

Town of Palm Beach Long Term Financial Plan FY2010 - FY2020



Prepared by: Finance Department
360 South County Road
Palm Beach, FL 33480
(561) 838-5444 Phone
(561) 838-5417
www.townofpalmbeach.com

Introduction



Long Term Financial Plan Overview

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

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

- Introduction
- Current Financial Condition
- Reserve Analysis
- Forecast Summary
- Forecast Details

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

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

The emphasis of this document is on the Town's General Fund. Forecast information on the Recreation Enterprise Fund is included in the Recreation Enterprise Fund Business Plan that is being released simultaneously with this plan.

Other documents included in this booklet include a status report on changes made in 2009 to the Town's health insurance programs, a plan for reorganizing certain functions in the Police Department, and a plan for privatizing and/or reorganizing certain functions in the Public Works Department.

This LTFP will be presented along with the Recreation Enterprise Fund Business Plan and the Town Manager's pension recommendations at a special Town Council meeting on April 6, 2010 at 1:30PM in the Town's Emergency Operations Center (EOC).

Current Financial Condition



Current Financial Condition

The FY10 budget maintained levels of services while lowering taxes and avoiding fee increases. Cost reductions were made in employee health insurance and employee salaries were frozen.

For the last year staff has been working on plans to reduce future Town expenditures, in accordance with the action plan included in the FY10 budget:

- Review pension benefits
- Additional review of the health insurance program
- Review Town employee compensation program
- Review contracting of Town services
- Review other opportunities for staff reduction without layoffs
- Review Debt vs. PAYGO for capital project financing
- Review methods for funding coastal projects

The results of these efforts are contained in the forecast summary of this document.

General Fund FY10 Status

Staff has been monitoring the FY10 budget very closely. Monthly updates have been sent to the Mayor and Town Council detailing the status of the General Fund revenues and expenditures.

General Fund Revenues

Several of the budgeted revenues for FY10 are under the budget standard through February. These include state revenue sources as well as other fees. Revenues received from the State such as fuel taxes, state shared revenues and state sales tax are all below the budget standard. Fuel taxes are only 1.32% below the budget standard, state revenue sharing is less than one percent below the budget standard, and state sales tax are 2.9% below the budget standard. Building permit revenue to date is under the budget standard by 15%. If this trend continues, these revenues could end the year significantly under budget. Franchise Fees are under the budget standard due to the timing of the collection of the gas franchise fee in July. Other Licenses, Fees and Permits are under budget. Parking meter revenues are under budget due to the seasonal nature of these fees. Collections are expected to increase when warmer weather brings more users to the Town's public beaches. Parking ticket fines and penalties and right of way fines are 1.9% under the budget standard. Interest income is under the budget standard due to lower returns and the delay in posting February results.

Revenues that are exceeding expectations include utility taxes, public safety fees, business tax receipts, the non ad valorem assessment for solid waste fees, and property taxes. Business tax receipts, property taxes and the non ad valorem revenues for solid waste are received early in the fiscal year. Other Charges for services are over budget due to improved collections of lien search fees. Rents and Royalties are over budget due to the timing of the roof top lease payments. These revenue sources are expected to finish the

Current Financial Condition



year at or above the budget standard. Utility taxes are higher than the budget because revenues received from telecommunications and water utility taxes are higher than anticipated. Public safety fees are seasonal and should finish the year above the budget standard.

Overall, current estimates indicate total revenues to finish the year close to the budget standard, unless building permit revenue does not improve.

General Fund Expenditures

Through February, expenditures for most departments were below the budget standard. General Government, Information Systems, Library Services and Debt Service are above the standard. General Government is over budget due to the annual payout for the vacation buy-out program. Information Systems is over budget due to maintenance charges and software purchases made early in the fiscal year. Library Services is over budget due to the semi-annual payment to the Four Arts Library. Debt Service represents the bond payments due on January 1. All of the variances are due to seasonal factors; all departments are on trend to stay within budget for the year.

We expect to finish the year well under the budgeted expenditures due to the hiring freeze and additional reductions in expenditures where ever possible. Any anticipated revenue shortfall will be offset by reductions in expenditures. Unless the revenue status significantly worsens, or if we experience a major storm event during the summer, we should end the year with a small budget surplus.

A report on General Fund Revenues and Expenditures through February 2010, can be found on the following page.

Town of Palm Beach, Florida
General Fund Revenue and Expenditure Report
As of February 28, 2010

	<u>Budget</u> <u>FY2010</u>	<u>YTD Actual</u> <u>2010</u>	<u>% Budget</u> <u>vs Actual</u>	<u>Budget</u> <u>FY2009</u>	<u>YTD Actual</u> <u>2009</u>	<u>%</u> <u>Budget</u>	<u>Actual</u> <u>2009</u>	<u>% Budget</u> <u>vs Actual</u>
Revenues								
Ad Valorem Taxes	41,326,000.00	35,056,705.58	84.83%	42,543,000.00	36,373,096.18	85.50%	42,887,216.43	100.81%
Sales, Use and Fuel Taxes	320,000.00	129,132.20	40.35%	341,000.00	130,682.97	38.32%	324,077.48	95.04%
Utility Services Taxes	4,458,000.00	2,116,263.28	47.47%	4,117,000.00	1,805,182.96	43.85%	4,608,087.94	111.93%
Business Tax Receipts	720,000.00	595,073.52	82.65%	747,000.00	613,718.09	82.16%	726,586.39	97.27%
Building Permits	4,727,300.00	1,261,253.99	26.68%	4,691,300.00	1,578,713.74	33.65%	4,701,645.23	100.22%
Franchise Fees	2,480,000.00	879,143.99	35.45%	2,585,000.00	862,214.62	33.35%	2,454,231.94	94.94%
Other Licenses, Fees and Permits	227,300.00	82,238.03	36.18%	254,400.00	91,243.00	35.87%	164,135.00	64.52%
Federal Grants	1,200.00	9.22	0.77%	23,600.00	0.00	0.00%	294,720.03	1248.81%
State Shared Revenues	1,065,500.00	367,205.12	34.46%	1,147,800.00	377,015.41	32.85%	1,091,541.11	95.10%
Grants From Other Local Units	50,000.00	0.00	0.00%	50,000.00	16,861.25	33.32%	58,870.32	117.74%
Shared Revenue From Other Local Units	40,000.00	11,461.04	28.65%	40,000.00	28,333.51	70.83%	39,996.95	99.99%
Public Safety	1,237,600.00	579,335.58	46.81%	1,346,600.00	605,292.25	44.95%	1,539,185.06	114.30%
Physical Environment	1,176,900.00	788,955.87	67.04%	1,139,100.00	788,146.23	69.19%	1,131,884.12	99.37%
Transportation	547,500.00	195,898.92	35.78%	641,700.00	189,438.42	29.52%	579,292.22	90.27%
Other Charges for Services	25,900.00	12,252.80	47.31%	30,700.00	9,956.73	32.43%	27,618.29	89.96%
Judgments and Fines	739,200.00	293,642.71	39.72%	996,200.00	299,512.23	30.07%	800,754.66	80.38%
Violations of Local Ordinances	410,000.00	34,016.92	8.30%	525,000.00	283,398.72	53.98%	352,052.22	67.06%
Interest and Other Earnings	1,540,000.00	344,129.24	22.35%	1,201,300.00	874,207.09	72.77%	1,923,224.28	160.10%
Rents and Royalties	88,100.00	43,769.26	49.68%	85,800.00	877.43	1.02%	44,490.85	51.85%
Contributions/Donations from Private Sou	10,000.00	0.00	0.00%	10,000.00	0.00	0.00%	0.00	0.00%
Other Miscellaneous Revenues	134,000.00	67,508.06	50.38%	134,000.00	40,719.79	30.39%	158,624.78	118.38%
Interfund Transfer	6,846,752.98	229,165.00	3.35%	6,977,859.00	229,165.00	3.28%	550,000.00	7.88%
Total Revenues	68,171,252.98	43,086,987.31	63.20%	69,628,359.00	45,197,575.62	64.91%	64,457,887.30	92.57%
Expenditures								
Legislative	133,073.40	46,500.66	34.94%	186,559.59	29,681.98	15.91%	121,619.18	65.19%
General Government	1,611,375.67	957,971.71	59.45%	2,156,894.90	882,970.79	40.94%	1,849,133.94	85.73%
Administrative Management	858,797.40	304,918.57	35.51%	856,157.70	349,027.11	40.77%	824,985.17	96.36%
Advice & Litigation	402,500.00	126,332.28	31.39%	506,080.38	150,878.79	29.81%	475,308.40	93.92%
Information Systems	1,926,532.88	969,061.47	50.30%	2,184,375.60	1,340,690.59	61.38%	2,139,387.88	97.94%
Human Resources	696,924.45	226,402.19	32.49%	745,959.71	281,852.38	37.78%	655,428.79	87.86%
Finance	1,877,423.77	749,623.93	39.93%	1,972,639.21	798,655.14	40.49%	1,889,220.00	95.77%
Planning/Zoning/Building	4,064,334.75	1,527,471.55	37.58%	4,209,896.21	1,631,666.73	38.76%	3,800,958.24	90.29%
Library Services	272,400.00	136,200.00	50.00%	272,400.00	136,200.00	50.00%	272,400.00	100.00%
Fire-Rescue	12,502,001.94	5,179,931.77	41.43%	12,159,840.16	5,012,348.32	41.22%	12,027,638.17	98.91%
Police	15,631,301.83	6,393,491.53	40.90%	16,174,710.04	6,533,146.53	40.39%	15,633,613.63	96.65%
Public Works	15,086,763.13	5,404,416.26	35.82%	15,939,586.77	5,757,896.54	36.12%	14,025,892.25	87.99%
CIP	4,828,957.00	2,012,065.00	41.67%	3,817,000.00	757,085.00	19.83%	3,817,000.00	100.00%
Debt Service Fund (203/204)	3,922,000.00	3,922,000.00	100.00%	3,790,000.00	3,790,000.00	100.00%	3,790,000.00	100.00%
Retiree Health Funding	1,550,000.00	645,833.00	41.67%	1,649,000.00	687,085.00	41.67%	1,649,000.00	100.00%
Risk-WC, Liab. Prop. (501)	1,904,463.00	793,526.00	41.67%	1,918,000.00	799,165.00	41.67%	1,918,000.00	100.00%
Emergency/Disaster Response	115,943.76	35,386.96	30.52%	1,087,554.74	14,927.47	1.37%	1,003,767.57	92.30%
Contingent Appropriations	786,460.00	0.00	0.00%	1,604.00	0.00	0.00%	0.00	0.00%
Total Expenditures	68,171,252.98	29,430,564.01	43.17%	69,628,359.01	28,953,277.37	41.58%	65,893,408.59	94.64%
Revenue over/under Expenditures for General Fund	0.00	13,656,423.30	(0.01)	(0.01)	16,244,298.25		(1,435,521.29)	
% of Fiscal Year Completed: 41.67%								

Reserve Status

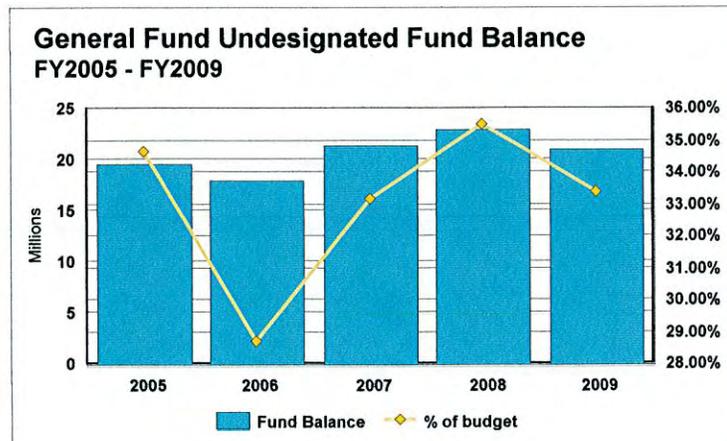


Town of Palm Beach Reserves

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

Undesignated Fund Balance - General Fund

Pursuant to adopted policy, the undesignated 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 FY10 General Fund operating budget of \$62,841,500 is \$15,710,375. At the end of FY09, the Undesignated Fund Balance for the General Fund was \$20,980,277. This amount represents 33% of FY10 budgeted operating expenditures or \$5,269,902 over the required minimum level of 25%.



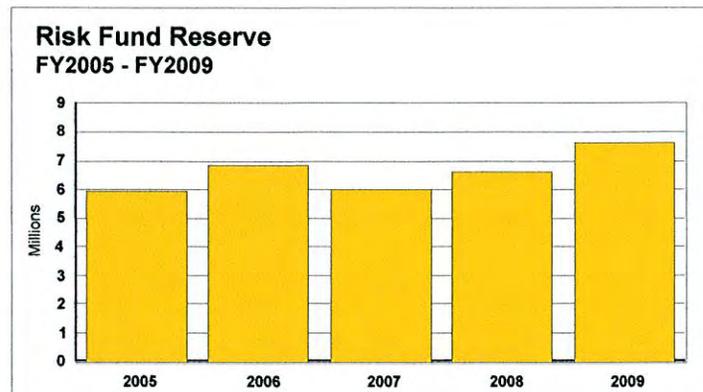
The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart details the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents. Transfers that have been reserved from fund balance for the FY10 budget total \$4,978,800 and include: the contingency reserve (\$967,000), the second year of the early retirement buyout (\$908,000), compensated absence payouts (\$343,800), public safety software (\$160,000) and additional funding for CIP projects (\$2,600,000). We also anticipate that for FY11 we will need approximately \$1,100,000 from fund balance reserves for contingency funding and the final payment on the 2008 early retirement buyout.



Reserve Status

Reserves - Risk Fund

The total reserve balance for the risk fund is \$7,620,642 as of September 30, 2009. Out of this reserve balance the Reserve for Catastrophic Exposures/Emergencies - Risk Fund is funded in the amount of \$2,500,000. The trend for the Risk Fund Reserve is shown in the table.

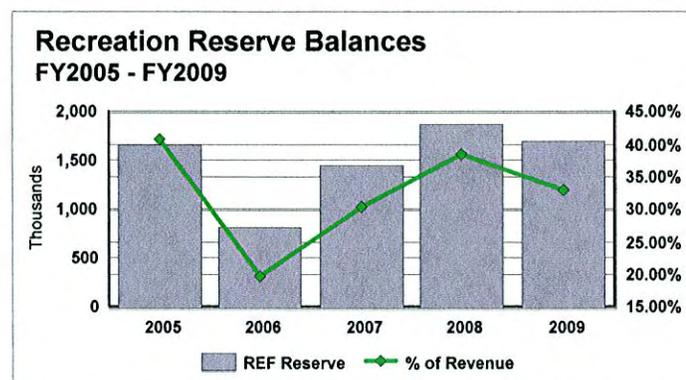


Reserve for Catastrophic Exposures/Emergencies - Risk Fund

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 potentially disastrous financial impacts of response to and recovery from a man-made or natural emergency situation or large judgments in excess of insurance coverage. This reserve is funded from the Net Assets of the Risk Fund.

Enterprise Fund Reserves

The Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,284,050 for FY10. 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 Dock, the Par 3 Golf Course, tennis activities and youth and adult recreation programs.

At the end of FY09, the unrestricted net asset balance for the Recreation Enterprise Fund (REF) is \$2,955,244. Of the \$2,955,244 in estimated unrestricted net assets, \$196,718 has been set aside in the Dock Replacement Reserve. A portion of this



Reserve Status

reserve (\$1,740,844) was used to finance the Town's portion of the Par 3 renovation. These funds have been replenished with the 2010A bond issue and the FY10 year end balance will reflect the replenished reserves. 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.

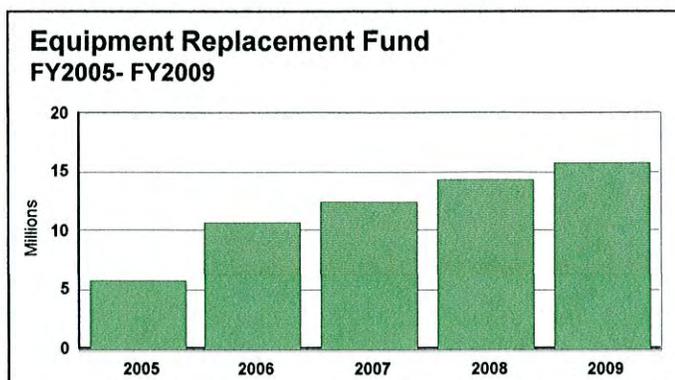
The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. This reserve of for maintenance and improvements at the end of FY08 was \$223,752. These funds as well as funds collected in FY09 of \$35,402 for a total of \$259,156 were used for the Par 3 golf course renovation.

The Recreation Enterprise Fund established an equipment replacement reserve in FY2006. This fund allows for the purchase of capital equipment and is funded with an initial transfer of the total accumulated depreciation from Recreation Net Assets. The annual funding is calculated using replacement cost depreciation and transferred from the REF to a separate equipment replacement fund. The balance in the REF Equipment Replacement Fund is \$351,468 as of September 30, 2009.

After reducing the unrestricted net assets for the dock replacement reserve, the equipment replacement reserve, and the reserve for encumbrances the balance is \$1,699,063. This amount represents 33% of FY10 operating revenues or \$466,375 over the required minimum level of 25%.

Equipment Replacement Fund

The Townwide Equipment Replacement Fund was established with a transfer of \$4,386,910 from the General Fund Undesignated Fund balance in the FY2002 budget. The amount represented the accumulated depreciation of the Town's fixed assets through FY2002. This reserve 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.





Reserve Status

The Town Council approved a change in FY06 from depreciation based on acquisition cost to depreciation based upon replacement value. This will ensure sufficient reserves to replace large capital items with long useful lives such as fire-rescue trucks and public works vehicles.

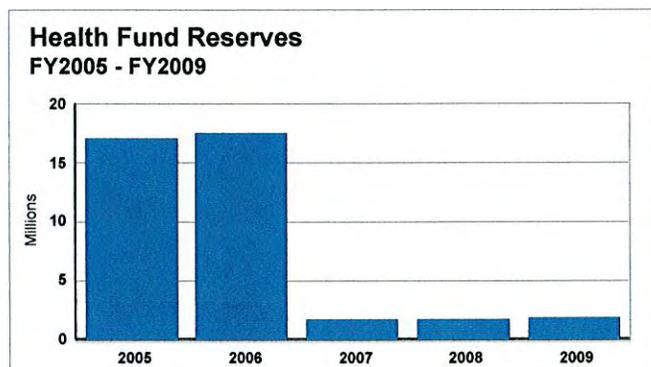
The balance in the equipment replacement fund for year end FY09 is \$15,851,730. For FY10 the income including the depreciation transfer will total \$2,483,700 and expenditures for capital equipment are budgeted at \$976,350.

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

The Town Council approved the establishment of a Reserve for Compensated Absences in the FY05 budget. This reserve 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 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time for FY10 from this reserve is \$343,800. The balance in the reserve as of September 30, 2009 is \$3,677,042.

Health Insurance Reserve

The Health Insurance Fund had a significant reserve balance that was accrued in anticipation of the issuance of a policy from the Government Accounting Standards Board (GASB). GASB has issued statements 43 and 54 relating to accounting standards for post employment benefits, which required the establishment of a liability for



actuarially determined costs of retiree health benefits. As of October 1, 2006, a trust fund was created using \$16,000,000 from the Health Insurance Fund reserves to provide for post employment benefits. The Town is well ahead of other government agencies in the funding of this liability due to the reserves that had been accumulated in this fund. The balance of the reserve in the Health Fund, at the end FY09 is \$1,845,717. These reserves guard against any deficiencies in the Town's self insurance health fund.

OPEB (Other Post Employment Benefits) Trust

As mentioned in the above section, an OPEB trust was established to fund the

Reserve Status



liability for post employment benefits. The OPEB trust funds are overseen by the Town's Investment Advisory Committee. The balance in this trust is \$15,898,539 as of September 30, 2009. The actuarially determined transfer from the General Fund for the OPEB liability for FY10 is \$1,550,000.

Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Leisure Services Enterprise Fund, Leisure Services Enterprise Fund - Capital 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 FY09 budget. The Capital Fund Contingency is appropriated at 10% of the capital budget, the Risk and Health Contingency Reserves are appropriated at \$500,000. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses as is the Recreation Enterprise Capital Fund Contingency. The Equipment Replacement Fund contingency is appropriated at \$500,000. The table below identifies the contingency balances appropriated in the FY09 budget and the FY10 budget:

Contingency Reserves FY2009 and FY2010

Fund	FY2009 Budget	FY2010 Budget
General Fund	\$1,005,024	\$967,000
Capital Fund	\$241,600	\$432,500
Equipment Replacement Fund	\$100,000	\$500,000
Risk Fund	\$500,000	\$500,000
Health Fund	\$500,000	\$500,000
Recreation Enterprise Fund	\$217,350	\$253,300

Undesignated Fund Balance/Retained Earnings Summary

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. The rating agencies look closely at the fund balance levels and the financial policies in place when rating a municipality. Recently the rating agencies reviewed the Town's credit ratings, in preparation for the issuance of the 2010 Bonds. They cited the Town's healthy reserves, solid fiscal policies, and conservative management practices as some of

Reserve Status



the reasons for our exceptional bond ratings. Moody's Investors Service gave the Town a Aa1 for the 2010 Revenue Bonds and confirmed the Town's Aaa issuer credit rating. Standard and Poor's issued a AA+ credit rating on the 2010 Revenue bonds confirmed the Town's issuer credit rating of AAA. These Revenue Bond ratings and issuer credit ratings are the highest ratings these two services issue and represent the highest quality investment grade debt.

The table below summarizes the trend of the undesignated fund balance, net asset balances, compensated absence, and replacement reserve balances for FY05 through FY09.

Reserve Balances Fiscal Years 2005 - 2009

Fund	2005	2006	2007	2008	2009
General Fund	19,580,424	17,985,964	21,346,801	23,005,185	20,980,277
Compensated Absence (GF)	2,795,916	2,972,258	3,242,924	2,962,197	3,333,242
Equipment Replacement Fund	5,784,030	10,765,871	12,492,176	14,343,984	15,851,730
Recreation Ent Fund	1,661,465	814,569	1,449,420	1,868,076	1,699,063
Recreation ERF	0	249,553	288,267	321,863	351,468
Dock Replacement	1,460,517	1,534,824	1,620,173	1,772,062	196,718
Par 3 M&I Reserve	76,109	120,488	176,067	223,753	0
Health Fund	17,046,436	18,369,182	1,740,326	1,660,969	1,845,717
Risk Fund	5,957,681	6,840,190	6,013,314	6,589,271	7,620,642
Health - OPEB Trust	0	0	17,401,883	15,785,880	15,898,539
Pension Funds	<u>160,203,485</u>	<u>172,045,119</u>	<u>198,737,626</u>	<u>167,937,995</u>	<u>163,129,393</u>
Total	214,566,063	231,698,018	264,508,977	236,471,235	230,906,789

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.

In past years, the Long Term Financial Plan included the current budget year and a forecast for 4 years. This year we have included the current budget year and a forecast for 9 years. The forecast of General Fund revenues and expenditures includes FY11 through FY20. The summary details of the forecast can be found behind the *Forecast Details* tab.

Assumptions

The forecast for the first 2 - 3 years is based upon recent trends and specific expectations. The forecast for the remaining 7 - 8 years is very conservative and based upon estimates by actuaries, long term inflation expectations, and staff's recommendations for future personnel changes.

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

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Ad Valorem Tax Increase	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General Inflation	1.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Salaries & Wages	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Health Insurance	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Other Employee Benefits	2.1%	3.4%	4.1%	4.4%	4.8%	4.6%	5.0%	5.1%	5.3%	5.4%
Property Insurance	5.0%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Liability Insurance	5.0%	10%	10%	10%	10%	10%	10%	10%	10%	10%
W/C Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Revenue Forecast Assumptions

Property Tax Revenue

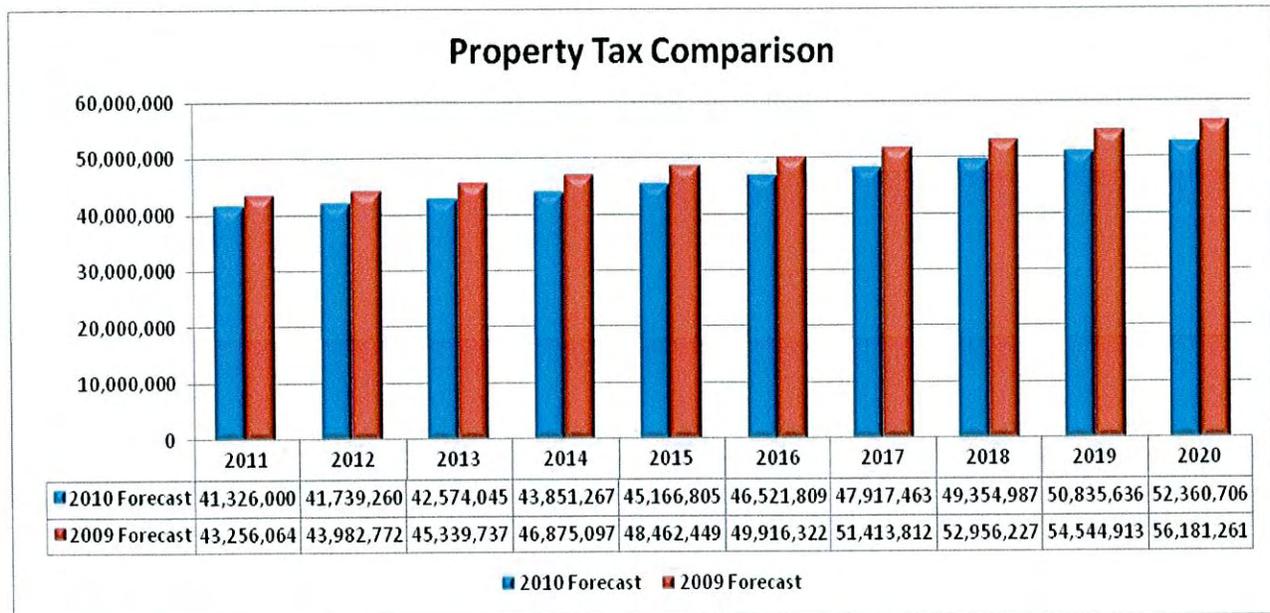
We simplified the ad valorem revenue projections due to the uncertainty surrounding taxable values and the housing market. Rather than using a complex formula anticipating



Forecast Summary

taxable value and personal income growth, we decided to forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. For FY11 we maintained ad valorem revenue at FY10 amounts and we increased revenue by 1% for FY12, 2% for FY13, and then 3% for each year thereafter.

The chart below compares the property tax revenue from the original 2009 forecast to the new 2010 LTFP forecast.



The 2010 forecast lowers the property tax revenue in each year compared to the 2009 forecast. Nevertheless, as you will see later in this report, staff was able (through expenditure cuts) to eliminate the deficit that had been projected for FY12 through FY17.

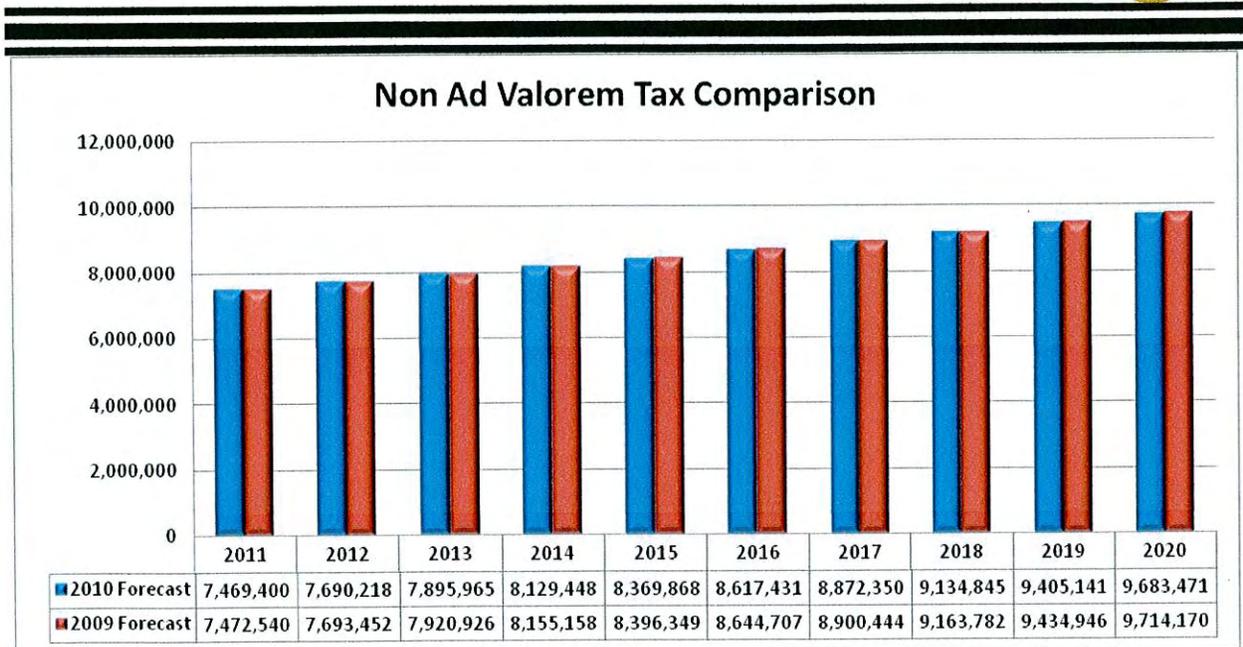
Non Ad Valorem Revenues

Revenue from non ad valorem taxes which include franchise fees, utility service taxes and local option gas taxes are expected to increase by approximately 3% for each year. This is slightly less than the average 10 year trend for these revenue sources. The trend information has been consistent for these sources of revenue and our past estimates have been very close to the actual amounts received.

The chart on the following page shows the comparison of non ad valorem revenues from the 2009 forecast to the current 2010 forecast. The forecast for both is virtually the same for all years.

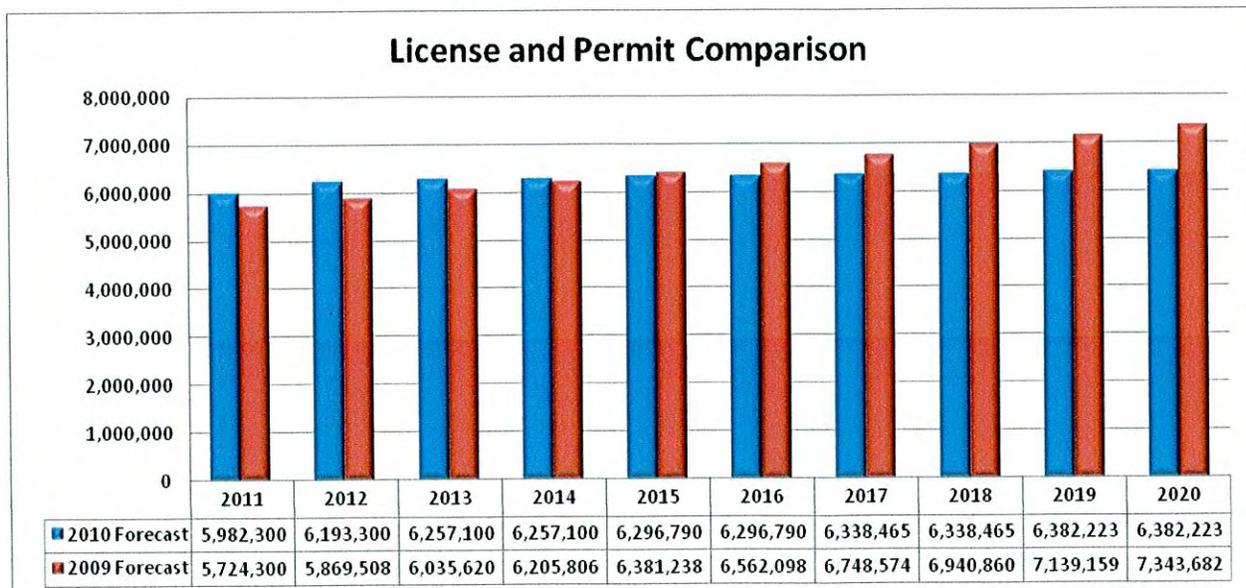


Forecast Summary



License and Permit Revenue

Building permit revenue can be very volatile and is budgeted conservatively. The current FY10 budget represents a 1.16% increase from the FY09 actual results. The forecast for FY11 represents an increase of about 6.7% based on the two new proposed revenues, a permit revision fee and a flood plain management permit fee. These revenue proposals will be discussed in more detail at a future Town Council meeting. Most of the other revenues that are in this category are budgeted at the same level as FY10. The forecast for FY12 - FY20 has revenues remaining level with slight variations. This represents a very conservative forecast for these revenue sources.

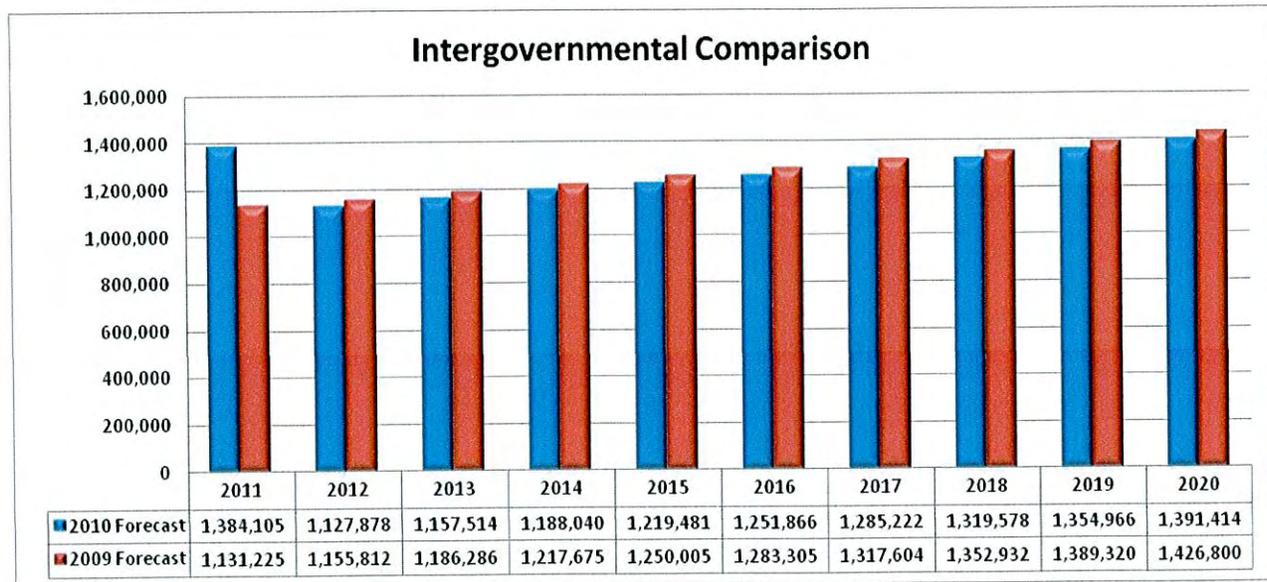




Forecast Summary

Intergovernmental Revenue

Intergovernmental revenues represent revenues received from the State, grant funds, and county sources. The forecast for FY11 represents an increase due to the forecast of grant revenues for the north fire-rescue station traffic light. For FY12 - FY20, the revenues are conservatively forecasted to increase by less than 2% per year.



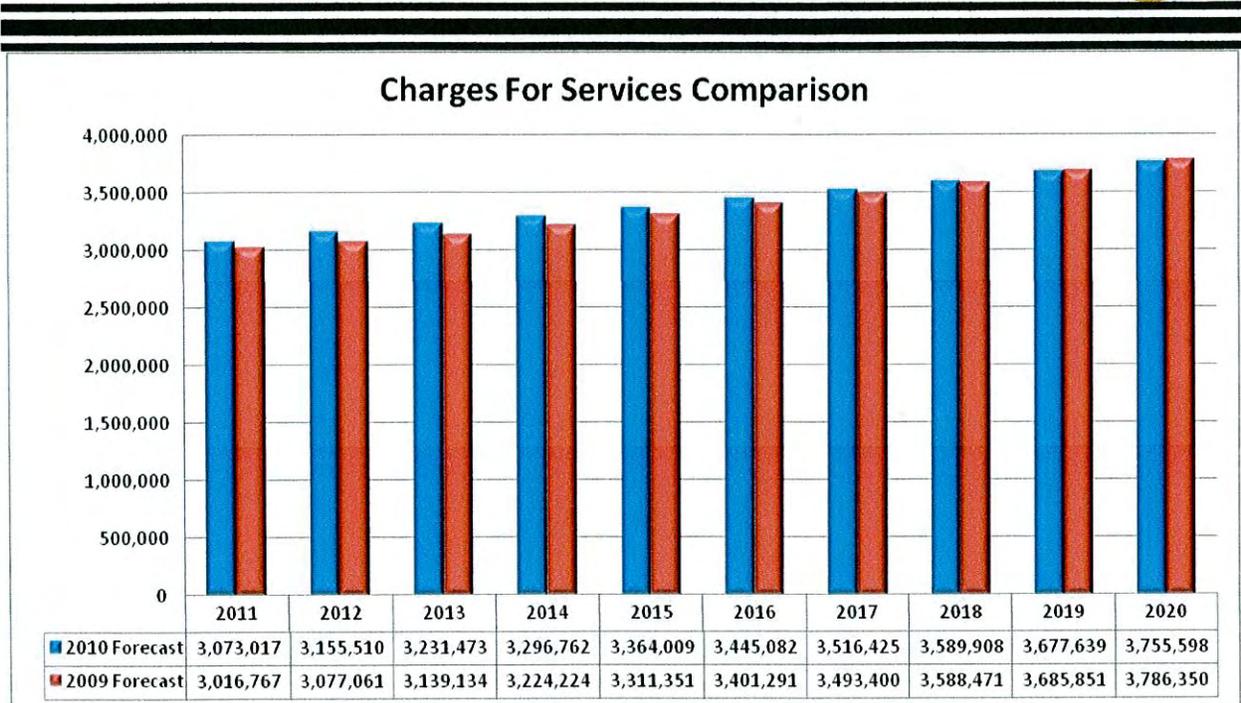
Charges for Services

Charges for services represent public safety charges such as special assignment overtime, fire prevention fees, false alarm charges, EMS service fees, commercial solid waste charges, parking meter collections, lien search fees and copy charges. For FY11 - FY20 we conservatively anticipate increases of between 2% and 2.4% each year due either to fee increases or anticipated future economic improvement.

The chart on the following page shows the comparison for these revenue sources from the 2009 forecast and the 2010 forecast. These revenue sources are virtually the same as had been projected in the prior forecast.

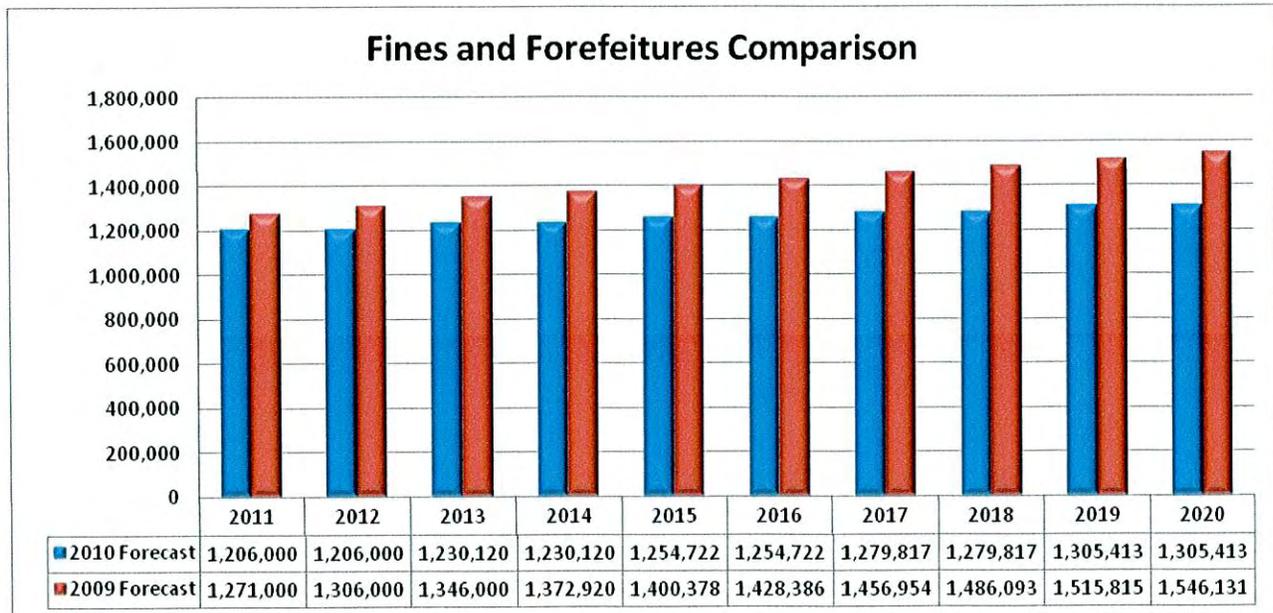


Forecast Summary



Fine and Forfeiture

Fine and Forfeiture revenue includes parking ticket fines and penalties, code enforcement fines, right of way violations and moving violations. For FY11 through FY20, we estimated the revenues to increase by 0 to 2% per year due to fee increases in some of the years.



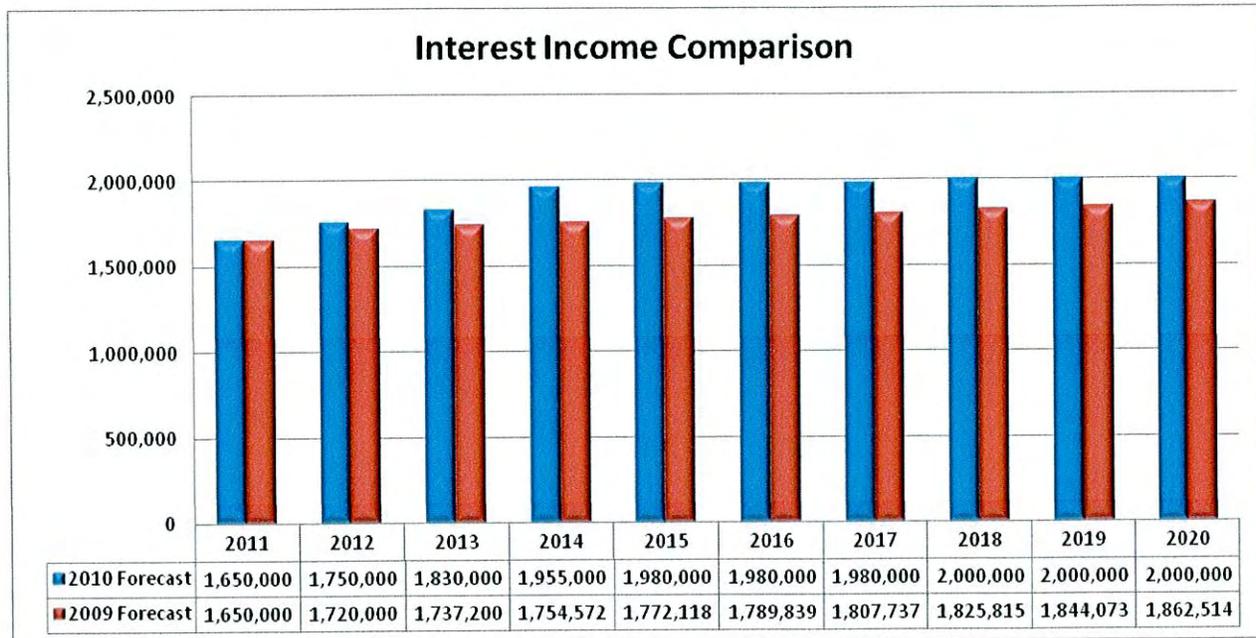
The revenues in the 2010 forecast for fines and forfeitures are less than the 2009 forecast. Code Enforcement revenues were revised downward based upon recent collections.



Forecast Summary

Interest Income

Short term investment yields are anticipated to increase slightly in for FY11 through FY14, then for FY15 – FY20 the forecast remains virtually constant.



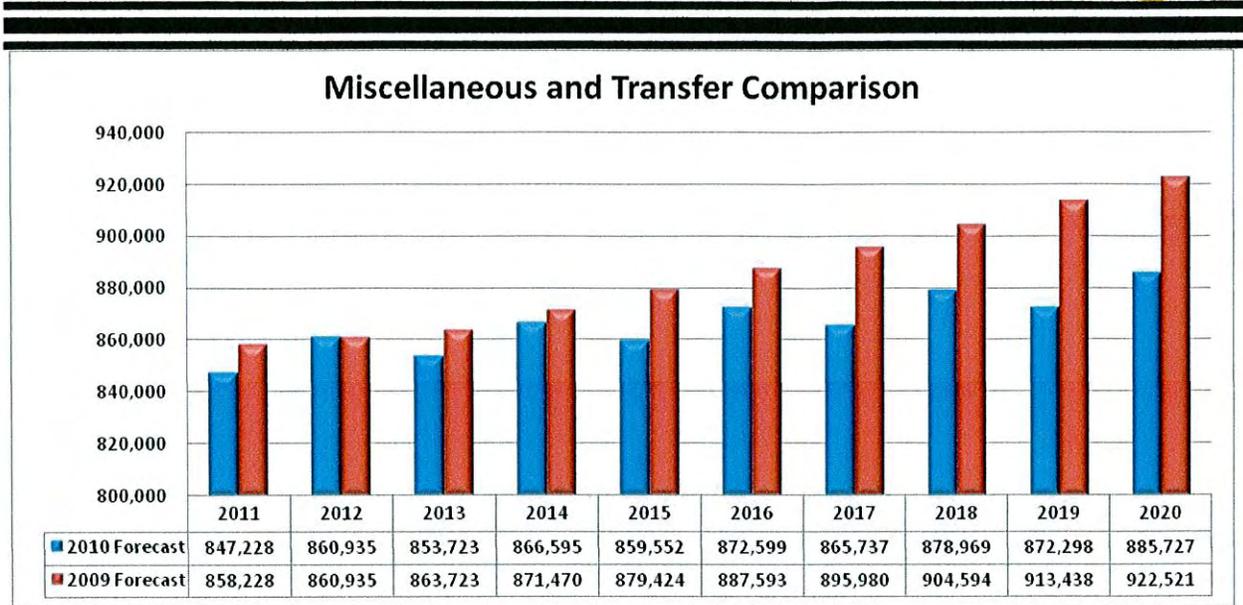
The forecast for interest income was revised upward from the prior forecast based upon recent trends in interest income for the past 4 years.

Miscellaneous and Transfers

This revenue source includes rooftop lease revenue, Kreusler Park administrative fees, state highway lighting maintenance revenues, charitable solicitation revenue, donations for Ibis Isle Park maintenance, transfers from the Recreation Enterprise Fund and other miscellaneous revenues.

The growth in this revenue source is based upon the annual increases for the roof top leases and the expectation of donations on a bi-annual basis for maintenance of the Ibis Isle park.

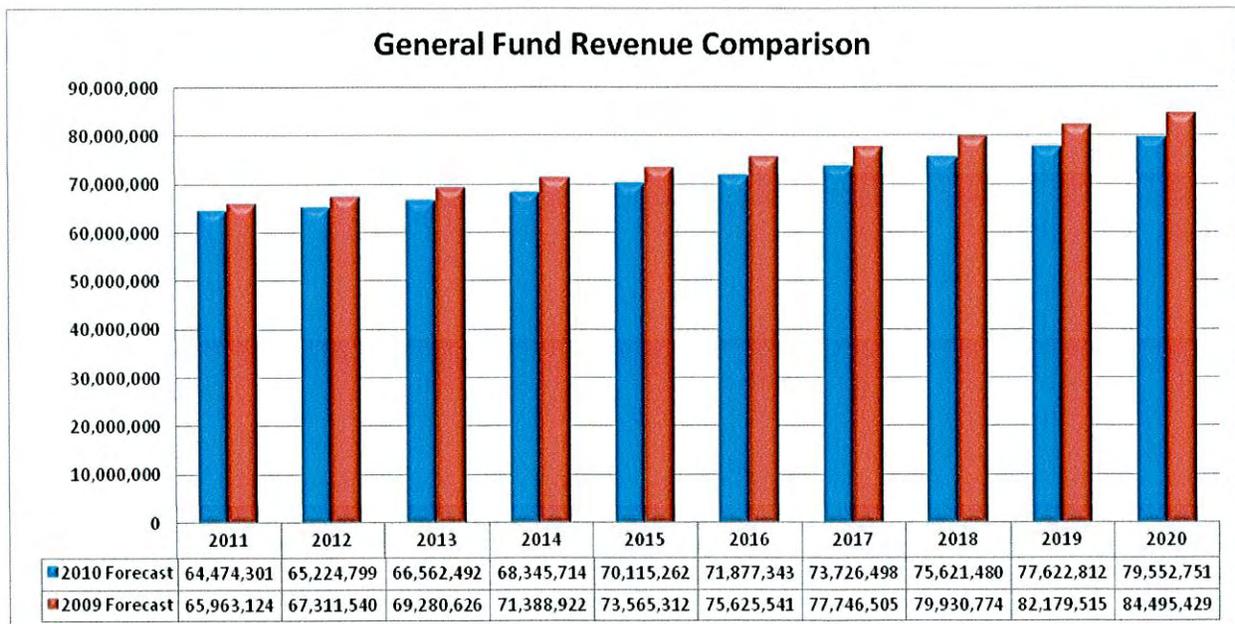
Forecast Summary



The 2009 forecast anticipated growth in receipts from the State and from charitable solicitation fees. The 2010 forecast keeps these revenues constant.

Total General Fund Revenues

The total General Fund Revenue forecast anticipates an approximate 2.3% annual increase in total revenues. The original forecast anticipated a 2.8% annual increase in revenues. The revenue projections in the current forecast are very conservative.



Because the revenue forecast is conservative, we expect to collect more revenue than is shown in the forecast. Our financial plan will improve if revenues are better than expected



Forecast Summary

and the later year deficits that are forecasted may be reduced or eliminated even without further expenditure cuts. If the revenue forecast was the same as presented in 2009, for instance, no deficits would have been shown in the later years of the forecast.

Expenditure Forecast Assumptions

General inflationary increases ranging from 1.8% to 2.4% per year were used to forecast commodities, contractual and depreciation expenditures. The *Livingston Survey* from the Federal Reserve Bank of Philadelphia forecasts inflation for 2011 at 1.8%. Their forecast for long term inflation indicates that inflation is predicted to average 2.4% over the next 10 years, which is slightly lower than the forecast of 2.5% reported in the prior surveys.

Salary and Wages

Salary and Wage increases were based upon anticipated modifications to the Town's employee pay policies and reductions in personnel through the forecast period. Past assumptions for salary and wage increases had been 5.5%. This forecast contains anticipated growth rates of 2% - 3%.

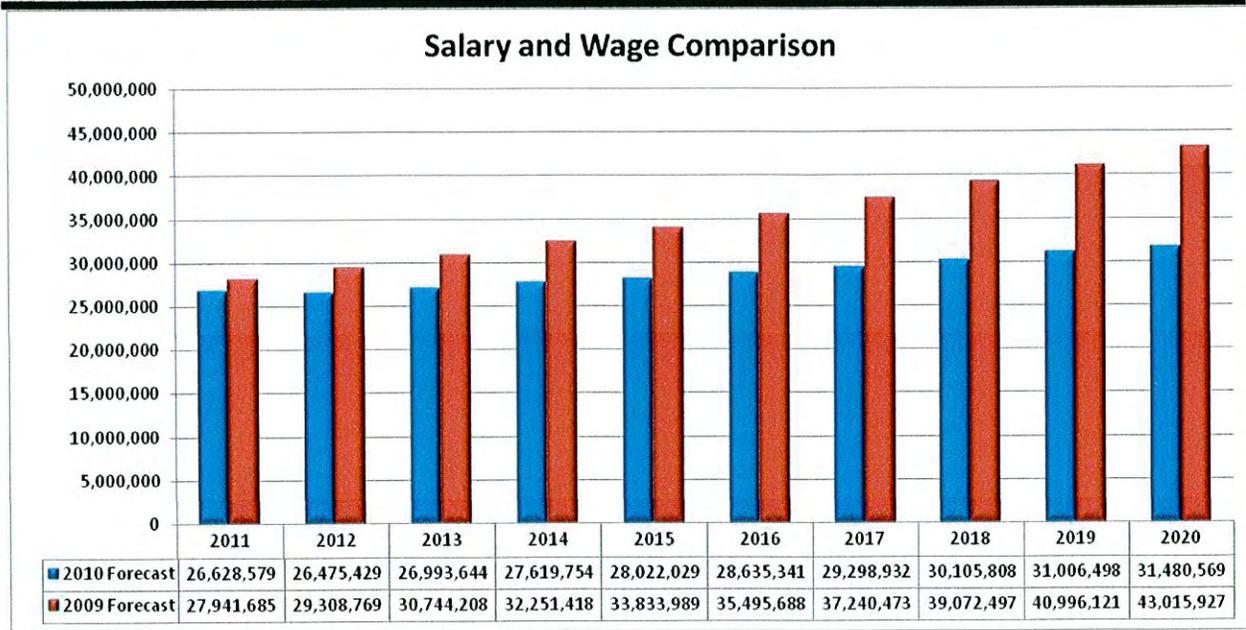
Between FY01 and FY09, Town salaries increased at an average rate of over 6% per year – more than double the average annual rate of inflation for the same period. Future salary growth needs to be reduced to an average of 3% per year or less. The Town is not alone. Most public employers in Palm Beach County will no longer be giving raises on both October 1 (as an across the board adjustment) and employees' anniversary dates (as an individual merit pay or step increase). Many will continue to completely freeze pay (or reduce it) for at least one more year. After that, some will provide only October 1 raises and others will provide only anniversary date raises. Staff's recommendation is that the Town provide pay-for-performance raises or step increases on each employee's anniversary date and that the Town no longer provide across the board pay increases on October 1. It is anticipated that pay ranges (but not actual pay) will increase on October 1 when the market warrants such increases in the future (thereby increasing employees' long-term earning potential), but we don't expect prevailing market wages to increase for FY11 and they may not increase in FY12 or even beyond that. Therefore, it is staff's belief that this change in the Town's pay policy will have no negative impact upon the Town's competitive position in the Palm Beach County market for public sector employees.

The Police Department is proposing reorganization of some functions and the Public Works Department is proposing reorganization and/or privatization of some functions. The details of the proposed personnel changes in the Police and Public Works Departments can be found later in this booklet. Police Chief Kirk Blouin and Public Works Director Paul Brazil will present their recommendations at the April 6, 2010, special Town Council meeting.

There are other areas besides Police and Public Works where smaller scale staff reductions are planned. Additional details will be provided during the FY11 budget process once the plans have been finalized. All staff reductions are proposed to occur by attrition, maintaining the Town's longstanding commitment to avoid layoffs of any Town employees.

The chart on the following page compares the FY09 Forecast (in red) to the new FY10 LTFP Forecast (in blue).

Forecast Summary



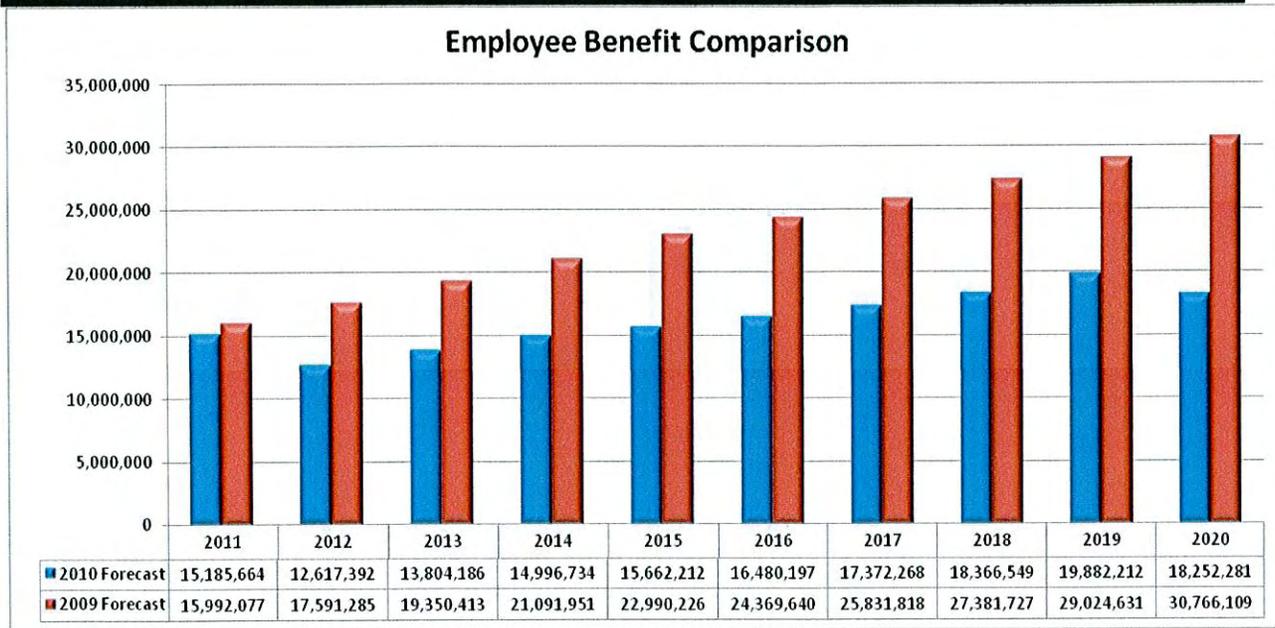
The proposed modifications to the pay structure made a large impact on the expenditures for this category, saving over \$12 million in 2020.

Employee Benefits

The employee benefit forecast has been modified this year. It is broken down between pension and other employee benefits which include health insurance. We anticipated health insurance increases at 8% per year and other employee benefits, including FICA, longevity, incentives, and allowances to increase at a much lower rate of less than 2%. The pension estimate is based upon the Town Manager’s recommendation in his pension report to the Mayor and Town Council which is being released simultaneously with this plan. The numbers included in the pension forecast were calculated by the actuary. It is anticipated that the savings from the pension changes will not take effect until the FY12 budget.

The chart on the following page illustrates the difference between the 2009 Forecast and the 2010 LTFP.

Forecast Summary



The savings from the 2009 forecast is due to the proposed changes in the pension program and savings in FICA and longevity due to lower salaries. These modifications have significantly brought down the costs of benefits. The total savings in FY20 is over \$12.5 million.

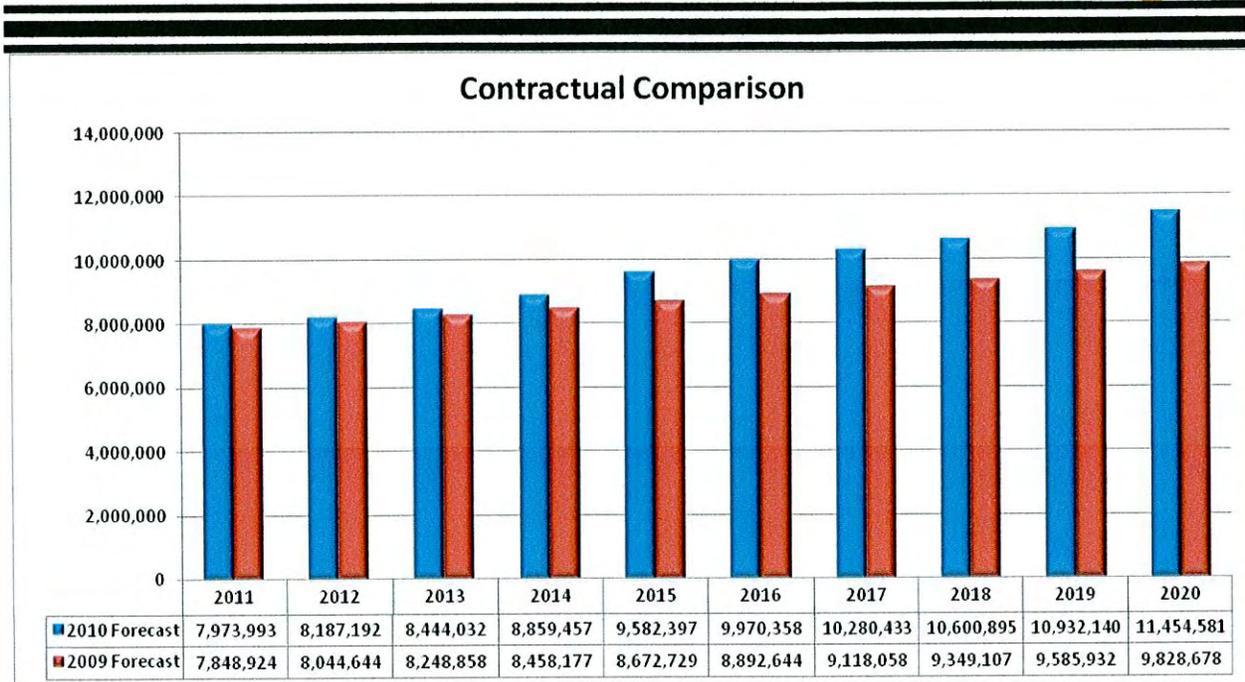
The proposed changes in salaries and benefits are subject to collective bargaining and review and consideration by the Mayor and Town Council. The forecast reflects the Town Manager’s recommendations.

Contractual

Contractual expenditures are forecasted to increase by the rate of inflation. In certain years, contractual expenditures increased more than that, due to a plan for contracting certain services that are currently performed by employees. Most of these changes occurred in Public Works. Details of the Public Works plan can be found later in this document.

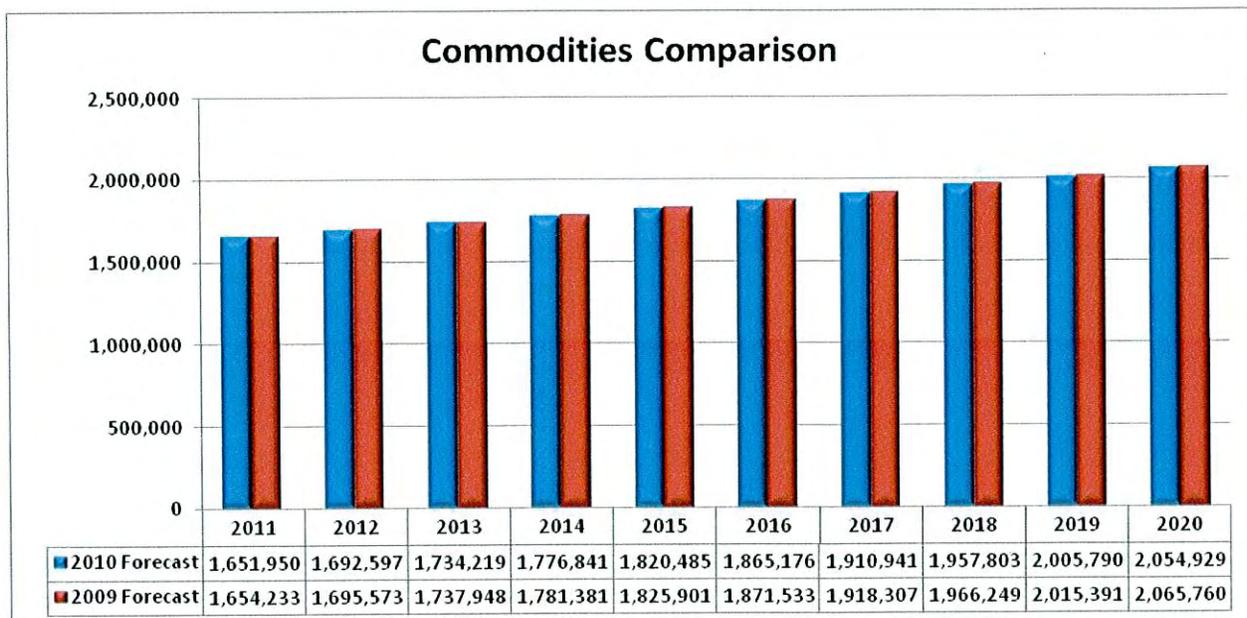


Forecast Summary



Commodities

The commodity forecast was based upon inflation assumptions. The current forecast shows very little change from the original projection.



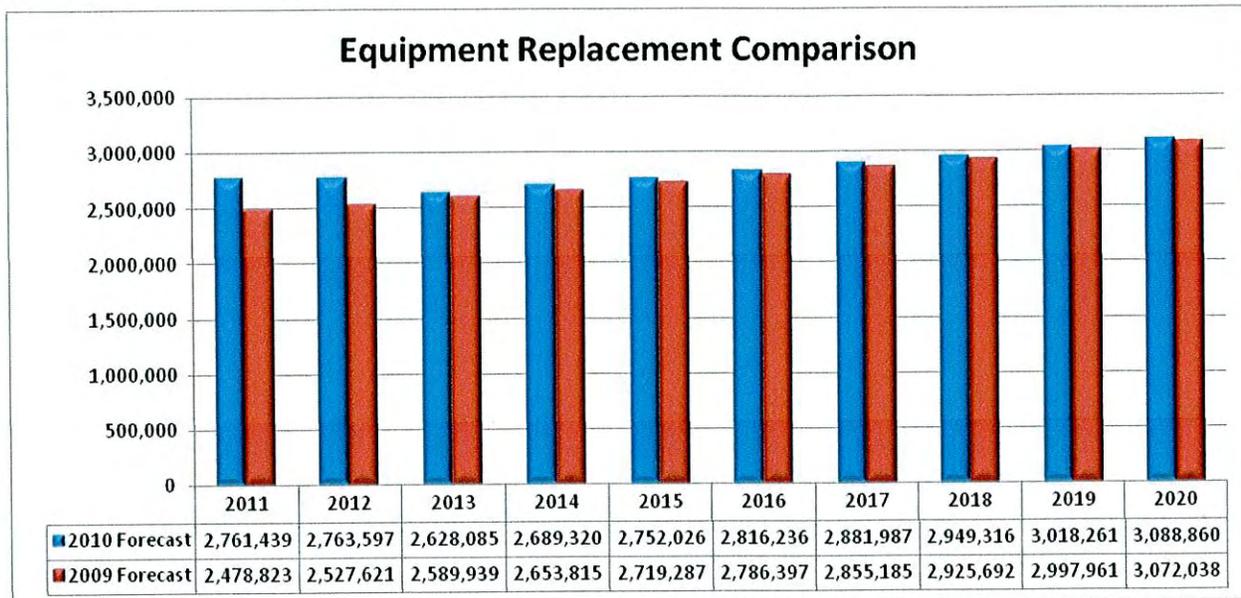
Equipment Replacement/Capital Outlay

The Equipment Replacement and Capital Outlay forecasts are only slightly different than the original forecast. The majority of the cost is depreciation on Town vehicles and equipment



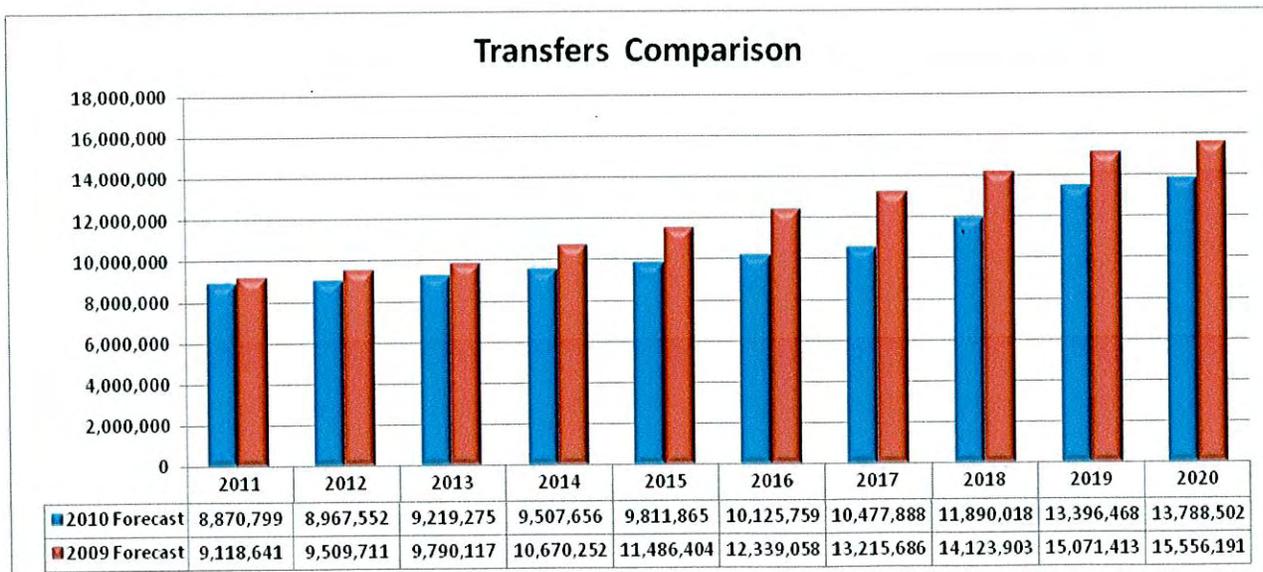
Forecast Summary

that is charged to the departments and transferred to the Equipment Replacement Fund. In addition to the depreciation charges, the Fire Rescue Department forecasts the cost of a traffic signal at the North Fire Station in FY11. Most of the cost of this expenditure is offset by Grant Revenue. The FY12 increase is due to the purchase of a special operations vehicle in Fire Rescue. These items are included as "place holders" for conservative forecasting; they may or may not ultimately be included in staff's proposed budgets for FY11 and FY12.



Transfers

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



Forecast Summary



The major savings in this area is due to the change from a PAYGO Capital Improvement Program (CIP) to a program financed by Debt service. In FY10 the Town issued bonds for approximately \$43 million for the first phase of the 20 year CIP. This factor alone generated savings in each year of the forecast period. The average annual savings is almost \$1 million and these savings peak at over \$2 million in FY17. The second phase of debt for the 20 year CIP is projected for FY18. Even with the additional debt for FY18 through FY20, the savings from the original PAYGO plan continue at over \$1 million per year.

The forecast includes \$1 million per year for small scale or short life Capital Projects (such as the Town's annual road paving program).

Risk insurance premiums have been estimated as follows: Property Insurance 5% for FY11 and 10% per year for the rest of the forecast period, Liability Insurance 5% for FY11 and 10% per year for the rest of the forecast period, Worker's Compensation 3% per year throughout the forecast period.

Retiree Health Insurance is based upon a forecast prepared by the Town's actuary. This forecast reflects the changes made in FY10 to the retiree health contribution and the health insurance program.

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 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. This is reduced from the past practice of 5% per year.

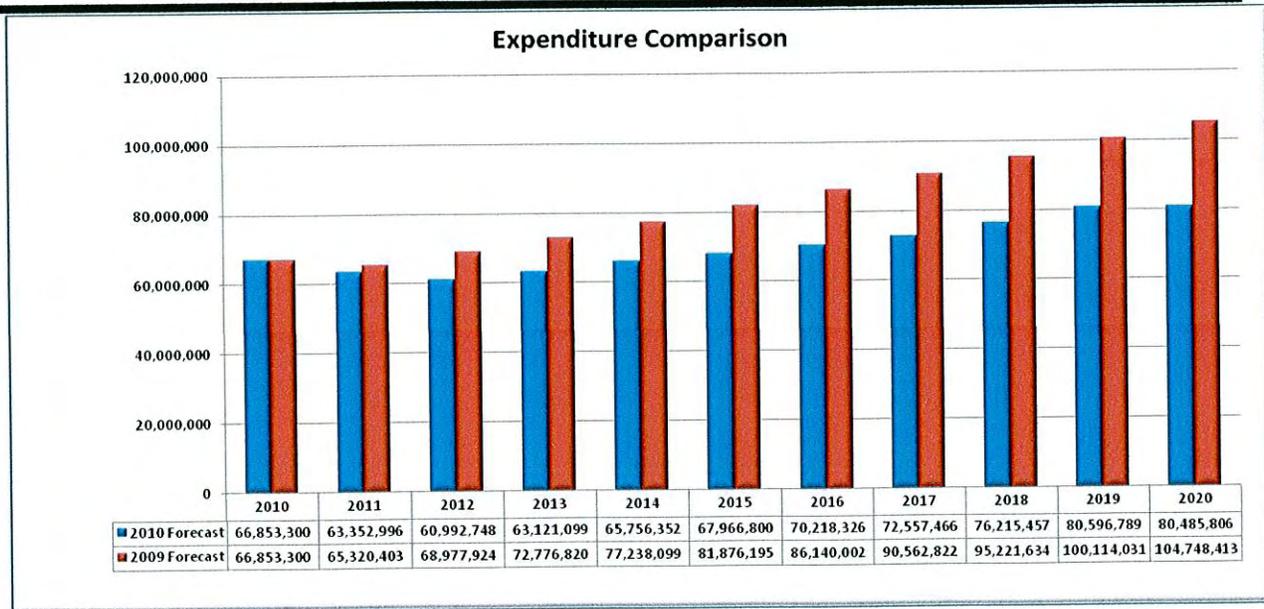
The forecast does not include funding for coastal projects. The projected surplus amounts provide an opportunity to partially fund the coastal program. The coastal program budget is being developed by the Shore Protection Board, which is considering a proposal for approximately \$4.9 million in FY11. The average annual forecast for coastal expenditures for FY12 through FY15, could range from \$4.7 million to \$19.2 million.

Total General Fund Expenditures

The chart on the following page shows the comparison of the 2009 and 2010 forecasts for total General Fund Expenditures.



Forecast Summary



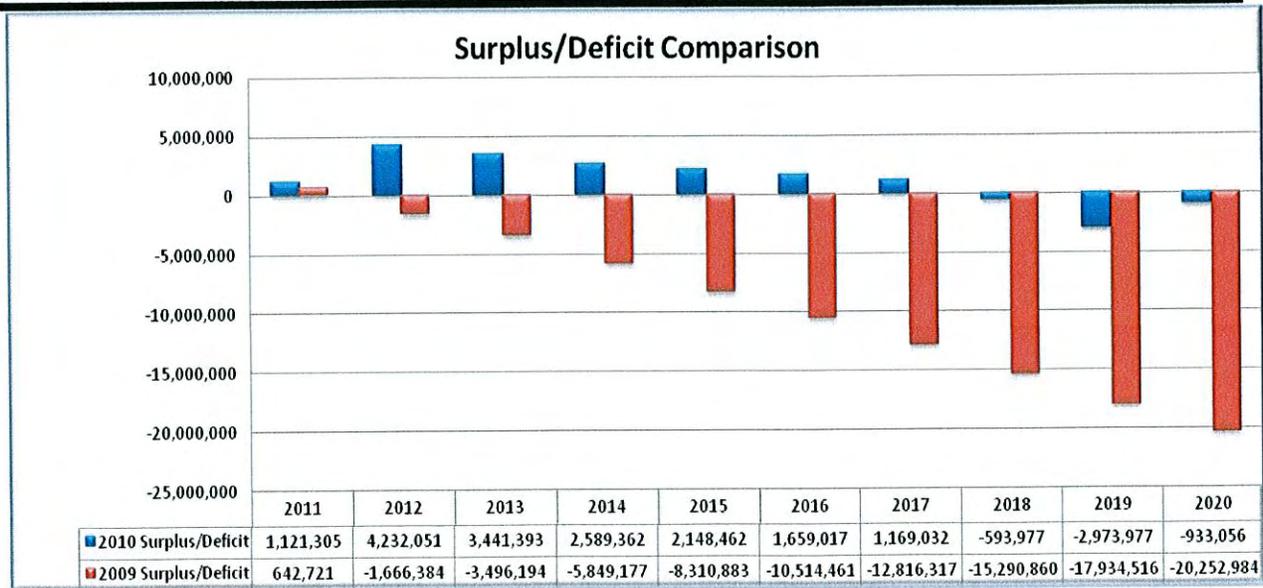
Total expenditure growth has declined to an average annual growth rate of 1.9% from the original forecasted amount of 4.6%.

In Summary

Since the FY09 forecast was presented in March 2009, staff has developed plans to reduce the growth in expenditures and eliminate the deficits previously projected for FY12 through FY17. The deficits still projected for FY18 through FY20 (if the Town issues a second round of CIP bonds in 2017, as currently planned) will be eliminated by additional actions the Town will take during the next few years. The cuts that are being proposed eliminate a total of approximately \$142 million in previously projected expenditures during the 10 year forecast period.

The chart on the following page illustrates the deficits that were projected in FY09 in red and the 2010 forecast is shown in blue. The FY20 deficit was cut from over \$20 million to approximately \$900,000.

Forecast Summary



This plan will ensure the Town remains in a strong financial position to be able to endure the current economic climate and provide high levels of service for years to come.

Planning for the FY11 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. During the next few months, staff will be preparing the FY11 proposed budget to reflect exact needs and specific proposals. The departments have been instructed to submit proposed budgets that are less than the FY11 LTFP amounts.

We look forward to continuing to work with the Town Council to effectively address the Town's short-term and long-term financial needs.

**Town of Palm Beach
Revenue and Expenditure Forecast**

	FY10 Budget	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenues											
Ad Valorem Taxes	41,326,000	41,326,000	41,739,260	42,574,045	43,851,267	45,166,805	46,521,809	47,917,463	49,354,987	50,835,636	52,360,706
Non Ad Valorem Taxes	7,258,000	7,469,400	7,690,218	7,895,965	8,129,448	8,369,868	8,617,431	8,872,350	9,134,845	9,405,141	9,683,471
Licenses & Permits	5,607,300	5,982,300	6,193,300	6,257,100	6,257,100	6,296,790	6,296,790	6,338,465	6,338,465	6,382,223	6,382,223
Intergovernmental	1,156,700	1,384,105	1,127,878	1,157,514	1,188,040	1,219,491	1,251,866	1,285,222	1,319,578	1,354,966	1,391,414
Charges for Services	2,987,900	3,073,017	3,155,510	3,231,473	3,296,762	3,364,009	3,445,082	3,516,425	3,589,908	3,677,639	3,755,598
Fines and Forfeitures	1,149,200	1,206,000	1,206,000	1,230,120	1,230,120	1,254,722	1,254,722	1,279,817	1,279,817	1,305,413	1,305,413
Investment Earnings	1,540,000	1,650,000	1,750,000	1,830,000	1,955,000	1,980,000	1,980,000	1,980,000	2,000,000	2,000,000	2,000,000
Miscellaneous and Transfers	849,400	847,228	860,935	853,723	866,595	859,552	872,599	865,737	878,969	872,298	885,727
Total Revenues	61,874,500	62,938,050	63,723,101	65,029,940	66,774,332	68,511,237	70,240,299	72,055,479	73,896,569	75,833,316	77,764,552
Transfers from Fund Balance	4,978,800	1,536,251	1,501,698	1,532,551	1,571,383	1,604,034	1,637,045	1,671,020	1,724,912	1,789,496	1,788,199
Expenditures											
Salaries and Wages	27,208,500	26,628,579	26,475,429	26,993,644	27,619,754	28,022,029	28,635,341	29,298,932	30,105,808	31,006,498	31,480,569
Pension Benefits	7,285,500	7,971,794	5,181,666	6,062,549	6,911,306	7,193,979	7,625,617	8,083,155	8,608,560	9,609,735	7,447,545
Other Employee Benefits	7,083,440	7,213,869	7,435,726	7,741,636	8,085,428	8,468,233	8,854,580	9,289,113	9,757,989	10,272,477	10,804,737
Contractual	7,659,440	7,973,993	8,187,192	8,444,032	8,859,457	9,582,397	9,970,358	10,280,433	10,600,895	10,932,140	11,454,581
Commodities	1,613,900	1,651,950	1,692,597	1,734,219	1,776,841	1,820,485	1,865,176	1,910,941	1,957,803	2,005,790	2,054,929
Capital Outlay	2,557,700	2,761,439	2,763,597	2,628,085	2,689,320	2,752,026	2,816,236	2,881,987	2,949,316	3,018,261	3,088,860
Library Services	272,400	280,572	288,989	297,659	306,589	315,786	325,260	335,018	345,068	355,420	366,083
Transfer to Capital Improvement	4,828,957	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Debt Service	3,922,000	3,496,000	3,497,500	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,598,201	5,594,711
Retiree Health	1,550,000	1,532,595	1,622,120	1,718,252	1,821,535	1,932,608	2,051,981	2,180,379	2,318,560	2,467,253	2,627,373
Transfer to Risk Insurance Fund	1,904,463	1,905,953	1,946,234	2,077,197	220,038	2,375,448	2,543,083	2,725,639	2,924,582	3,141,519	3,378,220
Contingency	967,000	936,251	901,698	932,551	971,383	1,004,034	1,037,045	1,071,020	1,124,910	1,189,496	1,188,199
Total Expenditures	66,853,300	63,352,995	60,992,748	63,121,099	63,756,351	67,966,800	70,218,327	72,557,467	76,215,455	80,596,790	80,485,807
Surplus/(Deficit)	-	1,121,306	4,232,051	3,441,392	4,589,364	2,148,471	1,659,017	1,169,032	(593,974)	(2,973,978)	(933,056)

Minor differences in totals due to rounding

**Town of Palm Beach
Revenue Analysis**

Analysis of Revenues by Category Revenue Sources	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Budget	Estimated									
Ad Valorem Revenues	41,326,000	41,326,000	41,739,260	42,574,045	43,851,267	45,166,805	46,521,809	47,917,463	49,354,987	50,835,636	52,360,706
% Increase	0.00%	0.00%	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	0	0	413,260	834,785	1,277,221	1,315,538	1,355,004	1,395,654	1,437,524	1,480,650	1,523,069
Non Ad Valorem Taxes	7,258,000	7,469,400	7,690,218	7,895,965	8,129,448	8,369,868	8,617,431	8,872,350	9,134,845	9,405,141	9,683,471
% Increase	2.91%	2.91%	2.96%	2.68%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
\$ Increase	211,400	211,400	220,818	205,747	233,483	240,420	247,563	254,919	262,495	270,296	278,330
Licenses and Permits	5,607,300	5,982,300	6,193,300	6,257,100	6,257,100	6,296,790	6,296,790	6,338,465	6,338,465	6,382,223	6,382,223
% Increase	6.69%	6.69%	3.53%	1.03%	0.00%	0.63%	0.00%	0.66%	0.00%	0.69%	0.00%
\$ Increase	375,000	375,000	211,000	63,800	0	39,690	0	41,675	0	43,758	0
Intergovernmental Revenue	1,156,700	1,384,105	1,127,878	1,157,514	1,188,040	1,219,481	1,251,866	1,285,222	1,319,578	1,354,966	1,391,414
% Increase	19.66%	19.66%	-18.51%	2.63%	2.64%	2.65%	2.66%	2.66%	2.67%	2.68%	2.69%
\$ Increase	227,405	227,405	-256,227	29,636	30,525	31,441	32,384	33,356	34,357	35,387	36,449
Charges for Services	2,987,900	3,073,017	3,155,510	3,231,473	3,296,762	3,364,009	3,445,082	3,516,425	3,589,908	3,677,639	3,755,598
% Increase	2.85%	2.85%	2.68%	2.41%	2.02%	2.04%	2.41%	2.07%	2.09%	2.44%	2.12%
\$ Increase	85,117	85,117	82,493	75,963	65,289	67,248	81,073	71,343	73,483	87,731	77,958
Fines and Forfeitures	1,149,200	1,206,000	1,206,000	1,230,120	1,230,120	1,254,722	1,254,722	1,279,817	1,279,817	1,305,413	1,305,413
% Increase	4.94%	4.94%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%
\$ Increase	56,800	56,800	0	24,120	0	24,602	0	25,094	0	25,596	0
Interest Income	1,540,000	1,650,000	1,750,000	1,830,000	1,955,000	1,980,000	1,980,000	1,980,000	2,000,000	2,000,000	2,000,000
% Increase	7.14%	7.14%	6.06%	4.57%	6.83%	1.28%	0.00%	0.00%	1.01%	0.00%	0.00%
\$ Increase	110,000	110,000	100,000	80,000	125,000	25,000	0	0	20,000	0	0
Miscellaneous and Transfers	849,400	847,228	860,935	853,723	866,595	869,552	872,599	865,737	878,969	872,298	885,727
% Increase	-0.26%	-0.26%	1.62%	-0.84%	1.51%	-0.81%	1.52%	-0.79%	1.53%	-0.76%	1.54%
\$ Increase	-2,172	-2,172	13,707	-7,212	12,872	-7,042	13,047	-6,862	13,232	-6,671	13,429
Transfers from Fund Balance	4,978,800	1,536,251	1,501,698	1,532,551	1,571,383	1,604,034	1,637,045	1,671,020	1,724,912	1,789,496	1,788,199
% Increase	-69.14%	-69.14%	-2.25%	2.05%	2.53%	2.08%	2.06%	2.08%	3.23%	3.74%	-0.07%
\$ Increase	-3,442,549	-3,442,549	-34,553	30,853	38,832	32,651	33,011	33,975	53,892	64,584	-1,297
Total Revenues	66,853,300	64,474,301	65,224,799	66,562,492	68,345,714	70,115,262	71,877,343	73,726,498	75,621,480	77,622,812	79,552,751
% Increase	-3.56%	-3.56%	1.16%	2.05%	2.68%	2.59%	2.51%	2.57%	2.57%	2.65%	2.49%
\$ Increase	-2,378,999	-2,378,999	750,498	1,337,693	1,783,222	1,769,548	1,762,082	1,849,154	1,894,983	2,001,332	1,929,938

**Town of Palm Beach
Expenditure Analysis**

Analysis of Expenses by Category Expenditure Categories	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Budget	Estimated									
Salaries/Wages	27,208,500	26,628,579	26,475,429	26,993,644	27,619,754	28,022,029	28,635,341	29,298,932	30,105,808	31,006,498	31,480,569
% Increase	-0.50%	-2.13%	-0.58%	1.96%	2.32%	1.46%	2.19%	2.32%	2.75%	2.99%	1.53%
\$ Increase	-138,057	-579,921	-153,151	518,215	626,111	402,275	613,312	663,590	806,876	900,689	474,072
Pension Benefits	7,285,500	7,971,794	5,181,666	6,062,549	6,911,306	7,193,979	7,625,617	8,083,155	8,608,560	9,609,735	7,447,545
% Increase	6.05%	9.42%	-35.00%	17.00%	14.00%	4.09%	6.00%	6.00%	6.50%	11.63%	-22.50%
\$ Increase	415,885	686,294	-2,790,128	880,883	848,757	282,672	431,639	457,537	525,405	1,001,175	-2,162,190
Other Employee Benefits	7,083,440	7,213,869	7,435,726	7,741,636	8,085,428	8,468,233	8,854,580	9,289,113	9,757,989	10,272,477	10,804,737
% Increase	-49.06%	1.84%	3.08%	4.11%	4.44%	4.73%	4.56%	4.91%	5.05%	5.27%	5.18%
\$ Increase	-6,822,692	130,429	221,856	305,911	343,792	382,805	386,346	434,533	468,876	514,488	532,260
Contractual	7,659,440	7,973,993	8,187,192	8,444,032	8,859,457	9,582,397	9,970,358	10,280,433	10,600,895	10,932,140	11,454,581
% Increase	-12.12%	4.11%	2.67%	3.14%	4.92%	8.16%	4.05%	3.11%	3.12%	3.12%	4.78%
\$ Increase	-1,056,467	314,553	213,199	256,839	415,426	722,939	387,961	310,076	320,462	331,245	522,441
Commodities	1,613,900	1,651,950	1,682,597	1,734,219	1,776,841	1,820,485	1,865,176	1,910,941	1,957,803	2,005,790	2,054,929
% Increase	-8.02%	2.36%	2.46%	2.46%	2.46%	2.46%	2.45%	2.45%	2.45%	2.45%	2.45%
\$ Increase	-140,757	38,050	40,647	41,622	42,621	43,644	44,692	45,764	46,863	47,987	49,139
Equipment Replacement	2,557,700	2,761,439	2,763,597	2,628,085	2,689,320	2,752,026	2,816,236	2,881,987	2,949,316	3,018,261	3,088,860
% Increase	-6.09%	7.97%	0.08%	-4.90%	2.33%	2.33%	2.33%	2.33%	2.34%	2.34%	2.34%
\$ Increase	-166,001	203,739	215,888	-135,512	61,235	62,705	64,210	65,751	67,329	68,945	70,600
Library Services	272,400	280,572	288,989	297,659	306,589	315,786	325,260	335,018	345,068	355,420	366,083
% Increase	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	0	8,172	8,417	8,670	8,930	9,198	9,474	9,758	10,051	10,352	10,663
TRANSFER TO OTHER FUNDS											
CAPITAL IMPROV. FUND (307)	4,828,957	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309)	0	0	0	0	0	0	0	0	0	0	0
DEBT SERVICE FUND (203)	3,922,000	3,496,000	3,497,500	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,598,201	5,594,711
RETIREE HEALTH INS.(OPEB) (610)	1,550,000	1,532,595	1,622,120	1,718,252	1,821,535	1,932,608	2,051,981	2,180,379	2,318,560	2,467,253	2,627,373
RISK-W/C. LIAB.PROP. (501)	1,904,463	1,905,953	1,946,234	2,077,197	2,220,038	2,375,448	2,543,083	2,725,639	2,924,582	3,141,519	3,378,220
CONTINGENT APPROP.	967,000	936,251	901,698	932,551	971,383	1,004,034	1,037,045	1,071,020	1,124,912	1,189,496	1,188,199
Total Transfers and Other	13,172,420	8,870,799	8,967,552	9,219,275	9,507,656	9,811,865	10,125,759	10,477,888	11,890,018	13,396,468	13,788,502
% Increase	17.88%	-32.66%	1.09%	2.81%	3.13%	3.20%	3.20%	3.48%	13.48%	12.67%	2.93%
\$ Increase	1,998,420	-4,301,621	96,753	251,723	288,382	304,209	313,893	352,130	1,412,129	1,506,451	392,034
Total Expenditures	66,853,300	63,352,996	60,992,748	63,121,099	65,756,352	67,966,800	70,218,326	72,557,466	76,215,457	80,596,789	80,485,806
% Increase	1.46%	-5.24%	-3.73%	3.49%	4.17%	3.36%	3.31%	3.33%	5.04%	5.75%	-0.14%
\$ Increase	959,947	-3,500,304	-2,360,249	2,128,351	2,635,254	2,210,448	2,251,526	2,339,140	3,657,991	4,381,332	-110,983

TOWN OF PALM BEACH

Information for Special Town Council Meeting on: April 6, 2010

To: Mayor and Town Council

Via: Peter B. Elwell, Town Manager

From: Danielle Olson, Director of Human Resources



Re: Status of 2009/2010 Health Plan Changes and Plans for Additional Cost Savings

Date: March 22, 2010

In April 2009, the Department of Human Resources provided a summary of \$1,055,604 in projected savings related to medical plan changes implemented, in progress, and under review for FY09. Updated projections totaling \$1,304,166 in savings are provided within Exhibit A. Cost savings initiated in FY09 and ongoing for FY10 include the dependent audit, plan changes, opt out incentive, retiree sliding premium scale, and PPO buy up for active employees. These initiatives result in short and long-term savings as they provide a reduction in total member participation and claim costs.

This year the Human Resources Department will be working with Gallagher Benefit Services and the Purchasing Department to generate requests for proposal (RFP) for the medical, prescription and dental plans with implementation targeted for January 1, 2011. The RFP will seek to mirror the existing plans as closely as possible. Reasonable alternatives to existing plan designs, such as an alternative dental option and HMO plan, will be evaluated based on claims experience and other features. We are monitoring the potential impact of changes in the federal law and the healthcare system nation-wide and will continue to do so to ensure the alignment of any such changes with both the substance and timing of the Town's RFPs.

The Human Resource Department has reduced staff in the department by 25% resulting from the elimination of one non-exempt Human Resource Assistant position. Detailed analysis of department operations identified the possibility of the position elimination and resulting savings due to outsourcing benefit administration. The consolidated electronic submission of benefit change forms and reconciliation of enrollment to invoices managed by a third-party vendor would reduce labor costs while avoiding decreased services to employees. The salary midpoint of \$48,886 plus 40% for benefits for the non-exempt Human Resource Assistant is \$68,440. Current estimates from vendors who would utilize an online eligibility database to manage the eligibility for all of the various benefit plans and COBRA continuation of coverage, in addition to monthly bill reconciliation, average \$37,000 per year. This results in a savings of approximately \$31,000 per year. Currently the Department is working with Gallagher Benefit Services to review proposals in consideration of a July 1, 2010 implementation providing service for the remaining six months of the plan year.

Attachments

cc: Department Directors



**Updated Projected Savings for Health Plans
Special Town Council Meeting – April 6, 2010**

	<u>Projected Savings</u>	<u>Actual Savings</u>
1) Medical Plan Changes for 2009		
a. Reduction of Administrative Service Fee (ASO)	\$ 18,700	\$21,632
i. Reduction of the ASO provides a savings of \$2.95 per primary covered member per month.		
b. PPO 702 plan changes	\$ 206,000	\$247,280
i. Deductible change from \$100 to \$200		
ii. Office visit co-pay increased to \$20 for primary physician and \$30 for specialist		
iii. Prescription co-pay increased to \$10 Generic, \$20 Preferred and \$30+50% for Non-Preferred		
c. PPO 719 plan changes		
i. Office visit co-pay increased to \$25 for primary physician and \$35 for specialist		
ii. Prescription co-pay increased to \$10 Generic, \$25 Preferred and \$40+50% for Non-Preferred		
d. HMO plan changes		
i. Office visit co-pay increased to \$15 for primary physician and \$30 for specialist		
ii. Prescription co-pay increased to \$10 Generic, \$20 Preferred and \$30+50% for Non-Preferred		
iii. Inpatient hospital increased to \$500 co-pay per admission		
iv. Emergency room increased to \$100 co-pay per admission		
2) Dental Plan Changes for 2009	\$ 60,000	\$20,404
a. Conversion from fully insured to self insured provided a plan balance of \$20,404 for FY09.		
3) Implementation of a Retirement Health Savings Plan (RHSP) <i>(Actual savings reflects FY10 to date contributions)</i>	7.65% <i>of contributions</i>	\$6,354

Exhibit A - Updated Projected Savings
Special Town Council Meeting, April 6, 2010

4) Adjustment to Stop Loss Coverage	\$186,904	\$273,435
a. Change to Specific Deductible Level from \$65,000 to \$100,000 as of October 1, 2009. Actual savings reflect difference in renewal of premium between coverage levels.		
5) Enrollment of Medicare eligible retirees	\$5,618	\$3,745
a. The Human Resources Department provided retirees with necessary information for Medicare enrollment. One retiree remains without Medicare Part A and B coverage.		
6) Receipt of Medicare Part D subsidy dollars	\$70,000	\$51,719
a. Subsidy payments received for Medicare Part D drugs used by retirees and defined in 42 C.F.R. 423.100. (FY08 was \$61,905)		
7) Dependent Audit of Health Plans (Original estimate of potential savings between \$84,000 and \$168,000)	\$84,000	\$85,832
8) Gallagher Benefit Services Inc. Reduction to Stop Loss Coverage commission	\$37,840	\$41,015
9) PPO Buy Up Option (effective January 1, 2010)	\$386,542	\$ 314,621
a. The Town contribution toward employee premium coverage is 100% for the PPO 719 (\$500 deductible plan) and the HMO plan; employees may buy up by contributing toward the premium for the PPO 702 (\$200 deductible plan) if so desired.		
10) Retiree Sliding Scale ¹	\$58,018	\$ 162,673
a. Based on maximum allowable premium charges per state statute, enrollment changes, and shift in the premium cost sharing the Town reduced its monthly premium contribution for retiree benefits by \$13,556		
11) Opt Out Incentive ²	\$62,880	\$75,456
a. Upon election and proof of alternative coverage, employees receive \$175 per month for opting out from medical insurance coverage. Original estimated savings of \$524 per person per month.	(10 ees)	(12 ees)
Total	\$ 1,176,502	\$1,304,166

¹Original projections provided in April 2009 did not include the Retiree Sliding Scale approved in June 16, 2009.

²Original projections provided in April 2009 did not include the Opt Out Incentive approved in June 16, 2009.



TOWN OF PALM BEACH

MEMORANDUM

TO: Peter B. Elwell, Town Manager
FROM: Kirk W. Blouin, Chief of Police 
SUBJECT: Multi-year Review and Proposed Cost Savings
DATE: March 18, 2010

Attached for your review and consideration are many organizational and personnel level changes within the Police Department. These changes would create both immediate and future costs savings to the Town of Palm Beach. I believe the implementation of these measures will not compromise the high levels of service which has come to be expected by residents, business owners, and visitors to the Town of Palm Beach.

Much consideration and discussion has been given to these options and other cost saving ideas. I feel confident that the implementation of these changes will lead us to more effective management of our resources, both equipment and personnel, and provide continued cost savings to the Town. The police department is committed to an on going evaluation of best practices to ensure efficient departmental operations are provided in the most cost effective manner.

KWB/lsg

Program 424 Business and Community Relations Unit

Description of Function

This program provides crime prevention education to the residential and business community, maintains employee training and certification records, provides public information to the media and other public entities, administers the Palm Beach Crime Watch Inc., a non-profit crime prevention organization, and coordinates numerous programs for the community including the Citizen and Teen Police Academies. The unit also coordinates the Volunteers in Policing (VIPS) Program, which has been a tremendous asset to the community using the talents of volunteers to perform a variety of tasks at no cost to the taxpayer.

In recent years, the new financial software, Eden, which was purchased by the Town resulted in greater efficiency by the reduction and elimination of paper flow relating to training requests, expenses, and reimbursements. The Human Resource module should also help reduce the new hire processing and tracking tasks.

The reclassification of the training coordinator position in 2008 to a training sergeant, reporting to a patrol captain, resulted in more training being developed in-house, resulting in fewer outside training expenses. The administrative support for the training sergeant is still provided by the unit's administrative assistant. The BCR unit has a current authorized budget of 1 Civilian Manager, 1 Crime Prevention Specialist and an Office Assistant II.

Cost Savings

Eliminate the Business and Community Relations Civilian Manager position. The civilian manager position would be eliminated upon the current manager's retirement and the management responsibilities would be transferred to the Administrative Sergeant. Current responsibilities for the Administrative Sergeant include but are not limited to: issuance and tracking of uniforms and equipment, building maintenance issues, fixed asset inventory, supervision of the Communications Unit Manager and Fleet Maintenance personnel, as well as the coordination of Special Assignment Overtime. Responsibilities of the BCR unit and Administrative Sergeant would be distributed among the current Administrative Captain, the Crime Prevention Specialist, the Office Assistant II and the newly formed BCR/Administrative Sergeant position. The Business and Community Relations Manager's salary range is as follows:

BCR Civilian Manager	\$ 51,180 - \$ 78,432
Longevity at 0% to 10%	\$ 0 - \$ 7,843
Other benefits*	\$ 1,750 - \$ 1,750
Benefits at 43%	\$ 22,760 - \$ 38,851

Total Savings Range **\$ 75,690 - \$126,876**

*Other benefits for this position include a clothing allowance of \$550 and a cell phone stipend of \$50 per month. Because this position is currently staffed by a civilian, education incentive is not applicable.

Program 425 - Communications

Description of Function

The Communications Unit receives all emergency and non-emergency telephone calls for police, fire, and emergency medical assistance, and coordinates the appropriate response of public safety services.

Cost Savings

Eliminate Supervisor Relief position and replace with Relief Telecommunicator (this was implemented in October 2009).

	<u>TC Relief Supervisor</u>	<u>TC Relief</u>
Salary Range	\$45,142 - \$ 69,178	\$38,192 - \$58,528
Longevity at 5%	\$ 2,257 - \$ 3,459	\$ 1,910 - \$ 2,926
Benefits at 43%	\$20,382 - \$ 31,234	\$17,244 - \$26,425
Total Salary Range	\$67,781 - \$103,871	\$57,346 - \$87,879
Total Savings Range	\$10,435 - \$ 15,992	

Additionally, internally one Communication's Training supervisor designation has been eliminated saving \$2,400 annually.

Program 426 Crime Scene/Evidence Unit

Description of Function

The Crime Scene/Evidence Unit is a specialized unit which is responsible for the forensic investigation of all crime scenes of a serious nature and the collection, preservation and analysis of all physical evidence. The unit also serves as the evidence and property custodian function for the department, and is responsible for recording, maintenance, and disposition of all evidence and property in accordance with state and local laws.

Additional services provided to the community include issuance of identification cards through the Town Voluntary Identification Card Program, providing copies of photographs, audio and video tapes necessary for court purposes, and the fingerprinting of residents and business members of the

community for various business and other purposes. Additional identification cards are provided for bank security purposes and Town employees.

Cost Savings

Replace the sworn Crime Scene Evidence Unit Manger position with a civilian employee upon the retirement of the current sworn manager **which is anticipated to be at least 4 years**. This would allow for a lower pay range, reduced benefits (43% compared to 54%) and the potential for longer tenure since retirement criteria for general employees is 30 years. **A new salary range would have to be determined by Human Resources depending on surrounding areas but for sample purposes the salary range was reduced by \$5,000 at both ends of the pay scale.**

	<u>Sworn CSEU Mgr.</u>	<u>Civilian CSEU Mgr.</u>
Salary Range	\$54,299 - \$ 80,376	\$49,299 - \$ 75,376
Longevity at 5% & 0%	\$ 2,715 - \$ 4,019	\$ 0 - \$ 0
Other benefits*	\$ 1,250 - \$ 2,810	\$ 1,150 - \$ 1,150
Benefits at 54%/43%	\$31,463 - \$ 47,091	\$21,693 - \$ 32,906
Total Salary Range	\$89,727 - \$134,296	\$70,498 - \$109,432
Total Savings Range	\$19,229 - \$ 24,864	

**Other benefits* for this position include a clothing allowance of \$550, a cell phone stipend of \$50 per month, and shoe allowance of \$100 and education incentive of up to \$1,560 for the sworn position.

Program 428 Patrol

Description of Function

This division exists to protect life and property, prevent and suppress crime, preserve the public order and apprehend violators of laws and ordinances in order to create an environment where citizens feel safe and secure.

Motorcycle Patrol Unit (MPU)

The Motorcycle Patrol Unit was created to provide a highly mobile, highly visible patrol, able to rapidly respond to special problem situations within the community during peak problem times. This unit's purpose is to prevent crime and apprehend criminals. The unit provides deterrence and vigilant protection for the residents and businesses in Palm Beach. The unit has a current budgeted staffing level of one sergeant and 5 officers. Currently there are no training cost other than personnel time associated with motorcycle officers since they are trained by West Palm Beach Police Department staff members.

Cost Savings

Reorganize and reduce the Motorcycle Patrol Unit by eliminating the MPU Sergeant position. The five (5) MPU officers would be redistributed to Teams 1 & 3 and supervised by Patrol Sergeants and Captains. The current salary for a MPU sergeant is as follows:

MPU Sergeant	\$ 74,492 - \$ 94,256
Other benefits*	\$ 4,460 - \$ 4,460
Benefits of 54%	\$ 42,634 - \$ 53,307

Total Salary Range \$121,586 - \$152,023

Total Savings Range \$121,586 - \$152,023

**Other benefits* received by a MPU sergeant is \$2,200 per year MPU incentive, issued and cleaned uniforms, and a shoe allowance of \$100 and a possible education incentive up to \$1,560 per year. The sergeant also receives a \$50 per month cell phone stipend.

Program 216/430 Code & Parking Enforcement Units

Description of Functions

Code Enforcement

The Code Enforcement Unit is tasked with the responsibility of the enforcement of Town ordinances. This includes the enforcement done by the members of the Code Enforcement Unit and the police officers, as well as the coordination of ordinance enforcement that is handled by the Planning, Zoning and Building Department, the Public Works Department, and the Fire-Rescue Department. Between the code enforcement officers and the police officers, complaints are received and dealt with 24 hours a day, seven days a week. Enforcement activities include receiving complaints, warning notices, violation notices, followup inspections, and presenting cases before the Code Enforcement Board or the County Court System.

The code enforcement function was transferred from the Planning, Zoning and Building Department on March 1, 2007. One full-time and one half-time employee were also transferred to the Police Department. Additionally, a vacant full-time position was transferred. That position was filled in April 2007. However, the clerical support which had been available in Planning, Zoning and Building was not transferred. A vacant position in Parking Enforcement was designated as a Code/Parking Specialist and split between code and parking enforcement functions. Additionally,

the unit was staffed with a captain and a sergeant who are also split between code and parking enforcement units.

With the previously mentioned addition of clerical support for the code enforcement function, the trained code enforcement officers are able to spend more time on the street, following up on complaints, inspecting properties, and working with violators to bring them into compliance. The officers also have more time for proactive activities. Therefore, some violations can be dealt with before a complaint is received. The Unit recommended changes to certain ordinances which, coupled with continued training, will allow increased involvement by police officers in enforcing Town ordinances.

Additionally, the Director of Public Works has authorized all police, code, and parking enforcement officers to issue violation notices for right-of-way violations. This has resulted in a more effective and efficient means of dealing with construction parking issues.

Revenues for the Code Enforcement function one year prior to the unit’s transfer to the Police Department and subsequent years is as follows:

<u>Year</u>	<u>Right of Way Permits</u>	<u>Code Compliance</u>	<u>Code Compliance Administrative Fee</u>
2006	\$109,088	\$110,767	\$ 3,792
2007	\$144,877	\$828,182	\$21,403
2008	\$170,978	\$377,400	\$25,130
2009	\$100,285	\$337,997	\$14,055

Note: Code Enforcement moved to the police department on March 1, 2007.

Parking Enforcement

The Parking Enforcement Unit handles parking complaints and violations. This includes routine patrol in specific areas of Town, as well as response to complaints about parking violations. Certain officers are assigned to Kreuzler Park exclusively. Parking Enforcement Officers issue warnings and citations, as appropriate. Additionally, they attend hearings in County Court for parking violations. A further responsibility for the officers is serving as school crossing guards. During the nine months of the school year, the officers staff posts during morning and afternoon hours to assist with pedestrian traffic.

The Parking Enforcement Unit had seven full-time and two part-time civilian officers. In previous cost saving measures and in anticipation of a reduction in personnel needs due to the acquisition of parking kiosks and “electronic chalking,” a parking enforcement officer position was reassigned as code/parking enforcement specialist, the manager position was eliminated and Parking Enforcement Officer was designated as the “Lead”, and one part-time position was converted to full-time upon the retirement of the part-time employee.

As a result of the previous cost saving measures, the Code and Parking Enforcement Units has a current authorized budget of 1 Captain, 1 Sergeant, 1 Code/Parking Specialist, 2.5 CEO positions, (one of which is designated as the Lead CEO) and 8.5 Parking Enforcement Officers (1 of which is designated as the Lead PEO).

Cost Savings

Reorganize the Code and Parking Enforcement Units by eliminating a Sergeant position and converting it to a civilian manager position.

Sergeant Salary (entry level)	\$ 74,492	Parking/Code Manager (10%)	\$48,781
Longevity at 5%	\$ 3,724	Longevity 0%	\$ 0
Other benefits*	\$ 2,160	Other Benefits	\$ 550
54% for benefits	\$ 43,403	43% for benefits	\$21,212
Total Salary	\$123,779		\$70,543

Total Savings \$ 53,236

*Other benefits related to a sergeant position include education incentive up to \$1,560 per year, a \$50 per month cell phone stipend, and uniform issuance and cleaning. Other benefits related to the manager position include a clothing allowance equal to other managers of \$550.

Upon the retirement of the current “Lead” Code Enforcement Officer (CEO) (approximately 4/5 years) the “Lead” designation would be reduce to a lower level supervisor salary approximately \$2,000 - \$4,000 above a CEO instead of the current \$8,451 above the entry level salary of a CEO.

Lead CEO	\$46,333 - \$ 71,004	Supervisor CEO	\$40,000 - \$60,000
Other benefits	\$ 0 - \$ 0	Other benefits	\$ 0 - \$ 0
Benefits of 43%	\$19,923 - \$ 30,532	Benefits of 43%	\$17,200 - \$25,800
Total Salary	\$66,256 - \$101,536		\$57,200 - \$85,800

Total Savings Range \$ 9,056 - \$15,736

Note: The above Parking/Code Enforcement Manager and Code Supervisor position salary ranges may need to be evaluated by the Human Resource Department based on a surrounding area comparison.

In the Parking Enforcement Unit, **as turnover occurs, 4 current full time Parking Enforcement Officer (PEO) positions will be converted to 8 part-time PEO positions.** Cost savings are based on entry level salary:

4 PEO	\$118,272 - \$181,244	8 Part-time PEO	\$118,272 - \$181,244
Other benefits	\$ 1,800 - \$ 1,800	Other benefits	\$ 1,800 - \$ 1,800

Benefits of 43%	\$ 51,631 - \$ 78,709	Benefits of 7.65%	\$ 9,186 - \$ 14,003
Total Salary	\$171,703 - \$261,753		\$129,258 - \$197,047
Total Savings	\$ 42,445 - \$ 64,706		

The part-time positions reduce the total compensation amount by the cost of retirement and insurance benefits but not the cost of social security or mandatory medicare taxes which are 7.65% of salary or clothing allowance cost in the amount of \$550 for full-time or \$225 for each part-time position.

For clarification, once all of the organizational changes have occurred in the Code and Parking Enforcement Units, the staffing level will be as follows: 1 Admin. Captain; 1 Civilian Manager; 1 Code/Parking Specialist; 2 F/T CEO; 1 P/T CEO; 1 Lead PEO; 2 F/T PEOs; and 10P/T PEOs.

IN SUMMARY

Based on all of the above recommendations, both immediate and future, the police department anticipates a **potential yearly cost savings in the range of \$331,667 - \$453,433.**

A summary of the organizational changes that would occur are as follows and are presented in the order of this report:

<u>Position</u>	<u>FTEP Change</u>	<u>Time Frame</u>
Civilian BCR Manager	- 1.00	June 2010
Sworn CSEU Manager	- 1.00	4/5 years
Civilian CSEU Manager	+1.00	4/5 years
Motorycycle Patrol Sergeant	- 1.00	Immediate
Sergeant Code/Parking Unit	- 1.00	Immediate
Civilian Manager Code/Parking	+1.00	Immediate
Lead CEO Full Time	- 1.00	4/5 years
Supervisor CEO Full Time	+1.00	4/5 years
Parking Enforcement Officer F/T	- 4.00	4/5 years
Parking Enforcement Officer P/T (8)	+4.00	4/5 years
Net FTEP Sworn	- 3.00	
Net FTEP Civilian	+1.00	
Net FTEP	- 2.00	

FLEET REVIEW

In addition to the above, the department fleet has been reviewed. It is recommended that if a reduction is deemed necessary, one motorcycle and two parking scooters be eliminate. With regard to the scooters, the oldest two scooters would be eliminated, however monies would be needed to

transfer equipment from the old scooters to the newer scooters. If possible, the revenue received by selling the scooters at auction could cover the cost of transferring the equipment.

The above vehicles are owned by the Town and have been fully depreciated. The impact of eliminating the above vehicles would be the revenue that is acquired by selling the vehicles at auction plus cost of maintenance if they were retained. The department has already implemented a cost savings program by extending the life of department vehicles, where possible, past their current depreciation schedule.

If appropriate, these adjustments can be discussed and reflected in the depreciation account for vehicles still being depreciated. Additionally, the department has extended the turnover of the boat engines from every year to every two years (which is consistent with 2 year warranties that they hold) and this should be reflected in the depreciation account. The maintenance costs associated with this change will be evaluated.



TOWN OF PALM BEACH

TOWN OF PALM BEACH
MAR 19 2010
Town Manager's Office

MEMORANDUM

TO: Peter B. Elwell, Town Manager
FROM: H. Paul Brazil, P.E., Director of Public Works *HPB*
RE: Short & Long Term Goals for Reorganization of the Public Works Department
DATE: March 19, 2010

The purpose of this report is to establish short and long term goals for reorganization of the Public Works Department. We have reduced our staff from 125 employees in 1986 to the current 98. We have done this through more efficient use of manpower, better equipment, and contracting many services. We have also done this through attrition only. More opportunities for privatization will exist in the future and we have outlined some of them in the following pages.

Assumptions

This plan is based on the following assumptions:

- Reductions will occur through attrition only (no layoffs)
- Scope of services to remain the same (no decrease or increase)
- Most staff will consider retirement between 55 to 65 years of age and 25 to 30 years of service.

We anticipate the following:

- 17 people will be eligible for retirement in the next 5 years.
- 8 people will be eligible for retirement in the next 6 to 10 years.
- 12 people will be eligible for retirement in the next 11 to 15 years.

Many of our jobs are physically demanding but some are not, therefore, not all work groups will have the same longevity. We have developed these estimates based on our understanding of our workforce and the services we provide. If a more aggressive schedule is desired, a targeted buyout may be considered.

Implementation of this program will be challenging. Positions will be phased out as people retire, but it will take several years for an entire program to be phased out. Reprogramming existing employees into other work groups is not always possible due to experience or education requirements for some positions. We have taken these challenges into consideration when estimating the timing and impacts of the proposed changes, but adjustment probably will be required as implementation occurs.

Promotions will be necessary as vacancies occur. Typically the more senior employee holds the higher level position. As the senior staff retires, their job functions will still be necessary. As an example, when a trash crew crane operator retires, a truck driver will be promoted because the operation cannot continue without the crane. A laborer would be promoted to replace the truck driver and a laborer vacancy would be created. Outsourcing a laborer position is not difficult, but outsourcing the position of crane operator is not practical because of the specialized skills involved. Several other instances like this exist in our department and this plan takes those into account.

Not all functions can, or should, be privatized. Several of our functions require specialized training and on-call response. As an example, the Water Resources Division operates and maintains the storm and sanitary sewer systems for the Town. This is a critical function that requires first hand knowledge of the existing infrastructure that an outside vendor does not have. Another example is our unique residential garbage collection. Resident input has been consistent with their desire to have Town employees provide this service.

Privatization of some programs may impact service levels. As an example, Town electricians respond to traffic signal malfunctions the same day (24 hours a day, 7 days a week). Most vendors will not send a technician out for evenings or weekend service calls. Those who will respond to such calls will charge a substantial premium and not respond as promptly as on-call Town staff, resulting in an increased cost for a reduced level of service. For these and other reasons, we do not recommend privatizing the Town's Electrical Bureau operations.

Lastly, there are services that could be privatized but where further study is needed to determine whether it would be in the best interest of the community to do so. Our Yard Trash program includes 22 employees, 3 cranes, 12 large trucks, and miscellaneous support equipment. We also manage 2 vegetative solid waste landfills. These crews remove vegetative debris from all residential streets as well as from "stash areas" 5 days per week (5 routes). The "stash areas" are off road bulk piles generated from non-single family facilities such as golf courses and condominiums.

The benefit of privatizing this service is eventual elimination of personnel, avoiding the replacement expense of equipment, and minimizing the associated in-house mechanical repair/maintenance effort. However, privatizing this function will impact the residents. Similar to residential sanitation, our yard trash crews operate heavy equipment on narrow residential streets on a daily basis. Residents have expressed concern that contracted crews would not use the same care that Town forces do when interacting with traffic, cyclists, and pedestrians. The Town could outsource the "stash area" route (which functions more like our commercial sanitation operation) and continue serving the residential routes with Town staff. This is proposed in both this plan and the Town's Long Term Financial Plan between FY 2011 and FY 2020 and may be accomplished through attrition only. We anticipate that additional attrition will occur after 2020 that may allow for privatization of additional routes. At some point in the future, a policy decision will need to be made about how far to go with privatization of this function.

Reorganization Plan

The Public Works Department is responsible for a very diverse set of services that are currently divided into 24 programs. The department consists of 6 Divisions with a total of 8 Bureaus. We are also responsible for:

Program 307 - Capital Improvement Program

Programs 308/309 - Comprehensive Coastal Management Program

Program 310 - Town Facilities Project Fund

Program 403 - Recreation Enterprise Fund Capital Improvement Program

The following reorganization is recommended for each of our programs:

Program 511 – Administrative Management

Current Staff size – 8

Eventual Staff size - 7

- Downgrade the System Specialist position to Office Assistant II and have the new position report to the Office Manager. Eliminate current Town Engineer position. Assistant Director, Engineering to become Town Engineer. Savings partially offset by staffing increase in Coastal Management program 581. We have relied more heavily on outside consultants but will need additional resources to replace the Town Engineer's participation in the Coastal Program.

Program 521 – Street Repair & Maintenance

Current Staff size – 2

Eventual Staff size - 0

- Consolidate this program with Landscape Maintenance program. Eliminate one supervisory position and one equipment operator position. Budget for signs to be included in Traffic Control program 523. Paving program to be administered by Engineering program 561. Landscape maintenance crews will assist with minor repairs. All other repairs to be contracted.

Program 523 - Traffic Control

Current Staff size - (4 Shared with Program 524)

Eventual Staff size – (4 Shared with Program 524)

- No change proposed. Program staffed by Electrical Bureau who also participate in the operation and maintenance of the storm and sanitary sewer systems (programs 531 and 532). Two retirements anticipated within the next 5 years. Recommend filling these positions and maintaining a staff size of 4.

Program 524 - Street Lighting

Current Staff size – (4 Shared with Program 523)

Eventual Staff size – (4 Shared with Program 523)

- No change proposed. See Program 523 notes.

Program 531 – Storm Sewer Maintenance

Current Staff size – (15 Shared with Program 532)

Eventual Staff size – (14 Shared with Program 532)

- Eliminate existing vacant laborer position. Operation and maintenance of the Town’s storm and sanitary sewer systems is critical to the health and safety of the residents. Recommend filling any future vacancies and maintaining staff size.

Program 532 - Sanitary Sewer Maintenance

Current Staff size – (15, Shared with Program 531)

Eventual Staff size – (14, Shared with Program 531)

- See program 531 notes.

Program 533 - Sanitary Sewage Treatment

Current Staff size – 0

Eventual Staff size - 0

- No change proposed.

Program 541 - Residential Collection

Current Staff size – 12

Eventual Staff size - 12

- It is recommended that this program continue. Restructure to include residential recycling with no increase in staff size. Routes will change and work hours will be extended. Additional seasonal overtime is to be expected. Transfer Commercial Collection and Trash Bureau personnel to fill any vacancies.

Program 542 - Commercial Collection

Current Staff size – 6

Eventual Staff size - 0

- Contract all commercial collection work. Individual routes can be contracted out as vacancies occur. Transfer of personnel to Program 541 will accelerate privatization.

Program 543 - Refuse Disposal

Current Staff size – 0

Eventual Staff size - 0

- No change proposed.

Program 544 - Yard Trash Collection

Current Staff size – 22

Eventual Staff size - 6

- Contract “stash area” yard trash collection first. Additional routes can be contracted out as more vacancies occur, if that is acceptable to Town Council and the community. Transfer of personnel to Program 541 will accelerate privatization. Program costs

anticipated to increase due to disposal fees if use of existing landfill sites is discontinued. Impacts to residential streets may limit privatization of this program.

Program 545 – Recycling

Current Staff size – 1

Eventual Staff size - 0

- Contract all commercial recycling. Residential recycling to be completed by residential sanitation staff.

Program 546 - Beach Cleaning

Current Staff size – 1

Eventual Staff size - 0

- Contract all beach cleaning.

Program 551 – Landscape Maintenance

Current Staff size – 10

Eventual Staff size - 5

- Combine with Street Repair and Maintenance program 521. Contract additional landscaping and maintenance functions.

Program 554 - Facility Maintenance

Current Staff size – (4, Shared with Program 558)

Eventual Staff size – (3, Shared with Program 558)

- Contract additional services such as painting and street signs.

Program 558 – Meter Maintenance and Collection

Current Staff size - (4, Shared with Program 554)

Eventual Staff size – (3, Shared with Program 554)

- See Program 554 notes.

Program 561 – General Engineering Services

Current Staff size – 4

Eventual Staff size - 4

- The Town's annual Capital Improvement Program budget will increase from approximately \$3 million to \$13 million in one year. We will need additional resources to manage the program and propose to use an outside consulting firm. Reduction in staff size is not recommended.

Program 565 - Right of Way Inspections

Current Staff size – 1

Eventual Staff size - 1

- No change proposed.

Program 571 - Equipment Operation & Maintenance

Current Staff size – 6 (includes 1 part time and 1 vacancy)

Eventual Staff size – 4 full-time, 1 part-time

- Eliminate vacant position. Anticipate reduction of one position during the time frame of this study. Staff size may be further reduced after other programs have been outsourced.

Program 581 - Coastal Management

Current Staff size – 1

Eventual Staff size - 2

- Reprogram and downgrade Town Engineer position. Establish new project manager position within the Coastal program. Existing Coastal Coordinator to assume additional supervisory duties. The Town Engineer has more than 20 years experience with the Town’s coastal program. He currently spends ½ to 2/3 of his time in this program. We have increased our reliance on outside consultants but this will not replace the resource currently provided by the Town Engineer.

Personnel Complement

	FY1986	1996	FY2006	FY2010	2015 (est.)	2020 (est.)	2025 (est.)
Full Time Equivalent Employees	125.0	110.5	101.88	98	83	78	66

The following 4 attachments illustrate the existing structure of Public Works (A-1), as well as our 5, 10, and 15 year projections (A-2, A-3, A-4 respectively).