

FY2015 – FY2025

# Town of Palm Beach Long Term Financial Plan

**PREPARED BY: FINANCE DEPARTMENT**

360 SOUTH COUNTY ROAD, PALM BEACH, FL 33480 | [www.townofpalmbeach.com](http://www.townofpalmbeach.com)

Presentation at the April 14, 2015, Town Council Meeting



# TABLE OF CONTENTS

## Table of Contents

Executive Summary.....	1
General Fund Revenue and Expenditure Trend Analysis.....	10
General Fund Forecast Summary.....	20
General Fund Revenue Forecast Details.....	34
General Fund Expenditure Forecast Details.....	35
Recreation Enterprise Fund Trend Analysis.....	36
Recreation Enterprise Fund Forecast Summary.....	42
Other Funds.....	46
Reserve Analysis.....	56



## Long Term Financial Plan Overview and Executive Summary

The National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officers Association (GFOA) both recommend 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. From 2003, through 2007 a five year plan was prepared. In 2009, we prepared the first 10 year plan and have looked forward ten years in each year thereafter. 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:

- Executive Summary
- General Fund Revenue and Expense Trend Analysis
- Forecast Details
- Recreation Enterprise Fund Trend Analysis
- Recreation Enterprise Fund Forecast Summary
- Other Funds Trend and Forecast Summary
- Reserve Analysis

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. Generally, long-term financial plans have a time horizon that extends between five and ten years from the current period, with a five year horizon being most common. The Town of Palm Beach plan is a ten year plan.

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 2015 – 2025 plan is in a more summarized format than in years past. The General Fund trend section has been summarized to include an update on FY14 year-end data and a summary table containing the revenue and expenditure information for the past 10 years. FY15 current financial status information can be found in the monthly report that is routinely provided to the Mayor and Town Council and posted on the Town's website

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.

# EXECUTIVE SUMMARY

## General Fund

The summarized General Fund revenue and expenditure history and the 10 year forecasted revenue and expenditure summary follow this executive summary.

### *General Fund Historical Trends*

The 10 year revenue and expenditure history shows the trend in revenues and expenditure categories and the ending surplus/deficit for FY06 – FY14. See page 4 for the ten year revenue and expenditure history summary. Each surplus/deficit is described below:

- FY06 – Budget included a transfer from fund balance of \$4,205,523 to the Equipment Replacement Fund to fund the modification from accumulated depreciation based on the cost of the equipment to the accumulated depreciation based on the replacement cost of equipment. The ending transfer was only \$1,195,032 due to higher than anticipated revenues and expenditure savings.
- FY07 – The surplus for the year of \$6,868,234 is the result of the higher than anticipated revenues and lower than anticipated expenditures.
- FY08 – The budget included a transfer from fund balance of \$2,663,178 to fund the contingency reserve, and one-time capital purchases. The surplus for the year of \$1,786,696 is the result of higher than anticipated revenues and lower than anticipated expenditures.
- FY09 – Budget included a transfer from fund balance of \$3,516,600 to fund a transfer to the coastal protection fund, one time capital purchases, the first year cost of the early retirement buyout, and to fund the annual contingency reserve. Actual transfer was only \$1,422,721 due to higher than anticipated revenues and expenditure savings.
- FY10 – Budget included a transfer from fund balance of \$4,978,800 to fund the second year of the early retirement buyout, one-time capital purchases, annual contingency reserve, and \$2,600,000 to ramp up funding for the 20 year CIP program. Actual transfer was \$3,647,037 due to higher than anticipated revenues and expenditure savings.
- FY11 – Budget included a transfer from fund balance of \$4,541,745 to fund the contingency reserve, the final funding for the early retirement buyout, a transfer to the coastal protection fund of \$2,898,277. The actual transfer was \$2,010,598.
- FY12 – Budget included a transfer of \$807,000 from fund balance to fund the contingency reserve. The ending surplus was \$2,500,562 resulting from higher than anticipated revenues and expenditure savings.
- FY13 – The budget included a transfer of \$843,000 from fund balance to fund the contingency reserve. The ending surplus of \$2,196,059 was the result of higher than anticipated revenues and expenditure savings.
- FY14 – Budget included a transfer from fund balance of \$4,860,000 to fund the annual contingency reserve and \$4,000,000 for coastal protection. The actual transfer was \$1,471,382.

More detail regarding revenue and expenditure trends can be found in the section titled General Fund Trends

# EXECUTIVE SUMMARY

## *General Fund Forecast*

The forecast summary can be found on page 5. The General Fund forecast assumptions can be found under the section titled Forecast. These assumptions were used to create the forecast. Property tax revenue has been forecasted to increase at 3% per year. On the expenditure side, additional funds were added to the Transfer to Capital Improvement Fund in FY18. We expect all ACIP bond funds to be spent by the end of FY17 and then return to pay-as-you-go funding for future projects. We plan to build up the reserves in this fund over the next few years in anticipation of future pay-as-you-go funding for capital projects. Overall, expenditure increases range from 2.18% to 3.54% throughout the forecast period.

The General Fund forecast summary shows surpluses through FY22 and then small manageable deficits thereafter. The FY16 budget shows a surplus of \$428,422. We expect to recommend at the FY16 budget meeting that any surplus achieved in the FY16 budget process, be added to the transfer to the coastal protection fund to begin to add funds to the coastal program for future programs.

## **Recreation Enterprise Fund**

The Recreation Enterprise Fund Trend and Forecast details can be found later in this document under the Recreation Enterprise Fund tab. A summary of the forecasted revenues and expenditures can be found on pages 6 - 8. The summary identifies growth in revenues in 2016 due to the recent success of the Par 3 Golf Course and for the future steady revenue growth at the Town Docks. Expenses increase in 2016 to meet the growing volume of business at the Par 3 Golf Course then taper off to a growth rate from 1.9% to 3% per year.

In the future, the docks at the Marina are expected to be replaced in a multi-year project and there are plans to evaluate the Recreation Center for modernization. A master plan/structural assessment is scheduled for the Town Docks in FY2017. A Dock Replacement Fund was established in 2002 and has been funded with an amount equal to the annual depreciation on the docks. The current amount in the Dock Replacement Reserve is \$2,715,680. This reserve will not be sufficient to completely finance the anticipated costs of the dock replacement.

## **Other Funds**

Other Funds included in this document are the Risk Insurance Fund, the Health Insurance Fund, the OPEB Trust fund and the Debt Service Funds. Trend and forecast information can be found later in this document under the section marked "Other Funds".

The Risk Fund includes additional funding for the stop loss reserve. We project an increase from \$780,000 in FY14, \$900,000 in FY15 to \$1.1 million in FY18 based upon recommendations by our insurance carrier due to our claims history. The Health Fund and OPEB Trust fund forecast a 5% increase in health insurance costs in FY16 and then 7% thereafter. The Debt Service fund identifies

## EXECUTIVE SUMMARY

future debt service on the 2010 and 2013 bond and does not anticipate any additional revenue bond debt.

### **Reserve Status**

The final section of this document contains an update of the status of Town Reserves as of September 30, 2014. The reserve balances exceed all of the policy minimums that have been established. The General Fund unassigned fund balance exceeds the required minimum by \$6,669,094. This balance will likely be needed for the coastal management program.

**Town of Palm Beach  
Revenue and Expenditure History  
FY2006 - FY2015**

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Budget
<b>Revenues</b>										
Ad Valorem Taxes	39,008,774	43,096,605	41,457,250	42,887,216	41,508,570	36,635,343	36,662,916	37,473,108	39,110,926	43,424,300
Non Ad Valorem Taxes	6,961,865	6,945,297	7,281,836	7,386,397	7,371,330	7,189,368	7,315,317	7,533,859	7,946,097	7,937,500
Licenses & Permits	6,473,831	7,104,528	7,773,244	5,543,034	4,777,557	6,382,545	6,498,207	7,572,518	8,053,581	6,835,600
Intergovernmental	4,222,145	1,329,328	1,248,316	1,485,128	1,101,206	1,319,119	1,051,432	990,715	1,071,413	1,079,750
Charges for Services	2,487,444	2,449,038	2,808,506	3,278,180	3,215,943	3,461,766	4,081,259	3,576,156	3,741,183	3,573,600
Fines and Forfeitures	770,067	1,541,448	1,183,318	1,152,807	594,473	1,297,226	1,106,435	1,253,760	1,924,182	1,210,000
Investment Earnings	1,902,793	2,287,127	1,368,751	1,923,224	1,168,997	495,649	495,311	32,425	383,726	578,694
Miscellaneous and Transfers	762,856	829,587	924,286	801,901	1,930,162	2,774,498	1,534,738	1,871,043	1,584,625	1,106,000
<b>Total Operating Revenues</b>	<b>62,589,775</b>	<b>65,582,958</b>	<b>64,045,507</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>65,745,444</b>
<b>Transfers from Fund Balance</b>										<b>1,549,900</b>
<b>Total Revenues</b>	<b>62,589,775</b>	<b>65,582,958</b>	<b>64,045,507</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>67,295,344</b>
<b>Expenditures</b>										
Salaries and Wages	24,318,537	24,543,973	25,280,657	27,346,557	26,359,064	24,396,538	23,627,363	22,943,974	23,152,224	24,927,999
Pension Benefits	4,921,942	6,535,666	7,218,551	6,621,068	7,303,519	8,771,681	3,180,126	3,831,588	4,977,617	5,455,247
DC Plan Benefits	-	-	-	-	-	-	222,307	537,532	1,088,013	1,227,368
Other Employee Benefits	6,168,763	6,303,985	6,323,368	7,285,058	6,913,472	6,601,573	6,616,971	6,736,760	6,741,912	6,893,910
Contractual	9,321,512	6,966,503	8,120,662	8,709,551	7,070,741	6,963,078	7,139,390	7,224,092	7,603,154	8,565,388
Commodities	2,116,950	1,860,397	2,051,710	1,748,218	1,627,774	1,484,765	1,547,738	1,554,104	1,642,397	1,753,846
Equipment Replacement	1,852,144	2,040,499	3,282,121	2,723,701	2,518,060	2,547,679	1,881,319	2,033,744	2,097,896	1,876,644
Library Services	235,000	247,000	259,350	272,400	272,400	272,400	272,400	288,989	297,659	306,580
Other	98,176	94,999	116,392	55	(2,075)	9,172	12,932	29,863	4,251	-
Transfer to Capital Improvement	3,835,063	3,378,801	2,096,000	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfer to Coastal Protection	-	-	-	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	4,777,000
Transfer to Equipment Replacement	4,205,523	-	-	-	-	-	-	-	-	-
Debt Service	3,402,060	3,529,000	3,652,000	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000
Retiree Health	919,137	993,700	1,466,000	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000
Transfer to Risk Insurance Fund	2,390,000	2,220,201	2,392,000	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362
Contingency	-	-	-	-	-	-	-	-	-	909,000
<b>Total Expenditures</b>	<b>63,784,807</b>	<b>58,714,724</b>	<b>62,258,811</b>	<b>65,880,608</b>	<b>65,315,275</b>	<b>61,566,112</b>	<b>56,245,053</b>	<b>58,107,525</b>	<b>65,287,123</b>	<b>67,295,344</b>
<b>Surplus/(Deficit)</b>	<b>(1,195,032)</b>	<b>6,868,234</b>	<b>1,786,696</b>	<b>(1,422,721)</b>	<b>(3,647,037)</b>	<b>(2,010,598)</b>	<b>2,500,562</b>	<b>2,196,059</b>	<b>(1,471,390)</b>	<b>-</b>

**Town of Palm Beach  
Revenue and Expenditure Forecast  
LTFP FY2015 - FY2025**

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
<b>Revenues</b>											
Ad Valorem Taxes	43,424,300	44,727,029	46,068,840	47,450,905	48,874,432	50,340,665	51,850,885	53,406,412	55,008,604	56,658,862	58,358,628
Non Ad Valorem Taxes	7,937,500	8,056,725	8,295,296	8,540,961	8,793,932	9,054,428	9,322,671	9,598,895	9,883,335	10,176,239	10,477,858
Licenses & Permits	6,835,600	6,964,000	6,996,025	6,996,025	7,029,651	7,029,651	7,064,959	7,064,959	7,102,032	7,140,958	7,181,831
Intergovernmental	1,079,750	1,075,440	1,103,698	1,132,799	1,162,768	1,193,630	1,225,413	1,258,144	1,291,851	1,326,564	1,362,312
Charges for Services	3,573,600	3,673,458	3,738,440	3,804,778	3,889,601	3,960,327	4,033,086	4,107,939	4,184,946	4,264,170	4,345,676
Fines and Forfeitures	1,210,000	1,225,000	1,249,500	1,249,500	1,274,400	1,278,007	1,299,980	1,305,318	1,310,815	1,316,476	1,322,306
Investment Earnings	578,694	825,500	1,000,500	1,150,500	1,275,500	1,425,500	1,525,500	1,625,500	1,725,500	1,825,500	1,925,500
Miscellaneous and Transfers	1,106,000	1,093,500	1,095,150	1,096,850	1,098,600	1,100,403	1,102,260	1,104,173	1,106,143	1,108,172	1,110,263
<b>Total Operating Revenues</b>	65,745,444	67,640,652	69,547,449	71,422,318	73,398,974	75,382,611	77,424,754	79,471,340	81,613,226	83,816,941	86,084,374
<b>Transfers from Fund Balance</b>	1,549,900	1,552,872	1,799,107	1,717,256	1,631,466	1,659,366	1,693,176	1,730,207	1,767,087	1,807,168	1,845,889
<b>Total Revenues</b>	67,295,344	69,193,524	71,346,556	73,139,574	75,030,440	77,041,977	79,117,930	81,201,547	83,380,313	85,624,109	87,930,263
<b>Expenditures</b>											
Salaries and Wages	24,927,999	25,368,563	26,053,697	26,388,599	26,912,072	27,449,927	28,324,600	29,298,667	30,254,085	31,297,653	32,374,946
Pension Benefits	5,455,247	5,910,719	6,620,910	6,666,286	6,854,644	7,149,491	7,444,168	7,761,451	8,086,694	8,434,834	8,793,007
DC Plan Benefits	1,227,368	1,259,097	1,286,938	1,315,105	1,346,743	1,383,098	1,428,550	1,478,187	1,526,498	1,579,650	1,634,481
Other Employee Benefits	6,893,910	7,049,083	7,410,131	7,709,791	8,038,236	8,431,035	8,878,371	9,363,693	9,835,561	10,373,433	10,941,868
Contractual	8,565,388	8,799,570	8,985,711	9,158,305	9,352,067	9,589,944	9,792,863	10,000,092	10,211,723	10,427,849	10,648,567
Commodities	1,753,846	1,789,377	1,826,954	1,868,420	1,900,157	1,940,060	1,980,801	2,022,398	2,064,868	2,108,230	2,152,503
Equipment Replacement	1,876,644	2,023,893	2,065,469	2,107,917	2,151,256	2,195,506	2,240,685	2,286,812	2,333,908	2,381,993	2,431,088
Library Services	306,580	315,777	325,251	335,008	345,058	355,410	366,073	377,055	388,366	400,017	412,018
Other											
Transfer to Capital Improvement	1,000,000	1,000,000	1,000,000	1,100,000	1,123,100	1,146,685	1,170,765	1,195,352	1,220,454	1,246,083	1,272,251
Transfer to Coastal Protection	4,777,000	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	6,423,389
Debt Service	6,100,000	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	6,266,837
Retiree Health	1,577,000	1,180,000	1,244,000	1,313,000	1,386,000	1,464,000	1,549,000	1,639,000	1,735,000	1,838,000	1,949,000
Transfer to Risk Insurance Fund	1,925,362	1,986,734	2,108,841	2,185,841	2,215,739	2,253,949	2,297,891	2,376,663	2,458,967	2,545,000	2,634,922
Contingency	909,000	1,014,622	1,049,107	1,067,256	1,091,466	1,119,366	1,153,176	1,190,207	1,227,087	1,267,168	1,305,889
<b>Total Expenditures</b>	67,295,344	68,882,802	71,319,923	72,701,742	74,366,813	76,282,205	78,598,049	81,132,413	83,657,161	86,399,136	89,049,766
<b>Surplus/(Deficit)</b>	-	310,722	26,633	437,832	663,627	759,772	519,881	69,134	(276,848)	(775,027)	(1,119,503)

**Recreation Enterprise Fund  
Long-term Financial Plan**

**Summary of Operating Revenue**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Budget										
<b>Revenues</b>											
Youth Program Fees	325,000	331,500	338,130	344,893	351,790	358,826	366,003	373,323	380,789	388,405	396,173
Adult Program Fees	29,000	29,580	30,172	30,775	31,391	32,018	32,659	33,312	33,978	34,658	35,351
Facility Rental Fees	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Seaview Park Concession	1,300	1,339	1,379	1,421	1,463	1,507	1,552	1,599	1,647	1,696	1,747
Promotional Merchandise	1,400	1,442	1,485	1,530	1,576	1,623	1,672	1,722	1,773	1,827	1,881
Tennis Mixers	4,000	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219
Tennis Program Fee	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tennis 12 Play Pass	22,000	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
Tennis Daily Court Fees	41,000	42,230	43,497	44,802	46,146	47,530	48,956	50,425	51,938	53,496	55,101
Tennis Annual Pass Fees	55,000	55,000	56,650	58,350	60,100	61,903	63,760	65,673	67,643	69,672	71,763
Tennis Pro Admin Fees	13,200	13,200	14,400	14,400	15,600	15,600	15,600	15,600	15,600	15,600	15,600
Tennis Maintenance & Imp Fee	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751
Tennis Facility Rentals	5,000	4,500	4,635	4,774	4,917	5,065	5,217	5,373	5,534	5,700	5,871
Tennis Merchandise	3,100	3,193	3,289	3,387	3,489	3,594	3,702	3,813	3,927	4,045	4,166
Tennis Teaching Services	56,000	57,680	59,410	61,193	63,028	64,919	66,867	68,873	70,939	73,067	75,259
Annual Leases	2,499,000	2,548,980	2,625,449	2,704,213	2,785,339	2,868,899	2,954,966	3,043,615	3,134,924	3,228,972	3,325,841
Seasonal Leases	254,800	259,896	267,693	275,724	283,995	292,515	301,291	310,329	319,639	329,228	339,105
Transient	468,000	477,360	491,681	506,431	521,624	537,273	553,391	569,993	587,093	604,705	622,847
Electricity	95,000	95,000	97,000	97,000	97,000	97,000	97,000	100,000	100,000	100,000	100,000
Waiting List Fee	500	500	500	500	500	500	500	500	500	500	500
Ice Sales	300	306	315	325	334	344	355	365	376	388	399
Replacement Reserve	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sales Tax Commissions - Other	400	408	420	433	446	459	473	487	502	517	532
Misc Revenue Docks	400	408	420	433	446	459	473	487	502	517	532
Golf Pro Administrative Fee	0	12,000	12,000	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200
Golf Resident Pass Fees	20,000	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095
Golf Non-Res. Pass Fees	6,500	6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481
Golf 12 Play Passes	21,500	16,000	16,480	16,974	17,484	18,008	18,548	19,105	19,678	20,268	20,876
Greens Fees	552,000	629,000	641,580	654,412	667,500	680,850	694,467	708,356	722,523	736,974	751,713
Golf Riding Cart Rental	139,000	169,000	174,070	179,292	184,671	190,211	195,917	201,795	207,849	214,084	220,507
Golf Pull Cart Rental	25,000	29,600	30,488	31,403	32,345	33,315	34,315	35,344	36,404	37,496	38,621
Golf Driving Range	105,700	104,000	107,120	110,334	113,644	117,053	120,565	124,181	127,907	131,744	135,696
Golf Maint & Improve Fee	69,500	72,000	74,160	76,385	78,676	81,037	83,468	85,972	88,551	91,207	93,944
Club Rentals	30,000	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667

**Recreation Enterprise Fund  
Long Term Financial Plan**

Golf Teaching Services	28,000	28,000	28,560	29,131	29,714	30,308	30,914	31,533	32,163	32,806	33,463
Golf Merchandise	125,000	175,000	178,500	182,070	185,711	189,426	193,214	197,078	201,020	205,040	209,141
Golf F&B Revenue (Restaurant)	200,000	235,000	250,000	250,000	250,000	250,000	255,000	260,000	265,000	270,000	270,000
Programs & Events	12,000	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572
Golf Outings	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598
Gift Certificates	0	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171
Interest Earnings	14,400	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vending Machine Comm Golf	0	0	0	0	0	0	0	0	0	0	0
Sales Tax Commissions - Golf	300	309	318	328	338	348	358	369	380	391	403
Misc Revenue - Golf	1,500	1,575	1,654	1,736	1,823	1,914	2,010	2,111	2,216	2,327	2,443
<b>TOTAL REVENUES</b>	<b>5,259,800</b>	<b>5,567,526</b>	<b>5,729,311</b>	<b>5,878,166</b>	<b>6,031,208</b>	<b>6,187,357</b>	<b>6,352,938</b>	<b>6,526,078</b>	<b>6,700,910</b>	<b>6,880,569</b>	<b>7,060,194</b>
	-0.6%	5.9%	2.9%	2.6%	2.6%	2.6%	2.7%	2.7%	2.7%	2.7%	2.6%

**Recreation Enterprise Fund  
Long Term Financial Plan**

**Summary of Operating Expenses**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Expenses</b>	<b>Budget</b>										
Salaries/Wages	1,330,642	1,366,253	1,405,465	1,426,547	1,464,921	1,506,085	1,554,581	1,604,638	1,649,087	1,702,517	1,756,998
Pension Benefits - DB	132,131	143,085	157,880	153,680	154,756	158,779	162,479	167,548	171,988	177,750	183,385
Pension Benefits - DC	72,738	74,704	76,848	78,001	80,099	82,350	85,002	87,739	90,169	93,091	96,070
Other Employee Benefits	336,028	344,933	362,421	378,549	395,470	414,887	437,001	460,992	486,808	513,533	541,778
Contractual	1,328,687	1,430,056	1,460,087	1,490,749	1,522,055	1,554,018	1,586,653	1,619,972	1,653,992	1,688,726	1,724,189
Commodities	286,531	369,150	376,902	384,817	392,899	401,149	409,574	418,175	426,956	435,922	445,077
Capital Outlay	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>3,486,757</b>	<b>3,728,181</b>	<b>3,839,603</b>	<b>3,912,343</b>	<b>4,010,199</b>	<b>4,117,269</b>	<b>4,235,288</b>	<b>4,359,064</b>	<b>4,479,000</b>	<b>4,611,539</b>	<b>4,747,495</b>
	5.1%	6.9%	3.0%	1.9%	2.5%	2.7%	2.9%	2.9%	2.8%	3.0%	2.9%
Operating Revenues over/(under) Expenses	1,773,043	1,839,345	1,889,708	1,965,823	2,021,009	2,070,087	2,117,649	2,167,014	2,221,910	2,269,030	2,312,699
Capital Expenses	(99,500)	(105,000)	(400,000)	(77,000)	(110,000)	(48,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Depreciation*	(725,182)	(740,411)	(755,959)	(771,835)	(788,043)	(804,592)	(821,488)	(838,740)	(856,353)	(874,337)	(892,698)
Depreciation (Credited to show cash)	725,182	740,411	755,959	771,835	788,043	804,592	821,488	838,740	856,353	874,337	892,698
Transfer to General Fund	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)	(885,000)
Debt Service	(202,200)	(204,100)	(200,500)	(201,800)	(202,875)	(203,350)	(203,225)	(202,850)	(207,100)	(205,975)	(199,725)
Contingency (5% operating expenses)	(272,100)	(186,409)	(191,980)	(195,617)	(200,510)	(205,863)	(211,764)	(217,953)	(223,950)	(230,577)	(237,375)
<b>TOTAL REVENUES OVER/(UNDER) EXPENSES</b>	<b>314,243</b>	<b>458,836</b>	<b>212,228</b>	<b>606,406</b>	<b>622,624</b>	<b>727,874</b>	<b>792,660</b>	<b>836,210</b>	<b>880,860</b>	<b>922,478</b>	<b>965,599</b>

\* Includes depreciation on assets, as well as the transfer of monies into the Equipment Replacement, Dock Replacement, and the Golf and Tennis M&I Reserve Funds



# GENERAL FUND TREND ANALYSIS

## General Fund Trend Analysis

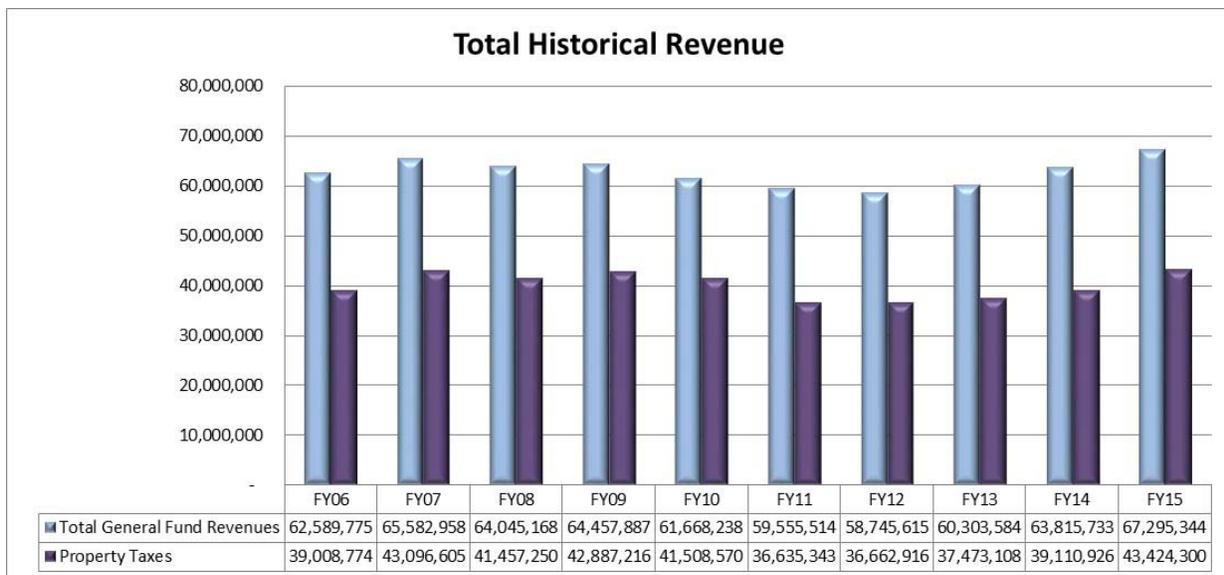
Financial Trend analysis assists the Town in evaluating its financial condition. The trend analysis describes the fluctuations in the major categories of General Fund revenues and departmental expenditures. The financial trends present a picture of the Town’s financial strengths and weaknesses and allow 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. Property values have increased over the past few years 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.

The trend analysis for 2015 has been summarized and the General Fund revenue and expenditure trend data is shown on tables later in this section.

## 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.

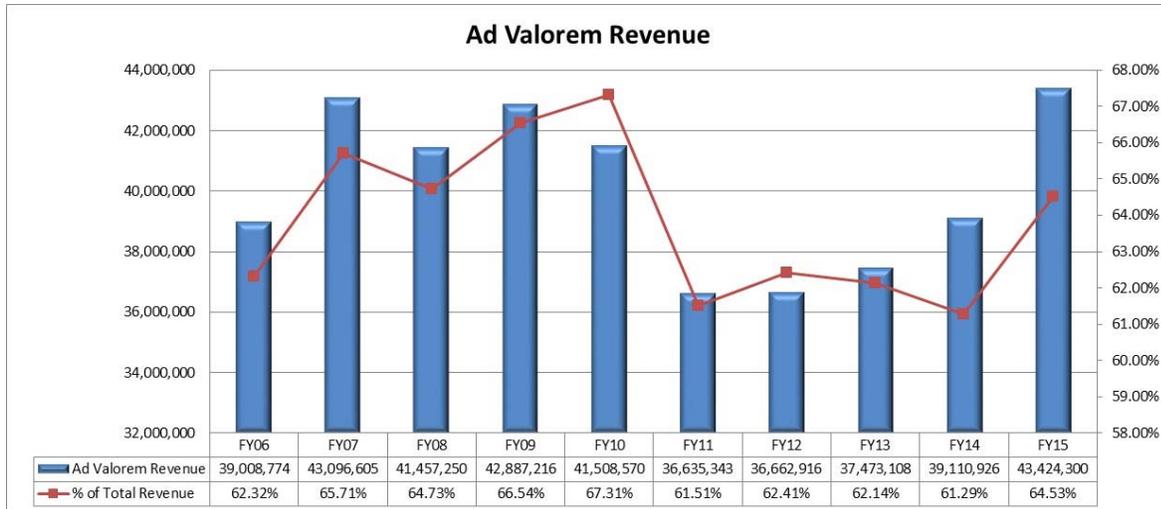


General Fund Revenues are 7.5% higher in FY15 than they were in FY06. The major cause of recent increases is additional transfers from fund balance and in FY15 additional property tax revenue for coastal protection projects.

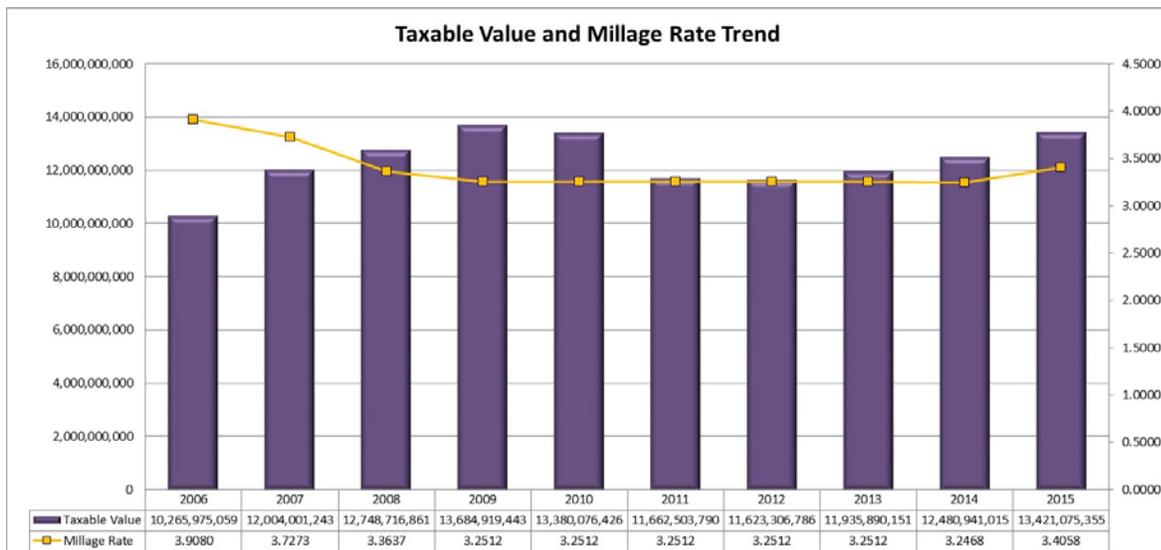
# GENERAL FUND TREND ANALYSIS

## 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. From 2009-2012 ad valorem revenue declined due to property tax reform measures adopted by the State of Florida in FY08 and to a decline in taxable value in FY10, FY11 and FY12. In FY15, ad valorem revenue increased by 11%, with the entire increase allocated to coastal protection funding. Currently, ad valorem revenue accounts for 64.53% of total revenue.



Revenue increases in FY06 and 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 an increase in property tax revenue and in FY14, taxable value increased and the millage rate was decreased to 3.2468. FY15, taxable value increased by 7.53% and the millage rate was increased to raise sufficient funding for the first year of the 10 year coastal protection financing plan.

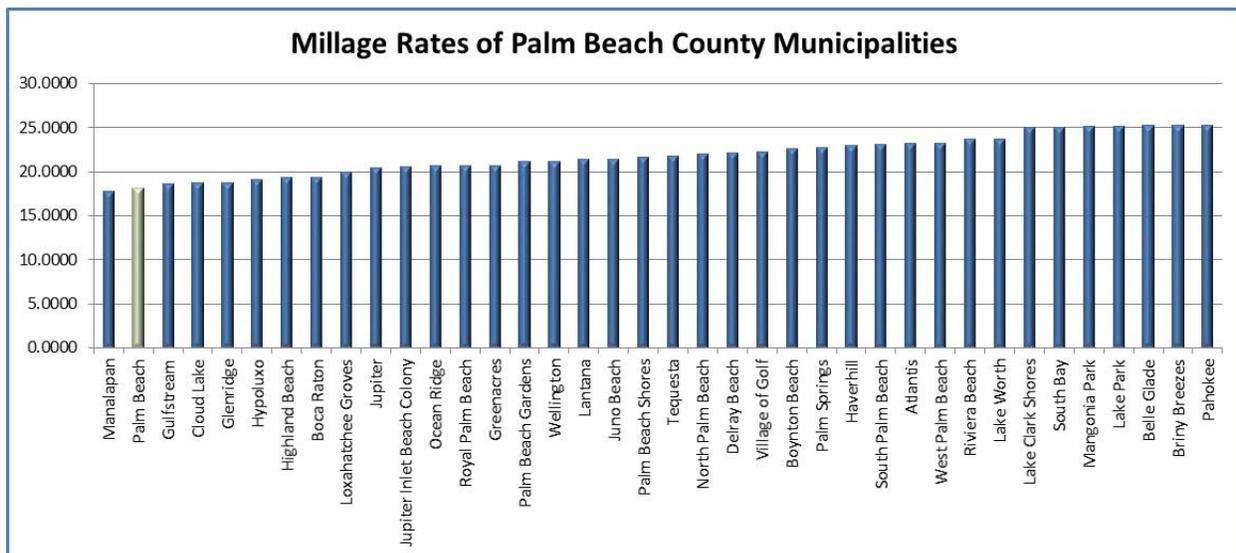


# GENERAL FUND TREND ANALYSIS

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 FY15, the Town adopted a millage rate more than FY14 which resulted in an increase in taxes of \$4,777,000. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, increased 0.55% from 18.0460 to 18.1459. The Town's portion of the total millage is 18.77% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY14 to FY15 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY14 Millage Rate	FY15 Millage Rate	FY15 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
<b>Palm Beach</b>	3.2468	3.4058	\$3,406	\$159.00	4.90%	18.77%
<b>Palm Beach County</b>	4.9852	4.9729	\$4,973	-\$12.30	-0.25%	27.41%
<b>Palm Beach County School District</b>	7.5860	7.5940	\$7,594	\$8.00	0.11%	41.85%
<b>South Florida Water Mgmt</b>	0.3523	0.3294	\$329	-\$22.90	-6.50%	1.82%
<b>Children Services</b>	0.7025	0.6745	\$675	-\$28.00	-3.99%	3.72%
<b>Florida Inland Navigation</b>	0.0345	0.0345	\$35	\$0.00	0.00%	0.19%
<b>Health Care District</b>	1.0800	1.0800	\$1,080	\$0.00	0.00%	5.95%
<b>Everglades Construction</b>	0.0587	0.0548	\$55	-\$3.90	-6.64%	0.30%
<b>Grand Total</b>	18.0460	18.1459	\$18,146	\$99.90	0.55%	100.00%

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 \$18,146 in total taxes in Palm Beach versus \$19,420 in Boca Raton, \$21,174 in Palm Beach Gardens and \$23,270 in West Palm Beach.



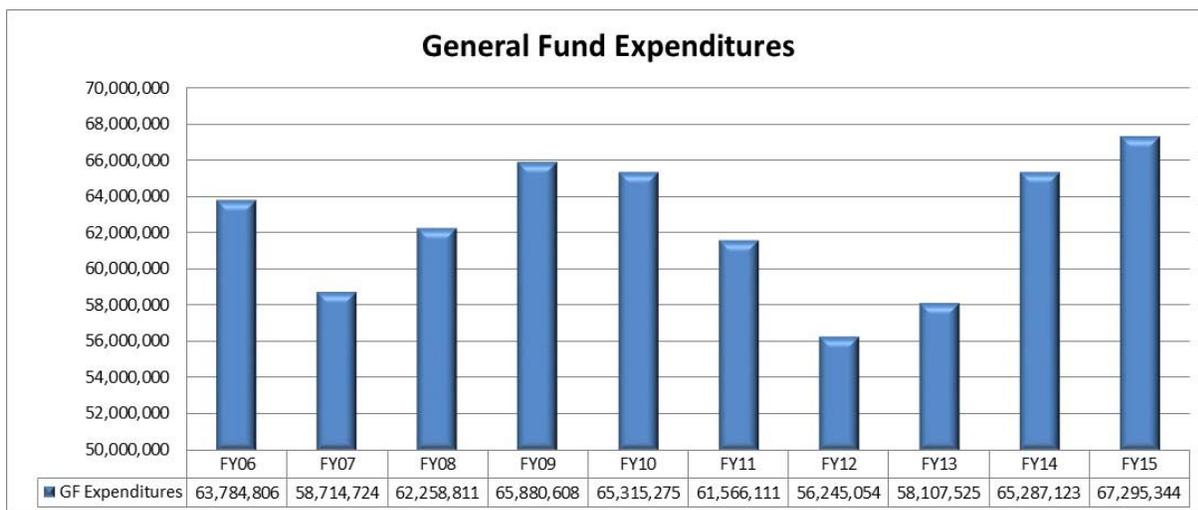
Many other municipalities in Palm Beach County have enterprise funds and charge separate fees for sewer, stormwater, sanitation, and other services over and above the funds collected from ad valorem taxes. The Town of Palm Beach does not charge fees for these services as all costs are included within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

# GENERAL FUND TREND ANALYSIS

## 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 2.89% in FY15 from the FY14 budget. The transfer to the coastal protection fund of \$4,777,000 was \$577,000 higher than the transfer in FY14. Increases in Salary and wages and pension benefits make up most of the balance of the increase in the FY15 budget.



The major changes in the General Fund budget for FY06 – FY15 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
FY2006 Budget Increase 9.9%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$57,544,075</li> <li>• Reduced millage rate by 3% to 3.908, taxable value increased by 12.4%</li> <li>• <i>Added 5.5 new positions to the budget</i></li> <li>• <i>Implementation of the compensation study - \$312,000</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$718,274</i></li> <li>• <i>Police and Firefighter retirement multiplier improvement – 3.25% to 3.5% (Estimated cost \$555,578)</i></li> <li>• <i>Increase in health insurance costs - \$470,071</i></li> <li>• Funding for a traffic and parking improvement plan - \$150,000</li> <li>• First year funding of Townwide software upgrade - \$230,000</li> <li>• <b>Purchase of the police radio system - \$665,000</b></li> <li>• <b>Increase in debt service funding - \$830,650</b></li> <li>• Increase in the transfer to the Capital Improvement Fund - \$116,559</li> </ul>

# GENERAL FUND TREND ANALYSIS

	<ul style="list-style-type: none"> <li>• Decrease in the transfer to the Risk Insurance Fund – (\$120,033)</li> <li>• <b>Modification to the ERF for replacement cost funding - \$4,205,523 added to the reserve with a transfer from fund balance.</b></li> <li>• Costs for response to and recovery from Hurricane Wilma</li> </ul>
FY2007 Budget Increase 8.9%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$62,642,654</li> <li>• Reduced millage rate by 4.62% to 3.7273, taxable value increased by 16.13%</li> <li>• <i>Increase in the contribution to the retirement fund - \$1,751,939</i></li> <li>• <i>Added 1.87 positions to the budget</i></li> <li>• Increased in the transfer to the Capital Improvement Fund - \$762,200</li> <li>• <b>Increased funding for coastal permitting, monitoring and legal - \$1,057,000</b></li> <li>• <b>Town wide software upgrade - \$350,000</b></li> <li>• Increase in milling and resurfacing funding - \$275,000</li> </ul>
FY2008 Budget Increase 2.7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$64,332,559</li> <li>• 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</li> <li>• Increased parking ticket fines and meter rates - \$400,000</li> <li>• Reduced transfer to the Capital Improvement Fund (\$1,282,801)</li> <li>• <i>Eliminated 3.95 positions</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$674,018</i></li> <li>• <i>Increase in the transfer to the Health Insurance Trust - \$472,300</i></li> <li>• <b>Townwide software upgrade - \$350,000</b></li> <li>• Decreased contribution for feral cat program – (\$50,000)</li> <li>• <b>Purchase of parking kiosks - \$500,000, and electronic chalking devices - \$210,000</b></li> <li>• <b>Increase in depreciation due to modification of policy - \$669,153</b></li> <li>• <b>Increase in debt service funding - \$123,000</b></li> <li>• Increase in the transfer to the Risk Insurance Fund - \$171,799</li> </ul>
FY2009 Budget Increase 4.7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$67,335,600</li> <li>• Reduced millage rate by 3.34% to 3.2512, taxable value increased 7.73%</li> <li>• <i>Special competitive pay increases for all firefighters and police officers - \$585,984</i></li> <li>• <i>First year cost of the early retirement buyout - \$922,800</i></li> <li>• <i>Decrease in the contribution to the retirement fund - (\$636,848)</i></li> <li>• <i>Increase in the transfer to the Health Insurance Fund - \$900,000</i></li> <li>• <b>Townwide software upgrade - \$350,000</b></li> <li>• <b>Transfer to the Coastal Protection Fund for pending litigation - \$2,000,000</b></li> <li>• <b>Increase in Debt Service Funding - \$138,000</b></li> <li>• Decrease in the transfer to the Risk Insurance Fund - (\$474,000)</li> <li>• Decrease in the transfer to the Capital Improvement Fund - (\$279,000)</li> <li>• <i>Reduced .89 positions</i></li> </ul>

# GENERAL FUND TREND ANALYSIS

<p>FY2010 Budget Decrease .7%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$66,853,300</li> <li>• Maintained millage rate at 3.2512, taxable value declined 2.23%</li> <li>• Reduction in property tax revenue - (\$1,217,000)</li> <li>• <i>Elimination of 9.25 positions (savings of \$1,058,100)</i></li> <li>• <i>Salary freeze implemented for all employees</i></li> <li>• <i>Second year cost of early retirement buyout - 858,000</i></li> <li>• <i>Increase in contribution to retirement fund - \$655,631</i></li> <li>• <i>Elimination of extraordinary longevity - (\$88,700)</i></li> <li>• <i>Decrease in Town contribution for health insurance - (\$300,000)</i></li> <li>• <b>Final year of Townwide software upgrade - \$160,000</b></li> <li>• Decreased contribution for feral cat program - (\$50,000)</li> <li>• <b>Increase in debt service funding - \$132,000</b></li> <li>• <b>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)</b></li> <li>• Contracted a Pension Consultant - \$127,268</li> <li>• Contracted with an Internal Auditor - \$110,710</li> <li>• Elimination of printing and mailing of Annual Report - (\$9,500)</li> </ul>
<p>FY2011 Budget Decrease 4.7%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$63,734,848</li> <li>• Maintained millage rate at 3.2512, taxable value declined 11.42%</li> <li>• Reduction in property tax revenue - (\$5,080,500)</li> <li>• <i>Second year of a salary freeze for all employees</i></li> <li>• <i>Elimination of 32.65 positions - (savings of \$1,788,439)</i></li> <li>• <i>Increase in contribution to retirement fund - \$1,568,698</i></li> <li>• <i>Final payment for early retirement buyout - \$136,000</i></li> <li>• <i>Decrease in Town contribution for health insurance - (\$205,000)</i></li> <li>• Reduced funding for lobbying services - (\$50,000)</li> <li>• Cut employee events - (\$40,000)</li> <li>• Eliminated funding for 4<sup>th</sup> of July event - (\$25,000)</li> <li>• Decrease in debt service funding - (\$422,000)</li> <li>• Decrease in transfer to the Capital Improvement Program - (\$4,328,957)</li> <li>• <b>Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)</b></li> </ul>
<p>FY2012 Budget Decrease 8.2%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$58,535,436</li> <li>• Maintained millage rate at 3.2512, taxable value declined .46%</li> <li>• Reduction in property tax revenue - (\$246,300)</li> <li>• <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i></li> <li>• <i>Elimination of 4.68 positions</i></li> <li>• <i>Reinstated performance based pay increases for employees - \$327,300</i></li> <li>• <i>Increase in health insurance funding - \$272,700</i></li> <li>• New funding for the Palm Beach County Inspector General - \$100,000</li> </ul>

# GENERAL FUND TREND ANALYSIS

	<ul style="list-style-type: none"> <li>• Modification to funding for Equipment Replacement Program - (Savings of \$344,271)</li> <li>• Increased transfer from Recreation Enterprise Fund - \$161,000</li> <li>• Increased the transfer to the Capital Improvement Program by - \$500,000</li> <li>• <b>Transfer to Coastal Protection Fund - \$3,960,000</b></li> </ul>
FY2013 Budget Increase 2.01%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$59,711,280</li> <li>• Maintained millage rate at 3.2512, taxable value increased by 2.69%</li> <li>• Increase in property tax revenue - \$866,200</li> <li>• <i>Elimination of 8.71 positions</i></li> <li>• <i>Increased the pay ranges 3% for all non-union positions.</i></li> <li>• <i>Increase in pension costs - \$1,035,548</i></li> <li>• <i>Increase in health insurance and OPEB costs- \$556,727</i></li> <li>• <i>Decrease in FICA tax - \$115,019</i></li> <li>• Increase in sewage treatment and disposal costs - \$303,634</li> <li>• Increase in risk insurance costs - \$101,273</li> <li>• <b>Transfer to Coastal Protection Fund - \$2,765,099</b></li> </ul>
FY2014 Budget Increase 9.54%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$65,406,493</li> <li>• Reduced millage rate to 3.2468, taxable value increased by 5.16%</li> <li>• Increase in property tax revenue - \$1,782,300</li> <li>• <i>Elimination of 5.00 positions</i></li> <li>• <i>Provided for merit pay raises for all non-union positions</i></li> <li>• <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></li> <li>• <i>Provided for a discretionary 4% employer contribution to DC plan - \$587,902</i></li> <li>• <i>Modification to required employee contribution to pension plan - \$152,515</i></li> <li>• Increase in debt service transfer for 2013 bond - \$2,600,000</li> <li>• <b>Transfer to Coastal Protection Fund - \$4,200,000</b></li> </ul>
FY2015 Budget Increase 2.89%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$67,295,344</li> <li>• Increased millage rate to 3.4058, taxable value increased by 7.53%</li> <li>• Increase in property tax revenue - \$4,777,000</li> <li>• <i>Addition of 2.58 positions</i></li> <li>• <i>Provided for merit pay raises and an increase in the employee pay ranges.</i></li> <li>• <i>Increase in DB pension costs - \$509,600</i></li> <li>• <i>Provided for a discretionary 4% employer contribution to the DC plan - \$581,801</i></li> <li>• <b>Transfer to Coastal Protection Fund - \$4,777,000</b></li> </ul>

Significant changes in the budget have been made over the past 10 years. The FY15 adopted budget was \$40,256 lower than the FY09 budget. Employee count as of FY15 has been reduced by 55.55 since the FY07 high of 415.23. Pension reform was implemented in FY12 reducing the growth of pension costs. Health insurance costs have been stable in spite of high inflation factors nationwide. 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.

## GENERAL FUND TREND ANALYSIS

Since FY09 a total of \$26,838,999 has been transferred from the General Fund to the Coastal Protection Fund. These transfers have allowed the Town to fund the cost of the Mid-Town beach renourishment project taking place in 2015.

Since 2010, the Town has issued two Revenue Bonds for the Accelerated Capital Improvement Program (ACIP). Significant improvements have been made to the Town's infrastructure and more improvements that were part of the 20 year plan will be constructed in the next few years. The debt service costs for these bonds have increased the General Fund transfer to the debt service fund by 79% from \$3.4 million in FY06 to \$6.1 million.

Trend tables showing the 10 year revenue and expenditure trends follow this section.

**Town of Palm Beach  
Revenue Trend Analysis  
FY06 - FY15**

Analysis of Revenues by Category Revenue Sources	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Budget
<b>Ad Valorem Revenues</b>	<b>39,008,774</b>	<b>43,096,605</b>	<b>41,457,250</b>	<b>42,887,216</b>	<b>41,508,570</b>	<b>36,635,343</b>	<b>36,662,916</b>	<b>37,473,108</b>	<b>39,110,926</b>	<b>43,424,300</b>
% Increase	11.68%	10.48%	-3.80%	3.45%	-3.21%	-11.74%	0.08%	2.21%	4.37%	11.03%
<b>% Increase</b>	<b>4,080,385</b>	<b>4,087,831</b>	<b>-1,639,356</b>	<b>1,429,967</b>	<b>-1,378,646</b>	<b>-4,873,227</b>	<b>27,573</b>	<b>810,191</b>	<b>1,637,818</b>	<b>4,313,374</b>
<b>Non Ad Valorem Taxes</b>	<b>6,961,865</b>	<b>6,945,297</b>	<b>7,281,836</b>	<b>7,386,397</b>	<b>7,371,330</b>	<b>7,189,368</b>	<b>7,315,317</b>	<b>7,533,859</b>	<b>7,946,097</b>	<b>7,937,500</b>
% Increase	9.25%	-0.24%	4.85%	1.44%	-0.20%	-2.47%	1.75%	2.99%	5.47%	-0.11%
	589,474	-16,568	336,539	104,561	-15,068	-181,961	125,948	218,543	412,238	-8,597
<b>Licenses and Permits</b>	<b>6,473,831</b>	<b>7,104,528</b>	<b>7,773,244</b>	<b>5,543,034</b>	<b>4,777,557</b>	<b>6,382,545</b>	<b>6,498,207</b>	<b>7,572,518</b>	<b>8,053,581</b>	<b>6,835,600</b>
% Increase	-6.36%	9.74%	9.41%	-28.69%	-13.81%	33.59%	1.81%	16.53%	6.35%	-15.12%
<b>% Increase</b>	<b>-439,566</b>	<b>630,697</b>	<b>668,716</b>	<b>-2,230,210</b>	<b>-765,477</b>	<b>1,604,988</b>	<b>115,662</b>	<b>1,074,311</b>	<b>481,064</b>	<b>-1,217,981</b>
<b>Intergovernmental Revenue</b>	<b>4,222,145</b>	<b>1,329,328</b>	<b>1,248,316</b>	<b>1,485,128</b>	<b>1,101,206</b>	<b>1,319,119</b>	<b>1,051,432</b>	<b>990,715</b>	<b>1,071,413</b>	<b>1,079,750</b>
% Increase	-18.99%	-68.52%	-6.09%	18.97%	-25.85%	19.79%	-20.29%	-5.77%	8.15%	0.78%
<b>% Increase</b>	<b>-989,494</b>	<b>-2,892,817</b>	<b>-81,012</b>	<b>236,812</b>	<b>-383,922</b>	<b>217,913</b>	<b>-267,687</b>	<b>-60,716</b>	<b>80,697</b>	<b>8,337</b>
<b>Charges for Services</b>	<b>2,487,444</b>	<b>2,449,038</b>	<b>2,808,166</b>	<b>3,278,180</b>	<b>3,215,943</b>	<b>3,461,766</b>	<b>4,081,259</b>	<b>3,576,156</b>	<b>3,741,183</b>	<b>3,573,600</b>
% Increase	18.60%	-1.54%	14.66%	16.74%	-1.90%	7.64%	17.90%	-12.38%	4.61%	-4.48%
<b>% Increase</b>	<b>390,138</b>	<b>-38,406</b>	<b>359,128</b>	<b>470,013</b>	<b>-62,236</b>	<b>245,822</b>	<b>619,493</b>	<b>-505,103</b>	<b>165,027</b>	<b>-167,583</b>
<b>Fines and Forfeitures</b>	<b>770,067</b>	<b>1,541,448</b>	<b>1,183,318</b>	<b>1,152,807</b>	<b>594,473</b>	<b>1,297,226</b>	<b>1,106,435</b>	<b>1,253,760</b>	<b>1,924,182</b>	<b>1,210,000</b>
% Increase	-5.05%	100.17%	-23.23%	-2.58%	-48.43%	118.21%	-14.71%	13.32%	53.47%	-37.12%
<b>% Increase</b>	<b>-40,971</b>	<b>771,381</b>	<b>-358,131</b>	<b>-30,511</b>	<b>-558,334</b>	<b>702,753</b>	<b>-190,790</b>	<b>147,325</b>	<b>670,422</b>	<b>-714,182</b>
<b>Interest Income</b>	<b>1,902,793</b>	<b>2,287,127</b>	<b>1,368,751</b>	<b>1,923,224</b>	<b>1,168,997</b>	<b>495,649</b>	<b>495,311</b>	<b>32,425</b>	<b>383,726</b>	<b>578,694</b>
% Increase	110.25%	20.20%	-40.15%	40.51%	-39.22%	-57.60%	-0.07%	-93.45%	1083.43%	50.81%
<b>% Increase</b>	<b>997,768</b>	<b>384,334</b>	<b>-918,375</b>	<b>554,473</b>	<b>-754,227</b>	<b>-673,348</b>	<b>-338</b>	<b>-462,886</b>	<b>351,301</b>	<b>194,968</b>
<b>Miscellaneous and Transfers</b>	<b>762,856</b>	<b>829,586</b>	<b>924,286</b>	<b>801,901</b>	<b>1,930,162</b>	<b>2,774,498</b>	<b>1,534,738</b>	<b>1,871,043</b>	<b>1,584,625</b>	<b>1,106,000</b>
% Increase	2.21%	8.75%	11.42%	-13.24%	140.70%	43.74%	-44.68%	21.91%	-15.31%	-30.20%
<b>% Increase</b>	<b>16,530</b>	<b>66,730</b>	<b>94,700</b>	<b>-122,386</b>	<b>1,128,261</b>	<b>844,336</b>	<b>-1,239,760</b>	<b>336,305</b>	<b>-286,418</b>	<b>-478,625</b>
<b>Transfers from Fund Balance</b>	<b>0</b>	<b>1,549,900</b>								
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
<b>% Increase</b>	<b>0</b>	<b>1,549,900</b>								
<b>Total Revenues</b>	<b>62,589,775</b>	<b>65,582,958</b>	<b>64,045,168</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>67,295,344</b>
% Increase	7.94%	4.78%	-2.34%	0.64%	-4.33%	-3.43%	-1.36%	2.65%	5.82%	5.45%
<b>% Increase</b>	<b>4,604,264</b>	<b>2,993,183</b>	<b>-1,537,790</b>	<b>412,720</b>	<b>-2,789,649</b>	<b>-2,112,725</b>	<b>-809,898</b>	<b>1,557,969</b>	<b>3,512,149</b>	<b>3,479,611</b>

**Town of Palm Beach  
Expenditure Trend Analysis  
FY06 - FY15**

Analysis of Expenses by Category Expenditure Categories	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Budget
<b>Salaries/Wages</b>	24,318,537	24,543,973	25,280,657	27,346,557	26,359,064	24,396,538	23,627,363	22,943,974	23,152,224	24,927,999
% Increase	8.59%	0.93%	3.00%	8.17%	-3.61%	-7.45%	-3.15%	-2.89%	0.91%	7.67%
\$ Increase	1,922,894	225,435	736,684	2,065,900	-987,493	-1,962,526	-769,175	-683,389	208,251	1,775,775
<b>Pension Benefits</b>	4,921,942	6,535,666	7,218,551	6,621,068	7,303,519	8,771,681	3,180,126	3,831,588	4,977,617	5,455,247
% Increase	20.54%	32.79%	10.45%	-8.28%	10.31%	20.10%	-63.75%	20.49%	29.91%	9.60%
\$ Increase	838,825	1,613,724	682,885	-597,483	682,451	1,468,162	-5,591,555	651,462	1,146,029	477,630
<b>DC Plan</b>	-	-	-	-	-	-	222,307	537,532	1,088,013	1,227,368
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	141.80%	102.41%	12.81%
\$ Increase	-	-	-	-	-	-	222,307	315,226	550,480	139,355
<b>Other Employee Benefits</b>	6,168,763	6,303,985	6,323,368	7,285,058	6,913,472	6,601,573	6,616,971	6,736,760	6,741,912	6,893,910
% Increase	5.82%	2.19%	0.31%	15.21%	-5.10%	-4.51%	0.23%	1.81%	0.08%	2.25%
\$ Increase	339,435	135,222	19,382	961,690	-371,586	-311,900	15,398	119,788	5,152	151,998
<b>Contractual</b>	9,321,512	6,966,503	8,120,662	8,709,551	7,070,741	6,963,078	7,139,390	7,224,092	7,603,154	8,565,388
% Increase	20.32%	-25.26%	16.57%	7.25%	-18.82%	-1.52%	2.53%	1.19%	5.25%	12.66%
\$ Increase	1,574,087	-2,355,008	1,154,159	588,889	-1,638,810	-107,663	176,312	84,702	379,062	962,234
<b>Commodities</b>	2,116,950	1,860,397	2,051,710	1,748,218	1,627,774	1,484,765	1,547,738	1,554,104	1,642,397	1,753,846
% Increase	21.13%	-12.12%	10.28%	-14.79%	-6.89%	-8.79%	4.24%	0.41%	5.68%	6.79%
\$ Increase	369,213	-256,553	191,314	-303,493	-120,444	-143,009	62,973	6,366	88,293	111,449
<b>Equipment Replacement</b>	1,852,144	2,040,499	3,282,121	2,723,701	2,518,060	2,547,679	1,881,319	2,033,744	2,097,896	1,876,644
% Increase	18.51%	10.17%	60.85%	-17.01%	-7.55%	1.18%	-26.16%	8.10%	3.15%	-10.55%
\$ Increase	289,329	188,355	1,241,623	-558,421	-205,640	29,618	-666,360	152,425	64,152	-221,252
<b>Library Services</b>	235,000	247,000	259,350	272,400	272,400	272,400	272,400	288,989	297,659	306,580
% Increase	-29.85%	5.11%	5.00%	5.03%	0.00%	0.00%	0.00%	6.09%	3.00%	3.00%
\$ Increase	-100,000	12,000	12,350	13,050	0	0	0	16,589	8,670	8,921
<b>Other</b>	98,176	94,999	93,403	0	0	0	0	0	0	0
<b>TRANSFER TO OTHER FUNDS AND OTHER EXPENSES</b>										
CAPITAL IMPROV. FUND (307)	3,835,063	3,378,801	2,096,000	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309)	0	0	0	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	4,777,000
EQUIPMENT REPLACEMENT FUND	4,205,523	0	0	0	0	0	0	0	0	0
DEBT SERVICE FUND (203)	3,402,060	3,529,000	3,652,000	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000
RETIREE HEALTH INS.(OPEB) (610)	919,137	993,700	1,466,000	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000
RISK-W/C, LIAB.PROP. (501)	2,390,000	2,220,201	2,392,000	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362
CONTINGENT APPROP.	0	0	0	0	0	0	0	0	0	909,000
INVENTORY ADJUSTMENTS	0	0	22,989	55	-2,075	9,172	12,932	29,863	4,251	0
<b>Total Transfers and Other</b>	14,751,783	10,121,702	9,628,989	11,174,055	13,250,245	10,528,398	11,757,439	12,956,742	17,686,251	16,288,362
% Increase	19.26%	-31.39%	-4.87%	16.05%	18.58%	-20.54%	11.67%	10.20%	36.50%	-7.90%
\$ Increase	2,382,496	-4,630,081	-492,713	1,545,066	2,076,190	-2,721,847	1,229,042	1,199,303	4,729,509	-1,397,889
<b>Total Expenditures</b>	63,784,806	58,714,724	62,258,811	65,880,608	65,315,275	61,566,111	56,245,054	58,107,525	65,287,123	67,295,344
% Increase	13.56%	-7.95%	6.04%	5.82%	-0.88%	-5.74%	-8.64%	3.31%	12.36%	3.08%
\$ Increase	7,615,351	-5,070,081	3,544,087	3,621,796	-565,333	-3,749,164	-5,321,058	1,862,471	7,179,599	2,008,221

# 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 FY15 budget and forecasts through FY25.

### 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:

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
<b>Ad Valorem Tax Increase</b>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>General Inflation</b>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
<b>Salaries &amp; Wages</b>	1.8%	2.7%	1.3%	2.0%	2.0%	3.2%	3.4%	3.3%	3.5%	3.4%
<b>Health Insurance</b>	5.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
<b>Pension</b>	8.4%	12.0%	0.7%	2.8%	4.3%	4.1%	4.3%	4.2%	4.3%	4.2%
<b>Other Employee Benefits</b>	0.1%	2.7%	1.2%	1.1%	1.9%	2.8%	3.1%	1.9%	2.9%	2.8%
<b>Property Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Liability Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>W/C Insurance</b>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Revenue forecasts are based upon historical trends and recent activity. As in the past, to be conservative, the ad valorem tax increase is projected at 3% per year. Each revenue category forecast is described in greater detail later in this section.

The assumption for inflation of 2.1% is based upon the forecast in the *Livingston Survey* issued by the Federal Reserve Bank of Philadelphia, this estimate for the rate of inflation has remained constant since the 2013 forecast. The salary and wage assumption is based upon the average annual increases for all employee groups and forecasted retirements. The health insurance forecast assumption was reduced to 5% for FY16 and then 7% thereafter based upon input from our health consultant’s actuary. The pension forecast assumption was updated by the Town’s pension 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 and does not include health insurance. Property, Liability and Workmen’s Compensation insurance assumptions are based upon information received from our brokers regarding potential increases.

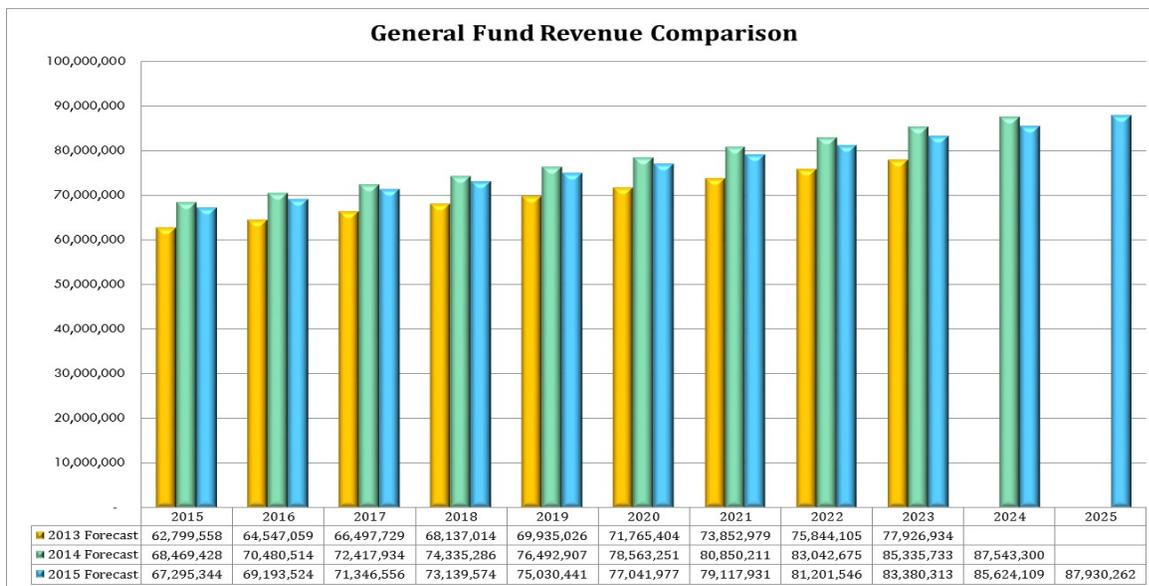
# FORECAST SUMMARY

## 2014 Forecast

The forecast charts shown on the following pages include a comparison the 2013 and 2014 forecast projections to the current 2015 forecast. Since 2009, when the forecast showed deficits throughout the 10 year period, staff and the Town Council have been able to make major reductions in expenditures and to slow future growth to sustainable levels. The 2015 forecast shows steady progress with meeting the Town's needs and funding coastal protection and capital projects.

### General Fund Revenue Forecast

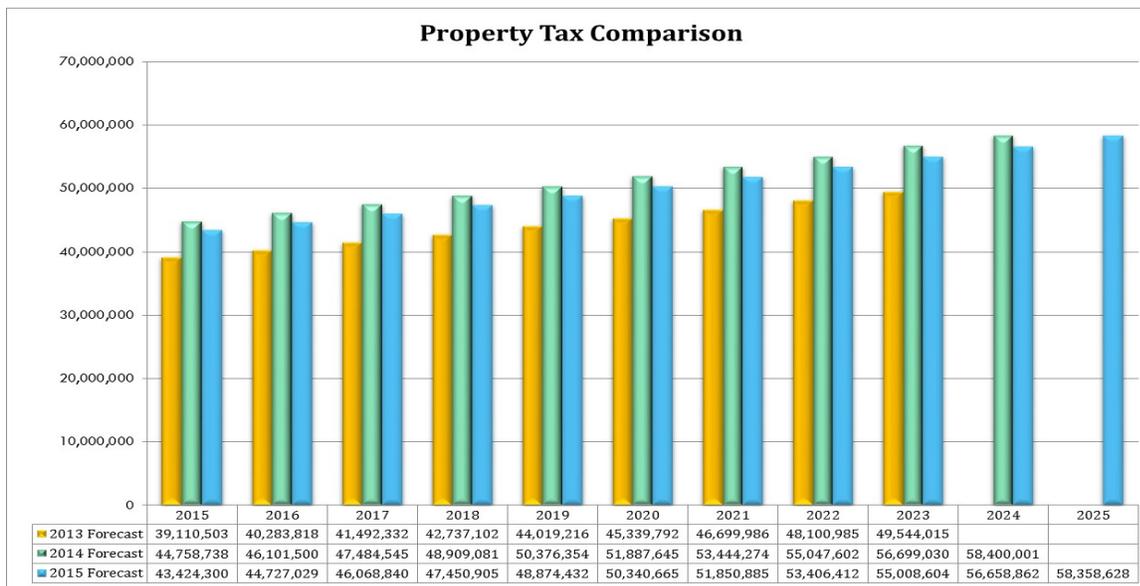
The General Fund revenue forecast has improved since the 2013, mainly due to the increase in property tax revenue and license and permit revenue. Improvement in these revenue sources over the past few years has improved the forecast over the 10 year period. The forecast for revenues is conservative and should allow for minor fluctuations in various revenue sources. The forecast details for each major revenue category are included in this analysis.



### Property Tax Revenue

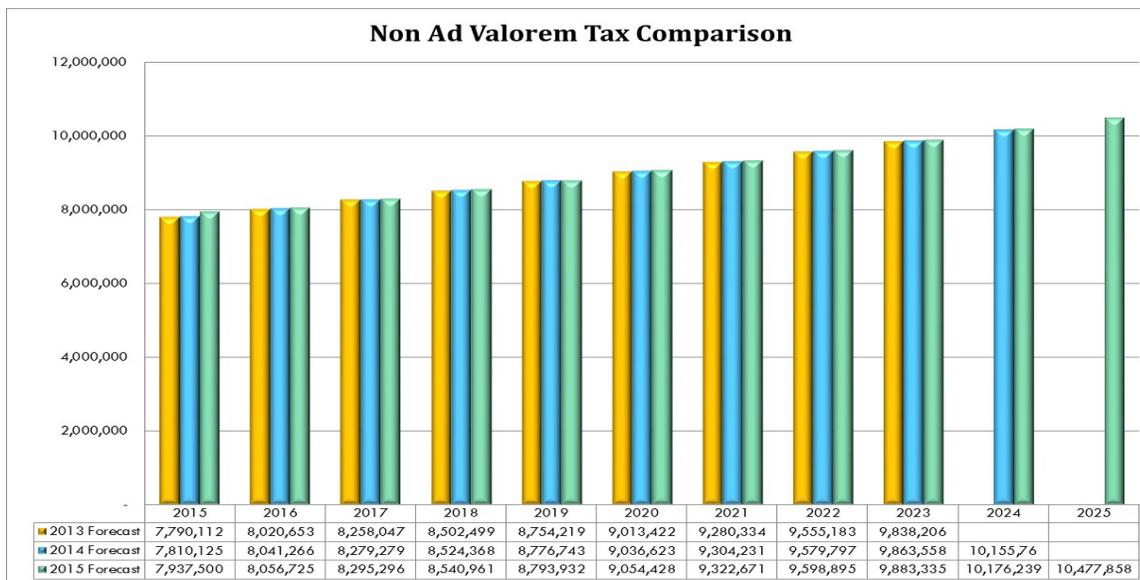
Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. We project the increase to be 3% for each year of the forecast. An increase of, \$4,777,000 was included in the FY15 budget for the annual funding for the coastal protection program. The FY15 forecast is less than the FY14 forecast because total property taxes adopted in the FY15 budget were less than had been anticipated in the FY14 forecast. The FY14 forecast included the increase for coastal, an increase for debt service and a 3% increase for operating expenses. The FY15 property tax budget increased only by \$4,777,000 for coastal.

# FORECAST SUMMARY



## 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. The forecast trend chart is shown below:



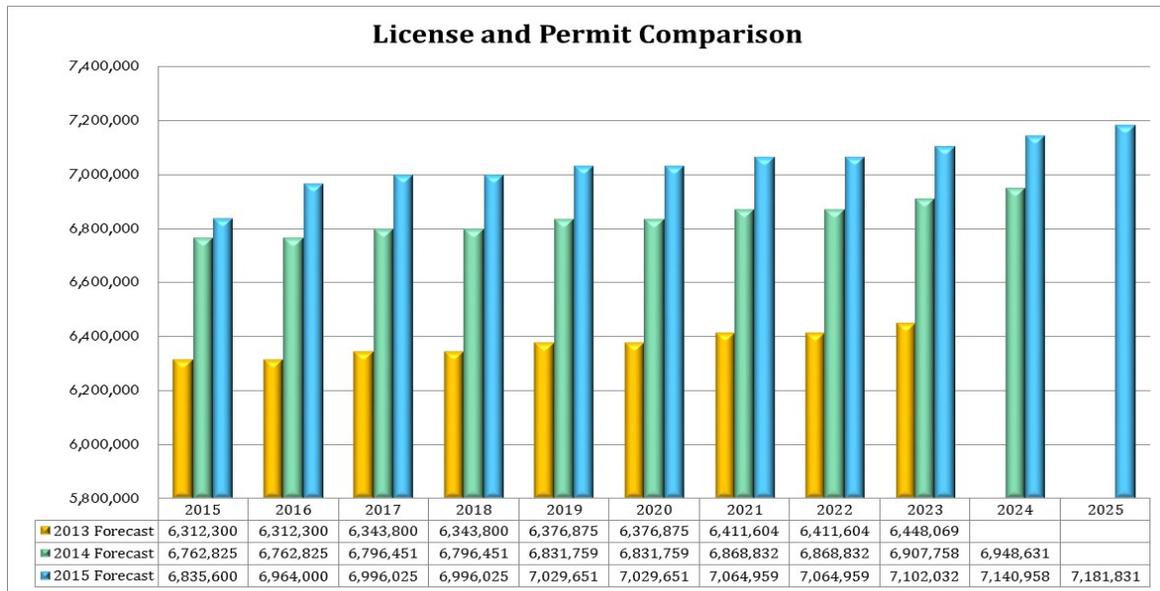
## License and Permit Revenue

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

The real estate market has improved in recent years. The 2014 forecast increased over 2013 due to improved collections. The 2015 budget increased due to continued improvement in building permit

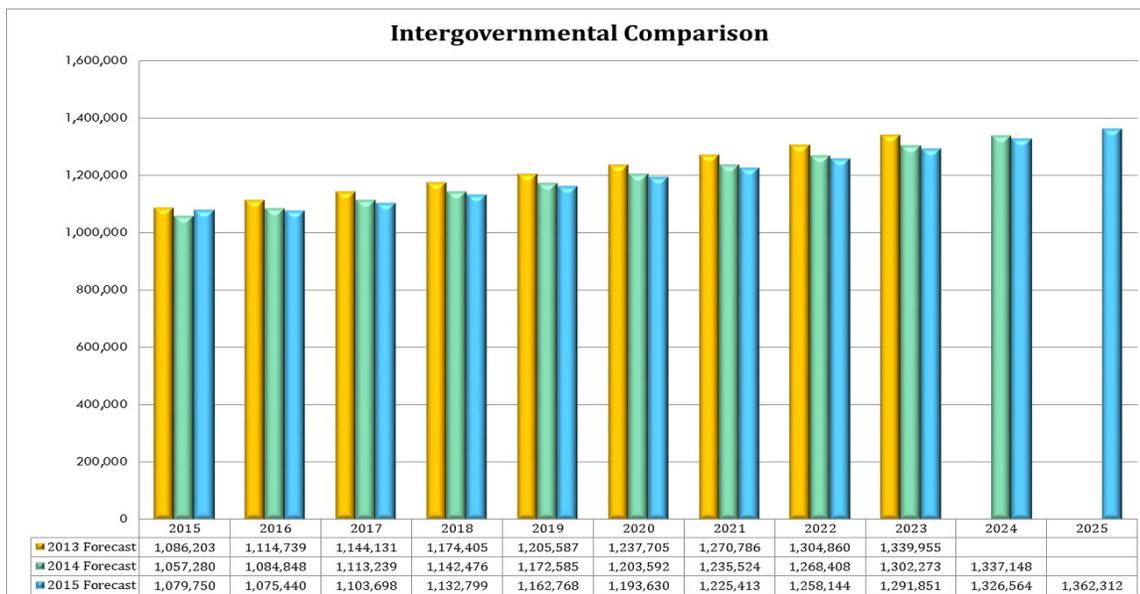
# FORECAST SUMMARY

revenues. The forecast shows higher revenues in 2016 and 2017 due to improved conditions, but, to be conservative, the forecast period from 2018 through 2025 slows the growth in the increase in license and permit revenue sources.



## 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.

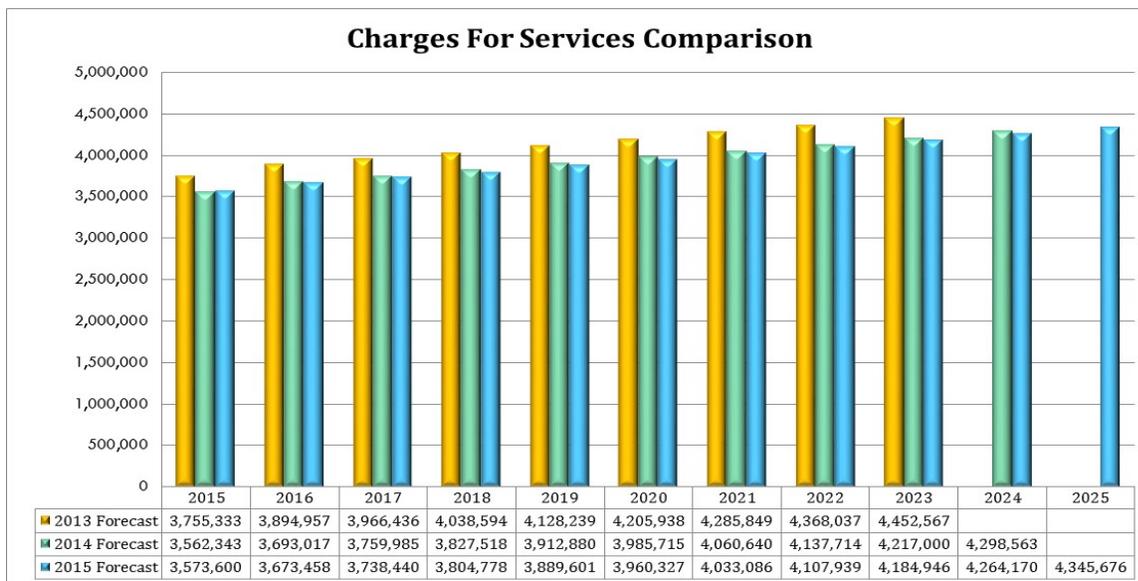


# FORECAST SUMMARY

The forecast for intergovernmental revenues has declined due to reductions in revenues received from the State of Florida for sales tax and revenue sharing. The FY15 budget contains anticipated grant funds, but the forecast does not plan for any grant revenue. The forecast anticipates a small inflationary increase per year in the State revenues.

## *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 decreased since 2013 due to lower public safety revenues and solid waste collection revenues. The forecast for 2015 is very close to the 2014 forecast due to the stabilization of these revenues.

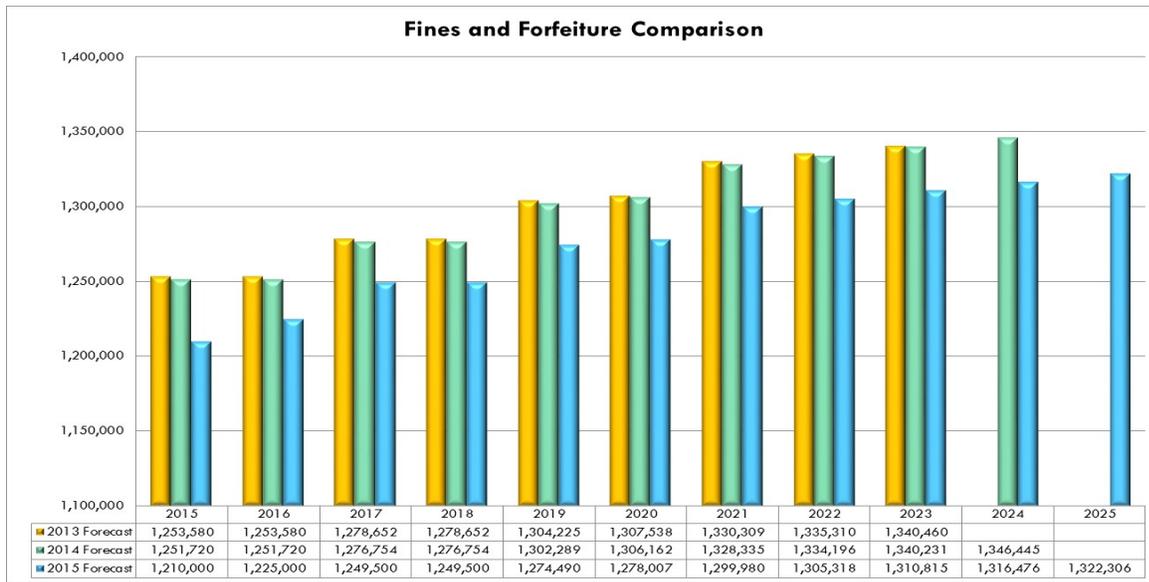


## *Fines and Forfeitures*

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

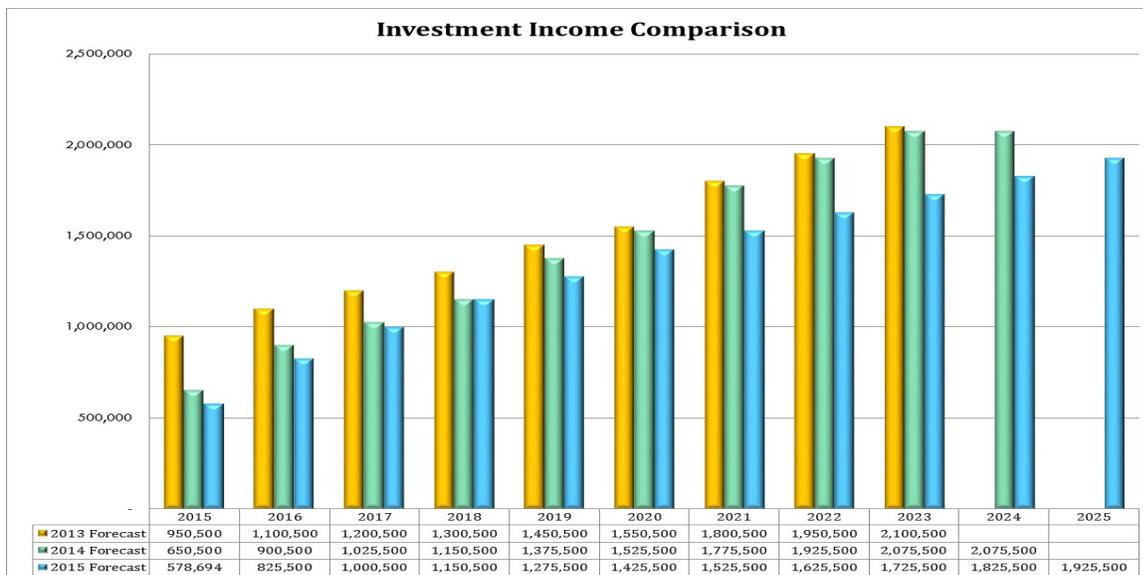
Revenues from these sources have decreased since the 2013 forecast. The majority of the decrease is due to the forecast for parking ticket fines and penalties. Parking ticket fines and moving violation revenue has decreased and the 2015 budget and forecast has been adjusted to reflect the recent actual activity.

# FORECAST SUMMARY



## Investment Income

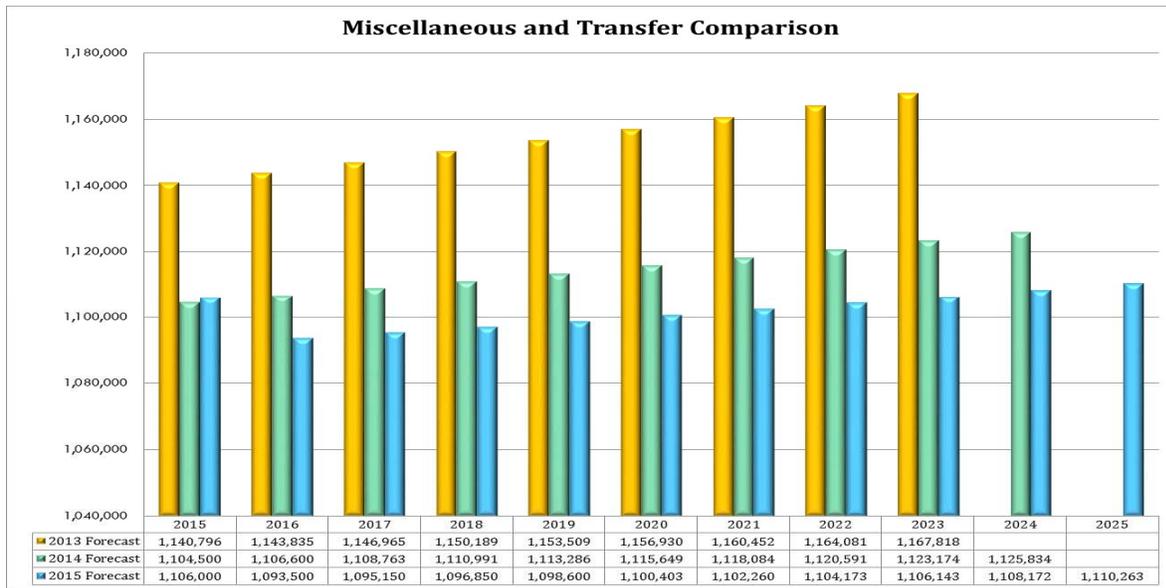
The investment income forecast has declined from 2013 due to the prolonged depressed interest rate environment. We are predicting, for purposes of this forecast, investment returns will continue to remain at low levels and gradually improve through the forecast period.



## 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 decrease in 2016 is due to the termination of a lease for a cellular tower, 2015 contains a partial year of revenue for the lease.

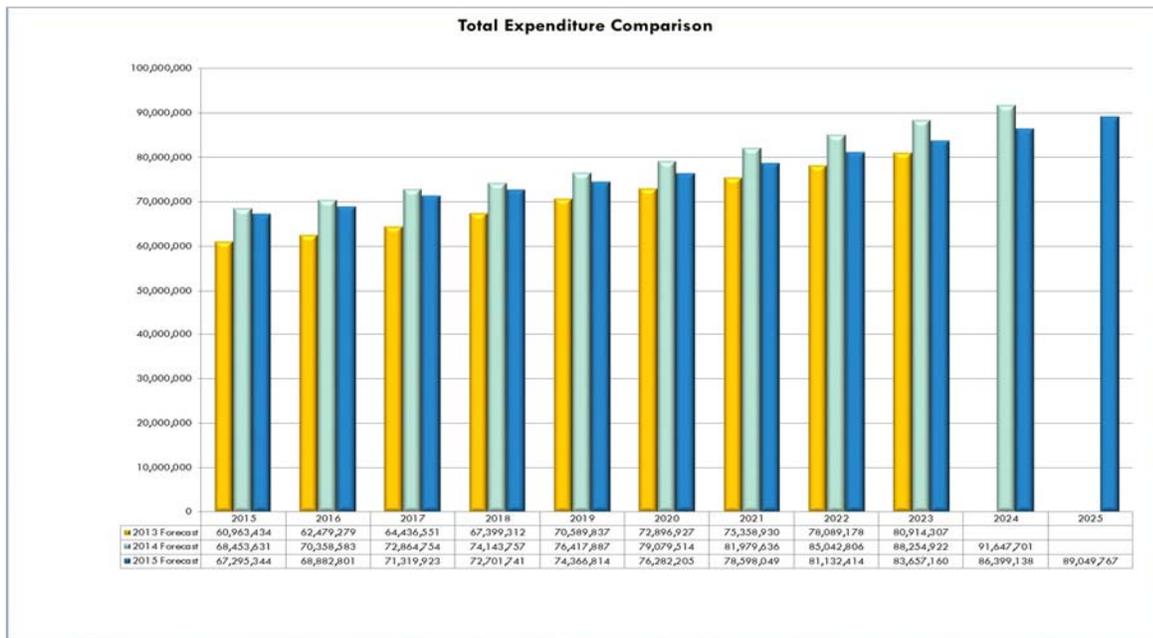
# FORECAST SUMMARY



# 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 increased primarily due 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. The 2015 forecasted expenditures are less than the 2014 forecast due to savings achieved in the FY15 budget.

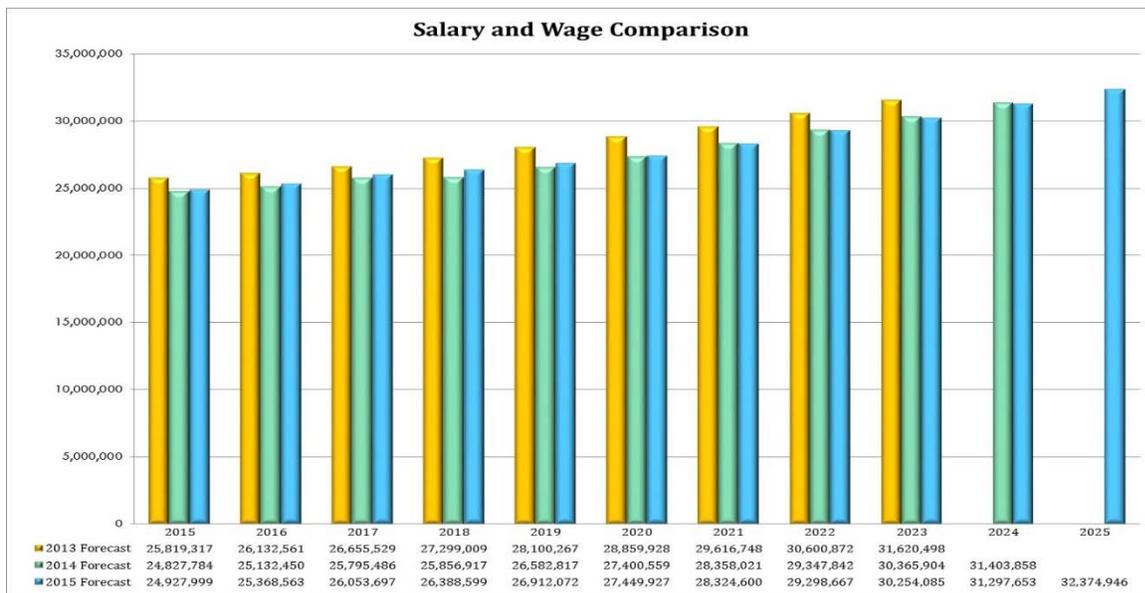


## Salary and Wages

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 salary and wage assumption is based upon the average annual increases for all employee groups and forecasted retirements.

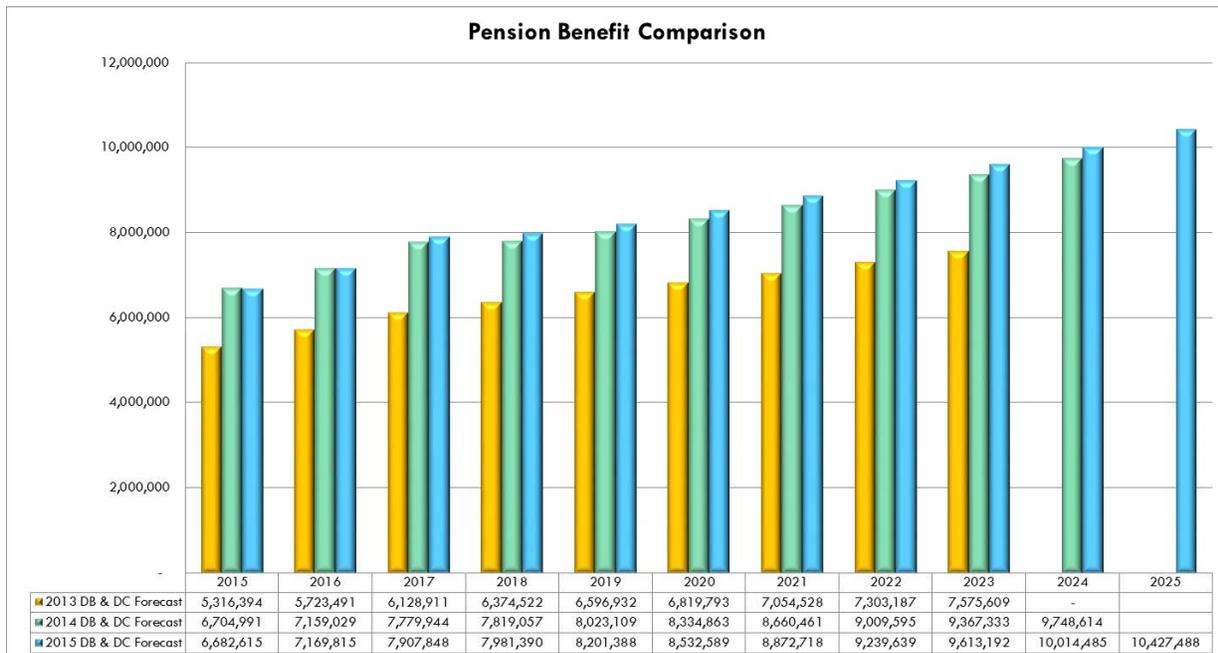
This expenditure category has decreased significantly since the original 2009 forecast. Since 2007 Town staffing has decreased by 55.55 FTEP. A combination of actions (changing pay policies, reducing staffing, etc.) has improved the salary forecast significantly. The 2015 forecast for salaries is slightly higher than 2014 due to personnel additions approved in the FY15 budget.

# FORECAST SUMMARY



## Pension Benefits

The pension estimate is based upon the actuary's estimates for pension costs.



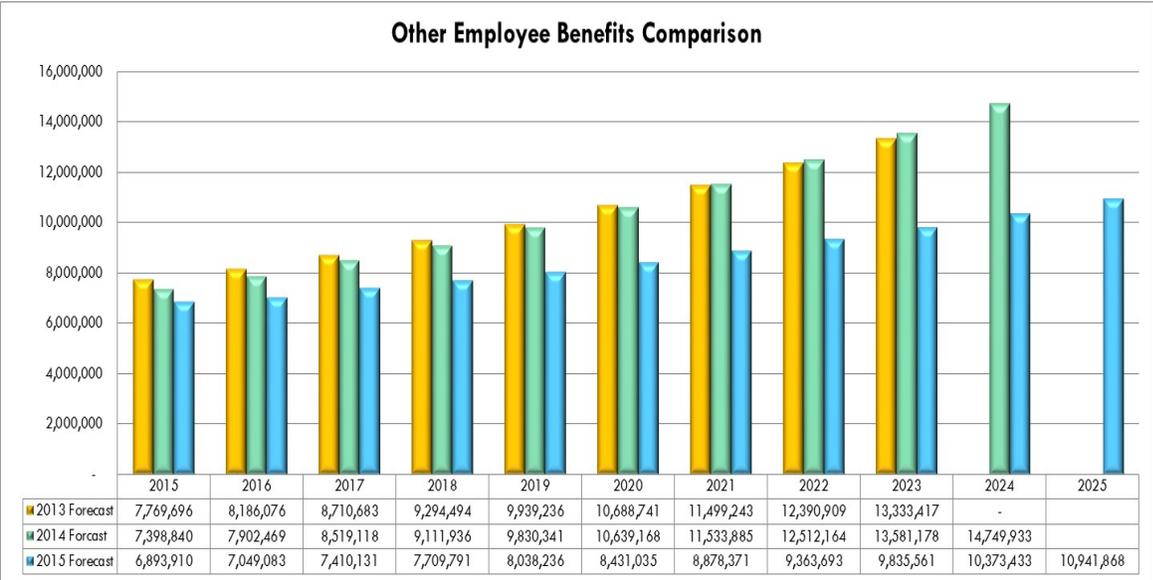
The Town's Retirement Board recommended a change in the investment assumption from 8% to 7.5% in 2013. This change added additional cost for pension benefits and is the major cause for the increase from the 2013 forecast. The Town also reduced the employee contribution rates for some of the employee groups. Both of these changes are the cause of the 2014 and 2015 increases.

# FORECAST SUMMARY

The Town has always budgeted and contributed the required contribution as determined by the actuary. Until 2013, the State required a contribution based upon a percent of payroll. Since total Town payroll had been declining, the amount due per the State requirements was 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 FY15 budget used \$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 and FY15 the Town Council approved a discretionary DC contribution of 4% for all non-union employees. The forecast includes the discretionary contribution throughout the 10 year period.

### Other Employee Benefits

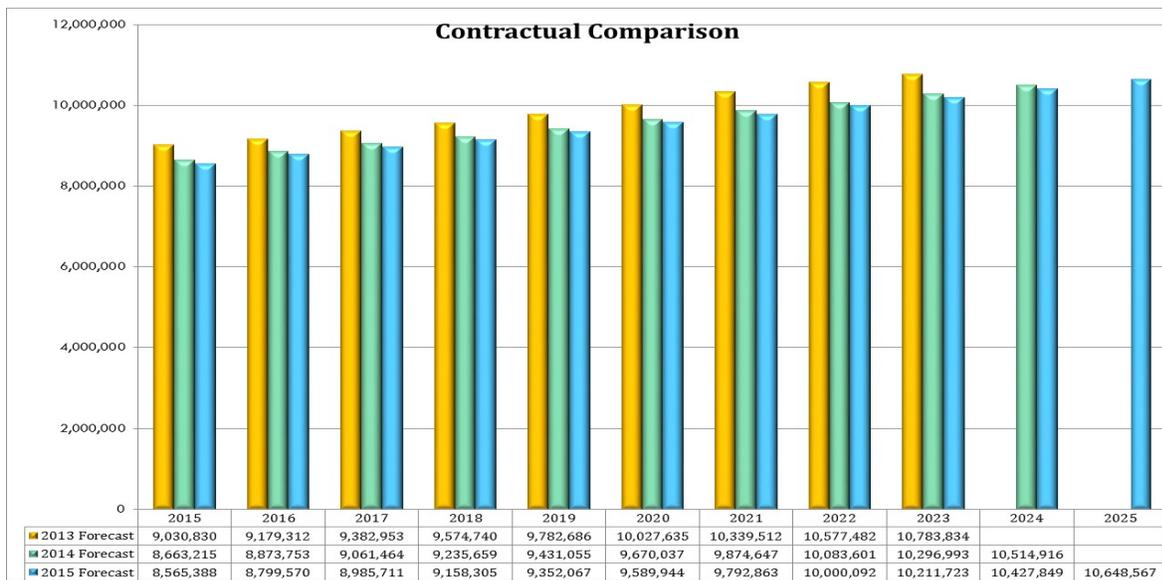
Other Employee Benefits includes all other benefits including health insurance. We anticipate health insurance costs will increase 5% for FY16 and 7% per year thereafter and other employee benefits (including FICA, longevity, incentives, and allowances) will increase at a much lower rate. The forecast decreased from 2014 due to steps taken to reduce insurance costs in 2015, and reduced longevity costs due to recent retirements.



### Contractual

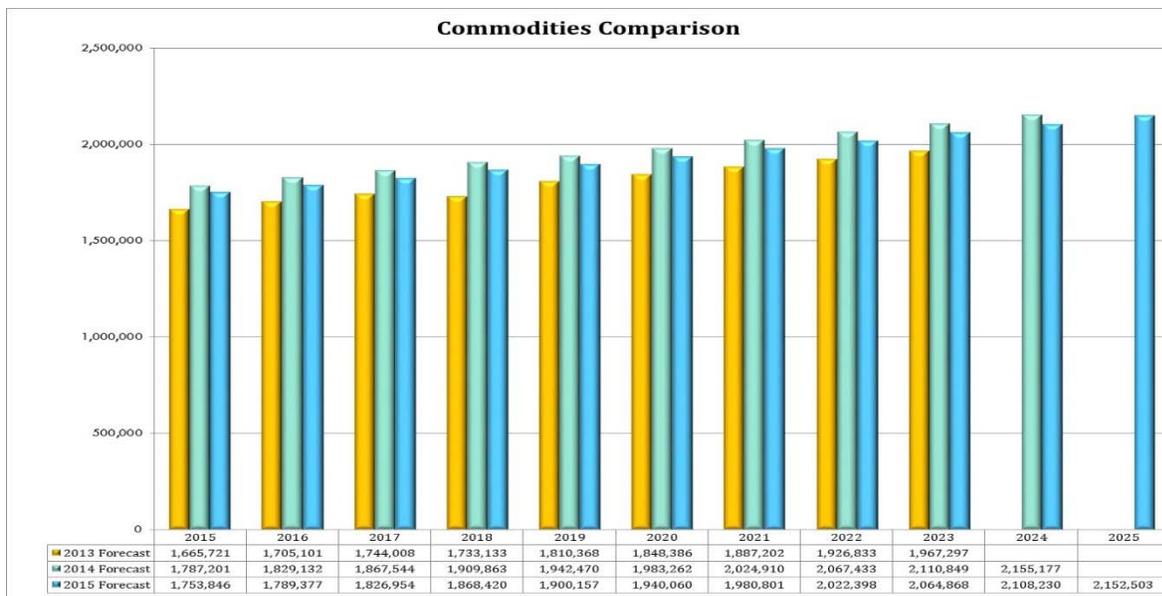
Contractual expenditures are forecasted to increase by the rate of inflation. The contractual forecast has been reduced due to the savings achieved in the FY15 budget.

# 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 2015 forecast has decreased based upon budget savings in these areas.

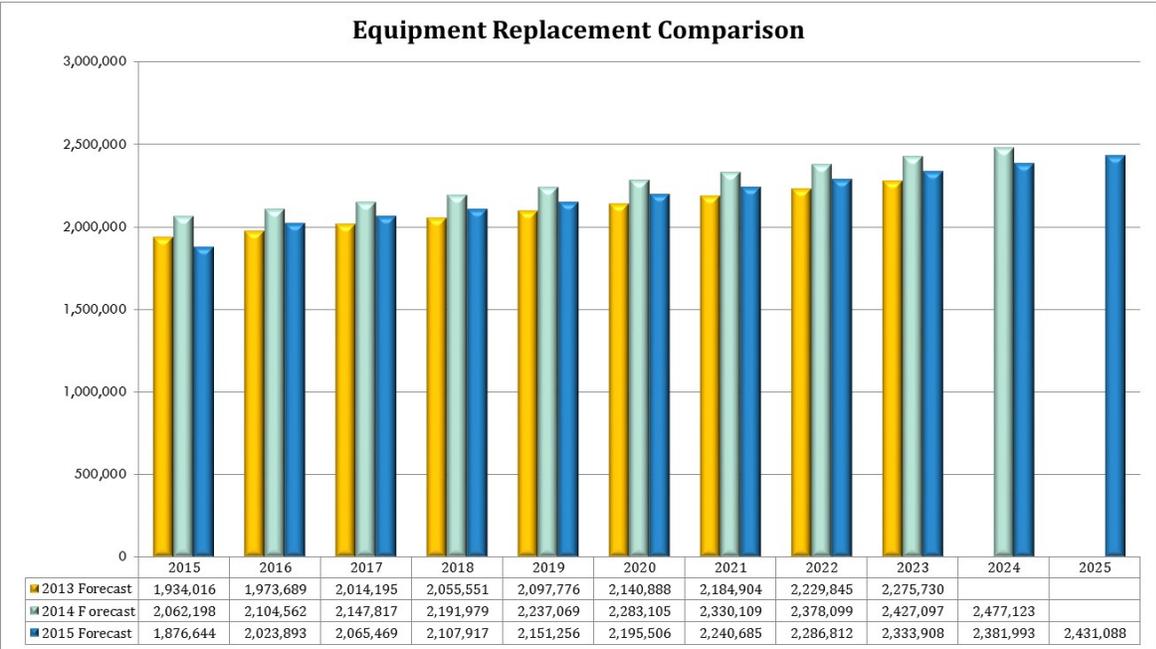


## Equipment Replacement/Capital Outlay

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. It also includes purchases of new equipment that is not replacement equipment. During FY11, staff conducted a thorough review the useful lives of the Town's equipment. In some cases, departments identified equipment

# FORECAST SUMMARY

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 2015 forecast decrease is due to a reduction in depreciation and a reduction in the purchase of new capital equipment in FY15.



## Transfers

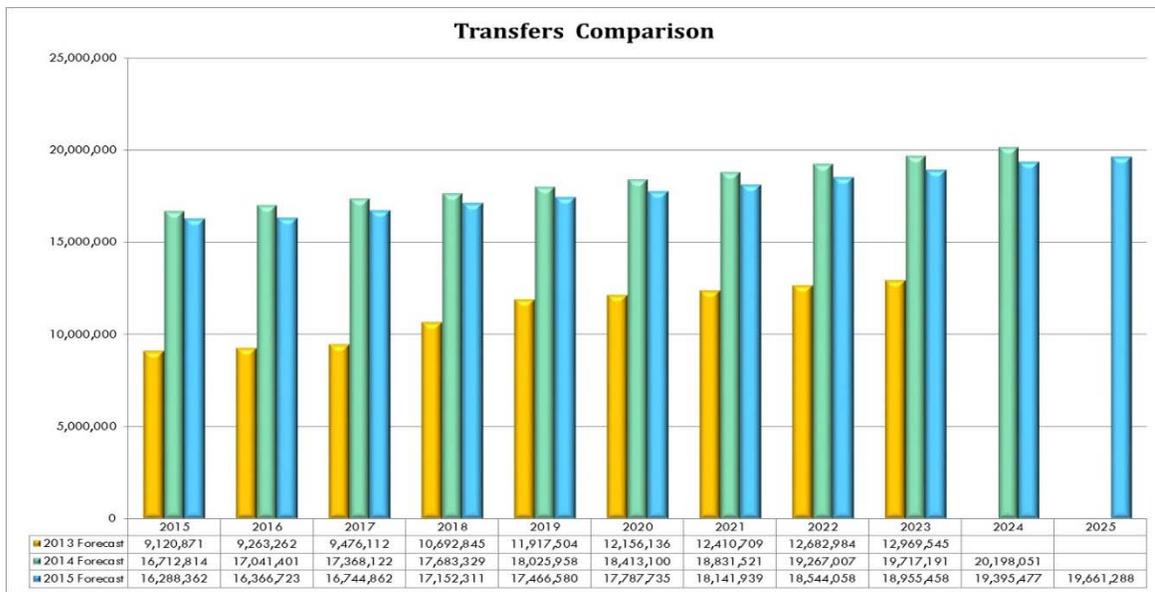
The Transfers category includes transfers to the Capital Improvement Program, Coastal Protection Fund, Debt Service Fund, Risk Insurance Fund and Retiree Health Insurance Trust. It also includes the annual contingency allocation.

- 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 forecast increased in 2018 to \$1,100,000. The increase is in anticipation of the expenditure of all of the bond proceeds by 2017 and the need to increase funding in the Capital Improvement fund going forward to move toward pay-as-you-go funding for capital improvement projects.
- The Town Council approved a 10 year \$84 million Coastal Protection program in 2013. The first year funding was \$4,777,000. The transfer is forecasted to increase at a rate of 3% per year. Due to the unexpected increase in the cost of the Mid-Town beach renourishment project and the expansion of groin rehabilitation projects, the original forecast may not be sufficient. Over the upcoming months, the forecast may be revised to increase funding for the coastal protection transfer.
- Debt service was increased for 2014 for the 2013 Revenue bond. The forecast includes the debt service on both the 2010 and 2013 bonds. The 2013 forecast assumed the bond for the

# FORECAST SUMMARY

second phase of the Accelerated Capital Improvement Program would be issued in 2017 and debt service would begin in 2018.

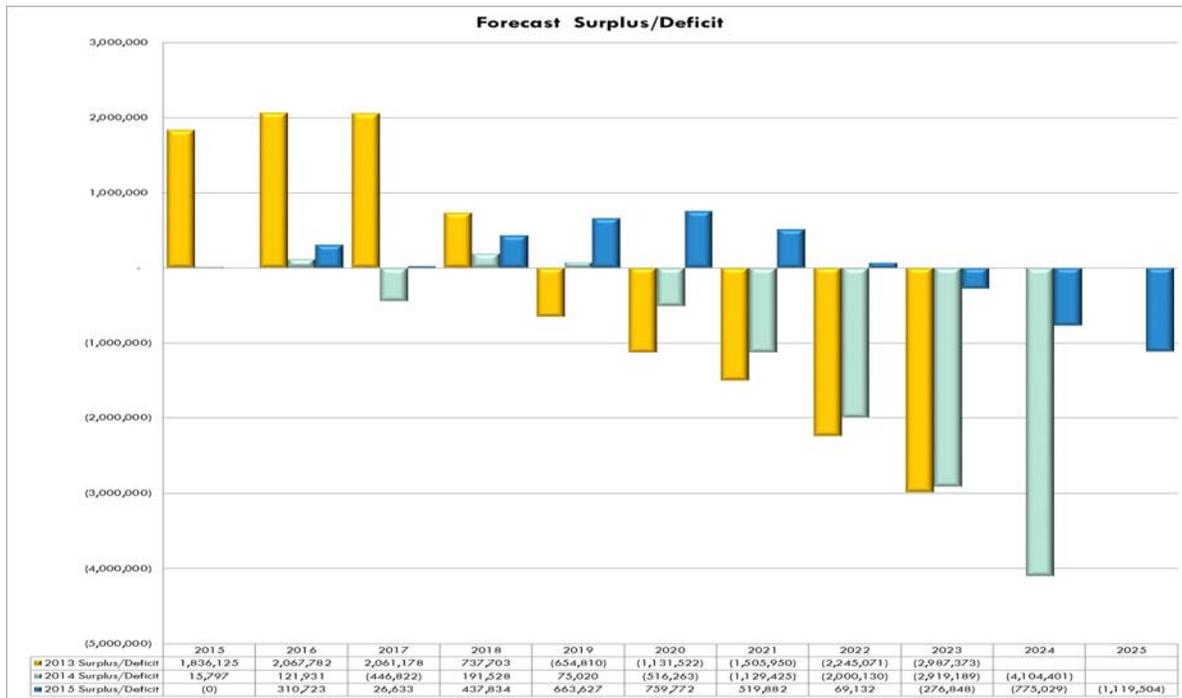
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 5% per year, and Worker’s Compensation 3% per year throughout the forecast period. The 2015 forecast also included an increase in the stop loss claim reserves.
- Retiree Health Insurance 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.
- The Town’s contribution to the Four Arts Library is forecasted to increase by 3% per year.



## Projected Surplus/ Deficit

Due to the deep cuts in expenditures the projection of the annual surplus/deficit 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 the 2013 forecast, the 2015 forecast contains smaller projected surpluses in the early years due to the appropriations for the Coastal Protection Program and debt service on the 2013 Revenue bond. However, even after accounting for these increases, the longer-term forecast has improved since 2014 due to additional cost savings measures and improved revenues in the FY15 budget. The 2015 forecast show small deficits beginning in 2023, whereas the 2014 forecast had deficits beginning in 2017.

# FORECAST SUMMARY



## Planning for the FY16 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. Staff currently is preparing the FY16 proposed budget to reflect exact needs and specific proposals, and we intend to submit a proposed budget that is in line with the forecast.

**Town of Palm Beach  
Revenue Forecast  
FY15 - FY25**

Analysis of Revenues by Category Revenue Sources	2015 Budget	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated
Ad Valorem Revenues	43,424,300	44,727,029	46,068,840	47,450,905	48,874,432	50,340,665	51,850,885	53,406,412	55,008,604	56,658,862	58,358,628
% Increase	11.03%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	4,313,374	1,302,729	1,341,811	1,382,065	1,423,527	1,466,233	1,510,220	1,555,527	1,602,192	1,650,258	1,699,766
Non Ad Valorem Taxes	7,937,500	8,056,725	8,295,296	8,540,361	8,793,932	9,054,428	9,322,671	9,598,895	9,883,335	10,176,239	10,477,858
% Increase	-0.11%	1.50%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
\$ Increase	-8,597	119,225	238,571	245,665	252,971	260,495	268,244	276,223	284,441	292,904	301,619
Licenses and Permits	6,835,600	6,964,000	6,996,025	6,996,025	7,029,651	7,029,651	7,064,959	7,064,959	7,102,032	7,140,958	7,181,831
% Increase	-15.12%	1.88%	0.46%	0.00%	0.48%	0.00%	0.50%	0.00%	0.52%	0.55%	0.55%
\$ Increase	-1,217,981	128,400	32,025	0	33,626	0	35,308	0	37,073	38,927	40,873
Intergovernmental Revenue	1,079,750	1,075,440	1,103,698	1,132,799	1,162,768	1,193,630	1,225,413	1,258,144	1,291,851	1,326,564	1,362,312
% Increase	0.78%	-0.40%	2.63%	2.64%	2.65%	2.65%	2.66%	2.67%	2.68%	2.69%	2.69%
\$ Increase	8,337	-4,310	28,258	29,101	29,969	30,862	31,783	32,731	33,707	34,713	35,748
Charges for Services	3,573,600	3,673,458	3,738,440	3,804,778	3,889,601	3,960,327	4,033,086	4,107,939	4,184,946	4,264,170	4,345,676
% Increase	-4.48%	2.79%	1.77%	1.77%	2.23%	1.82%	1.84%	1.86%	1.87%	1.89%	1.91%
\$ Increase	-167,585	99,858	64,982	66,338	84,823	70,726	72,760	74,853	77,007	79,224	81,506
Fines and Forfeitures	1,210,000	1,225,000	1,249,500	1,249,500	1,274,490	1,278,007	1,299,980	1,305,318	1,310,815	1,316,476	1,322,306
% Increase	-32.67%	1.24%	2.00%	0.00%	2.00%	0.28%	1.72%	0.41%	0.42%	0.43%	0.44%
\$ Increase	-587,015	15,000	24,500	0	24,990	3,517	21,973	5,338	5,497	5,661	5,830
Interest Income	578,694	825,500	1,000,500	1,150,500	1,275,500	1,425,500	1,525,500	1,625,500	1,725,500	1,825,500	1,925,500
% Increase	50.81%	42.65%	21.20%	14.99%	10.86%	11.76%	7.02%	6.56%	6.15%	5.80%	5.48%
\$ Increase	194,968	246,806	175,000	150,000	125,000	150,000	100,000	100,000	100,000	100,000	100,000
Miscellaneous and Transfers	1,106,000	1,093,500	1,095,150	1,096,850	1,098,600	1,100,403	1,102,260	1,104,173	1,106,143	1,108,172	1,110,263
% Increase	-30.20%	-1.13%	0.15%	0.16%	0.16%	0.16%	0.17%	0.17%	0.18%	0.18%	0.19%
\$ Increase	-478,625	-12,500	1,650	1,700	1,750	1,803	1,857	1,913	1,970	2,029	2,090
Transfers from Fund Balance	1,549,900	1,552,872	1,799,107	1,717,256	1,631,466	1,659,366	1,693,176	1,730,207	1,767,087	1,807,168	1,845,889
% Increase	0.00%	0.19%	15.86%	-4.55%	-5.00%	1.71%	2.04%	2.19%	2.13%	2.27%	2.14%
\$ Increase	1,549,900	2,972	246,235	-81,851	-85,790	27,900	33,810	37,031	36,880	40,081	38,722
Total Revenues	67,295,344	69,193,524	71,346,556	73,139,574	75,030,441	77,041,977	79,117,931	81,201,546	83,380,313	85,624,109	87,930,262
% Increase	5.66%	2.82%	3.11%	2.51%	2.59%	2.68%	2.69%	2.63%	2.68%	2.69%	2.69%
\$ Increase	3,606,776	1,898,180	2,153,032	1,793,019	1,890,866	2,011,536	2,075,954	2,083,615	2,178,767	2,243,796	2,306,153

**Town of Palm Beach  
Expenditure Forecast  
FY15 - FY25**

Expenditure Categories	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated
Salaries/Wages	24,927,999	25,368,563	26,053,697	26,388,599	26,912,072	27,449,927	28,324,600	29,298,667	30,254,085	31,297,653	32,374,946
% Increase	2.59%	1.77%	2.70%	1.29%	1.98%	2.00%	3.19%	3.44%	3.26%	3.45%	3.44%
\$ Increase	629,118	440,564	685,134	334,302	523,473	537,855	874,673	974,068	955,417	1,043,569	1,077,293
Pension Benefits	5,455,247	5,910,719	6,620,910	6,666,286	6,854,644	7,149,491	7,444,168	7,761,451	8,086,694	8,434,834	8,793,007
% Increase	9.60%	8.35%	12.02%	0.69%	2.83%	4.30%	4.19%	4.26%	4.19%	4.31%	4.25%
\$ Increase	477,630	455,472	710,191	45,376	188,359	294,847	294,676	317,284	325,242	348,140	358,173
DC Plan	1,227,368	1,259,097	1,286,938	1,315,105	1,346,743	1,383,098	1,428,550	1,478,187	1,526,498	1,579,650	1,634,481
% Increase	2.67%	2.59%	2.14%	2.19%	2.41%	2.70%	3.29%	3.47%	3.48%	3.48%	3.47%
\$ Increase	31,970	31,729	27,842	28,166	31,639	36,354	45,452	49,637	48,311	53,153	54,831
Other Employee Benefits	6,893,910	7,049,083	7,410,131	7,709,791	8,038,236	8,431,035	8,878,371	9,363,693	9,835,561	10,373,433	10,941,868
% Increase	-0.23%	2.25%	5.12%	4.04%	4.26%	4.89%	5.31%	5.47%	5.04%	5.47%	5.48%
\$ Increase	-15,645	155,173	361,048	299,660	328,445	392,799	447,335	485,323	471,867	537,872	568,435
Contractual	8,565,388	8,799,570	8,985,711	9,158,305	9,352,067	9,589,944	9,792,863	10,000,092	10,211,723	10,427,849	10,648,567
% Increase	1.09%	2.73%	2.12%	1.92%	2.12%	2.54%	2.12%	2.12%	2.12%	2.12%	2.12%
\$ Increase	92,545	234,182	186,141	172,593	193,762	237,877	202,919	207,229	211,631	216,126	220,718
Commodities	1,753,846	1,789,377	1,826,954	1,868,420	1,900,157	1,940,060	1,980,801	2,022,398	2,064,868	2,108,230	2,152,503
% Increase	3.05%	2.03%	2.10%	2.27%	1.70%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
\$ Increase	51,886	35,531	37,577	41,466	31,737	39,903	40,741	41,597	42,470	43,362	44,273
Equipment Replacement	1,876,644	2,023,893	2,065,469	2,107,917	2,151,256	2,195,506	2,240,685	2,286,812	2,333,908	2,381,993	2,431,088
% Increase	-6.66%	7.85%	2.05%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%
\$ Increase	-133,937	147,249	41,575	42,448	43,340	44,250	45,179	46,127	47,096	48,085	49,095
Library Services	306,580	315,777	325,251	335,008	345,058	355,410	366,073	377,055	388,366	400,017	412,018
% Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	8,921	9,197	9,473	9,758	10,050	10,352	10,662	10,982	11,312	11,651	12,001
<b>TRANSFER TO OTHER FUNDS</b>											
CAPITAL IMPROV. FUND (307)	1,000,000	1,000,000	1,000,000	1,100,000	1,123,100	1,146,685	1,170,765	1,195,352	1,220,454	1,246,083	1,272,251
COASTAL PROTECTION FUND (309)	4,777,000	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	6,419,389
DEBT SERVICE FUND (203)	6,100,000	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	6,266,837
RETIREE HEALTH INS.(OPEB) (610)	1,577,000	1,180,000	1,244,000	1,313,000	1,386,000	1,464,000	1,549,000	1,639,000	1,735,000	1,838,000	1,949,000
RISK/W/C. LIAB.PROP. (501)	1,925,362	1,986,734	2,108,841	2,185,841	2,215,739	2,253,949	2,297,891	2,376,663	2,458,967	2,545,000	2,634,922
CONTINGENT APPROP.	909,000	1,014,622	1,049,107	1,067,256	1,091,466	1,119,366	1,153,176	1,190,207	1,227,087	1,267,168	1,305,889
<b>Total Transfers and Other</b>	<b>16,288,362</b>	<b>16,366,723</b>	<b>16,744,862</b>	<b>17,152,311</b>	<b>17,466,580</b>	<b>17,787,735</b>	<b>18,141,939</b>	<b>18,544,058</b>	<b>18,955,458</b>	<b>19,395,477</b>	<b>19,661,288</b>
% Increase	4.80%	0.48%	2.31%	2.43%	1.83%	1.84%	1.99%	2.22%	2.22%	2.32%	1.37%
\$ Increase	746,362	78,361	378,139	407,449	314,269	321,155	354,204	402,119	411,400	440,019	265,811
<b>Total Expenditures</b>	<b>67,295,344</b>	<b>68,882,801</b>	<b>71,319,923</b>	<b>72,701,741</b>	<b>74,366,814</b>	<b>76,282,205</b>	<b>78,598,049</b>	<b>81,132,414</b>	<b>83,657,160</b>	<b>86,399,138</b>	<b>89,049,767</b>
% Increase	2.89%	2.36%	3.54%	1.94%	2.29%	2.58%	3.04%	3.22%	3.11%	3.28%	3.07%
\$ Increase	1,888,851	1,587,457	2,437,121	1,381,818	1,665,073	1,915,391	2,315,844	2,534,365	2,524,746	2,741,978	2,650,629

## Recreation Enterprise Fund Trends

### Marina

#### Revenues

2005 - 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.

2015: Revenue increases are due to an increase in fees and anticipated increases in occupancy.

#### 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.

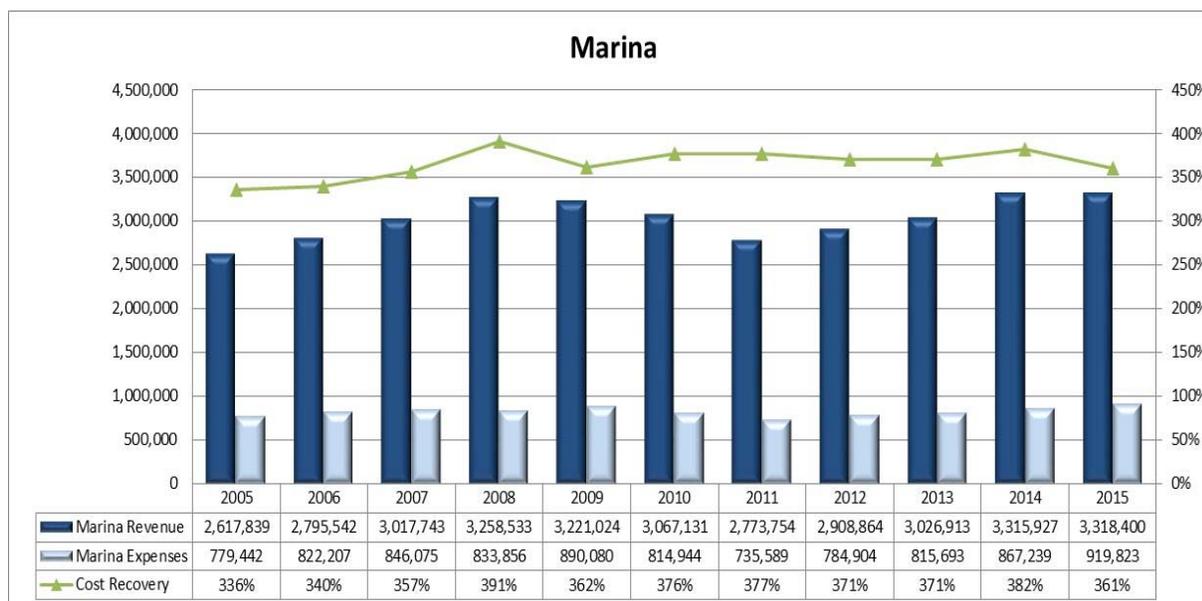
2011: Decreased expenses due to the elimination of Assistant Dockmaster position, reduction in private security contract costs, and Dockmaster vacancy for a large part of the fiscal year.

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.

2015: Increased expenses are due to increased use of part-time no benefits and contractual employees and minor facility improvements and repairs.



# 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.

2015: Budgeted revenue was conservatively estimated and exceeding expectations through March. It is anticipated revenue will surpass the estimate and FY14 actual.

### 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.

2015: Expense increase due to increases in personnel to handle the volume of business and increase in investment in pro shop sales inventory.



# 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 increased overall participation.

2015: Revenue is estimated to increase over the 2014 actual levels due to increased participation.

### Expenses

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

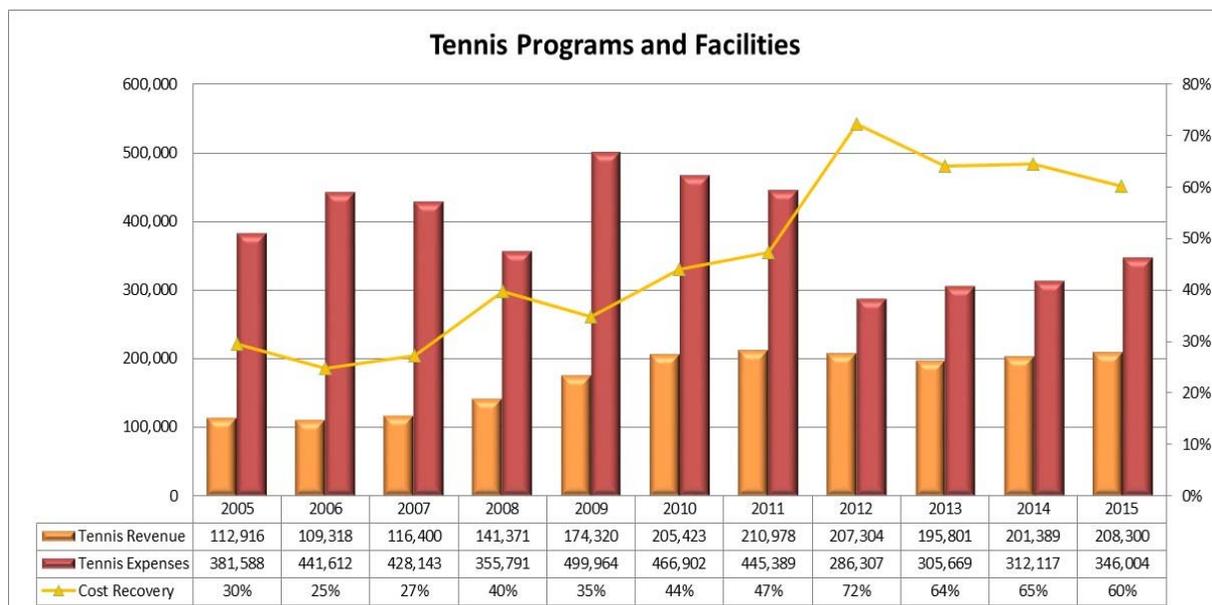
2009: Increase can be attributed to a partial re-allocation of an Assistant Director salary to match responsibilities, additional PT staff hours, equipment purchases to maintain the new courts, and new furniture/fixtures.

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.

2015: Increase in expenses attributed to increases in part time no benefits and contractual employee support and increases in commodities costs.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

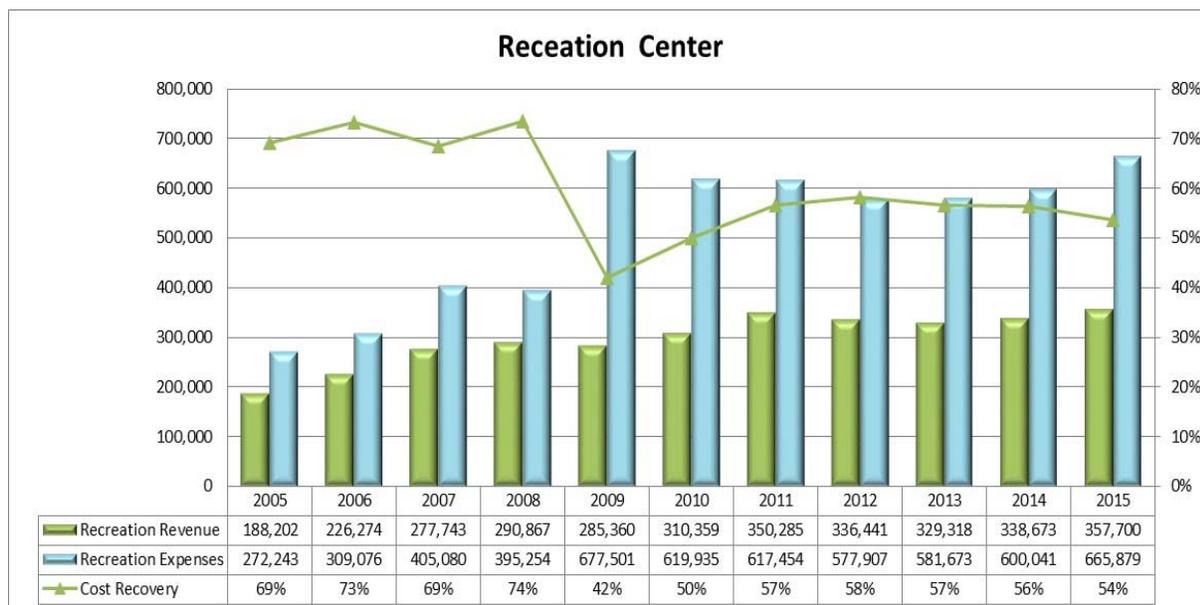
## Recreation Center

### 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 participation growth through additional offerings.  
 2015: 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 contractual services and commodities in an effort to repair and/or complete minor improvements to the aging Recreation Center.  
 2015: Increase is due to estimated increases in contractual and commodity costs and minor building improvements and repairs.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## Recreation Administration

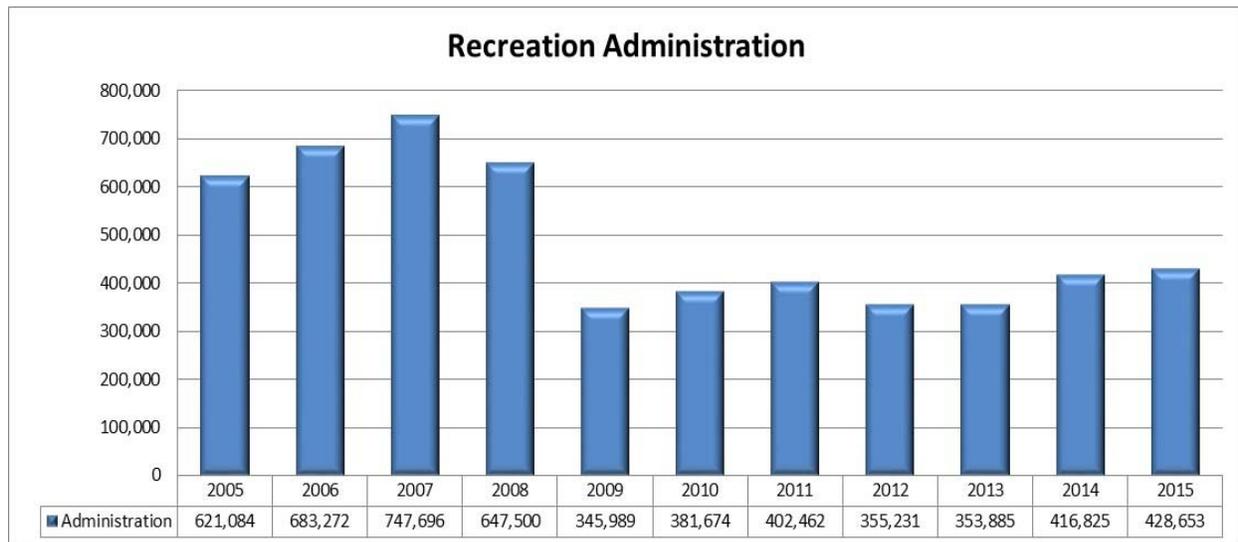
2009: Expenses decreased due to transfer of Seaview Park and Recreation Center maintenance from this program to the Recreation Center program.

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.

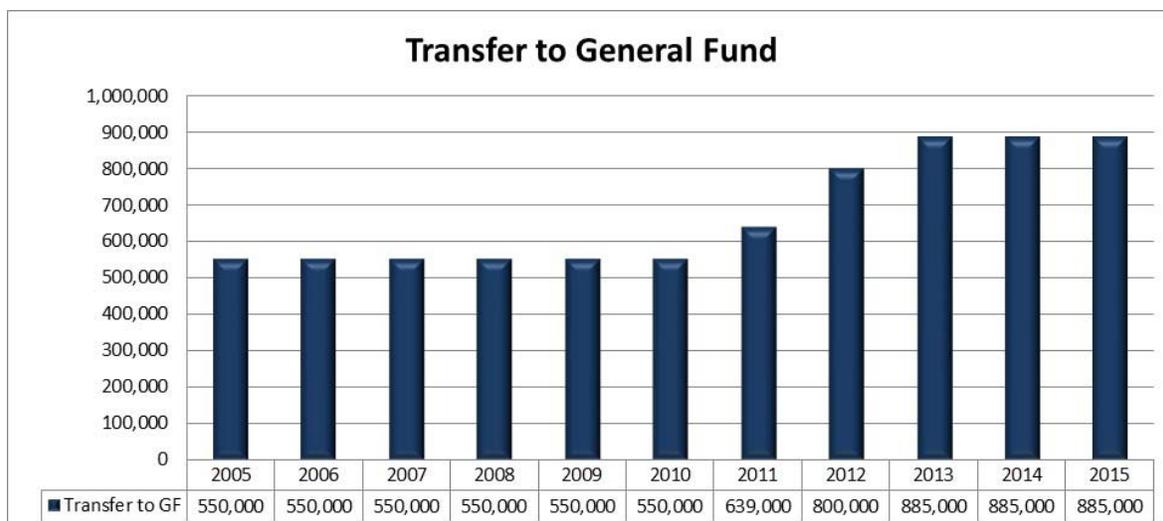
2014: Expenses increased due to addition of a 0.75 FTE Office Assistant II position to provide administrative support.

2015: Expenses increased due to the increase of the Office Assistant II to full time 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 and has been maintained at \$885,000.



# 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.

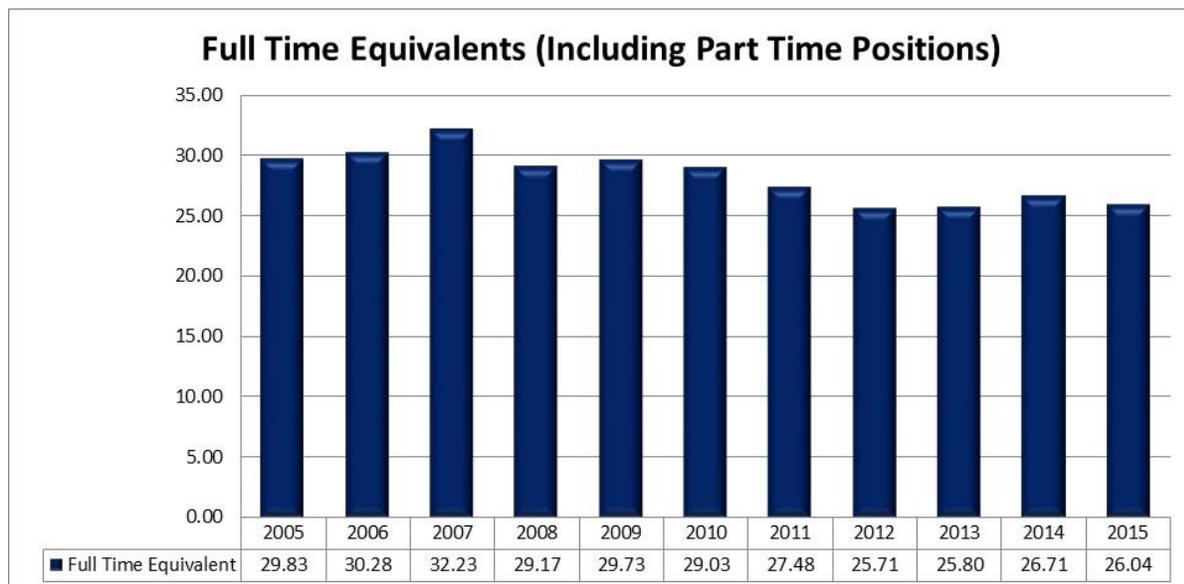
2011: Eliminated Assistant Dockmaster position.

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

2013: Eliminated one Assistant Director Position.

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

2015: Increase the Office Assistant II position from .75 to 1.00, added a Pro Shop Assistant at the golf course and balance is a reduction in various part time and temporary positions.

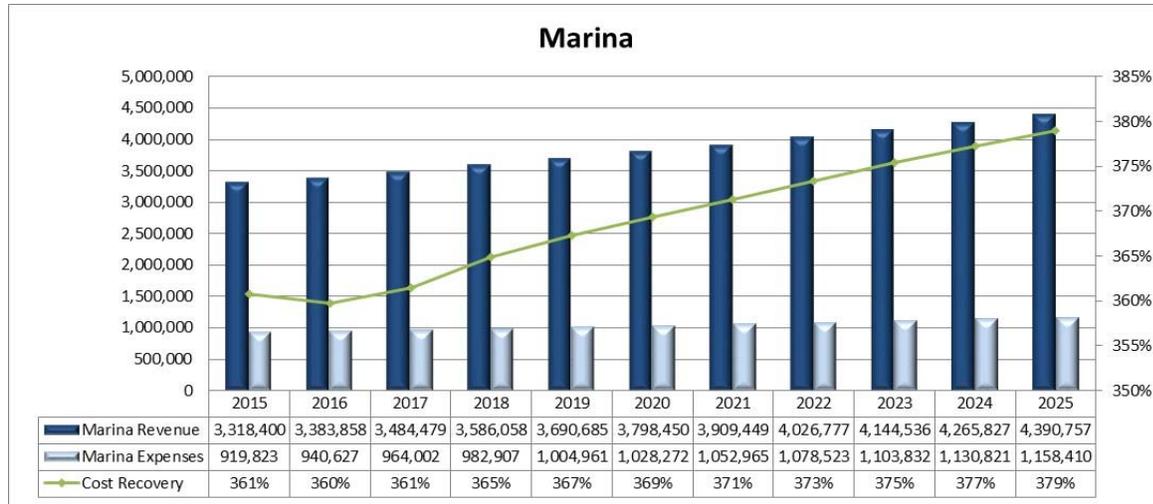


# FORECAST SUMMARY

## Recreation Enterprise Fund Forecast

### Marina

Gradual growth in revenue is based on continued improvement in the local 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

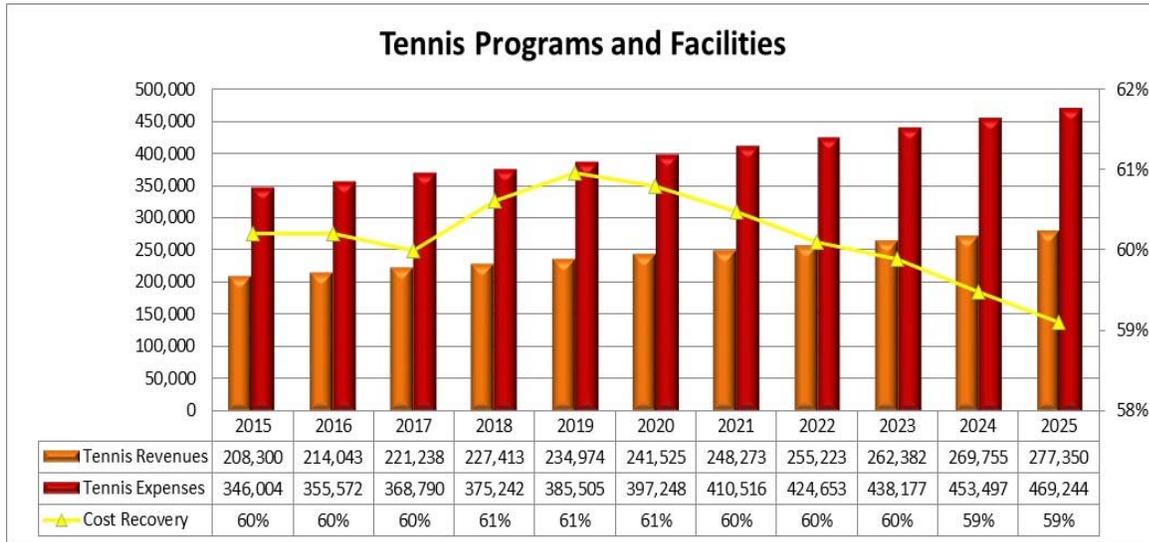
Revenue projections are based on an improved economy, strategic price increases, growth in play and increased merchandise sales all due to the recent success of the new clubhouse and restaurant agreement and course redesign. Expenses increase for additional staff needed to meet increased play and pro-shop 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

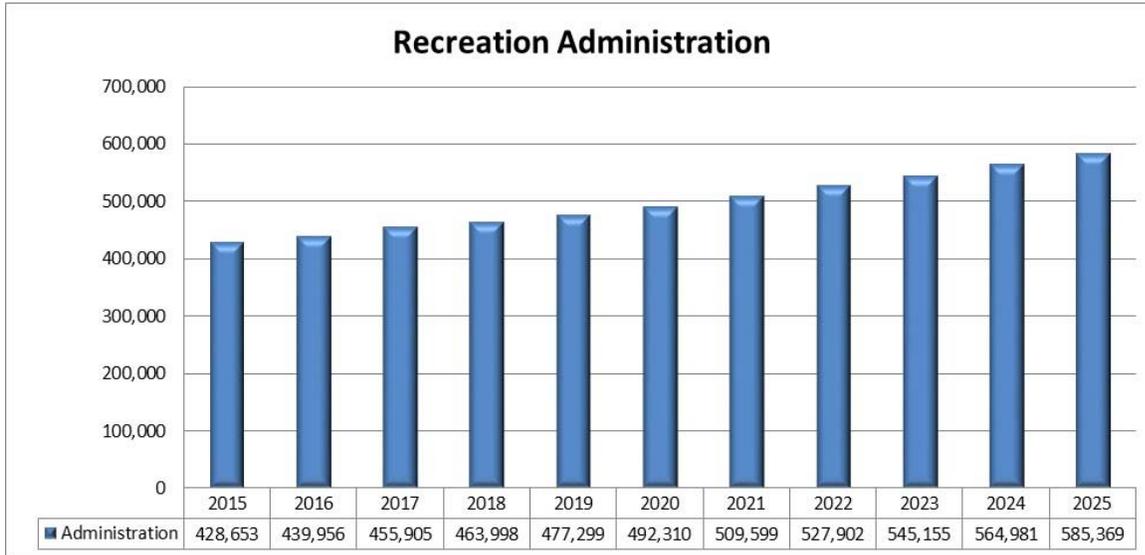
Gradual revenue growth is based on an improving economy and participation growth due to increased program offerings. Expenses gradually increase for costs of goods and services, mostly related to minor facility repair and upkeep, and increase in salaries/benefits.



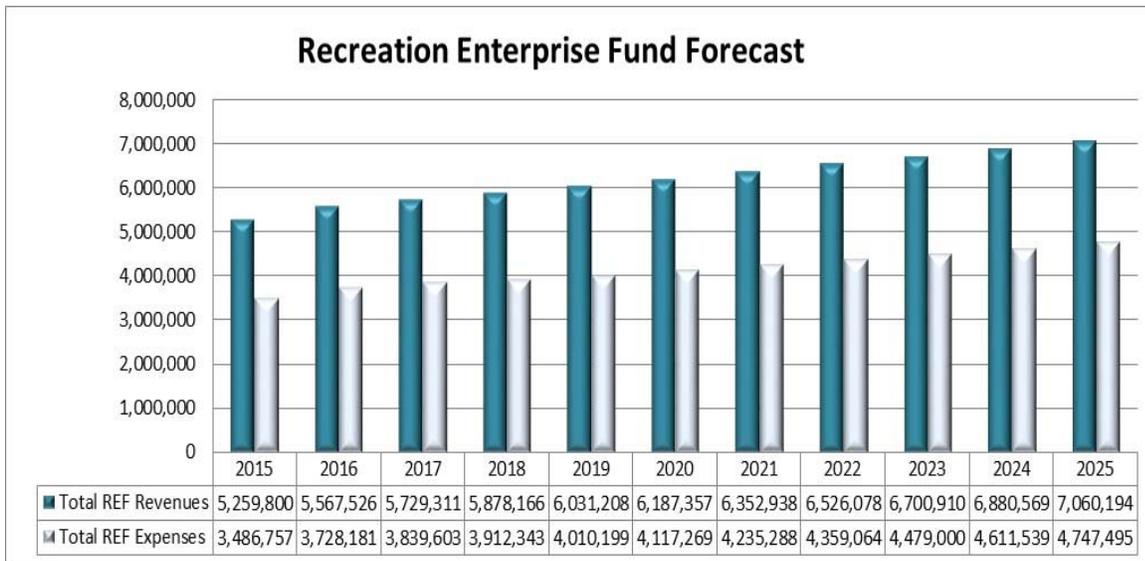
# FORECAST SUMMARY

## Recreation Administration

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

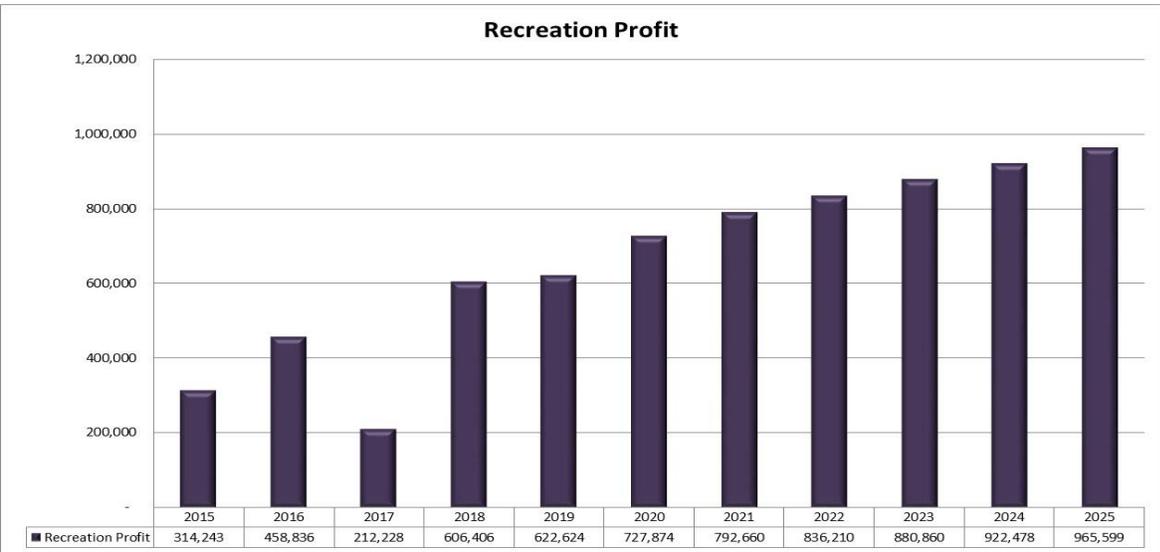


## Total Recreation Enterprise Operating Fund



# FORECAST SUMMARY

*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.

In FY17, \$400,000 is forecasted for a master plan and structural assessment of the docks and scheduled replacement of golf equipment. These items cause the 2017 forecasted profit to be significantly less than the prior year and future years.

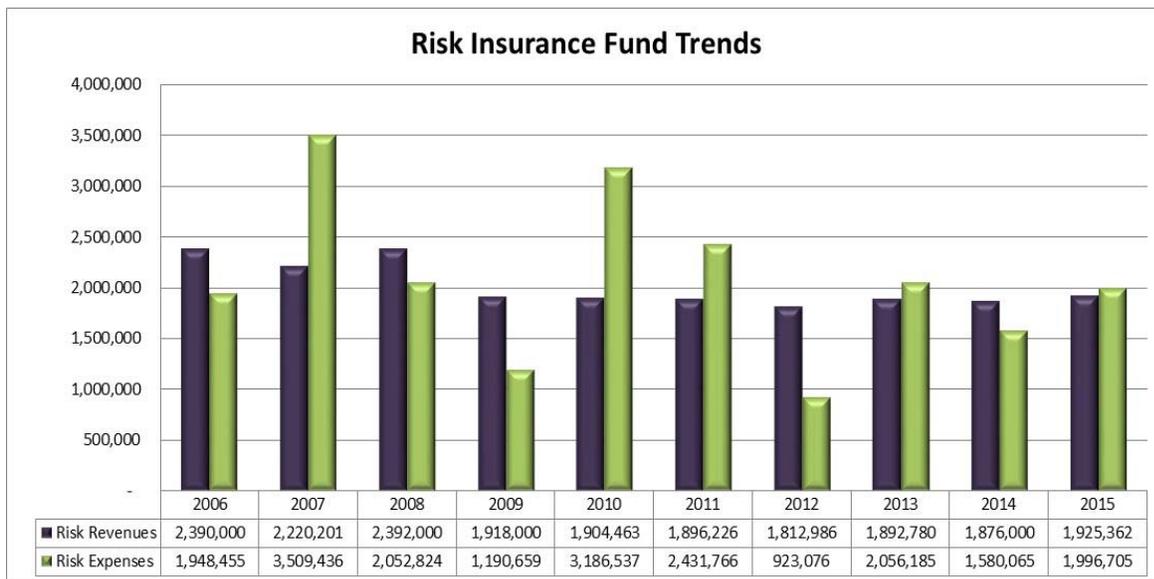
Growth of net assets will provide a revenue source for future major capital projects, such as the rebuilding of the Town Docks. Although fund balance may not be able to cover the entire costs of future projects, having a significant balance to draw from would minimize the Town’s borrowing needs.

## 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, and public officials and employment practices insurance. Other responsibilities include: claims investigation and administration; contract review regarding hold harmless agreements, indemnification and insurance requirements of vendors; safety, loss prevention and control programs; and review of proposed legislation which could impact the Town.

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.

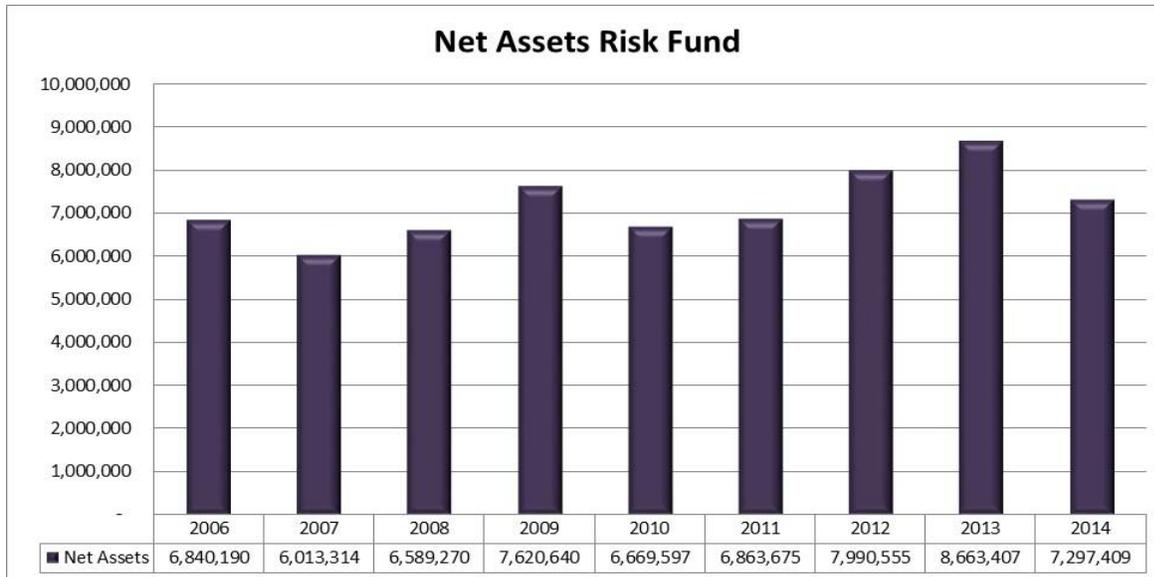
The 10 year trend in revenues and expenditures is shown below.



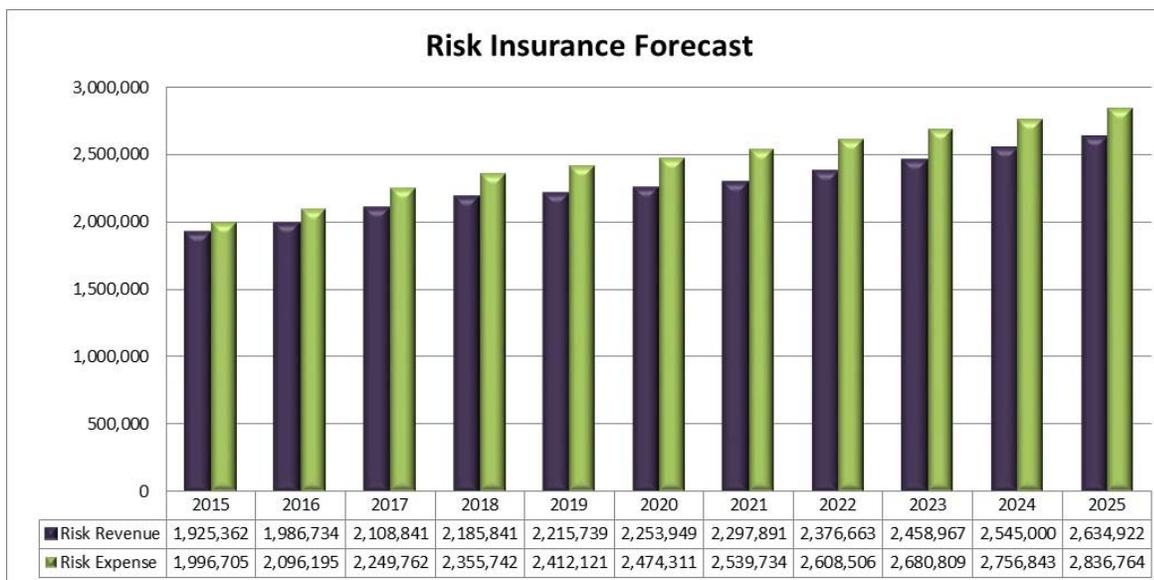
The 2007 and 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker’s compensation claims. In 2012, the retention levels were lowered which caused a decrease in expense. The increase in expense in 2013 was due to abnormally high claims for the year. Risk expenses in 2014 were lower than expected due to lower claims. In 2015 we increased funding for the stop loss from \$780,000 to \$900,000.

## OTHER FUNDS

The Net Assets of the fund have been used to fund uninsured losses. In FY14 a transfer from the excess Net Assets of the Risk Fund was made to the Coastal Protection Fund of \$2,000,000 to fund coastal projects.



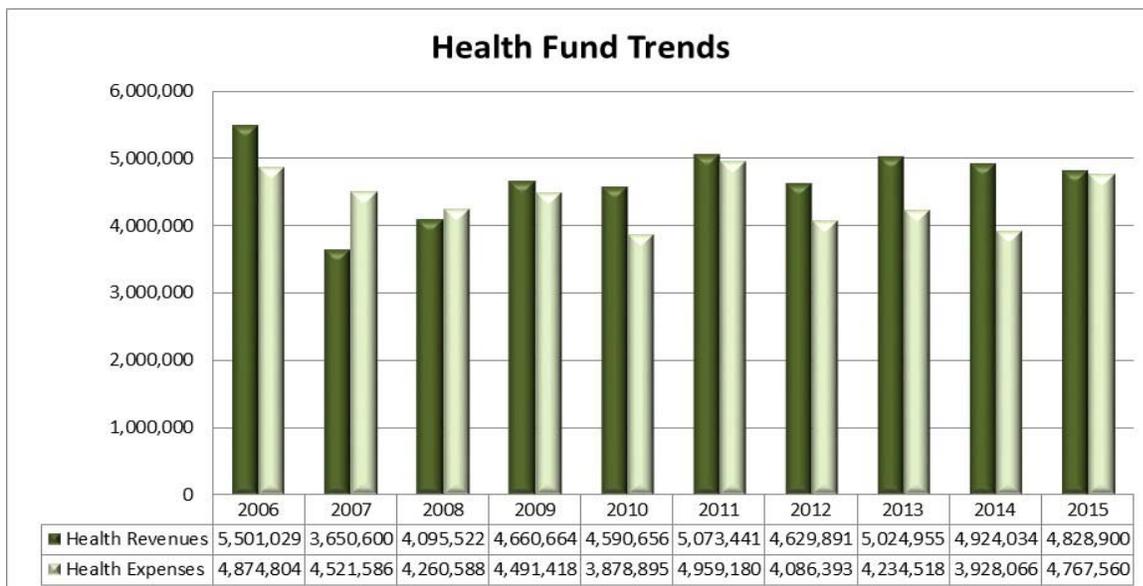
The Risk Insurance Fund forecast assumes annual increases of 5% for property and liability insurance and 3% for workers' compensation insurance. The stop loss reserves have been increased from \$780,000 in 2014, \$900,000 in 2015 to \$1,100,000 in 2018 based upon the recommendation by our insurance carrier based upon the Town's claims history.



**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.

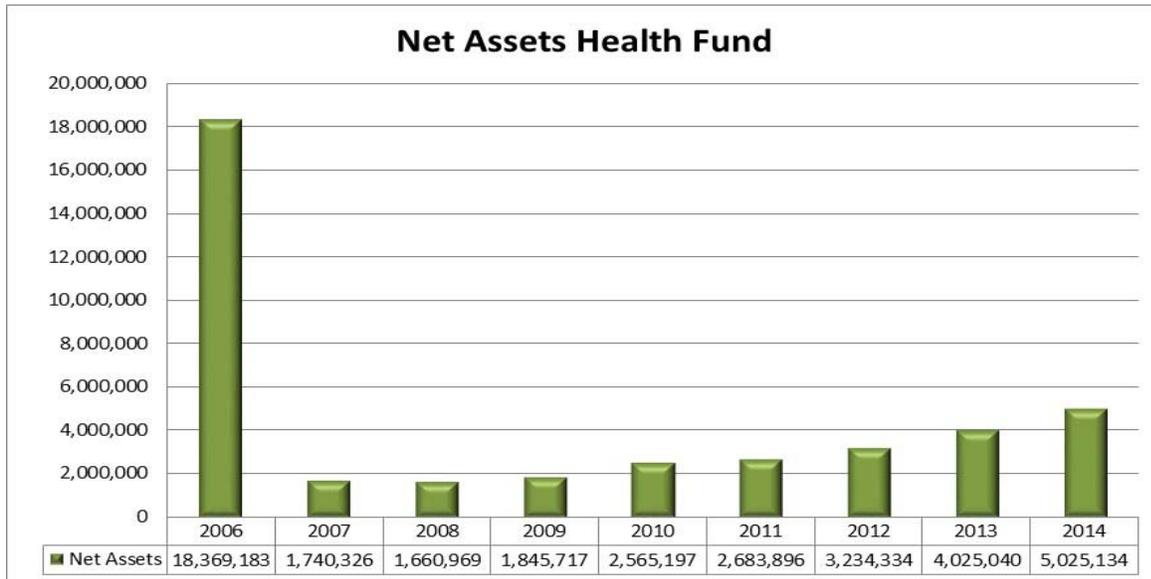


In 2007, revenues and expenditures associated with retiree health insurance costs were transferred out to the newly established OPEB trust. In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund. Health claims in 2012, 2013 and 2014 were below expectations due to cost containment measures that were implemented.

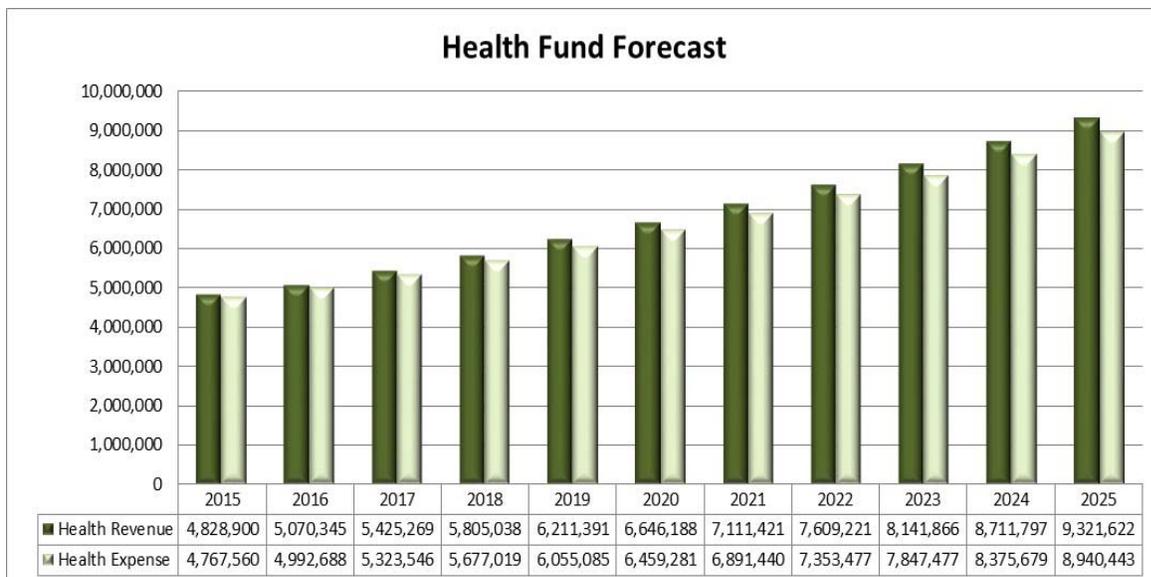
Prior to the establishment of the OPEB trust in 2007, the Health Fund accumulated reserves in anticipation of the liability associated with retiree health insurance. A total of \$16,000,000 was transferred from the Health Insurance Fund reserves to the OPEB trust to offset the accrued liability and reduce 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 increase in FY16 of 5% and then annual increases of 7% for health insurance costs through the remainder of the forecast period. 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.

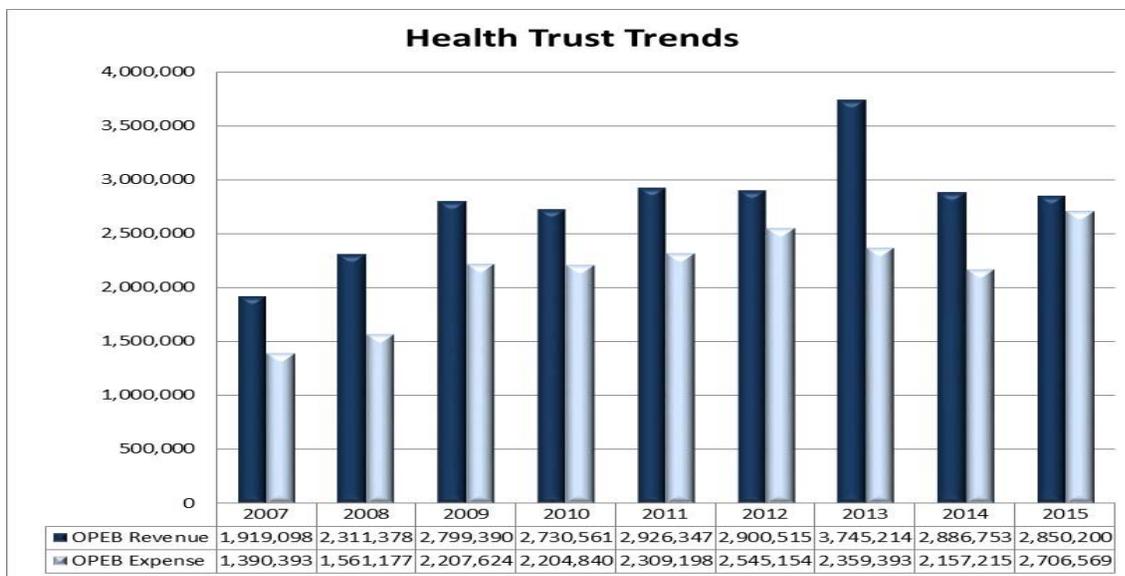


**The Health Insurance Trust (OPEB)**

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, 2014. The Town’s Actuarial Accrued Liability as of September 30, 2014 was determined to be \$35,537,572. The annual budgeted contribution for FY15 is \$1,577,000. In 2013, the Investment Advisory Committee approved a reduction in the interest rate assumption from 8% to 7.5%. The actuary most recent report includes the new interest rate assumption.

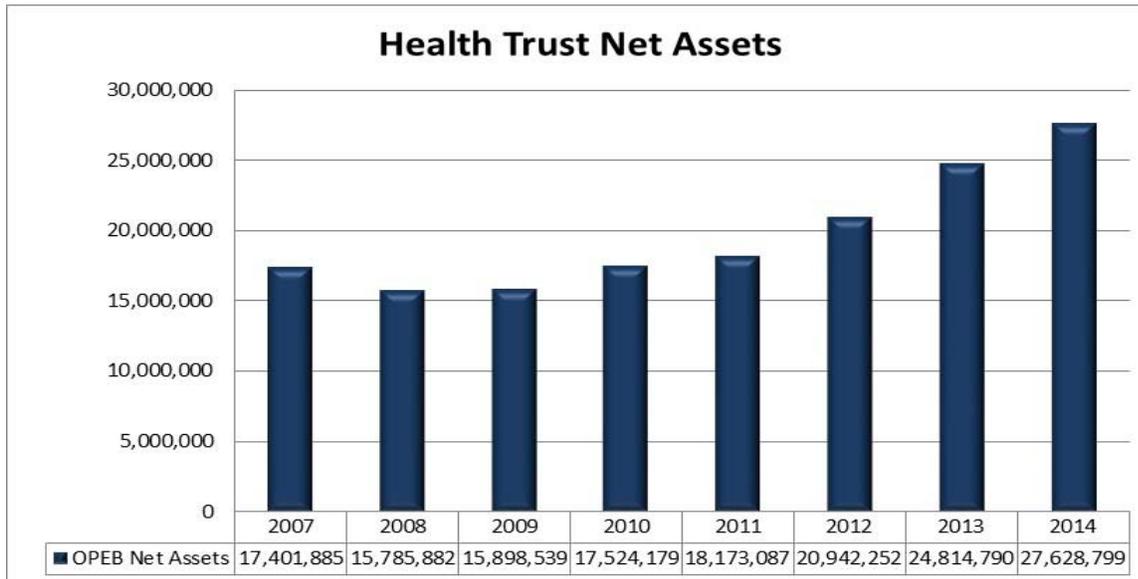
The trend in revenues and expenditures since 2007 is shown below.



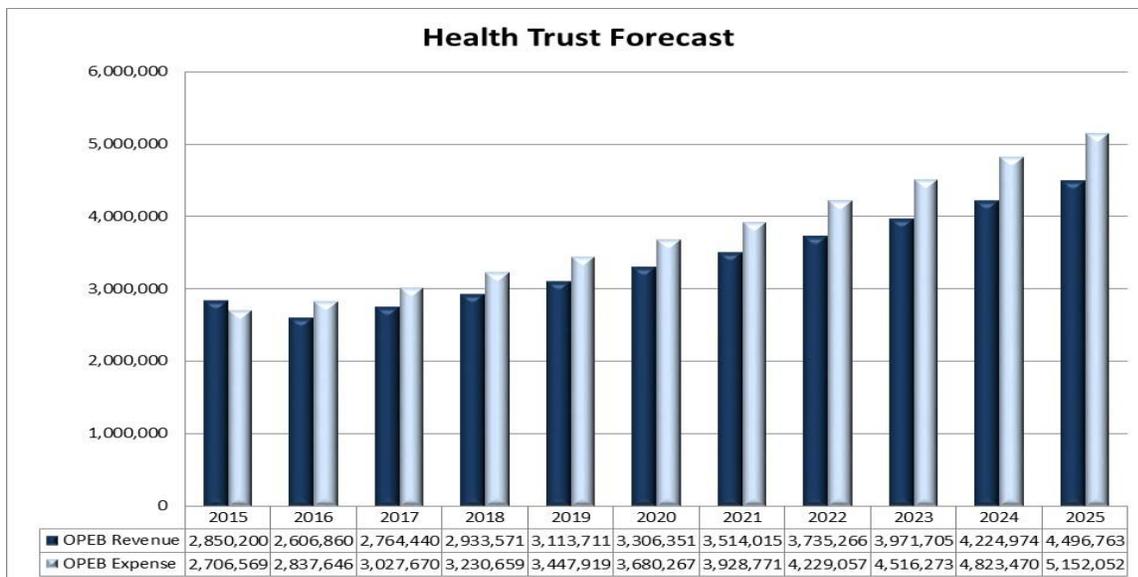
In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures. The increase in revenue in 2013 was due to better than expected investment performance. Performance for 2014 continued to be strong as the fund returned an 8.5% return for the 1 year period ending September 30, 2014.

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

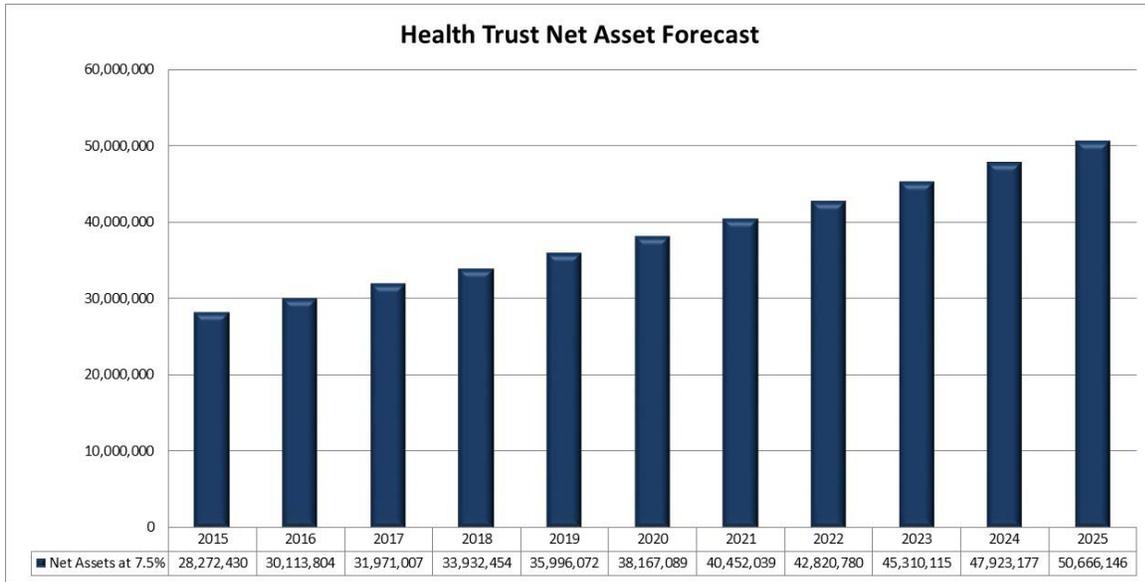


The 10 year forecast assumes a 5% increase for FY16 and then a 7% annual increase thereafter in health insurance costs. Town staff believes we can continue to manage this benefit proactively to contain future costs increases to lower than market levels, as we have done in the past. The Town's contribution estimates were based upon actuarial estimates for the next 10 year period.



The Health Insurance reserves are forecasted to increase from \$27.6 million to \$50.6 million during the forecast period. The increase is derived from the annual surplus (revenues over expenditures) and investment income at 7.5% per year.

# 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.

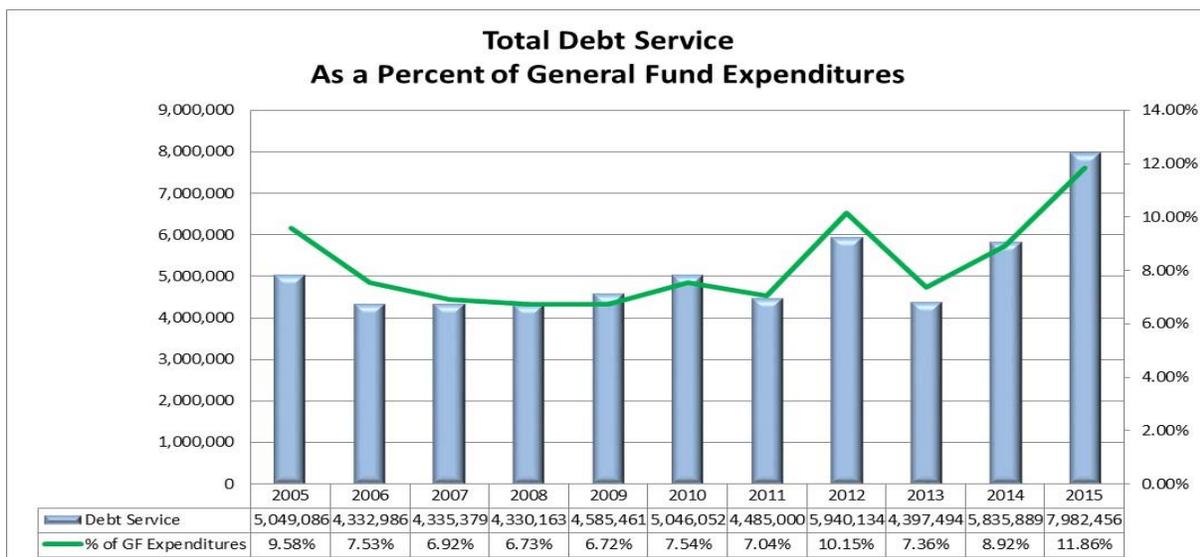
The 2010A bonds refunded the 2003B bonds (\$5,310,000), the 2008 Revenue Note (\$10,000,000), and a 2009 Line of Credit (\$600,000) which was issued for the Worth Avenue Project. The balance of the proceeds funded a portion of the Town's Accelerated Capital Improvement Program totaling \$41,232,000 and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

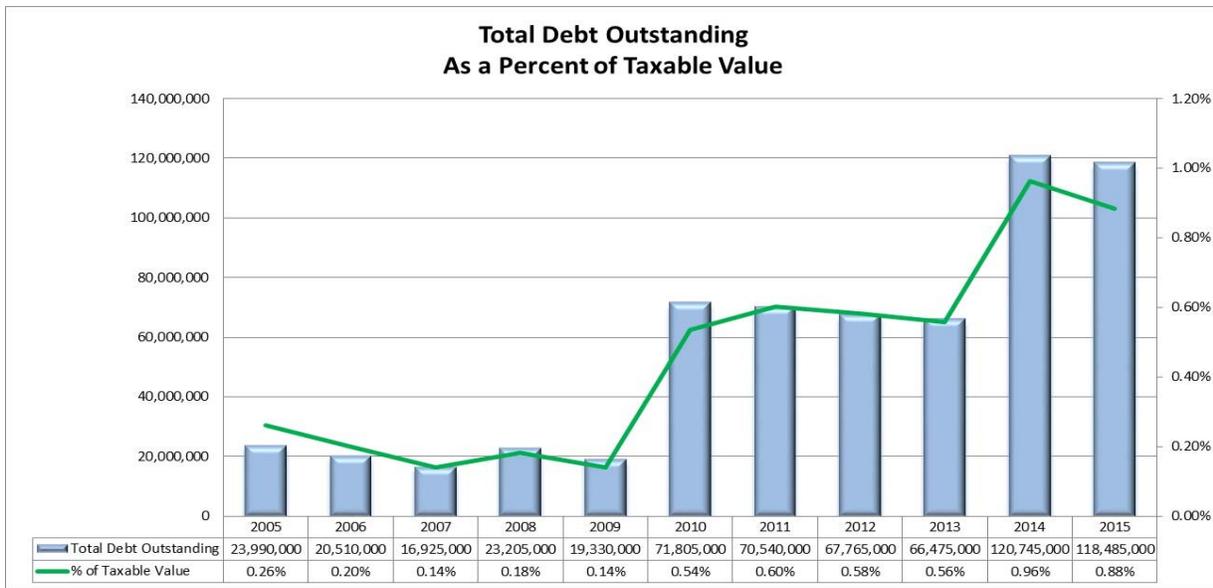
In December 2013, the Town issued bonds totaling \$55,590,000 for the second phase of the Accelerated Capital Improvement Program, the "bondable" portion of the Coastal Protection Program, and to refund the Recreation Enterprise Fund for the Town's share of the Par 3 Clubhouse. The transfer from the 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:

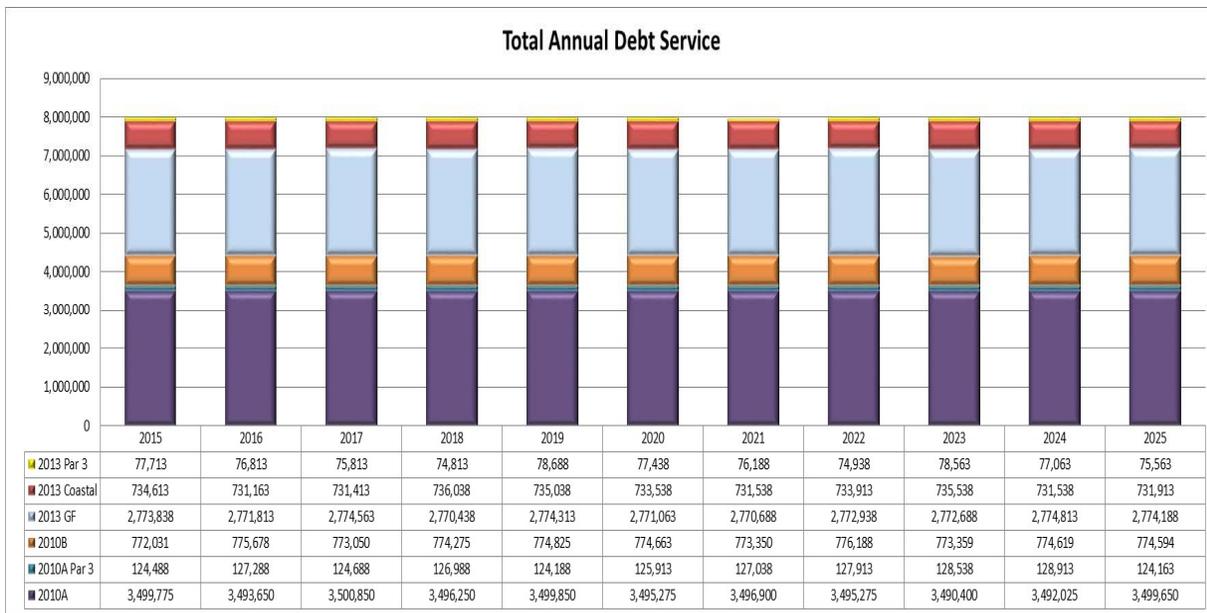


# OTHER FUNDS

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

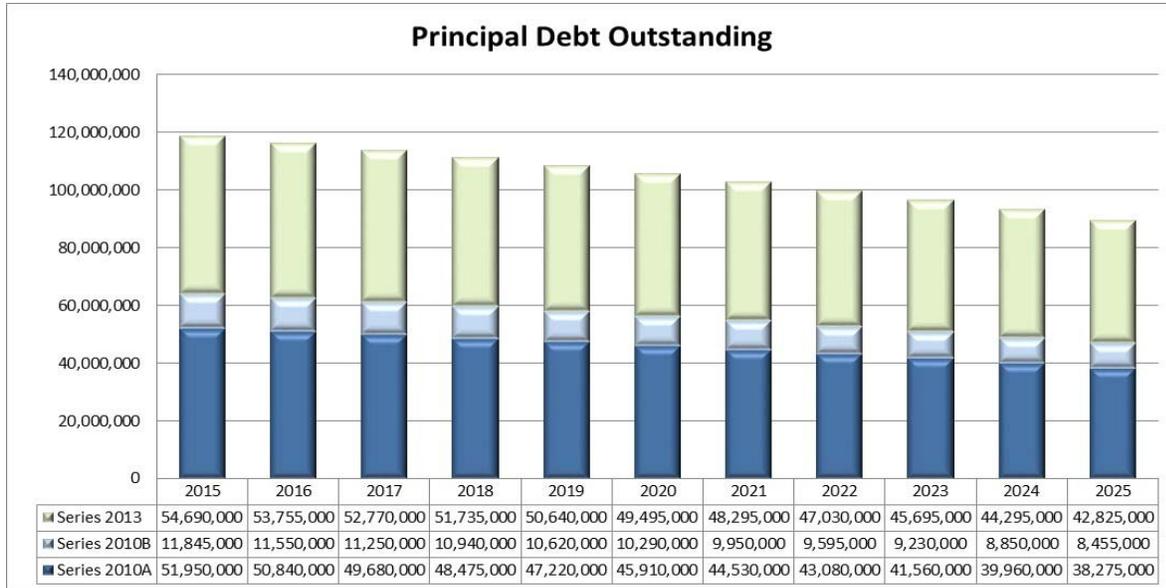


The forecasted total annual debt service for the period of FY15 through FY25 is shown in the chart below:

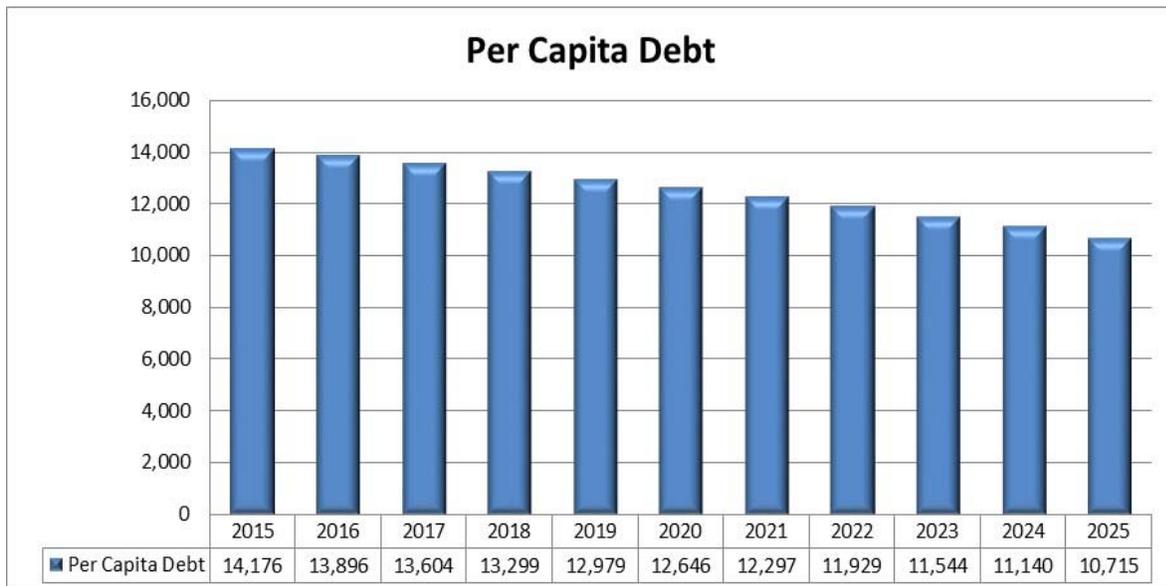


## OTHER FUNDS

The total principal debt outstanding for the all debt recorded as of this forecast for FY15 through FY25 is shown in the chart below:



The Per Capita debt utilizing the current census population of 8,358 for the period of 2015 through 2025 is shown below:

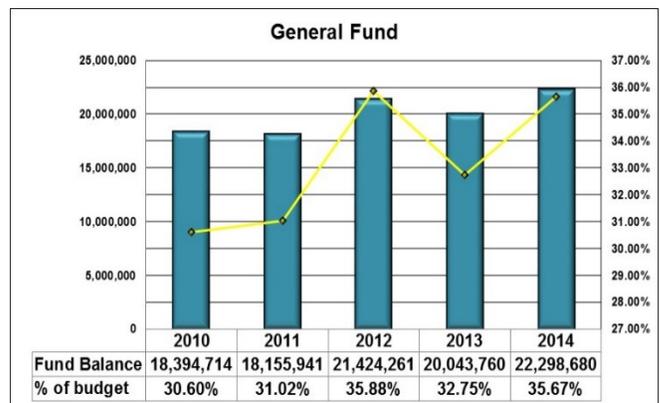


## Town of Palm Beach Reserves

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*

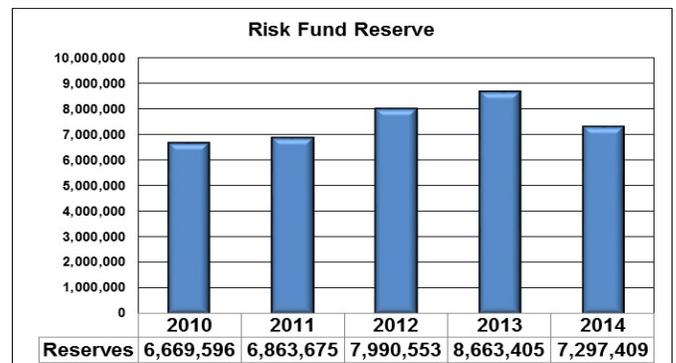
Pursuant to adopted policy, the unassigned fund balance for the General Fund is to be maintained at a minimum level of 25% of current year General Fund budgeted expenditures. This minimum level is to be maintained to protect the Town against economic downturns, temporary revenue shortfalls, unpredicted one-time expenditures, and for tax rate stabilization purposes. Twenty-five percent of the FY15 General Fund operating budget (General Fund budget less coastal transfer) is \$15,629,586. The FY14 ending fund balance was \$22,298,680. The unassigned fund balance exceeds the minimum requirement by \$6,669,094.



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 FY15 budget, a transfer of \$909,000 from fund balance was used to fund the contingency reserve as directed by policy.

### *Reserves - Risk Fund*

The total reserve balance for the Risk Fund was \$7,297,409 as of September 30, 2014. 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. The trend for the Risk Fund Reserve is shown in the table. In 2014 the Town Council approved a transfer of \$2,000,000 from the reserves of the Risk Fund to the Coastal Protection Fund.



# 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 \$1,314,950 for FY15. 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 FY14, the net asset balance for the Recreation Enterprise Fund (REF) was \$4,645,148. Separate reserves have been set aside from this amount for the dock replacement, Par 3 Improvements, tennis improvements and equipment replacement.

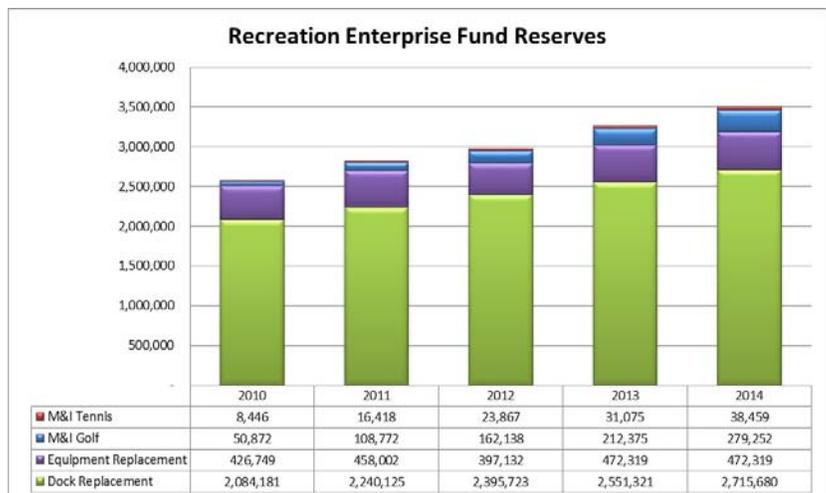
At the end of FY14, \$2,715,680 had been set aside in the Dock Replacement Reserve. The Dock

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 FY14, the balance is \$279,252.

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY14 is \$38,459 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 FY14 is \$472,319.

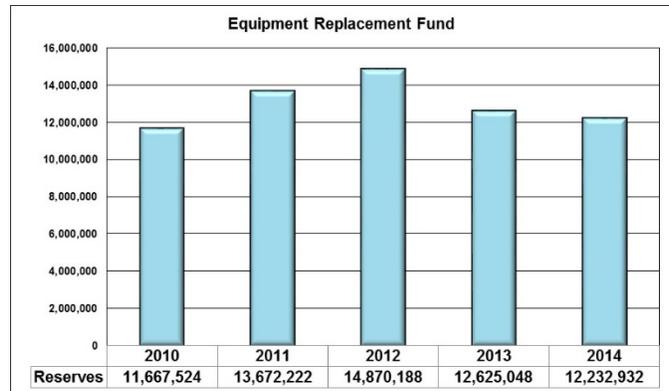


# RESERVE STATUS

## *Equipment Replacement Fund*

The Town-wide 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 FY14 is \$12,232,932. In FY13, the Town Council approved the use of a portion of this reserve for internal financing for small underground utility projects financed by special assessments. To date, a total of \$1,907,019 has been used for these projects.



For FY14, income including the depreciation transfer will total \$1,900,202 and expenditures for capital equipment are budgeted at

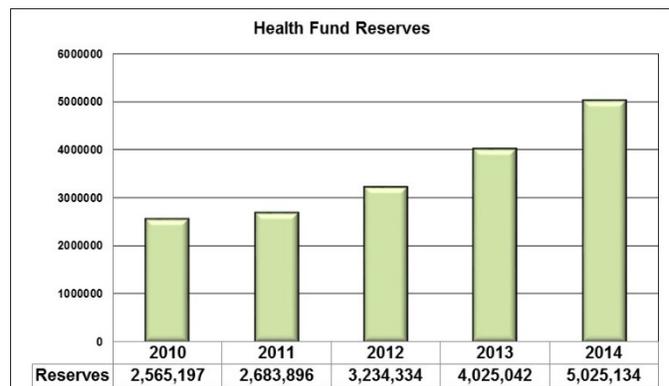
\$1,585,630. An analysis of the reserves determined an excess balance of \$2,858,913 from the accumulated interest earned by the fund and identification of equipment that will not be replaced. The Town Council authorized a transfer of this excess amount to the coastal protection fund during FY14.

## *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, 2014, was \$3,456,532. The FY15 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$640,900.

## *Health Insurance Reserve*

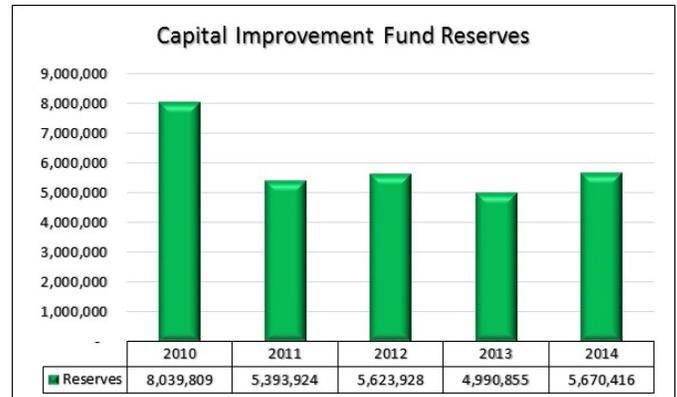
The balance of the reserve in the Health Fund at the end FY14 is \$5,025,134. These reserves guard against any deficiencies in the Town's self-insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. The balance has been improving over the past 5 years due to good claims experience.



# RESERVE STATUS

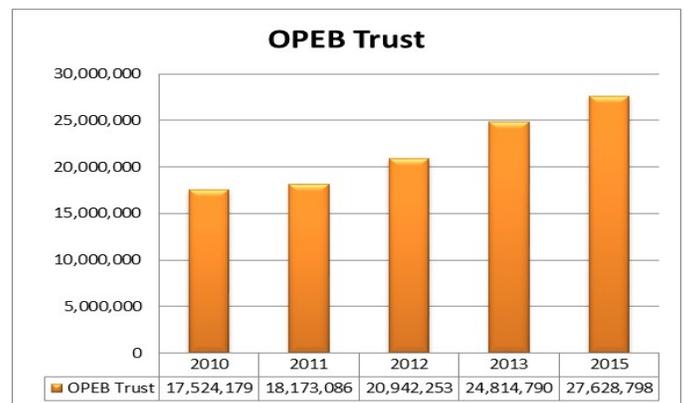
## Capital Improvement Fund

For many years, the Town funded all of the capital infrastructure improvements through pay-as-you-go financing. In 2010, the Town issued the first of two bonds for capital improvements to accelerate many large scale capital improvement projects identified in the 20 year plan. The Capital Improvement Fund has received a \$1,000,000 transfer from the General Fund each year since 2010 to fund small capital projects that were not included in the 20 year plan. Once the bond proceeds have been spent on the remaining projects, it is proposed to return to pay-as-you-go financing. Additional funding is anticipated to be transferred beginning in FY18 when the bond proceeds are expected to be exhausted.



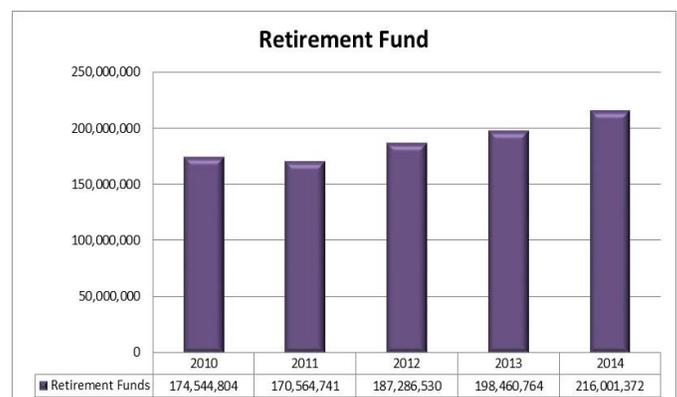
## OPEB (Other Post Employment Benefits) Trust

The Town's OPEB Trust Fund was established in 2007 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's investments are overseen by the Town's Investment Advisory Committee. The net asset balance in this trust is \$27,628,798 as of September 30, 2014. The actuarially determined transfer from the General Fund for the OPEB liability for FY15 is \$1,577,000. 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 retirement fund at the end of FY14 were \$216,001,372.



# RESERVE STATUS

## 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 FY15 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 below identifies the contingency budgets and actual expenditures for the fiscal years 2011 through 2015.

### Contingency Reserves FY2011 – FY2015

Contingency	2011	2012	2013	2014	2015
General Fund Budget	929,468	807,397	843,000	860,000	909,000
General Fund Actual	421,302	806,988	556,668	293,800	-0-
CIP Budget	186,000	181,000	201,000	205,000	205,000
CIP Actual	45,000	94,000	-0-	-0-	-0-
ERF Budget	500,000	500,000	500,000	500,000	500,000
ERF Actual	51,311	-0-	156,528	136,869	-0-
Risk Budget	500,000	500,000	500,000	500,000	500,000
Risk Actual	-0-	50,000	-0-	-0-	-0-
Health Budget	500,000	500,000	500,000	500,000	500,000
Health Actual	85,000	-0-	-0-	-0-	-0-
Recreation Budget	176,700	155,000	235,600	249,220	272,100
Recreation Actual	-0-	137,000	35,000	-0-	-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.

## RESERVE STATUS

The table and the chart below and on the following page summarize the trend of the unassigned net position, net asset balances, compensated absence, and replacement reserve balances for fiscal year ending FY10 through FY14.

### Reserve Balances Fiscal Years 2010 – 2014

Fund	2010	2011	2012	2013	2014
General Fund	18,394,714	18,155,941	21,424,261	20,043,760	22,298,680
Compensated Absence (GF)	3,065,810	3,621,915	3,315,135	3,390,226	3,456,532
Equipment Replacement Fund	11,667,524	13,672,222	14,870,188	12,625,048	12,232,932
Recreation Enterprise Fund	294,764	413,966	707,381	486,466	1,025,665
Recreation ERF	426,749	458,002	397,132	472,319	472,319
Dock Replacement	2,084,181	2,240,125	2,395,723	2,551,321	2,715,680
Par 3 M&I Reserve	50,872	108,722	162,138	212,375	279,252
Tennis M&I Reserve	8,446	16,418	23,867	31,075	38,459
Health Fund	2,565,197	2,683,896	3,234,334	4,025,042	5,025,134
Risk Fund	6,669,596	6,863,675	7,990,553	6,625,018	7,297,409
Capital Improvement Fund	8,039,809	5,393,924	5,623,928	4,990,855	5,670,416
Health - OPEB Trust	17,524,179	18,173,086	20,942,253	24,814,790	27,628,798
Pension Fund	<u>174,544,804</u>	<u>170,564,741</u>	<u>187,286,530</u>	<u>198,460,764</u>	<u>216,001,372</u>
<b>Total</b>	245,336,645	242,366,683	268,373,423	278,729,059	304,142,648

# RESERVE STATUS

