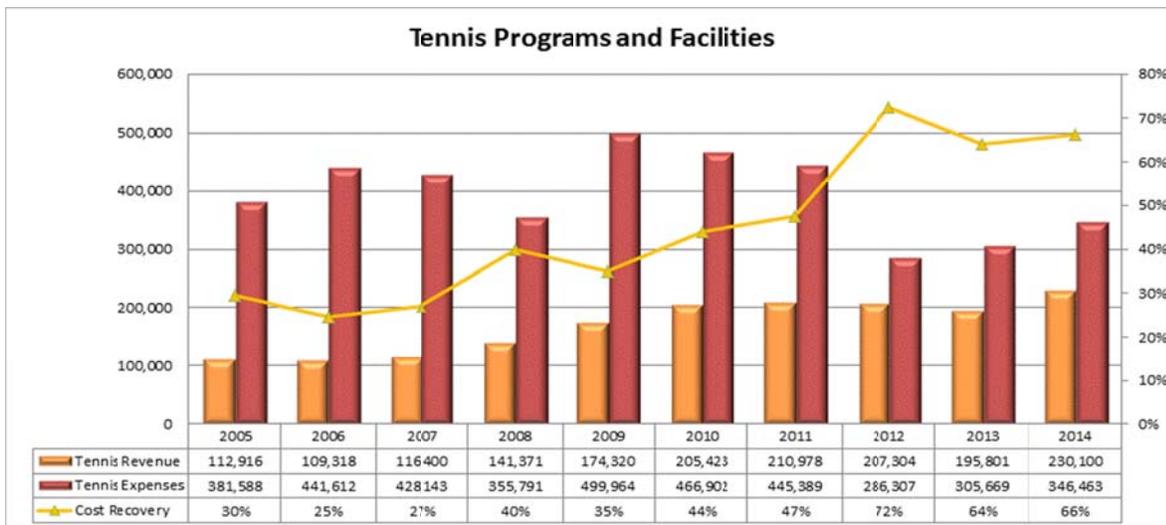
2008: Decrease reflects the elimination of the Pro-Manager position.

2009: Increase can be attributed to a partial re-allocation of an Assistant Director salary to match responsibilities, additional PT staff hours, equipment purchases to maintain the new courts, and new furniture/fixtures.

2011 - 2012: Decrease attributed to elimination of one Facility Supervisor and Maintenance Worker positions.

2013: Increase attributed to minor facility improvements and increased cost of employee benefits.

2014: Increase in expenses attributed to increases in contractual items.



RECREATION ENTERPRISE FUND TREND ANALYSIS

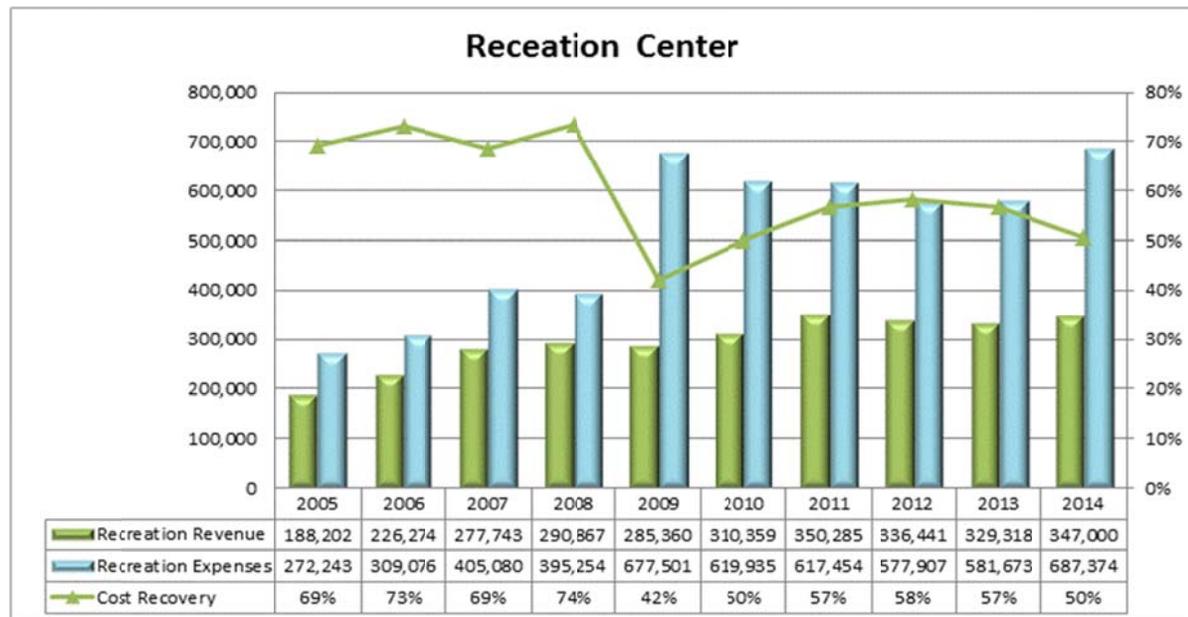
Recreation Center

Revenues

2010 - 2011: Revenues increased due to program growth, price increases, and additional offerings.
 2012 - 2013: Revenues flat due to a leveling off of programming offerings and limited activity space.
 2014: Revenue increase due to anticipated participation growth through additional offerings.

Expenses

2007: Recreation Supervisor position added to meet programming needs (offset by elimination of Tennis Manager), and new furniture/equipment was purchased for the facility.
 2009: Seaview Park and Recreation Center building maintenance expenses were moved from the Administration program to the newly re-named "Recreation Center" program allowing for a more accurate description (financially and programmatically) of expenses. Also had a few periodic expenses, such as painting of the facility, new air handler installation, and re-finishing of floors.
 2010: Decrease in expenses is attributed to the elimination of periodic expenses from the prior year.
 2012: Decrease attributed to elimination of Maintenance Worker position.
 2013: Increase attributed to the addition of part-time no benefits staff support to perform functions of the Maintenance Worker position eliminated in FY12. Increase also attributed to increased cost of certain employee benefits and minor facility improvements.
 2014: Increase due to anticipated rise in costs of contractual services and commodities in an effort to repair and/or complete minor improvements to the aging Recreation Center.



RECREATION ENTERPRISE FUND TREND ANALYSIS

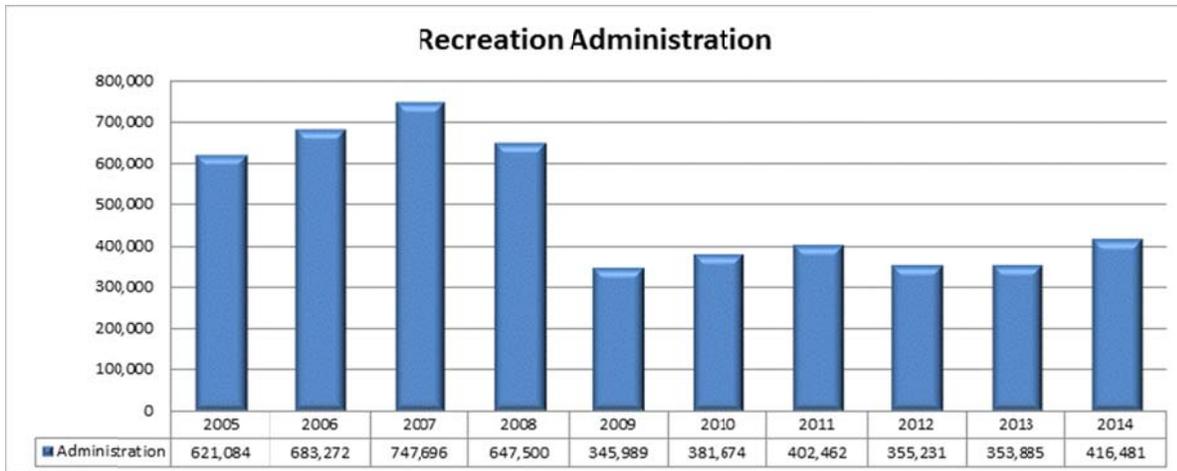
Recreation Administration

2009: Expenses decreased due to transfer of Seaview Park and Recreation Center maintenance from this program to the Recreation Center program.

2012: Expenses decreased due to partial reallocation of an Assistant Director's salary to other programs.

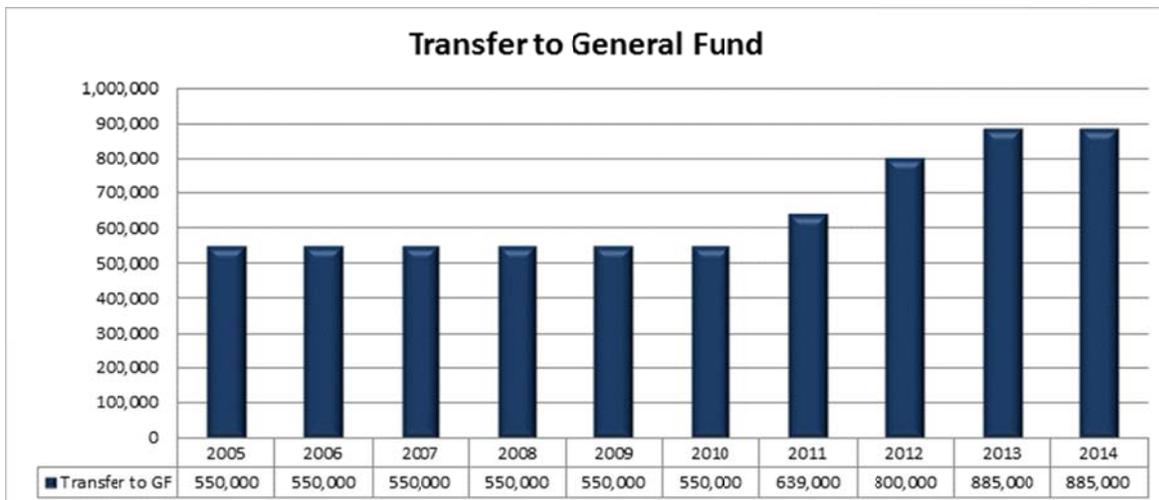
2013: Expenses decreased due to elimination of an Assistant Director position.

2014: Expenses increased due to addition of a 0.75 FTE Office Assistant II position to provide administrative support.



Transfer to General Fund

Due to the cuts and efficiencies found in all areas of the Recreation Department, the transfer to the General fund increased in FY11, FY12 and FY13.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Full Time Positions

2007: Added Recreation Supervisor and increased part-time positions to more adequately respond to programming needs.

2008: Eliminated Tennis Pro-Manager position (duties shifted to Assistant Director and Tennis Facility Supervisors) and Tennis Assistant position. The remaining reduction in total FTE resulted from minor part-time staff reductions across all divisions.

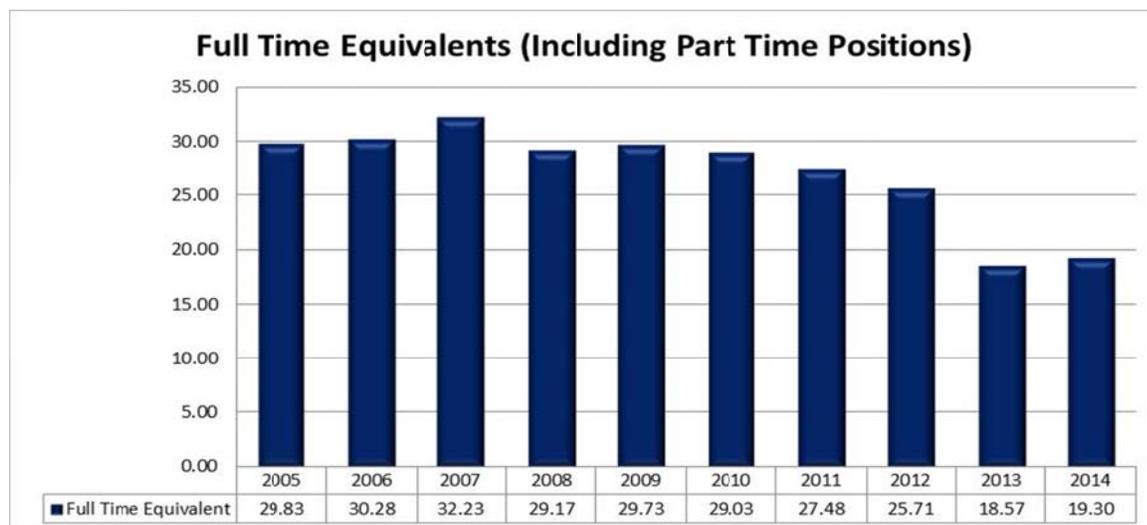
2010: Eliminated Equipment Operator position.

2011: Eliminated Assistant Dockmaster position.

2012: Eliminated one Tennis Facility Supervisor position and the General Maintenance position.

2013: Eliminated one Assistant Director position. Part-time no benefits employees working in a temporary capacity not included in FTE count.

2014: A 0.75 FTE Office Assistant II position was added to provide administrative support for the Department.

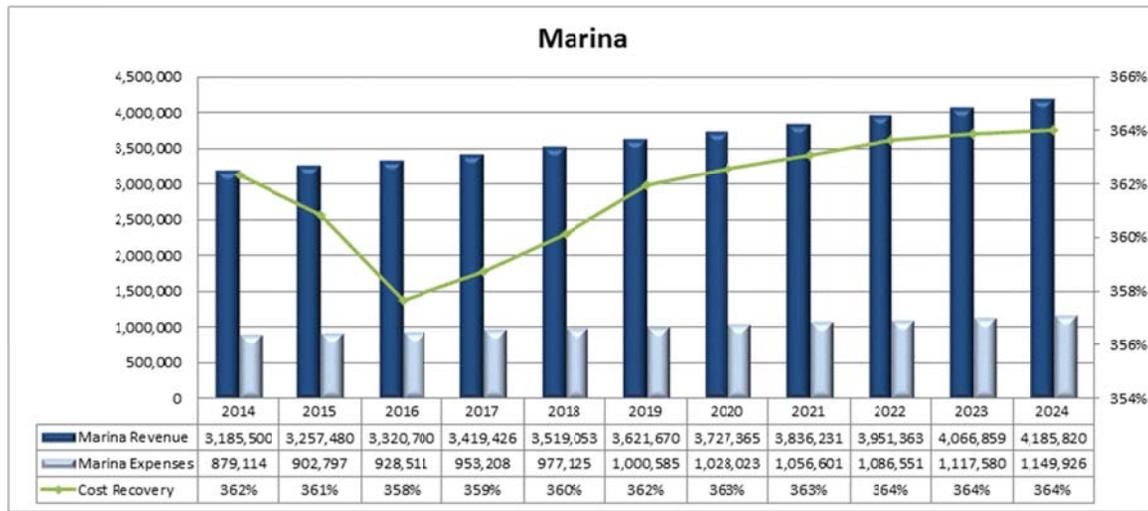


FORECAST SUMMARY

Recreation Enterprise Fund Forecast

Marina

Gradual growth in revenue is based on improving economy, increasing occupancy with long-term leases, strategic price increases for dockage and electrical charges, and growth in transient business. Expenses gradually increase for costs of goods, services, facility improvements, and salaries/benefits.



Par 3 Golf Course

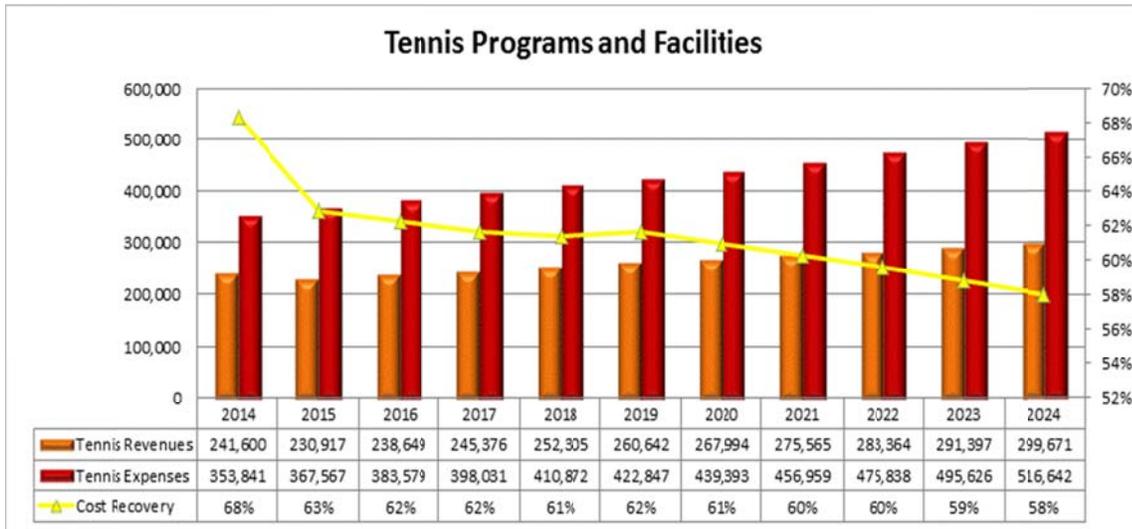
Revenue projections are based on an improving economy, strategic price increases, growth in play and increased merchandise sales. It also includes new revenue associated with the new clubhouse restaurant vendor agreement. Expenses increase for additional staff needed to meet increased play and pro-shop business, operating costs for the new clubhouse, and gradual increases for costs of goods, services, and salaries/benefits.



FORECAST SUMMARY

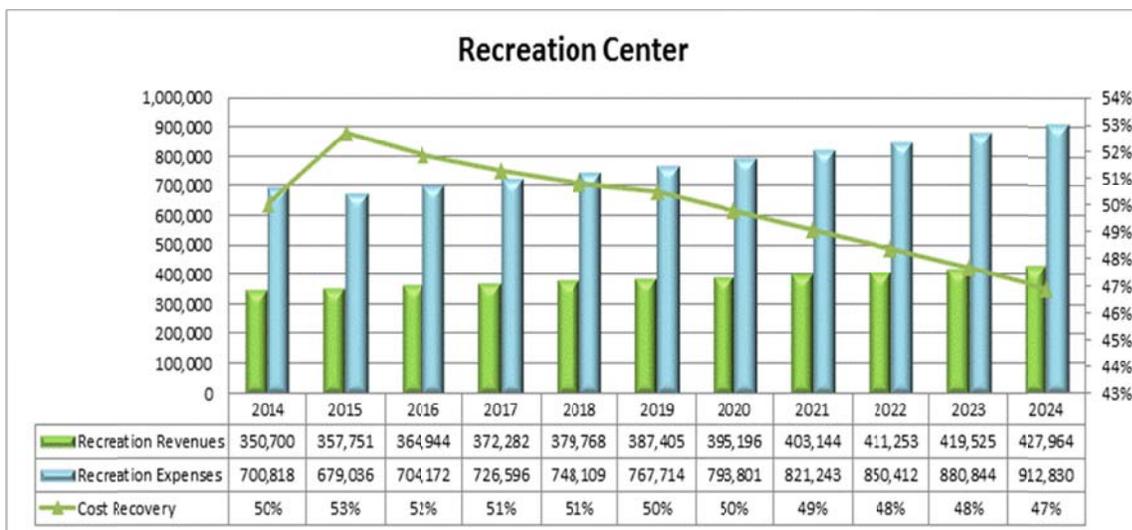
Tennis Programs & Facilities

Gradual revenue growth is based on an improving economy, strategic price decreases for nonresidents to foster growth in overall play. Expenses gradually increase for costs of goods, services, and salaries/benefits.



Recreation Center

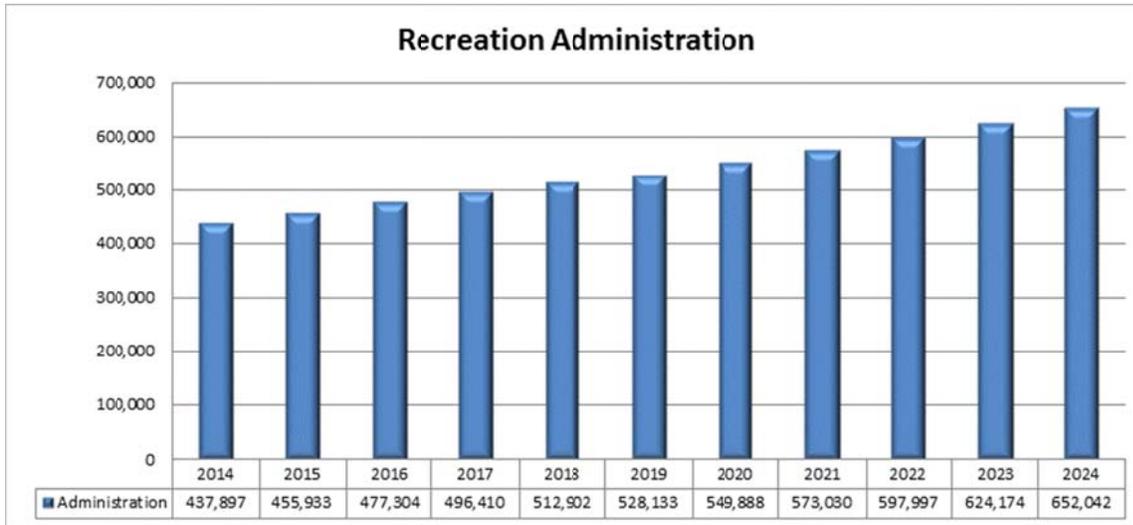
Gradual revenue growth is based on an improving economy and participation growth due to increased program offerings. Expenses gradually increase for costs of goods and services, mostly related to minor facility repair and upkeep, and increase in salaries/benefits.



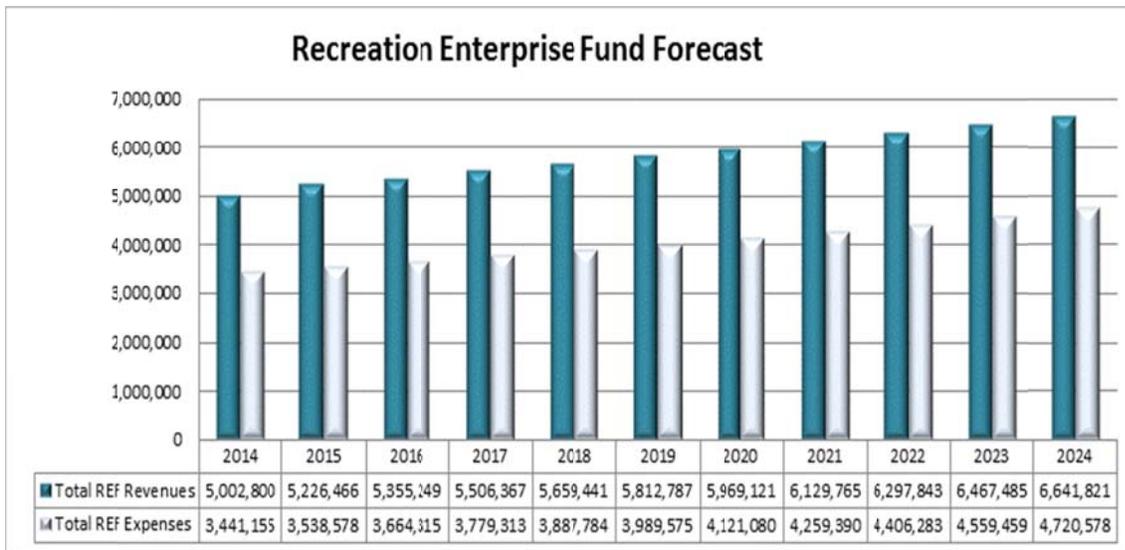
FORECAST SUMMARY

Recreation Administration

Expenses gradually increase for costs of goods, services, and salaries/benefits.

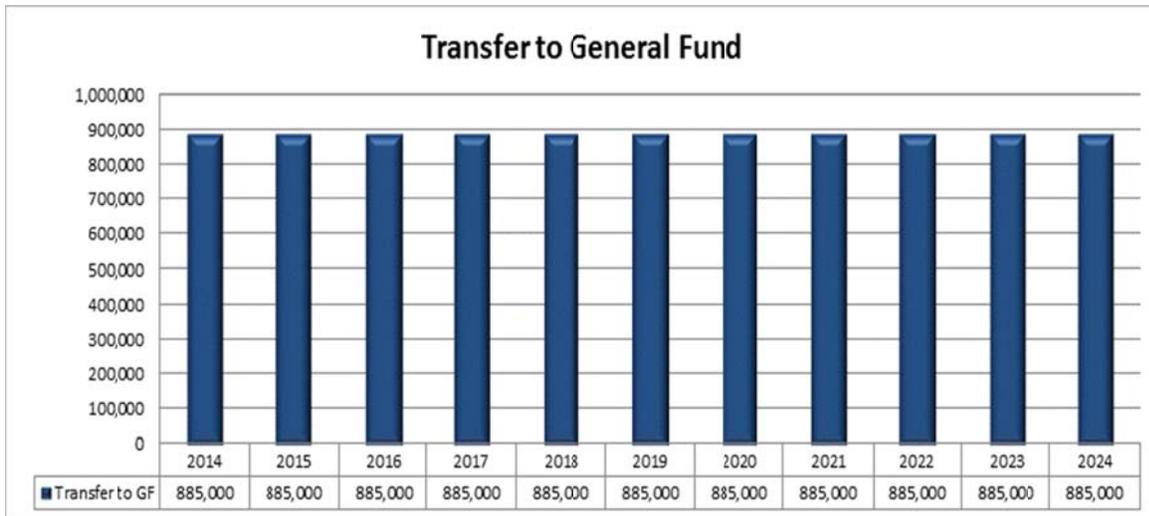


Total Recreation Enterprise Operating Fund

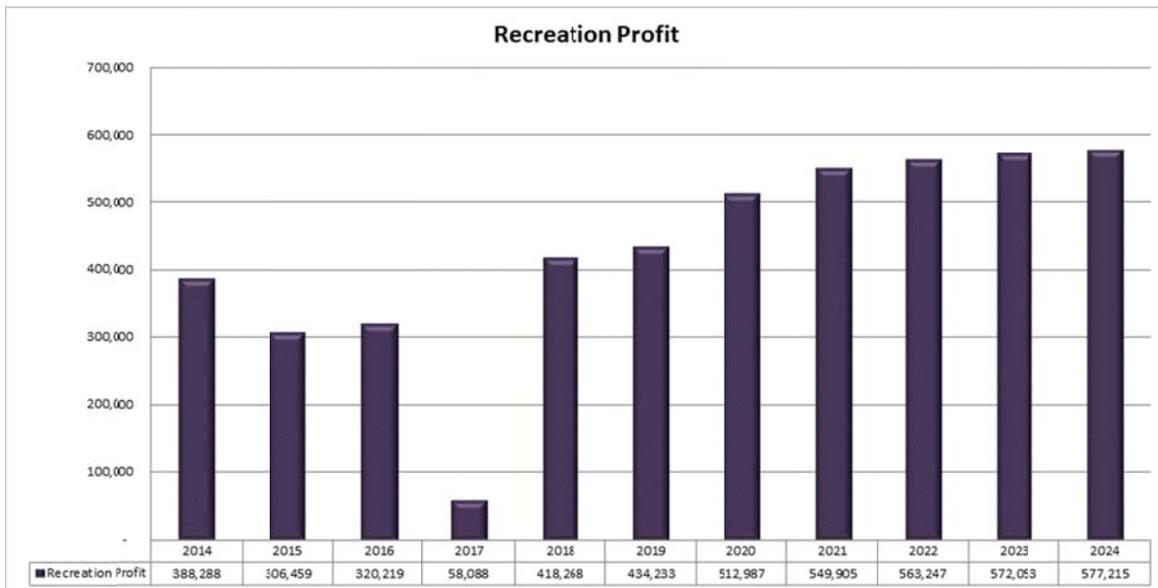


FORECAST SUMMARY

Transfer to General Fund



Recreation Enterprise Fund Profits (after Transfer to General Fund, Capital Expenses and Debt Service)



The net profits realized after the annual transfer of \$885,000 to the General Fund, payments for any capital expenses, and payment for debt service will be used to build the enterprise fund’s net asset balance. Growth of net assets will provide a revenue source for future major capital projects, such as the rebuilding of the Town Docks. Although fund balance may not be able to cover the entire costs of future projects, having a significant balance to draw from would minimize the Town’s borrowing needs.

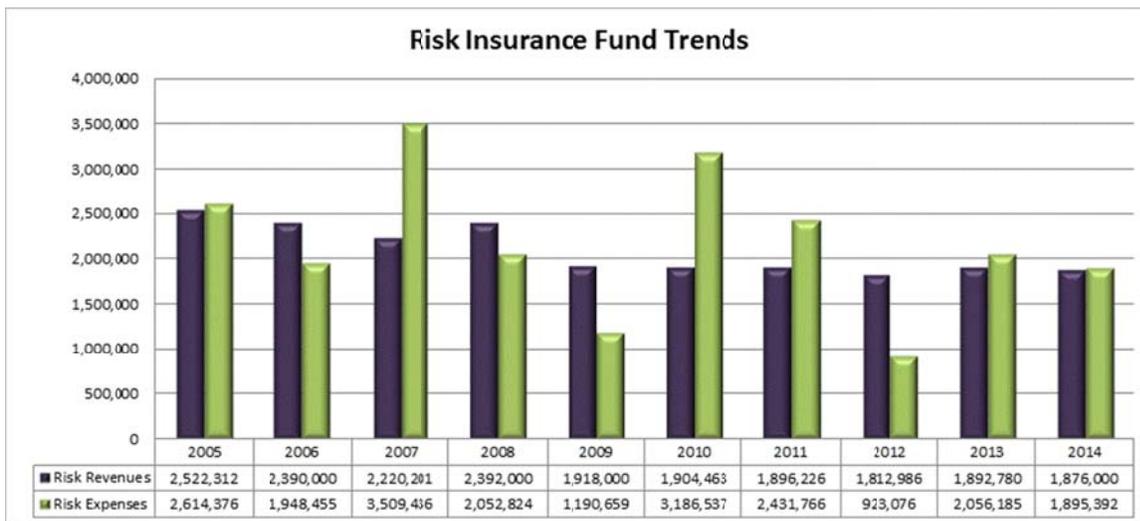
OTHER FUNDS

Self Insurance Fund – Risk Management

The Risk Management program is under the direction of the Town Manager’s Office. Responsibility includes insurance management for workers' compensation, property and casualty, general liability, automobile liability, public officials and employment practices; claims investigation and administration including litigation strategies; contractual review regarding hold harmless, indemnification and insurance requirements of vendors, contractors, etc.; safety, loss prevention and control programs; and comprehensive review of proposed legislation which could impact the Town from an insurance control perspective.

The Office of Risk Management and the Town’s insurance programs are funded by an annual transfer from the General Fund and interest earned on the retained earnings within the fund.

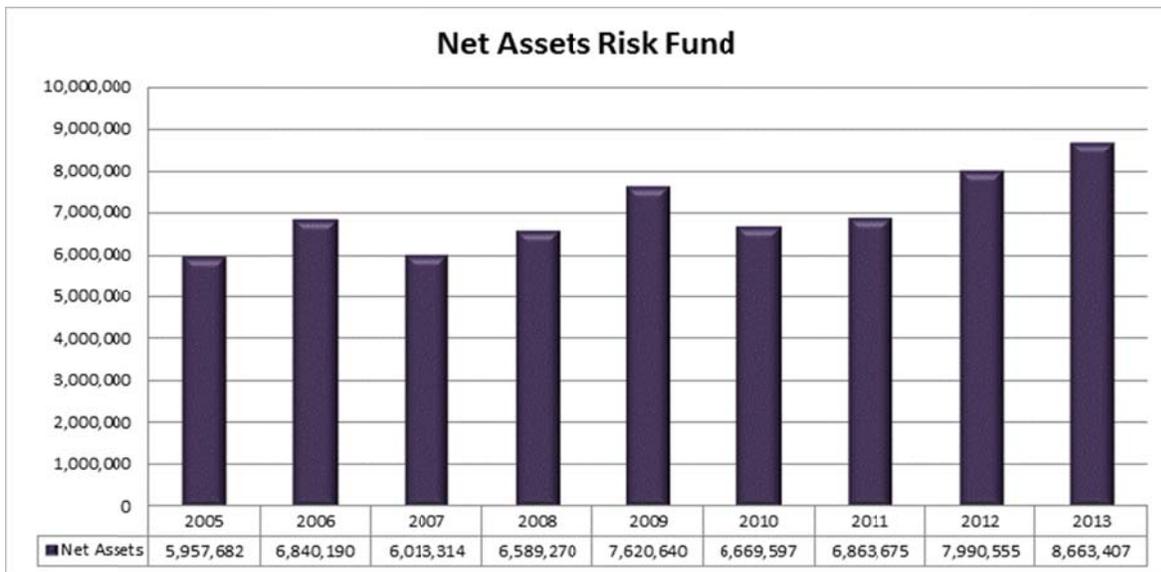
The 10 year trend in revenues and expenditures is shown below.



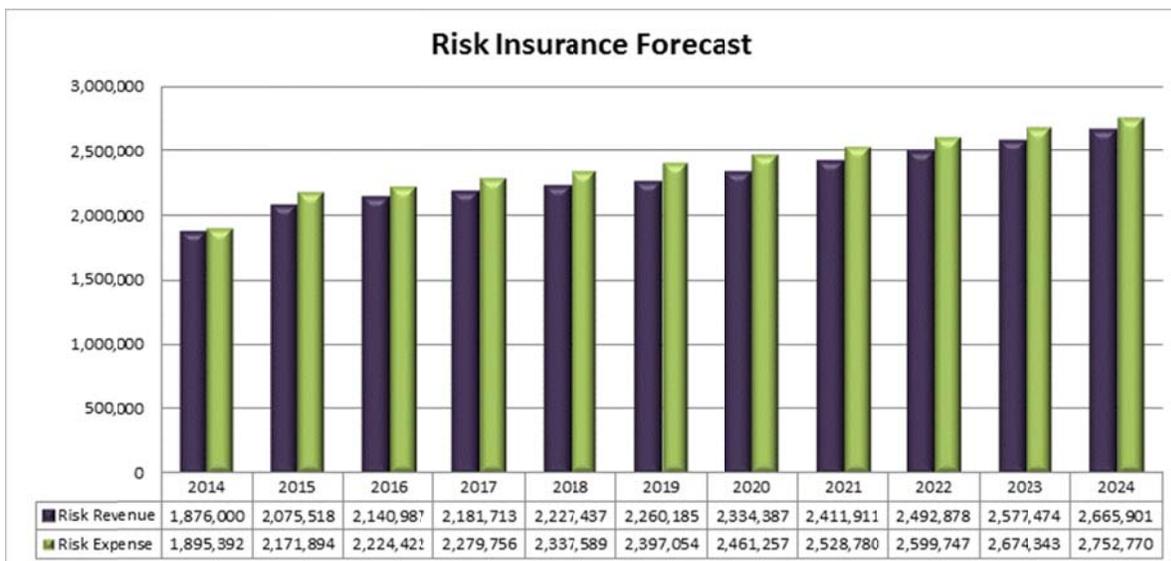
The 2007 and 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker’s compensation claims. In 2012, the retention levels were lowered which caused a decrease in expense. The increase in expense in 2013 was due to abnormally high claims for the year.

OTHER FUNDS

The Net Assets of the fund have increased 45% since 2005. The reserves have been used to fund uninsured losses. The FY14 budget contains a transfer from the excess Net Assets of the Risk Fund to the Coastal Protection Fund of \$2,000,000.



The Risk Insurance Fund forecast assumes annual increases of 5% for property and liability insurance and 3% for workers' compensation insurance.

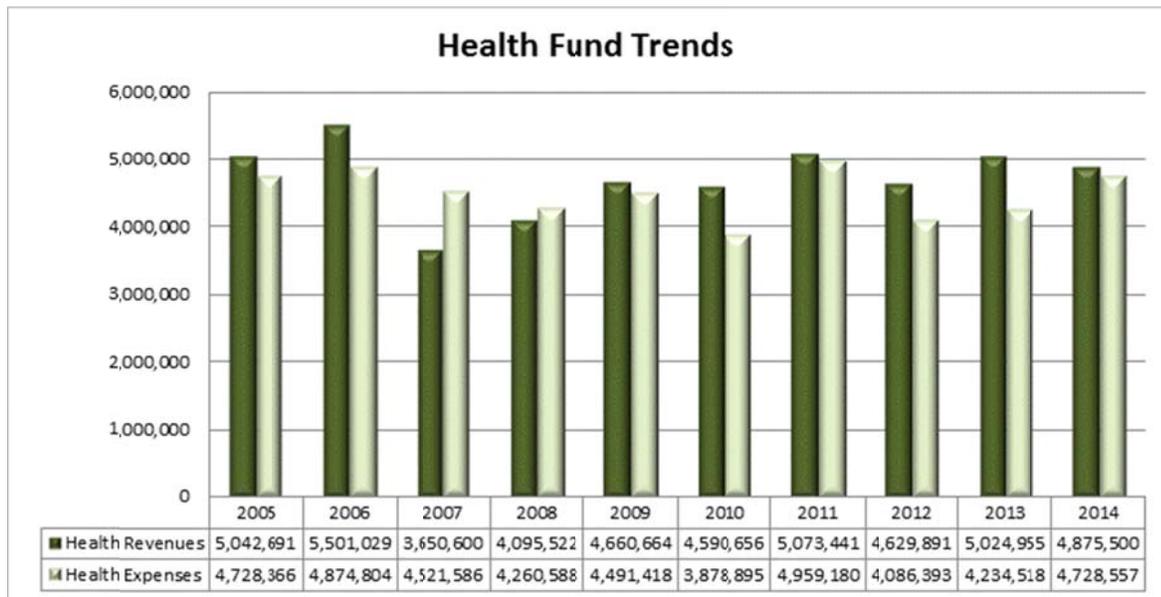


OTHER FUNDS

Self Insurance Fund – Health

The Health Insurance program consists of medical, dental, life, long-term disability, accidental death and dismemberment, supplemental life insurance, specific reinsurance, aggregate reinsurance, medical conversion, COBRA, network access fees, utilization review, consulting services, flexible spending program, Retirement Health Savings Accounts, and claims administration. This program is funded by a transfer from the General Fund as well as interest income earned on the net assets and payroll deductions of Town employees.

The 10 year trend in health revenues and expenditures is shown below.

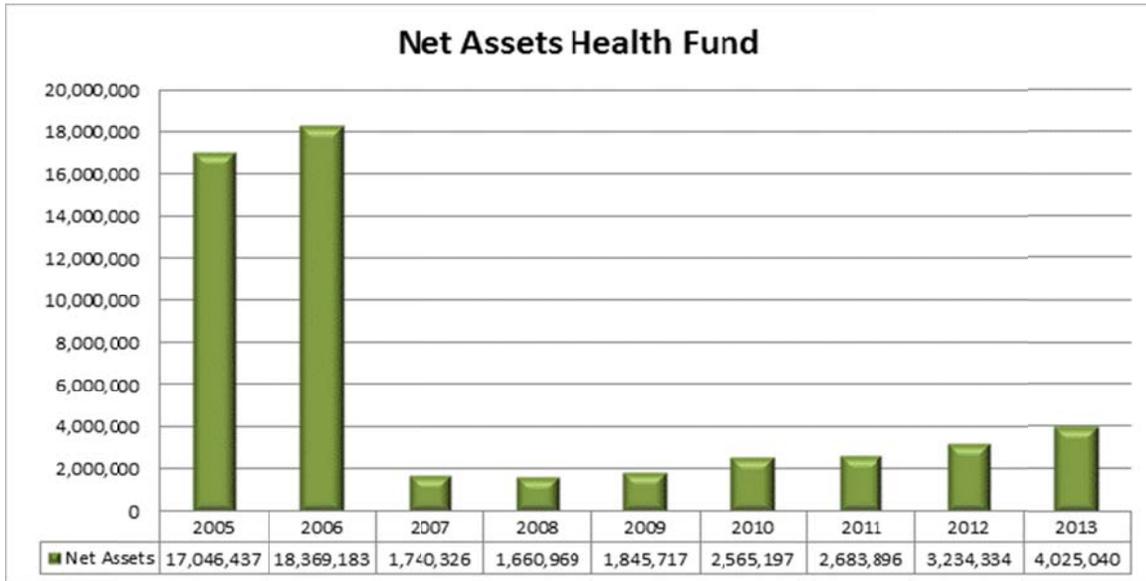


In 2007, revenues and expenditures associated with retiree health insurance costs were transferred out to the newly established OPEB trust. In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund. Health claims in 2012 and 2013 were below expectations and cost containment measures were implemented.

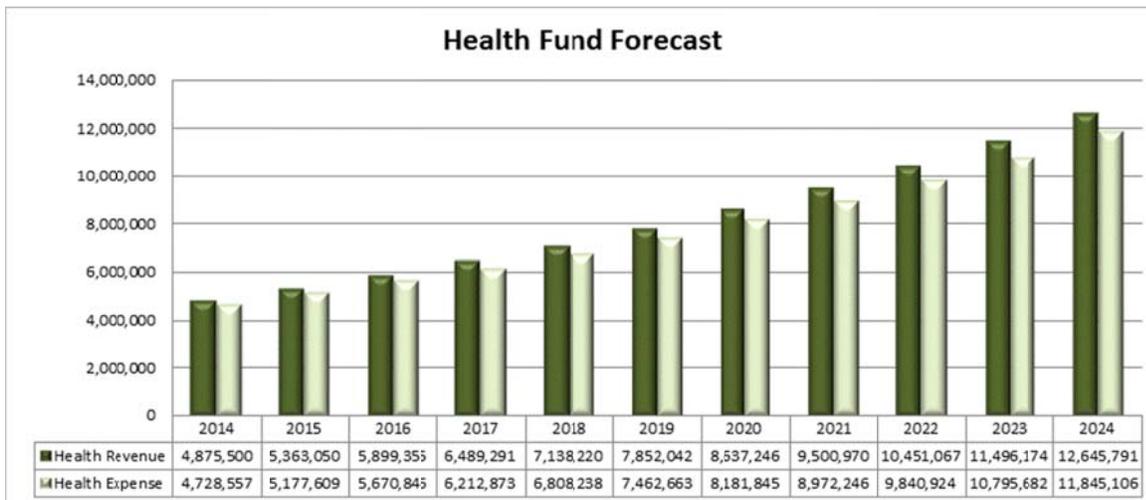
Prior to the establishment of the OPEB trust in 2007, the Health Fund accumulated reserves in anticipation of the liability associated with retiree health insurance. A total of \$16,000,000 was transferred from the Health Insurance Fund reserves to the OPEB trust to offset the accrued liability and reduce the annual required contribution. Since that time the reserves of the Health Fund Reserves have been improving and can be used in case of claims in excess of coverage.

The trend in the net assets of the health fund is shown in the chart on the following page.

OTHER FUNDS



The Health Fund forecast assumes an annual increase of 10% for health insurance costs. Town staff believes we can continue to manage this benefit proactively to contain future costs increases to lower than market levels, as we have done in the past. However, given the significant rate of inflation of health care costs in the broader economy and continued uncertainty about the full impact of changes in applicable Federal regulations, we believe it is prudent to use a conservative 10% annual increase factor in this forecast.



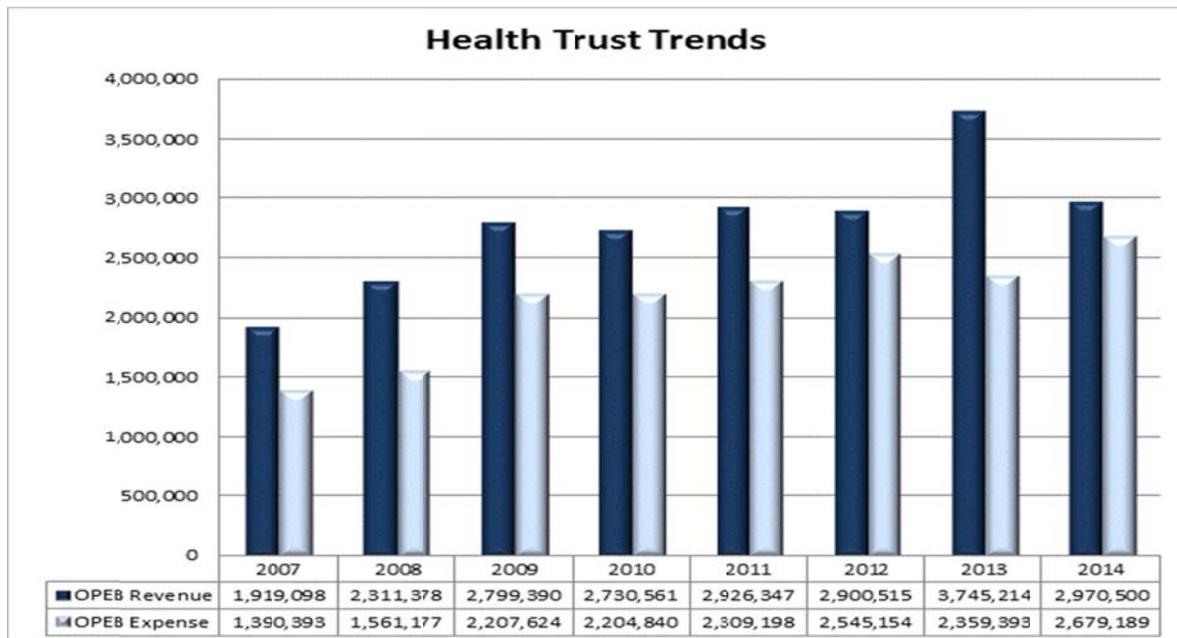
OTHER FUNDS

The Health Insurance Trust (OPEB)

In compliance with the requirements of applicable State Statutes, the Town makes post-employment health care benefits available to retirees and funds a portion of the retiree health insurance benefits. In FY2007, the Town established a Health Insurance Trust to comply with GASB 43 and 54, which required the establishment of a liability for actuarially determined costs of retiree health benefits. The trust was established with an initial deposit of \$16,000,000 transferred from the reserves from the Health Insurance Fund. The Town's Investment Advisory Committee oversees the investment of the assets of this trust.

The bi-annual actuarial valuation of the retiree health plan was conducted as of September 30, 2012. The Town's Actuarial Accrued Liability as of September 30, 2012 was determined to be \$29,288,881. The annual budgeted contribution for FY14 is \$1,506,000. In 2013, the Investment Advisory Committee approved a reduction in the interest rate assumption from 8% to 7.5%. The actuary prepared a updated calculation with the new rate assumption and the Actuarial Accrued Liability as of September 30, 2013 increased to \$33,442,489.

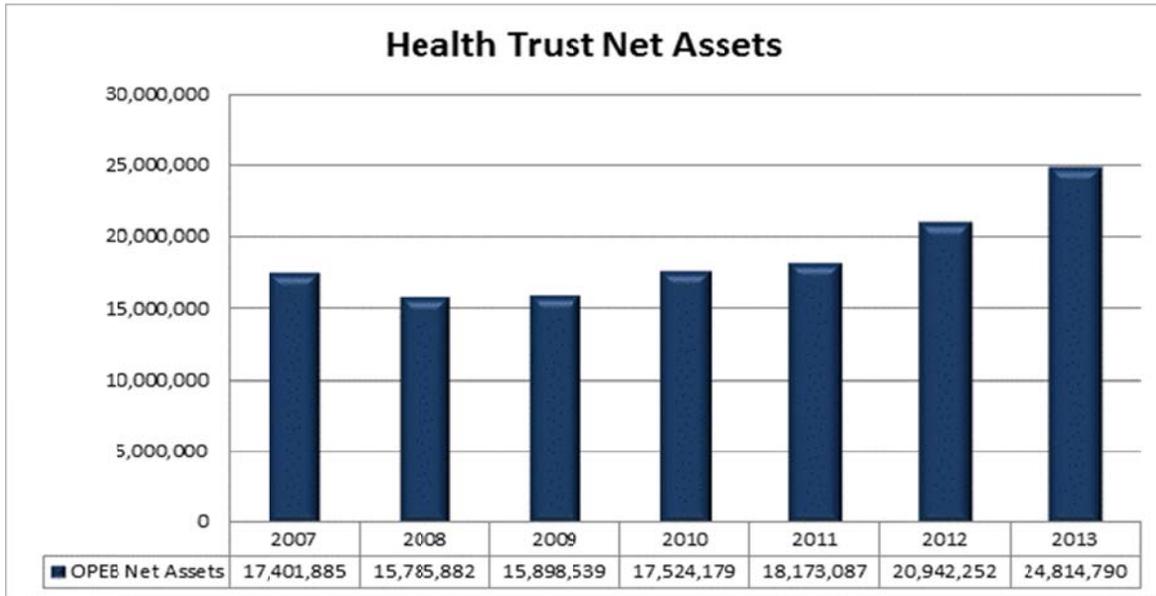
The trend in revenues and expenditures since 2007 is shown below.



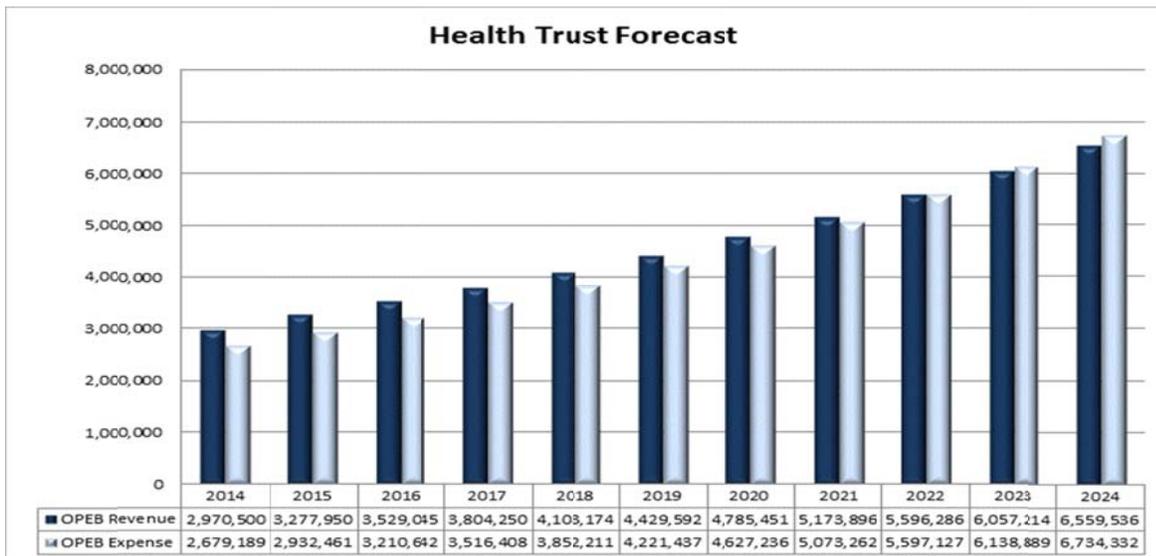
In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures. The increase in revenue in 2013 was due to better than expected investment performance.

The Trust's net assets declined in 2008 due to the decline in the stock market. Contributions and improved returns in the market have improved the net asset reserves for this fund.

OTHER FUNDS

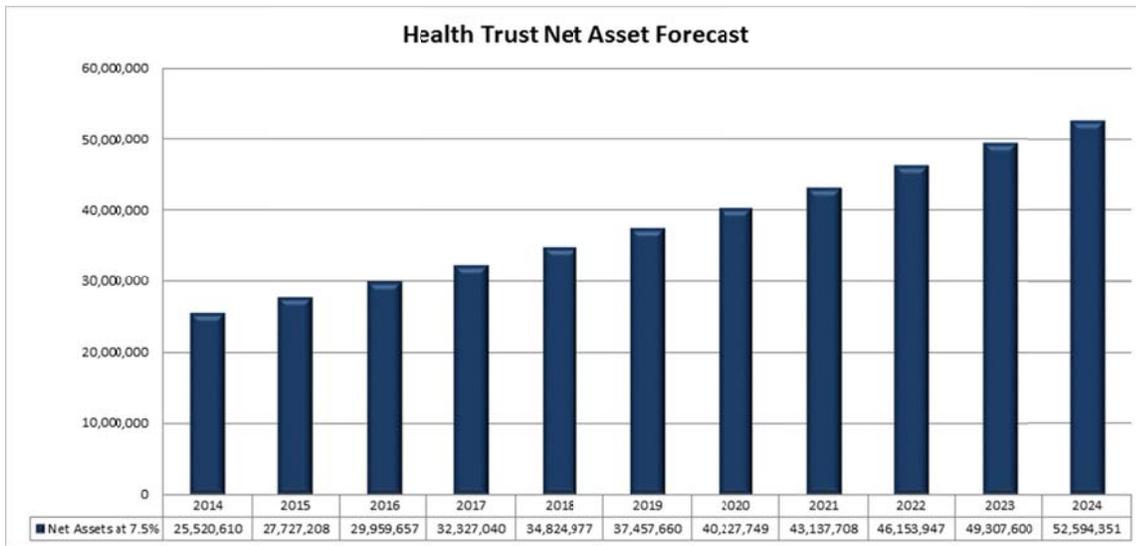


The 10 year forecast assumes a 10% annual increase in health insurance costs. Town staff believes we can continue to manage this benefit proactively to contain future costs increases to lower than market levels, as we have done in the past. However, given the significant rate of inflation of health care costs in the broader economy and continued uncertainty about the full impact of changes in applicable Federal regulations, we believe it is prudent to use a conservative 10% annual increase factor in this forecast. The Town’s contribution estimates were based upon actuarial estimates.



The Health Insurance reserves are forecasted to increase from \$25.5 million to \$52.6 million during the forecast period. The increase is derived from the annual surplus (revenues over expenditures) and investment income at an average of 7.5% per year.

OTHER FUNDS



OTHER FUNDS

Debt Service Fund

During 2010, the Town issued 2010A Public Improvement Revenue and Refunding Bonds in the principal amount of \$57,035,000, and 2010B Worth Avenue Commercial District Project bonds in the principal amount of \$14,770,000.

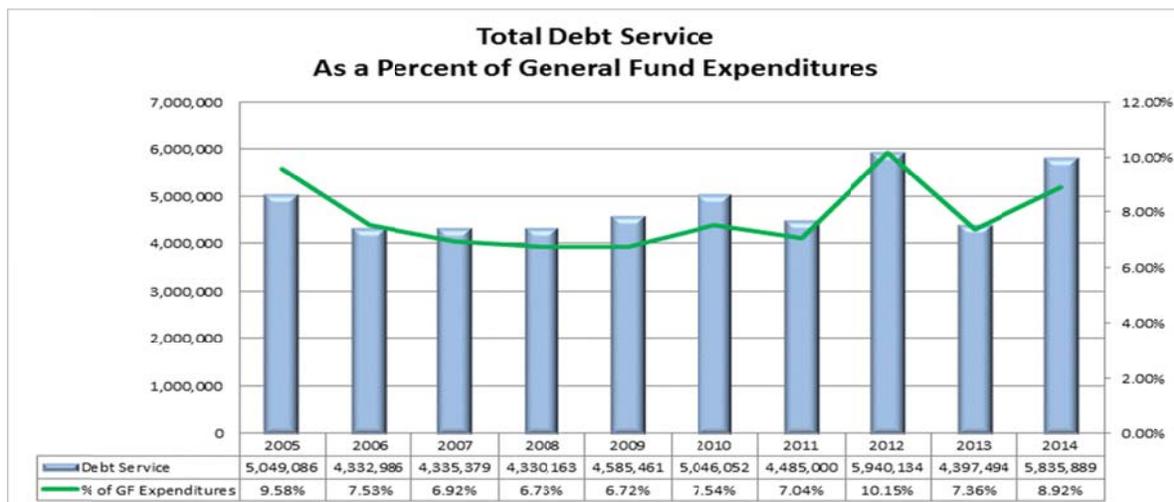
The 2010A bonds refunded the 2003B bonds (\$5,310,000), the 2008 Revenue Note (\$10,000,000), and a 2009 Line of Credit (\$600,000) which was issued for the Worth Avenue Project. The balance of the proceeds funded a portion of the Town's Accelerated Capital Improvement Program totaling \$41,232,000 and \$1,740,844 was used to reimburse the Town's portion of the Par 3 Golf Course Project.

The 2010B bonds were used to fund the Worth Avenue Commercial District streetscape project. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the costs of the Worth Avenue Projects. The assessments are payable over a thirty year period.

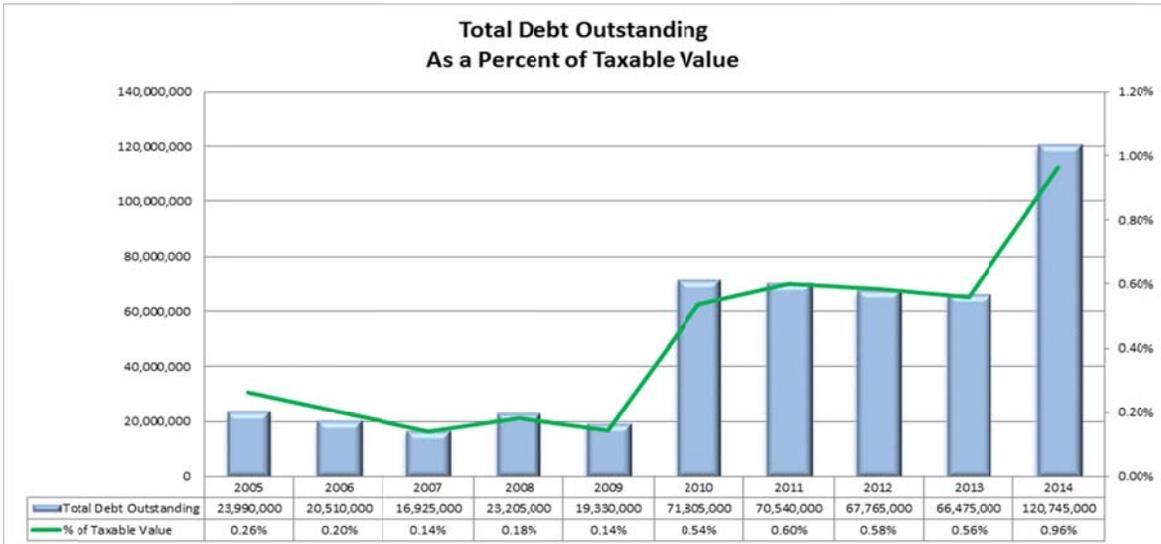
On January 1, 2012, the Town exercised a pro rata extraordinary mandatory redemption in the amount of \$1,485,000 for the 2010B Worth Avenue Commercial District Bonds. Excess funds were remaining after the project was completed and were used for this redemption.

In December 2013, the Town issued bonds totaling \$55,590,000 for the second phase of the Accelerated Capital Improvement Program, the "bondable" portion of the Coastal Protection Program, and to refund the Recreation Enterprise Fund for the Town's share of the Par 3 Clubhouse. The transfer from the General Fund to the Debt Service Fund for FY14 was increased by \$2,600,000 to cover the first year debt service on the new bonds.

The debt service trend as a percent of General Fund Expenditures is shown below:

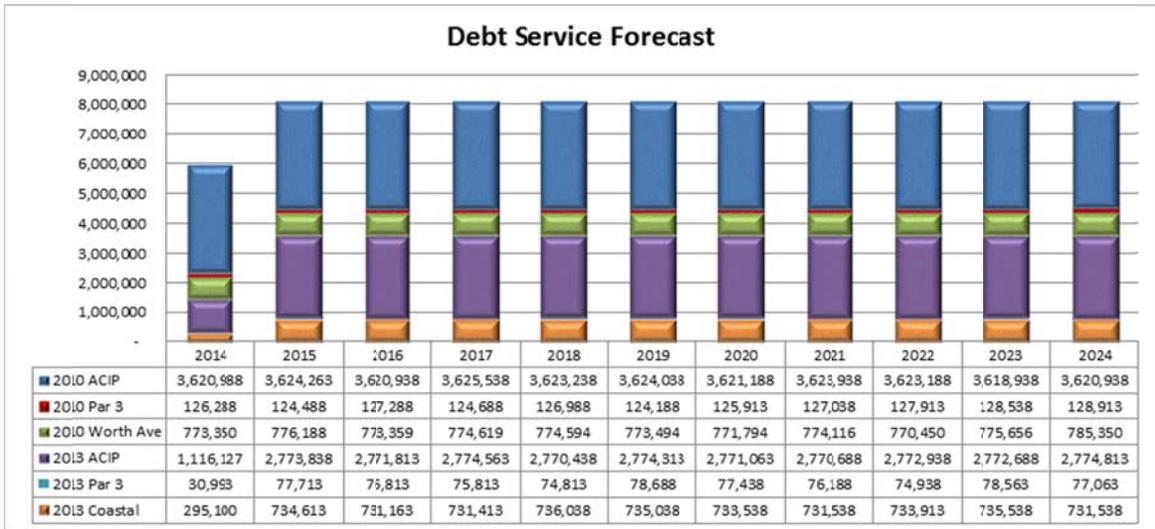


OTHER FUNDS



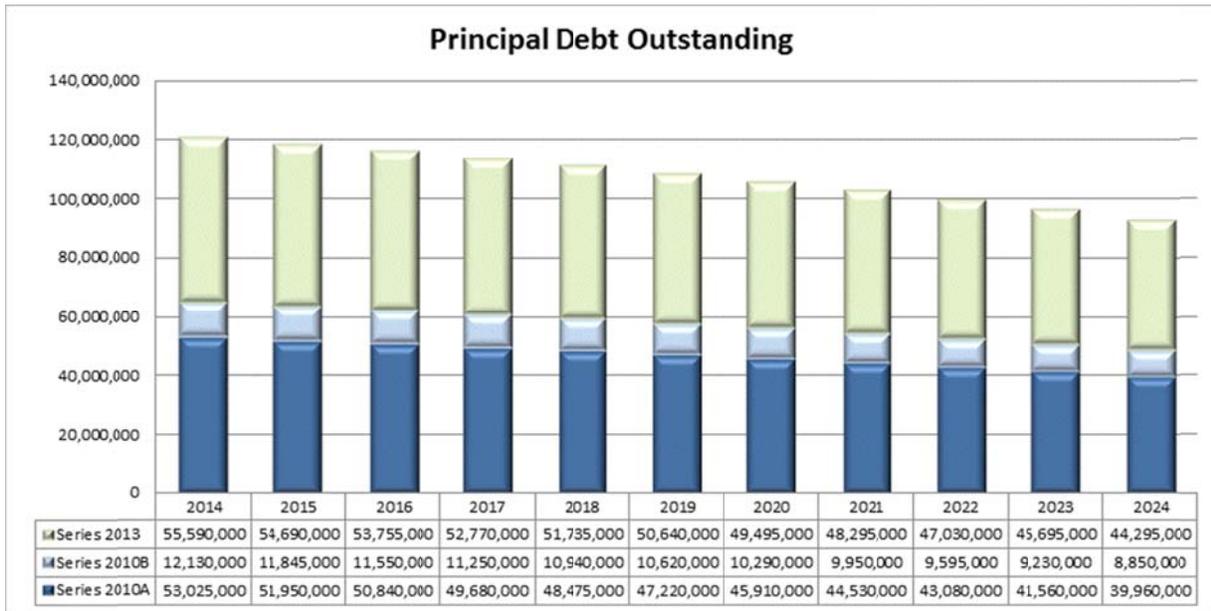
Total debt outstanding as a percent of taxable value trend is shown below:

The forecasted total annual debt service for the period of FY14 through FY24 is shown in the chart below. The forecast includes the new 2013 bond issue with partial debt service beginning in 2014.



OTHER FUNDS

The total principal debt outstanding for the all debt recorded as of this forecast for FY14 through FY24 is shown in the chart below.



The Per Capita debt utilizing the current census population of 8,358 for the period of 2014 through 2024 is shown below.

