

**FY2012 – FY2022**

# **Town of Palm Beach Long Term Financial Plan**



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





# TOWN OF PALM BEACH

Town Manager's Office

## SPECIAL TOWN COUNCIL MEETING

TOWN HALL  
COUNCIL CHAMBERS – SECOND FLOOR

360 SOUTH COUNTY ROAD

### AGENDA

APRIL 12, 2012

9:30 A.M.

The progress of this meeting may be monitored by visiting the Town's web site ([www.townofpalmbeach.com](http://www.townofpalmbeach.com)) and selecting "Live Meeting Audio" under the "Your Government" tab. If you have questions regarding that feature, please contact the Office of Information Systems (561) 227-6315. The audio recording of the meeting will appear within 24 hours after the conclusion of the meeting under "Agendas, Minutes, and Audio".

#### I. CALL TO ORDER AND ROLL CALL

Gail L. Coniglio, Mayor  
David A. Rosow, Town Council President  
Robert N. Wildrick, President Pro Tem  
William J. Diamond, Town Council Member  
Richard M. Kleid, Town Council Member  
Michael J. Pucillo, Town Council Member

#### II. PLEDGE OF ALLEGIANCE

#### III. APPROVAL OF AGENDA

#### IV. 2012 LONG TERM FINANCIAL PLAN

[Peter B. Elwell, Town Manager and Jane Struder, Director of Finance]

V. ANY OTHER MATTERS

VI. ADJOURNMENT

Note: Disabled persons who need an accommodation in order to participate in the Town Council meeting are requested to contact the Town Manager's Office at 838-5410 or through the Florida Relay Service by dialing 1-800-955-8770 for voice callers or 1-800-955-8771 for TDD callers, at least two (2) working days before this meeting.

## 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
- Status of the FY12 Budget
- Reserve Analysis
- General Fund Revenue Trend Analysis
- General Fund Expenditure Trend Analysis
- General Fund Forecast Summary
- Forecast Details
- Recreation Enterprise Fund Trend Analysis
- Recreation Enterprise Fund Forecast Summary
- Other Funds Trend and Forecast Summary

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

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

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

This LTFP will be presented at a special Town Council meeting on April 12, 2012 at 9:30AM in the Town Council Chambers.



## Status of the FY12 Budget

The FY12 budget is 8.2% less than the FY11 budget. Personnel count is reduced by 4.68 positions, bringing the total reduction in employees since FY07 to 52.73 (all by attrition with no layoffs). Pension costs are dramatically reduced due to the ongoing implementation of pension reform. Employee merit pay increases have been reinstated after a two year salary freeze, health insurance costs increased, and the transfer to the Equipment Replacement fund is reduced. Staff has been monitoring the FY12 budget very closely. A monthly financial report has been sent to the Mayor and Town Council detailing the status of revenues and expenditures in the General Fund and the Recreation Enterprise Fund.

### General Fund Revenues

Several of the budgeted revenues for FY12 are under the budget standard through February. These include building permit fees, utility taxes, sales and use taxes, state revenues, and investment income. Building permit fees are under the budget standard but well above year to date revenues in FY11. State shared revenue is currently below the budget standard. Funds will not be received for the 911 equipment reimbursement and alcoholic beverage licenses until later in the year. Investment income is below budget, but higher than FY11 year to date returns. Money market rates have been very low year to date and are expected to remain low for the balance of the fiscal year. We will be monitoring these revenue accounts very closely for the remainder of the fiscal year and will continue to provide a monthly financial update to the Mayor and Town Council.

### General Fund Expenditures

Through February, expenditures for most departments were below the budget standard. General Government, Advice and Litigation, Information Systems, and Library Services are above the budget standard. General Government is over budget due to payments made for the vacation buy-back program in November. Advice and Litigation is over budget due to legal costs associated with labor issues. Information Systems is over budget due to annual payments made for software support. Library Services is over the budget standard due to the first of two installment payments made to the Four Arts Library. All of these overages are planned expenditures that present no cause for concern, and only the labor/legal costs will require a budget transfer. All other departments are below the budget standard.

Year to date expenditures for FY12 are \$2,533,069 less than expenditures through February 2011.

We expect to finish the year below the budgeted expenditures due to vacant positions and additional efforts to achieve reductions in expenditures wherever possible. If we experience a revenue shortfall, it should be offset by reductions in expenditures. Unless the revenue status significantly worsens, or if we experience a major storm event during the summer, we expect to end the year with a small surplus.

# Status of the FY12 Budget

Tables summarizing General Fund Revenues and Expenditures through February 2012, can be found on the next two pages.

General Fund Revenues For the Period Ended February 29, 2012 (42% of FY2012)								
	FY2012 Budget	FY2012 YTD Actual	% Budget vs. Actual	FY2011 Budget	FY2011 YTD Actual	% Budget vs. Actual	FY2011 Actual	% Budget vs. Actual
Ad Valorem Taxes	35,999,100	31,814,013	88.4%	36,245,500	30,742,086	84.8%	36,635,343	101.1%
Sales, Use and Fuel Taxes	300,000	75,129	25.0%	327,000	99,534	30.4%	301,900	92.3%
Utility Service Taxes	4,982,000	1,723,388	34.6%	4,967,000	1,847,062	37.2%	4,858,524	97.8%
Business Tax Receipts	745,000	570,288	76.5%	721,000	573,754	79.6%	694,373	96.3%
Building Permits	4,809,300	1,511,836	31.4%	5,077,300	1,136,438	22.4%	5,535,510	109.0%
Franchise Fees	2,360,000	454,989	19.3%	2,535,000	565,530	22.3%	2,028,945	80.0%
Other Licenses, Fees and Permits	243,500	109,847	45.1%	367,000	95,898	26.1%	213,497	58.2%
Federal Grants	5,500	0	0.0%	18,000	0	0.0%	220,815	1226.8%
State Shared Revenues	1,008,500	324,141	32.1%	1,071,000	327,322	30.6%	1,068,768	99.8%
Shared Revenues from Other Local Units	38,000	9,475	24.9%	40,000	10,149	25.4%	29,536	73.8%
Public Safety Fees	1,542,600	694,855	45.0%	1,417,600	563,104	39.7%	1,419,660	100.1%
Physical Environment Fees	1,178,000	927,899	78.8%	1,123,400	844,221	75.1%	1,219,035	108.5%
Transportation Fees	908,136	313,299	34.5%	774,500	259,397	33.5%	780,444	100.8%
Other Charges for Services	42,000	14,532	34.6%	36,303	20,840	57.4%	42,628	117.4%
Judgments and Fines	733,000	464,369	63.4%	726,000	277,747	38.3%	704,429	97.0%
Violations of Local Ordinances	110,000	186,125	169.2%	115,000	357,317	310.7%	592,796	515.5%
Interest and Other Earnings	1,110,000	123,570	11.1%	1,366,000	(23,524)	-1.7%	495,649	36.3%
Rents and Royalties	93,200	45,039	48.3%	90,500	28,680	31.7%	88,202	97.5%
Disposition of Fixed Assets	0	1,286	0.0%	0	2,217	0.0%	5,874	0.0%
Miscellaneous Revenues	94,000	(1,163)	-1.2%	136,000	37,603	27.6%	580,587	426.9%
Interfund Transfers	2,233,600	333,335	14.9%	6,580,745	849,585	12.9%	4,049,597	61.5%
<b>Total Revenues</b>	<b>58,535,436</b>	<b>39,696,254</b>	<b>67.8%</b>	<b>63,734,848</b>	<b>38,614,961</b>	<b>60.6%</b>	<b>61,566,111</b>	<b>96.6%</b>

# Status of the FY12 Budget

LTFP  
2012

General Fund Comparison of Expenditures Expenditures by Department For the Period Ended February 29, 2012 (42% of FY2012)								
	FY2012 Budget	FY2012 YTD Actual	% Budget vs. Actual	FY2011 Budget	FY2011 YTD Actual	% Budget vs. Actual	FY2011 Actual	% Budget vs. Actual
Legislative	65,800	24,466	37.2%	64,700	27,122	41.9%	62,907	97.2%
General Government	756,297	548,292	72.5%	743,800	536,670	72.2%	944,982	127.0%
Town Manager	699,496	285,093	40.8%	739,407	301,894	40.8%	720,693	97.5%
Advice and Litigation	415,900	205,707	49.5%	407,800	162,887	39.9%	453,942	111.3%
Information Systems	1,651,100	877,737	53.2%	1,709,463	872,704	51.1%	1,684,550	98.5%
Human Resources	671,057	209,836	31.3%	639,549	230,590	36.1%	609,671	95.3%
Finance	1,760,314	715,970	40.7%	1,885,390	732,482	38.9%	1,798,859	95.4%
Planning, Zoning & Building	3,390,209	1,256,617	37.1%	3,661,090	1,412,343	38.6%	3,536,867	96.6%
Library	280,572	136,200	48.5%	272,400	136,200	50.0%	272,400	100.0%
Fire-Rescue	10,817,000	4,304,456	39.8%	13,529,929	5,781,163	42.7%	13,500,193	99.8%
Police	12,211,577	5,064,343	41.5%	14,630,636	6,050,208	41.4%	14,511,159	99.2%
Public Works	13,215,400	4,996,167	37.8%	13,953,090	5,426,102	38.9%	12,922,794	92.6%
Emergency Management	48,900	3,368	6.9%	48,900	1,486	3.0%	18,697	38.2%
<b>Transfers:</b>								
Capital Improvement Fund	1,000,000	416,665	41.7%	500,000	208,335	41.7%	500,000	100.0%
Coastal Protection Fund	3,960,000	1,650,000	41.7%	3,090,000	1,287,500	41.7%	3,090,000	100.0%
Debt Service Fund	3,500,000	1,458,335	41.7%	3,500,000	1,458,335	41.7%	3,500,000	100.0%
OPEB Trust Fund	1,493,000	622,085	41.7%	1,533,000	638,750	41.7%	1,533,000	100.0%
Risk Insurance Fund	1,791,507	746,460	41.7%	1,896,226	790,095	41.7%	1,905,398	100.5%
Contingency	807,307	0	0.0%	929,468	0	0.0%	0	0.0%
<b>Total</b>	<b>58,535,436</b>	<b>23,521,796</b>	<b>40.2%</b>	<b>63,734,848</b>	<b>26,054,865</b>	<b>40.9%</b>	<b>61,566,111</b>	<b>96.6%</b>

# Status of the FY12 Budget

## Recreation Enterprise Fund

The revenues for all programs except Town Docks, Tennis and Par 3 Golf Course are under budget due to the seasonal nature of these programs. Town Dock revenue is over budget due to the annual slip lease revenue. Tennis revenue is over the budget standard due to the sale of annual permits.

Expenses are over the budget standard for the equipment replacement program due to the purchase of equipment for the Par 3 Golf Course. These items were planned expenditures that present no cause for concern.

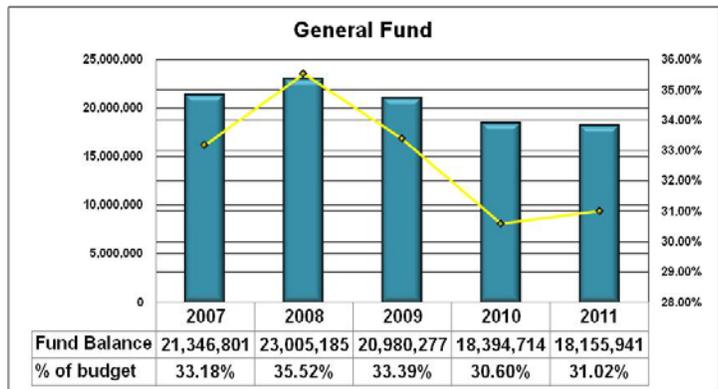
Town of Palm Beach, Florida Recreation Enterprise Fund Revenue and Expenditure Report February 29, 2012								
	Budget FY2012	YTD Actual 2012	% Budget vs Actual	Budget FY2011	YTD Actual 2011	% Budget vs Actual	Actual 2011	% Budget vs Actual
<b>Revenues</b>								
Town Dock Revenue	3,085,000	2,712,159	87.91%	3,268,700	2,734,206	83.65%	2,773,754	84.86%
Recreation Center Revenue	321,000	96,592	30.09%	295,800	101,606	34.35%	350,285	118.42%
Tennis Revenues	225,100	137,662	61.16%	210,500	143,246	68.05%	210,978	100.23%
Par 3 Golf Revenue	1,027,700	446,665	43.46%	1,229,376	445,825	36.26%	931,929	75.81%
Investment Earnings	17,500	2,510	14.34%	27,000	(2,275)	-8.43%	27,311	101.15%
Donations	0	0	0.00%	0	0	0.00%	0	0.00%
Miscellaneous Revenue	6,500	7,079	108.91%	8,300	2,323	27.99%	40,517	488.16%
<b>Total Revenues</b>	<b>4,682,800</b>	<b>3,402,667</b>	<b>72.66%</b>	<b>5,039,676</b>	<b>3,424,931</b>	<b>67.96%</b>	<b>4,334,775</b>	<b>86.01%</b>
<b>Expenditures</b>								
Administration	358,275	149,336	41.68%	403,473	161,698	40.08%	402,462	99.75%
Tennis	323,595	126,057	38.96%	482,310	209,817	43.50%	445,389	92.35%
Recreation Center	631,788	209,943	33.23%	709,194	233,961	32.99%	617,454	87.06%
Town Docks	845,040	362,548	42.90%	846,057	379,988	44.91%	735,589	86.94%
Par 3	909,477	345,434	37.98%	957,023	321,390	33.58%	878,063	91.75%
Equipment Replacement	37,000	15,999	43.24%	51,000	0	0.00%	31,523	61.81%
Debt Service - Par 3	125,500	52,290	41.67%	125,500	90,444	72.07%	125,338	99.87%
Depreciation	515,000	0	0.00%	492,500	0	0.00%	530,172	107.65%
<b>Total Expenditures</b>	<b>3,745,675</b>	<b>1,261,607</b>	<b>33.68%</b>	<b>4,067,057</b>	<b>1,397,297</b>	<b>34.36%</b>	<b>3,765,991</b>	<b>92.60%</b>
<b>Operating Revenue over/(under) Expenditures</b>	<b>937,125</b>	<b>2,141,060</b>		<b>972,619</b>	<b>2,027,634</b>		<b>568,784</b>	
<b>Transfers and Contingency</b>	<b>(955,000)</b>	<b>(333,335)</b>		<b>(815,700)</b>	<b>(266,250)</b>		<b>(639,000)</b>	
<b>Total Revenues over/(under) Expenditures</b>	<b>(17,875)</b>	<b>1,807,725</b>		<b>156,919</b>	<b>1,761,384</b>		<b>(70,216)</b>	
<b>% of Fiscal Year Completed: 42%</b>								

## 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

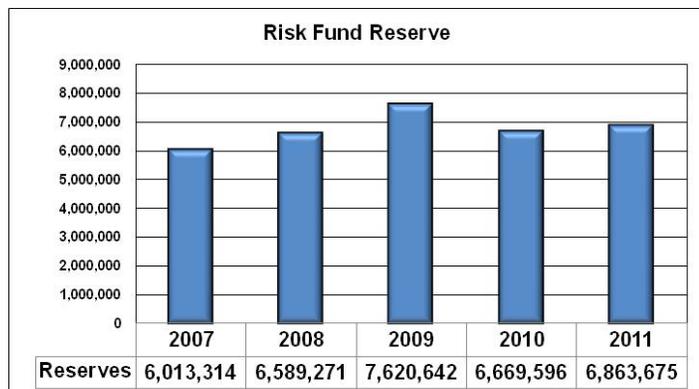
Pursuant to adopted policy, the unassigned fund balance for the General Fund is to be maintained at a minimum level of 25% of current year General Fund budgeted expenditures. This minimum level is to be maintained to protect the Town against economic downturns, temporary revenue shortfalls, unpredicted one-time expenditures, and for tax rate stabilization purposes. Twenty-five percent of the FY12 General Fund operating budget of \$58,535,436 is \$14,633,859. At the end of FY11, the Unassigned Fund Balance for the General Fund is \$18,155,941 after the transfers for the FY12 budget. This amount represents 31% of FY12 budgeted operating expenditures or approximately \$3,522,082 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. For the FY12 budget, a transfer of \$807,000 from fund balance was used to fund the contingency reserve as directed by policy.

### Reserves - Risk Fund

The total reserve balance for the Risk Fund is \$6,863,675 as of September 30, 2011. Out of this reserve balance the Town funds the Reserve for Catastrophic Exposures/Emergencies - Risk Fund in the amount of \$2,500,000 and the Contingency Reserve for \$500,000. The trend for the Risk Fund Reserve is shown in the table.



## Reserve for Catastrophic Exposures/Emergencies - Risk Fund

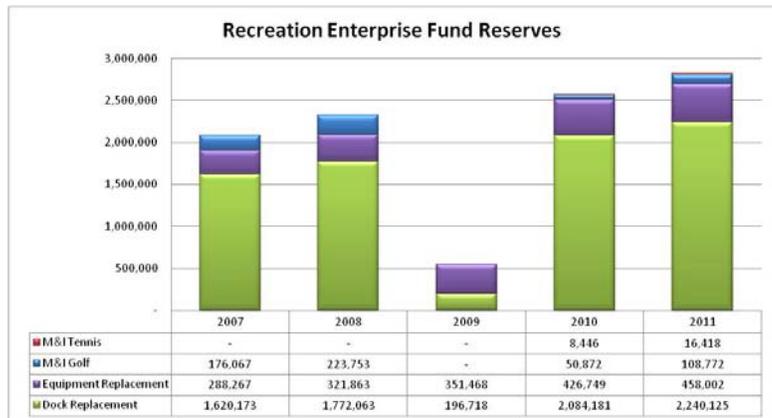
The Reserve for Catastrophic Exposures/Emergencies for the Risk Fund is funded at a minimum of \$2,500,000. This reserve was established to set aside emergency funds to protect the Town against the potential financial impacts large judgments in excess of insurance coverage. This reserve is funded with a budget appropriation from the Net Asset reserves of the Risk Fund.

## Enterprise Fund Reserves

The Recreation Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,170,700 for FY12. The purpose of the reserve is to provide an adequate level of net assets for unanticipated financial impacts as well as to provide for one-time expenditures to improve the facilities.

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

At the end of FY11, the net asset balance for the Recreation Enterprise Fund (REF) is \$3,315,215. Separate reserves have been set aside from this amount for the dock replacement, Par 3 Improvements, tennis improvements and equipment replacement.



At the end of FY11, \$2,240,125 had been set aside in the Dock

Replacement Reserve. The Dock Replacement reserve was created to fund the replacement cost of the construction of the Town's docks whenever it is determined they must be replaced. The replacement reserve is to be maintained at 100% of accumulated depreciation plus accumulated interest earned on the reserve.

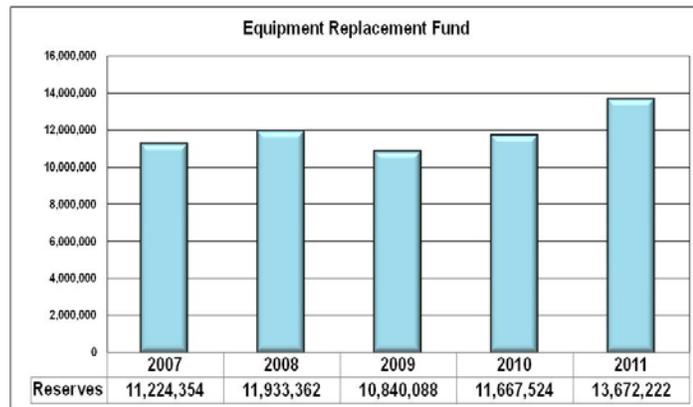
The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. At the end of FY11, the balance was \$108,772.

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY11 totaled \$16,418 and has been set aside for improvements to the tennis centers.

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 \$458,002 as of September 30, 2011.

## 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.

The Town Council approved a change in FY06 from depreciation based on acquisition cost to depreciation based upon replacement value and authorized an additional \$4,205,523 transfer of General Fund balance. Using the replacement value method of depreciation will ensure the Town sets aside sufficient reserves to replace large capital items with long useful lives such as fire-rescue trucks and public works vehicles.

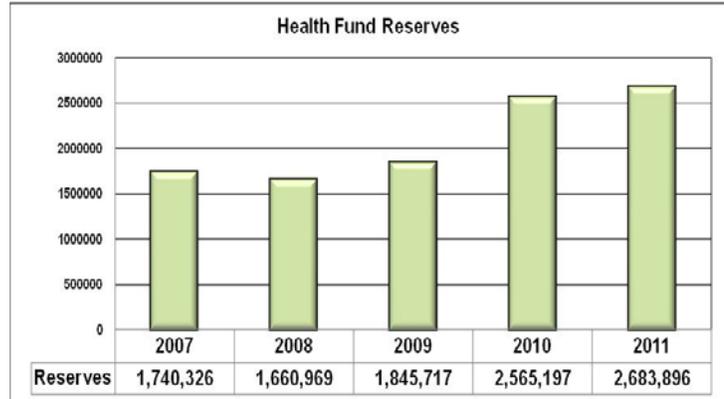
The balance in the equipment replacement fund for year-end FY11 is \$13,672,222. For FY12, the income including the depreciation transfer will total \$2,019,268 and expenditures for capital equipment are budgeted at \$1,316,992.

## 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 balance in the reserve as of September 30, 2011, is \$3,621,915. The appropriation for the pay-out of eligible accrued vacation, sick and compensatory time for FY12 from this reserve is \$626,293.

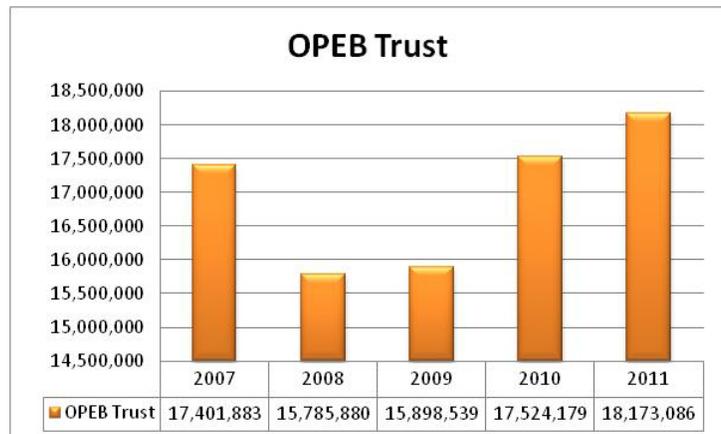
## Health Insurance Reserve

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. On October 1, 2006, a trust fund was created using \$16,000,000 from the Health Insurance Fund reserves to provide for post employment benefits (see below). 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 FY11 is \$2,683,896. These reserves guard against any deficiencies in the Town's self insurance health fund for current employees insurance expenditures.



## OPEB (Other Post Employment Benefits) Trust

As mentioned in the above section, an OPEB trust was established to fund the liability for post employment benefits. The OPEB trust funds are overseen by the Town's Investment Advisory Committee. The net asset balance in this trust is \$18,173,086 as of September 30, 2011. The actuarially determined transfer from the General Fund for the OPEB liability for FY12 is \$1,493,000.



## Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Recreation Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at 1.5% of the FY12 budget. The Capital Fund Contingency is appropriated at 10% of the capital budget, while the Equipment Replacement Fund, Risk, and Health Contingency Reserves are appropriated at \$500,000 each. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses. All of the contingency reserves are annually appropriated in the budget process from the net asset reserves of each of the funds. In most years, the appropriation is not spent at all, or a small amount is allocated through an affirmative vote of the Town Council.

The table below identifies the contingency balances appropriated in the FY12 and the FY11 budgets:

### Contingency Reserves FY2011 and FY2012

Fund	FY2011 Budget	FY2012 Budget
General Fund	\$929,468	\$807,397
Capital Fund	\$136,000	\$181,000
Equipment Replacement Fund	\$500,000	\$500,000
Risk Fund	\$500,000	\$500,000
Health Fund	\$500,000	\$500,000
Recreation Enterprise Fund	\$176,700	\$155,000

### Undesignated Fund Balance/Retained Earnings Summary

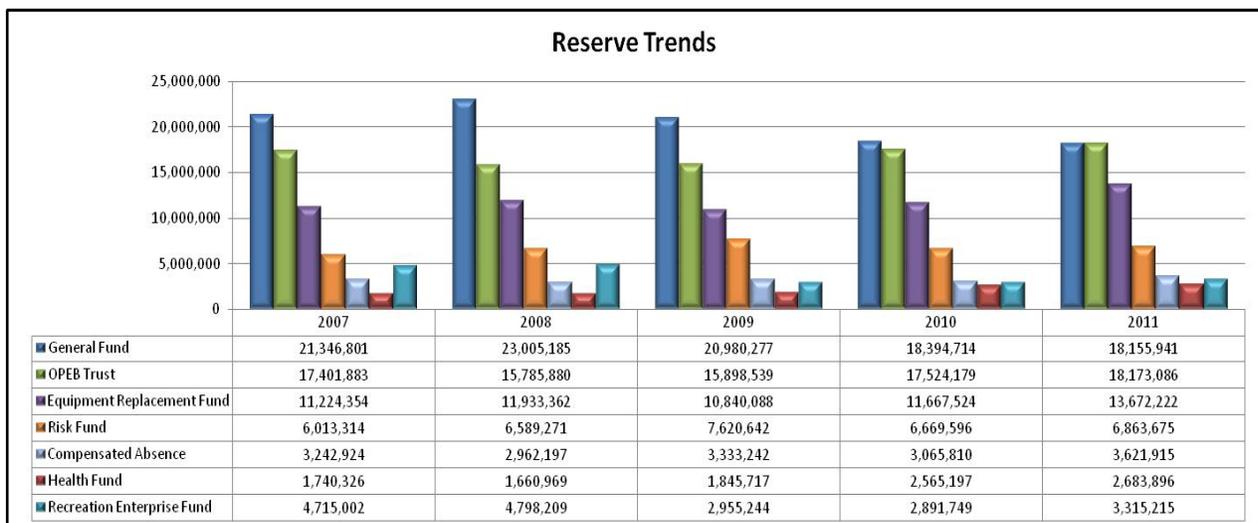
All reserves are at or over the policy established minimum. The financial strength of the Town can be measured by the health of its reserves. The rating agencies look closely at the fund balance levels and the financial policies in place when rating a municipality. In 2010, the rating agencies reviewed 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 the reasons for our exceptional bond ratings. Moody's Investors Service gave the Town an 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 and the chart on the following page summarizes the trend of the unassigned fund balance, net asset balances, compensated absence, and replacement reserve balances for FY07 through FY11.

# Reserve Status

## Reserve Balances Fiscal Years 2007 - 2011

Fund	2007	2008	2009	2010	2011
General Fund	21,346,801	23,005,185	20,980,277	18,394,714	18,155,941
Compensated Absence (GF)	3,242,924	2,962,197	3,333,242	3,065,810	3,621,915
Equipment Replacement Fund	11,224,354	11,933,362	10,840,088	11,667,524	13,672,222
Recreation Ent Fund	2,698,119	2,259,402	1,050,115	354,082	508,316
Recreation ERF	288,267	321,863	351,468	426,749	458,002
Dock Replacement	1,620,173	1,772,062	196,718	2,084,181	2,240,125
Par 3 M&I Reserve	176,067	223,753	0	50,872	108,722
Tennis M&I reserve	0	0	0	8,446	16,418
Health Fund	1,740,326	1,660,969	1,845,717	2,565,197	2,683,896
Risk Fund	6,013,314	6,589,271	7,620,642	6,669,596	6,863,675
Health - OPEB Trust	17,401,883	15,785,880	15,898,539	17,524,179	18,173,086
Pension Funds	<u>198,737,626</u>	<u>167,937,995</u>	<u>163,129,393</u>	<u>174,544,804</u>	<u>170,564,741</u>
<b>Total</b>	264,489,854	234,451,579	225,246,199	237,356,154	237,067,109



## General Fund Revenue Trend Analysis



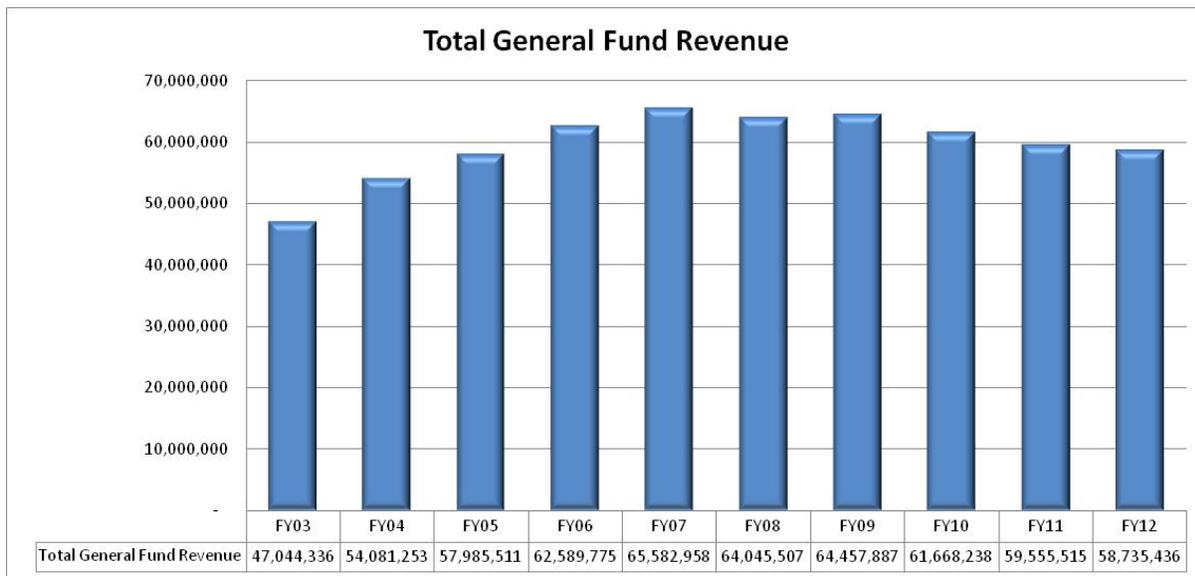


Financial Trend analysis assists the Town in evaluating its financial condition. The trend analysis describes the fluctuations in the major categories of General Fund revenues and departmental expenditures. The financial trends present a picture of the Town's financial strengths and weaknesses and allow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

The Town has not been immune to the effects of the recent recession. Property values throughout Florida continue to decline, unemployment remains historically high, commodity costs are rising, and interest rates are historically low. All of these factors are putting pressure on the Town's finances.

## General Fund Revenues

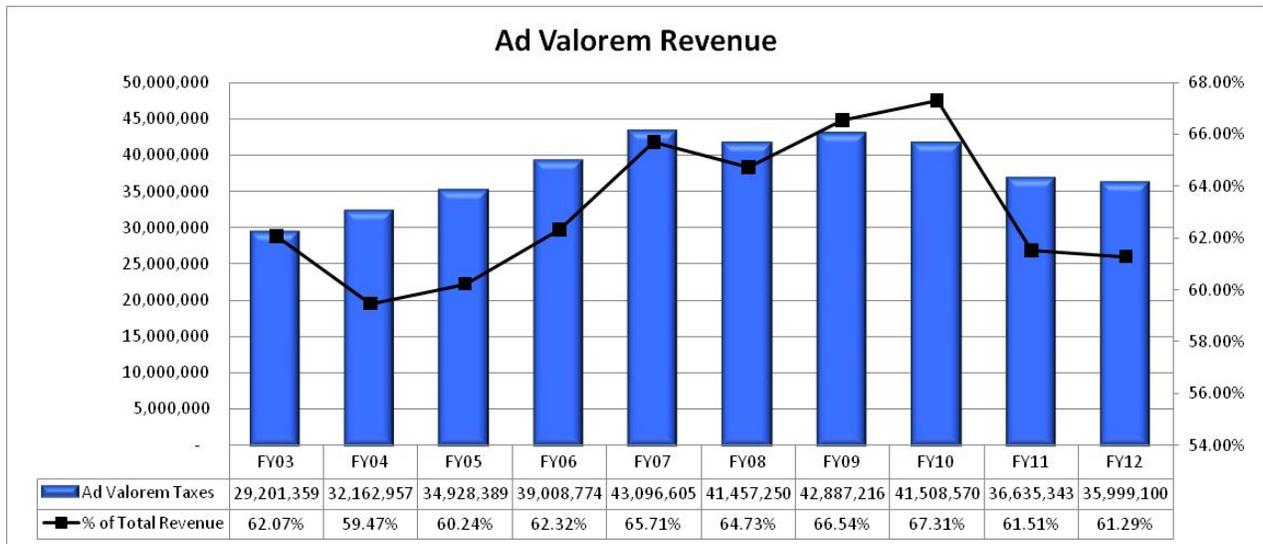
Revenues determine the capacity of a municipality to provide services. Important issues to consider when reviewing revenue trends are growth, flexibility, diversity, reliability and administration. Revenues should grow at a rate equal to or greater than the combined effects of inflation and expenditures.



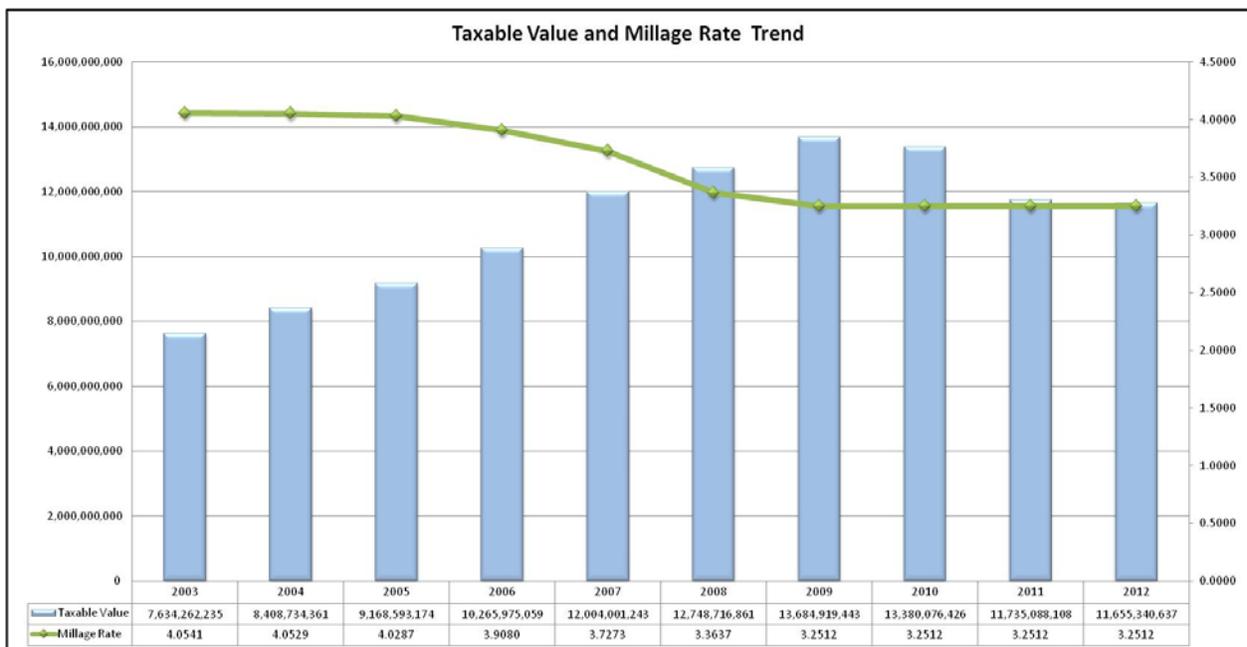
General Fund Revenues have increased 24.8% since FY03. Between FY03 and FY07, revenues increased 39.4% (an average annual increase of 8.4%). Between FY07 and FY12, revenues decreased by 10.4%.

## Ad Valorem Revenue

Ad valorem taxes are the Town's largest revenue source. Municipalities in Florida are not permitted to levy property taxes at a rate of more than 10 mills for the operating millage. In recent years, ad valorem revenue has declined due to property tax reform in FY08 and to a decline in taxable value in FY10, FY11 and FY12. Ad Valorem Revenue peaked at 67% of total revenues in FY10. Currently, ad valorem revenue accounts for 61.3% of total revenue.



Revenue increases from FY02 through FY07 were accomplished with increasing taxable value and declining millage rates. For the past four years, the millage rate has been maintained at 3.2512 which resulted in declining revenue due to the declining taxable values.



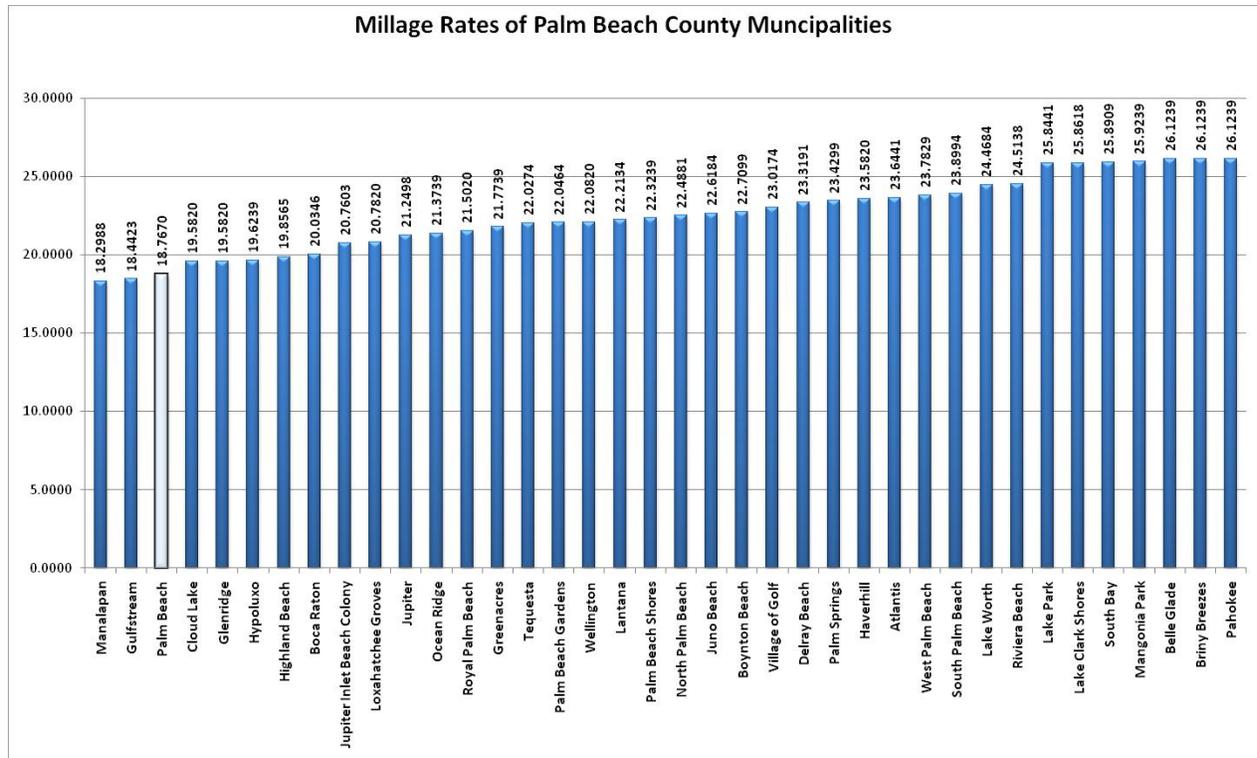
State law limits millage rate increases to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments are allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. For FY12, the Town adopted the same millage rate as FY11 which resulted in a decrease in taxes of \$246,300 due to a .46% decrease in taxable value. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, decreased 1% from

# General Fund Revenue Trend Analysis

18.9561 to 18.7670. The Town's portion of the total millage is 17.32% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY11 to FY12 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY11 Millage Rate	FY12 Millage Rate	FY12 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
<b>Palm Beach</b>	3.2512	3.2512	\$3,251	\$0	0.00%	17.32%
<b>Palm Beach County</b>	4.9960	4.9925	\$4,993	-\$4	-0.07%	26.60%
<b>Palm Beach County School District</b>	8.1540	8.1800	\$8,180	\$26	0.32%	43.59%
<b>South Florida Water Mgmt</b>	0.5346	0.3739	\$374	-\$161	-30.06%	1.99%
<b>Children Services</b>	0.7513	0.7475	\$748	-\$4	-0.51%	3.98%
<b>Florida Inland Navigation</b>	0.0345	0.0345	\$35	\$0	0.00%	0.18%
<b>Health Care District</b>	1.1451	1.1250	\$1,125	-\$20	-1.76%	5.99%
<b>Everglades Construction</b>	0.0894	0.0624	\$62	-\$27	-30.20%	0.33%
<b>Grand Total</b>	<b>18.9561</b>	<b>18.7670</b>	<b>\$18,767</b>	<b>-\$189</b>	<b>-1.00%</b>	<b>100.00%</b>

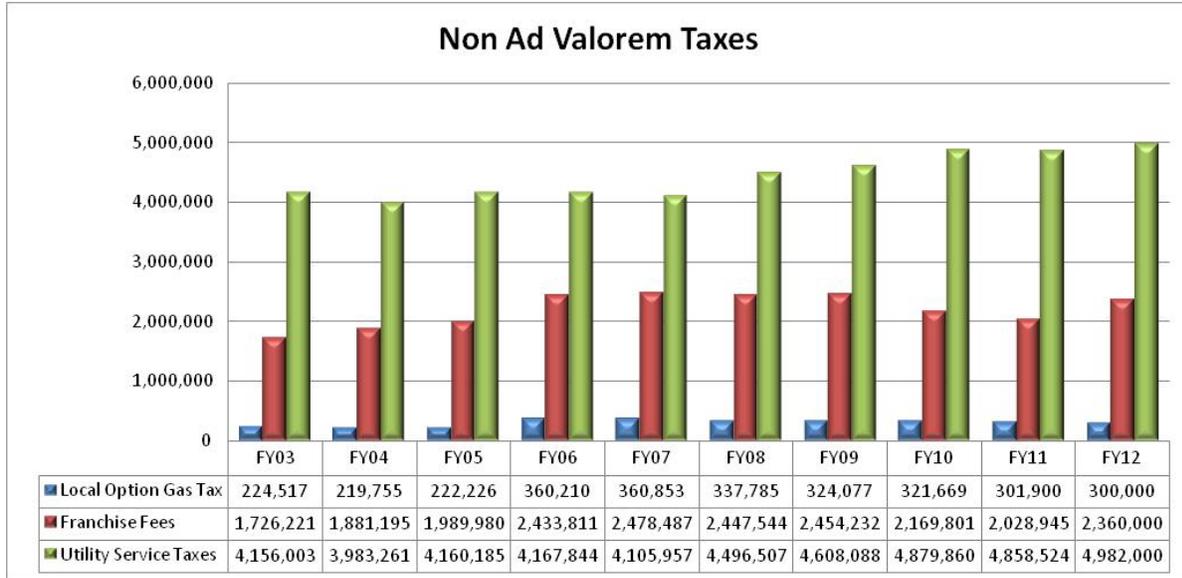
The Town of Palm Beach's total millage rate is the third lowest in Palm Beach County. The owner of a home with a taxable value of \$1 million pays \$18,767 in total taxes in Palm Beach versus \$20,034 in Boca Raton, \$22,046 in Palm Beach Gardens and \$23,783 in West Palm Beach.



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

## Non Ad Valorem Tax Revenue

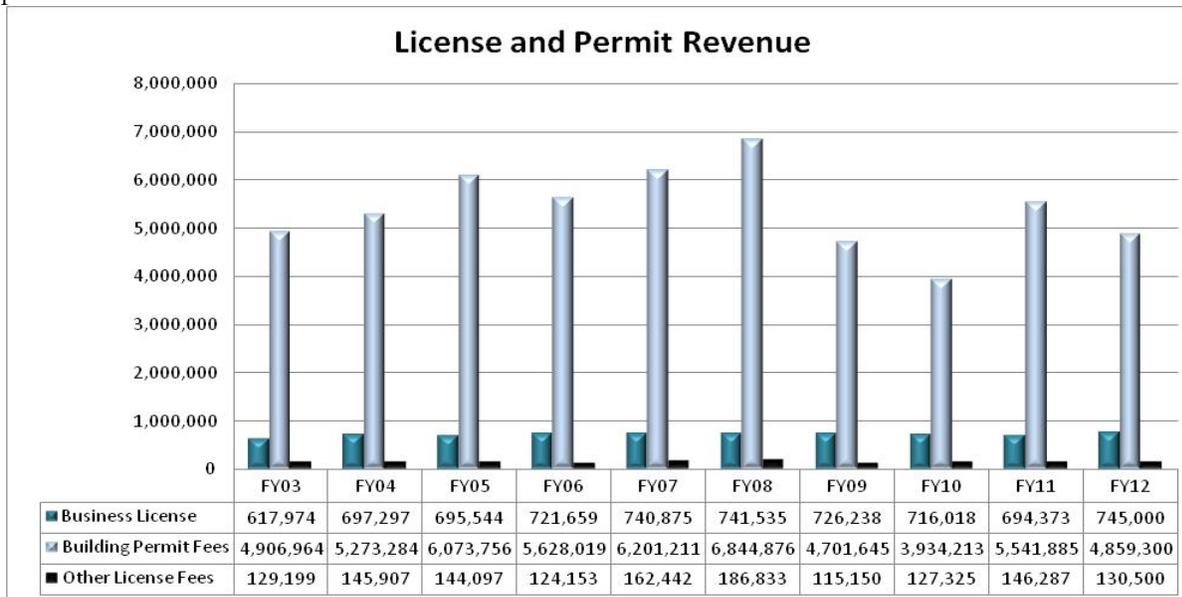
Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.



Local Option Gas Tax and Franchise fee revenue declined in FY10 and FY11. It is anticipated that revenues will increase slightly for FY12.

## License and Permit Revenue

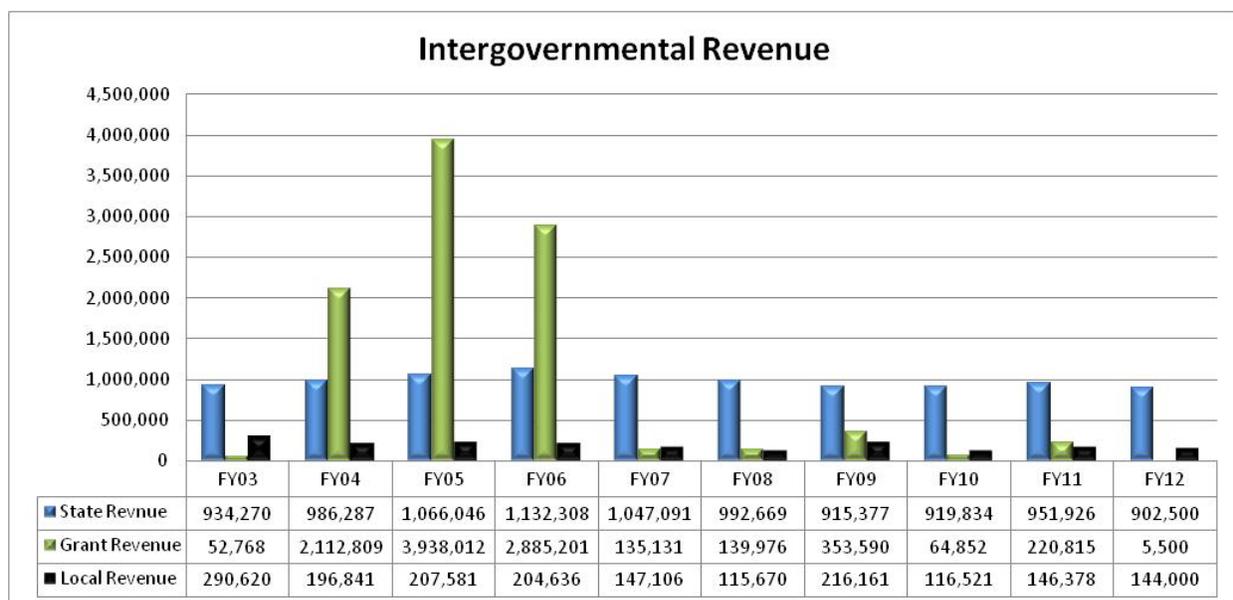
License and permit revenue includes, business licenses, building permit revenues and parking permits.



Building permit revenue makes up the majority of these revenues. Building permit revenues dropped significantly from a high of \$6.8 million in FY08 to \$3.9 million in FY10. The recession and downturn in housing have caused the decline. In FY11, revenues improved due to increases in building activity. The number of business licenses issued also declined in FY09 and FY10. A fee increase in FY12 is expected to increase revenues for business licenses.

## Intergovernmental Revenue

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



The spike in grant revenue for FY04, FY05 and FY06 is due to FEMA reimbursements for Hurricanes Frances, Jeanne and Wilma. State revenues have declined in the past few years due to declines in sales tax receipts because of the downturn in the economy.

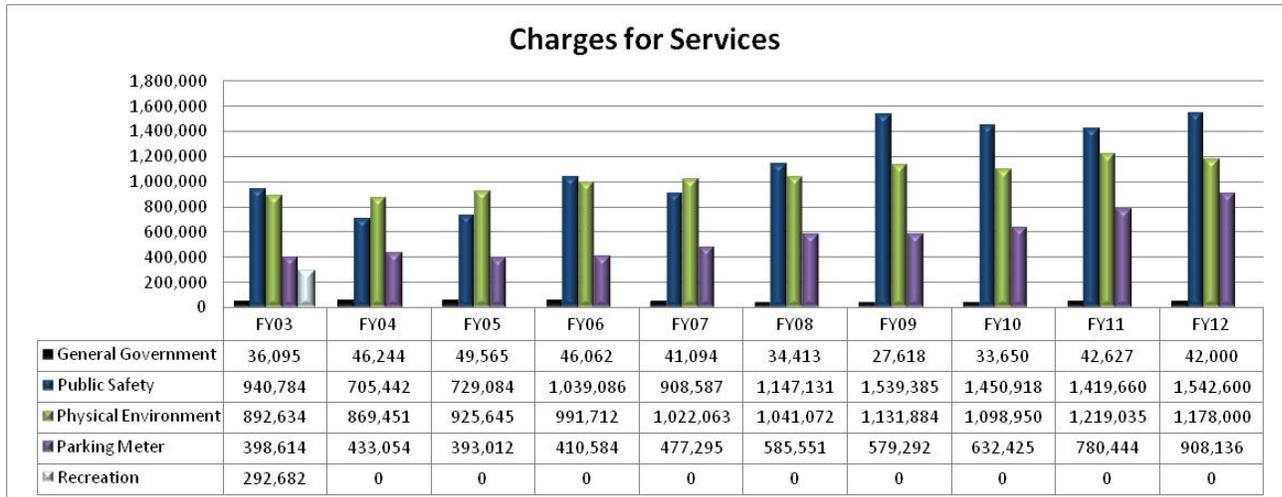
## Charges for Services

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. Recreation fees were included in the General Fund through FY03. In FY04, the Recreation Enterprise Fund was established and all fees and expenditures were transferred to the enterprise fund.

Public safety fees have increased over the past 10 years due to the addition of an EMS transport fee in FY03, fire prevention fees in FY06 and increases in revenues for police special detail.

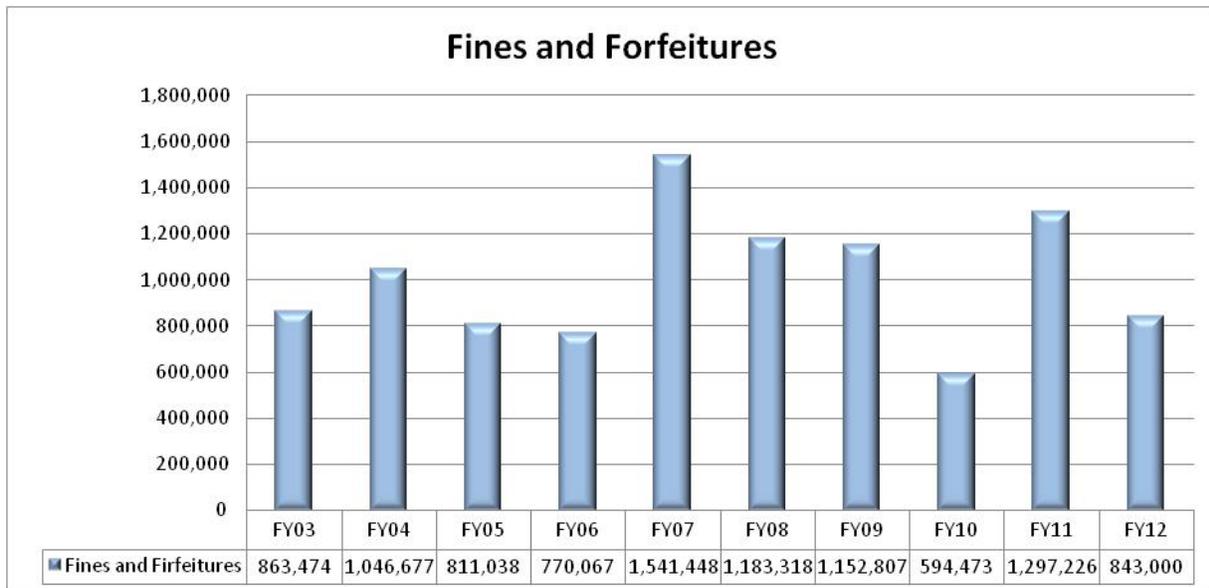
Physical environment fees include solid waste fees and beach cleaning fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service. Beach cleaning fees were collected until FY10 when the program was discontinued.

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



## *Fines and Forfeitures*

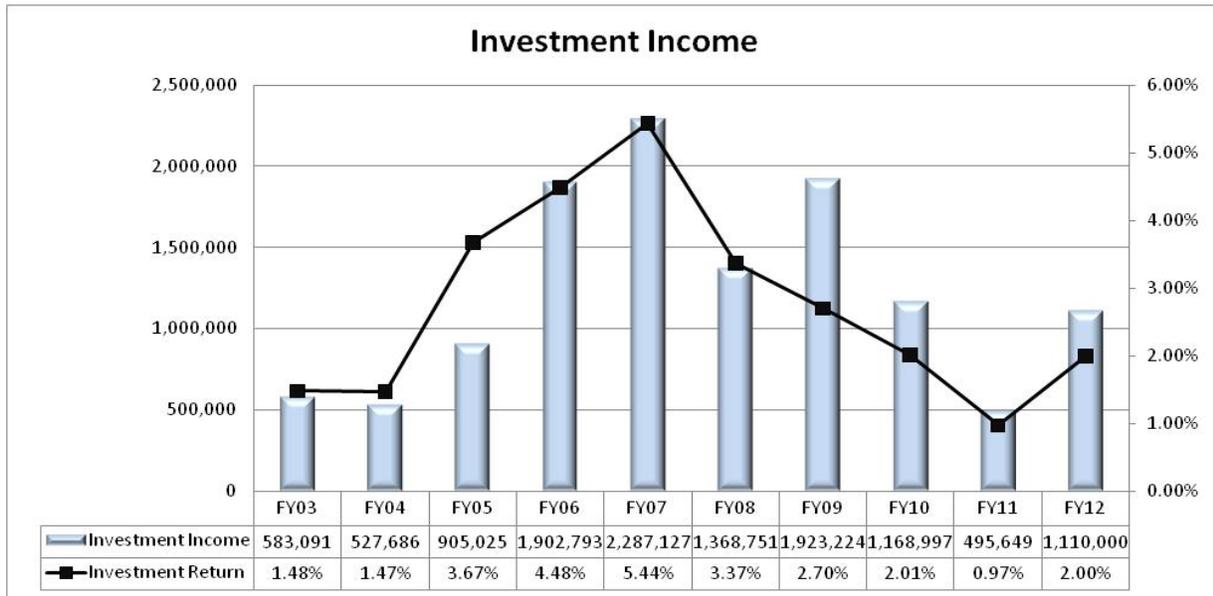
Fine and forfeiture revenue includes traffic violation fines and penalties, parking fines and penalties and code enforcement violation fines.



Parking fines and penalties were increased in FY04 and in FY08. In FY07, FY08 and FY09, large code enforcement fines were collected. Revenues from these sources declined in FY10 but increased in FY11 due to the collection of large code enforcement fines.

### *Investment Income*

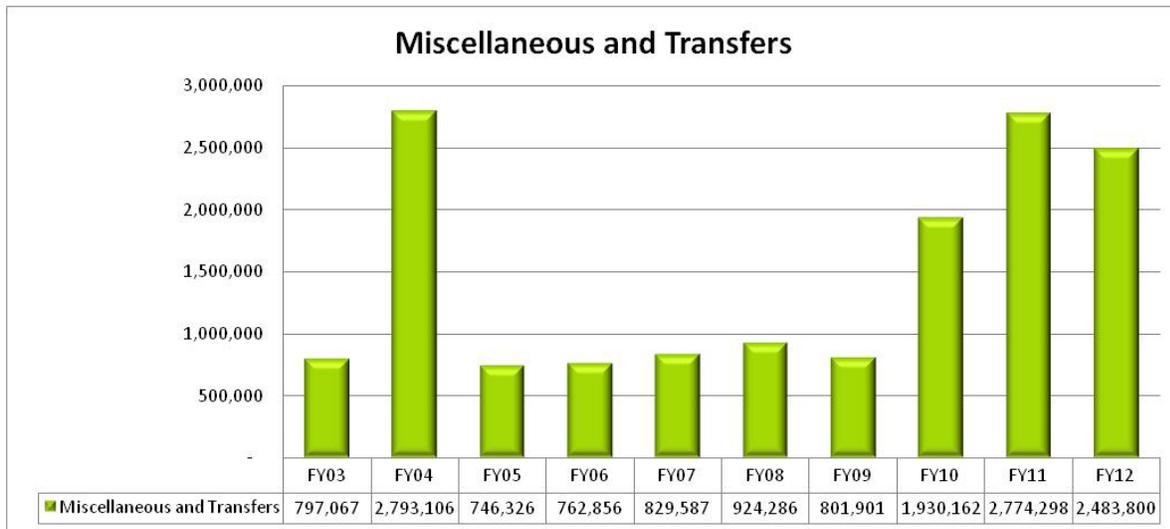
In FY03, the Town Council approved the formation of an Investment Advisory Committee. The Committee oversees the investment of the Town's surplus funds as well as the investments in the Town's OPEB trust. The Town's surplus funds are invested in fixed income securities, money market accounts and two bond funds with the Florida League of Cities Investment Trust.



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

### *Miscellaneous and Transfers*

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



In FY04, the Town sold property located at Pike Road in West Palm Beach. In FY10, FDOT took by eminent domain Town property located just east of the Flagler Bridge. FY11 revenues included a transfer from the Capital Improvement Fund and an increase in the Recreation Enterprise Fund transfer. The Town had transferred \$2.6 million in FY10 to the Capital Improvement Program to begin to fund the 20 year CIP program. Bonds were issued in FY10 to fund the program, so most of the funds were no longer needed in the CIP program and \$1.4 million was transferred back to the General Fund. The FY12 budget includes a transfer of \$800,000 from the Recreation Enterprise Fund and transfer from Fund Balance of \$1,433,600. A portion of the transfer (\$626,293) is from the designated reserve for compensated absences to provide for the payment of accrued leave. The balance of the transfer is for contingency funding (\$807,307) in compliance with Town policy. For the first time since FY04, no discretionary use of fund balance is included in the transfer.

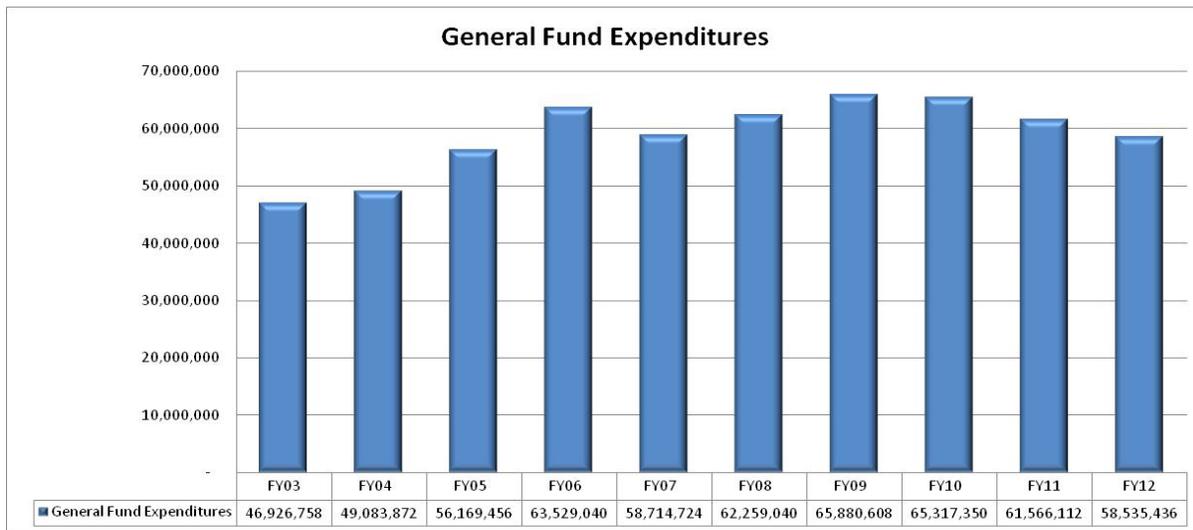
# General Fund Expenditure Trend Analysis



## General Fund Expenditures

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

For FY12, the total General Fund budget decreased by 8.2% from the FY11 budget, and 4.92% from FY11 actual expenditures. Between FY03 and FY09, the average annual increase was 5.49% and the total increase was 40%. Since FY09, expenditures have decreased 11.15%.



Increases in expenditures in FY04, FY05 and FY06, relate to the response to and recovery from Hurricanes Frances, Jeanne and Wilma. A significant portion of the hurricane expenditures have been reimbursed from FEMA and state sources. The major changes in the General Fund budget for FY03 – FY12 are detailed in the chart below. Large expenditures for Capital and Coastal projects and other non-recurring expenditures are noted in bold face type. Personnel cost changes are noted in italics.

Year	Major Areas of Change to General Fund Revenues and Expenditures
FY2003 Budget Increase 1.4%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$48,671,671</li> <li>• Reduced millage rate by .25% to 4.0541, taxable value increased 9.8%</li> <li>• <i>Added 3.88 positions to the budget</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$639,841</i></li> <li>• Increase in the transfer to the Risk Insurance Fund - \$454,287</li> <li>• <i>Increase in the transfer to the Health Insurance Fund - \$300,000</i></li> <li>• <b>Increase in the transfer to the Capital Improvement Fund \$3,283,709 (North Lake Way Drainage)</b></li> <li>• <b>Depreciation added to the budget for the newly established Equipment Replacement Fund - \$892,036.</b></li> </ul>

# General Fund Expenditure Trend Analysis

<p>FY2004 Budget Decrease 2.5%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$47,450,635</li> <li>• Reduced the millage rate by .03% to 4.0529, taxable value increased 10.1%</li> <li>• <i>Added 2.84 positions to the budget</i></li> <li>• Created Leisure Services Enterprise Fund</li> <li>• Increase in depreciation transfer - \$109,596</li> <li>• Increase in transfer to Risk Insurance Fund - \$63,118</li> <li>• Increase in transfer to Debt Service Fund - \$1,268,150</li> <li>• <i>Increase in the contribution to the retirement fund by 98% - \$1,706,772</i></li> <li>• Increase in costs due to overtime related to Hurricanes Frances and Jeanne</li> </ul>
<p>FY2005 Budget Increase 10.4%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$52,380,731</li> <li>• Reduced the millage rate by .6% to 4.0287, taxable value increase 9.22%</li> <li>• <i>Added 5.3 positions to the budget</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$746,692</i></li> <li>• <i>Increase in health insurance costs - \$347,166</i></li> <li>• <b>Increase in the transfer to the Capital Improvement Fund for the Town Hall renovation project \$1,171,000 (transfer from fund balance reserves)</b></li> <li>• <b>Increase in debt service funding - \$84,700</b></li> <li>• Decrease in transfer to Risk Insurance Fund – (\$300,000)</li> <li>• Purchase of tasers for the Police Department - \$58,300</li> <li>• Costs associated with the recovery efforts for Hurricanes Frances and Jeanne</li> </ul>
<p>FY2006 Budget Increase 9.9%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$57,544,075</li> <li>• Reduced millage rate by 3% to 3.908, taxable value increased by 12.4%</li> <li>• <i>Added 5.5 new positions to the budget</i></li> <li>• <i>Implementation of the compensation study - \$312,000</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$718,274</i></li> <li>• <i>Police and Firefighter retirement multiplier improvement – 3.25% to 3.5% (Estimated cost \$555,578)</i></li> <li>• <i>Increase in health insurance costs - \$470,071</i></li> <li>• Funding for a traffic and parking improvement plan - \$150,000</li> <li>• First year funding of Townwide software upgrade \$230,000</li> <li>• <b>Purchase of the police radio system \$665,000</b></li> <li>• <b>Increase in debt service funding - \$830,650</b></li> <li>• Increase in the transfer to the Capital Improvement Fund - \$116,559</li> <li>• Decrease in the transfer to the Risk Insurance Fund – (\$120,033)</li> <li>• <b>Modification to the ERF for replacement cost funding - \$4,205,523 added to the reserve with a transfer from fund balance.</b></li> <li>• Costs for response to and recovery from Hurricane Wilma</li> </ul>
<p>FY2007 Budget Increase 8.9%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$62,642,654</li> <li>• Reduced millage rate by 4.62% to 3.7273, taxable value increased by 16.13%</li> <li>• <i>Increase in the contribution to the retirement fund - \$1,751,939</i></li> <li>• <i>Added 1.87 positions to the budget</i></li> </ul>

# General Fund Expenditure Trend Analysis

LTFP  
2012

	<ul style="list-style-type: none"> <li>• Increased in the transfer to the Capital Improvement Fund - \$762,200</li> <li>• <b>Increased funding for coastal permitting, monitoring and legal \$1,057,000</b></li> <li>• <b>Town wide software upgrade - \$350,000</b></li> <li>• Increase in milling and resurfacing funding \$275,000</li> </ul>
FY2008 Budget Increase 2.7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$64,332,559</li> <li>• Property Tax Reform was enacted to the State of Florida requiring a reduction in property tax revenue of \$1,925,130 and a millage rate reduction of 9.76% to 3.3637</li> <li>• Increased parking ticket fines and meter rates - \$400,000</li> <li>• Reduced transfer to the Capital Improvement Fund (\$1,282,801)</li> <li>• <i>Eliminated 3.95 positions</i></li> <li>• <i>Increase in the contribution to the retirement fund - \$674,018</i></li> <li>• <i>Increase in the transfer to the Health Insurance Trust - \$472,300</i></li> <li>• <b>Townwide software upgrade - \$350,000</b></li> <li>• Decreased contribution for feral cat program – (\$50,000)</li> <li>• <b>Purchase of parking kiosks - \$500,000, and electronic chalking devices -\$210,000</b></li> <li>• <b>Increase in depreciation due to modification of policy - \$669,153</b></li> <li>• <b>Increase in debt service funding - \$123,000</b></li> <li>• Increase in the transfer to the Risk Insurance Fund - \$171,799</li> </ul>
FY2009 Budget Increase 4.7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$67,335,600</li> <li>• Reduced millage rate by 3.34% to 3.2512, taxable value increased 7.73%</li> <li>• <i>Special competitive pay increases for all firefighters and police officers - \$585,984</i></li> <li>• <i>First year cost of the early retirement buyout – \$922,800</i></li> <li>• <i>Decrease in the contribution to the retirement fund – (\$636,848)</i></li> <li>• <i>Increase in the transfer to the Health Insurance Fund - \$900,000</i></li> <li>• <b>Townwide software upgrade - \$350,000</b></li> <li>• <b>Transfer to the Coastal Protection Fund for pending litigation - \$2,000,000</b></li> <li>• <b>Increase in Debt Service Funding - \$138,000</b></li> <li>• Decrease in the transfer to the Risk Insurance Fund - (\$474,000)</li> <li>• Decrease in the transfer to the Capital Improvement Fund - (\$279,000)</li> <li>• <i>Reduced .89 positions</i></li> </ul>
FY2010 Budget Decrease .7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$66,853,300</li> <li>• Maintained millage rate at 3.2512, taxable value declined 2.23%</li> <li>• Reduction in property tax revenue of - (\$1,217,000)</li> <li>• <i>Elimination of 9.25 positions (savings of \$1,058,100)</i></li> <li>• <i>Salary freeze implemented for all employees</i></li> <li>• <i>Second year cost of early retirement buyout – 858,000</i></li> <li>• <i>Increase in contribution to retirement fund - \$655,631</i></li> <li>• <i>Elimination of extraordinary longevity – (\$88,700)</i></li> </ul>

# General Fund Expenditure Trend Analysis

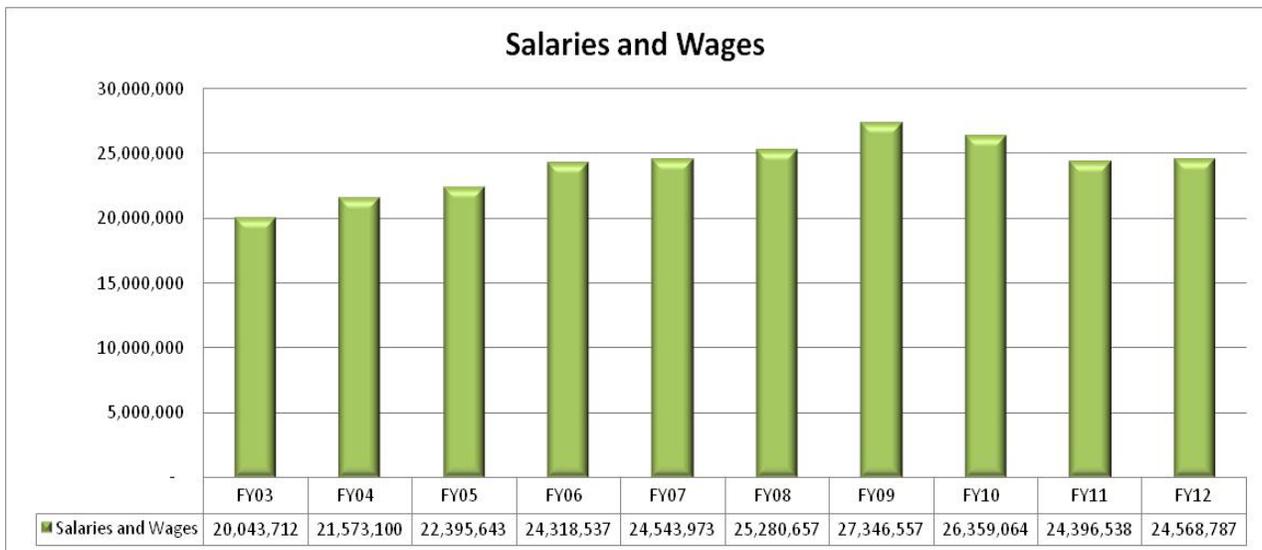
LTFP  
2012

	<ul style="list-style-type: none"> <li>• <i>Decrease in Town contribution for health insurance – (\$300,000)</i></li> <li>• <b>Final year of Townwide software upgrade - \$160,000</b></li> <li>• Decreased contribution for feral cat program – (\$50,000)</li> <li>• <b>Increase in debt service funding - \$132,000</b></li> <li>• <b>Increase in transfer to the Capital Improvement Program \$3,011,957 (included \$2,600,000 from fund balance for one time transfer for 20 year CIP program)</b></li> <li>• Contracted with a Pension Consultant - \$127,268</li> <li>• Contracted with an Internal Auditor - \$110,710</li> <li>• Elimination of printing and mailing of Annual Report - (\$9,500)</li> </ul>
<p>FY2011 Budget Decrease 4.7%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$63,734,848</li> <li>• Maintained millage rate at 3.2512, taxable value declined 11.42%</li> <li>• Reduction in property tax revenue of (\$5,080,500)</li> <li>• <i>Second year of a salary freeze for all employees</i></li> <li>• <i>Elimination of 32.65 positions – (savings of \$1,788,439)</i></li> <li>• <i>Increase in contribution to retirement fund \$1,568,698</i></li> <li>• <i>Final payment for early retirement buyout - \$136,000</i></li> <li>• <i>Decrease in Town contribution for health insurance - (\$205,000)</i></li> <li>• Reduced funding for lobbying services – (\$50,000)</li> <li>• Cut employee events – (\$40,000)</li> <li>• Eliminated funding for 4<sup>th</sup> of July event – (\$25,000)</li> <li>• Decrease in debt service funding (\$422,000)</li> <li>• Decrease in transfer to the Capital Improvement Program – (\$4,328,957)</li> <li>• <b>Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)</b></li> </ul>
<p>FY2012 Budget Decrease 8.2%</p>	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$58,535,436</li> <li>• Maintained millage rate at 3.2512, taxable value declined .46%</li> <li>• Reduction in property tax revenue of (\$246,300)</li> <li>• <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i></li> <li>• <i>Elimination of 4.68 positions</i></li> <li>• <i>Reinstated pay-for-performance and (budgeted for step increases) for employees - \$327,300</i></li> <li>• <i>Increase in health insurance funding \$272,700</i></li> <li>• New funding for the Palm Beach County Inspector General - \$100,000</li> <li>• Modification to funding for Equipment Replacement Program – (Savings of \$344,271)</li> <li>• Increased transfer from Recreation Enterprise Fund - \$161,000</li> <li>• Increased the transfer to the Capital Improvement Program by \$500,000</li> <li>• <b>Transfer to Coastal Protection Fund of \$3,960,000</b></li> </ul>

## Expenditure by Category Trend Analysis

### *Salaries and Wages*

The Salary and wage trend is shown on the graph below. Salary and wage increases from FY03 through FY09 are due to staffing increases and across the board and pay for performance salary increases. In FY04 – FY06, costs also increased due to overtime related to Hurricanes Frances, Jeanne and Wilma. In FY02 and FY06 compensation studies were performed increasing salaries for certain positions. In FY09, special competitive pay increases were granted for all firefighters and police officers. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09 and these costs were added to the budget. The final payout for the buyout was in FY11. A wage freeze was in effect for FY10 and FY11 for all employees. For FY12, merit and step increases were included the budget.



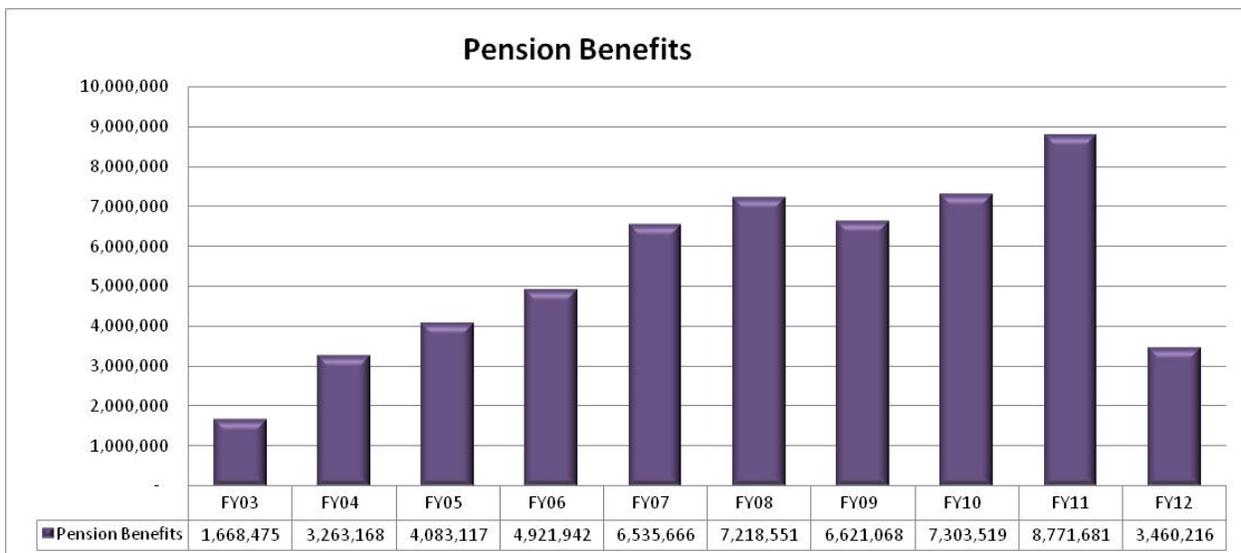
Another reason for the growth in Salaries and Wages is the addition of personnel from FY03 to FY07. During that time, 17.1 positions were added to the budget. Since FY07, 52.58 positions have been eliminated from the budget through attrition. Town staffing is now at its lowest level since 1990. The trend in Full Time Equivalent Positions (FTEP) is shown on the following page:



### *Employee Benefits*

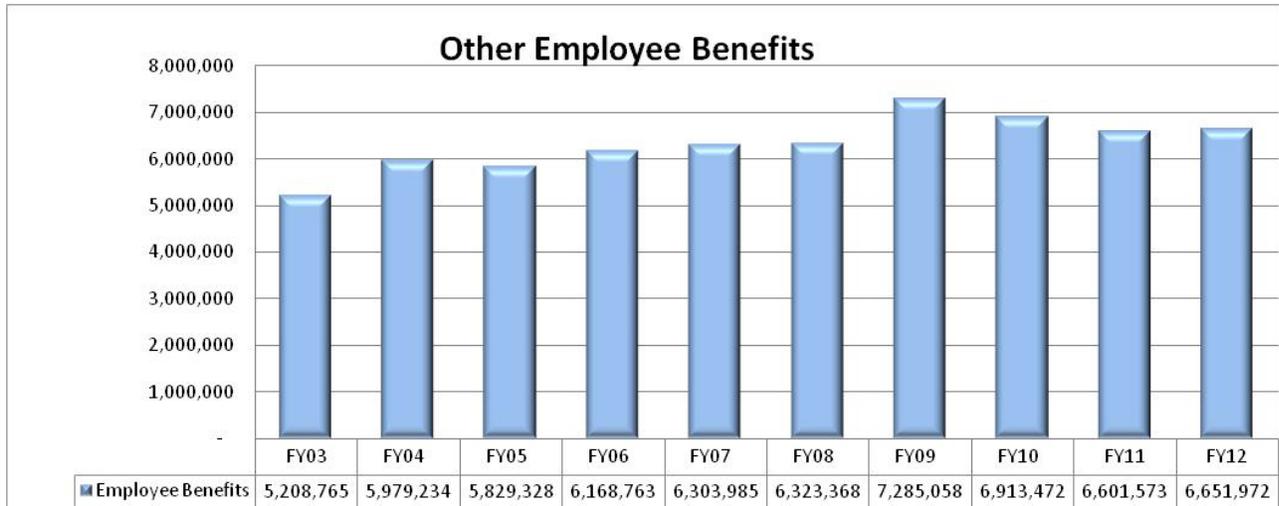
For purposes of this analysis, we have broken employee benefits into pension trends and other employee benefit trends.

Pension benefits increased 762% from FY02 through FY11. The increases were due to poor market performance in FY01 and FY08 as well as benefit increases in FY01 and FY05. For FY12, pension reform measures to decrease the level of benefits and reduce the long term cost of this benefit are being implemented. The estimated first year savings of 5,311,465 is reflected in the FY12 budget.

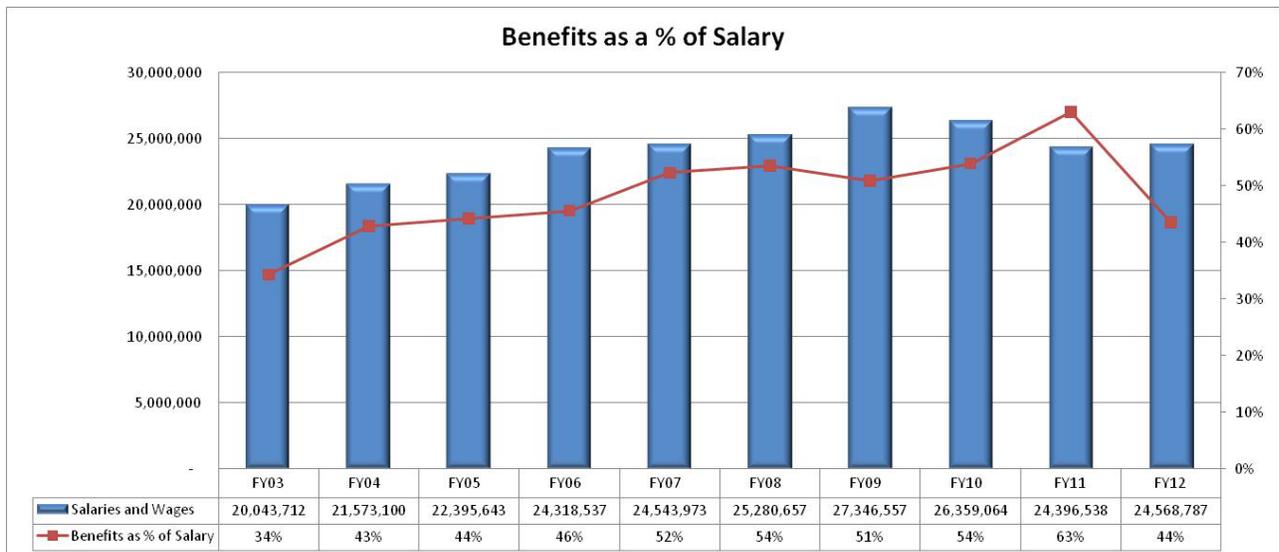


Other employee benefits include health insurance, FICA, longevity, allowances, incentives, and uniform maintenance. The total increase from FY03 to FY12 is 27.71%. Nationally, health

insurance increases for the last decade have been over 100%. The Town has taken measures to control the increase in health insurance costs and has offered less expensive plan options to employees.



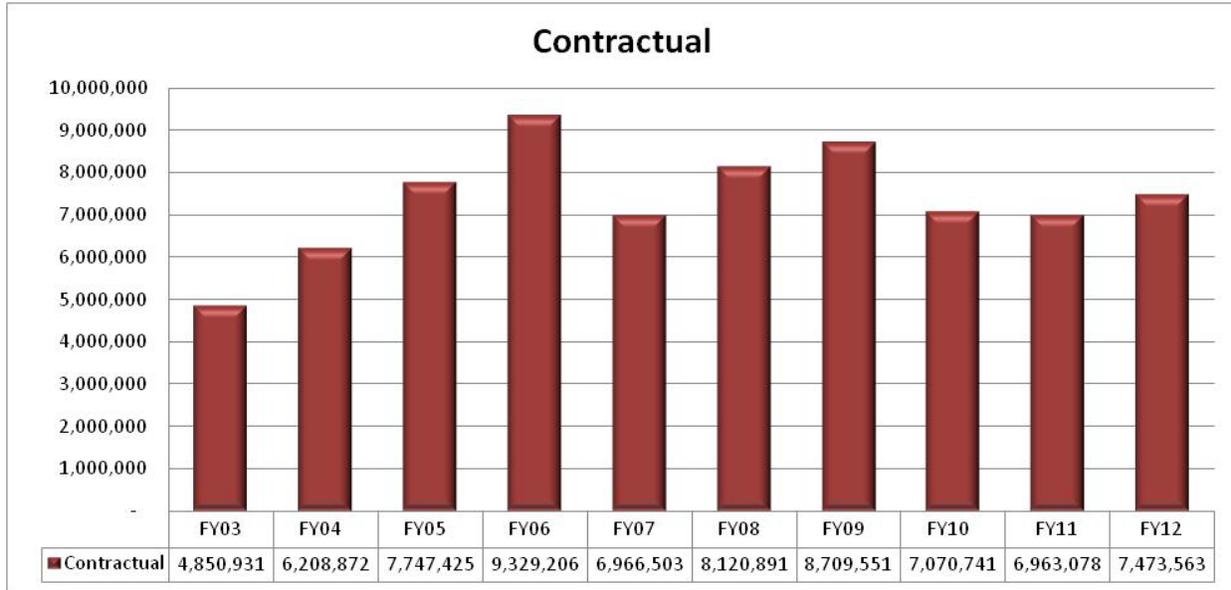
In FY09, the transfer to the Health Insurance Fund increased by \$900,000. Since FY09, health insurance costs have been maintained and increases have been minimized through changes in the program, cost shifting to employees, and fewer employees in the plan due to the reduction in full time staff positions.



The trend for benefits as a percent of salary through FY11 showed significant increases from 34% to 63% due primarily to the significant increase in pension costs. The trend declined significantly in FY12 due to the planned reduction in costs for funding the Town's pension benefits.

## *Contractual Services*

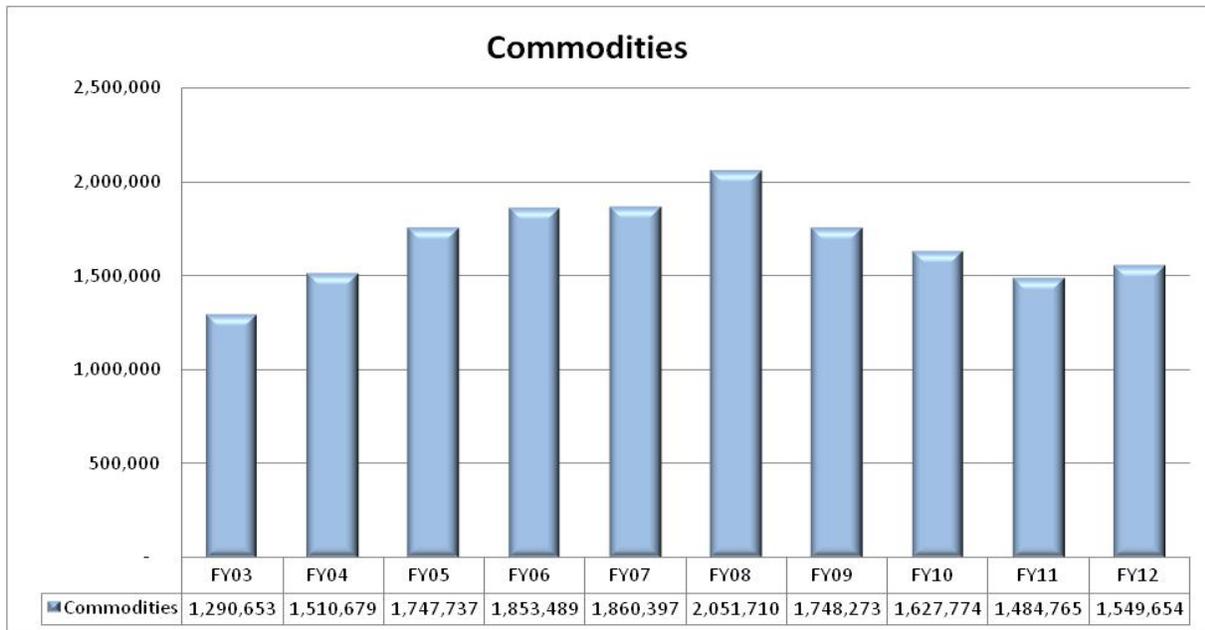
Contractual services include legal advice, consulting services, sewage treatment, solid waste disposal costs, building maintenance, landscape contracting, software maintenance and the preparation of the comprehensive plan.



The total increase from FY03 to FY12 is 54.06%. Increases in FY04, FY05 and FY06 are due to the costs associated with hurricane response and recovery. The increases in FY08 and FY09 were due to increases in lobbying costs, software licensing and support, codification updates, legal advertising, the Comprehensive Plan, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town post construction monitoring, and risk insurance funding. In FY09, funds also were set aside to repay FEMA for an overpayment in reimbursement of hurricane debris removal costs.

## *Commodities*

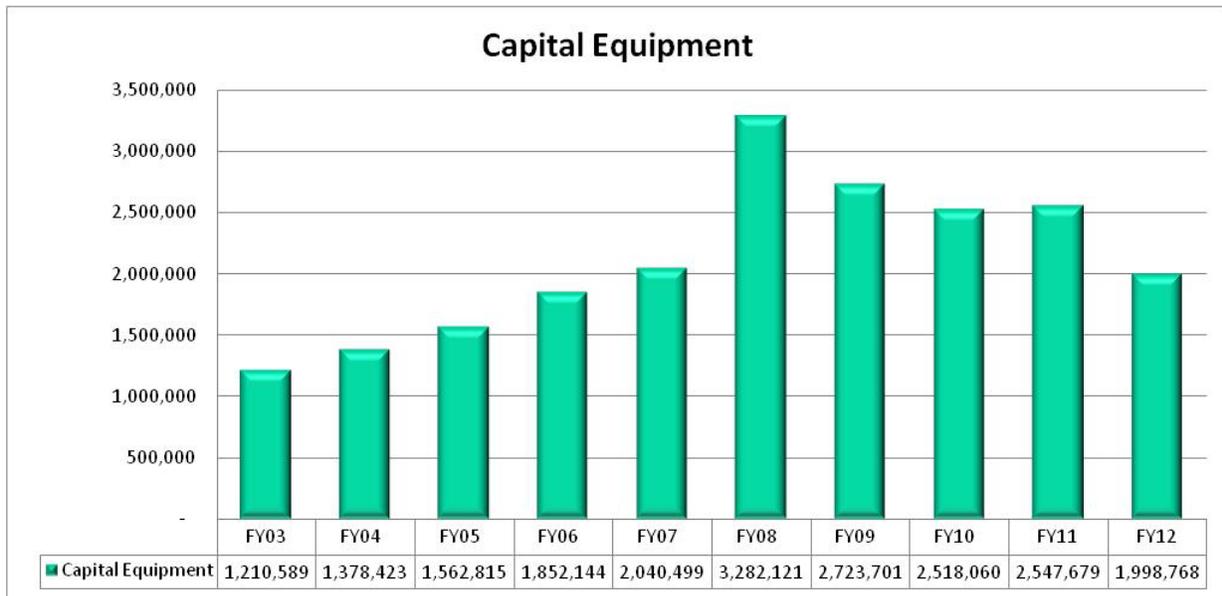
Commodity costs include fuel, electric, water, office supplies and equipment, building and vehicle maintenance supplies, publications and subscriptions, membership dues, medical supplies, and uniform services.



Commodity increases from FY03 to FY12 have totaled 20%. The increases in FY04 and FY05 were due to the hurricane response and recovery. The increase in FY06 was due to computer equipment and software purchases. The increase in FY08 was due to the spike in fuel costs. Decreases during FY09 through FY11 were due to the implementation of cost containment measures throughout all Town departments. The increase for FY12 related to anticipated increases in fuel.

### *Capital Outlay*

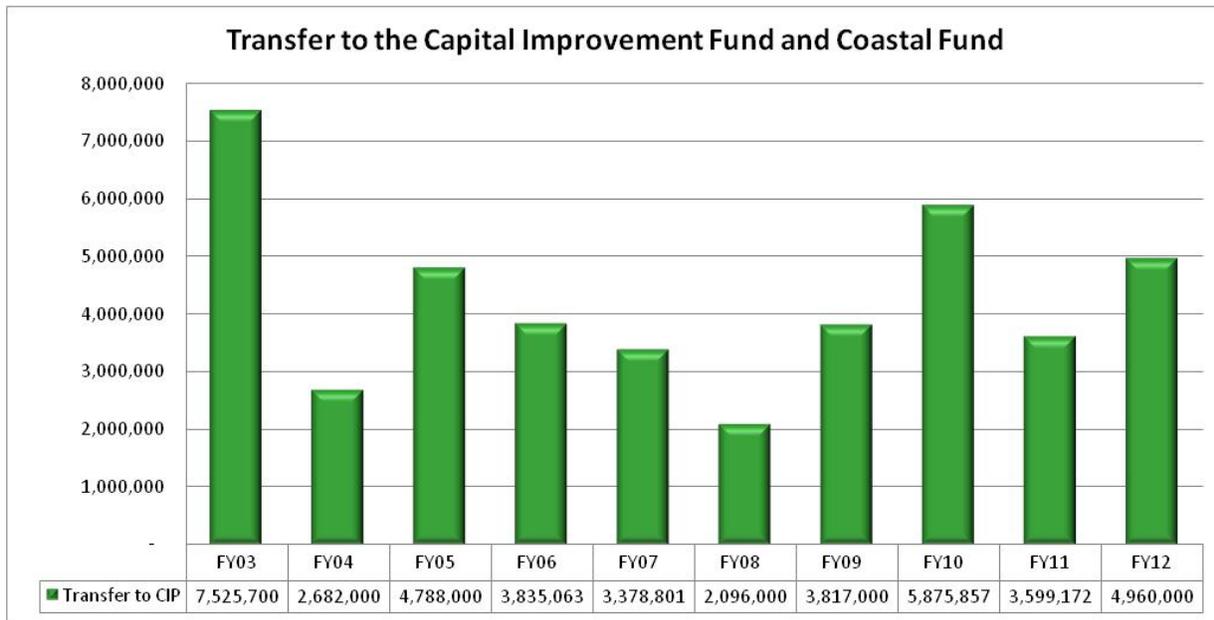
Capital Outlay expenses include depreciation on the Town's fixed assets, purchases of new equipment that are not purchased through the Equipment Replacement Fund, purchases of equipment through grant funding, and storm and sanitary sewer rehabilitation costs that are not included in the Capital Fund.



The total increase from FY03 to FY12 is 65.11%. In FY02 the Town established the Equipment Replacement Fund (ERF). This fund was originally established by a transfer from fund balance for the depreciated value of the equipment in FY02. Beginning in FY03, transfers were made to the ERF based on the annual depreciation of the original cost of the fixed assets. In 2007, the policy was modified to increase the transfer based on depreciation calculated on the replacement cost of the asset to ensure funds were available to purchase expensive equipment with long useful lives. The depreciation increase is reflected in the FY08 peak year, which also included new parking kiosks, electronic chalking devices, and surveillance cameras for the Town's bridges. In FY12, the depreciation transfer decreased by \$344,271. The reduction is the result of a thorough analysis by staff of the useful lives of the equipment, which resulted in extension of useful lives for some items and elimination of some other items.

### *Transfer to the Capital Fund*

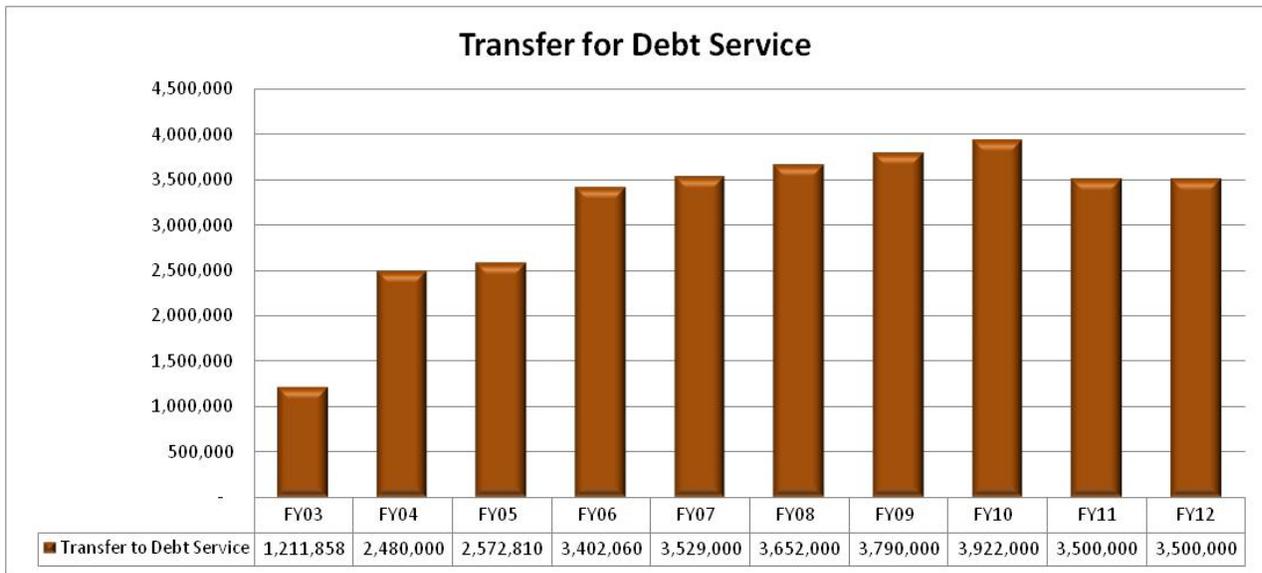
Historically, the Town funded capital projects on a pay-as-you-go basis. If additional funding was necessary for larger projects, transfers from fund balance were used to supplement the funding. In FY10, the Town issued a bond that included approximately \$43 million to fund the initial costs of the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



In FY03, the increase was due to \$3.2 million in additional funding for the North Lake Way drainage improvement project. In FY05, \$1.2 million was transferred for the Town Hall renovation project. In FY09, \$2 million was transferred to the Coastal Protection Fund for pending litigation regarding Lake Worth Inlet. In FY10, a one-time transfer of \$2.6 million was included to begin to fund the 20 year Capital Improvement Program and \$1,046,000 was transferred from the General Fund fund balance to the Coastal Protection Fund for a sand search study and groin analysis. In FY11, a total of \$3,090,000 was transferred to the Coastal Protection Fund for projects and \$500,000 was budgeted for the pay-as-you-go portion of the Capital Improvement Program. In FY12, \$3,960,000 was transferred to the Coastal Protection Fund and \$1,000,000 was transferred to the Capital Improvement Program.

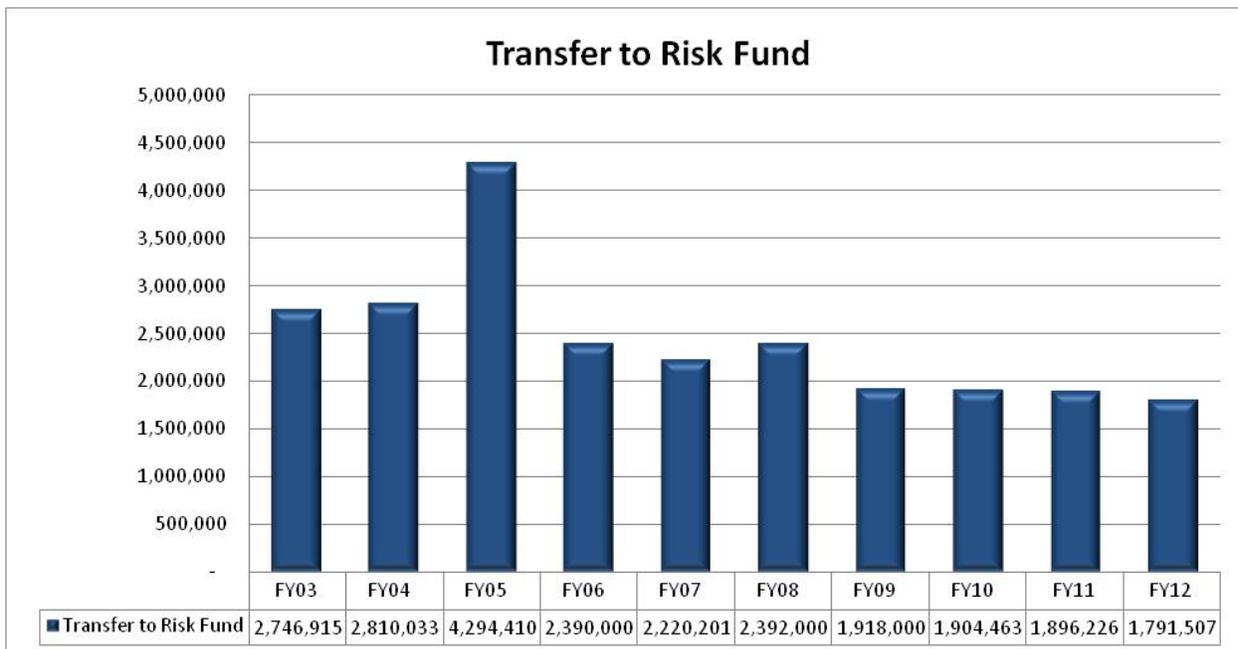
### *Transfer to the Debt Service Fund*

The Town issued Revenue Bonds in 2000 for the Coastal Protection Project. The debt service for the first few years was interest only and then in FY04 principal payments began after the Town's GO debt was paid in full. In FY06, the Town refinanced the 2000 bonds and issued additional debt for the construction of the Central Fire-Rescue Station. In 2008 the Town issued a revenue note for the Town Hall renovation project. In 2010, the 2000 revenue bond for coastal projects was paid in full. In addition, the Town issued a bond for the 20 year accelerated capital improvement program and refinanced the 2006 bond and the 2008 revenue note. The payoff of the 2000 bond and the issuance of the new bond resulted in lower annual debt service payments for the Town. The trend for debt service is shown on the following page.



### *Transfer to the Risk Insurance Fund*

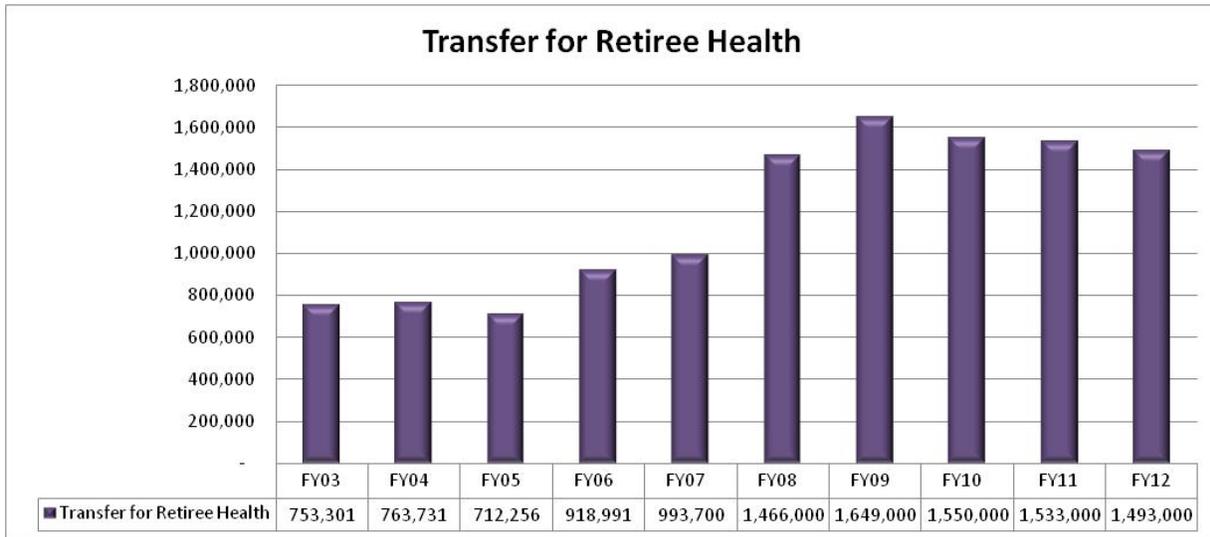
The Town funds the Risk Insurance Program with a transfer from the General Fund. The Risk Insurance program includes insurance for property, liability and worker's compensation insurance.



Since FY03, the transfer to the Risk Fund has declined by 34.8%. In FY05, additional funds were transferred from fund balance to cover uninsured costs for a construction related lawsuit. Overall the Town's risk insurance costs have declined over the past decade, due to the change in carriers and cost-saving changes in the overall insurance program.

## *Transfer for Retiree Health Benefits (OPEB Trust)*

For many years, the Town accumulated reserves in the Health Insurance Fund in anticipation of the implementation of GASB 43 which required governments to begin to fund their retiree health benefits in the same manner as retirement benefits. In FY07, the Town established the Health Insurance Trust with a transfer of \$16 million from the health insurance fund. Prior to the implementation of GASB 43, the Town paid retiree health benefits on a pay-as-you-go basis. The new pronouncement required an actuarial study to determine the amount of the Town's total liability and the amount of the annual contribution. The Town's total Actuarial Accrued Liability as of October 1, 2010 was determined to be \$27,769,000. The annual budgeted contribution for FY12 is \$1,493,000.

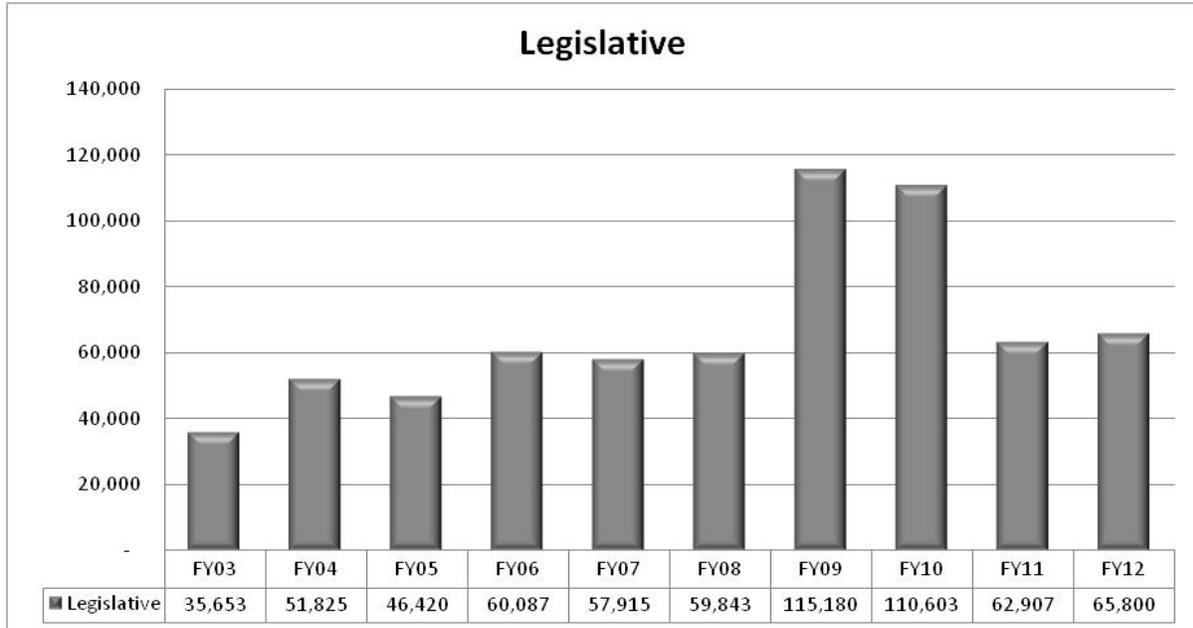


The increase between FY07 and FY08 is a result of the implementation of GASB 43. The FY07 amount represents the pay-as-you-go funding prior to GASB 43 and the FY08 amount represents the actuarially determined contribution based upon the Town's liability and the initial \$16 million invested in the trust. Changes in the retiree contribution formula in FY09 (shifting more cost to participating retirees) caused the Town's liability to decline in FY10 through FY12.

## Departmental Expenditure Trend Analysis

### *Legislative*

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

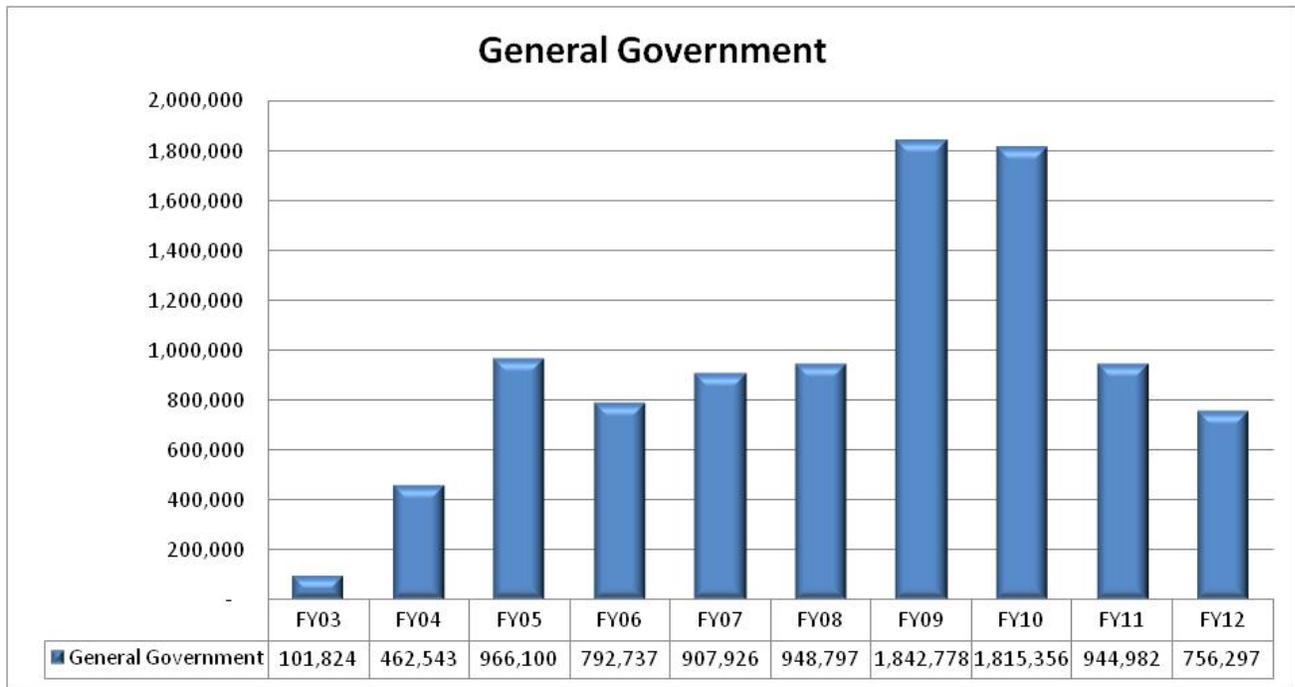


In FY09, the budget for lobbying services was increased to include a Washington DC lobbyist on retainer. In FY11, the funding was cut by 50% for lobbying services in both Washington and Tallahassee.

### *General Government*

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

The program was established in FY05 and prior year activity was transferred out of a variety of other programs to the General Government program. The program funds compensated absence pay-outs, the early retirement buy-out program, holiday decorations, annual report and calendar, and July 4<sup>th</sup> celebration. The program also funds one-time studies, Palm Beach Island Cats donations, and other expenditures that are not related to specific departments.

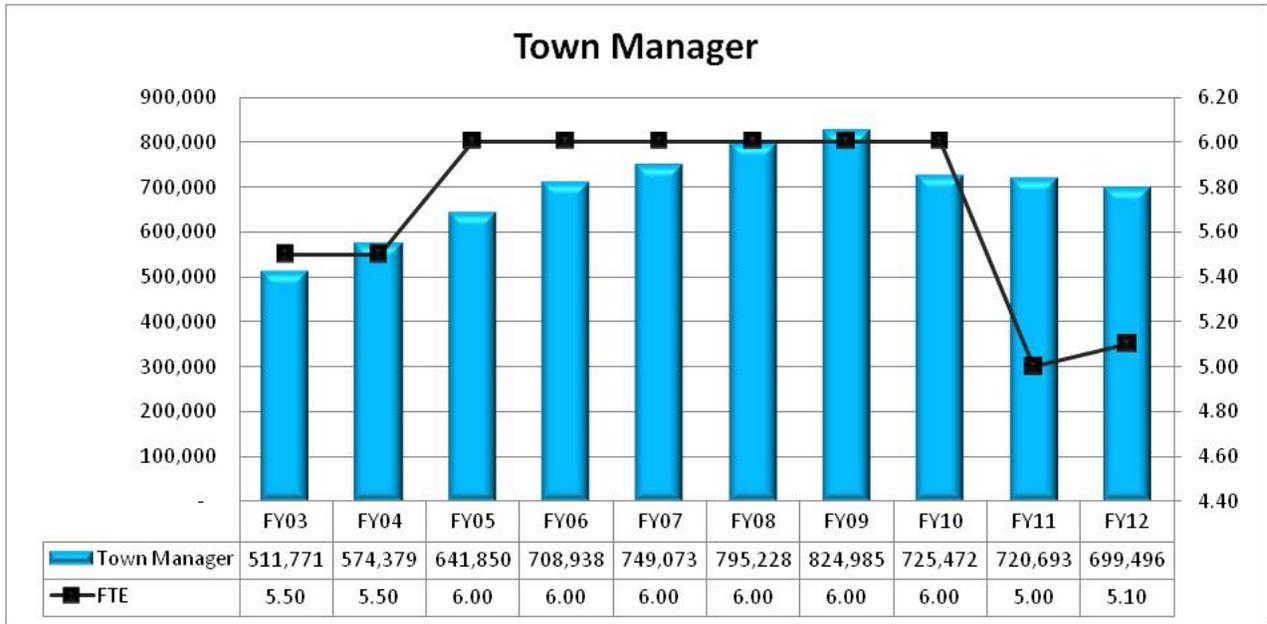


In FY05, pay-outs for compensated absences, a compensation study, and a citizen survey were included in the budget. In FY09 and FY10, most of the increase is due to the costs associated with the early retirement program. In addition, in FY09, expenses related to the Shore Protection Board and a study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

### *Town Manager*

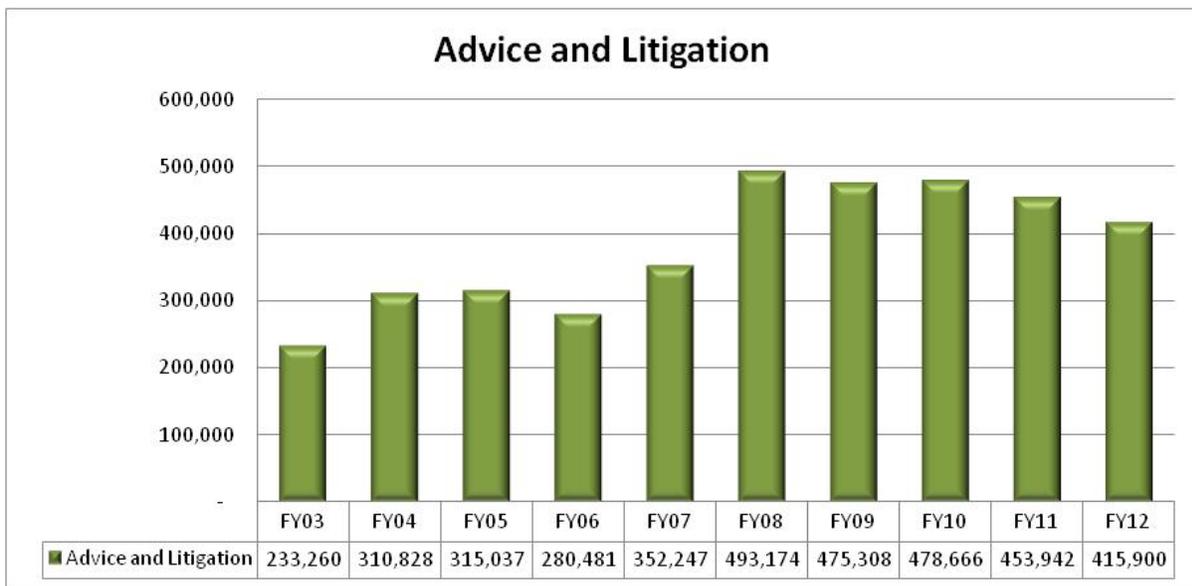
Expenditures for the Town Manager's Office increased 36.7% from FY03 to FY12. From FY03 through FY09, the budget increased by 61.2%. Since FY09, the budget has declined by 15.21%. Most of the increases through FY09 were due to increased personnel costs. The reduction in FY10 is due to the elimination of the Assistant Town Manager position.

The Town Manager's Office budget represents 1.19% of the total Town budget in FY12. The Town Manager's office currently has 5.1 full time staff members.



### *Advice and Litigation*

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

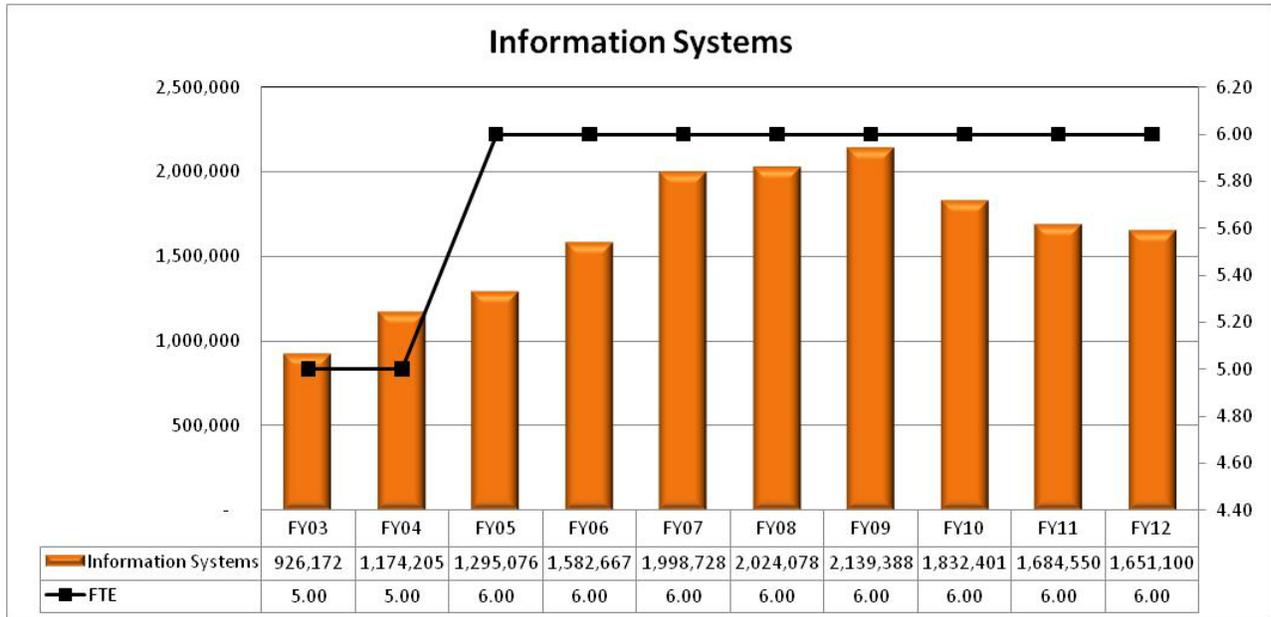


The expenditures for advice and litigation have increased by 78% from FY03 to FY12. From FY03 through FY08, expenditures increased by 111%. Since FY08, the expenditures have declined by 15.7%.

The Advice and Litigation budget represents .7% of the total Town budget in FY12.

## Information Systems

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



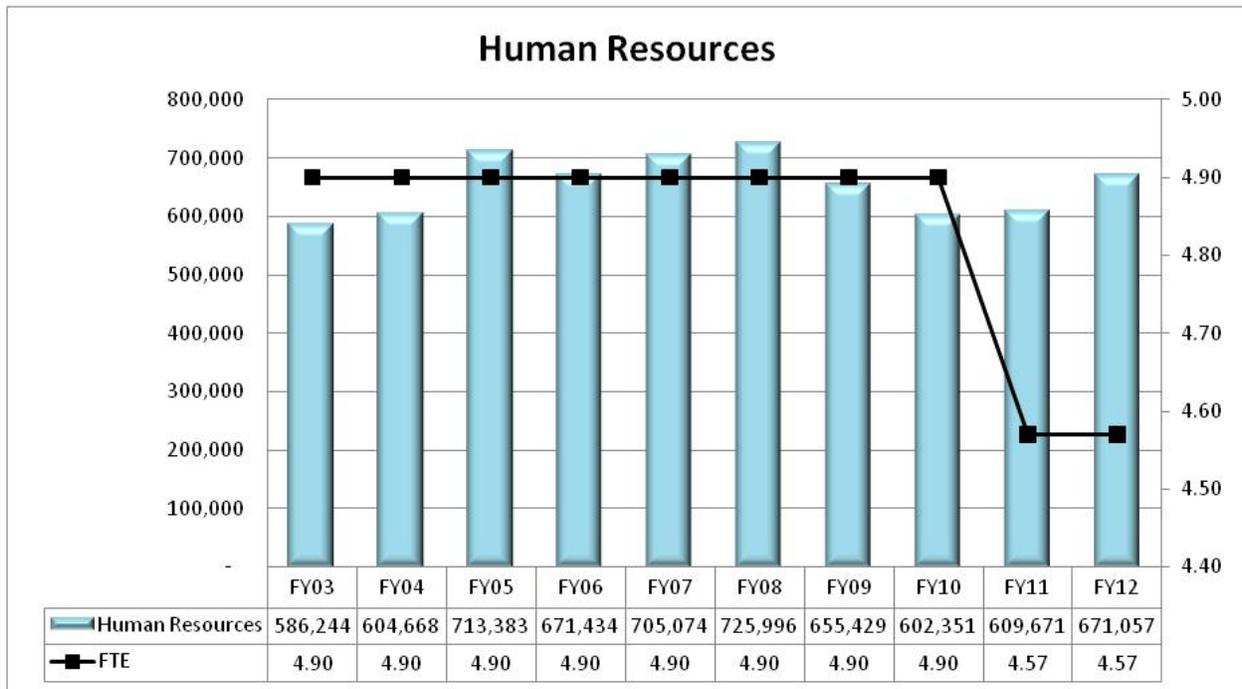
In FY03, most telephone and internet costs were consolidated to the Information Systems program. In FY04, all software maintenance expenditures were moved to the IS program. The centralization of these expenditures has made spending trends easier to monitor and control. In FY06, expenditures increased due to initial funding for the implementation of a new Townwide software system. These expenditures continued through FY10.

The expenditures for the Information Systems program have increased by 78.3% from FY03 to FY12. For FY03 through FY09, expenditures increased by 131%. Since FY09, expenditures have decreased by 22.8%. Increases through FY09 were mainly due to the implementation of the Townwide software system upgrades.

The Information Systems budget represents 2.8% of the total Town budget in FY12. Information Systems currently has 6 full time staff members.

## Human Resources Department

The Human Resources Department oversees all hiring, compensation and employee benefit administration. The Department also is the plan administrator for the General Employees' pension system.

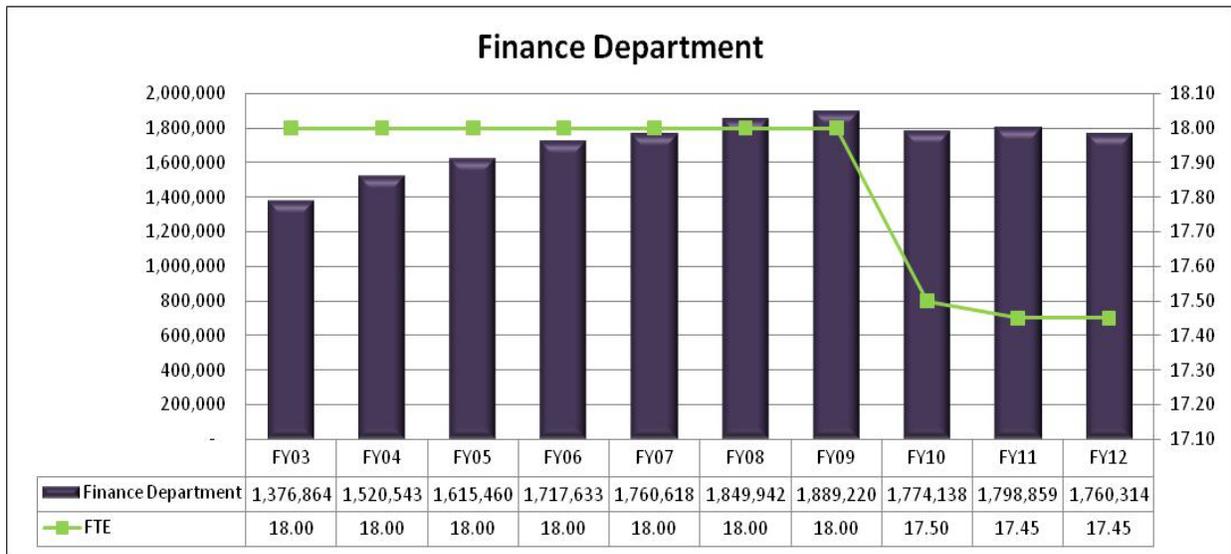


The expenditures for the Human Resource Department have increased 14.5% from FY03 to FY12. From FY03 through FY09, expenditures increased by 23.8%. Since FY08, expenditures have declined by 7.57%. The increase in FY12 is due to the cost additional employee training programs to comply with state and federal law.

The Human Resource budget represents 1.15% of the total Town budget in FY12. The Human Resource Department currently has 4.57 full time staff members.

### *Finance Department*

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

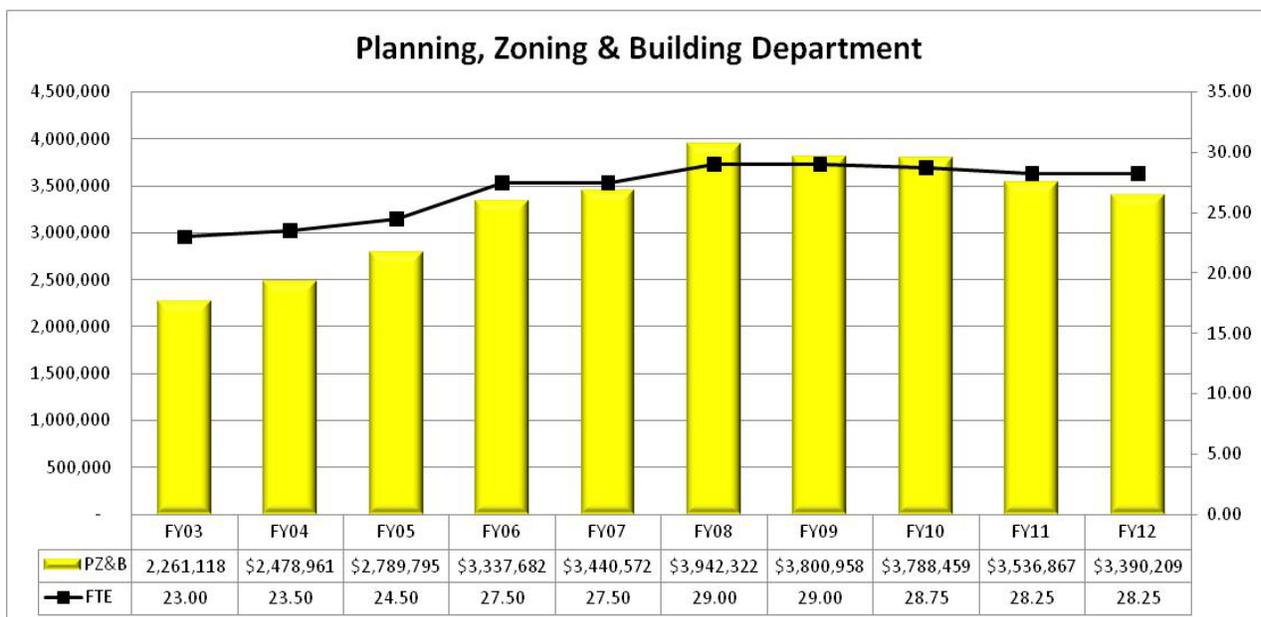


The expenditures for the Finance Department have increased by 27.85% from FY03 to FY12. For FY03 through FY09, expenditures increased by 37.2%. Since FY09, expenditures have declined by 6.82%. Most of the increases through FY09 were due to increases in personnel costs.

The Finance budget represents 3.01% of the total Town budget in FY12. The Finance Department currently has 17.45 full time staff members.

### *Planning, Zoning and Building Department*

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



The expenditures for the Planning, Zoning and Building Department have increased by 49.9% from FY03 to FY12. For the period of FY03 through FY08, expenditures increased by 74.3%. Since FY08, expenditures have declined by 14%. In FY06, expenditures increased due to the expansion of the Fire Prevention program including the addition of 3 additional personnel. In FY08, the code enforcement division was established and personnel from the Police Department were charged to this budget to expand the Town's code enforcement efforts.

The Planning, Zoning and Building budget represents 5.8% of the total Town budget in FY12. The Department budget currently has 28.25 full time staff members.

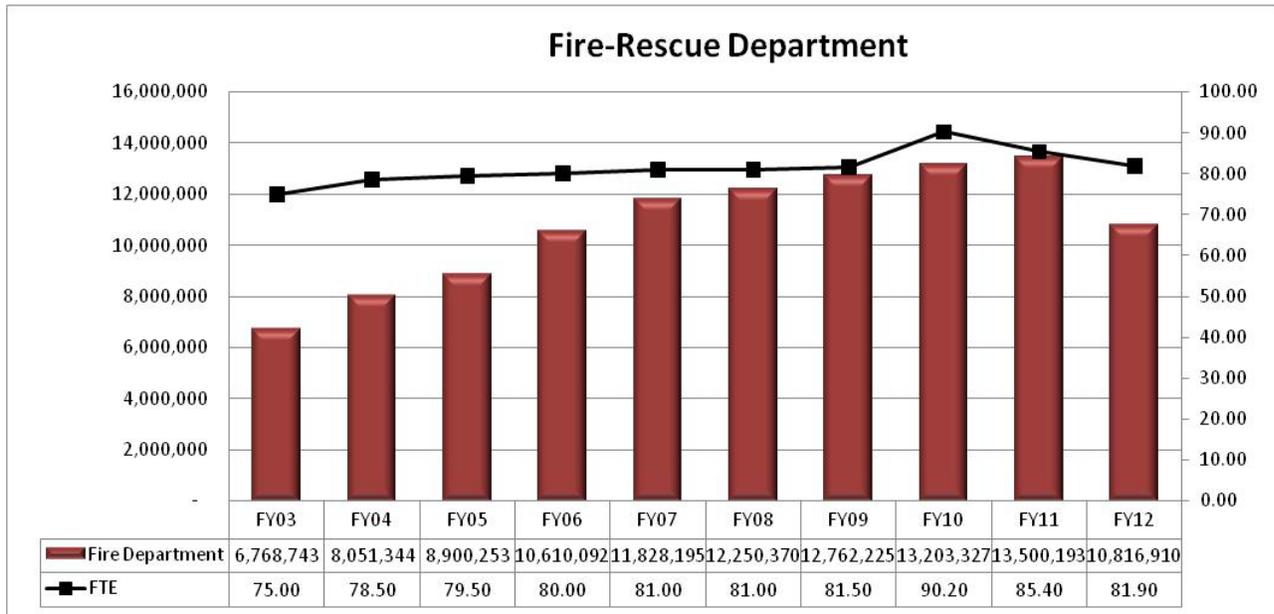
### ***Fire-Rescue Department***

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

The expenditures for the Fire-Rescue Department have increased by 59.8% from FY03 to FY12. For the period of FY03 through FY11, expenditures increased by 99.4%. The decrease from FY11 to FY12 was 19.9%. In FY03, 4 new positions were added to increase the level of service at the North Fire-Rescue station. In FY04, three shift commander positions were added to improve supervision during evenings and weekends. In FY05, the Town began billing for EMS services and added an EMS billing technician. In FY05 and FY06 expenditures increased due to the response to the hurricanes. In FY10, the Ocean Rescue program was moved from the Police Department to be under the operations of the Fire-Rescue Department. The 10 lifeguards were added to the staffing levels of Fire-Rescue. In FY11, 3 firefighters and 1 Administrative Lieutenant were cut from the budget. The majority of the increase in this Department is due to increases in personnel costs. In FY12, the Fire-Rescue Chief position was eliminated from the budget and the Public Safety Director position was established to oversee the operations of the Police Department and Fire-Rescue Department. In addition, Fire Lieutenant, Driver/Engineer EMT, and Lifeguard Supervisor

positions were eliminated. From FY02 through FY11, the Town's retirement contribution for the Firefighter's Pension Plan increased from \$233,590 to \$3,189,802. This is a 1266% increase.

The Fire-Rescue budget represents 18.5% of the total Town budget in FY12. The Fire-Rescue Department currently has 81.90 full time staff members.

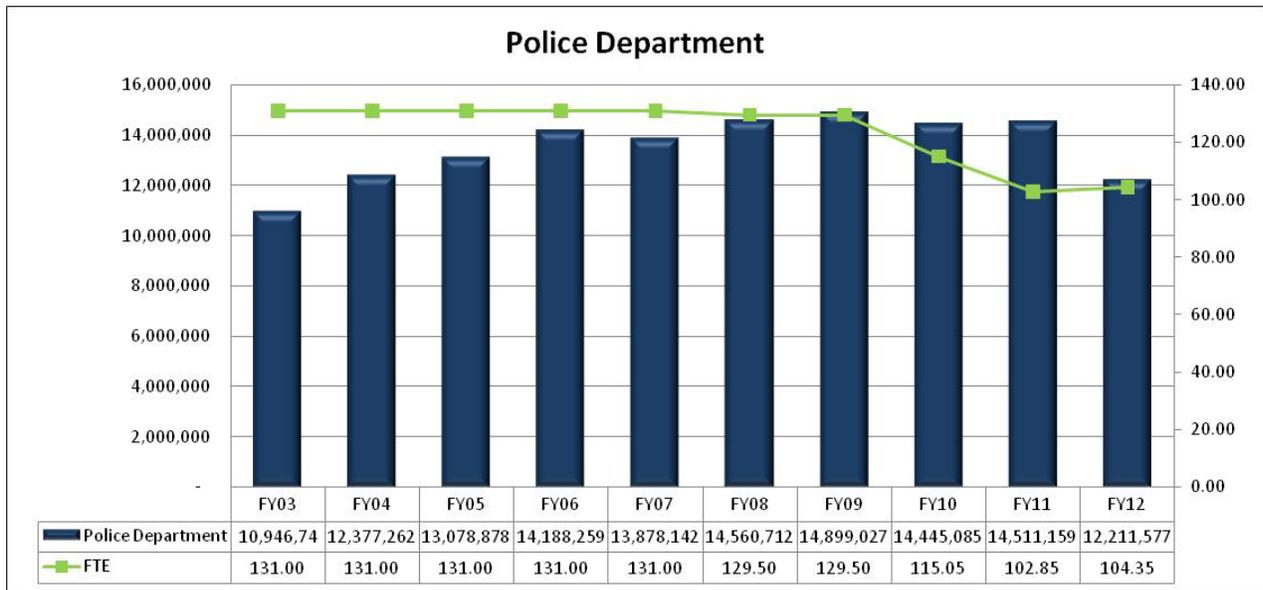


## Police Department

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

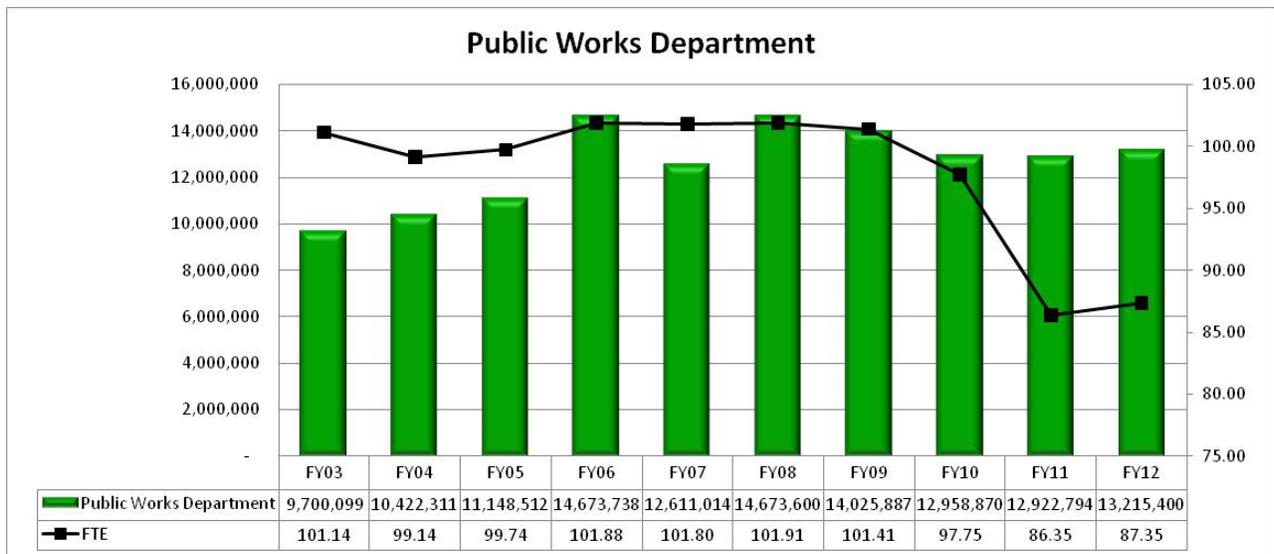
The expenditures for the Police Department have increased by 11% from FY03 to FY12. For the period of FY03 through FY09, expenditures increased by 36.1%. Since FY09, expenditures have decreased by 20.3%. Increases in FY04, FY05 and FY06 were due to overtime related to the hurricanes. In FY06, a new radio system was purchased. In FY08, the budget included funding for the electronic chalking devices for parking enforcement. In FY11 a total of 12.2 positions were eliminated, but those savings were offset by increases in pension costs. The FY12 budget declined by 15.8%, due to a reduction in personnel and pension costs. The majority of the increase in this department since FY03 is due to personnel cost increases. For the period of FY02 through FY11, the Town's contribution to the Police Retirement Fund increased from \$310,756 to \$2,828,758. This is an 810% increase.

The Police Department budget represents 20.8% of the total Town budget in FY12. The Police Department currently has 104.35 full time staff members.



### *Public Works Department*

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



The expenditures for the Public Works Department have increased by 36.2% from FY03 to FY12. For the period of FY03 through FY08, expenditures increased by 51.3%. Since FY08, expenditures decreased by 9.9%. The increase in FY03 is due to the consolidation of all building maintenance accounts into the Public Works budget. In FY04, FY05 and FY06, most of the increase is due to the overtime related to the hurricane efforts for debris removal and repair of Town facilities. In FY05, an Assistant Director position was added and in FY06, a mechanic and an equipment operator position were added. In FY08, expenditures relating to the purchase of a parking kiosk

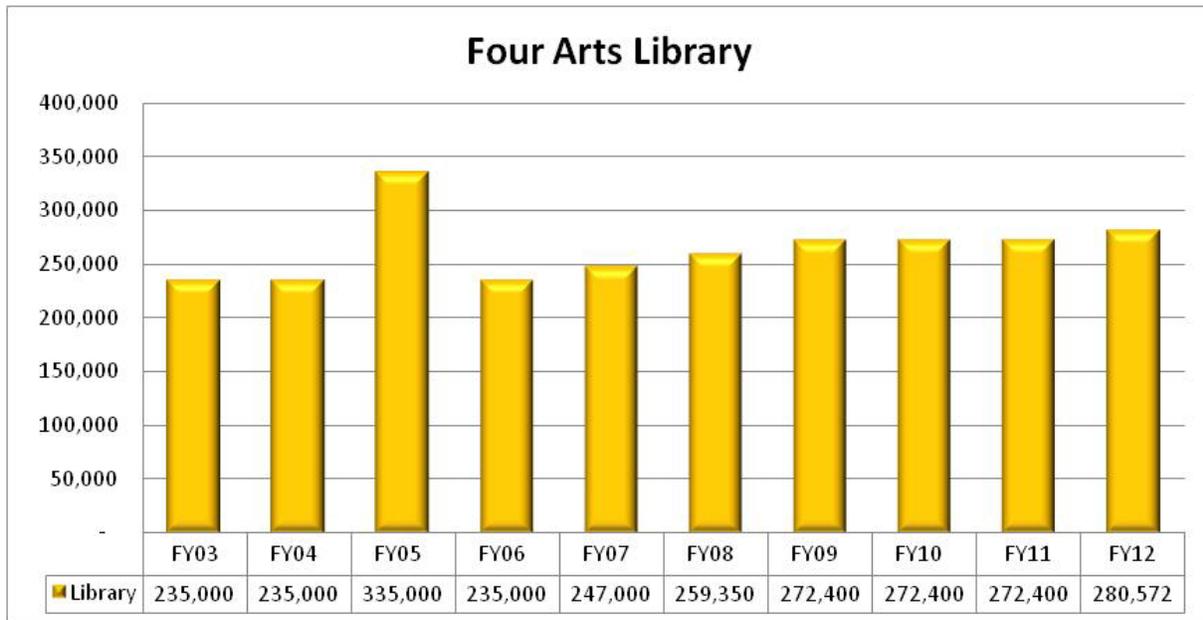
## General Fund Expenditure Trend Analysis

system and contractual costs for coastal projects were included in expenditures. In FY09, costs associated with an accelerated roadway milling and resurfacing project were included in the Department’s expenditures. Since FY09, 14.56 positions have been cut from the Department’s budget. Contractual cost increases have offset some of the personnel savings, as the Town has implemented “privatization” of some Public Works services. A portion of the increase in costs for this Department is due to the increase in personnel costs. For the period of FY02 through FY11, the Town’s contribution to the General Employee Retirement Fund increased by 466%.

The Public Works budget represents 22.6% of the total Town budget in FY12. The Public Works Department currently has 87.35 full time staff members.

### *Four Arts Library*

The Town contracts with the Society of the Four Arts Library to provide library services to its residents. The annual appropriation takes the place of, and is substantially less than, property taxes that would be levied upon Town residents by the Palm Beach County Library District.



The expenditures for the Four Arts Library have increased by 19.4% from FY03 to FY12. In FY05, an additional \$100,000 was appropriated to the library for a renovation project. The Four Arts Library budget represents .48% of the total Town budget in FY12.

## Long Term Financial Plan Forecast Summary

Financial forecasts are the foundation of a long term financial plan. These forecasts provide the Mayor, Town Council and staff with information they need to more effectively determine future levels of service and methods of funding. This forecast of General Fund revenues and expenditures includes the FY12 budget and forecasts through FY22.

### Assumptions

The forecast for the first 2 - 3 years is based upon recent trends and specific expectations. The forecast for the remaining 6 - 7 years is very conservative and based upon estimates by actuaries, long term inflation expectations, and staff's recommendations for future personnel changes.

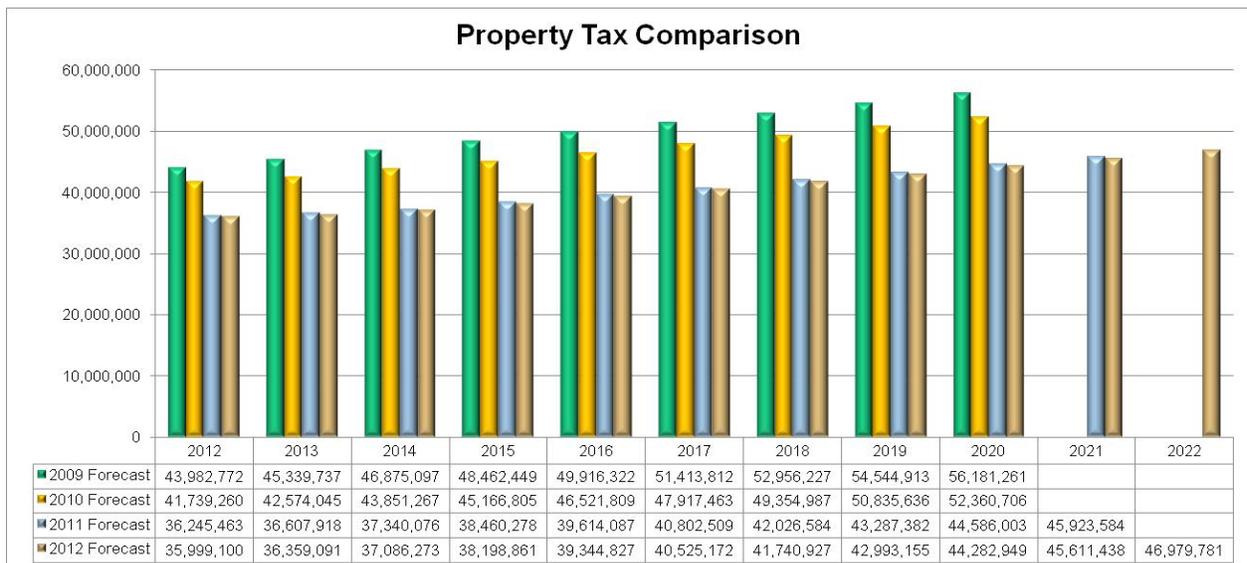
The major assumptions that were used to prepare the forecast are as follows:

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Ad Valorem Tax Increase</b>	1.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>General Inflation</b>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Salaries &amp; Wages</b>	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Health Insurance</b>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>Pension</b>	23.0%	19.5%	5.7%	7.8%	7.5%	7.8%	14.7%	-28.9%	13.0%	-26.0%
<b>Other Employee Benefits</b>	6.6%	5.3%	5.5%	4.6%	5.4%	5.9%	6.0%	5.7%	5.7%	5.5%
<b>Property Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Liability Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>W/C Insurance</b>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

## General Fund Revenue Forecast

### *Property Tax Revenue*

Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. We project the increase to be 1% for FY13, 2% for FY14, and then 3% for each year thereafter.



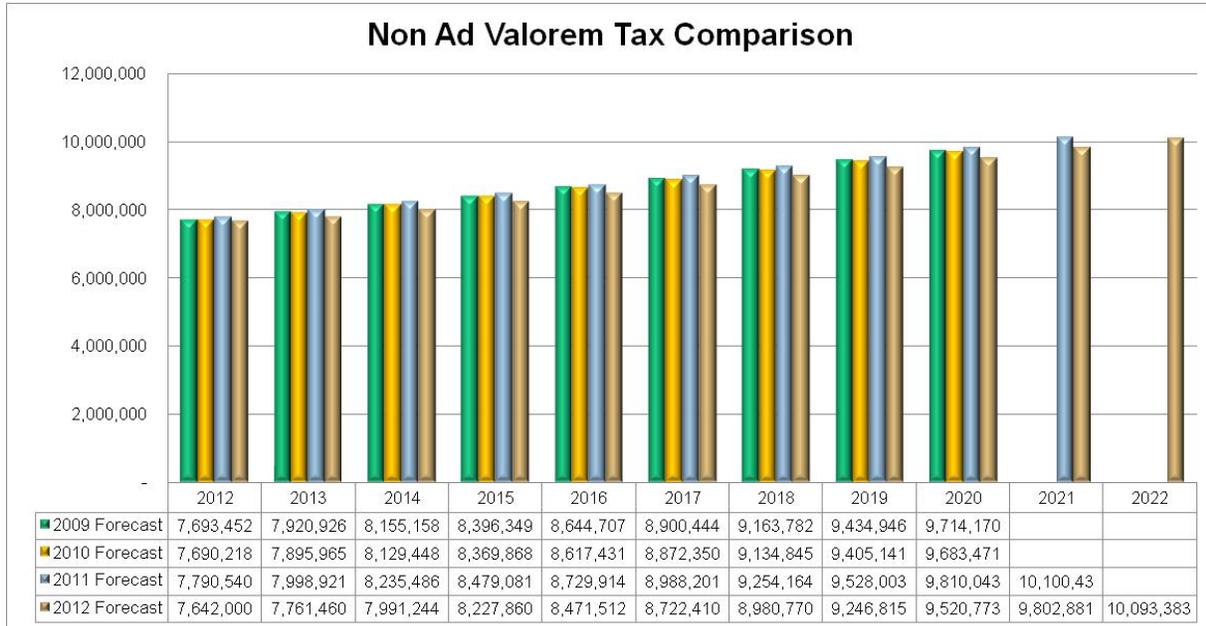
### Total Property Tax Revenue Forecast Change for 2012 – 2020

Total 2009 Forecast Revenue	449,672,590
Total 2010 Forecast Revenue	420,321,978
Total 2011 Forecast Revenue	358,970,300
Total 2012 Forecast Revenue	356,530,354
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(93,142,236)</b>

The property tax revenue forecast has declined substantially since prior forecasts. This is due to the reduction of \$5,080,500 in property tax revenue in FY11 because of an 11.42% decline in taxable value and the Town Council’s decision to maintain the same millage rate. Since the base year decreased, the revenues for the entire forecast period declined. In FY12, the taxable value declined an additional .46% and property tax revenues declined \$246,300.

## *Non Ad Valorem Taxes*

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



### Total Non-Ad Valorem Revenue Forecast Change for 2012 – 2020

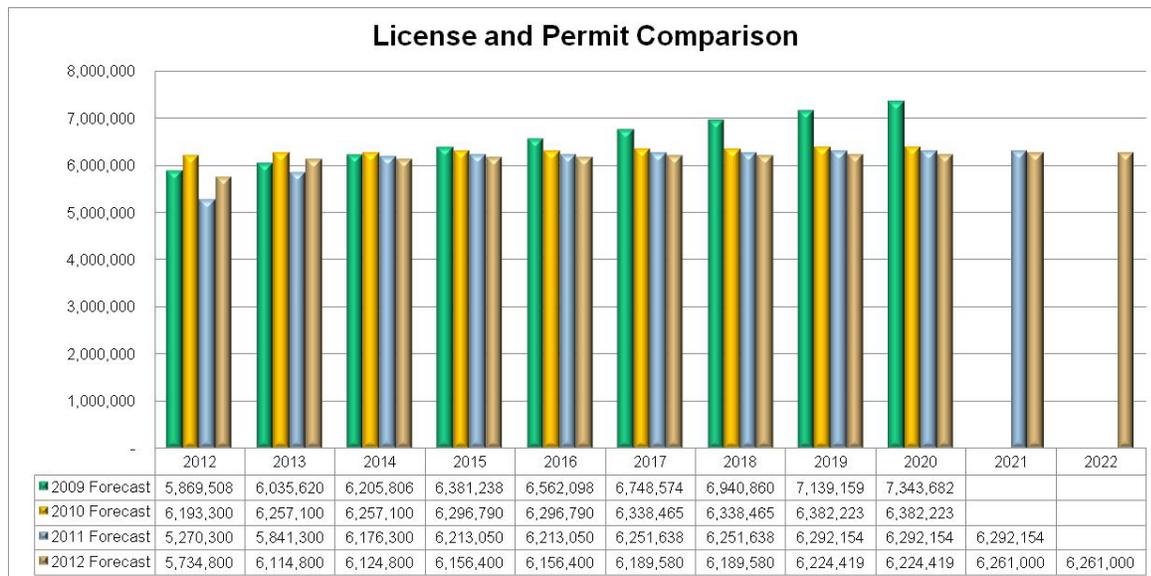
Total 2009 Forecast Revenue	78,023,934
Total 2010 Forecast Revenue	77,798,737
Total 2011 Forecast Revenue	78,814,353
Total 2012 Forecast Revenue	76,564,844
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(1,459,090)</b>

The decline in revenue is due to reductions in recent franchise fee and utility tax receipts.

# Forecast Summary

## License and Permit Revenue

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



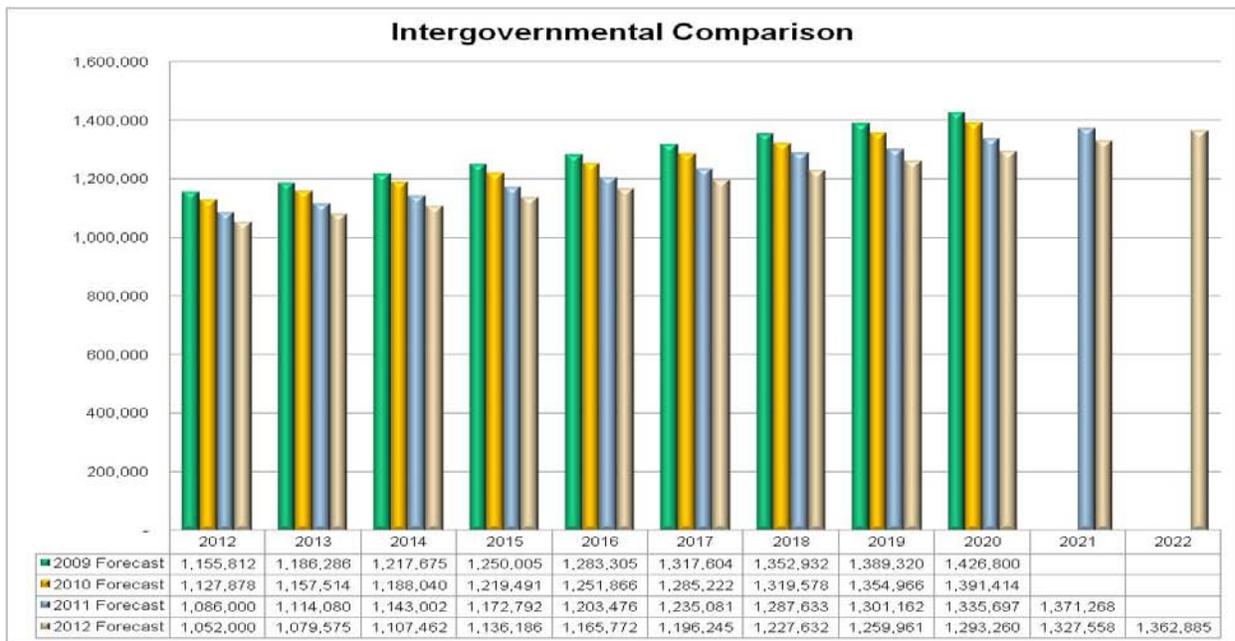
### Total License and Permit Revenue Forecast Change for 2012 – 2020

Total 2009 Forecast Revenue	59,226,545
Total 2010 Forecast Revenue	56,742,456
Total 2011 Forecast Revenue	54,801,584
Total 2012 Forecast Revenue	55,115,198
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(4,111,347)</b>

The forecast has been reduced for these revenues since 2009 based upon current market conditions. Building permit revenue improved, but did not meet budget expectations in FY11. The budget for FY12 was conservative and reflected the current conditions. Due to a recent change in state law, the forecast for business tax receipts has been reduced to reflect the exemption of real estate brokers from purchasing a license. The FY13 through FY22 forecast reflects an \$88,000 annual reduction in business tax revenue. To be conservative, the forecast does not anticipate much of an increase in the license and permit revenue sources through most of the forecast period.

## *Intergovernmental Revenue*

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



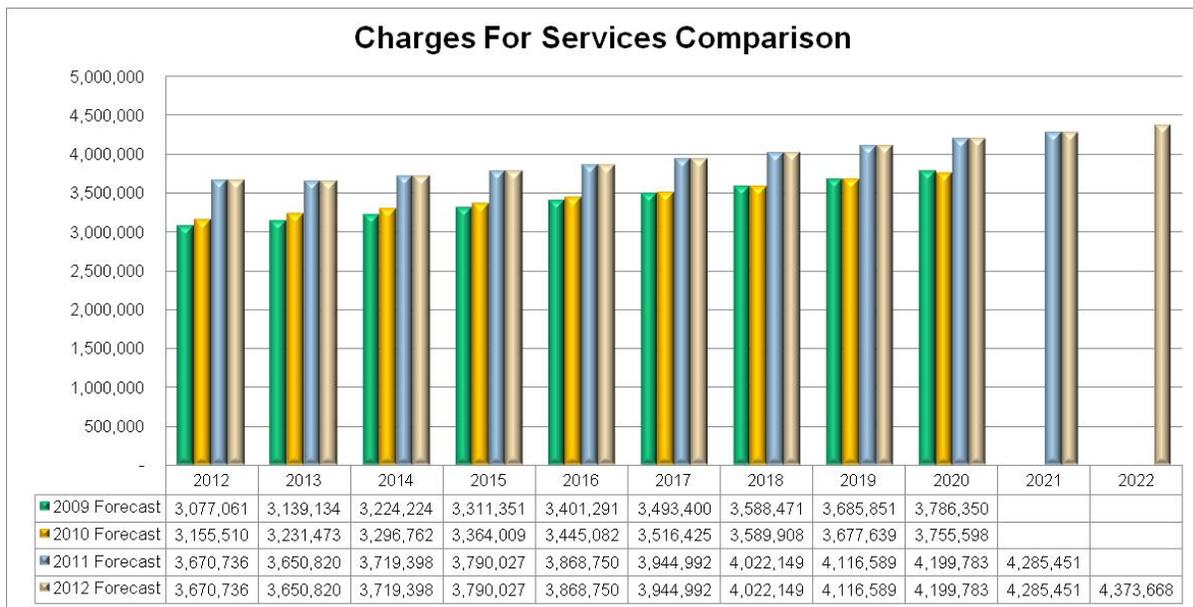
### Total Intergovernmental Revenue Forecast Change for 2012 - 2020

Total 2009 Forecast Revenue	11,579,739
Total 2010 Forecast Revenue	11,295,969
Total 2011 Forecast Revenue	10,878,923
Total 2012 Forecast Revenue	10,518,093
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(1,061,646)</b>

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

## *Charges for Services*

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The forecast for these revenues has increased since 2009. In FY11, an increase in oceanfront parking meter rates resulted in increased revenue. In FY12, increases in parking permit fees and public safety fees increased the budget by \$319,000.

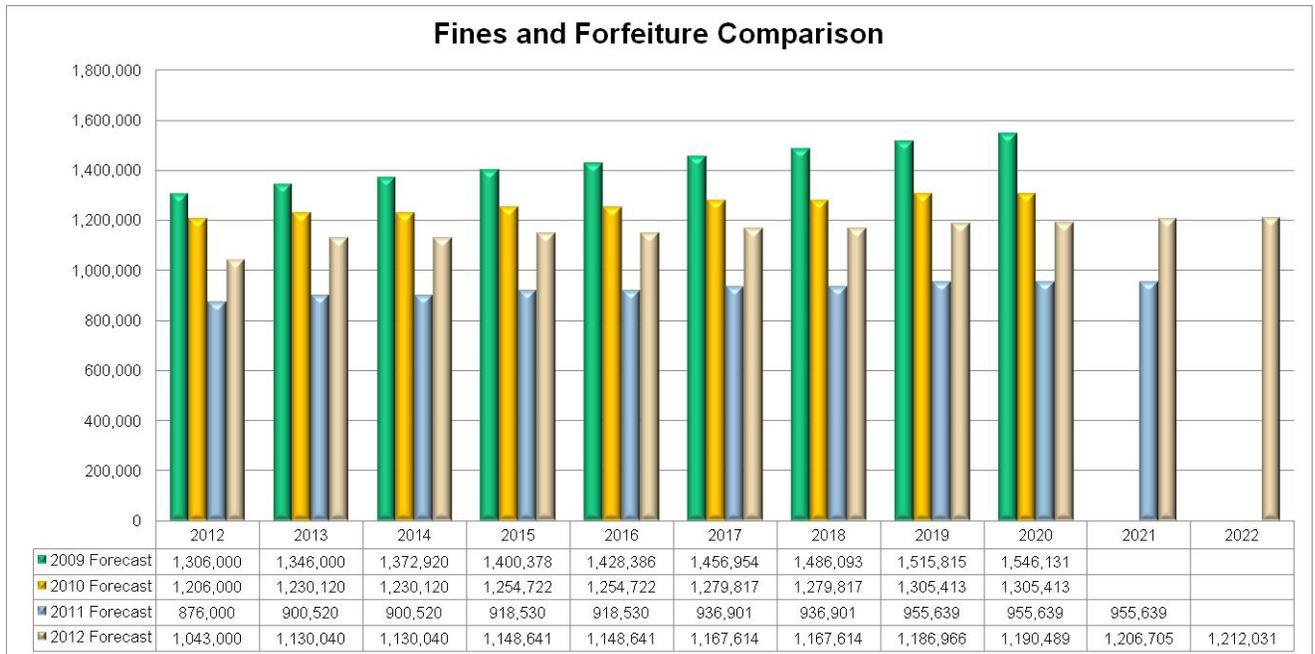


### Total Charges for Services Forecast Revenue Change for 2012 - 2020

Total 2009 Forecast Revenue	30,707,133
Total 2010 Forecast Revenue	31,032,406
Total 2011 Forecast Revenue	32,481,790
Total 2012 Forecast Revenue	34,983,244
<b>Increase in Revenue 2012 vs. 2009</b>	<b>4,276,111</b>

## Fines and Forfeitures

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

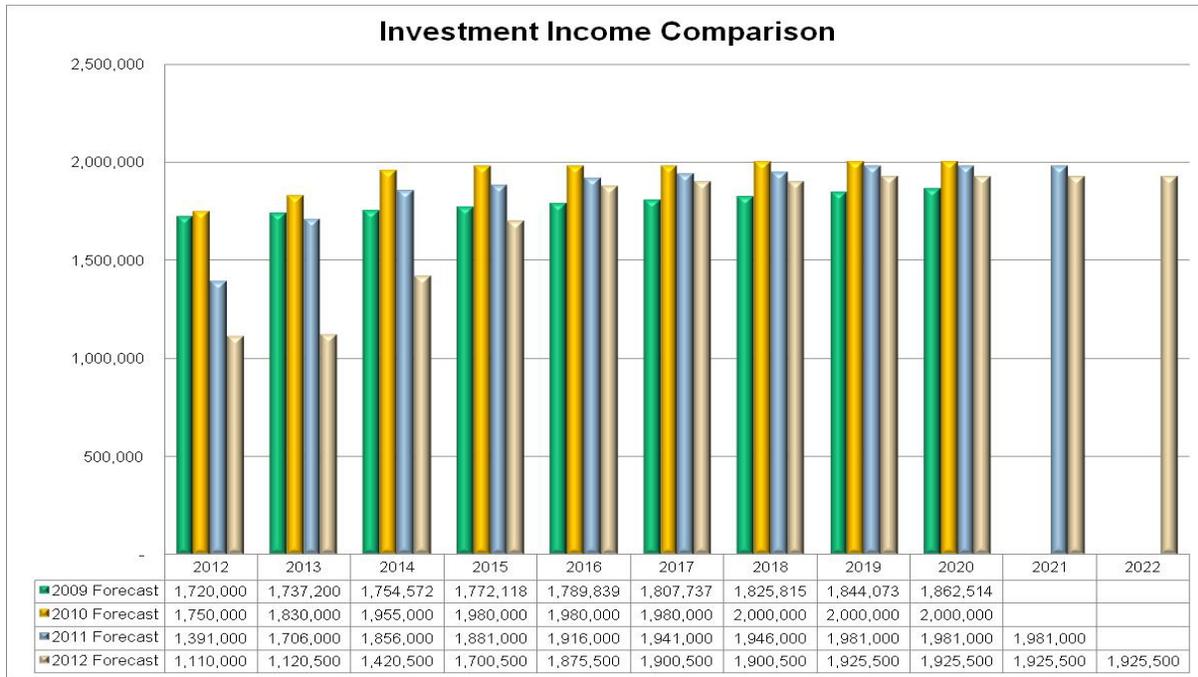


### Total Fines and Forfeiture Forecast Revenue Change for 2012 – 2020

Total 2009 Forecast Revenue	12,858,677
Total 2010 Forecast Revenue	11,346,144
Total 2011 Forecast Revenue	8,299,180
Total 2012 Forecast Revenue	10,313,044
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(2,545,633)</b>

Revenues from these sources have decreased substantially since the 2009 forecast. The majority of the decrease is due to the forecast for code enforcement fines. This revenue source is volatile and in recent years collections have declined. In FY11, the Town has collected a few large fines, but the FY12 budget and forecast reflect a conservative estimate for collections in the future. In addition, the Town Council approved increases in parking ticket fines which should generate approximately \$200,000 per year in additional revenue. This additional revenue is reflected in the change between FY11 and FY12 forecasts. The increase in revenue will be used to offset a portion of the annual coastal protection costs.

## Investment Income



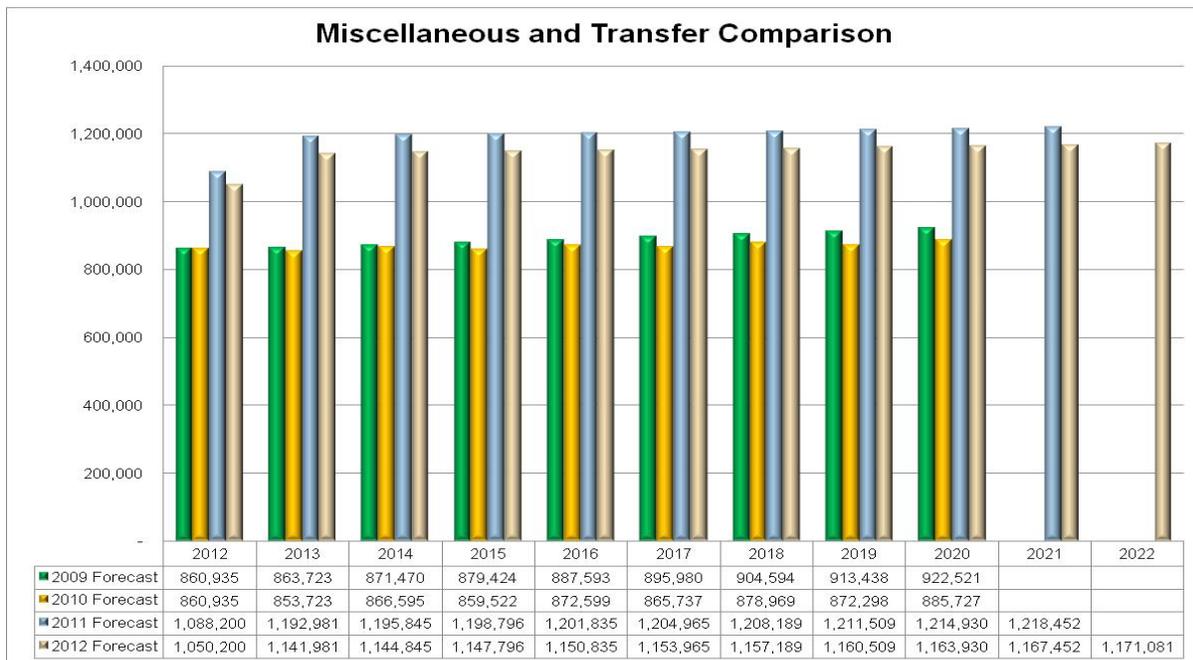
### Total Investment Income Forecast Change for 2012 - 2020

Total 2009 Forecast Revenue	16,113,868
Total 2010 Forecast Revenue	17,475,000
Total 2011 Forecast Revenue	16,599,000
Total 2012 Forecast Revenue	14,879,000
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(1,234,868)</b>

The investment income forecast has declined in the early years of the forecast. The prolonged depressed interest rate environment has caused revenues to be suppressed. We are predicting this trend will continue through 2013 with improvement beginning in 2014.

## Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. Transfers include transfers from the Recreation Enterprise Fund.

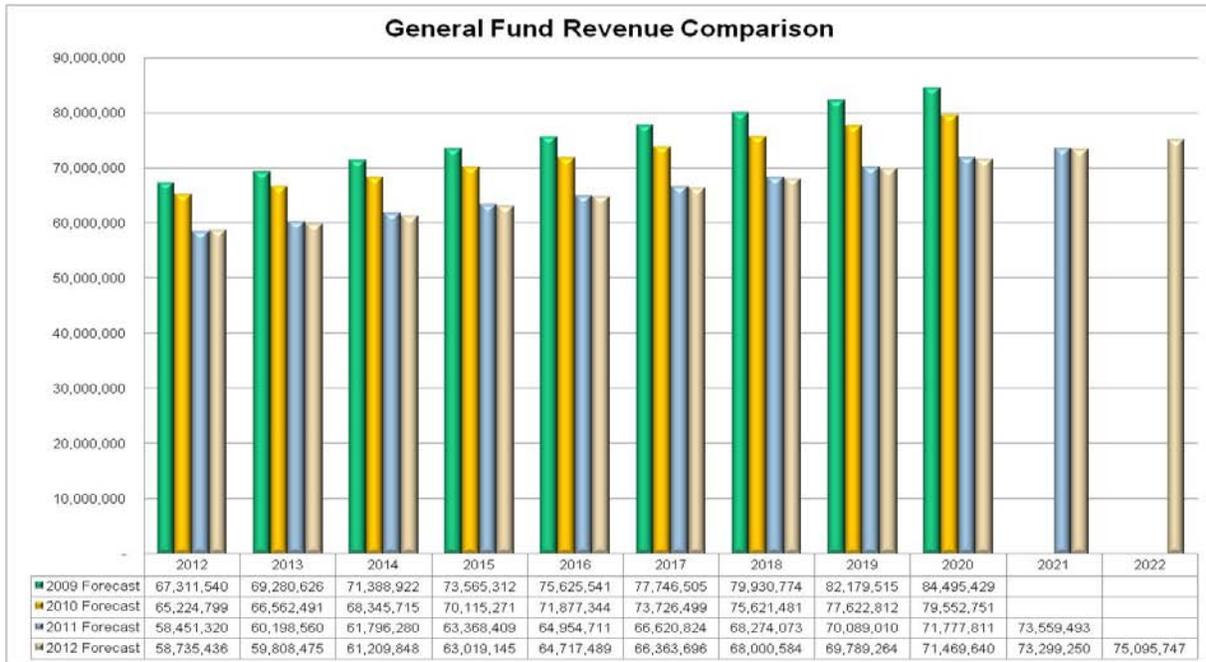


### Total Miscellaneous and Transfer Forecast Change for 2012 - 2020

Total 2009 Forecast Revenue	7,999,678
Total 2010 Forecast Revenue	7,816,105
Total 2011 Forecast Revenue	10,717,250
Total 2012 Forecast Revenue	10,271,249
<b>Increase in Revenue 2012 vs. 2009</b>	<b>2,271,571</b>

The increase in the forecast is due to an increase in the fees associated with the charitable solicitation permits, inflationary increases in the cellular roof-top lease agreements, and an increase in the transfer from the Recreation Enterprise Fund due to the savings generated through the reorganization efforts.

## General Fund Revenues



### Total General Fund Revenue Forecast Change for 2012 – 2020

Total 2009 Forecast Revenue	681,524,164
Total 2010 Forecast Revenue	648,649,163
Total 2011 Forecast Revenue	585,530,998
Total 2012 Forecast Revenue	583,113,576
<b>Reduction in Revenue 2012 vs. 2009</b>	<b>(98,410,588)</b>

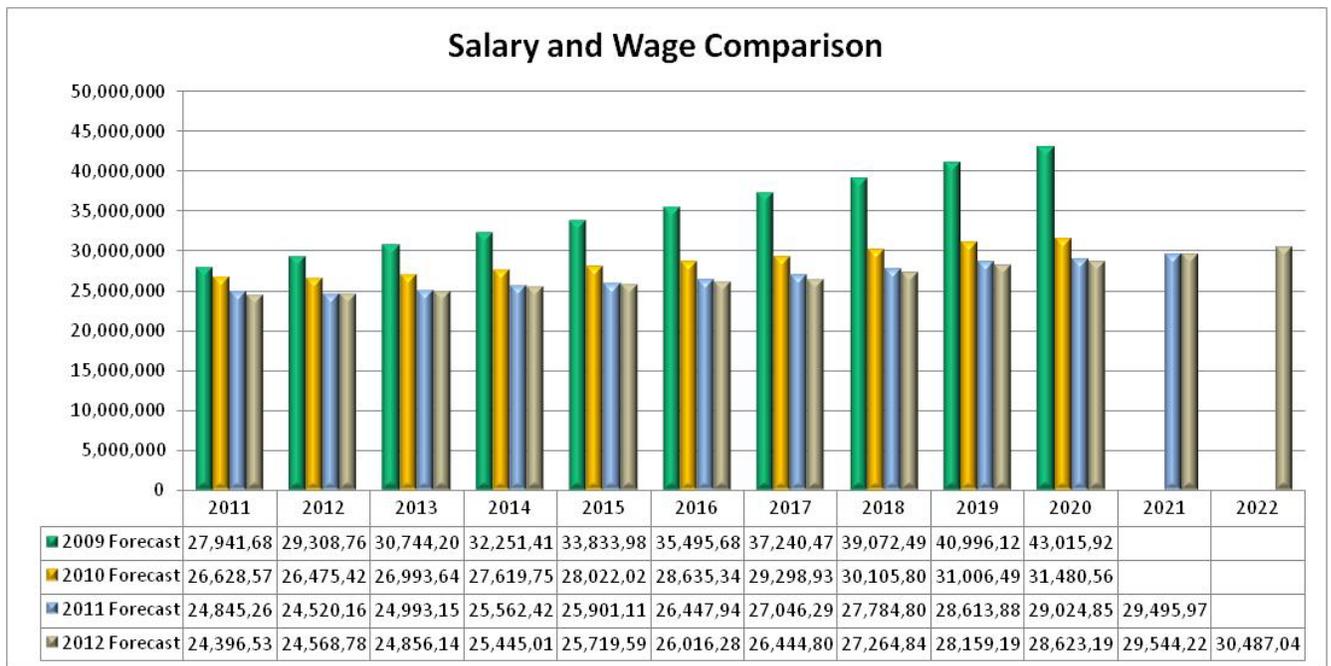
In total, the General Fund revenue forecast has declined by over \$98 million since the 2009 forecast, mainly due to the reduction in property tax revenue and license and permit revenue.

## Expenditure Forecast Assumptions

General inflationary increases of 2% per year were used to forecast commodities, contractual and depreciation expenditures. The Federal Reserve Bank of Cleveland latest estimate of 10-year expected inflation is 1.82%, which is slightly lower than the forecast of 2.0% used in the LTFP forecast.

## *Salary and Wages*

Salary and Wage increases are based upon the modifications to the Town’s employee pay policies and reductions in personnel through the forecast period. This forecast contains anticipated growth rates of 2% - 3%.



### Total Salary and Wage Forecast Change for 2012 – 2020

Total 2009 Forecast Expenditures	321,959,090
Total 2010 Forecast Expenditures	259,638,004
Total 2011 Forecast Expenditures	239,894,641
Total 2012 Forecast Expenditures	237,097,859
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(84,861,231)</b>

Past assumptions for salary and wage increases had been 5.5%. Between FY01 and FY09, Town salaries increased at an average rate of over 6% per year – more than double the average annual rate of inflation for the same period. Future salary growth had to be reduced to an average of 3% per year or less. The Town implemented a policy to provide only pay-for-performance raises or step increases on each employee’s anniversary date and to no longer provide an across the board pay

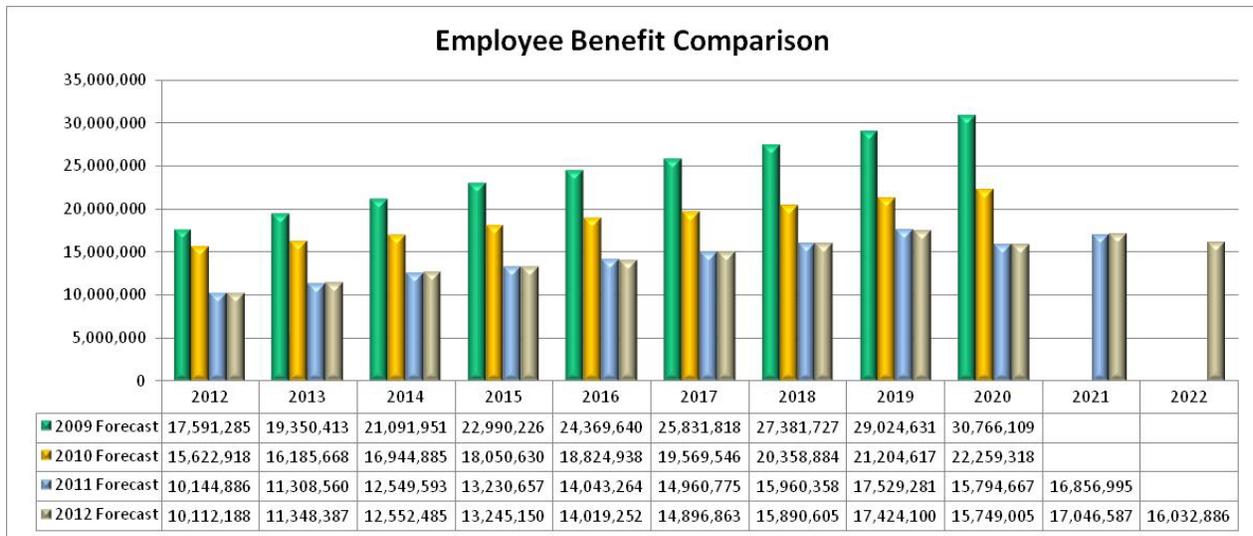
increase on October 1. It is anticipated that pay ranges (but not actual pay) will increase on October 1 when the market warrants such increases in the future (thereby increasing employees' long-term earning potential). Small annual increases in total salaries Townwide are included in the forecast beginning in FY13.

The Salary forecast also contains the personnel reductions made to-date and other personnel reductions that are forecasted for the future. The schedule for these reductions anticipates continuation of Town policy to achieve lower personnel costs through attrition, not layoffs.

In total, the FY12 forecast for salaries and wages is \$84.8 million less than the FY09 forecast.

### *Employee Benefits*

The employee benefit forecast is broken down between pension and other employee benefits which include health insurance. We anticipate health insurance costs will increase at 8% per year and other employee benefits, (including FICA, longevity, incentives, and allowances) will increase at a much lower rate. The pension estimate is based upon the actuary's estimates for the hybrid pension plan. The actuary will prepare an updated forecast once the pension changes have been adopted.



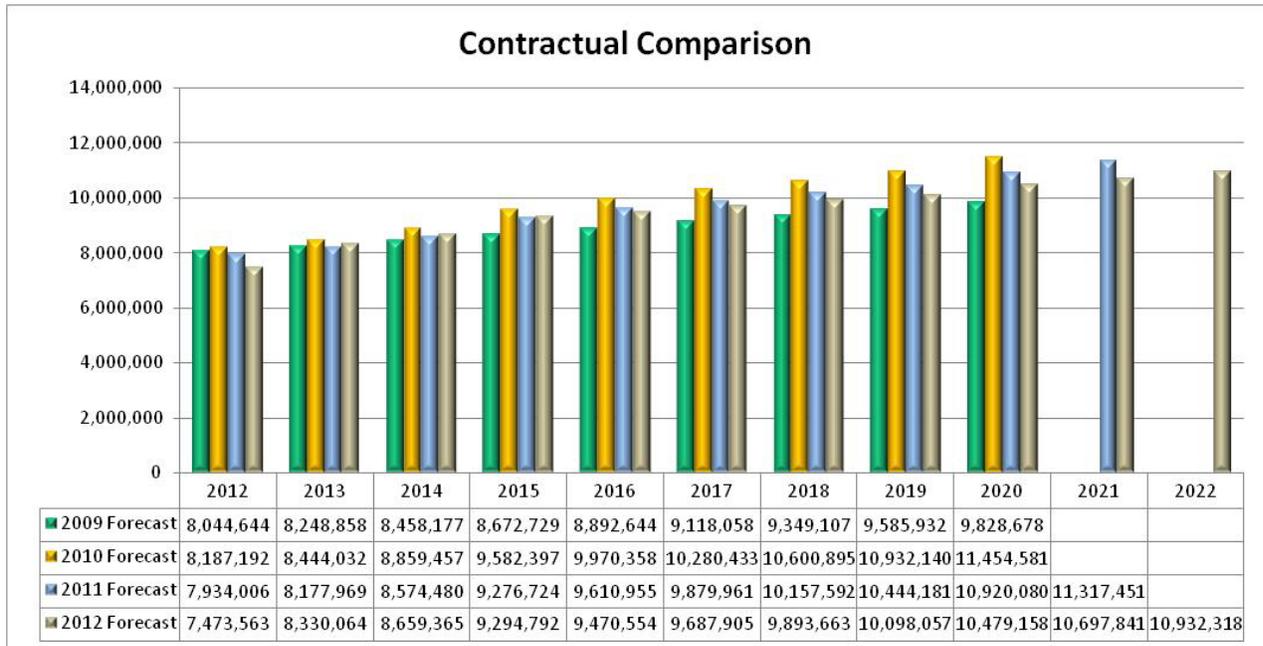
### Total Employee Benefit Forecast Change for 2012 - 2020

Total 2009 Forecast Expenditures	218,397,800
Total 2010 Forecast Expenditures	169,021,404
Total 2011 Forecast Expenditures	125,522,041
Total 2012 Forecast Expenditures	125,238,035
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(93,159,765)</b>

In total, the FY12 forecast for employee benefits is \$93.1 million less than the FY09 forecast.

## *Contractual*

Contractual expenditures are forecasted to increase by the rate of inflation. In certain years, contractual expenditures increase by more than the rate of inflation, due to the plan for contracting certain services that are currently performed by employees. In these years, the salary and wage amounts contain a corresponding decrease in personnel. In FY12, \$100,000 per year was added to the forecast for the costs that will be charged to the Town by Palm Beach County for the voter approved Inspector General’s Office. Beginning in FY13, \$300,000 per year was added to the forecast for sanitary treatment to meet new contractual requirements at the regional plant and approximately \$282,000 has been added to the coastal protection program in the Public Works budget for beach monitoring and sand transfer plant costs.



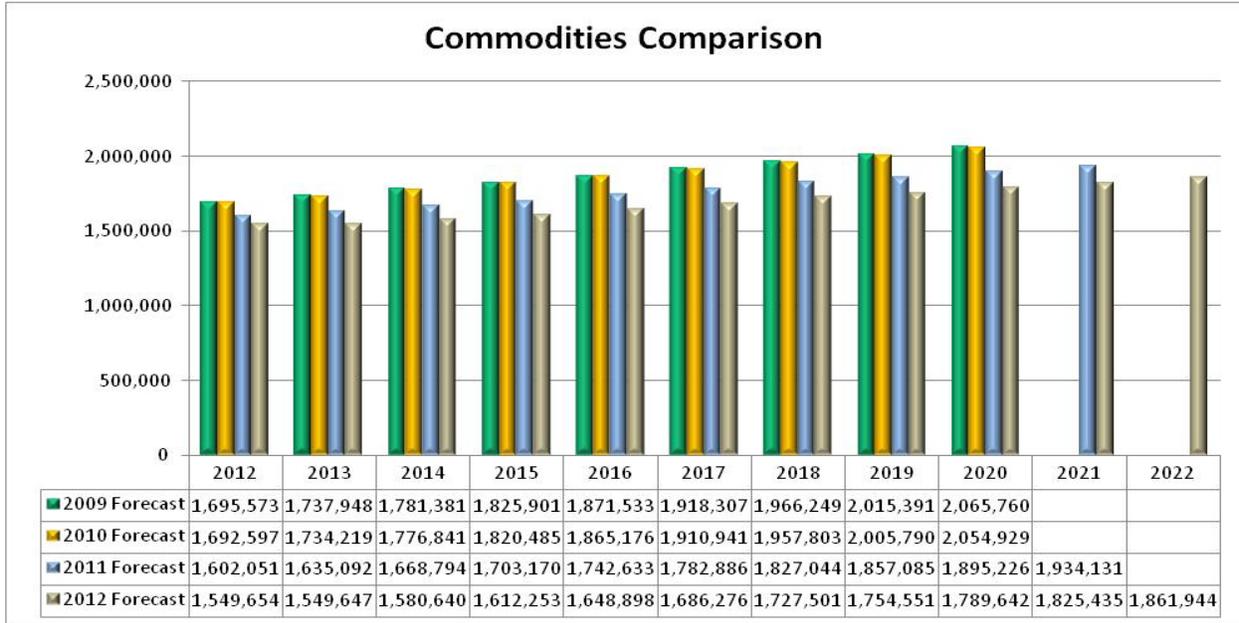
### Total Contractual Expenditure Forecast Change for 2012 - 2020

Total 2009 Forecast Expenditures	80,198,827
Total 2010 Forecast Expenditures	88,311,485
Total 2011 Forecast Expenditures	84,975,948
Total 2012 Forecast Expenditures	83,387,121
<b>Increase in Expenditures 2012 vs. 2009</b>	<b>3,188,294</b>

In total, the FY12 forecast for Contractual service is approximately \$3.2 million more than the FY09 forecast.

## *Commodities*

The commodity forecast was based upon inflation assumptions. Commodity budgets include fuel, supplies, dues, software, and vehicle maintenance and uniforms.



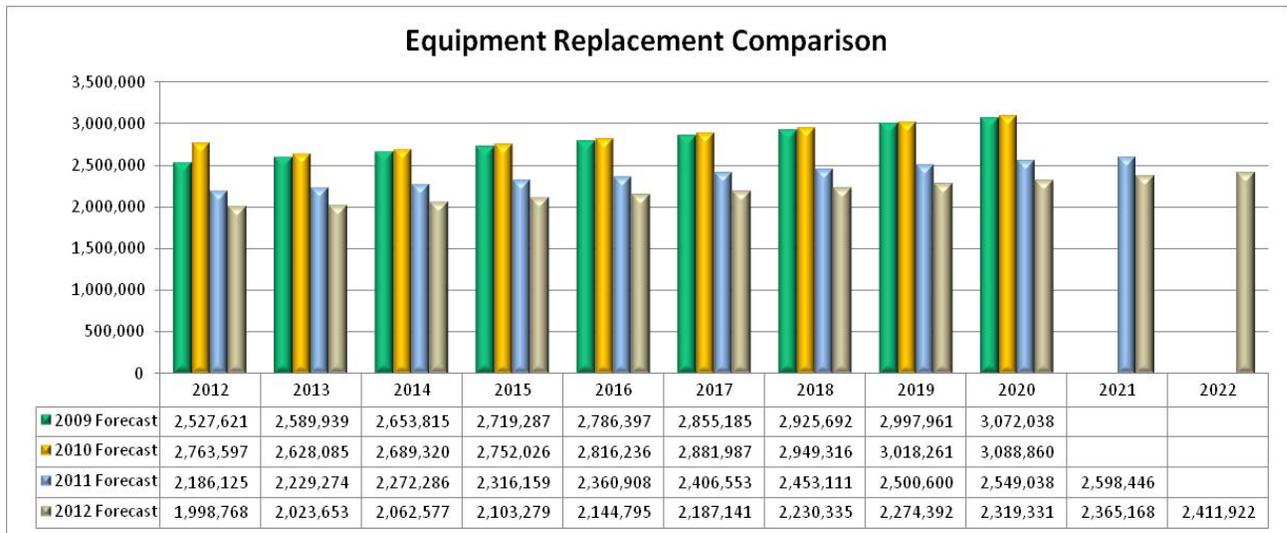
### Total Commodity Expenditure Forecast Change for 2012 – 2020

Total 2009 Forecast Expenditures	16,878,043
Total 2010 Forecast Expenditures	16,818,781
Total 2011 Forecast Expenditures	84,975,948
Total 2012 Forecast Expenditures	14,899,063
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(1,978,980)</b>

In total, the FY12 forecast for Commodities is \$1.98 million less than the FY09 forecast.

## *Equipment Replacement/Capital Outlay*

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. During FY11, staff has reviewed the useful lives of the Town's equipment. In some cases, departments have identified equipment that can be retired instead of replaced. In others departments have extended the expected useful life of equipment before scheduled replacement. Due to this review, savings of \$344,271 per year beginning with the FY12 budget and have been forecasted for the future.



### Total Equipment Replacement Expenditure Forecast Change for 2012 – 2020

Total 2009 Forecast Expenditures	25,127,935
Total 2010 Forecast Expenditures	25,587,688
Total 2011 Forecast Expenditures	21,274,054
Total 2012 Forecast Expenditures	19,344,270
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(5,783,665)</b>

In total, the FY12 forecast for equipment replacement expenditures is approximately \$5.8 million less than the FY09 forecast.

### 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.

- The forecast includes a transfer to the Capital Improvement Program of \$1 million per year for Capital Projects (such as the Town’s annual road paving program) that have not been included in the 20 year CIP program.
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 5% per year, and Worker’s Compensation 3% per year throughout the forecast period.
- 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 requirements and the health insurance program.

## Forecast Summary

- The General Fund contingency appropriation has been estimated to be 1.5% of the forecasted expenditures as required by Town policy. The General Fund contingency is funded through a transfer from fund balance rather than through operating revenues.
- The Town’s contribution to the Four Arts Library is forecasted to increase by 3% per year. This is reduced from the past practice of 5% per year.



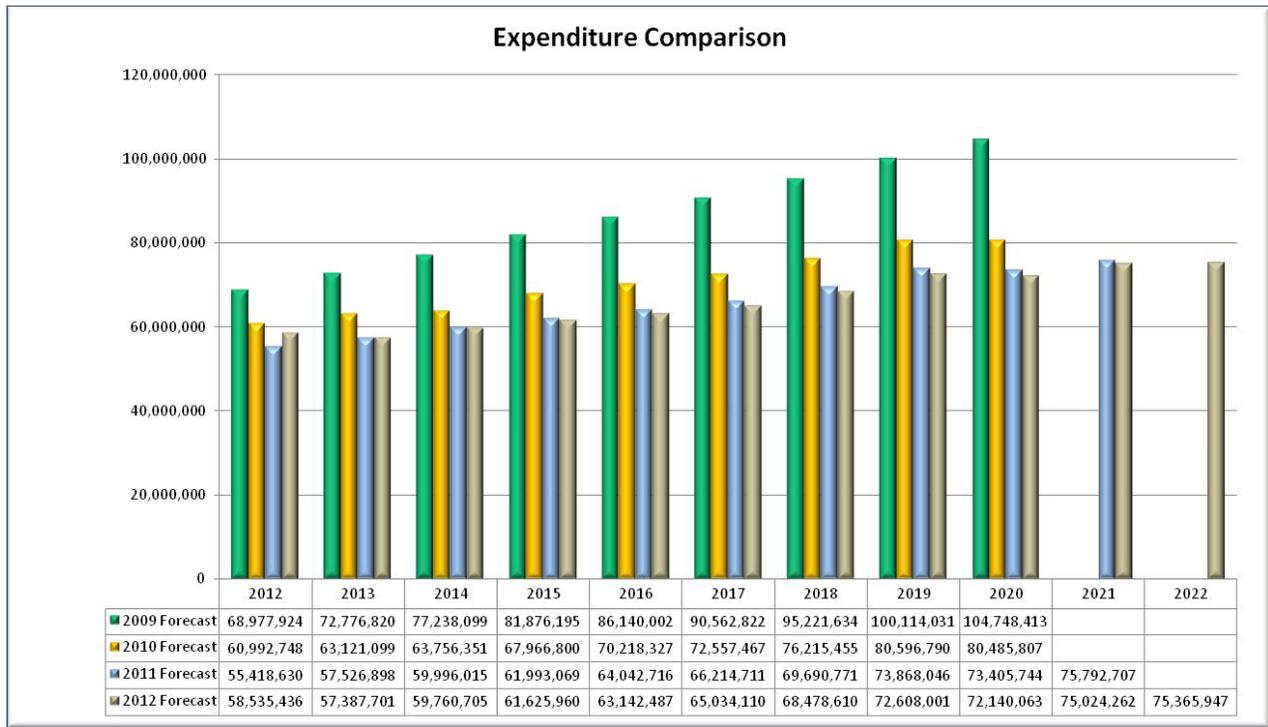
### Total Transfer Expenditure Forecast Change for 2012 – 2020

Total 2009 Forecast Expenditures	111,762,735
Total 2010 Forecast Expenditures	87,744,989
Total 2011 Forecast Expenditures	91,905,575
Total 2012 Forecast Expenditures	95,886,764
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(15,875,971)</b>

In total, the FY12 forecast has been reduced by almost \$15.87 million based on changes made on the financing of the 20 year CIP program, improved Risk Insurance forecasts and changes made to retiree health insurance.

### Total General Fund Expenditures

Overall, approximately \$199 million has been cut from the forecast over the 9 year period. Most of the savings (88%) is due to reductions in personnel and related costs. The balance is due to reductions in the equipment replacement fund depreciation transfer, reduction in the transfer for risk insurance, and debt financing for the 20 year CIP rather than the PAYGO program that was included in the original forecast.



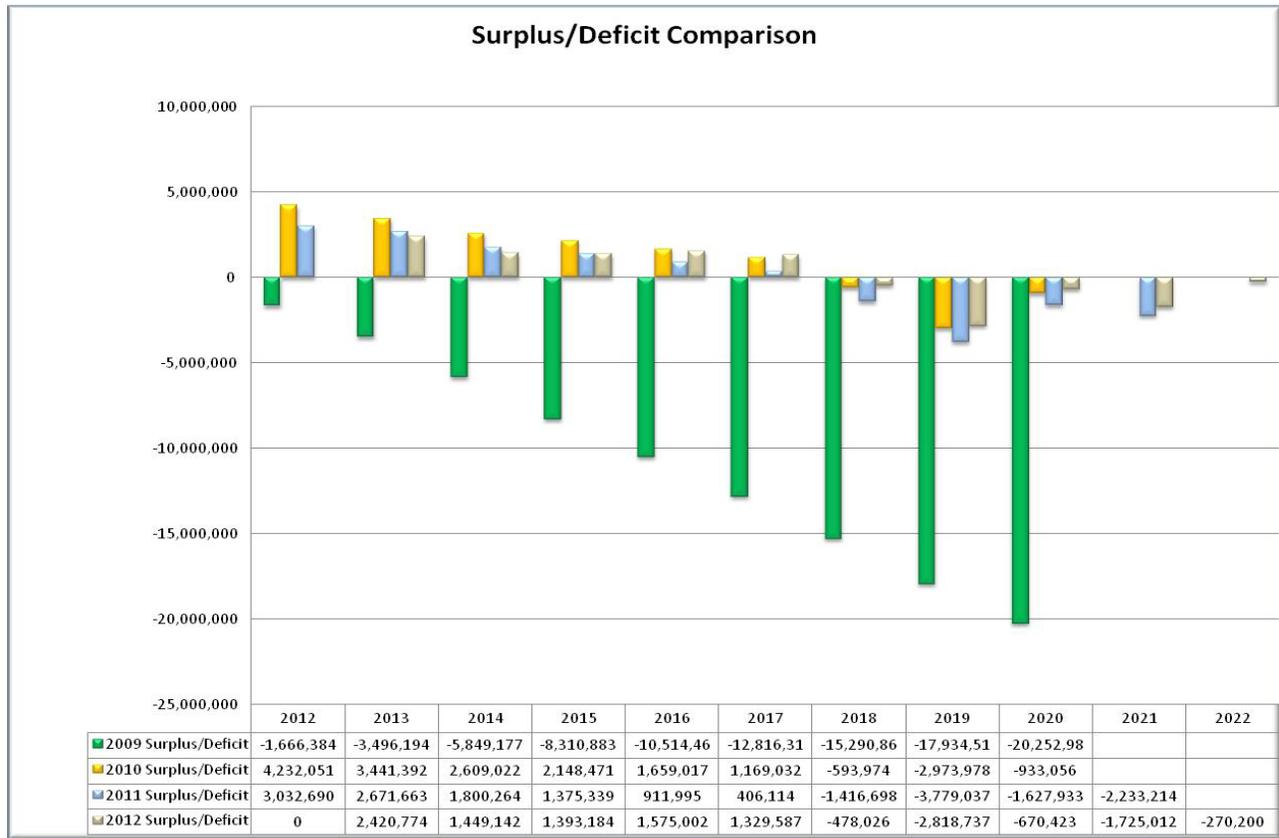
### Total General Fund Expenditure Forecast Change for 2012 – 2020

Total 2009 Forecast Expenditures	777,655,940
Total 2010 Forecast Expenditures	635,910,844
Total 2011 Forecast Expenditures	582,156,600
Total 2012 Forecast Expenditures	578,713,073
<b>Reduction in Expenditures 2012 vs. 2009</b>	<b>(198,942,867)</b>

### *Projected Surplus/ Deficit*

Due to the deep cuts in expenditures mentioned in the section above, the projection of annual surpluses/deficits has changed dramatically since the 2009 forecast. Deficits were originally forecast to begin in 2012 and continue throughout the forecast period, peaking at \$20.2 million in 2020. Even after the property tax cut for FY11 that reduced baseline property taxes by over \$5,000,000, the 2012 forecast shows deficits beginning in 2018 and remaining small and manageable for the remainder of the forecast period. Compared to last year's forecast, the 2012 forecast shows improvements in the projected surplus/deficit amounts beginning in 2015 due to additional projected savings generated from retirements and other forecasted personnel changes.

The chart below illustrates the differences in the projected surplus/deficit in the four forecasts.



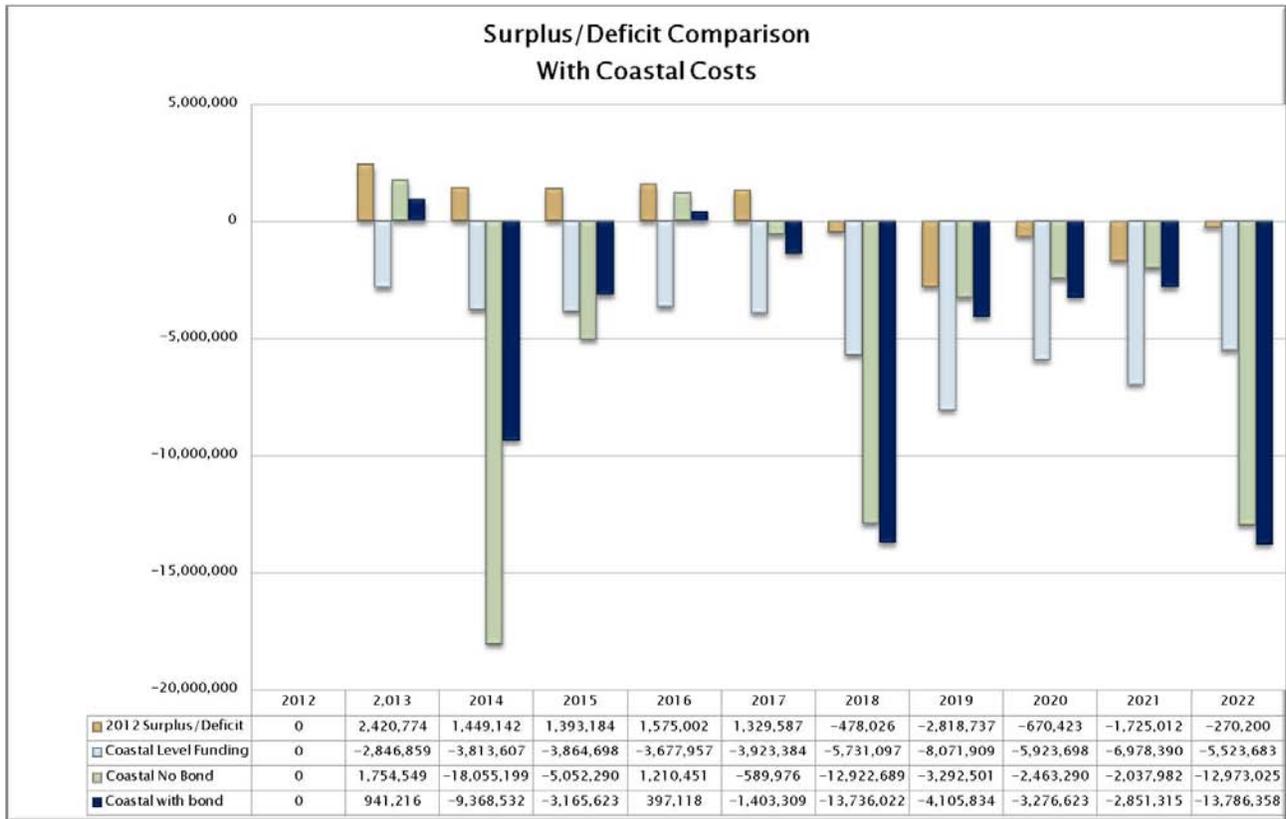
## Coastal Protection

All prior forecasts did not include funding for the coastal protection program. The current coastal program, recommended by the Shore Protection Board, requires expenditures of \$67.2 million between 2013 and 2022.

The chart on the following page represents the projected annual surplus/deficit after the addition of the annual coastal costs to the forecast. The chart shows the following scenarios:

- 2012 forecast without coastal
- Levelized funding of coastal costs of \$5,470,408 per year
- Variable annual costs without bonding for structures
- Variable annual costs including debt service on bondable projects

All of the projections include \$200,000 per year in offsetting revenue from the recent increase in parking ticket fines.



If the annual costs of the coastal protection program with and without bonds for structures were funded through the budget, the large deficits in 2014, 2018, and 2022 would have to be offset by large increases in revenues, such as property taxes. The \$18 million deficit in 2014 for the coastal program without bonding for structures, would require a 50% increase in property taxes (\$1,631 per million of taxable value). The \$9.4 million deficit in 2014 for the coastal protection program with bonding for structures would require a 26% increase in property taxes (\$846 per million of taxable value).

The levelized funding of coastal projects of \$5.47 million per year would require offsetting revenue but in a much more level manner. Property taxes would need to be increased in FY13 by 15.2% to fund the full \$5.47 million (\$484 per million of taxable value). If the 2012 projected surplus was used to offset the future deficits resulting from the level funding of coastal projects through FY17, the annual level contribution would be \$4,547 million and would require a FY13 tax increase of 12.63% or (\$411 per million of taxable value).

## Planning for the FY13 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. Staff currently is preparing the FY13 proposed budget to reflect exact needs and specific proposals. The departments have been instructed to submit proposed budgets that are less than the FY13 LTFP amounts.

The FY13 forecast for property tax revenue is forecasted to show a 1% increase over the FY12 budgeted amount. This increase is based on the assumption of a slight improvement in property values in the Town. If property values were to decline further from the current value, the forecasted surplus could offset as much as a 6% decline in values without causing additional cuts in service or offsetting revenue increases. If property values were to increase more than 1%, any additional revenues generated with the current millage rate could be used to offset future coastal protection costs.

## General Fund Forecast Details



**Town of Palm Beach  
Revenue and Expenditure Forecast  
LTFP FY2012 - FY2022**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Revenues</b>											
Ad Valorem Taxes	35,999,200	36,359,091	37,086,273	38,198,861	39,344,827	40,525,172	41,740,927	42,993,155	44,282,949	45,611,438	46,979,781
Non Ad Valorem Taxes	7,642,000	7,761,460	7,991,244	8,227,860	8,471,512	8,722,410	8,980,770	9,246,815	9,520,773	9,802,881	10,093,383
Licenses & Permits	5,734,800	6,114,800	6,124,800	6,156,400	6,156,400	6,189,580	6,189,580	6,224,419	6,224,419	6,261,000	6,261,000
Intergovernmental	1,052,000	1,079,575	1,107,462	1,136,186	1,165,772	1,196,245	1,227,632	1,259,961	1,293,260	1,327,558	1,362,885
Charges for Services	3,670,736	3,650,820	3,719,398	3,790,027	3,868,750	3,944,992	4,022,149	4,116,589	4,199,783	4,285,451	4,373,668
Fines and Forfeitures	843,000	1,130,040	1,130,040	1,148,641	1,148,641	1,167,614	1,167,614	1,186,966	1,190,489	1,206,705	1,212,031
Investment Earnings	1,110,000	1,120,500	1,420,500	1,700,500	1,875,500	1,900,500	1,900,500	1,925,500	1,925,500	1,925,500	1,925,500
Miscellaneous and Transfers	1,050,100	1,141,981	1,144,845	1,147,796	1,150,835	1,153,965	1,157,189	1,160,509	1,163,930	1,167,452	1,171,081
<b>Total Revenues</b>	57,101,836	58,358,267	59,724,562	61,506,271	63,182,237	64,800,478	66,386,361	68,113,914	69,801,103	71,587,985	73,379,329
<b>Transfers from Fund Balance</b>	1,433,600	1,450,208	1,485,285	1,512,874	1,535,253	1,563,219	1,614,223	1,675,350	1,668,537	1,711,264	1,716,419
<b>Expenditures</b>											
Salaries and Wages	24,568,787	24,856,148	25,445,017	25,719,596	26,016,282	26,444,800	27,264,840	28,159,192	28,623,196	29,544,222	30,487,047
Pension Benefits	3,460,216	4,256,066	5,085,998	5,373,357	5,790,599	6,226,341	6,709,505	7,695,802	5,471,716	6,183,039	4,575,449
Other Employee Benefits	6,651,972	7,092,321	7,466,486	7,871,792	8,228,653	8,670,522	9,181,099	9,728,298	10,277,290	10,863,549	11,457,437
Contractual	7,473,563	8,330,064	8,659,365	9,294,792	9,470,554	9,687,905	9,893,663	10,098,057	10,479,158	10,697,841	10,932,318
Commodities	1,549,654	1,549,647	1,580,640	1,612,253	1,648,898	1,686,276	1,727,501	1,754,551	1,789,642	1,825,435	1,861,944
Equipment Replacement	1,998,768	2,023,653	2,062,577	2,103,279	2,144,795	2,187,141	2,230,335	2,274,392	2,319,331	2,365,168	2,411,922
Library Services	280,572	288,989	297,659	306,589	315,786	325,260	335,018	345,068	355,420	366,083	377,065
Other	-	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Transfer to Capital Improvement	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfer to Coastal Protection	3,960,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Debt Service	3,500,000	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,601,001	5,595,786	5,597,411	5,597,411
Retiree Health	1,493,000	1,628,000	1,773,000	1,927,000	2,091,000	2,266,000	2,453,000	2,653,000	2,866,000	3,095,000	3,095,000
Transfer to Risk Insurance Fund	1,791,507	1,822,244	1,810,900	1,805,598	1,807,930	1,876,719	1,948,485	2,024,414	2,095,215	2,176,582	2,255,371
Contingency	807,397	848,094	883,163	910,728	933,140	961,095	1,011,999	1,073,025	1,066,109	1,108,733	1,113,782
<b>Total Expenditures</b>	58,535,436	57,387,701	59,760,705	61,625,959	63,142,487	65,034,109	68,478,609	72,608,000	72,140,063	75,024,263	75,365,946
<b>Surplus/(Deficit)</b>	-	2,420,774	1,449,142	1,393,186	1,575,003	1,329,588	(478,025)	(2,818,736)	(670,423)	(1,725,014)	(270,198)

Town of Palm Beach  
Revenue Analysis  
FY12 - FY22

Analysis of Revenues by Category		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue Sources	Estimated	Estimated										
Ad Valorem Revenues	35,999,100	36,359,091	37,086,273	38,198,861	39,344,827	40,525,172	41,740,927	42,993,155	44,282,949	45,611,438	46,979,781	
% Increase	-1.74%	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	-636,243	359,991	727,182	1,112,588	1,145,966	1,180,345	1,215,755	1,252,228	1,289,795	1,328,488	1,368,343	
Non Ad Valorem Taxes	7,642,000	7,761,460	7,991,244	8,227,860	8,471,512	8,722,410	8,980,770	9,246,815	9,520,773	9,802,881	10,093,383	
% Increase	6.30%	1.56%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
\$ Increase	452,632	119,460	229,784	236,616	243,652	250,898	258,360	266,045	273,958	282,108	290,501	
Licenses and Permits	5,734,800	6,114,800	6,124,800	6,156,400	6,189,580	6,189,580	6,189,580	6,224,419	6,224,419	6,224,419	6,261,000	6,261,000
% Increase	-10.15%	6.63%	0.16%	0.52%	0.00%	0.54%	0.00%	0.56%	0.00%	0.00%	0.59%	0.00%
\$ Increase	-647,745	380,000	10,000	31,600	0	33,180	0	34,839	0	0	36,581	0
Intergovernmental Revenue	1,052,000	1,079,575	1,107,462	1,136,186	1,165,772	1,196,245	1,227,632	1,259,961	1,293,260	1,327,558	1,362,885	
% Increase	-20.25%	2.62%	2.58%	2.59%	2.60%	2.61%	2.62%	2.63%	2.64%	2.65%	2.66%	2.66%
\$ Increase	-267,119	27,575	27,887	28,724	29,586	30,473	31,387	32,329	33,299	34,298	35,327	
Charges for Services	3,670,736	3,650,820	3,719,398	3,790,027	3,868,750	3,944,992	4,022,149	4,116,589	4,199,783	4,285,451	4,373,668	
% Increase	6.03%	-0.54%	1.88%	1.90%	2.08%	1.97%	1.96%	2.35%	2.02%	2.04%	2.06%	
\$ Increase	208,769	-19,916	68,578	70,629	78,723	76,242	77,157	94,440	83,194	85,669	88,217	
Fines and Forfeitures	1,043,000	1,130,040	1,130,040	1,148,641	1,148,641	1,167,614	1,167,614	1,186,966	1,190,489	1,206,705	1,212,031	
% Increase	-19.60%	8.35%	0.00%	1.65%	0.00%	1.65%	0.00%	1.66%	0.30%	1.36%	0.44%	
\$ Increase	-254,226	87,040	0	18,601	0	18,973	0	19,352	3,523	16,216	5,326	
Interest Income	1,110,000	1,120,500	1,420,500	1,700,500	1,875,500	1,900,500	1,900,500	1,925,500	1,925,500	1,925,500	1,925,500	
% Increase	123.95%	0.95%	26.77%	19.71%	10.29%	1.33%	0.00%	1.32%	0.00%	0.00%	0.00%	0.00%
\$ Increase	614,351	10,500	300,000	280,000	175,000	25,000	0	25,000	0	0	0	0
Miscellaneous and Transfers	1,050,200	1,141,981	1,144,845	1,147,796	1,150,835	1,153,965	1,157,189	1,160,509	1,163,930	1,167,452	1,171,081	
% Increase	-62.15%	8.74%	0.25%	0.26%	0.26%	0.27%	0.28%	0.29%	0.29%	0.30%	0.31%	
\$ Increase	-1,724,098	91,781	2,864	2,950	3,039	3,130	3,224	3,321	3,420	3,523	3,629	
Transfers from Fund Balance	1,433,600	1,450,208	1,485,285	1,512,874	1,535,253	1,563,219	1,614,223	1,675,350	1,668,537	1,711,284	1,716,419	
% Increase	-16.15%	1.16%	2.42%	1.86%	1.48%	1.82%	3.26%	3.79%	-0.41%	2.56%	0.30%	
\$ Increase	-276,069	16,608	35,077	27,589	22,379	27,966	51,004	61,127	-6,813	42,727	5,155	
Total Revenues	58,735,436	59,808,475	61,209,848	63,019,145	64,717,489	66,363,696	68,000,584	69,789,264	71,469,640	73,299,250	75,095,747	
% Increase	-4.13%	1.83%	2.34%	2.96%	2.69%	2.54%	2.47%	2.63%	2.41%	2.56%	2.45%	
\$ Increase	-2,529,748	1,073,039	1,401,373	1,809,297	1,698,344	1,646,207	1,636,887	1,788,680	1,680,376	1,829,610	1,796,497	

Town of Palm Beach  
Expenditure Analysis  
FY12 - FY22

Analysis of Expenses by Category Expenditure Categories	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated
Salaries/Wages	24,568,787	24,856,148	25,445,017	25,719,596	26,016,282	26,444,800	27,264,840	28,159,192	28,623,196	29,544,222	30,487,047
% Increase	0.71%	0	2.37%	1.08%	1.15%	1.65%	3.10%	3.28%	1.65%	3.22%	3.19%
\$ Increase	172,249	287,361	588,868	274,580	296,686	428,518	820,040	894,352	464,004	921,026	942,826
Pension Benefits	3,460,216	4,256,066	5,085,998	5,373,357	5,790,599	6,226,341	6,709,505	7,695,802	5,471,716	6,183,039	4,575,449
% Increase	-60.55%	0	19.50%	5.65%	7.76%	7.53%	7.76%	14.70%	-28.90%	13.00%	-26.00%
\$ Increase	-5,311,465	795,850	829,933	287,359	417,241	435,743	483,164	986,297	-2,224,087	711,323	-1,607,590
Other Employee Benefits	6,651,972	7,092,321	7,466,486	7,871,792	8,228,653	8,670,522	9,181,099	9,728,298	10,277,290	10,863,549	11,457,437
% Increase	0.76%	0	5.28%	5.43%	4.53%	5.37%	5.89%	5.96%	5.64%	5.70%	5.47%
\$ Increase	50,399	440,349	374,165	405,306	356,861	441,869	510,578	547,198	548,992	586,259	593,889
Contractual	7,473,563	8,330,064	8,659,365	9,294,792	9,470,554	9,687,905	9,893,663	10,098,057	10,479,158	10,697,841	10,932,318
% Increase	7.33%	0	3.95%	7.34%	1.89%	2.30%	2.12%	2.07%	3.77%	2.09%	2.19%
\$ Increase	510,485	856,501	329,301	635,427	175,762	217,351	205,758	204,393	381,101	218,683	234,477
Commodities	1,549,654	1,549,647	1,580,640	1,612,253	1,648,898	1,686,276	1,727,501	1,754,551	1,789,642	1,825,435	1,861,944
% Increase	4.37%	(0)	2.00%	2.00%	2.27%	2.27%	2.44%	1.57%	2.00%	2.00%	2.00%
\$ Increase	64,889	(7)	30,993	31,613	36,645	37,378	41,226	27,050	35,091	35,793	36,509
Equipment Replacement	1,998,768	2,023,653	2,062,577	2,103,279	2,144,795	2,187,141	2,230,335	2,274,392	2,319,331	2,365,168	2,411,922
% Increase	-21.55%	0	1.92%	1.97%	1.97%	1.97%	1.97%	1.98%	1.98%	1.98%	1.98%
\$ Increase	-548,911	24,885	38,924	40,702	41,516	42,347	43,193	44,057	44,938	45,837	46,754
Library Services	280,572	288,989	297,659	306,589	315,786	325,260	335,018	345,068	355,420	366,083	377,065
% Increase	3.00%	0	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	8,172	8,417	8,670	8,930	9,198	9,474	9,758	10,051	10,352	10,663	10,982
Other	0	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
% Increase	0.00%	100%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ Increase	0	1,200	0	0	0	0	0	0	0	0	0
<b>TRANSFER TO OTHER FUNDS</b>											
CAPITAL IMPROV. FUND (307)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309)	3,960,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
DEBT SERVICE FUND (203)	3,500,000	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,601,001	5,595,786	5,597,411	5,597,411
RETIREE HEALTH INS.(OPEB) (610)	1,493,000	1,628,000	1,773,000	1,927,000	2,091,000	2,266,000	2,453,000	2,653,000	2,866,000	3,095,000	3,095,000
RISK/W.C. LIAB.PROP. (501)	1,791,507	1,822,244	1,810,900	1,805,598	1,807,930	1,876,719	1,948,485	2,024,414	2,095,215	2,176,582	2,255,371
CONTINGENT APPROP.	807,397	848,094	883,163	910,728	933,140	961,095	1,011,999	1,073,025	1,066,109	1,108,733	1,113,782
<b>Total Transfers and Other</b>	<b>12,551,904</b>	<b>8,989,613</b>	<b>9,161,763</b>	<b>9,343,102</b>	<b>9,525,720</b>	<b>9,804,664</b>	<b>11,135,448</b>	<b>12,551,440</b>	<b>12,823,110</b>	<b>13,177,726</b>	<b>13,261,564</b>
% Increase	19.22%	(0)	1.91%	1.98%	1.95%	2.93%	13.57%	12.72%	2.16%	2.77%	0.64%
\$ Increase	2,023,506	(3,562,291)	172,150	181,338	182,619	278,944	1,330,784	1,415,991	271,671	354,616	83,839
<b>Total Expenditures</b>	<b>58,535,436</b>	<b>57,387,701</b>	<b>59,760,705</b>	<b>61,625,960</b>	<b>63,142,487</b>	<b>65,034,110</b>	<b>68,478,610</b>	<b>72,608,001</b>	<b>72,140,063</b>	<b>75,024,262</b>	<b>75,365,947</b>
% Increase	-4.92%	(0)	4.14%	3.12%	2.46%	3.00%	5.30%	6.03%	-0.64%	4.00%	0.46%
\$ Increase	-3,030,675	(1,147,735)	2,373,004	1,865,255	1,516,527	1,891,622	3,444,500	4,129,391	-467,938	2,884,199	341,685

## Recreation Enterprise Fund Trends

### Marina

#### Revenues

2002-2008: Revenue increases reflect strategic increases in rates and growth in transient business.

2010 - 2011: Decrease in revenue is attributed to continuing slow economy and boating/yacht market, and not achieving 100% occupancy.

2012: Revenue increases assume growth in business, as yachting industry improves.

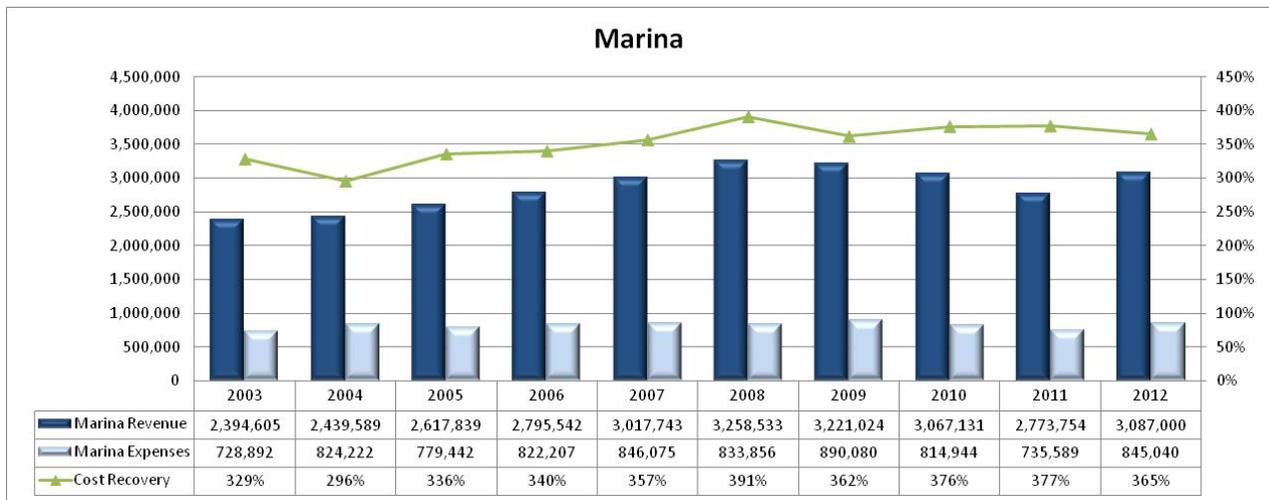
#### Expenses

2009: Increased expenses are attributed to minor facility improvements.

2010: Decreased expenses are due to an unfilled vacancy of the Assistant Dockmaster position for most of the fiscal year.

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

2012: Increased expense due to fully funded Dockmaster position and partial reallocation of an Assistant Director's salary.



## Par 3 Golf Course

### Revenues

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

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

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

2010-2012: Revenue increases reflect re-positioning efforts of the golf course, through enhanced marketing approaches, new price structures, and growth in play.

### Expenses

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

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

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



## Tennis Programs & Facilities

### Revenues

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

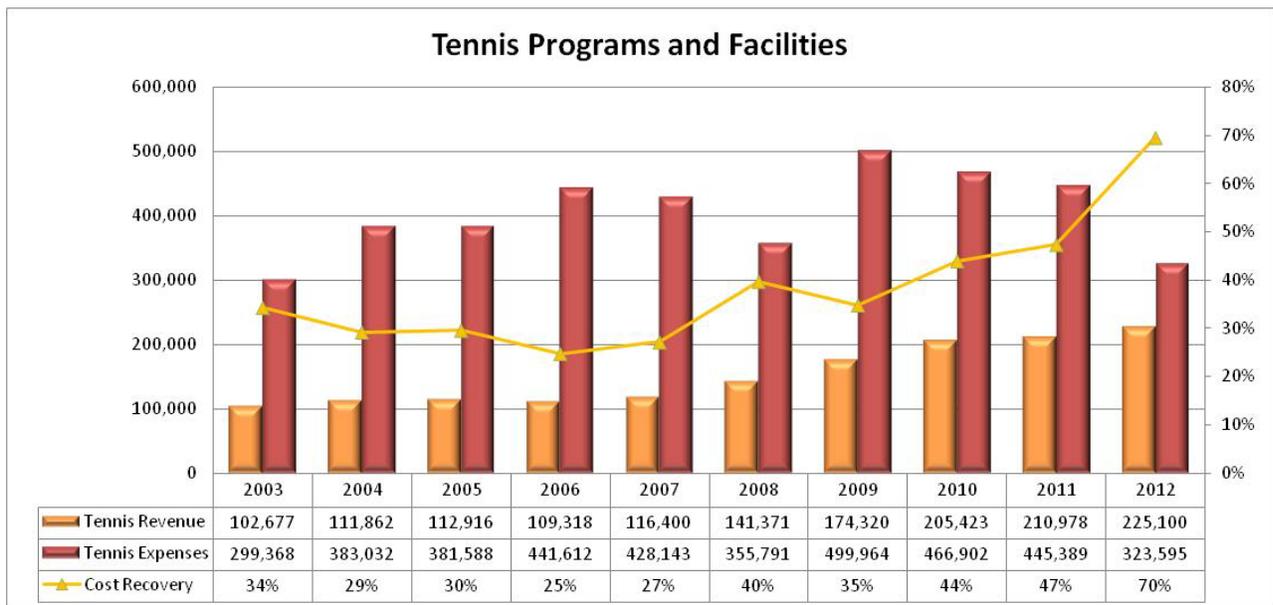
2010-2012: Revenue increase is attributed to the growth in income share from the teaching contract, and increased participation.

### Expenses

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

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

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



## Recreation Center

### Revenues

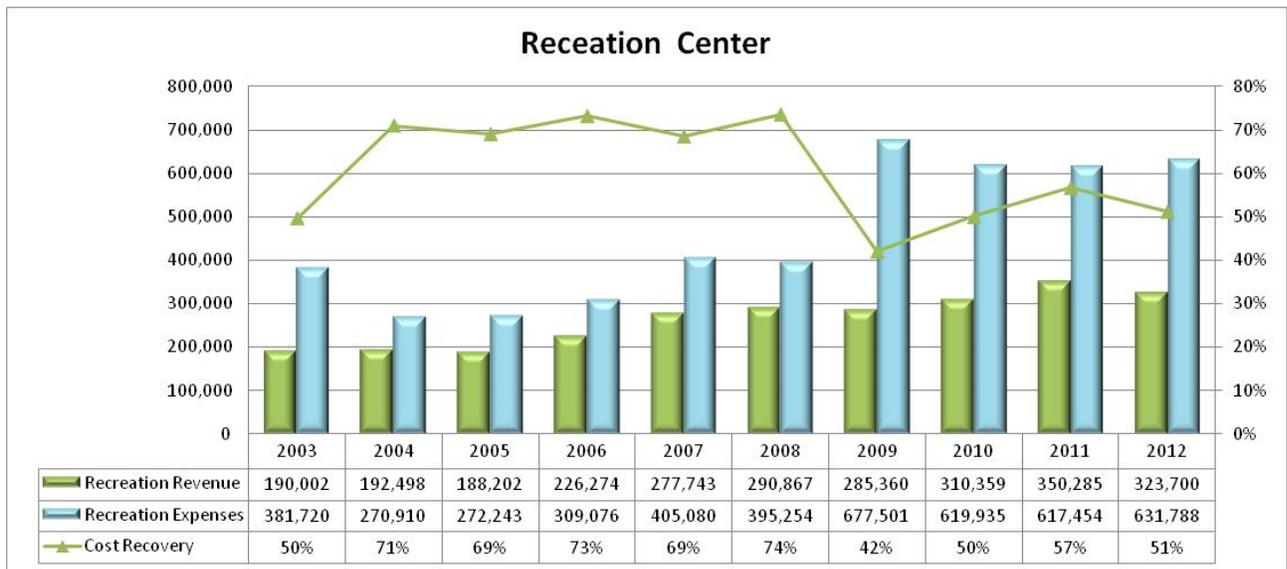
2010-2011: Revenues increased due to program growth, price increases, and additional offerings.

### Expenses

2007: Recreation Supervisor position added to meet programming needs (offset by elimination of Tennis Manager), and new furniture/equipment was purchased for the facility.

2009: Seaview Park and Recreation Center building maintenance expenses were moved from the Administration program to the newly re-named "Recreation Center" program allowing for a more accurate description (financially and programmatically) of expenses. Also had a few periodic expenses, such as painting of the facility, new air handler installation, and re-finishing of floors.

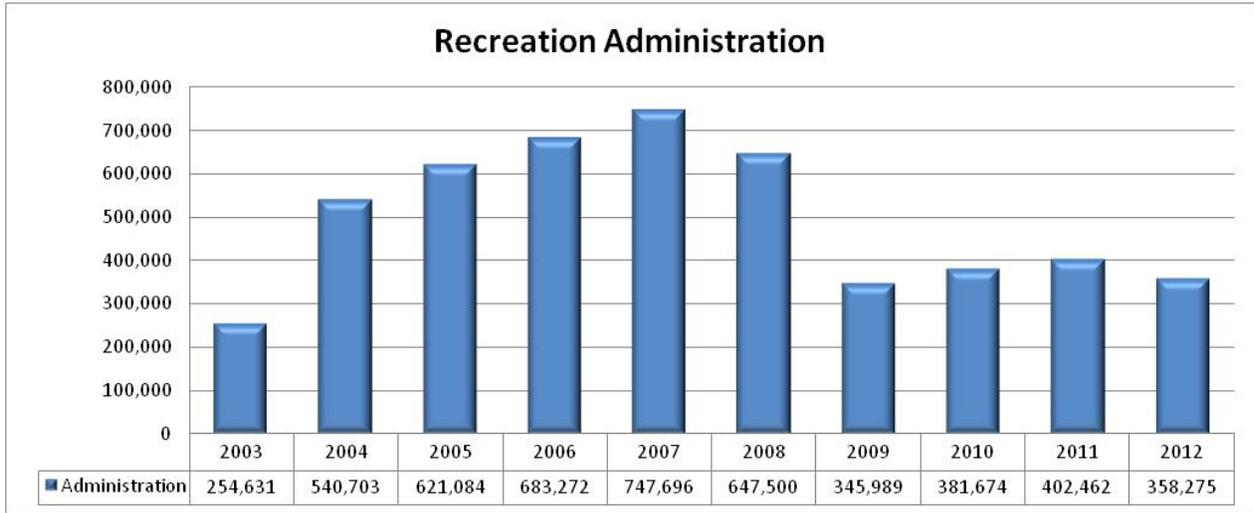
2010: Decrease in expenses is attributed to the elimination of periodic expenses from the prior year.



## Recreation Administration

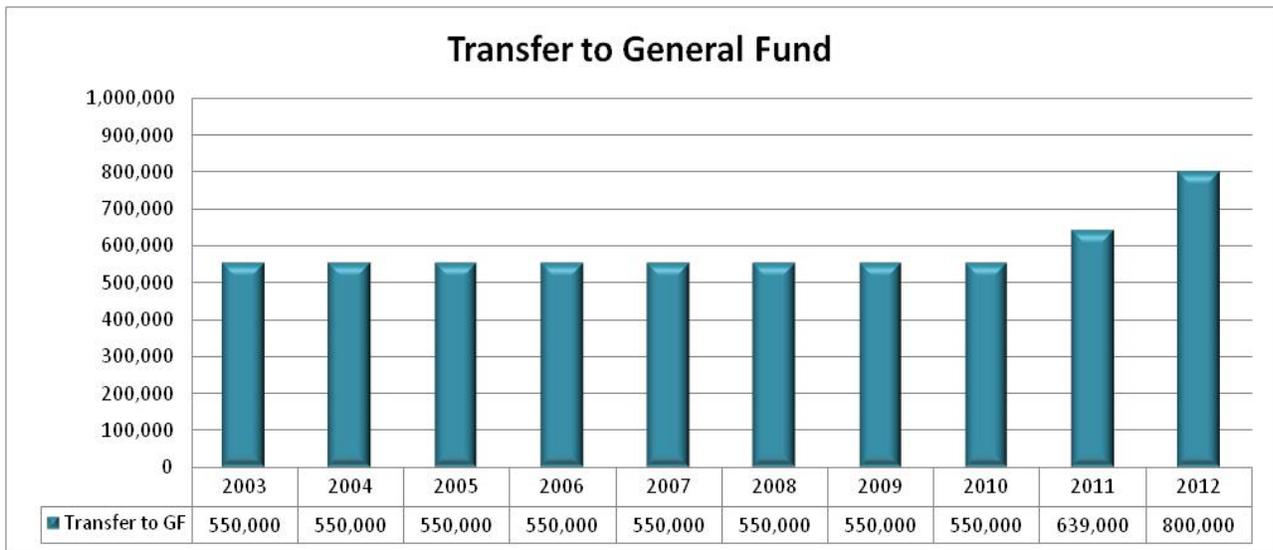
2009: Expenses decreased due to transfer of Seaview Park and Recreation Center maintenance from this program to the Recreation Center program.

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



## Transfer to General Fund

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



## Full Time Positions

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

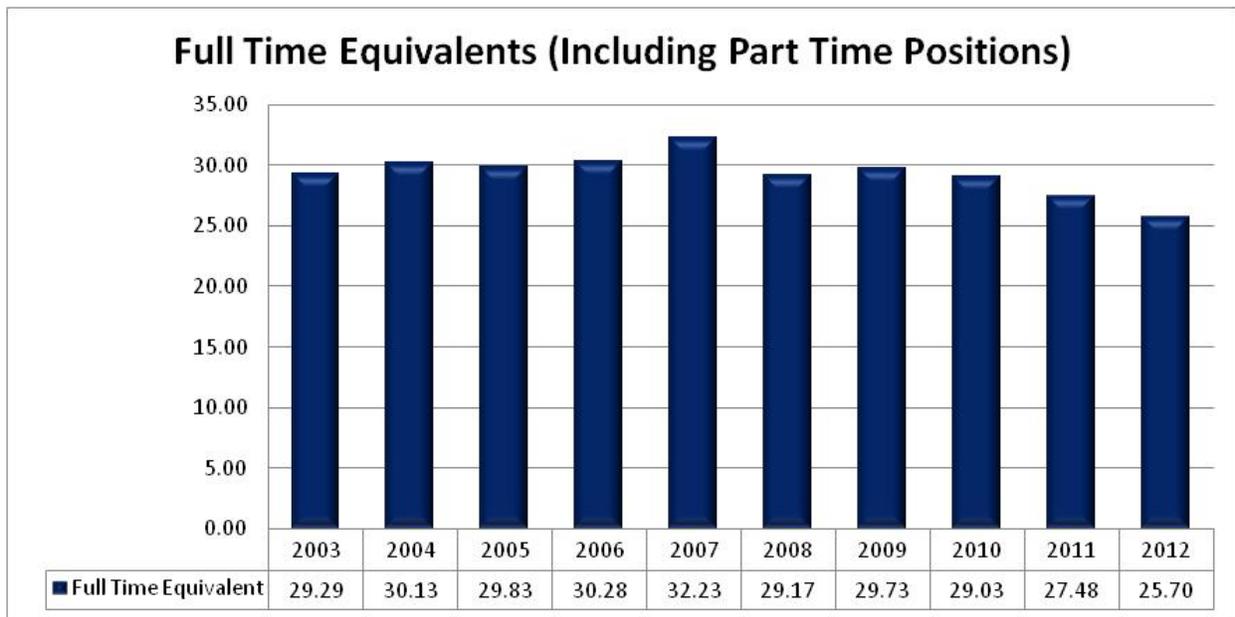
2008: Eliminated Tennis Pro-Manager position (duties shifted to Assistant Director and Tennis Facility Supervisors) and Tennis Assistant position. The remaining reduction in total FTE resulted from minor part-time staff reductions across all divisions.

2010: Eliminated Equipment Operator position.

2011: Eliminated Assistant Dockmaster position.

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

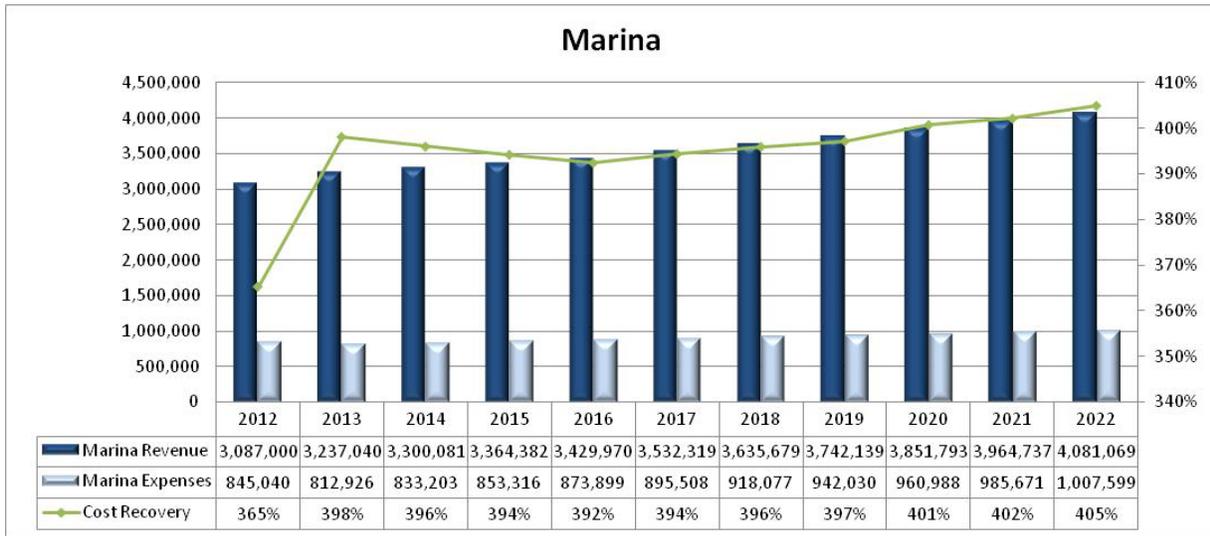
\* Please note some of the full-time positions eliminated required part-time supplementation to continue adequate level of service to meet safety, programming and maintenance standards.



## Recreation Enterprise Fund Forecast

### Marina

Gradual growth in revenue assumes 100% occupancy, strategic price increases and growth in transient business. Decrease in 2013 expenses due to elimination of an Assistant Director position. For 2014 and beyond, expenses gradually increase for costs of goods, services, and salaries.



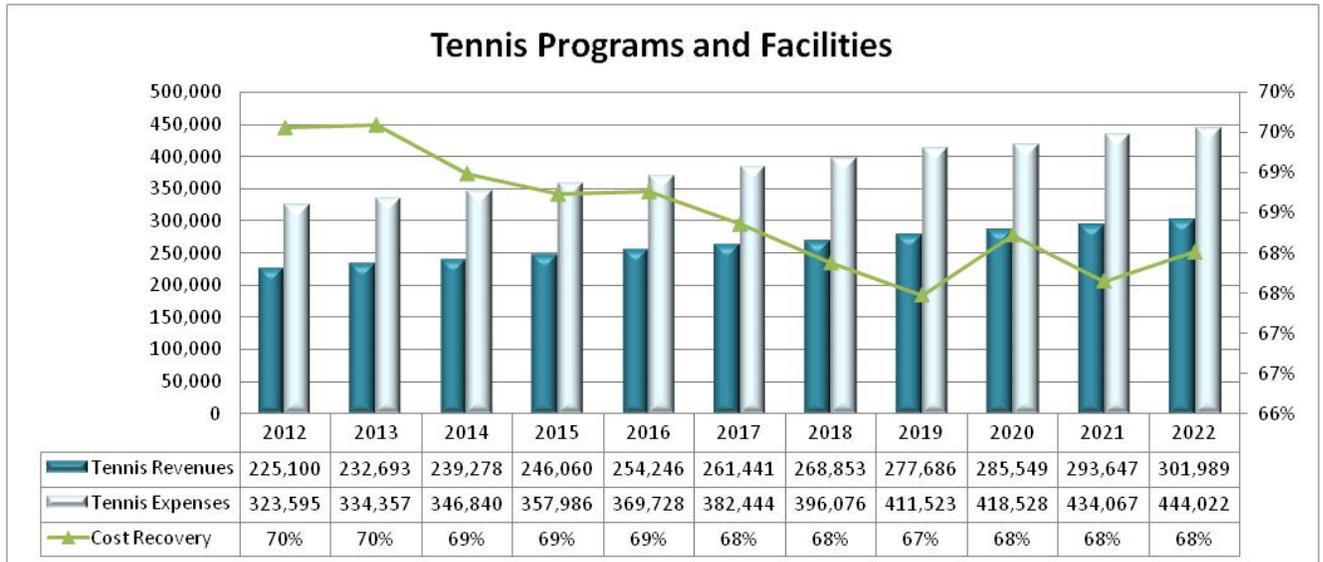
### Par 3 Golf Course

Revenue projections are based on an improving economy, strategic price increases, improved advertising, and growth in play. Expenses gradually increase for costs of goods, services, and salaries.



## Tennis Programs & Facilities

Gradual revenue growth is based on an improving economy, strategic price increases, and growth in play. Expenses gradually increase for costs of goods, services, and salaries.



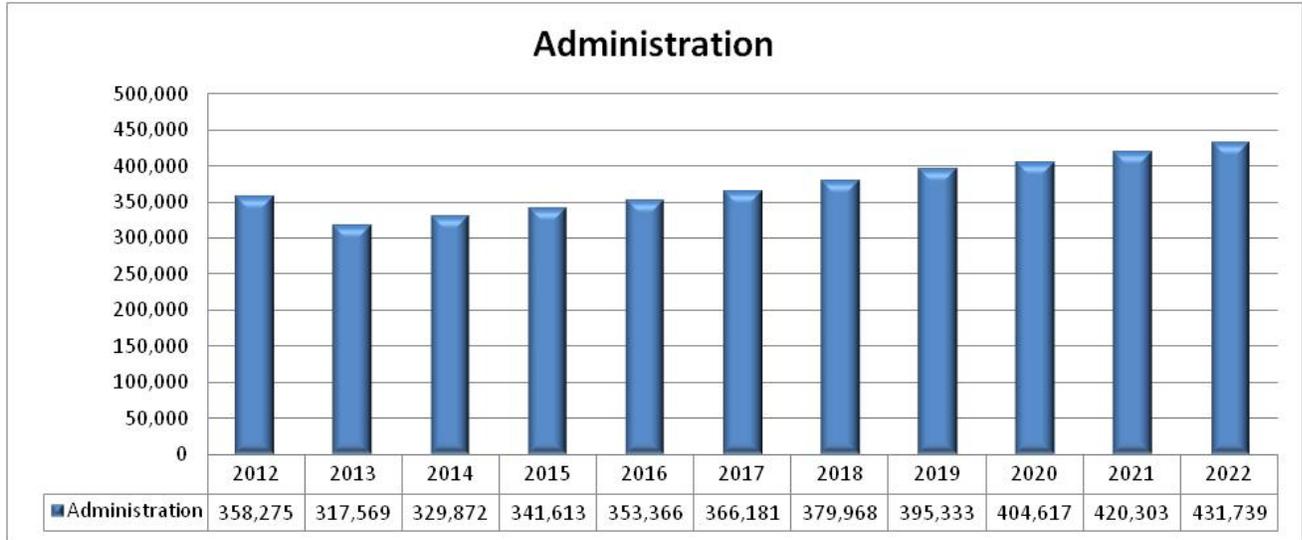
## Recreation Center

Gradual revenue growth is based on an improving economy, strategic price increases, increased program offerings, and growth in participation. Expenses gradually increase for costs of goods, services, and salaries.

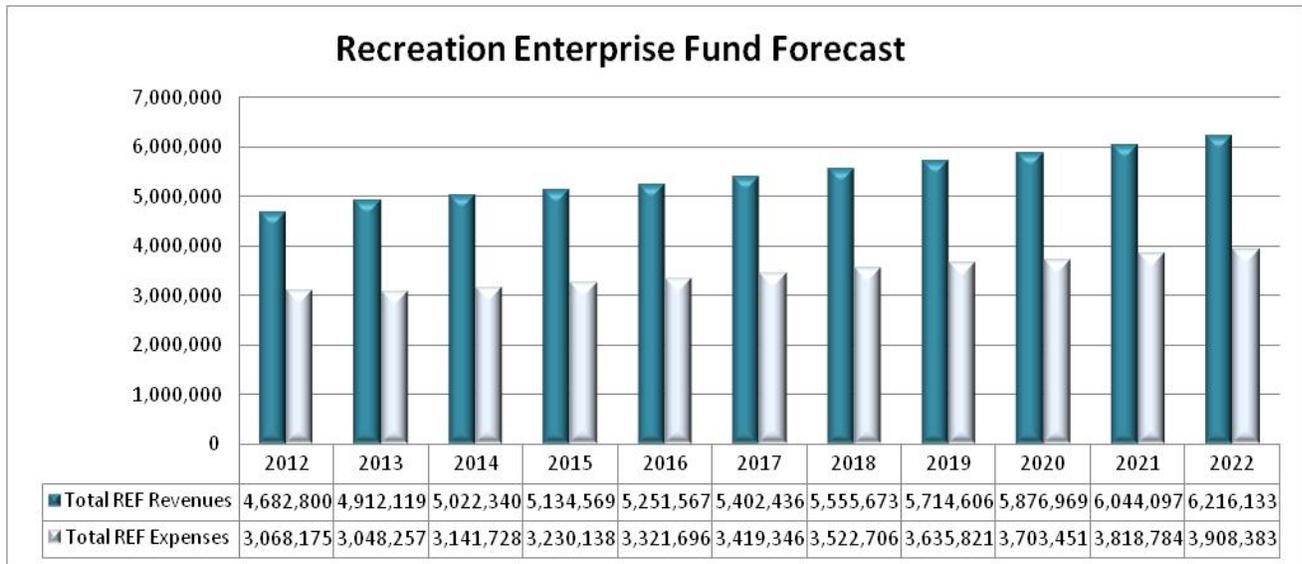


## Recreation Administration

Decrease in expenses in 2013 is due to the elimination of an Assistant Director position.

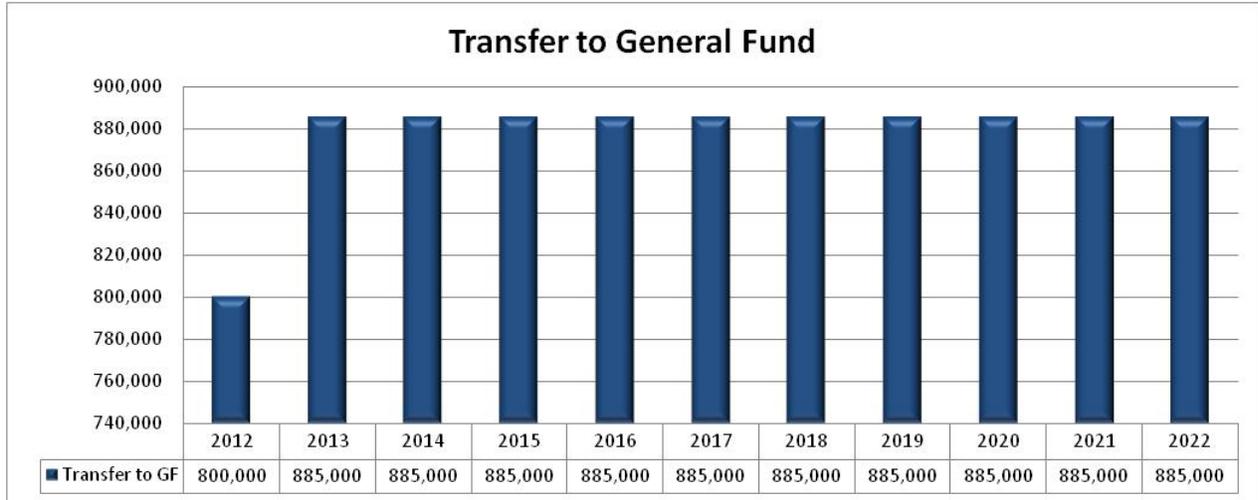


## Total Recreation Enterprise Operating Fund

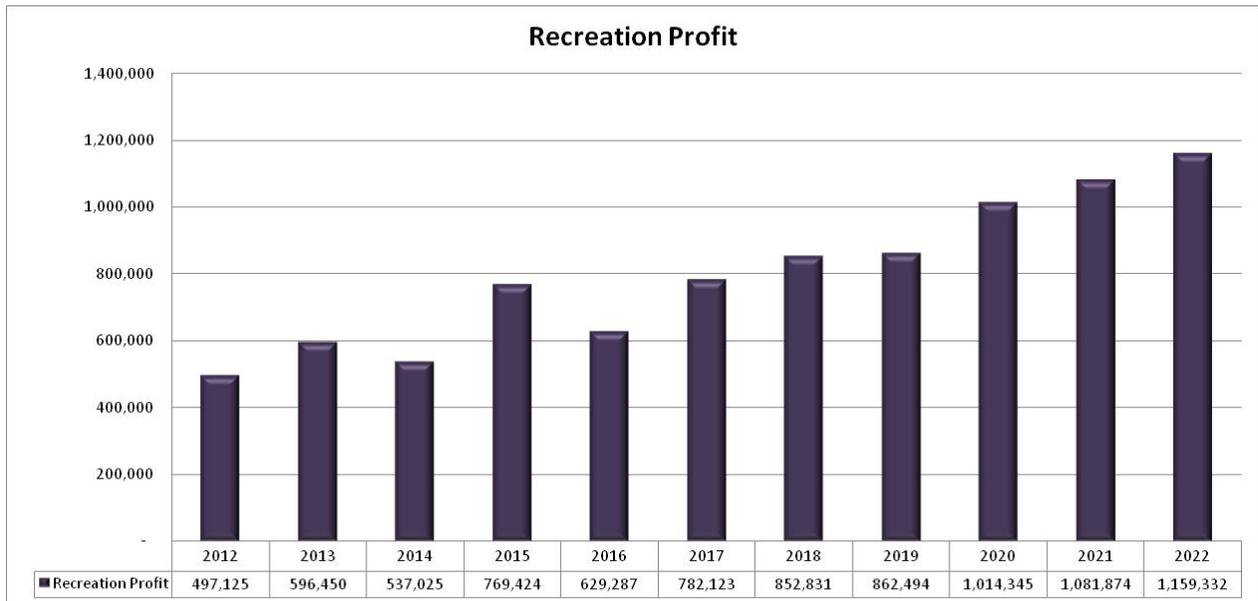


## Transfer to General Fund

Increase in transfer in 2013 due to savings realized by eliminating an Assistant Director position.



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



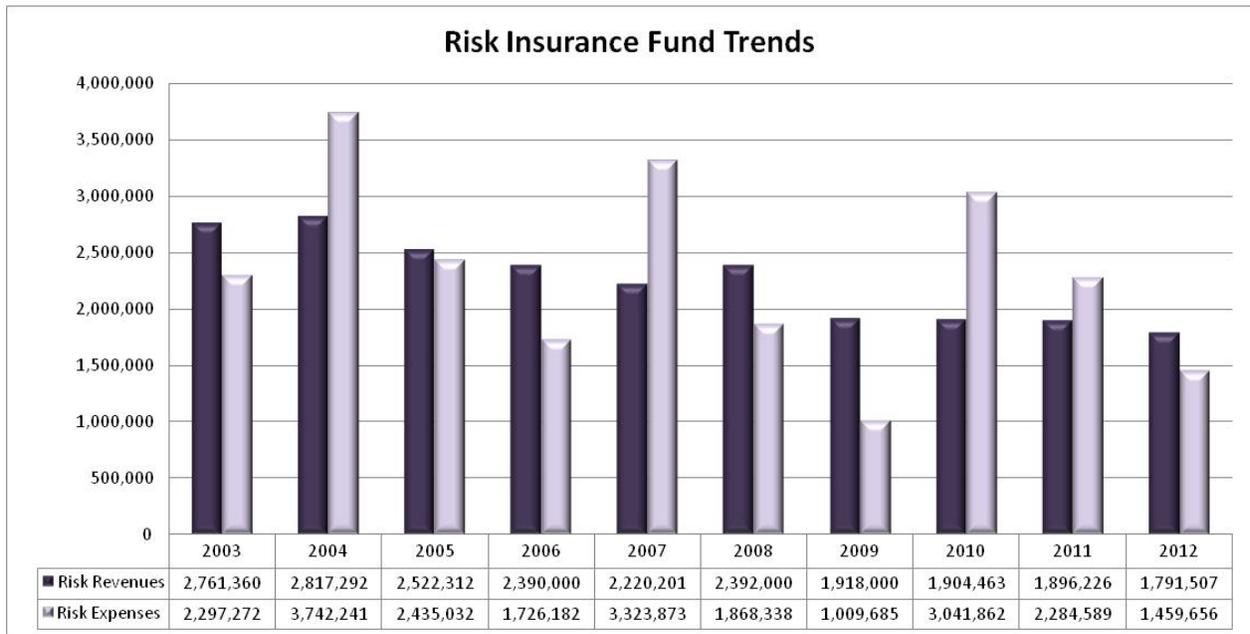
The net profits realized after the scheduled transfer to the General Fund and payments for any capital expenses each year will be used to build the enterprise fund's net asset balance. Growth of net assets will provide a revenue source for future capital projects. Although fund balance may not be able to cover the entire costs of future projects, having a significant balance to draw from would minimize the Town's borrowing needs.

## Self Insurance Fund – Risk Management

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

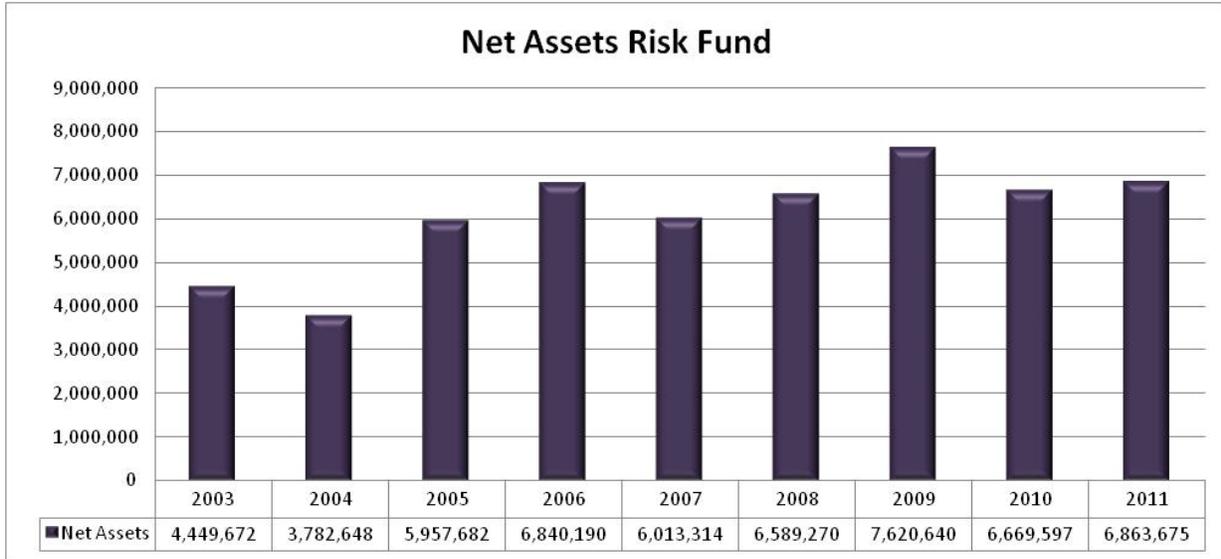
The operation the Office of Risk Management and the Town’s insurance programs are funded by an annual transfer from the General Fund and interest earned on the retained earnings within the fund.

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

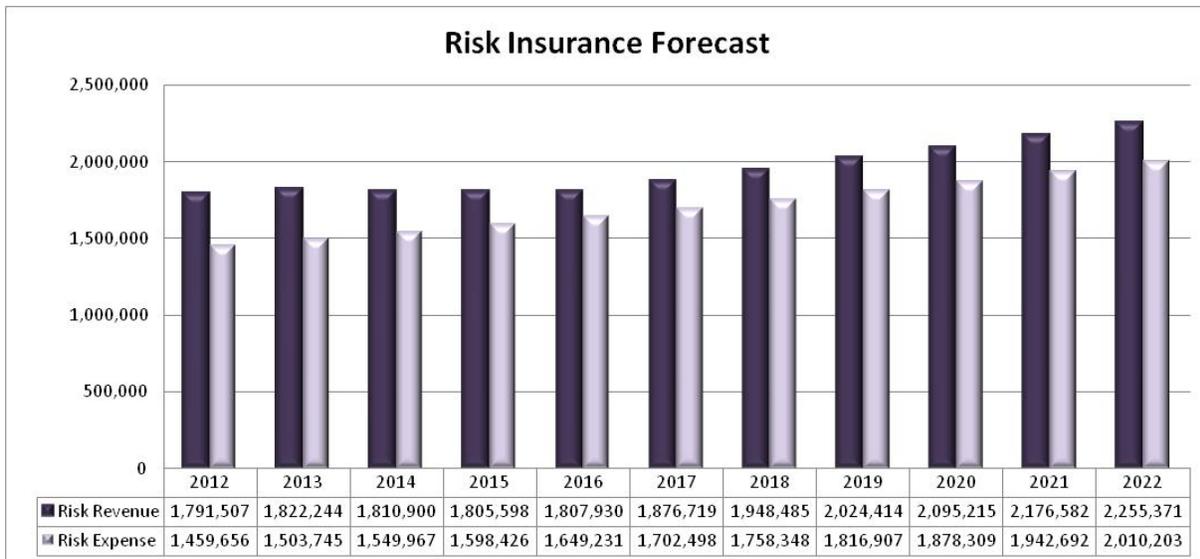


In 2004, expenditures included the uninsured cost for a construction related lawsuit. The 2007 and 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker’s compensation claims.

The Net Assets of the fund have increased 48.6% since 2003. The reserves have been used to fund uninsured losses.



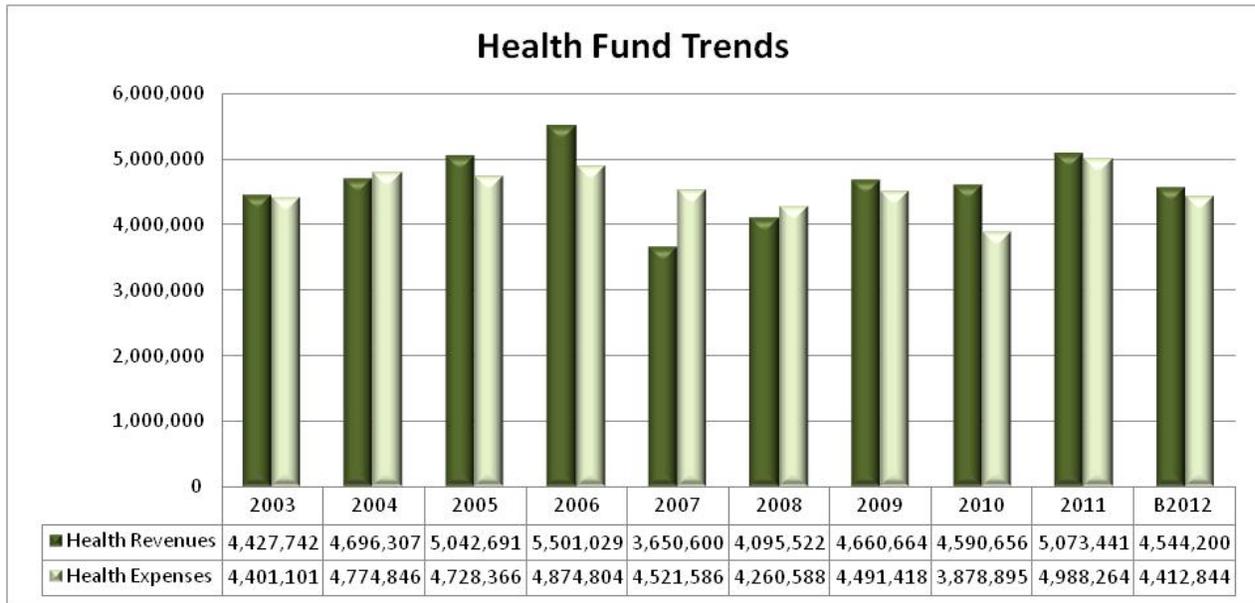
The Risk Insurance Fund forecast assumes annual increases of 5% for property and liability insurance and 3% for workmen’s compensation insurance.



## Self Insurance Fund – Health

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

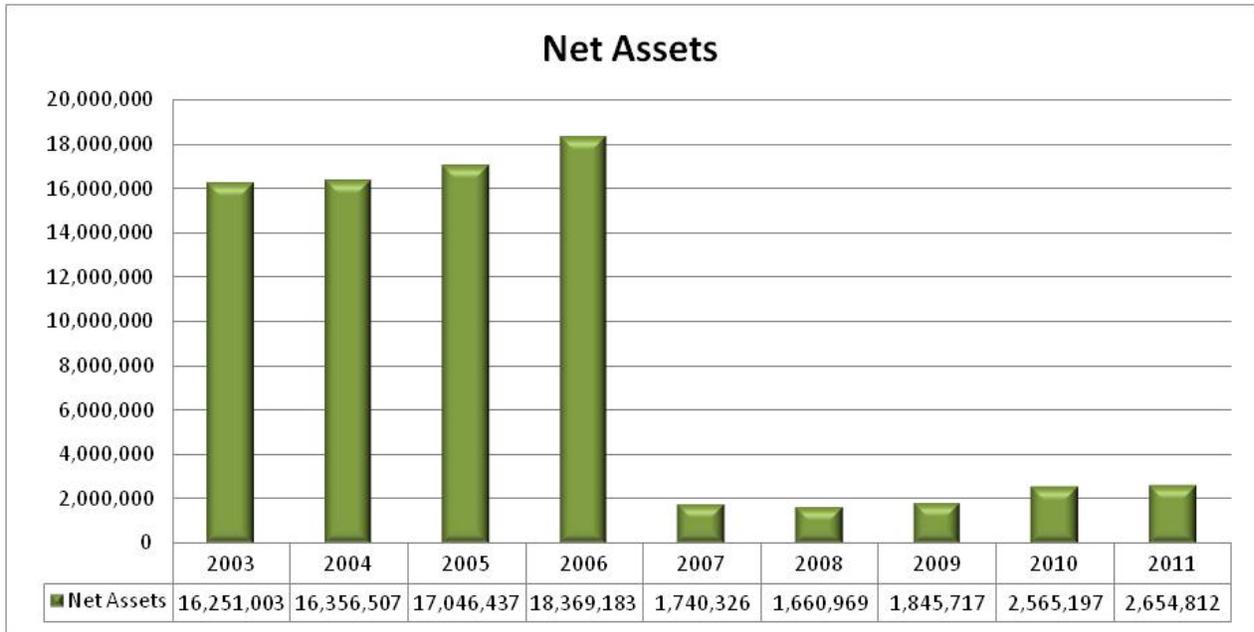
The 10 year trend in health revenues and expenditures is shown below.



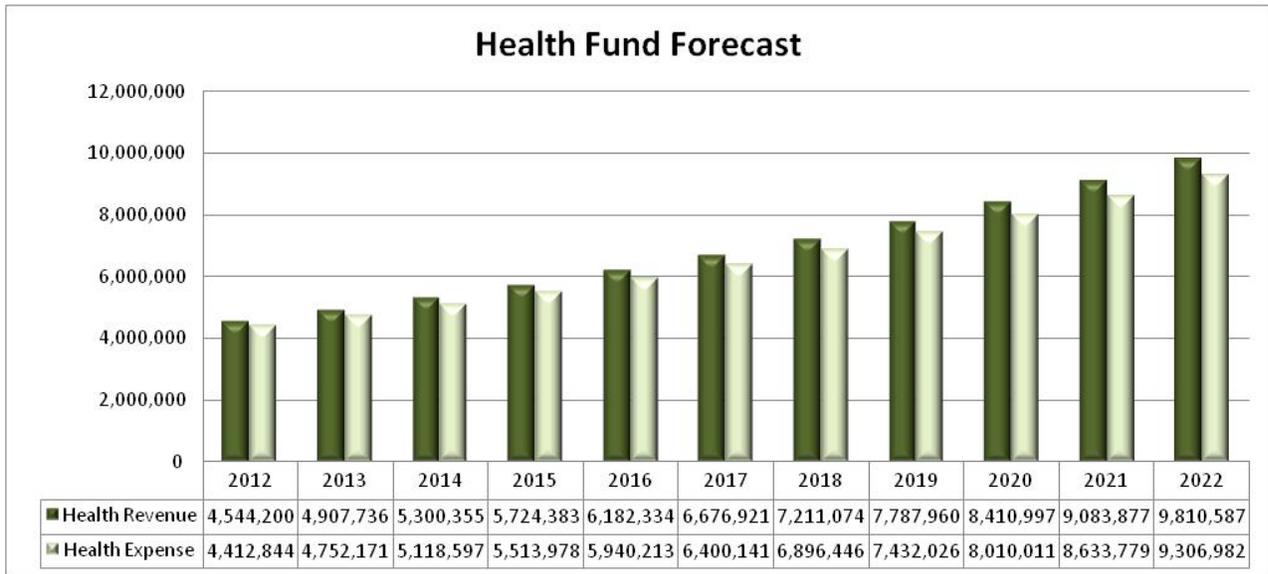
In 2007, revenues and expenditures associated with retiree health insurance costs were transferred out to the newly established OPEB trust. In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund.

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

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



The Health Fund forecast assumes an annual increase of 8% for health insurance costs.



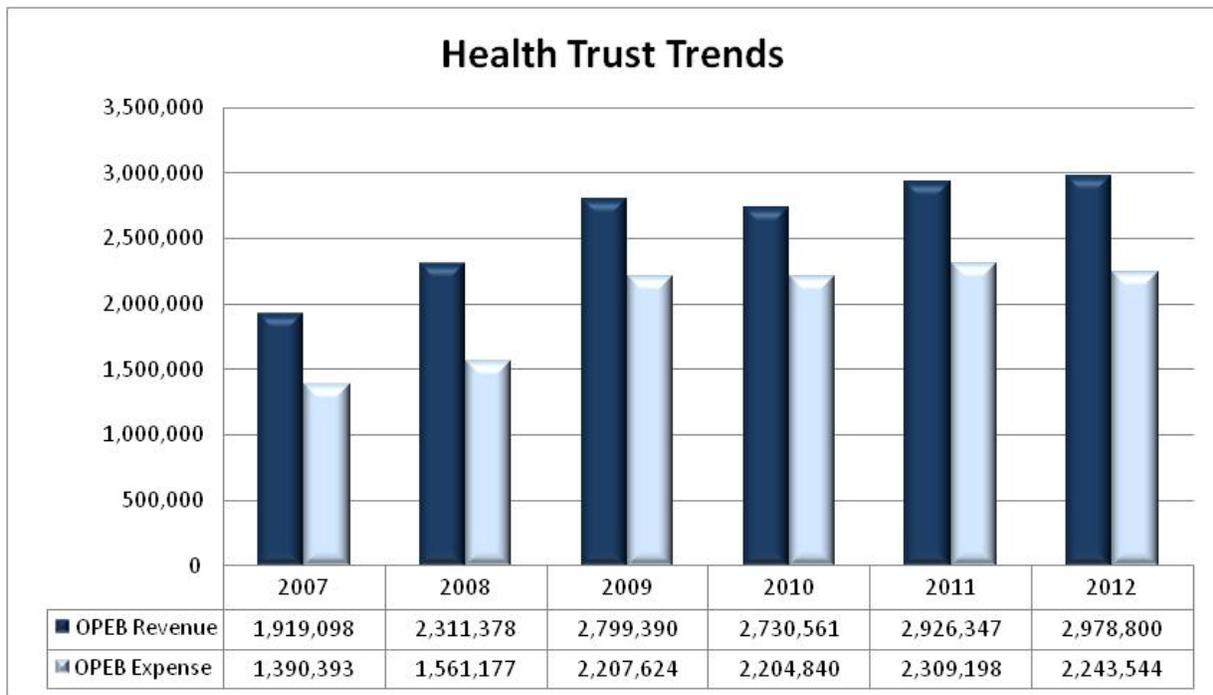
## Other Funds

### The Health Insurance Trust (OPEB)

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

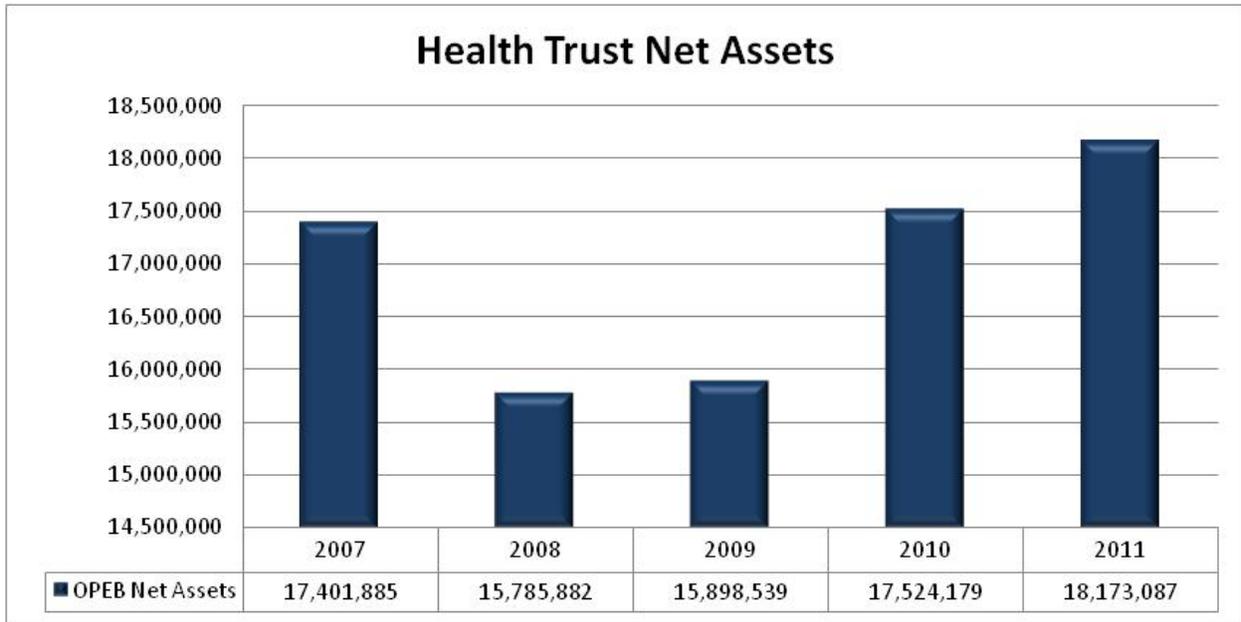
The actuarial valuation of the retiree health plan was conducted as of October 1, 2010. An update will be prepared in FY12. The Town's Actuarial Accrued Liability as of October 1, 2010 was determined to be \$27,769,000. The annual budgeted contribution for FY12 is \$1,493,000.

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

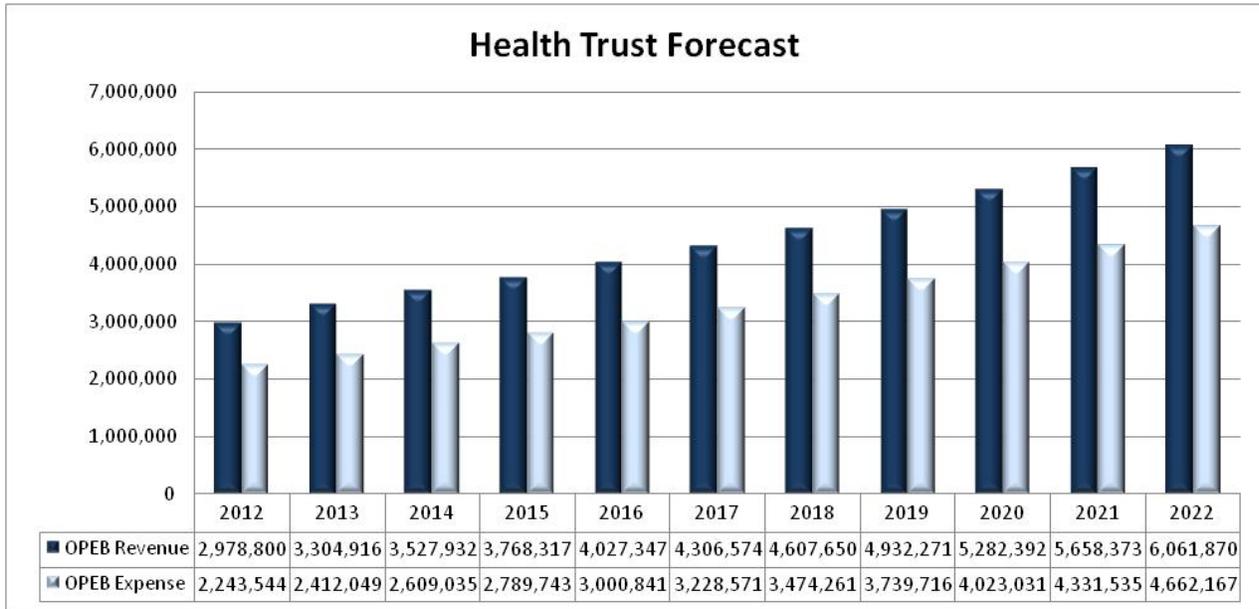


In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures.

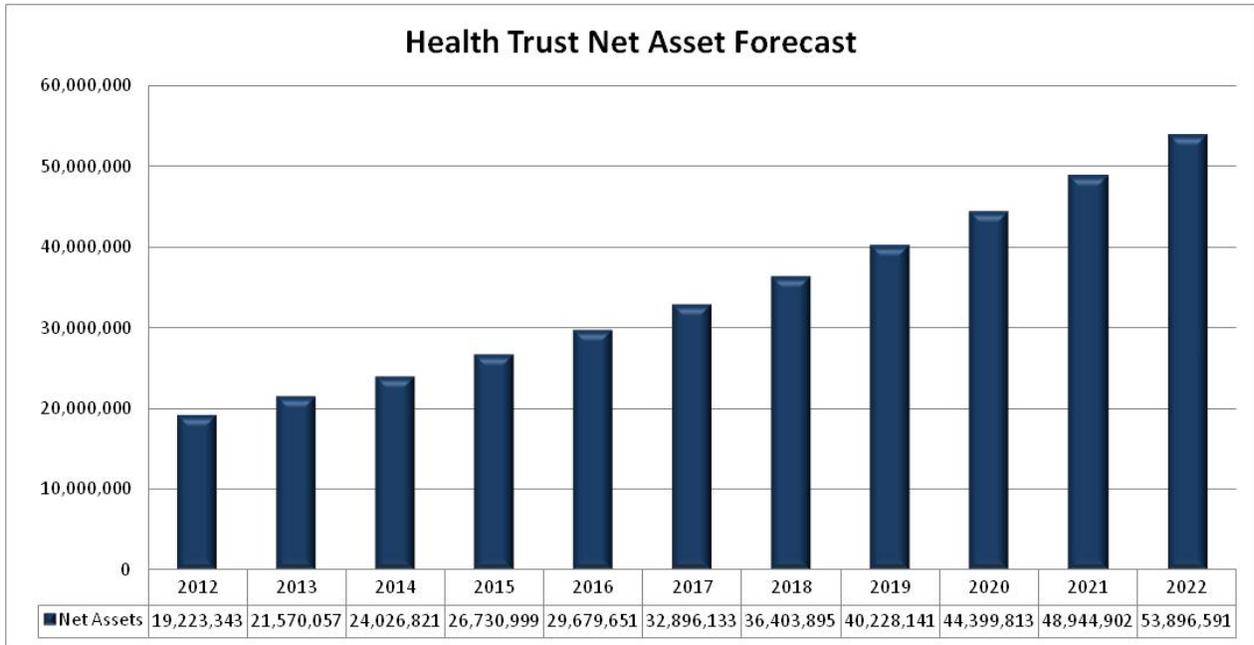
The Trust's net assets declined in 2008 due to the decline in the stock market. Contributions and improved returns in the market have improved the net asset reserves for this fund.



The 10 year forecast assumes an 8% annual increase in health insurance costs. The Town's contribution estimates were based upon actuarial estimates.



The Health Insurance reserves are forecasted to increase from \$19 million to \$53.9 million. The increase is derived from the annual surplus (revenues over expenditures) and investment income. The investment income annual return assumption used in the forecast is 8%. If the annual investment return assumption is reduced to 7%, the reserves in 2022 drop to \$50.3 million rather than \$53.9 million. The forecast for the Health Insurance Trust net assets is shown on the following page.



## Debt Service Fund

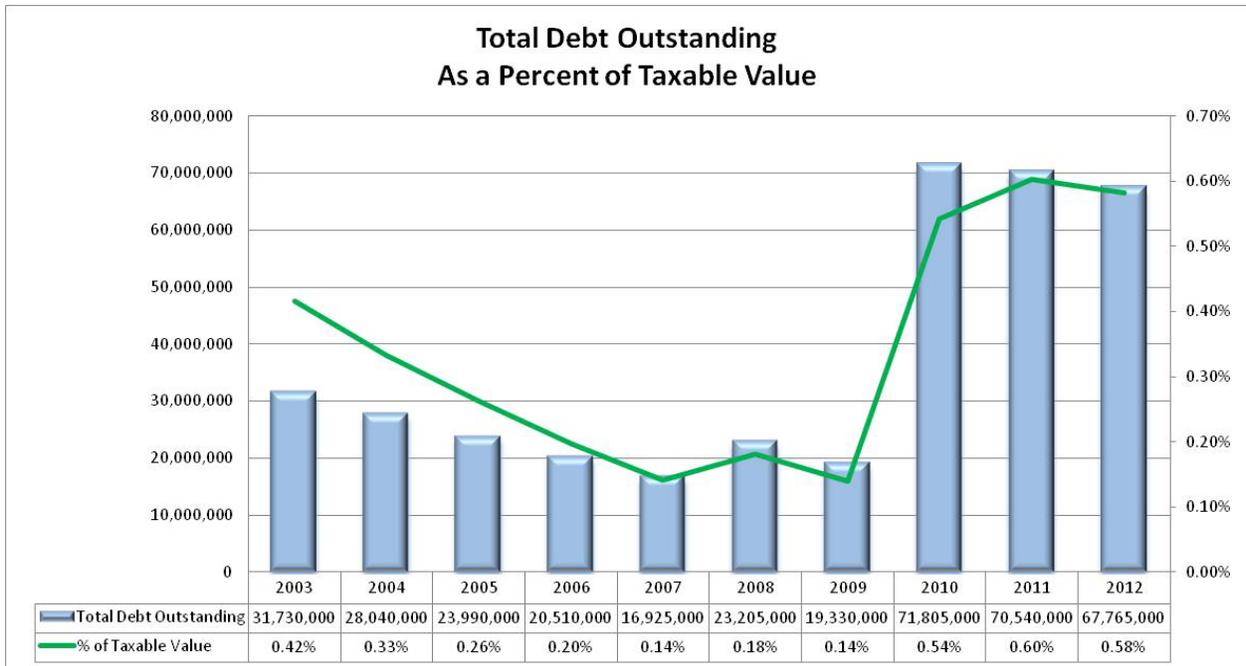
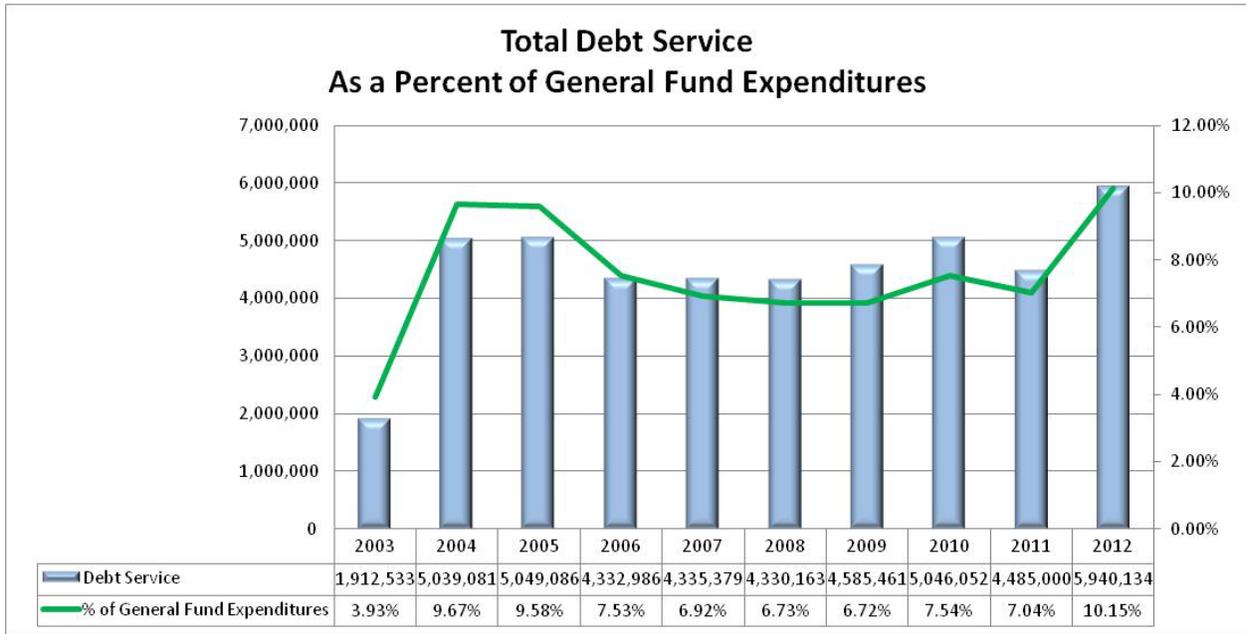
During 2010, the Town issued 2010A Public Improvement Revenue and Refunding Bonds in the principal amount of \$57,035,000, and 2010B Worth Avenue Commercial District Project bonds in the principal amount of \$14,770,000.

The 2010A bonds refunded the 2003B bonds (\$5,310,000), the 2008 Revenue Note (\$10,000,000), and a 2009 Line of Credit (\$600,000) which was issued for the Worth Avenue Project. The balance of the proceeds is to be used to fund a portion of the Town's 20 year Capital Improvement Program totaling \$41,232,000 and \$1,740,844 is to be used to reimburse the Town for the Town's portion of the Par 3 Golf Course Project.

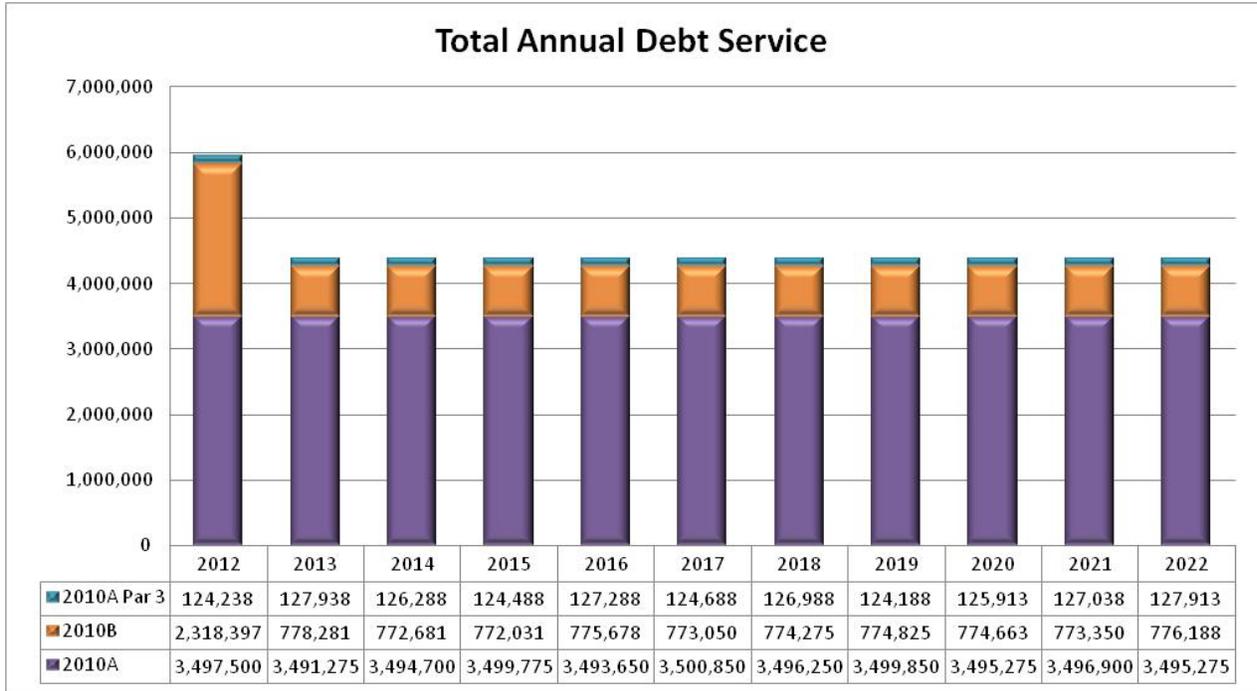
The 2010B bonds were used to fund the Worth Avenue Commercial District streetscape project. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the costs of the Worth Avenue Projects. The assessments will be payable over a thirty year period.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

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

The debt service trend as a percent of General Fund Expenditures and as a percent of taxable value are shown on the following page.



Going forward, total annual debt service for the period of FY12 through FY22 is shown in the chart below.



The total principal debt outstanding for FY12 through FY22 is shown in the chart below.

