

# **TOWN OF PALM BEACH, FLORIDA**

## **BUDGET IN BRIEF**

### **FISCAL YEAR 2003/2004 (October 1, 2003 - September 30, 2004)**

#### Town Council

Lesly S. Smith, Mayor (Term Expires 2/2005)  
William J. Brooks, Town Council President (Term Expires 2/2004)  
Norman P. Goldblum, Town Council President Pro-Tem (Term Expires 2/2004)  
Jack McDonald, Town Councilman (Term Expires 2/2004)  
Samuel C. McLendon, Town Councilman (Term Expires 2/2005)  
Allen S. Wyett, Town Councilman (Term Expires 2/2005)

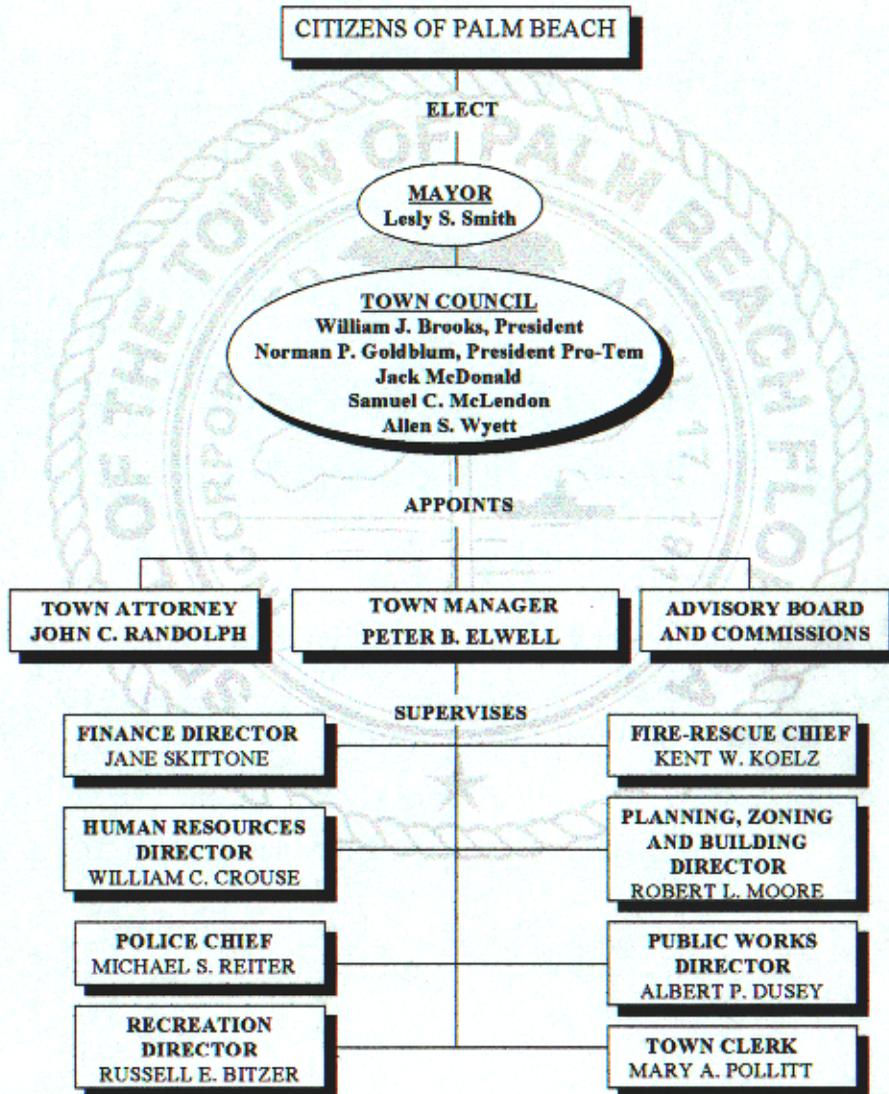
#### Town Manager

Peter B. Elwell

Prepared by the Finance Department  
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# TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



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## Mayor and Town Council



Lesly S. Smith, Mayor

**L**esly Smith was elected Mayor of the Town of Palm Beach in February 2000 after serving on the Town Council for seven years. Ms. Smith served as President of the Town Council from 1995 to 1999 and also chaired the Town's Finance and Tax Committee. She is President of the Fortin Child Care Foundation, which operates day care centers for babies with Aids. Ms. Smith's family has had a residence in Palm Beach for over 50 years. Her late husband, Earl E.T. Smith, served as United States Ambassador to Cuba and as Mayor of Palm Beach from 1971 to 1977.

**W**illiam Brooks has served as a member of the Palm Beach Town Council since February 2000. He has been President of the Town Council since 2002. Mr. Brooks had a 25-year career with the E.W. Scripps Company, the owner of WPTV in West Palm Beach. He served as General Manager of WPTV and Vice President of the E.W. Scripps Company prior to retiring as an officer of the company on July 1, 1999. Mr. Brooks and his wife, Martha, are 29-year residents of Palm Beach.



William J. Brooks,  
President



Norman P. Goldblum,  
President Pro-Tem

**N**orman Goldblum has served as a member of the Palm Beach Town Council since February 2000. He has been President Pro-Tem of the Town Council since 2002. Prior to retiring in 1985, Mr. Goldblum served as vice president and treasurer of Spectro Industries, in Jenkintown, Pennsylvania, one of the country's largest publicly held pharmaceutical distributors. Mr. Goldblum and his wife, Simone, have been Palm Beach residents for 17 years.



Jack McDonald

**J**ack McDonald has served as a member of the Palm Beach Town Council since 1995. He served as President of the Town Council in 2000 and 2001 and President Pro Tem for two years. Mr. McDonald served one term on the Town's Blue Ribbon Panel and was involved in council matters for many years before being elected to the Town Council. Prior to moving to Palm Beach he was President and owner of a national real estate company headquartered in Chicago, Illinois. He currently practices real estate law in Palm Beach. Mr. McDonald has been a resident of Palm Beach since 1980 and his wife, Yong has been a resident since 1989.

**S**amuel McLendon has served as a member of the Palm Beach Town Council for nine years. He was President Pro-Tem of the Town Council in 2000 and 2001. Prior to retiring, Mr. McLendon worked for 45 years as an Engineer for a large water utility and as Partner and Vice President of a Consulting Engineering firm, designing and implementing more than 100 water and waste-water plants, directing an EPA approved Environmental testing laboratory, and owning and supervising the design, construction and operation of two public water supply systems. Mr. McLendon and his wife Joyce have been residents of Palm Beach for 11 years.



Samuel C. McLendon



Allen S. Wyatt

**A**llen S. Wyatt is serving his fifth term as a member of the Palm Beach Town Council. He has been on the Town Council since 1995. Prior to his election to the Town Council, he served on the ARCOM committee from 1993 through 1995. Mr. Wyatt was the founder of Robert Allen Fabrics, an international converter/distributor of fabrics for the home, hotel and office. He retired after the sale of the firm to Masco Corporation in 1990. Mr. Wyatt and his wife Carol have been Palm Beach residents since 1972.



## Office of the Town Manager

October 1, 2003

Dear Honorable Mayor, Town Council and  
Citizens of the Town of Palm Beach

I am pleased to present the Comprehensive Annual Budget for the Town of Palm Beach for fiscal year beginning October 1, 2003 and ending September 30, 2004. This document contains a concise summary of the Town's Comprehensive Annual Budget document. Copies of the comprehensive document are available for inspection in the Finance Department at Town Hall.

The Townwide Goals for FY2004, adopted by the Town Council at its meeting on March 11, 2003, are set forth below, along with a brief italicized status statement on each:

- ❖ Continue the implementation of the Town's Coastal Management Plan, including final permitting and construction of the Phipps Ocean Park Beach Restoration Project and initial permitting activities for Reach 2 (Reef Road to Via Los Incas), Reach 5 (Banyan Road to Widener's Curve), and Reach 8 (Ambassador Hotel to South Town Limits). *Town staff and consultants continue to work diligently on these projects. However, due to an extended permit application process required by the U.S. Army Corps of Engineers, the Phipps Ocean Park Project is now scheduled for FY2005.*
- ❖ Continue the implementation of the approved 10-year drainage improvement program for the basins north of Wells Road. *Full funding for the FY2004 projects in this program is included in the FY2004 budget. Overall, implementation of this program is on-time and under budget.*
- ❖ Implement engineering, financial and legal studies in order to establish a long range plan to bury electric, telephone and cable wires. *The Town Council approved the implementation of the studies to commence in FY2003 using a portion of the Capital Improvement Fund Contingency. Planning activities will continue during FY2004.*

- ❖ Maintain a high level of safety and security of the community (crime, natural disaster and terrorism) and address new threats as they may develop. *Funds are included in the FY2004 budget to further the Town's already intense efforts in this area.*
- ❖ Implement actions recommended in the Town's Strategic Plan and add to it a Strategic Plan for the Fire-Rescue Department and a Traffic and Parking Improvement Plan. *The Town is proceeding with overall implementation of the Strategic Plan. However, the department-specific Strategic Plan for the Fire-Rescue Department has been postponed for at least a year due to cost and other factors (related to the integration of that plan with the department's accreditation process) and the Traffic and Parking Improvement Plan has been postponed for one year due to its expected cost.*

### GENERAL FUND

The FY2004 adopted budget strives to maintain the Town's high levels of service, to hold down costs wherever possible, and to anticipate necessary expenditure increases and plan for future Town financial needs.

The FY2004 budget includes a \$1.7 million (98%) Townwide increase in retirement funding, almost \$1.6 million of which is increased cost to the General Fund. This non-discretionary expenditure increase amounts, all by itself, to a 3.8% increase in total General Fund operating costs. Because it is primarily the result of 2 years of very poor performance in the investment markets, this increase is similar in magnitude to pension fund increases being experienced by other governmental agencies and many major corporations.

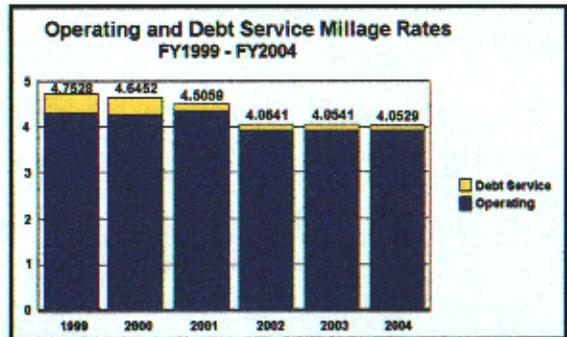
The General Fund budget also includes \$376,900 of new debt service costs for the Town facilities projects, \$50,000 for feral cat management, \$27,000 for the expanded lethal yellowing program, and sufficient funding to maintain all other approved levels of service.

### Revenues

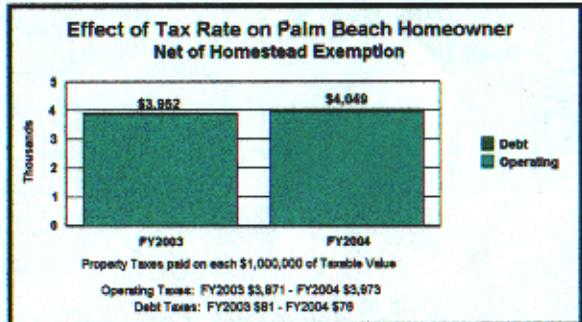
In the General Fund, total revenues are expected to decrease by \$1,221,036 (2.5%) from the adopted FY2003 budget. The primary reason for this decrease is the \$3,900,000 transfer from Fund Balance for the North Lake Way drainage improvement project which was included in the FY2003 budget. The FY2004 budget does not include any use of the undesignated General Fund balance as a revenue source.

**Ad Valorem Revenue**

Ad valorem tax revenues will increase by \$2,882,355 (10%) over the adopted FY2003 budget. The preliminary total taxable value in the town increased by 10.14%. An adopted operating millage rate of 3.9768 mills and a debt service millage rate of .0761 mills totaling 4.0529 mills is slightly lower than the FY03 millage rate of 4.0451. The aggregate impact of these changes on a Town taxpayer who maintains a homestead exemption on a property valued at \$1,000,000 will be an increase of \$97 in taxes paid to the Town.



The trend in the Town’s total millage rate for the last six years including the FY2004 adopted rate is shown in the bar chart to the left. The rate has been declining since FY1994. A more detailed chart showing taxable value and millage rate trends since FY1990 is located in the appendix.



The Town of Palm Beach millage rate represents 20.29% of the total tax bill for a Palm Beach property owner. In other words, for every \$100 of property taxes paid by the property owner in the Town of Palm Beach, only \$20 is returned to the Town. More details regarding the millage rate and total tax bill, including all taxing districts can be found in the appendix.

**Expenditures**

Total General Fund expenditures of \$47,450,633 represent a 2.5% decrease from FY2003 operating expenditures.

**Fund Balance**

For the fourth year in a row, the budget does not include any use of fund balance as a

revenue source to balance the budget. The staff believes this is an important policy for the Town's continued financial strength.

As of September 30, 2002, the Town's General Fund undesignated fund balance was \$15,212,417. The General Fund Undesignated Fund Balance Policy requires that the General Fund maintain an undesignated fund balance of 25% of budgeted expenditures. This requires a minimum undesignated fund balance of \$11,862,659 for FY2004. We anticipate fund balance to increase by well over \$2,000,000 at year end FY2003. Therefore, the Town's General Fund undesignated fund balance is expected to include over \$5,100,000 of "excess funds" over the policy required minimum at the end of FY2003.

## OTHER FUNDS

### *Debt Service Funds (200, 201, 203)*

The Debt Service Funds provide for the payment of principal and interest on the Town's outstanding 1993 General Obligation Bonds and the 2000 and 2003 Series Revenue Bonds. Each year a debt millage is assessed to fund actual dollars needed to meet the annual debt payments for the 1993 General Obligation Bonds and related expenses. The 2000 and 2003 Revenue Bonds are funded from a transfer from the General Fund's non-ad valorem revenues, grant funds, and accumulated reserves in the coastal protection pay-as-you-go fund. The Town's outstanding bonded debt as of September 30, 2003 is as follows:

<i>Year Issued</i>	<i>Outstanding Principal Balance as September 30, 2003</i>	<i>Purpose</i>
2003	\$24,515,000	To refinance the 2000 Beach Revenue Bonds and provide financing for the Town facilities projects.
2000	5,890,000	Outstanding balance of unrefunded maturities for 2000 Beach Revenue Bonds.
1993	<u>1,325,000</u>	To refund the callable portion of the 1986 Bond Issue. (Final payment 7/1/2005)
<b>Total</b>	<b><u>\$31,730,000</u></b>	

As of September 30, 2003, the Town's gross bonded debt will amount to only 7.5% of the legal limit of \$420,436,718 (5% of FY2003 preliminary taxable value of \$8,408,734,361), as set forth in the Town's Charter.

As part of the preparation for the 2003 Revenue Bonds, the Town's GO and Revenue Bond ratings were reviewed by both Moody's and Standard & Poor's. The Town's conservative financial policies and strong management of its financial resources were recognized, and it resulted in rating upgrades in both revenue and general obligation categories. Moody's Investors Service upgraded the Town's credit rating to Aa1 from Aa2 for the 2003 Revenue Bonds and confirmed the Town's current Aaa GO credit rating. Standard and Poor's upgraded the credit rating on the Revenue Bonds to AA+ from A+ and upgraded the Town's 1993 General Obligation credit rating to AAA from AA. The AAA credit ratings are the highest ratings these two rating services issue and represent the highest quality investment grade debt. The Town is one of only three municipalities in the State of Florida to maintain a AAA rating from both Moody's and Standard & Poor's.

The revenue bond upgrades provided cost savings to the Town. Credit quality spreads in the current market enabled many of the maturities to be offered without insurance, instead using the Aa1/AA+ ratings and avoiding the insurance premium required to elevate the rating to the insured Aaa/AAA level. As a result, insurance costs that were estimated to be \$90,000 were actually only \$25,394. This cost reduction was passed onto the Town in the form of lower debt service on the new money bonds and increased savings on the refunding bonds.

The 1993 GO debt service appropriation is \$707,615 in FY2004 and is funded through a separate debt service levy of .0761 mills. The 2000 and 2003 Series Revenue Bonds debt service appropriation of \$4,335,550 is funded from non-ad valorem revenues, grant funding, and accumulated reserves in the coastal protection pay-as-you-go fund.

#### *Capital Improvement Funds (307, 308, 309, 310)*

Most of the Town's capital projects are funded on a pay-as-you-go basis. The five-year Capital Improvement Program is updated annually, but only the current year is actually adopted and funded. For FY2004, a transfer from the General Fund of \$2,682,000 is funded to partially offset the anticipated costs of the scheduled projects, which include:

- Continuation of major drainage improvements
- Replacement of sanitary sewer mains

A comprehensive drainage improvement program was initiated in FY2001. Since March 13, 2001, \$11,501,000 has been appropriated to drainage projects. Of this amount \$7,500,000 has been funded from the General Fund Undesignated Fund Balance. In the FY2004 budget, an additional \$2,637,000 is allocated for drainage.



Debt service, planning, design, and permitting costs of the Town's coastal protection projects are funded on a pay-as-you-go basis through the Comprehensive Coastal Management Plan (CCMP) pay-as-you-go fund (308). Construction of these projects is funded by the proceeds of the Town's 2000 Revenue Bond proceeds and the interest accrued in CCMP Construction Fund (309).

Proceeds from the 2003 Revenue bonds are designated for construction of the new central Fire-Rescue station and the Town Hall reconstruction project. These projects are funded from the Town Facilities Construction Fund (310).

### ***Equipment Replacement Fund (320)***

The Equipment Replacement Fund was established in FY2002 with a transfer from the General Fund undesignated fund balance for the accumulated depreciation of all fixed assets over the established thresholds of \$2,500 for capital equipment and \$1,500 for computer equipment.

The purpose of this fund is to pay for the replacement cost of existing equipment, vehicles, and computers when they reach the end of their useful lives. The reserve will significantly reduce budgetary fluctuations and eliminate the need for equipment financing. The annual depreciation transfer for FY2004 is \$1,007,708. Of this amount \$186,198 represents the annual depreciation for computer equipment and \$821,510 represents the annual depreciation for other fixed assets.

### ***Leisure Services Enterprise Fund (403)***

The Town Council authorized creation of the Leisure Services Enterprise Fund on March 25, 2003. This fund will be comprised of all leisure activities in the Town, including golf, tennis, other recreation activities for youth and adults, and operation of the Town docks.



The consolidated budget for the Leisure Services Enterprise



Fund for FY2004 forecasts income from operations of \$352,024. A transfer from the Retained Earnings of the fund in the amount of \$1,269,000 has been appropriated for Capital Improvement Projects at the Marina, Golf Course, and the Phipps Ocean Park tennis facility.

A Business Plan was prepared by staff that reviewed the operations of each of the activities and made recommendations for improvements in operations. The

Business Plan also included a forecast which anticipates net income for this fund to range from approximately \$300,000 to \$400,000 per year. The retained earnings balance through the forecast period is well over the required minimum of 25% of revenue. The forecasted retained earnings for FY2008 represents 90% of revenues or more than \$2,800,000 over the required minimum.

### ***Internal Service Funds - Self Insurance Fund for Risk Management (501)***

The Office of Risk Management is responsible for administering the Town's property, liability and worker's compensation coverage, and the related safety and loss control programs. The cost of operating the Office of Risk Management and of funding the Town's self-insurance and excess insurance programs are funded by a transfer from the General Fund of \$2,810,033 and interest income earned on the retained earnings within the fund. The transfer from the General Fund has been increased from FY2003 by \$63,118 (slightly less than the rate of inflation for the past year).

A reserve for catastrophic exposures/emergencies in the amount of \$2,500,000 and a contingency account in the amount of \$500,000 have been included in the FY2004 budget per the Town's policy. Both amounts will be appropriated from the retained earnings of the fund to preclude having to amend the budget in case of an emergency. A portion of the deductible accounts have been funded from retained earnings for public officials coverage since they are not included in the loss fund.

#### ***Internal Service Funds - Self Insurance Fund for Health (502)***

The health insurance program for Town employees and retirees, and their dependents, 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 and claims administration. The program is funded by a transfer of \$4,374,542, which includes the Town's contribution and the employee and retiree contributions, along with interest income earned on the retained earnings.

For FY2004 the Town Council approved the establishment of a Contingency Reserve for the Health Insurance Fund. The reserve will be appropriated annually for unanticipated expenditures of a nonrecurring nature and/or to meet unexpected increases in health insurance costs and claims exposure. The reserve has been appropriated from the retained earnings of the fund.

Budgeted expenditures for the Town's health insurance program in FY2004 have increased by \$889,454 (20.8%) over the FY2003 budget due to increases in health insurance costs (\$381,961) and the creation of the Health Insurance Contingency Reserve (\$500,000).

#### ***Trust Funds - Retirement (600, 601)***

The Town administers the Town of Palm Beach General Employees' Retirement Plan (600) and the Town of Palm Beach Public Safety Retirement Plan (601).

The Town and each plan's participants are obligated to fund that plan's costs based upon annual actuarial valuations. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The actuarially determined contribution for FY2004 increased by \$1,706,772. This increase was mainly due to substantial investment losses in the funds during the past 2 fiscal years.

**Long Term Financial Plan**

Staff has prepared a Long Term Financial Plan that was presented to the Town Council during the budget hearings. The plan serves as a tool to provide the Mayor, Town Council and staff with insight to address issues impacting the Town's future financial condition. The plan contains the FY2004 budget as well as forecasts for FY2005 through FY2008. Copies of the Long Term Financial Plan are available for review in the Finance Department.

**Acknowledgments**

Preparation of this budget was a team effort involving substantive contributions by all departments. I am particularly grateful for the dedication, creativity, and dependably sound advice of Assistant Town Manager Thomas Bradford and Finance Director Jane Skittone. Finally, this project could not have been completed without the overall coordination and leadership of Ms. Skittone, Assistant Finance Director Cheryl Somers, and Accounting Supervisor Amy Wood.

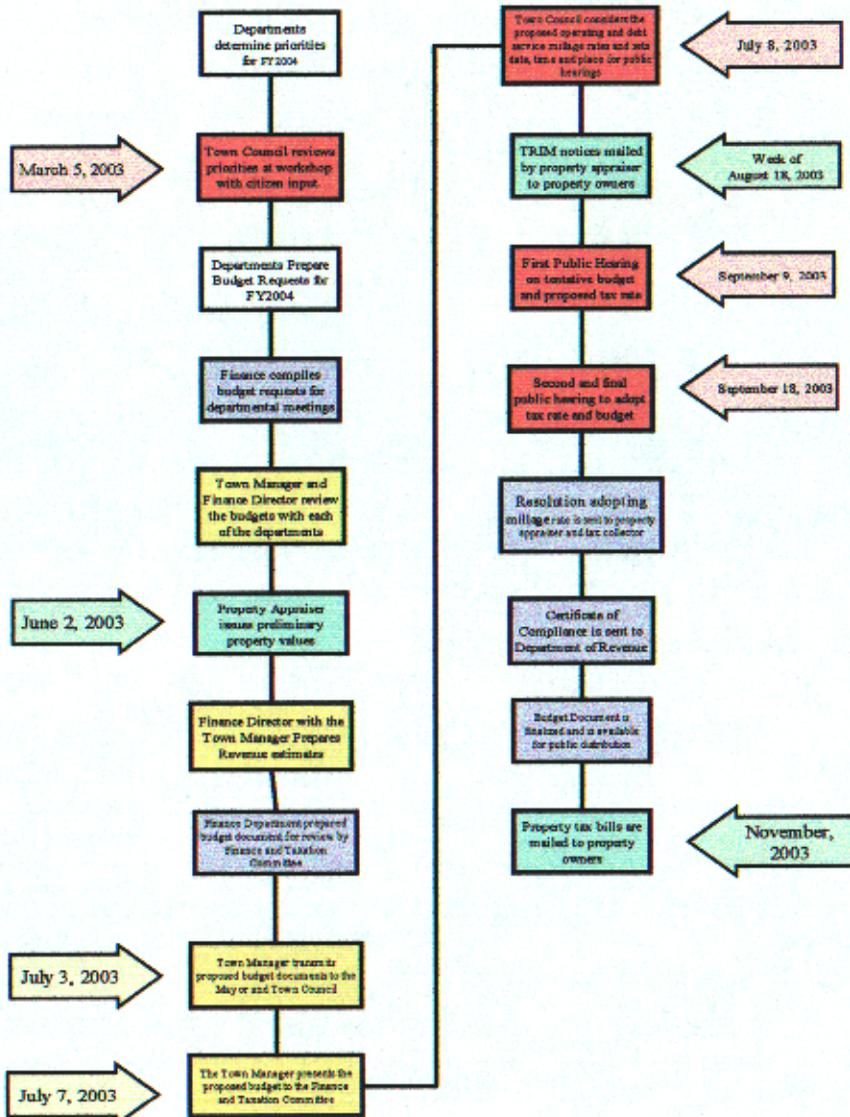
Respectfully submitted,

Peter B. Elwell  
Town Manager



**Peter B. Elwell,  
Town Manager**

### Flow Chart of Budget Process



- Departmental Actions
- Finance Department Actions
- Town Manager Actions
- Town Council Actions
- Palm Beach County Actions

## Fund Overview

### Description of Funds and Fund Types

For accounting purposes a state or local government is not treated as a single, integral entity. Rather, a government is viewed instead as a collection of smaller, separate entities known as “funds”. The Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards (Codification)*, Section 1300, defines a fund as:

A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

All of the funds used by a government must be classified into one of seven “fund types.”

Four of these fund types are used to account for a state or local government’s “governmental-type” activities and are known as “governmental funds”. Two of these fund types are used to account for a government’s “business-type” activities and are known as “proprietary funds”. Finally, the seventh fund type is reserved for a government’s “fiduciary activities”.

### Governmental Funds

Four fund types are used to account for governmental-type activities. These are the general fund, special revenue funds, debt service funds, and capital projects funds.

#### **General Fund**

The General Fund is used to account for most of the day-to-day operations of the Town, which are financed from property taxes, fees, licenses, permits, fines and forfeitures, intergovernmental and other general revenue. There can only be one general fund. Activities financed by the General Fund include the following:

**Legislative** - Includes expenditures for the Mayor and Town Council.



### **Town Manager**

The budget of the Town Manager includes expenditures for administrative expenses relating to the Town Manager's Office, Advice and Litigation expenses for the Town Attorney and outside counsel and Information Systems.

### **Human Resources**

The Human Resources Department is responsible for the recruitment, screening, and selection of employees to serve the Town. The Department is also responsible for employee benefits administration and compensation analysis. The Town's Occupational Health Clinic is operated under this Department. The Human Resources Director is also the Plan Administrator for the Town's General Employee and Public Safety Retirement Systems.



### **Town Clerk**

The Town Clerk is responsible for the records of the Town as well as conducting elections held within the Town. The Department also processes permits for charitable solicitations, special events, commercial motion picture-making, going-out-of-business sales, and door-to-door solicitations.

### **Finance**

The Finance Department is responsible for the administration, development and monitoring of the operating and capital budgets, preparation of the comprehensive financial reports, investments, debt management, cash management, and the maintenance of financial reporting systems to meet all of the Town needs. The Department also is responsible for the operation and management of the purchasing, payroll and accounts payable functions.





### **Planning, Zoning and Building**

The Planning, Zoning and Building Department is responsible for zoning changes and the issuance of permits for building, mechanical, plumbing, electrical, gas, energy, and coastal construction. The Department also assists residents, businesses, and the construction industry in code compliance. The Department strives to preserve the aesthetic, historical, and economic values of Palm Beach.

### **Fire-Rescue**

The Fire-Rescue Department provides fire suppression, fire prevention education, rescue and emergency medical care to the citizens and visitors to the Town. The Department conducts education programs on injury, heart attack and stroke prevention.



### **Police**

The Police Department is responsible for the prevention of crime, preservation of peace, enforcement of laws and ordinances. This is accomplished through the patrol services, organized crime, vice and narcotics (OCVAN), crime scene/evidence, parking control enforcement, communications and beach rescue units.

### **Public Works**

The Public Works Department is responsible for the repair, maintenance, and cleaning of streets within the Town, the maintenance of storm sewers and sanitary sewers, the collection and disposal of residential and commercial garbage and yard trash, beach cleaning, the maintenance of the Town parks and buildings, coastal management, and providing the general engineering services for the Town.



**Other**

Under this classification are expenditures relating to the Four Arts Library, disaster response expenditures and contingent appropriations.

**Transfers to other Funds**

This classification includes transfers to the capital and debt service funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of government and which therefore cannot be diverted to other uses. The Town has the following special revenue funds for which an annual budget is not adopted:

- ◆ (101) State Forfeiture Fund - Accounts for State confiscated property through the Police Department per Florida State Statutes Section 932. A semi-annual report is submitted to the State of Florida Department of Law Enforcement by April 10<sup>th</sup> and October 10<sup>th</sup> of each year. The audited balance in the State Forfeiture Fund as of September 30, 2002 was \$44,209.
- ◆ (102) Federal Forfeiture Fund - Accounts for federally confiscated property through the Police Department. An annual report is submitted to the United States Department of Justice by October 31<sup>st</sup> of each year. The audited balance in the Federal Forfeiture Fund as of September 30, 2002 was \$38,084.
- ◆ (103) Donations Fund - The Town of Palm Beach receives substantial donations each year from its residents. Most donations are earmarked for specific departments and/or purposes. The audited balance in the donations fund as of September 30, 2002 was \$1,419,154.

**Debt Service Funds**

The Debt Service Funds are used to account for the payment of interest and principal on general and special obligation debts other than those payable from special assessments and debt issued for and serviced by a governmental enterprise. The sources of revenues in these funds are property tax levies and a transfer of non ad valorem revenue from the General Fund.

- ◆ (200) General Obligation Refunding Series 93 - This fund accounts for the debt repayment on the callable portion of the 1985 bond issue that financed the Police facility, renovations to the North Fire-Rescue station and B-1 compressor improvements (final payment July 1, 2005).
- ◆ (201) Revenue Bond Series 2003 - This fund accounts for debt repayment on \$24,515,000 in Revenue Bonds for the refunding of the 2000 Revenue Bonds and construction of a new Central Fire-Rescue Station and Town Hall Renovations.
- ◆ (203) Revenue Bond Series 2000 - This fund accounts for debt repayment on the outstanding balance of \$5,890,000 in Revenue Bonds for the Beach Restoration Project.

### **Capital Projects Funds**

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital equipment and facilities by the Town except those financed by Enterprise and Internal Service Funds. The sources of revenue in these funds are revenue bonds, transfers from other funds and grants.

- ◆ (307) Capital Improvement Fund - This fund accounts for various construction projects undertaken by the Town. Any unexpended amounts at fiscal year end, are rolled over to the new fiscal year. A five year Capital plan is presented during the budget process, of which only the first year is adopted by the Town Council. This fund is financed on a pay-as-you go basis from the General Fund.
- ◆ (308) Comprehensive Coastal Management Plan (CCMP) Pay-As-You-Go - This fund was created during Fiscal Year 2000 to account for the pay-as-you-go portion of the Beach Restoration Project.
- ◆ (309) Comprehensive Coastal Management Plan (CCMP) Construction Fund - This fund was created during Fiscal Year 2000 to account for the Beach Restoration Project construction costs financed with proceeds from the 2000 Revenue Bond.

- ◆ (310) New Central Fire-Rescue Station/Town Hall Renovations Construction Fund - This fund was created during Fiscal Year 2003 to account for construction costs for a new Central Fire-Rescue Station and Town Hall Renovations.
- ◆ (320) Equipment Replacement Fund - This reserve was established in 2001 to fund the replacement cost of existing equipment, vehicles and computers when they reach the end of their useful lives. The reserve will significantly reduce the budgetary fluctuation due to purchases of equipment and establish the fixed asset inventory and depreciation schedule required by GASB 34.

### **Proprietary Funds**

Two fund types are used to account for a government's business-type activities (activities that receive a significant portion of their funding through user fees). These are the enterprise funds and the internal service funds.

#### **Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the government's board is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

- ◆ (403) Leisure Services Enterprise Fund - This fund is proposed to be created in FY2004. This fund will be comprised of all leisure activities in the Town. These include: Golf activities, Tennis activities, Recreation activities and Marina services.

#### **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of a government to other department or agencies on a cost

reimbursement basis. Accounting for Internal Service Funds as a proprietary fund type is designed to accumulate the total cost (including depreciation) of providing a particular service. Costs for services are reimbursed by the departments or agencies to which the services are provided.

- ◆ (501) Risk Management Self Insurance Fund - This fund was established to account for the Town's Property, Liability and Worker's Compensation Insurance costs. Monthly funding transfers are made from the General Fund to the Risk Fund.
- ◆ (502) Health Insurance Self Insurance Fund - This fund was established to account for the Town's health insurance costs which include medical, dental, life, long-term disability accidental death/dismemberment and supplemental life insurance. Actuarially determined monthly funding transfers are made from the General Fund to the Health Fund.

### **Fiduciary Funds**

These funds are used when a government holds or manages financial resources in an agent or fiduciary capacity. This single type is subdivided into four "sub-fund types" to account for various types of fiduciary obligations. These are pension trust funds, nonexpendable trust fund, expendable trust fund, and agency funds.

### **Pension Trust Funds**

Pension trust funds are used when governments manage pension plans. The sources of revenues in these funds are transfers from other funds, interest earnings and employee contributions.

- ◆ (600) Employees Retirement Fund - This fund accounts for the Town's defined benefit retirement program for General and Lifeguard employees.
- ◆ (601) Public Safety Retirement Fund - This fund accounts for the Town's defined benefit retirement program for Police and Fire-Rescue employees. This fund was established on January 1, 2000 and was previously contained within the (600) Employee Retirement Fund.

### **Non-Expendable and Expendable Trust Funds**

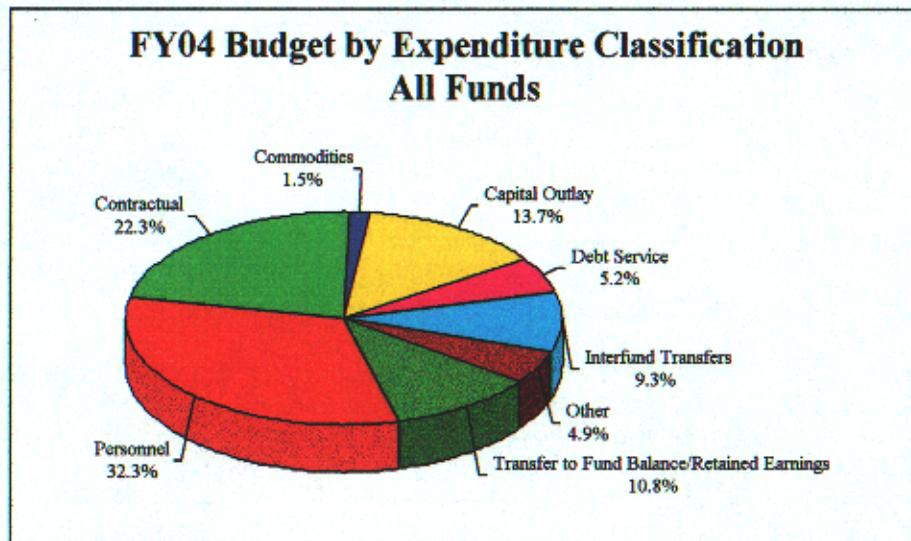
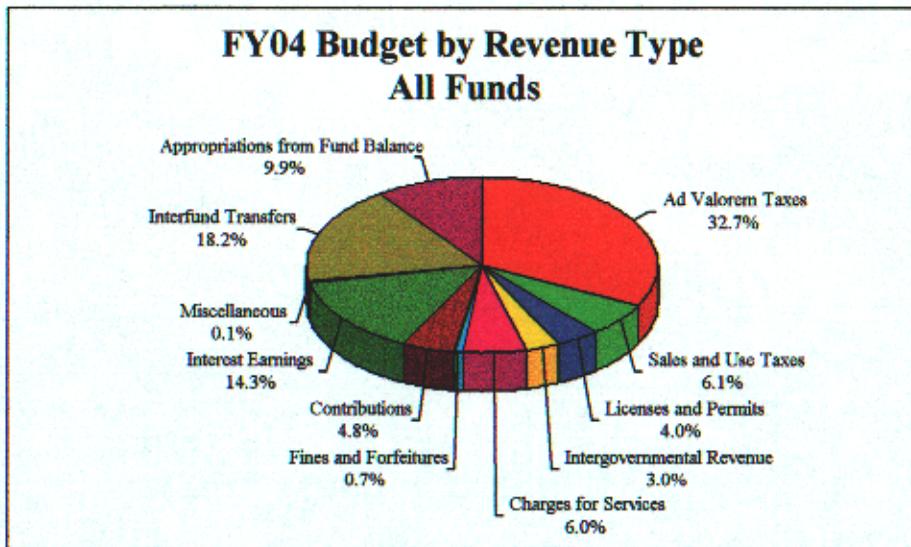
These consist of resources received from non-Town sources and held by the Town as trustee to be expended or invested in accordance with the conditions of the trust. In a non-expendable trust, the government typically is only permitted to spend the investment earnings and not the assets. The Town does not have non-expendable and expendable trust funds at the present time.

### **Agency Funds**

Trust funds typically involve some degree of financial management. Agency funds are used when the government plays a more limited role by just collecting funds on behalf of a third party.

- ◆ (603) Kreusler Park Fund - This fund accounts for parking revenues and operating expenses associated with this Palm Beach County owned park that is operated by the Town.

FY 04 Budget Summary by Fund Type, Revenues and Expenditures							
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	Totals
<b>Revenues</b>							
Ad Valorem Taxes	\$31,767,870	\$610,410	\$0	\$0	\$0	\$0	\$32,378,280
Sales and Use Taxes	6,059,100	0	0	0	0	0	6,059,100
Licenses and Permits	3,982,450	0	0	0	0	0	3,982,450
Intergovernmental Revenue	1,366,400	0	785,000	0	0	780,000	2,931,400
Charges for Services	2,247,000	0	0	3,714,685	0	0	5,961,685
Fines and Forfeitures	742,000	0	0	0	0	0	742,000
Contributions	0	0	40,000	0	0	4,730,301	4,770,301
Interest Earnings	608,240	9,500	632,700	59,700	400,400	12,465,000	14,175,540
Miscellaneous	127,575	0	0	1,110	0	8,800	137,485
Interfund Transfers	550,000	4,335,550	5,973,132	0	7,184,575	0	18,043,257
<b>Subtotal</b>	<b>47,450,635</b>	<b>4,955,460</b>	<b>7,430,832</b>	<b>3,775,495</b>	<b>7,584,975</b>	<b>17,984,101</b>	<b>89,181,498</b>
Appropriations from Fund Balance	0	88,975	4,925,450	1,189,000	3,552,604	0	9,756,029
<b>Total Revenues</b>	<b>\$47,450,635</b>	<b>\$5,044,435</b>	<b>\$12,356,282</b>	<b>\$4,964,495</b>	<b>\$11,137,579</b>	<b>\$17,984,101</b>	<b>\$98,937,527</b>
<b>Expenditures</b>							
Personnel	\$30,174,341	\$0	\$0	\$1,575,507	\$225,732	\$0	\$31,975,580
Contractual	5,315,455	0	0	1,431,967	7,405,797	7,863,400	22,016,619
Commodities	1,345,475	0	0	166,175	6,050	0	1,517,700
Capital Outlay	1,599,131	0	11,745,850	249,822	0	0	13,594,803
Debt Service	146,000	5,039,435	0	0	0	0	5,185,435
Interfund Transfers	7,972,033	0	0	1,189,000	0	0	9,161,033
Other	898,200	5,000	424,600	0	3,500,000	0	4,827,800
<b>Subtotal</b>	<b>47,450,635</b>	<b>5,044,435</b>	<b>12,170,450</b>	<b>4,612,471</b>	<b>11,137,579</b>	<b>7,863,400</b>	<b>88,278,970</b>
Transfer to Fund Balance/ Retained Earnings	0	0	185,832	352,024	0	10,120,701	10,658,557
<b>Total Expenditures</b>	<b>\$47,450,635</b>	<b>\$5,044,435</b>	<b>\$12,356,282</b>	<b>\$4,964,495</b>	<b>\$11,137,579</b>	<b>\$17,984,101</b>	<b>\$98,937,527</b>
<b>Financial Ratios</b>							
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	Total
Ad Valorem Taxes as percentage of total fund budget	66.95%	12.10%	0.00%	0.00%	0.00%	0.00%	32.73%
Ad Valorem Taxes per capita (9,676 population)	\$3,283	\$63	\$0	\$0	\$0	\$0	\$3,346
Total expenditures per capita (9,676 population)	\$4,904	\$521	\$1,277	\$513	\$1,151	\$1,859	\$10,225
Personnel as a percentage of the total budget	63.59%	0.00%	0.00%	31.74%	2.03%	0.00%	32.32%
Capital expenditures as percentage of total fund budget	3.37%	0.00%	95.06%	5.03%	0.00%	0.00%	13.74%
Capital expenditures per capita (9,676 population)	\$165	\$0	\$1,214	\$26	\$0	\$0	\$1,405



## Fund Balance and Reserve Analysis

All reserves, are at or well over the policy established minimums. The financial strength of the Town can be measured by the health of its reserves. The recent upgrade in the Town's credit ratings were due in large part to the Town's healthy reserves.

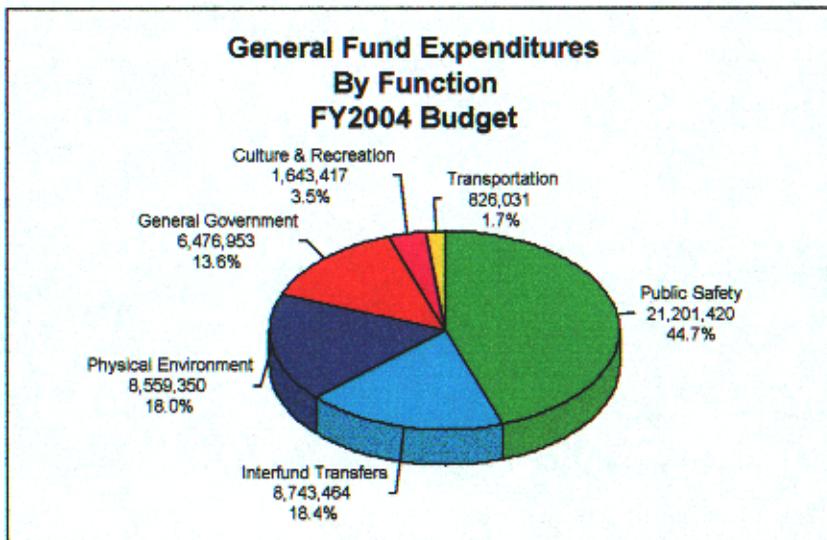
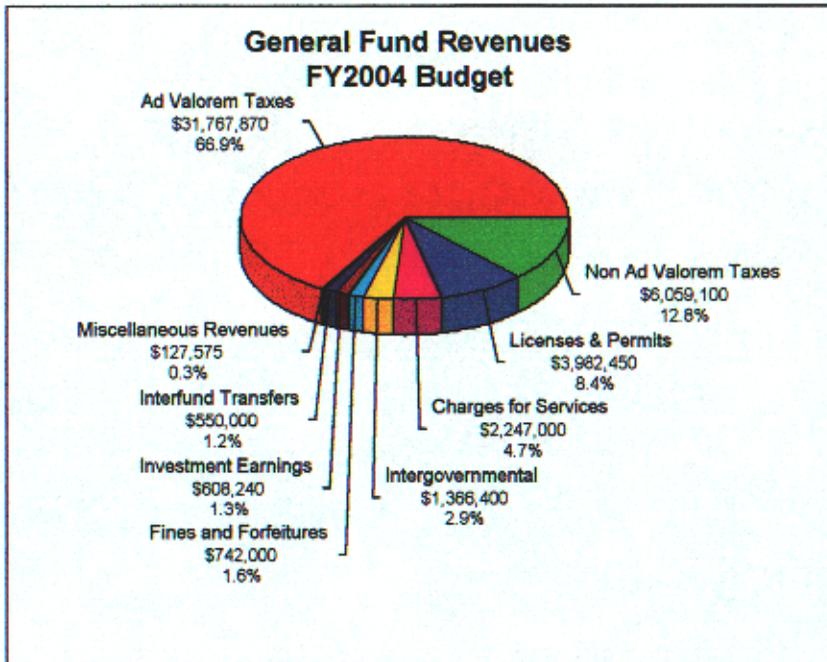
The following table summarizes the trend of the undesignated fund/equity balances for FY1998 through an estimated FY2003 for all of the funds of the Town.

### Undesignated Fund Balance/Retained Earnings Summary Fiscal Years 1999 - 2003

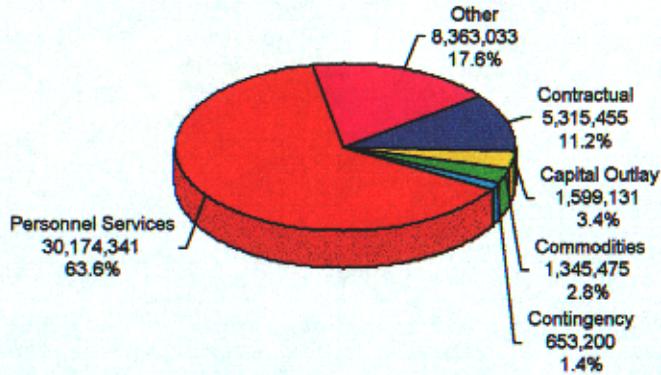
Fund	1999	2000	2001	2002	Est 2003
General Fund	\$12,650,056	\$19,925,376	\$17,017,373	\$18,000,000	\$17,000,000
Capital Fund	1,620,878	2,076,121	134,455	100,000	100,000
L.S. Enterprise Fund	3,224,878	3,835,715	4,552,574	5,279,622	6,000,000
Health Fund	12,984,387	14,302,994	15,463,080	15,784,579	15,900,000
Risk Fund	3,022,637	3,133,567	3,518,595	3,968,573	4,000,000
Pension Fund	<u>122,992,243</u>	<u>142,441,955</u>	<u>132,241,528</u>	<u>115,635,106</u>	<u>120,000,000</u>
<b>Total</b>	<b>\$156,495,079</b>	<b>\$185,715,728</b>	<b>\$172,927,605</b>	<b>\$158,767,880</b>	<b>\$163,000,000</b>

**Town of Palm Beach, Florida**  
**General Fund Revenues and Expenditures**  
**Budget Comparison**  
**Fiscal Years 2003 - 2004**

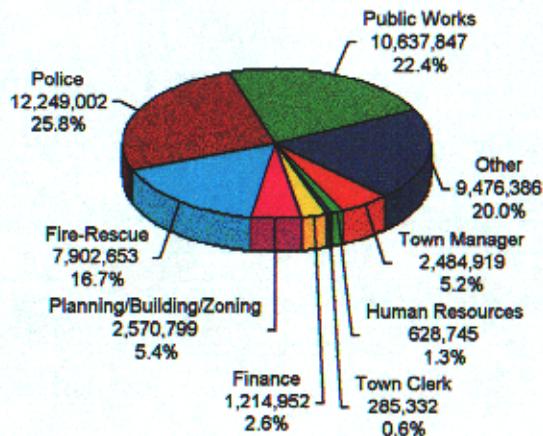
	Budget FY2003	Budget FY2004	Difference	%Change	% of Total Budget
<b>Revenues</b>					
Ad Valorem Taxes	\$28,885,500	\$31,767,870	\$2,882,370	10.0%	66.9%
Non Ad Valorem Taxes	6,094,500	6,059,100	(35,400)	-0.6%	12.8%
Licenses & Permits	3,554,650	3,982,450	427,800	12.0%	8.4%
Intergovernmental	1,321,330	1,366,400	45,070	3.4%	2.9%
Charges for Services	2,639,125	2,247,000	(392,125)	-14.9%	4.7%
Fines and Forfeitures	626,000	742,000	116,000	18.5%	1.6%
Investment Earnings	802,616	608,240	(194,376)	-24.2%	1.3%
Miscellaneous Revenues	172,950	127,575	(45,375)	-26.2%	0.3%
Interfund Transfers	675,000	550,000	(125,000)	-18.5%	1.2%
<b>Total Operating Revenues</b>	<b>\$44,771,671</b>	<b>\$47,450,635</b>	<b>\$2,678,964</b>	<b>6.0%</b>	<b>100.0%</b>
<b>Expenditures</b>					
<b>Department</b>					
Legislative	\$86,415	\$120,381	\$33,966	39.3%	0.3%
Town Manager	942,369	881,770	(60,599)	-6.4%	1.9%
Human Resources	602,037	628,745	26,708	4.4%	1.3%
Information Systems	980,067	1,187,768	207,701	21.2%	2.5%
Town Clerk	271,515	285,332	13,817	5.1%	0.6%
Finance	1,137,582	1,214,952	77,370	6.8%	2.6%
Planning/Building/Zoning	2,385,613	2,570,799	185,186	7.8%	5.4%
Recreation	936,504	0	(936,504)	-100.0%	0.0%
Library	235,000	235,000	0	0.0%	0.5%
Fire-Rescue	6,931,141	7,902,653	971,512	14.0%	16.7%
Police	11,251,721	12,249,002	997,281	8.9%	25.8%
Hurricane Preparedness	110,000	60,000	(50,000)	-45.5%	0.1%
Public Works	10,336,040	10,637,847	301,807	2.9%	22.4%
Transfer to Other Funds	8,374,796	8,743,464	368,668	4.4%	18.4%
Contingent Appropriations	190,871	732,922	542,051	284.0%	1.5%
<b>Total Operating Expenditures</b>	<b>\$44,771,671</b>	<b>\$47,450,635</b>	<b>\$2,678,964</b>	<b>6.0%</b>	<b>100.0%</b>
<b>Transfer from Undesignated Fund</b>					
<b>Balance to Capital Funds</b>	<b>\$3,900,000</b>	<b>\$0</b>	<b>(\$3,900,000)</b>	<b>-100.0%</b>	
<b>Total General Fund Budget</b>	<b>\$48,671,671</b>	<b>\$47,450,635</b>	<b>(\$1,221,036)</b>	<b>-2.5%</b>	



### General Fund Expenditures By Expenditure Type FY2004 Budget



### General Fund Expenditures By Department FY2004 Budget



## Debt Administration

### General Obligation Debt

Resolution 19-93 authorized the issuance of \$6,675,000 General Obligation Refunding Bonds, Series 1993. The bonds were issued for the purpose of refunding the Town's General Obligation Refunding Bonds, Series 1986. The original bonds were issued for the purpose of providing for the acquisition of land for, and the construction of a police facility, the renovation of the North Fire-Rescue Station, and to make improvements to the sanitary sewer system.

### Revenue Bonds

In FY2000, the Town Council approved the issuance of Revenue Bonds for the purpose of funding the Coastal Protection Project. The proceeds of the Bonds will be used for beach improvement, restoration and renourishment through the placement of sand and possible construction of groin fields and environmental mitigation for beach stabilization in all or a portion of the beaches located in the Town.

In FY2003, the Town Council approved the issuance of Revenue Bonds for refunding the 2000 Revenue Bonds at a lower rate and for the issuance of \$6,130,000 for the Town facilities projects.

### Bond Ratings

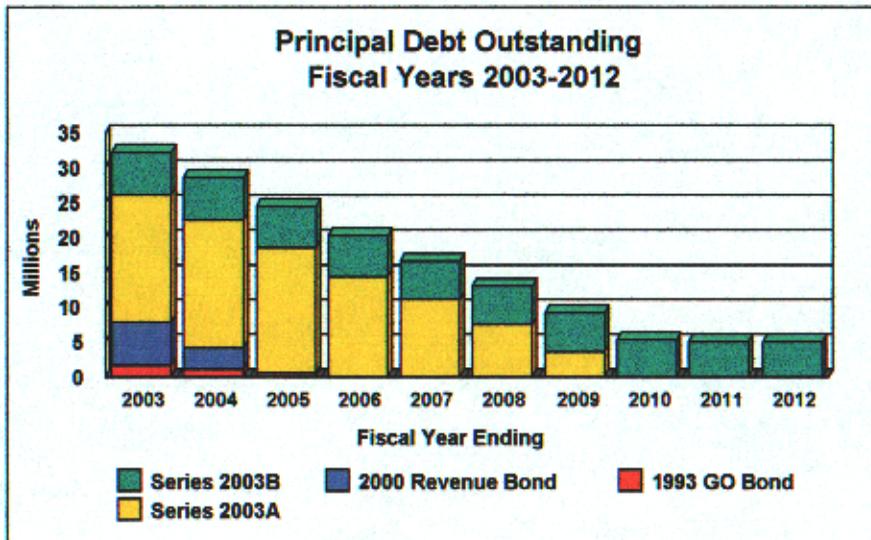
As part of the preparation for the 2003 Revenue Bond, the Town's GO and Revenue Bond ratings were reviewed by both Moody's and Standard & Poor's. The Town's conservative financial policies and strong management of its financial resources were recognized, and it resulted in rating upgrades in both revenue and general obligation categories. Moody's Investors Service upgraded the Town's credit rating to Aa1 from Aa2 for the 2003 Revenue bonds and confirmed the Town's current Aaa GO rating. Standard and Poor's upgraded the credit rating on the Revenue bonds to AA+ from A+ and upgraded the Town's 1993 General obligation credit rating to AAA from AA. The AAA credit ratings are the highest ratings these two rating services issue and represent the highest quality investment grade debt.

During FY2003, the Town's bond ratings were upgraded to AAA by Moody's and Standard and Poor's. The AAA rating is the highest quality grade investment rating issued by the credit rating agencies.

The table and chart shown below summarize the total outstanding debt for the Town:

**Debt Service Funds - Principal Debt Outstanding**

Fiscal Year Ending	1993	2000	2003 Revenue Bond		Total Outstanding Debt	Debt/ Capita <u>9.676</u>
	GO Bond	Revenue Bond	Series 2003A	Series 2003B		
2003	1,325,000	5,890,000	18,385,000	6,130,000	31,730,000	3,279
2004	680,000	3,020,000	18,275,000	6,065,000	28,040,000	2,898
2005	0	0	18,045,000	5,945,000	23,990,000	2,479
2006	0	0	14,685,000	5,825,000	20,510,000	2,120
2007	0	0	11,225,000	5,700,000	16,925,000	1,749
2008	0	0	7,630,000	5,575,000	13,205,000	1,365
2009	0	0	3,885,000	5,445,000	9,330,000	964
2010	0	0	0	5,310,000	5,310,000	549
2011	0	0	0	5,170,000	5,170,000	534
2012	0	0	0	5,025,000	5,025,000	519



## Capital Funds

**Description of Funds:** The Town accounts for five Capital Funds as described below:

### 1) Capital Improvement Program (307)

The Capital Improvement Program represents a multi-year analysis of financial requirements, infrastructure needs and policy intention. The Program provides the best assessment of anticipated capital improvements based upon available information and preliminary engineering evaluations and opinions. However, the changing conditions of the Town's infrastructure require that the Program be reviewed and revised annually to insure that potential capital emergencies are averted and that improvements are planned in a timely and cost effective manner.

The magnitude of the cost of many capital projects often causes municipal officials to defer funding for the short-term purpose of avoiding taxation. The longer term analysis provided by our five-year plan is designed to emphasize the continuing need to adequately address the Town's infrastructure requirements which over the longer term will provide much greater and necessary benefits to the Town's taxpayers.

The Capital Improvement Program incorporates the policy of "pay as you go" for meeting the infrastructure needs of Palm Beach. This policy was adopted in 1985 and provides major benefits to taxpayers by providing for our infrastructure needs in a timely manner, at the lowest overall cost. This funding policy will also reduce, if not eliminate, the Town's future dependency on general obligation bonds for capital improvements, and will enhance the long term financial stability of the Town of Palm Beach.

While the Capital Improvement Program encompasses a five year period, only the first year of the Program is actually adopted each year by the Town Council for funding and implementation. The out years of the Program is not a budget but provides appropriate financial information for prudent budget and planning recommendations and assists the Town's Elected Officials and Management Staff in the decision making process. Through budgetary action, the first year of the Program becomes the Capital Projects allocation which is funded from the General Operating Budget for the Town. For FY2004, \$2,682,000 has been allocated by the General Fund for capital projects. The FY2004 budget amount includes FY2004 new appropriations of \$4,246,000 and reappropriated budgets of \$10,316,864.

**2) Comprehensive Coastal Management Plan (CCMP) (308)**

This fund accounts for the pay-as-you-go portion of the Beach Restoration Project.

**3) Comprehensive Coastal Management Plan)(CCMP)(309)**

This fund accounts for the Beach Restoration Project construction costs financed with proceeds from the 2000 Revenue Bond. The proceeds of the Bonds will be used for beach improvement, restoration and renourishment through the placement of sand and possible construction of groin fields and environmental mitigation for beach stabilization in all or a portion of the beaches located in Town.

**4) Town Facilities (310)**

This fund accounts for construction costs for the New Central Fire-Rescue Station and Town Hall Renovations with proceeds from the 2003 Revenue Bond. The proceeds of the bonds will be used for financing the acquisition, construction and equipping of the new Fire-Rescue facility (including an emergency operations center) and renovation of Town Hall (including security upgrades). The bonds proceeds also include reimbursement to the Town for prior expenditures made for drainage improvements.

**5) Equipment Replacement Fund (320)**

The purpose of this fund is to create a reserve to fund the replacement cost of existing equipment, vehicles and computers when they reach the end of their useful lives. The fund will reduce budgetary fluctuations due to the purchase of large costly pieces of equipment. This fund also contains the fixed asset inventory and depreciation schedule as required by GASB34. The fund will receive an annual appropriated transfer from the General Fund equal to the annual depreciation amount on the assets in the fund.

<b>Fund (307) - Capital Improvement Program</b>			
<b>Project</b>	<b>FY04 Budget</b>	<b>FY05-08 Proposed</b>	<b>Total</b>
<b>Storm Water Management</b>			
Improvements	6,188,105	7,842,000	14,030,105
D-3 Pump Station Design Tangier Ave.	122,800	0	122,800
D-1 Pump Station N. Ocean Blvd.	129,900	0	129,900
D-17 Clarendon Ave	549,243	0	549,243
D-12 Wells to Royal Poinciana	923,179	0	923,179
D-14 Collection Phase III	314,022	0	314,022
D-14 Royal Palm Way Pump Station	55,232	0	55,232
Rehab Stations	0	500,000	500,000
<b>Total Storm Water Management</b>	<b>8,282,481</b>	<b>8,342,000</b>	<b>16,624,481</b>
<b>Sanitary Sewer Improvements</b>			
Town Owned Infrastructure	3,251,322	3,350,000	6,601,322
WPB Transmission Facilities R&R	608,000	0	608,000
WPB Central Pump Bypass	103,098	0	103,098
Force Main Isolation Valves	98,141	0	98,141
<b>Total Sanitary Sewer Improvements</b>	<b>4,060,561</b>	<b>3,350,000</b>	<b>7,410,561</b>
<b>Parks &amp; Recreation</b>			
<b>Par 3 Golf Course</b>			
Alternative Water Supply	625,000	0	625,000
<b>Town Dock Improvements</b>	<b>679,000</b>	<b>1,456,000</b>	<b>2,135,000</b>
<b>Phipps Ocean Park Tennis</b>			
Tennis Courts	115,004	445,000	560,004
Tennis Maintenance Building	35,000	0	35,000
<b>Recreation Center</b>			
Irrigation Improvement	27,112	0	27,112
Shutters	0	60,000	60,000
Tennis - Light Courts 5 & 6	0	60,000	60,000
<b>Total Parks &amp; Recreation</b>	<b>1,481,116</b>	<b>2,021,000</b>	<b>3,502,116</b>
<b>Public Works Building</b>			
Expand Office Space	70,000	0	70,000
Replace Roof	160,000	0	160,000
<b>Total Public Works</b>	<b>230,000</b>	<b>0</b>	<b>230,000</b>
<b>Fire-Rescue</b>			
<b>North Fire-Rescue Station</b>			
Shutters	80,000	0	80,000
Decontamination Station	30,000	0	30,000
<b>Central Fire-Rescue Station</b>	<b>45,293</b>	<b>0</b>	<b>45,293</b>
<b>Total Fire-Rescue</b>	<b>155,293</b>	<b>0</b>	<b>155,293</b>
<b>Streets and Roads</b>			
Undgnd Conduit N Lake Way - B South	75,551	0	75,551
Undgnd Conduit St Lights - Town Owned	5,976	0	5,976
Bury FPL Overhead Lines	42,009	0	42,009
<b>Total Streets and Roads</b>	<b>123,536</b>	<b>0</b>	<b>123,536</b>
<b>Town Hall Renovation</b>	<b>149,877</b>	<b>0</b>	<b>149,877</b>
<b>Police Station Shutters</b>	<b>60,000</b>	<b>0</b>	<b>60,000</b>
<b>Lakefront Bulkhead Repair</b>	<b>20,000</b>	<b>0</b>	<b>20,000</b>
<b>Total Capital Projects</b>	<b>\$14,562,864</b>	<b>\$13,713,000</b>	<b>\$28,275,864</b>

## Leisure Service Enterprise Fund

The Leisure Services Enterprise Fund was established effective October 1, 2003. A business plan for the fund was adopted by Town Council in September 2003. The fund is comprised of the following five business activities:

**The Town Docks** - The Town Docks is a public marina, which has been owned and operated by the Town of Palm Beach since the 1940's. The marina has 87 slips, which range in length from 50 to 262 feet. Thirty-nine of the 87 slips accommodate yachts 100 feet or larger. Annual, seasonal and daily slip rentals are offered to the general public at competitive rates.



**Palm Beach Par 3 Golf Course** - A scenic and challenging eighteen-hole executive course with holes ranging in length from 100 to 240 yards. Four of the holes border the Atlantic Ocean and three run along the Intracoastal Waterway. The course has a pro shop and driving range. Electric and pull carts may be rented at the clubhouse.

**Tennis Program** - Tennis facilities located at Seaview Park and Phipps Ocean Park include 9 clay courts and 2 hard courts. Four of these courts are lighted. Lessons, clinics, tournaments and leagues are offered as part of the program. The new Phipps Ocean Park facility has recently received two outstanding public tennis facilities awards from the United States Tennis Association and the United States Tennis Court and Track Builders Association.



**Recreation Program** - This program includes camps, youth athletic programs, afterschool programs, special events and special interest classes including preschool classes.

**Adult Recreation Programs** - These programs include a variety of exercise, language, art, investing classes and special events.

## Leisure Services Fund

	FY2003	FY2003	FY2004	% Change
<b>Revenues</b>				
Peruvian Avenue Docks	596,400	576,342	599,300	0.49%
Australian Avenue Docks	1,146,000	1,117,307	1,166,500	1.79%
Brazilian Avenue Docks	669,100	630,283	677,500	1.26%
Electricity	70,500	53,524	70,500	0.00%
Interest on Investments	69,000	48,300	59,700	-13.48%
Sales Tax Commissions	710	720	720	1.41%
Golf Pro Admin Fee	6,000	6,000	12,000	100.00%
Resident Permit Fees	24,000	16,900	15,755	-34.35%
Non-Resident Permit Fees	12,500	7,800	6,469	-48.25%
Resident Play Tickets	42,000	30,300	72,784	73.30%
Non-Resident Play Tickets	25,000	20,300	0	-100.00%
Resident Green Fees	96,000	90,400	496,116	416.79%
Non-Resident Green Fees	335,000	322,900	0	-100.00%
Riding Cart Rental	125,000	117,700	133,355	6.68%
Pull Cart Rental	31,000	25,200	28,735	-7.31%
Driving Range	118,000	102,500	113,870	-3.50%
Maint. and Improvement Fee	38,000	34,400	39,516	3.99%
Daily Tennis Court Fees	33,000	39,000	30,250	-8.33%
Annual Tennis Court Fees	60,000	53,000	49,700	-17.17%
Tennis Pro Administration Fees	12,000	12,000	12,000	0.00%
Youth Program Registration Fees	5,000	5,000	5,000	0.00%
Adult Program Registration Fees	700	500	500	-28.57%
Youth Program Fees	155,000	155,000	153,000	-1.29%
Facility Rental Fees	400	400	175	-56.25%
Adult Program Fees	30,000	30,000	31,000	3.33%
Miscellaneous Revenue	3,500	1,650	1,050	-70.00%
<b>TOTALS</b>	<b>3,703,810</b>	<b>3,497,426</b>	<b>3,775,495</b>	<b>1.94%</b>

(Continued on next page)

**Leisure Services Fund  
Revenue and Expense Summary**

	FY2003 Budget	FY2003 Projected	FY2004 Budget	%
				Change
<b><u>Expenses</u></b>				
Salaries and Wages	1,058,519	1,048,952	1,144,418	8.12%
Employee Benefits	340,565	337,474	431,089	26.58%
Contractual	1,351,400	1,379,745	1,431,967	5.96%
Commodities	140,325	138,775	166,175	18.42%
Capital Outlay	301,163	293,504	244,222	-18.91%
Other	43,783	0	5,600	-87.21%
<b>TOTALS</b>	<b>3,235,755</b>	<b>3,198,450</b>	<b>3,423,471</b>	<b>5.80%</b>
Operating Revenue over/(under) Expenses	468,055	298,976	352,024	
Transfers out to Capital Improvement Fund	0	0	(1,269,000)	
<b>TOTAL REVENUES OVER/(UNDER) EXPENSES</b>	<b>468,055</b>	<b>298,976</b>	<b>(916,976)</b>	
Estimated Beginning Retained Earnings			<u>6,000,000</u>	
<b>ENDING RETAINED EARNINGS</b>			<u>5,083,024</u>	

(Continued from previous page)

## Internal Service Funds

The Town of Palm Beach has two Internal Service Funds: the Risk Management Self Insurance Fund that accounts for the Town's property, liability and workers compensation insurance and the Self Insurance Health Fund that accounts for the Town's employee health insurance costs.

### **Risk Management Self Insurance Fund (501)**

The Office of Risk Management is responsible for planning, organizing, implementing and directing the activities of the Town's Risk Management Program, including Loss Control, Claims Management, Community Rating System and Safety Programs. Work in this division is performed under the direction of the Assistant Town Manager. Responsibility include risk retention and risk transfer through self-insurance and excess insurance management; claims management and investigations including litigation strategies; review of agreements, contracts and leases regarding insurance requirements; loss prevention and control programs; comprehensive review of proposed legislation which could impact the Town from a Risk Management perspective.

	FY03 Budget	FY03 Projected	FY04 Budget	% Change
<b><u>Revenues</u></b>				
Risk Funding	2,746,915	2,761,915	2,810,033	2.30%
Miscellaneous Revenue	0	80,000	0	0.00%
Interest on Investments	103,000	84,600	100,400	-2.52%
<b>TOTALS</b>	<b>2,849,915</b>	<b>2,926,515</b>	<b>2,910,433</b>	<b>2.12%</b>
<b><u>Expenses</u></b>				
Salaries and Wages	81,024	81,024	90,002	11.08%
Employee Benefits	572,778	569,652	621,889	8.57%
Contractual	2,237,317	2,144,492	2,246,996	0.43%
Commodities	4,000	4,478	4,150	3.75%
Other	3,000,000	3,695	3,000,000	0.00%
<b>TOTALS</b>	<b>5,895,119</b>	<b>2,803,341</b>	<b>5,963,037</b>	<b>1.15%</b>
<b>TOTAL REVENUES</b>	<b>(3,045,204)</b>	<b>123,174</b>	<b>(3,052,604)</b>	
Beginning Retained Earnings	4,374,969	4,374,969	4,501,838	
Capital Outlay (adj to GAAP)	0	3,695	0	
<b>ENDING FUND EQUITY</b>	<b>1,329,765</b>	<b>4,501,838</b>	<b>1,449,234</b>	

**Health Insurance Fund (502)**

The Town retains the risk of loss for certain claims related to the health insurance program. These related activities are accounted for in the health insurance internal service fund. This fund charges the departments for insurance coverage based on the budgeted number of full time equivalent employees in each program that are eligible for health insurance coverage. Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to supplement the cost of group benefits. The remainder of the necessary funds are contributed by the Town based on an actuarially determined amount. As of the September 30, 2002 audit, these benefits covered 378 active employees, 115 retirees and 282 dependents. The Town makes available certain health insurance benefits for its retired employees and dependents in accordance with State Statute.

The Human Resources Department is responsible for planning, organizing, implementing, and directing the self insurance fund for the Town's health insurance program. The administrative process of the various benefits includes specific reinsurance, medical conversion, COBRA, network access fees, utilization review, consulting services, flexible spending program, and claims administration.

	<b>FY03 Budget</b>	<b>FY03 Projected</b>	<b>FY04 Budget</b>	<b>% Change</b>
<b>Revenues</b>				
Group Medical	4,000,000	4,351,054	4,374,542	9.36%
Interest on Investments	300,000	252,400	300,000	0.00%
<b>TOTALS</b>	<b>4,300,000</b>	<b>4,603,454</b>	<b>4,674,542</b>	<b>8.71%</b>
<b>Expenses</b>				
Salaries and Wages	70,406	70,406	76,735	8.99%
Employee Benefits	4,193,426	4,230,911	4,580,507	9.23%
Contractual	20,400	16,100	15,400	-24.51%
Commodities	1,000	2,036	1,900	90.00%
Capital Outlay	368	0	0	-100.00%
Other	0	0	500,000	100.00%
<b>TOTALS</b>	<b>4,285,600</b>	<b>4,319,453</b>	<b>5,174,542</b>	<b>20.74%</b>
<b>TOTAL REVENUES</b>	<b>14,400</b>	<b>284,001</b>	<b>(500,000)</b>	
<b>Beginning Retained Earnings</b>	<b>15,803,577</b>	<b>15,803,577</b>	<b>16,087,578</b>	
<b>ENDING FUND EQUITY</b>	<b>15,817,977</b>	<b>16,087,578</b>	<b>15,587,578</b>	

## Retirement Funds

The Town administers two single defined benefit pension plans. The General Employees' Pension Trust Fund covers all full time general employees and lifeguards, and the Public Safety Pension Trust Fund covers all full time police and fire-rescue personnel. With the creation of House Bill 261 passed by the Florida Legislature and approved by the Governor in 1999, the Town has amended Chapter 82 of the Town of Palm Beach Code of Ordinances establishing a separate retirement plan for public safety officers. Prior to January 1, 2000, both plans were part of a single defined pension plan, the Town of Palm Beach Employees' Retirement System.

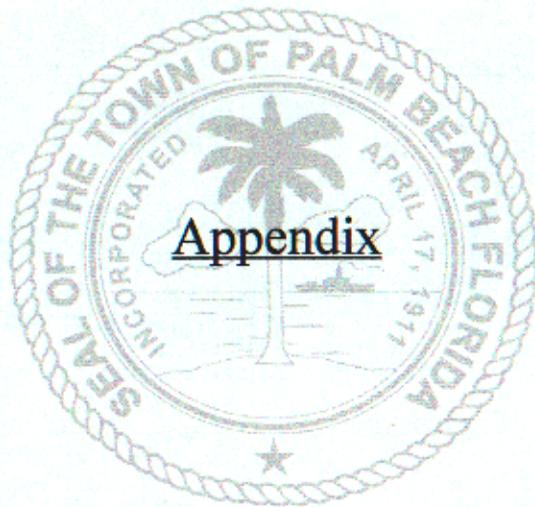
The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions are segregated between general employees (including lifeguards) and public safety employees (police and fire-rescue). The Public Safety Pension Plan also receives payments from the State of Florida pursuant to Chapters 175 and 185 of the Florida Statutes for the benefit of police officers and fire-rescue personnel. Approximately 350 active employees and 200 retirees are covered by the two Plans.

The contribution requirements of the Plan members and the Town are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual covered salary as described in the following table. The Town is required to contribute at an actuarially determined rate. The contribution rates for the FY04 budget year as a percentage of the employees annual compensation, will be as follows.

	Member	Town and State
General Employees	6.47%	15.85%
Lifeguards	7.21%	16.97%
Police	6.98%	24.73%
Fire-Rescue	6.82%	24.70%

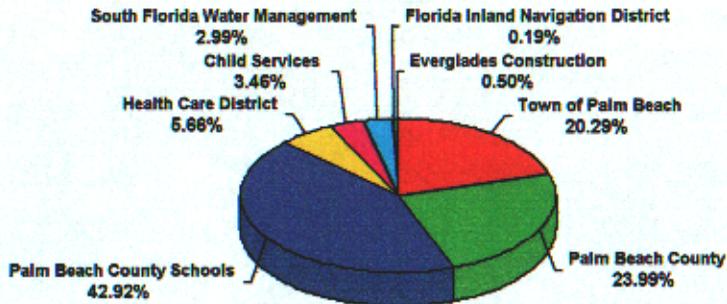
An analysis of the Town's share of the retirement funding costs is as follows:

	FY2003	FY2004	Change	% Change
General Employees	\$ 893,843	\$ 1,475,454	\$ 581,611	65.1%
Lifeguards	58,142	44,204	(13,938)	-24.0%
Police	452,334	1,106,450	654,116	144.6%
Fire-Rescue	337,218	822,201	484,983	143.8%
Total	\$ 1,741,867	\$ 3,448,309	\$ 1,706,772	98.0%



Appendix

**TOTAL PROPERTY TAX RATES  
TOWN OF PALM BEACH PROPERTY OWNER  
FISCAL YEAR 2004**



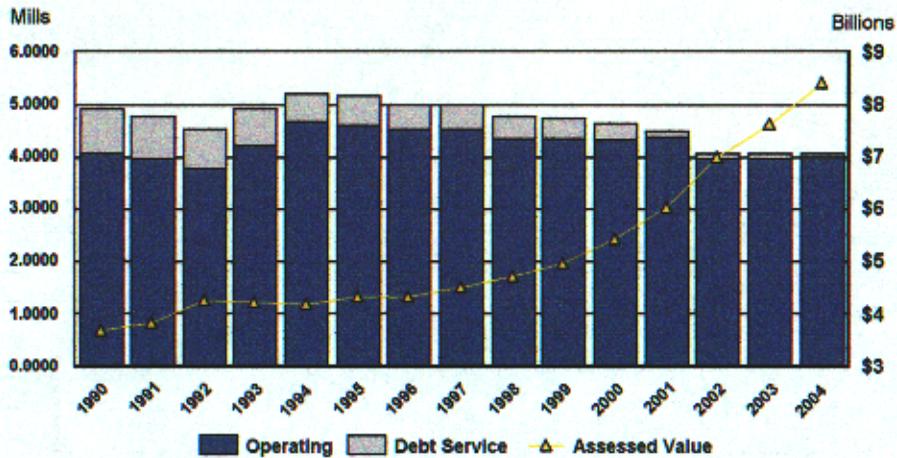
**TOWN & OVERLAPPING TAX RATES**

TAXING DISTRICTS	ADOPTED MILLAGE RATES	% OF TOTAL
Town of Palm Beach	4.0529	20.29%
Palm Beach County	4.7910	23.99%
Palm Beach County Schools	8.5710	42.92%
Health Care District	1.1300	5.66%
Child Services	0.6902	3.46%
South Florida Water Management	0.5970	2.99%
Florida Inland Navigation District	0.0385	0.19%
Everglades Construction	0.1000	0.50%
<b>Total</b>	<b>19.9706</b>	<b>100.00%</b>

Note: 1 MILL = \$1.00 per \$1,000 of Taxable Value

**Of every \$100 paid in property taxes, only \$20 is returned to the Town.**

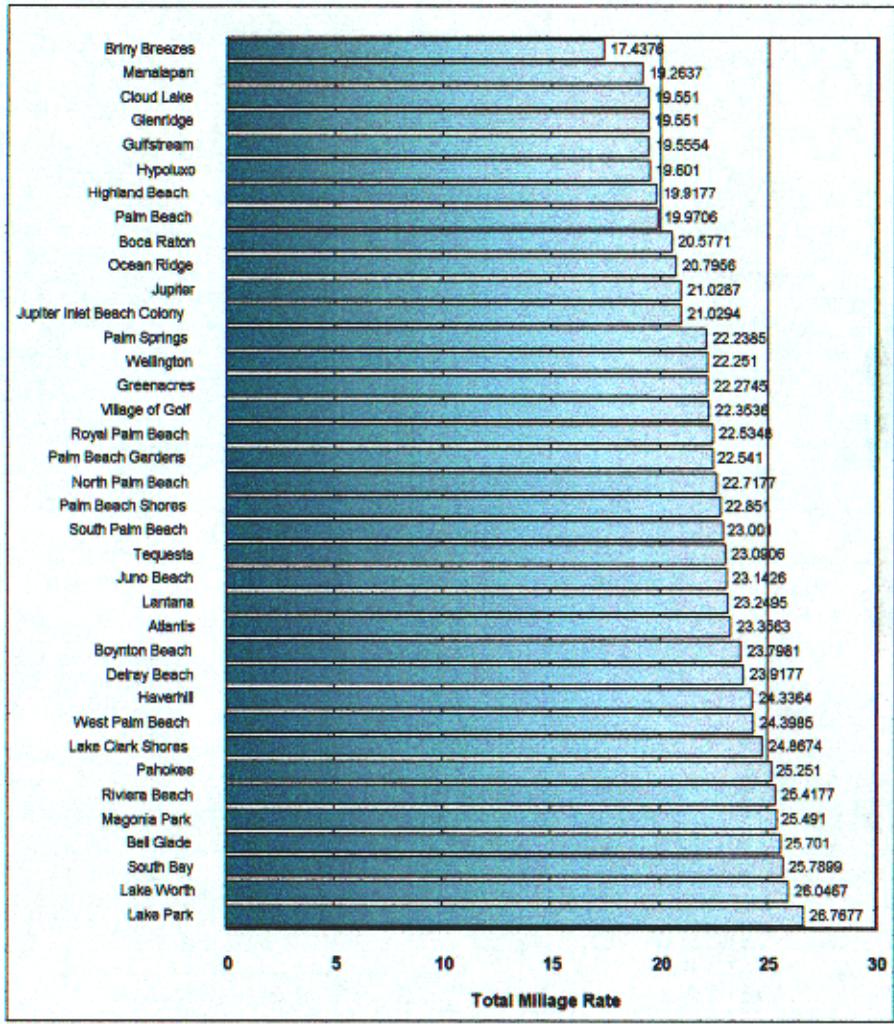
**TOWN OF PALM BEACH  
ASSESSED VALUES AND PROPERTY TAX RATES  
FISCAL YEARS 1990- 2004**



**Historical Property Tax Rates (in mills)  
1 Mill = \$1,000 of Taxable Value**

Fiscal Year	Assessed Valuation	General Fund	Debt Service	Total	Revenue Generated
1990	\$3,696,563,373	4.0550	0.8453	4.9003	\$14,125,762
1991	\$3,838,353,643	3.9679	0.8192	4.7871	\$14,372,550
1992	\$4,250,881,608	3.7707	0.7397	4.5104	\$15,205,679
1993	\$4,212,856,866	4.1984	0.7338	4.9322	\$16,725,385
1994	\$4,187,821,700	4.6526	0.5513	5.2039	\$18,427,993
1995	\$4,328,630,328	4.5888	0.5791	5.1679	\$18,918,705
1996	\$4,336,830,534	4.5371	0.4589	4.9960	\$19,078,793
1997	\$4,498,027,409	4.5319	0.4491	4.9810	\$19,712,823
1998	\$4,710,632,410	4.3588	0.4313	4.7901	\$19,799,200
1999	\$4,954,502,270	4.3400	0.4128	4.7528	\$20,788,015
2000	\$5,428,850,566	4.3000	0.3452	4.6452	\$22,589,538
2001	\$6,030,344,117	4.4019	0.1040	4.5059	\$25,674,254
2002	\$6,986,984,760	3.9757	0.0884	4.0641	\$26,688,138
2003	\$7,634,262,235	3.9706	0.0835	4.0541	\$28,885,500
2004	\$8,408,734,361	3.9768	0.0761	4.0529	\$31,767,862

**Total Millage Rates for Palm Beach County Municipalities  
Fiscal Year 2004**



Total millage rate includes the municipal millage, municipal debt, county, school district, and all other levies.  
Information obtained from the Palm Beach County Property Appraiser

**Town of Palm Beach**  
**FY2004 Adopted Millage Rate - Change on Homestead Property**  
**Taxable Value Comparison FY2003 vs. FY2004**

	2002(FY2003) Final	2003(FY2004) Preliminary	Difference	% Difference
Operating Taxable Value	\$7,634,262,235	\$8,408,734,361	\$774,472,126	10.14%
Debt Service Taxable Value	7,665,052,126	8,439,524,252	774,472,126	10.10%

**Millage Rate/Ad Valorem Revenue Budget Comparison FY2003 vs. FY2004**

	FY2003 Adopted	FY2004 Adopted	Difference	% Difference
Operating Millage	3.9706	3.9768 (1)	0.0062	0.16%
Debt Service Millage	0.0835	0.0761	-0.0074	-8.86%
Total	4.0541	4.0529	-0.0012	-0.03%
Operating Revenue	\$28,796,972	\$31,767,862 (2)	\$2,970,890	10.32%
Debt Service Revenue	\$608,030	\$610,135	2,105	0.35%
Total	\$29,405,002	\$32,377,997	\$2,972,996	10.11%

**Effect of FY2004 Adopted Millage Rate Change on Homestead Property**

	FY2003	FY2004	\$ Difference	% Difference
<b>Example I at \$500,000</b>				
Taxable Value	\$500,000	\$512,000 (3)		
Homestead	(25,000)	(25,000)		
Adjusted Taxable Value	475,000	487,000		
Millage	4.0541	4.0529		
Town Taxes	\$1,926	\$1,974	48.00	2.49%
<b>Example II at \$1,000,000</b>				
Taxable Value	\$1,000,000	\$1,024,000 (3)		
Homestead	(25,000)	(25,000)		
Adjusted Taxable Value	975,000	999,000		
Millage	4.0541	4.0529		
Town Taxes	\$3,953	\$4,049	96.00	2.43%
<b>Example III at \$1,500,000</b>				
Taxable Value	\$1,500,000	\$1,536,000 (3)		
Homestead	(25,000)	(25,000)		
Adjusted Taxable Value	1,475,000	1,511,000		
Millage	4.0541	4.0529		
Town Taxes	\$5,980	\$6,124	144.00	2.41%

- (1) 3.9768 Operating mills is 8.641% higher than the rolled-back millage of 3.6605 mills.  
(2) One mill at 95% would generate \$ 7,988,298 in taxes. One mill equals \$1.00 of taxes per \$1,000 of taxable value.  
(3) Save our homes percentage increase of 2.4% is applied to FY03 taxable value.

**Location**

The Town of Palm Beach is a municipal corporation organized and existing under the laws of the State of Florida. The Town, located on a barrier island, is on the east coast of Florida in the eastern portion of Palm Beach County.

The land area of the Town is approximately 3.77 square miles with 12.1 miles of coastline on the Atlantic Ocean. The Town is also bound on the west by 15.9 miles of Intracoastal frontage (Lake Worth), on the north by the Palm Beach Inlet, and on the south by the Town of South Palm Beach.

Listed below are various statistics regarding elevation and weather in Palm Beach:

**Island Elevation**

Average.....4.0 ft. above sea level  
 Maximum.....15.0 ft. above sea level

**Temperature**

Annual Average.....74.7F degrees  
 August Average.....82.5F degrees  
 January Average.....65.1F degrees  
 Annual Precipitation.....60.7 inches

**Economy**

The Town is a unique, long-established, internationally famous upscale residential/estate community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, attractive stores and restaurants. Commercial activities are restricted primarily to Town-serving sources rendered by banks, retail shops, hotels, and restaurants to its permanent population of 9,676 and seasonal residents. There is no industrial development within the Town.

**Town Government**

Incorporated on April 17, 1911, the Town is governed by an elected Mayor and a five member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two year terms. The Town has 8,351 registered voters as of January 2003.

The Governing Body meets in regular session once each month for purposes of setting policy and carrying out the legislative matters of the Town. The administrative day to day responsibilities are carried out through the Town Manager who is appointed annually by the Governing Body. All of the Town departments and staff report to the Town Manager. As of September 30, 2003, the Town employed approximately 398 full and part time employees.

The Town of Palm Beach provides a full range of municipal services including Fire-Rescue and Police protection, Sanitation, Recreation, Streets and Roads Maintenance, Planning, Zoning and Building and General Administrative Services.

The following services are provided to residents by other governments:

Transit.....Palm Beach County  
 Disposal.....Solid Waste Authority  
 Potable Water.....City of West Palm Beach  
 Sanitary Sewage Disposal..City of WPalm Beach

**Population**

The Town has a year round population of approximately 9,676. The Town's population will grow during the time of year traditionally known as the "Season" (generally from November 15th to April 1st) at which time the population swells to approximately 25,000. The Town has experienced considerable growth in its year-round resident population over the last few decades.

<u>Year</u>	<u>Population</u>	<u>% Change</u>
1950	3,886	
1960	6,055	+55.8%
1970	9,086	+50.1%
1980	9,432	+ 3.8%
1990	9,814	+ 4.1%
2000	9,676	- 1.4%

**Demographics**

Per Capita Income (2000).....	\$109,219
Median Household Income (2000).....	\$94,562
Median Age (2000).....	66.6 years

**Infrastructure**

Police Stations (78 sworn officers).....	1
Fire-Rescue Stations (75 full-time firefighters).....	3
Fire Hydrants.....	367
Public Elementary School(County).....	1
Enrollment (Kindergarten - Fifth).....	414
Public Libraries.....	1
Recreation Facilities.	
Tennis Courts.....	9
Golf Course (Par 3).....	1
Marina (88 Boat Slips).....	1
Community Building.....	1
Playfields.....	5

Bicycle Paths.....	9.3 miles
Picnic Tables.....	77
Outdoor Grills.....	28
Recreation Areas	
Phipps Ocean Park.....	24 Acres
Seaview Park.....	4.6 Acres
Neighborhood Parks	
Bradley Park.....	4.5 Acres
Kaplan Park.....	0.3 Acres
Special Use Parks/Facilities	
Public Park on Beach.....	3.00 Acres
Municipal Beach.....	5.60 Acres
Municipal Docks.....	5.30 Acres
Peruvian/South County Rd.....	0.24 Acres
Southern Boulevard Causeway.....	9.60 Acres
Nature Islands.....	39.00 Acres
Public Roads - Paved.....	90 Lane Miles

**Bond Ratings**

<u>Rating Agency</u>	<u>2003 Rev Bd</u>	<u>General Obligation</u>
Moody's	Aa2	Aaa
Standard & Poor's	AA+	AAA

**Real Estate Parcels by Type**

The following information reflects the taxable value of real estate by type:

<u>Type</u>	Taxable Value <u>(In Bill.)</u>	# of <u>Parcels</u>
Vacant Residential	\$ 276.7	205
Single Family		
Residential	5,052.1	2,252
Multi-Family,		
10 units or more	70.2	13
Condominiums	1,895.1	5,494
Cooperatives	141.8	1,040
Retirement Homes & Misc	1.2	1
Multi-Family,		
Less Than 10 Units	74.4	74
Vacant Commercial	.0	1
Improved Commercial	730.0	198
Improved Industrial	.6	1
Institutional	42.5	21
Government	.0	50
Leasehold Interests	.0	2
Miscellaneous	<u>2.0</u>	<u>35</u>
Total	\$8,286.6	9,387

**Homestead Exemptions**

All homesteaded property within the State of Florida is subject to a \$25,000 exemption in taxable value. The annual increase in taxable value is limited to 3% or the National Consumer Price Index, whichever is less. The increase for FY2004 was 2.4%. The Town has 3,454 (36.8%) homesteaded properties.

To qualify for an exemption, you must have legal title to the property and must be a permanent state resident prior to January 1 of the qualifying year. If you qualify, you can apply for a homestead exemption at the Palm Beach County Property Appraiser's Office, (561)355-2866.

## HISTORY OF PALM BEACH

Palm Beach is a barrier island sixteen miles long. The Town of Palm Beach is 3/4 mile at its widest part, 12.1 miles along the Atlantic Ocean, and contains approximately 3.75 square miles. To the east is the Atlantic Ocean and to the west is Lake Worth - the Intracoastal Waterway - which separates the Town from the cities of West Palm Beach and Lake Worth.

According to early settler accounts, Palm Beach received its name from a shipwreck named the "Providencia". The ship washed ashore in January of 1878 with a load of coconuts bound from Havana to Barcelona. Early settlers lost no time claiming salvage and planting the coconuts which were not native to South Florida in an effort to launch tropical South Florida on a commercial coconut industry.

In 1893 millionaire industrialist Henry M. Flagler and his second wife honeymooned in St. Augustine. Impressed with the beauty and history of the area, he envisioned an "American Riviera". Flagler left home at age 14 with an eighth-grade education. Later, with John D. Rockefeller and Samuel Adams, he founded Standard Oil, and the rest is history. Having invested large sums in several hotels in the St. Augustine area, Flagler extended his holdings southward. He bought and improved existing railways anticipating the tremendous potential for South Florida. His railway was named the Florida East Coast Railway.

Flagler's agents soon were buying acres of land on the island of Palm Beach. Many early homesteaders found themselves very wealthy, as orders had been given to buy "at any price". Ground was broken May 1, 1893, and on February 11, 1894, the Royal Poinciana Hotel, the largest wood structure in the world, opened in Palm Beach and welcomed 17 guests. A month after the opening, the first train pulled from the station on Loftin Street (later used as an office and warehouse by the Town of Palm Beach) in West Palm Beach on the newly built bridge across Lake Worth to deliver vacationing residents, some in their own private railway cars, to the new hotel. Henry Flagler built his own house in 1902, Whitehall, as a wedding present for his third wife, Mary Lily Kenan. Whitehall is now the Henry Morrison Flagler Museum and is open to the public.

Flagler continued to develop the Royal Poinciana Hotel property and built a second hotel, the Palm Beach Inn, on the beachfront portion of the Royal Poinciana's property. When the Palm Beach Inn burned in 1903 the first Breakers Hotel was built. Destroyed by a fire in 1925, it was rebuilt as the splendid hotel it is today. The Breakers is listed in the National Register of Historic Places.

On April 17, 1911, a meeting of the registered and qualified voters of Palm Beach, Florida, was held at the Palm Beach Hotel for the purpose of incorporating the Town of Palm Beach. Thirty-four qualified voters voted to incorporate the Town.

In 1918, before the end of World War I, Addison Mizner, an established New York architect who was born in California and studied in Spain, accepted an invitation from Paris Singer to recuperate from a leg injury in Palm Beach. As Mizner's health improved his boredom turned into creativity, and he transformed Singer's bungalow into a Chinese villa. The conversion was a success, but Singer looked forward to a larger project. Having established two hospitals in France, Paris Singer decided to build a convalescent home in Palm Beach for service men returning from the war. The buildings were completed, but before the opening of the club house in January 1919, the "Touchstone Convalescent Club" had been transformed into the exclusive Everglades Club on Worth Avenue where it still is today. Mizner's era had begun and was to continue along the southeast Florida coast through the 1920's.

The Town of Palm Beach soon began long range plans to develop and protect this island paradise, and the beauty which Town residents now enjoy is due to the efforts of several generations of planning activity. In 1929, the Garden Club of Palm Beach joined the Town and formally sponsored the preparation of a Town Plan. The overall goal of the 1929 Plan stated the following:

*"One attractive and well managed public bath and beach, the concentration of general traffic upon a limited number of streets, beautification without especial reference to main arteries of travel, and a system of leisurely and convenient byways free from automobiles, punctuated with gardens: this is a plan which will localize recreation seeking crowds, discourage trespassing, and provide safety and quite for residents of Palm Beach."*

Also included in the plan was the following statement:

*"There are many communities which can be said to be beautiful. The places in which charm is the additional attribute are very few. The element of charm is the thing which lifts a community out of the ordinary and makes it distinctive. The attribute of charm may be produced by an intelligent development of physical advantages in an unusual way."*

Today's Comprehensive Plan in Palm Beach builds on the early foundation as an effort to preserve the quality and beauty of Palm Beach. The Town of Palm Beach has 8,351 registered voters in the year 2003 with approximately 9,676 full time residents. The population swells to approximately 25,000 during "season" which is from November to April. Residents and visitors enjoy the very best in dining, shopping, and luxurious surroundings. Worth Avenue shops attract visitors worldwide.

Sources for this article: Town of Palm Beach Comprehensive Plan, On Lake Worth, Beverly Mustaine, Palm Beach Chamber of Commerce, Historic Sites Survey, Research Atlantica, Inc. 1997, Palm Beach Sun, 1947

Compiled by:

Mary A. Pollitt, Town Clerk, Palm Beach