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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 FY13 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 the Town Council meeting on April 9, 2013 in the Town Council Chambers.

Status of the FY13 Budget

The FY13 budget is 2% more than the FY12 budget. Personnel count was reduced by 8.71 positions, bringing the total reduction in employees since FY07 to 61.29 (all by attrition with no layoffs). Pension costs have been reduced due to the implementation of pension reform. Staff has been monitoring the FY13 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, Recreation Enterprise Fund and summary information for other funds.

General Fund Revenues

Overall, revenues for FY13 are expected to exceed the budget estimates. Several of the budgeted revenues for FY13 are under the budget standard through February. These include utility taxes, franchise fees, sales and use taxes, state revenues, public safety revenues, parking meter and fines, charges for services and investment income. Utility taxes and parking meter revenue are below the budget standard, but above FY12 collections. Special assignment overtime revenue has declined from FY12 collections. Parking meter fines and penalty collections are lower than FY12. 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; this program is expected to be at or below the budget standard by the end of the fiscal year. 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; this program is expected to be at or below the budget standard by the end of the fiscal year. Library Services is over the budget standard due to the first of two installment payments made to the Four Arts Library; this program is expected to be at or below the budget standard by the end of the fiscal year. All of these overages are planned expenditures that present no cause for concern, although a budget transfer may be recommended for labor/legal costs later in this fiscal year. All other departments are below the budget standard.

Summary

Year to date revenues are \$1,254,271 more than FY12 revenues as of the end of February. Expenditures for FY13 are \$305,112 less than expenditures through February 2012.

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

Tables summarizing General Fund Revenues and Expenditures through February 2013, can be found on the next two pages.

General Fund Revenues

General Fund Revenues For the Period Ended February 28, 2013 (41.7% of FY2013)								
	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2012 Budget	FY2012 YTD Actual	% Budget vs. Actual	FY2012 Actual	% Budget vs. Actual
Ad Valorem Taxes	36,865,400	32,440,082	88.0%	35,999,100	31,814,013	88.4%	36,662,916	101.8%
Sales, Use and Fuel Taxes	310,000	97,230	31.4%	300,000	75,129	25.0%	301,240	100.4%
Utility Service Taxes	4,957,500	1,859,745	37.5%	4,982,000	1,723,388	34.6%	4,973,633	99.8%
Business Tax Receipts	625,000	202,361	32.4%	745,000	570,288	76.5%	669,095	89.8%
Building Permits	5,333,300	2,279,092	42.7%	4,809,300	1,511,836	31.4%	5,514,911	114.7%
Franchise Fees	2,210,000	605,652	27.4%	2,360,000	454,989	19.3%	2,040,444	86.5%
Other Licenses, Fees and Permits	306,000	177,654	58.1%	243,500	109,847	45.1%	365,417	150.1%
Federal Grants	3,850	0	0.0%	5,500	0	0.0%	63,872	1161.3%
State Shared Revenues	996,600	346,446	34.8%	1,008,500	268,342	26.6%	966,779	95.9%
Shared Revenues from Other Local Units	20,000	32,420	162.1%	38,000	9,475	24.9%	20,781	54.7%
Public Safety Fees	1,582,700	597,349	37.7%	1,542,600	695,862	45.1%	2,001,026	129.7%
Physical Environment Fees	1,217,566	969,695	79.6%	1,178,000	927,899	78.8%	1,260,317	107.0%
Transportation Fees	811,000	315,863	38.9%	908,136	313,299	34.5%	780,917	86.0%
Other Charges for Services	40,850	14,414	35.3%	42,000	14,532	34.6%	39,000	92.9%
Judgments and Fines	1,087,000	397,211	36.5%	733,000	464,534	63.4%	857,985	117.1%
Violations of Local Ordinances	212,000	100,400	47.4%	110,000	186,125	169.2%	248,450	225.9%
Interest and Other Earnings	900,500	27,506	3.1%	1,110,000	157,919	14.2%	495,311	44.6%
Rents and Royalties	95,981	8,827	9.2%	93,200	45,039	48.3%	104,980	112.6%
Disposition of Fixed Assets	0	83,574	0.0%	0	1,286	0.0%	1,392	0.0%
Miscellaneous Revenues	94,000	5,584	5.9%	94,000	(1,163)	-1.2%	577,151	614.0%
Interfund Transfers	2,042,033	368,750	18.1%	2,233,600	333,335	14.9%	800,000	35.8%
Total Revenues	59,711,280	40,929,855	68.5%	58,535,436	39,675,975	67.8%	58,745,615	100.4%

General Fund Expenditures

General Fund Comparison of Expenditures Expenditures by Department For the Period Ended February 28, 2013 (41.7% of FY2013)								
	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2012 Budget	FY2012 YTD Actual	% Budget vs. Actual	FY2012 Actual	% Budget vs. Actual
Legislative	95,600	27,142	28.4%	65,800	24,466	37.2%	60,059	91.3%
General Government	445,153	407,495	91.5%	756,297	534,999	70.7%	869,294	114.9%
Town Manager	741,371	302,375	40.8%	699,496	285,119	40.8%	700,242	100.1%
Advice and Litigation	468,915	219,552	46.8%	415,900	205,707	49.5%	654,867	157.5%
Information Systems	1,822,385	987,158	54.2%	1,651,100	878,220	53.2%	1,696,915	102.8%
Human Resources	679,988	224,362	33.0%	671,057	209,872	31.3%	572,452	85.3%
Finance	1,882,423	741,729	39.4%	1,760,314	715,970	40.7%	1,783,453	101.3%
Planning, Zoning & Building	3,600,142	1,312,673	36.5%	3,390,209	1,269,167	37.4%	3,195,824	94.3%
Library	288,989	136,200	47.1%	280,572	136,200	48.5%	272,400	97.1%
Fire-Rescue	10,652,190	4,126,531	38.7%	10,817,000	4,308,824	39.8%	10,119,591	93.6%
Police	12,885,527	4,810,691	37.3%	12,211,577	5,078,632	41.6%	12,261,780	100.4%
Public Works	14,330,768	5,382,934	37.6%	13,215,400	5,005,928	37.9%	12,279,164	92.9%
Emergency Management	47,950	4,440	9.3%	48,900	3,368	6.9%	26,460	54.1%
Transfers:								
Capital Improvement Fund	1,000,000	416,685	41.7%	1,000,000	416,665	41.7%	1,000,000	100.0%
Coastal Protection Fund	2,765,099	1,161,290	42.0%	3,960,000	1,650,000	41.7%	3,960,000	100.0%
Debt Service Fund	3,500,000	1,458,315	41.7%	3,500,000	1,458,335	41.7%	3,500,000	100.0%
OPEB Trust Fund	1,769,000	737,080	41.7%	1,493,000	622,085	41.7%	1,493,000	100.0%
Risk Insurance Fund	1,892,780	788,653	41.7%	1,791,507	746,460	41.7%	1,804,439	100.7%
Contingency	843,000	0	0.0%	807,307	0	0.0%	0	0.0%
Total	59,711,280	23,245,305	38.9%	58,535,436	23,550,017	40.2%	56,249,942	96.1%
General Fund Comparison of Expenditures Expenditures by Type								
	FY2013 Budget	FY2013 YTD Actual	% Budget vs. Actual	FY2012 Budget	FY2012 YTD Actual	% Budget vs. Actual	FY2012 Actual	% Budget vs. Actual
Salaries and Wages	24,444,929	8,943,171	36.6%	23,990,487	9,383,073	39.1%	23,627,363	98.5%
Pension Benefits	4,495,764	1,873,235	41.7%	3,460,216	1,441,757	41.7%	3,460,216	100.0%
Other Employee Benefits	8,588,286	3,985,071	46.4%	8,723,272	3,982,195	45.7%	8,052,188	92.3%
Contractual	8,258,348	3,971,023	48.1%	9,265,070	3,793,174	40.9%	8,785,891	94.8%
Commodities	1,528,071	455,840	29.8%	1,549,654	503,607	32.5%	1,560,558	100.7%
Capital Outlay	2,084,014	844,473	40.5%	1,998,768	785,011	39.3%	1,908,205	95.5%
Contingency	843,000	0	0.0%	807,397	0	0.0%	0	0.0%
Other	9,468,868	3,172,490	33.5%	8,740,572	3,661,200	41.9%	8,855,520	101.3%
Total	59,711,280	23,245,305	38.9%	58,535,436	23,550,017	40.2%	56,249,942	96.1%

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

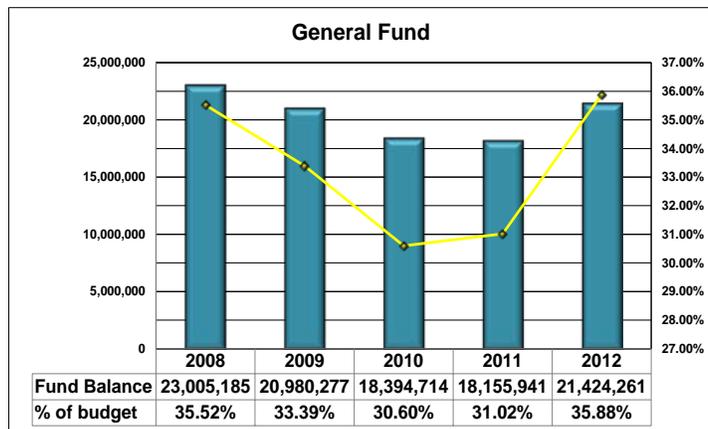
Town of Palm Beach, Florida Recreation Enterprise Fund Revenue and Expenditure Report February 28, 2013								
	Budget FY2013	YTD Actual 2013	% Budget	Budget FY2012	YTD Actual 2012	% Budget	Actual 2012	% Budget
Revenues								
Town Dock Revenue	3,235,500	2,778,463	85.87%	3,085,000	2,712,159	87.91%	2,908,864	94.29%
Recreation Center Revenue	351,300	99,765	28.40%	321,000	96,592	30.09%	336,441	104.81%
Tennis Revenues	229,600	125,988	54.87%	225,100	137,662	61.16%	207,304	92.09%
Par 3 Golf Revenue	1,066,800	453,622	42.52%	1,027,700	446,665	43.46%	911,714	88.71%
Investment Earnings	17,500	2,483	14.19%	17,500	8,664	49.51%	28,718	164.10%
Miscellaneous Revenue	16,500	4,947	29.98%	6,500	7,079	108.91%	22,471	345.71%
Total Revenues	4,917,200	3,465,269	70.47%	4,682,800	3,408,820	72.79%	4,415,512	94.29%
Expenditures								
Administration	341,715	144,031	42.15%	358,275	154,702	43.18%	355,231	99.15%
Tennis	342,666	121,815	35.55%	323,595	126,641	39.14%	286,307	88.48%
Recreation Center	671,435	210,994	31.42%	631,788	209,989	33.24%	577,907	91.47%
Town Docks	842,653	406,900	48.29%	845,040	364,438	43.13%	784,904	92.88%
Par 3	1,042,764	454,702	43.61%	909,477	358,822	39.45%	918,730	101.02%
Equipment Replacement	32,000	30,954	96.73%	37,000	15,999	43.24%	15,999	43.24%
Debt Service - Par 3	128,000	53,335	41.67%	125,500	52,290	41.67%	124,238	98.99%
Depreciation	515,000	0	0.00%	515,000	0	0.00%	523,507	101.65%
Total Expenditures	3,916,233	1,422,729	36.33%	3,745,675	1,282,882	34.25%	3,586,822	95.76%
Operating Revenue over/(under) Expenditures	1,000,967	2,042,539		937,125	2,125,938		828,690	
Transfers and Contingency	(1,120,600)	(368,750)		(815,700)	(333,335)		(800,000)	
Total Revenues over/(under) Expenditures	(119,633)	1,673,789		121,425	1,792,603		28,690	
% of Fiscal Year Completed: 41.7%								

Town of Palm Beach Reserves

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

Unassigned Fund Balance - General Fund

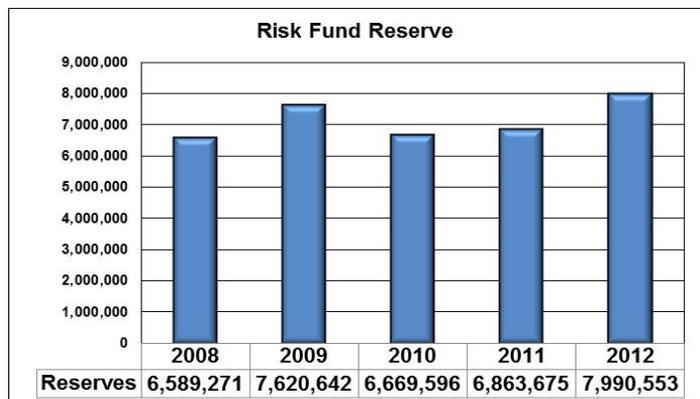
Pursuant to adopted policy, the unassigned fund balance for the General Fund is to be maintained at a minimum level of 25% of current year General Fund budgeted expenditures. This minimum level is to be maintained to protect the Town against economic downturns, temporary revenue shortfalls, unpredicted one-time expenditures, and for tax rate stabilization purposes. Twenty-five percent of the FY13 General Fund operating budget of \$59,711,280 is \$14,927,820. The FY12 ending fund balance is \$21,424,261. This amount represents 35.88% of FY13 budgeted operating expenditures or approximately \$6,496,441 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 FY13 budget, a transfer of \$843,000 from fund balance was used to fund the contingency reserve as directed by policy. During FY13, the Town Council approved a budget amendment transferring \$2,000,000 from the undesignated fund balance to the coastal protection fund for future coastal projects.

Reserves - Risk Fund

The total reserve balance for the Risk Fund is \$7,990,553 as of September 30, 2012. 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

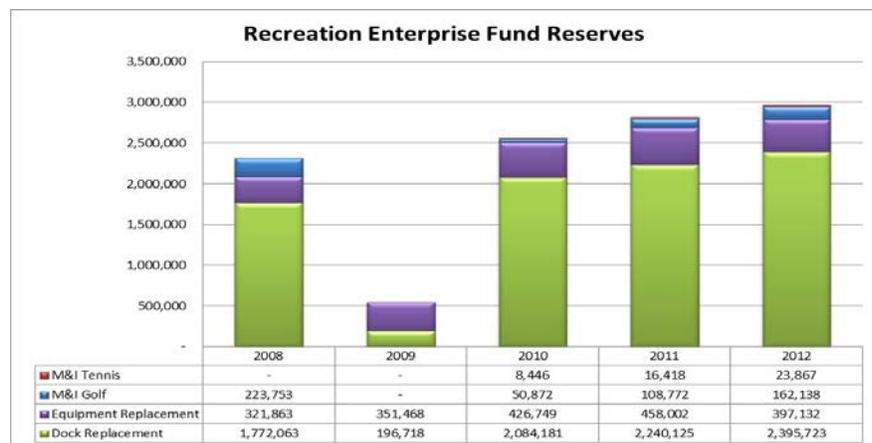
The Reserve for Catastrophic Exposures/Emergencies for the Risk Fund is funded at a minimum of \$2,500,000. This reserve was established to set aside emergency funds to protect the Town against the potential financial impacts large judgments in excess of insurance coverage and the financial impacts of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

Enterprise Fund Reserves

The Recreation Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,230,325 for FY13. 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 FY12, the net asset balance for the Recreation Enterprise Fund (REF) is \$3,697,167. 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 FY12, \$2,395,723 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.

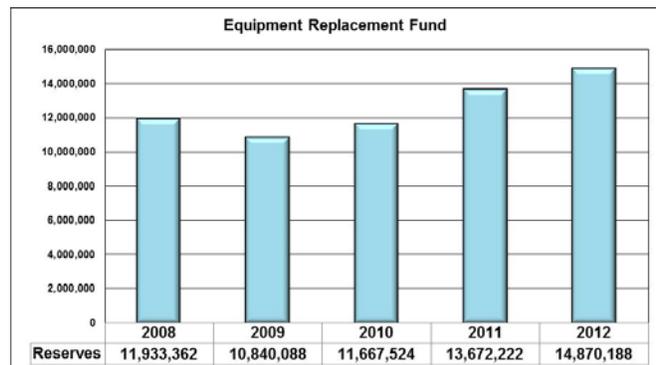
The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. At the end of FY12, the balance was \$162,138.

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY12 totaled \$23,867 and has been set aside for improvements to the tennis centers.

The Recreation Enterprise Fund's equipment replacement reserve allows for the purchase of capital equipment and is funded with accumulated replacement cost depreciation from Recreation Net Assets. The balance in the REF Equipment Replacement Fund is \$397,132 as of September 30, 2012.

Equipment Replacement Fund

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



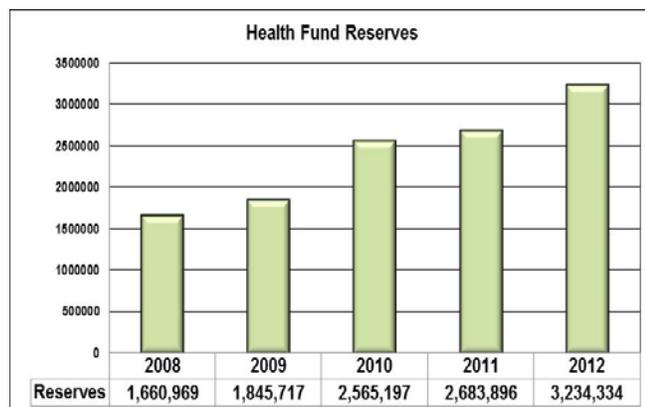
The balance in the Equipment Replacement Fund for year-end FY12 is \$14,870,188. For FY13, income including the depreciation transfer will total \$2,135,969 and expenditures for capital equipment are budgeted at \$1,073,703.

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

A Reserve for Compensated Absences reduces the budgetary fluctuations due to the payout of accrued leave time to employees when they leave Town service. This reserve is funded at a rate of 100% of the fiscal year end accrued leave balances. Funds are appropriated annually from this reserve based upon estimates of pay-outs of eligible accrued vacation, sick and compensatory time and the related payroll tax liability. The balance in the reserve as of September 30, 2012, is \$3,315,135. The FY13 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$314,033.

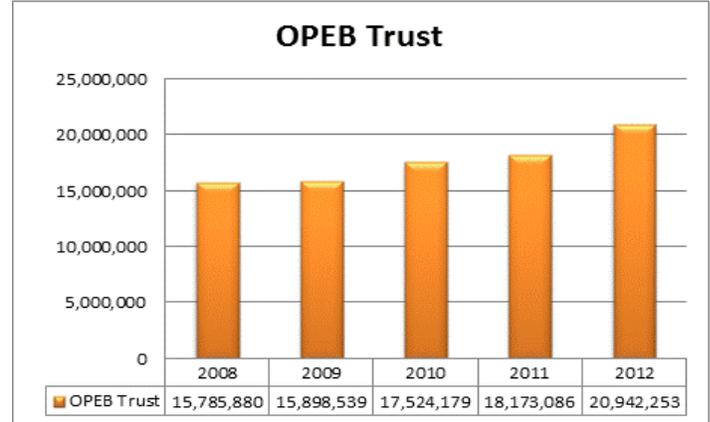
Health Insurance Reserve

The balance of the reserve in the Health Fund at the end FY12 is \$3,234,334. These reserves guard against any deficiencies in the Town's self insurance health fund for current employees' insurance expenditures.



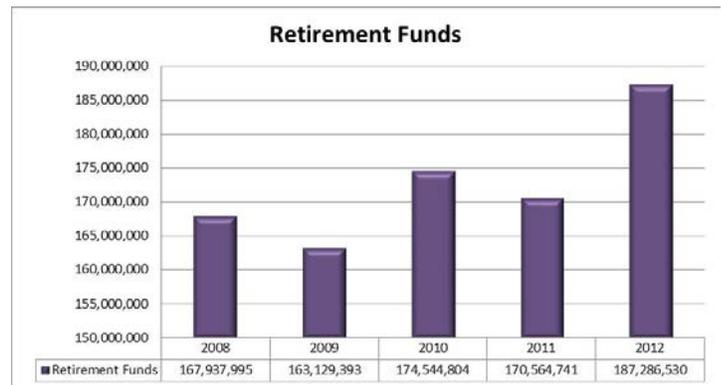
OPEB (Other Post Employment Benefits) Trust

The Town's OPEB Trust Fund was established to comply with GASB Statements 43 and 54, which required the establishment of a liability for actuarially determined costs of retiree health benefits. This fund is overseen by the Town's Investment Advisory Committee. The net asset balance in this trust is \$20,942,253 as of September 30, 2012. The actuarially determined transfer from the General Fund for the OPEB liability for FY13 is \$1,769,000. The Town continues to be well ahead of other government agencies in funding this liability.



Retirement Funds

The Town's three Retirement Funds for General Employee, Police Officers, and Firefighters, were consolidated into the Employee's Retirement Fund in FY12. The net assets of the consolidated fund at the end of FY12 were \$187,286,530. Improved investment performance in FY12 increased net assets of the fund by \$16,721,789.



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 FY13 budget. The Capital Fund Contingency is appropriated at 10% of the capital budget, while the Equipment Replacement Fund, Risk, and Health Contingency Reserves are appropriated at \$500,000 each. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses. All of the contingency reserves are annually appropriated in the budget process from the net asset reserves of each of the funds. In most years a small amount from the contingency is allocated for expenditures through an affirmative vote of the Town Council.

The table on the following page identifies the contingency balances appropriated in the FY12 and the FY13 budgets:

**Contingency Reserves
FY2012 and FY2013**

Fund	FY2012 Budget	FY2013 Budget
General Fund	\$807,397	\$843,000
Capital Fund	\$181,000	\$201,000
Equipment Replacement Fund	\$500,000	\$500,000
Risk Fund	\$500,000	\$500,000
Health Fund	\$500,000	\$500,000
Recreation Enterprise Fund	\$155,000	\$235,600

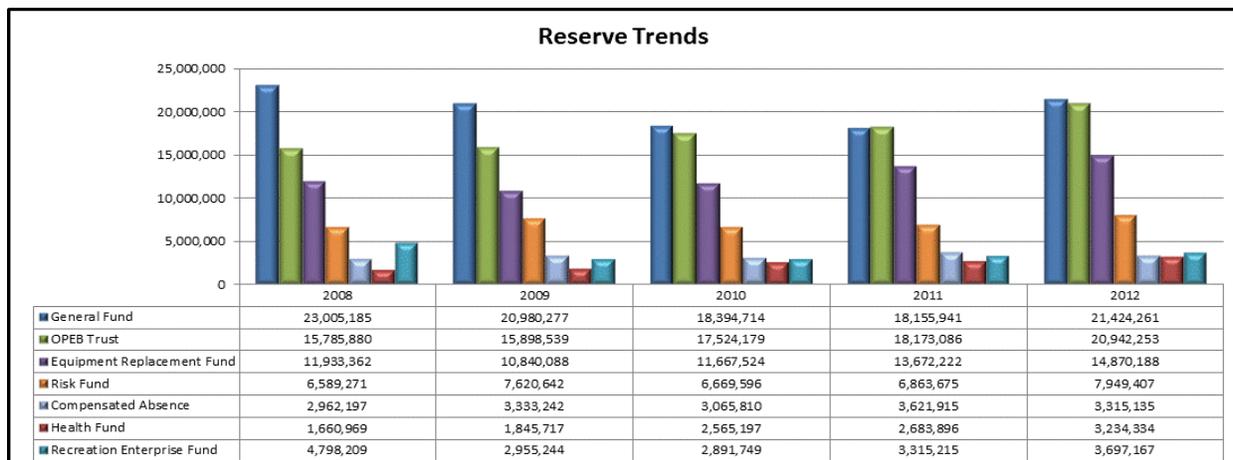
Undesignated Fund Balance/Retained Earnings Summary

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 summarize the trend of the unassigned fund balance, net asset balances, compensated absence, and replacement reserve balances for FY08 through estimated FY12.

**Reserve Balances
Fiscal Years 2008 – 2012**

Fund	2008	2009	2010	2011	2012
General Fund	23,005,185	20,980,277	18,394,714	18,155,941	21,424,261
Compensated Absence (GF)	2,962,197	3,333,242	3,065,810	3,621,915	3,315,135
Equipment Replacement Fund	11,933,362	10,840,088	11,667,524	13,672,222	14,870,188
Recreation Enterprise Fund	2,035,289	1,050,115	294,764	413,966	707,381
Recreation ERF	321,863	351,468	426,749	458,002	397,132
Dock Replacement	1,772,062	196,718	2,084,181	2,240,125	2,395,723
Par 3 M&I Reserve	223,753	0	50,872	108,722	162,138
Tennis M&I reserve	0	0	8,446	16,418	23,867
Health Fund	1,660,969	1,845,717	2,565,197	2,683,896	3,234,334
Risk Fund	6,589,271	7,620,642	6,669,596	6,863,675	7,990,553
Health - OPEB Trust	15,785,880	15,898,539	17,524,179	18,173,086	20,942,253
Pension Fund	<u>167,937,995</u>	<u>163,129,393</u>	<u>174,544,804</u>	<u>170,564,741</u>	<u>187,286,530</u>
Total	234,227,826	225,246,199	237,296,836	236,972,759	262,749,495



General Fund Revenue Trend Analysis



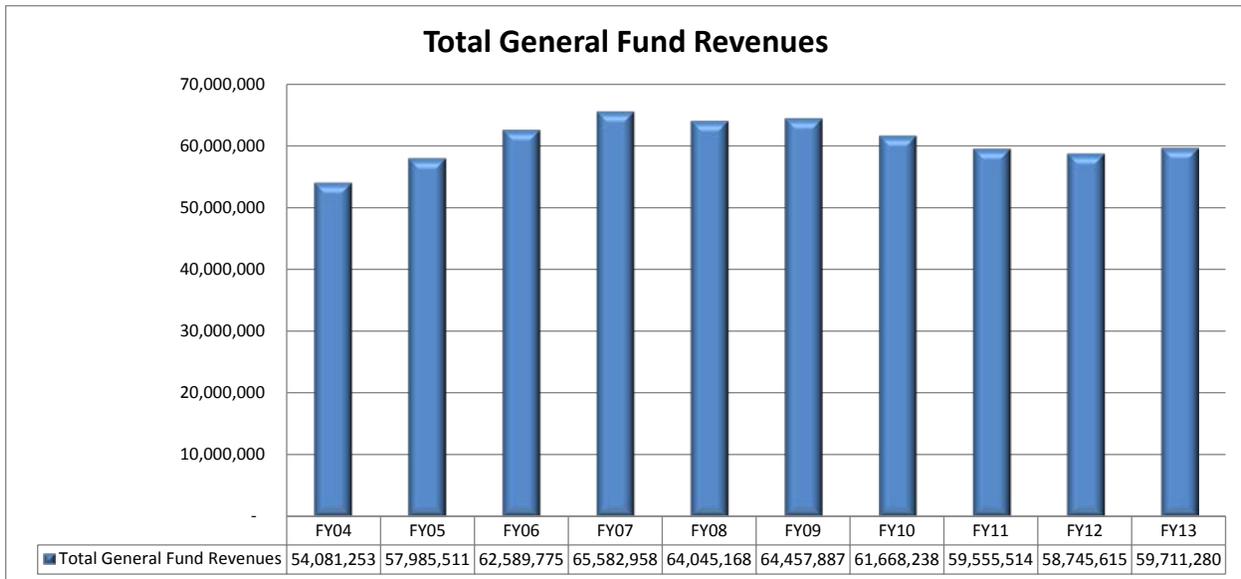
General Fund Revenue Trend Analysis

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

The Town was not immune to the effects of the 2007-2009 recession and the slow economic recovery that followed. Town taxable value dropped 15% between 2009 – 2012. Total General Fund revenues dropped 8.8% during that time. Recently, slight improvements in property values have increased the Town’s taxable value by 2.69%. Other revenues, such as building permits, public safety fees, utility taxes and some state revenues have also shown improvement. There is still weakness in investment income and some tax revenues.

General Fund Revenues

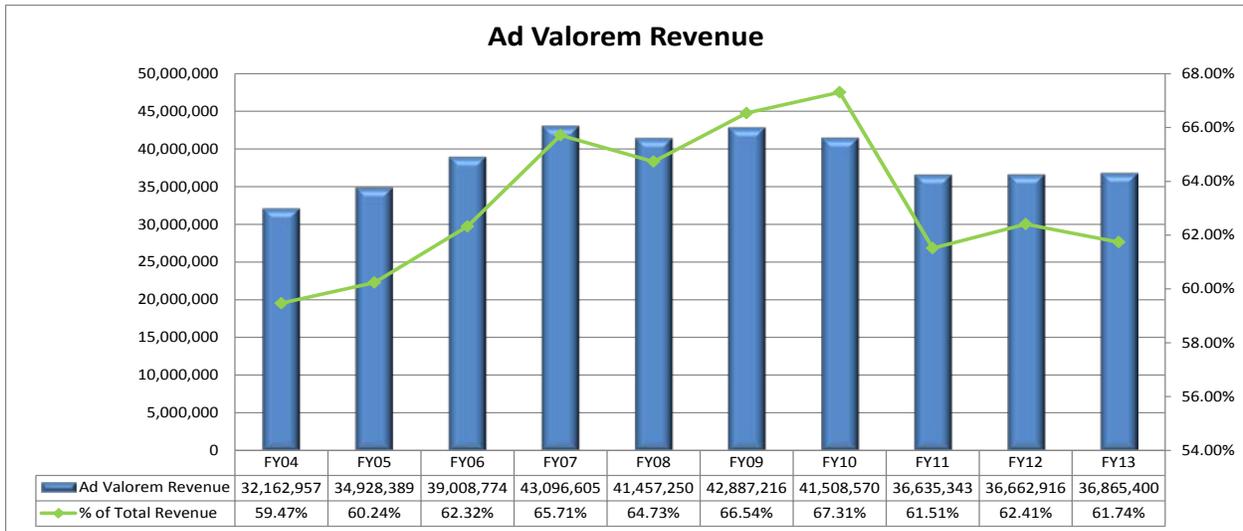
Revenues determine the capacity of a municipality to provide services. Important issues to consider when reviewing revenue trends are growth, flexibility, diversity, reliability and administration. Revenues should grow at a rate equal to or greater than the combined effects of inflation and expenditures.



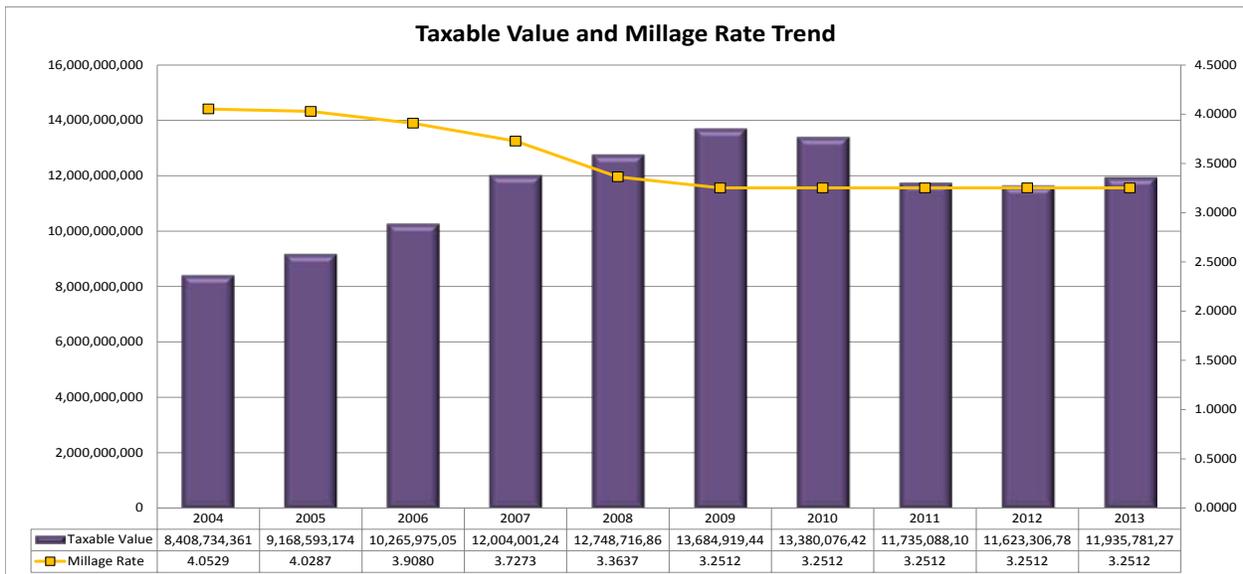
General Fund Revenues are 10.41% higher in FY13 than they were in FY04. Between FY04 and FY07, revenues increased 21.3% (an average annual increase of 6.6%). Between FY07 and FY12, revenues decreased by 10.4%. Between FY12 and FY13, revenues increased by 1.64%.

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. For FY13, ad valorem revenue increased by 2.41%. Ad Valorem Revenue peaked at 67.3% of total revenues in FY10. Currently, ad valorem revenue accounts for 61.7% of total revenue.



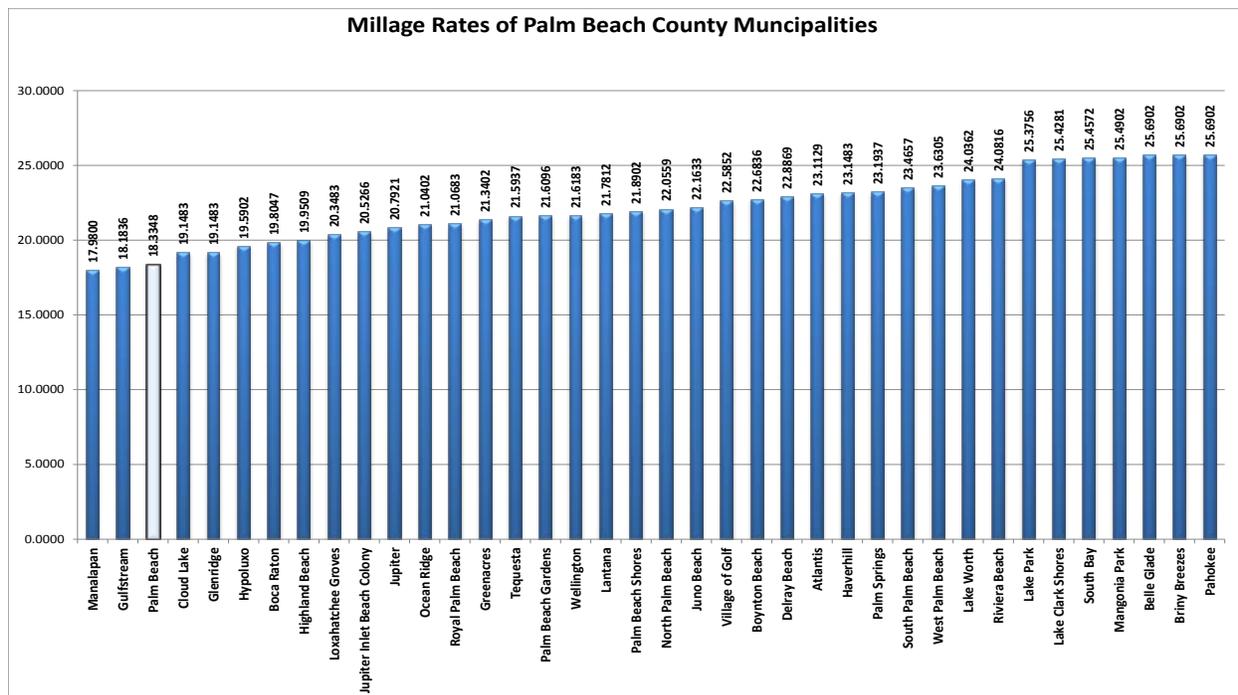
Revenue increases from FY02 through FY07 were accomplished with increasing taxable value and declining millage rates. Since FY09 the millage rate has been maintained at 3.2512 which resulted in declining revenue due to the declining taxable values for FY10 – FY12. Taxable value increased by 2.69% in FY13 resulting in a slight increase in property tax revenue.



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 FY13, the Town adopted the same millage rate as FY12 which resulted in an increase in taxes of \$866,200 due to a 2.69% increase in taxable value. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, decreased 2.3% from 18.7670 to 18.3348. The Town’s portion of the total millage is 17.73% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY12 to FY13 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY12 Millage Rate	FY13 Millage Rate	FY13 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
Palm Beach	3.2512	3.2512	\$3,251	\$0	0.00%	17.73%
Palm Beach County	4.9925	4.9902	\$4,990	-\$2	-0.05%	27.22%
Palm Beach County School District	8.1800	7.7780	\$7,778	-\$402	-4.91%	42.42%
South Florida Water Mgmt	0.3739	0.3676	\$368	-\$6	-1.68%	2.00%
Children Services	0.7475	0.7300	\$730	-\$18	-2.34%	3.98%
Florida Inland Navigation	0.0345	0.0345	\$35	\$0	0.00%	0.19%
Health Care District	1.1250	1.1220	\$1,122	-\$3	-0.27%	6.12%
Everglades Construction	0.0624	0.0613	\$61	-\$1	-1.76%	0.33%
Grand Total	18.7670	18.3348	\$18,335	-\$432	-2.30%	100.00%

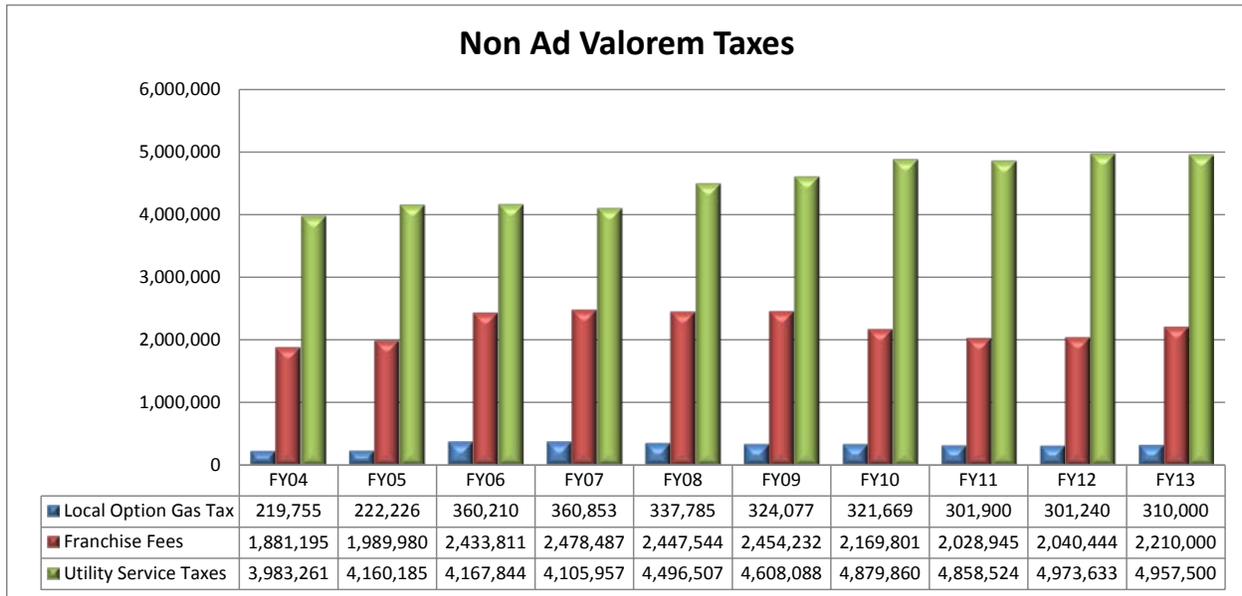
The Town of Palm Beach’s total millage rate is the third lowest in Palm Beach County. The owner of a home with a taxable value of \$1 million pays \$18,335 in total taxes in Palm Beach versus \$19,805 in Boca Raton, \$21,610 in Palm Beach Gardens and \$23,631 in West Palm Beach.



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

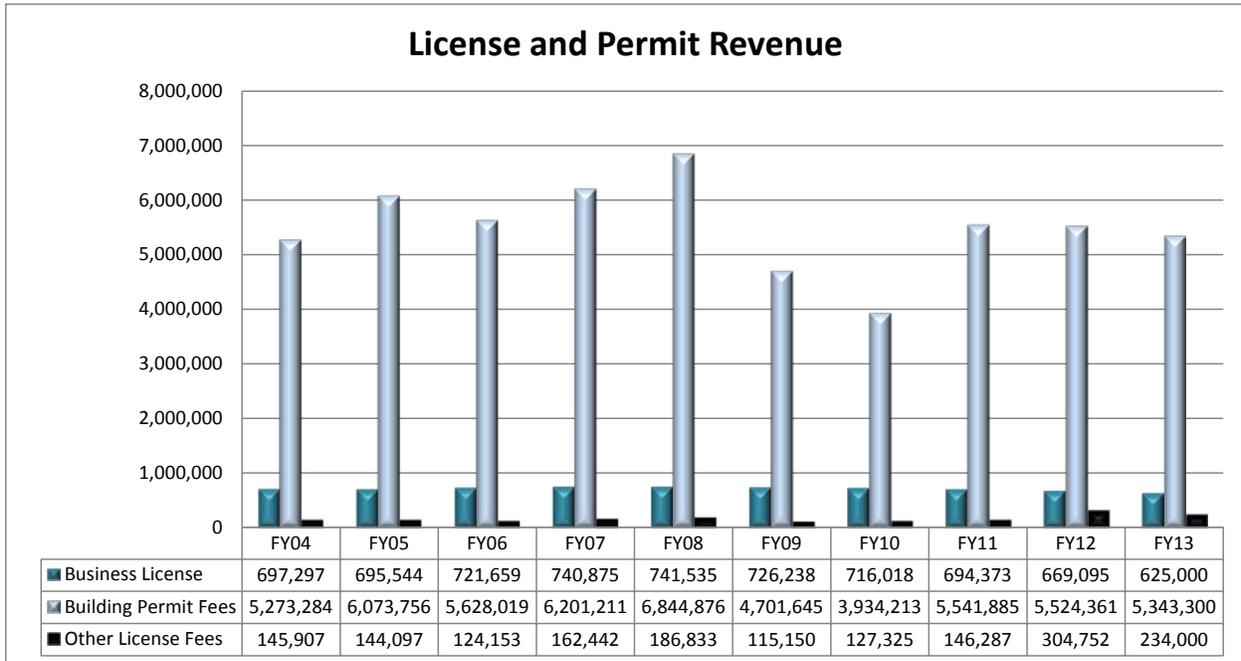
Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.



Local Option Gas Tax and Franchise fee revenue declined in FY10, FY11 and FY12. It is anticipated that revenues will increase slightly or remain flat for FY13.

License and Permit Revenue

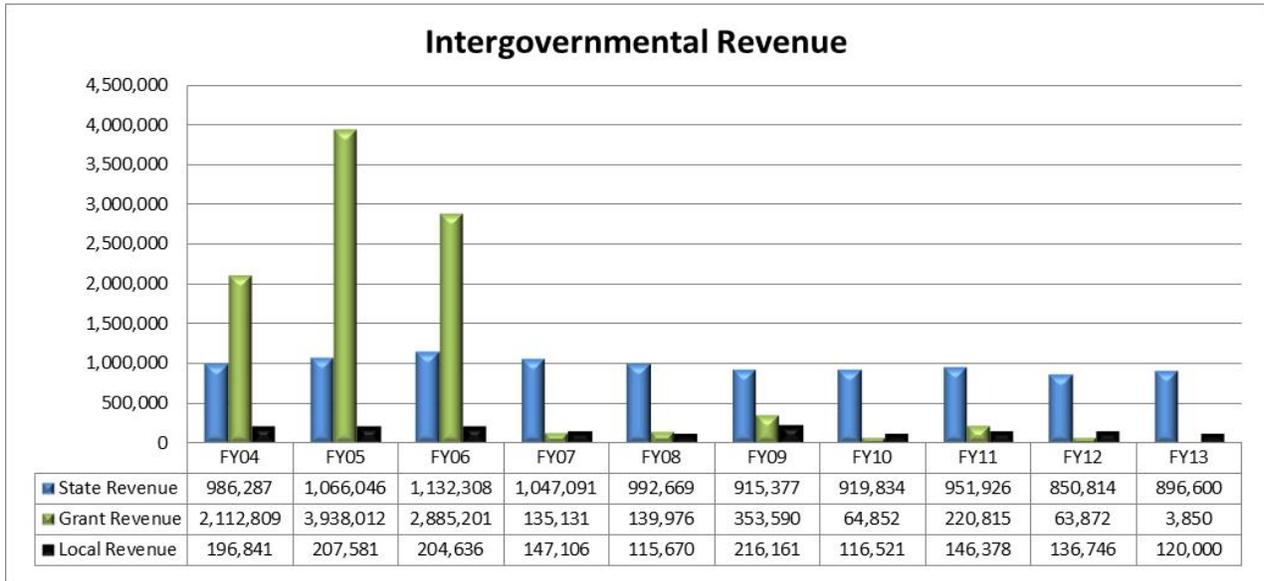
License and permit revenue includes, business licenses, building permit revenues and parking permits. The trend chart is shown on the following page.



Building permit revenue makes up the majority of these revenues. Building permit revenues dropped significantly from a high of \$6.8 million in FY08 to \$3.9 million in FY10. The recession and downturn in housing caused the decline. Since FY11, revenues have improved due to increases in building activity. The number of business licenses also declined since FY09. A change in state law exempting real estate brokers from the business license tax will cause a further decline in FY13.

Intergovernmental Revenue

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



The 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.

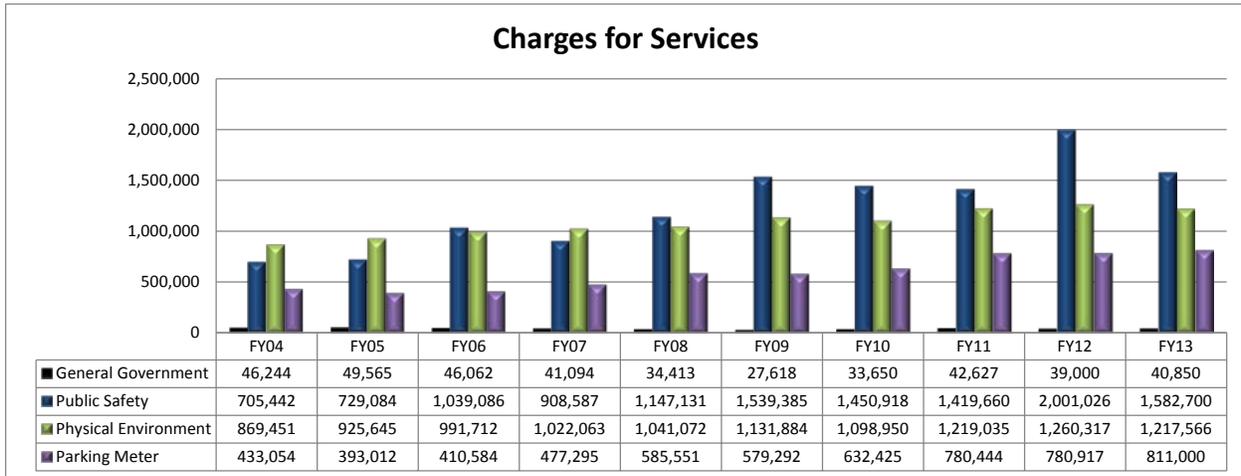
Charges for Services

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

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.

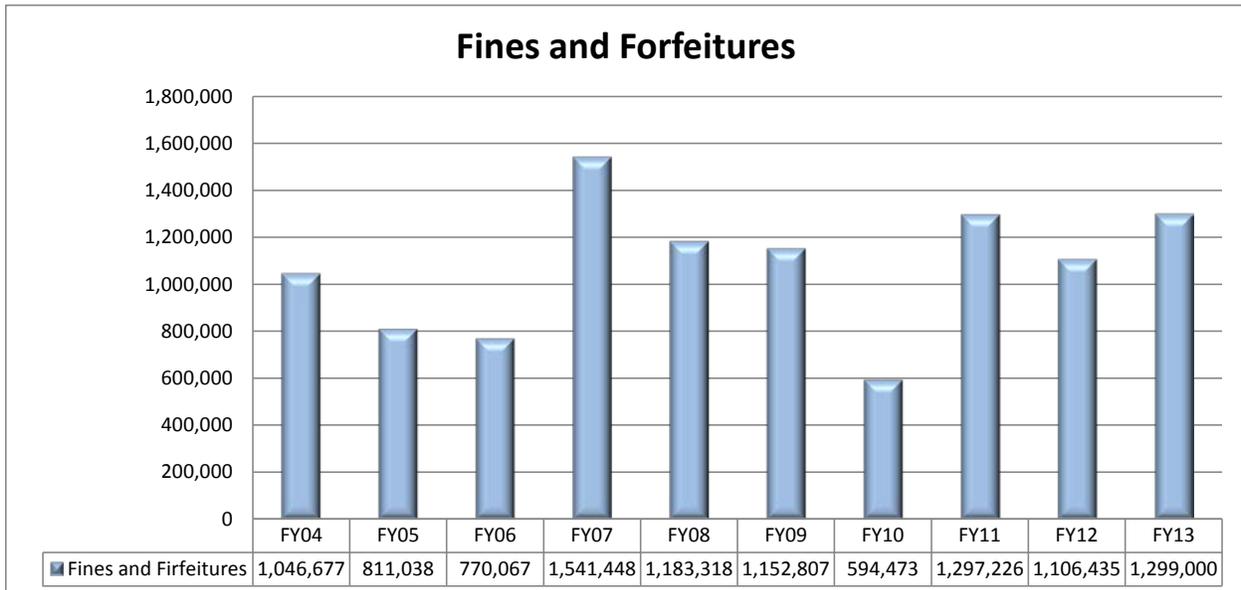
Physical environment fees include solid waste fees and beach cleaning fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service.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

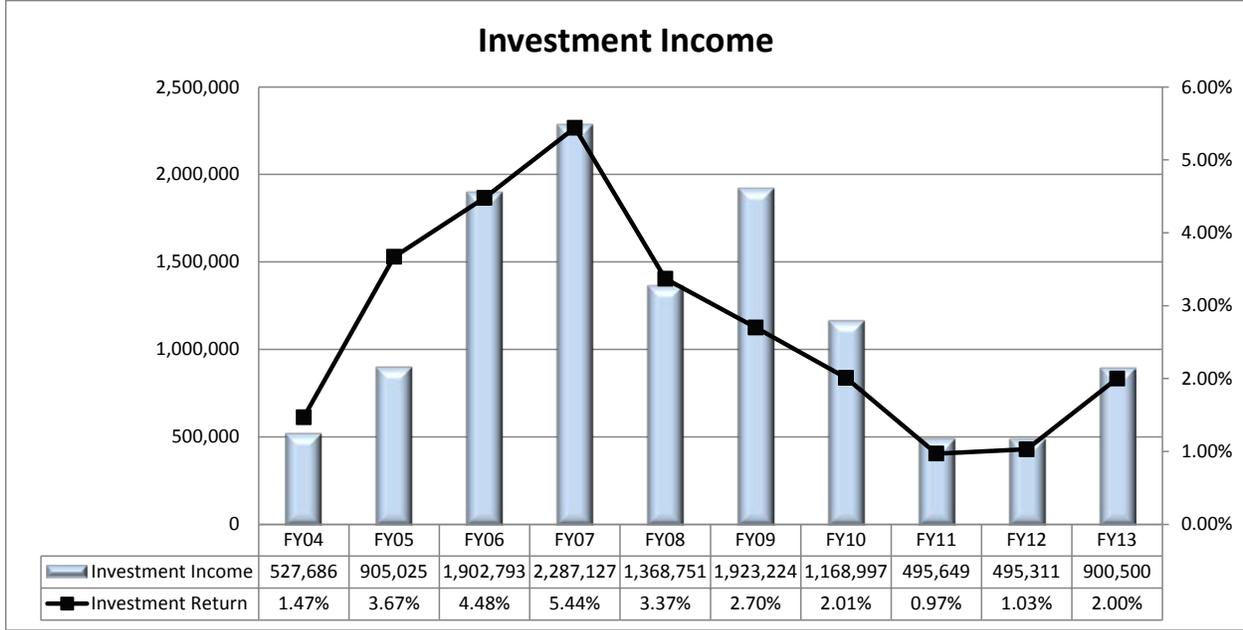


Parking fines and penalties were increased in FY04 and in FY08. In FY07, FY08 and FY09, large code enforcement fines were collected. Revenues from these sources declined in FY10 but increased in FY11 due to the collection of large code enforcement fines. In FY13 revenues from parking tickets are expected to increase due to an increase in parking fines.

Investment Income

The Town’s Investment Advisory Committee oversees the investment of the Town’s surplus funds as well as the investments in the Town’s OPEB trust. The Town’s surplus funds are invested in

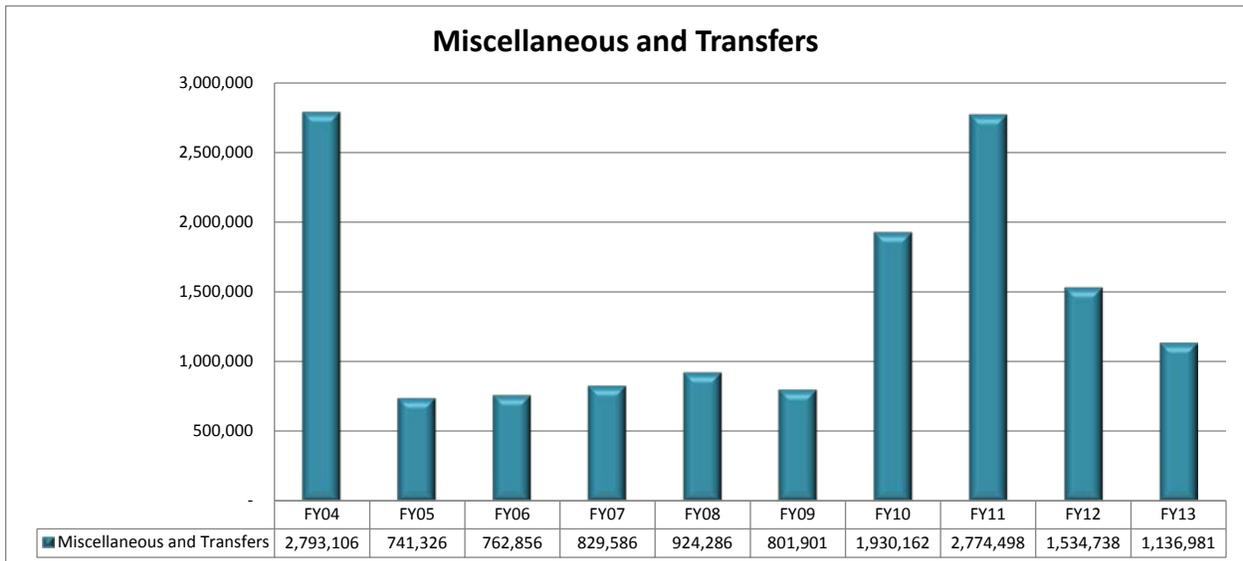
fixed income securities, money market accounts and two bond funds with the Florida League of Cities Investment Trust.



Interest rates in FY05, FY06 and FY07 were higher than the recent historical trend. 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. FY12 includes a transfer of \$800,000 from the Recreation Enterprise Fund and insurance proceeds from a large claim. The FY13 budget includes a transfer of \$885,000 from the Recreation Enterprise Fund and transfer from Fund Balance of \$1,157,033. A portion of the transfer (\$314,033) 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 (\$843,000) in compliance with Town policy.

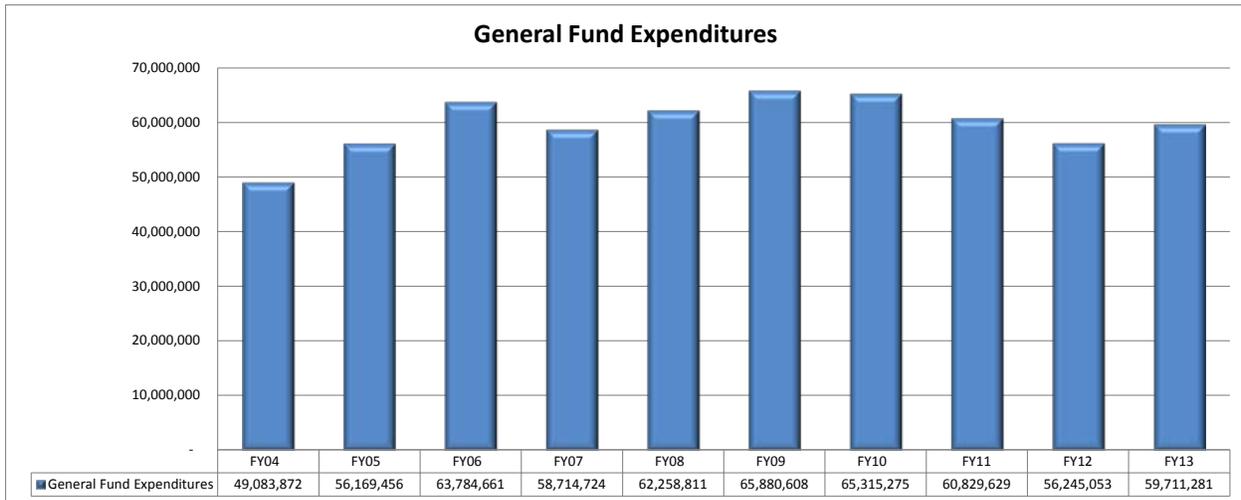
General Fund Expenditure Trend Analysis



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 FY13, the total General Fund budget increased by 2% from the FY12 budget. Between FY04 and FY09, the average annual increase was 6.08% and the total increase was 34.22%. Between FY09 and FY12, expenditures decreased 14.6%.



Increases in expenditures in FY05 and FY06 relate to the response to and recovery from Hurricanes Frances, Jeanne and Wilma. A significant portion of the hurricane expenditures were reimbursed from FEMA and state sources. The major changes in the General Fund budget for FY04 – FY13 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
FY2004 Budget Decrease 2.5%	<ul style="list-style-type: none"> • Total General Fund Budget - \$47,450,635 • Reduced the millage rate by .03% to 4.0529, taxable value increased 10.1% • <i>Added 2.84 positions to the budget</i> • Created Leisure Services Enterprise Fund • Increase in depreciation transfer - \$109,596 • Increase in transfer to Risk Insurance Fund - \$63,118 • Increase in transfer to Debt Service Fund - \$1,268,150 • <i>Increase in the contribution to the retirement fund by 98% - \$1,706,772</i> • Increase in costs due to overtime related to Hurricanes Frances and Jeanne
FY2005 Budget	<ul style="list-style-type: none"> • Total General Fund Budget - \$52,380,731 • Reduced the millage rate by .6% to 4.0287, taxable value increase 9.22%

<p>Increase 10.4%</p>	<ul style="list-style-type: none"> • <i>Added 5.3 positions to the budget</i> • <i>Increase in the contribution to the retirement fund - \$746,692</i> • <i>Increase in health insurance costs - \$347,166</i> • Increase in the transfer to the Capital Improvement Fund for the Town Hall renovation project \$1,171,000 (transfer from fund balance reserves) • Increase in debt service funding - \$84,700 • <i>Decrease in transfer to Risk Insurance Fund – (\$300,000)</i> • <i>Purchase of tasers for the Police Department - \$58,300</i> • <i>Costs associated with the recovery efforts for Hurricanes Frances and Jeanne</i>
<p>FY2006 Budget Increase 9.9%</p>	<ul style="list-style-type: none"> • <i>Total General Fund Budget - \$57,544,075</i> • <i>Reduced millage rate by 3% to 3.908, taxable value increased by 12.4%</i> • <i>Added 5.5 new positions to the budget</i> • <i>Implementation of the compensation study - \$312,000</i> • <i>Increase in the contribution to the retirement fund - \$718,274</i> • <i>Police and Firefighter retirement multiplier improvement – 3.25% to 3.5% (Estimated cost \$555,578)</i> • <i>Increase in health insurance costs - \$470,071</i> • <i>Funding for a traffic and parking improvement plan - \$150,000</i> • <i>First year funding of Townwide software upgrade \$230,000</i> • Purchase of the police radio system \$665,000 • Increase in debt service funding - \$830,650 • <i>Increase in the transfer to the Capital Improvement Fund - \$116,559</i> • <i>Decrease in the transfer to the Risk Insurance Fund – (\$120,033)</i> • Modification to the ERF for replacement cost funding - \$4,205,523 added to the reserve with a transfer from fund balance. • <i>Costs for response to and recovery from Hurricane Wilma</i>
<p>FY2007 Budget Increase 8.9%</p>	<ul style="list-style-type: none"> • <i>Total General Fund Budget - \$62,642,654</i> • <i>Reduced millage rate by 4.62% to 3.7273, taxable value increased by 16.13%</i> • <i>Increase in the contribution to the retirement fund - \$1,751,939</i> • <i>Added 1.87 positions to the budget</i> • <i>Increased in the transfer to the Capital Improvement Fund - \$762,200</i> • Increased funding for coastal permitting, monitoring and legal \$1,057,000 • Town wide software upgrade - \$350,000 • <i>Increase in milling and resurfacing funding \$275,000</i>
<p>FY2008 Budget Increase 2.7%</p>	<ul style="list-style-type: none"> • <i>Total General Fund Budget - \$64,332,559</i> • <i>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</i> • <i>Increased parking ticket fines and meter rates - \$400,000</i> • <i>Reduced transfer to the Capital Improvement Fund (\$1,282,801)</i>

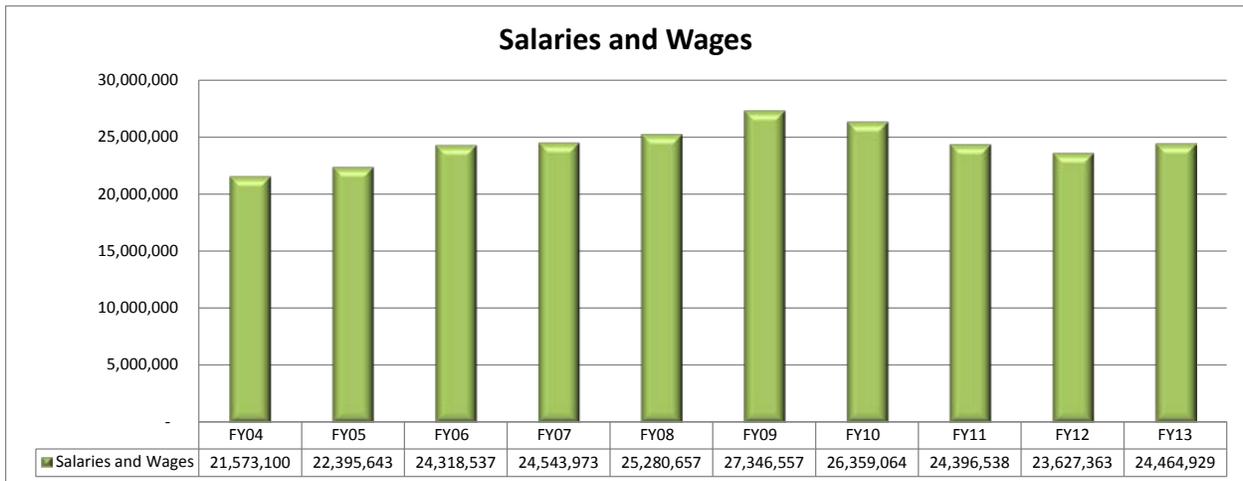
	<ul style="list-style-type: none"> • <i>Eliminated 3.95 positions</i> • <i>Increase in the contribution to the retirement fund - \$674,018</i> • <i>Increase in the transfer to the Health Insurance Trust - \$472,300</i> • Townwide software upgrade - \$350,000 • <i>Decreased contribution for feral cat program – (\$50,000)</i> • Purchase of parking kiosks - \$500,000, and electronic chalking devices - \$210,000 • Increase in depreciation due to modification of policy - \$669,153 • Increase in debt service funding - \$123,000 • <i>Increase in the transfer to the Risk Insurance Fund - \$171,799</i>
<p>FY2009 Budget Increase 4.7%</p>	<ul style="list-style-type: none"> • <i>Total General Fund Budget - \$67,335,600</i> • <i>Reduced millage rate by 3.34% to 3.2512, taxable value increased 7.73%</i> • <i>Special competitive pay increases for all firefighters and police officers - \$585,984</i> • <i>First year cost of the early retirement buyout – \$922,800</i> • <i>Decrease in the contribution to the retirement fund – (\$636,848)</i> • <i>Increase in the transfer to the Health Insurance Fund - \$900,000</i> • Townwide software upgrade - \$350,000 • Transfer to the Coastal Protection Fund for pending litigation - \$2,000,000 • Increase in Debt Service Funding - \$138,000 • <i>Decrease in the transfer to the Risk Insurance Fund - (\$474,000)</i> • <i>Decrease in the transfer to the Capital Improvement Fund - (\$279,000)</i> • <i>Reduced .89 positions</i>
<p>FY2010 Budget Decrease .7%</p>	<ul style="list-style-type: none"> • <i>Total General Fund Budget - \$66,853,300</i> • <i>Maintained millage rate at 3.2512, taxable value declined 2.23%</i> • <i>Reduction in property tax revenue of - (\$1,217,000)</i> • <i>Elimination of 9.25 positions (savings of \$1,058,100)</i> • <i>Salary freeze implemented for all employees</i> • <i>Second year cost of early retirement buyout – 858,000</i> • <i>Increase in contribution to retirement fund - \$655,631</i> • <i>Elimination of extraordinary longevity – (\$88,700)</i> • <i>Decrease in Town contribution for health insurance – (\$300,000)</i> • Final year of Townwide software upgrade - \$160,000 • <i>Decreased contribution for feral cat program – (\$50,000)</i> • Increase in debt service funding - \$132,000 • Increase in transfer to the Capital Improvement Program \$3,011,957 (included \$2,600,000 from fund balance for one time transfer for 20 year CIP program) • <i>Contracted with a Pension Consultant - \$127,268</i> • <i>Contracted with an Internal Auditor - \$110,710</i> • <i>Elimination of printing and mailing of Annual Report - (\$9,500)</i>

<p>FY2011 Budget Decrease 4.7%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$63,734,848 • Maintained millage rate at 3.2512, taxable value declined 11.42% • Reduction in property tax revenue of (\$5,080,500) • <i>Second year of a salary freeze for all employees</i> • <i>Elimination of 32.65 positions – (savings of \$1,788,439)</i> • <i>Increase in contribution to retirement fund \$1,568,698</i> • <i>Final payment for early retirement buyout - \$136,000</i> • <i>Decrease in Town contribution for health insurance - (\$205,000)</i> • Reduced funding for lobbying services – (\$50,000) • Cut employee events – (\$40,000) • Eliminated funding for 4th of July event – (\$25,000) • Decrease in debt service funding (\$422,000) • Decrease in transfer to the Capital Improvement Program – (\$4,328,957) • Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)
<p>FY2012 Budget Decrease 8.2%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$58,535,436 • Maintained millage rate at 3.2512, taxable value declined .46% • Reduction in property tax revenue of (\$246,300) • <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i> • <i>Elimination of 4.68 positions</i> • <i>Reinstated performance based pay increases for employees - \$327,300</i> • <i>Increase in health insurance funding \$272,700</i> • New funding for the Palm Beach County Inspector General - \$100,000 • Modification to funding for Equipment Replacement Program – (Savings of \$344,271) • Increased transfer from Recreation Enterprise Fund - \$161,000 • Increased the transfer to the Capital Improvement Program by \$500,000 • Transfer to Coastal Protection Fund of \$3,960,000
<p>FY2013 Budget Increase 2.01%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$59,711,280 • Maintained millage rate at 3.2512, taxable value increased by 2.69% • Increase in property tax revenue of \$866,200 • <i>Elimination of 8.71 positions</i> • <i>Increased the pay ranges 3% for all non-union positions.</i> • <i>Increase in pension costs \$1,035,548</i> • <i>Increase in health insurance and OPEB costs \$556,727</i> • <i>Decrease in FICA tax \$115,019</i> • Increase in sewage treatment and disposal costs \$303,634 • Increase in risk insurance costs \$101,273 • Transfer to Coastal Protection Fund of \$2,765,099

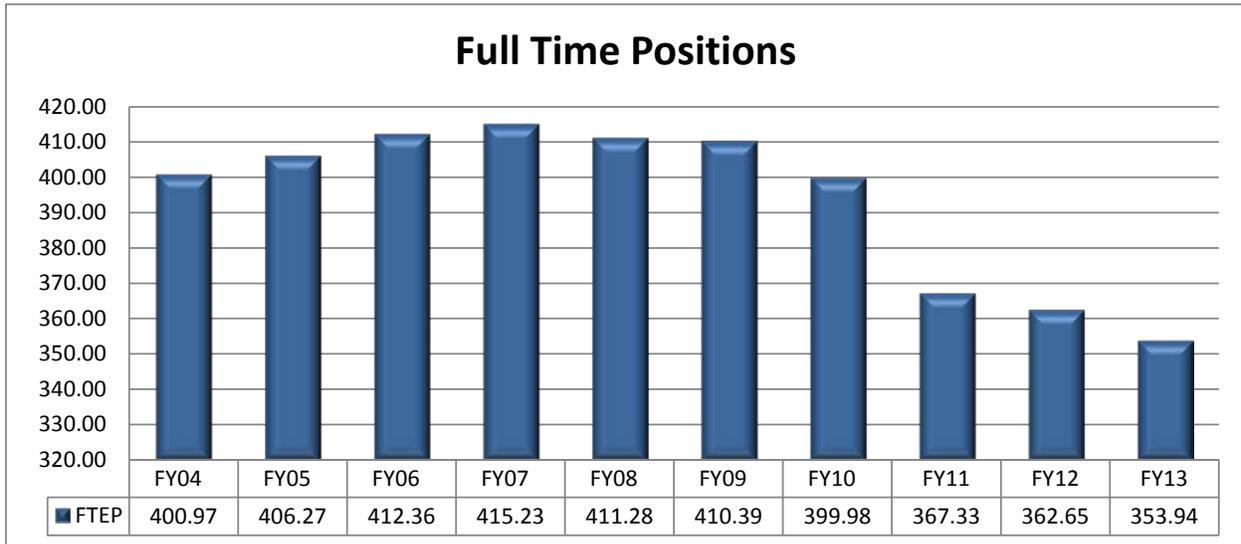
Expenditure by Category Trend Analysis

Salaries and Wages

The salary and wage trend is shown on the graph below. Salary and wage increases from FY04 through FY09 were 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 FY06, salaries for certain positions were increased following an independent compensation study. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09 these costs were added to the budget. The final payout for the buyout was in FY11. In FY09, special competitive pay increases were granted for all firefighters and police officers. A wage freeze was in effect for FY10 and FY11 for all employees. For FY12, merit and step increases were included the budget and in FY13 merit and step increases were included as well as a 3% increase in employee pay ranges.



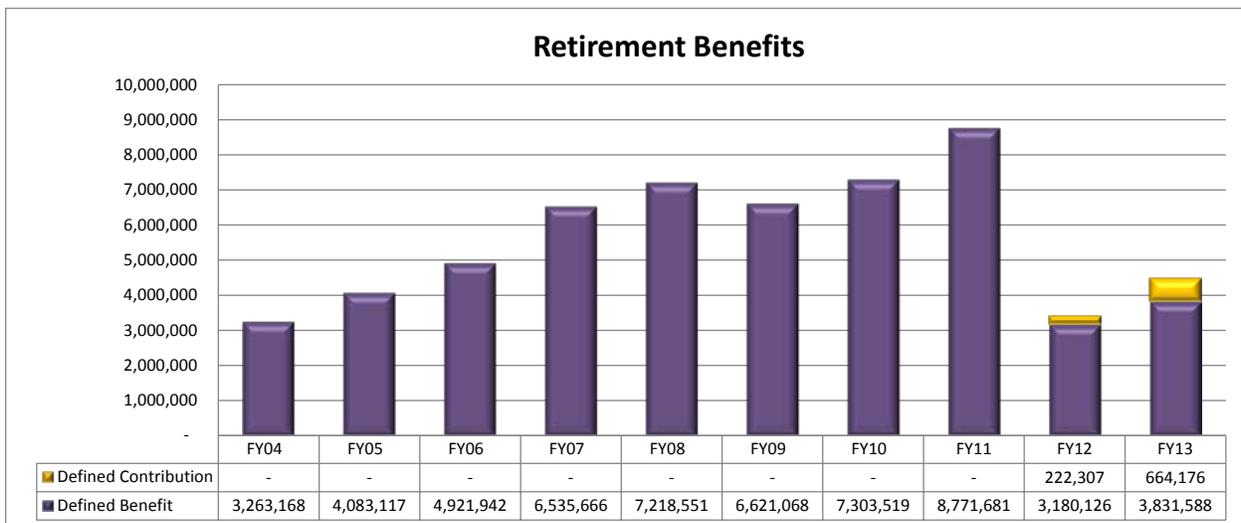
Another reason for the growth in Salaries and Wages in the early part of the decade is the addition of personnel from FY03 to FY07. During that time, 17.1 positions were added to the budget. Since FY07, 61.29 positions have been eliminated from the budget through attrition. Town staffing is now at its lowest level since 1986. The trend in Full Time Equivalent Positions (FTEP) is shown on the following page:



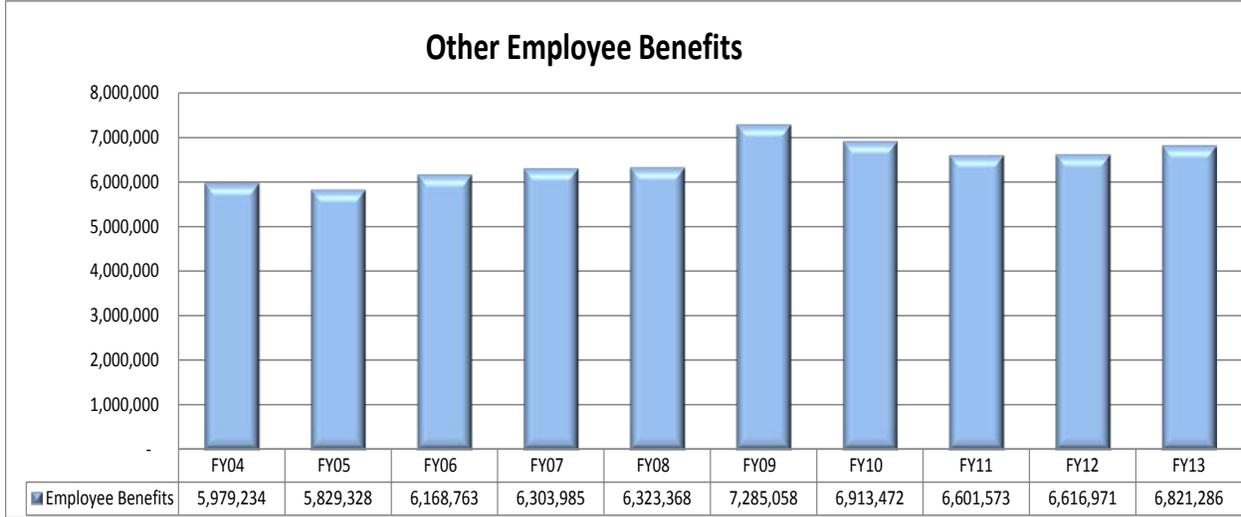
Employee Benefits

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. On May 1, 2012, pension reform measures to decrease the level of benefits and reduce the long term cost were implemented. The first year savings were 5,369,248. In FY13, an increase of \$1,093,331 is budgeted. This increase was forecasted by the actuaries who assisted the Town in the implementation of pension reform.



Other employee benefits include health insurance, FICA, longevity, allowances, incentives, and uniform maintenance. The total cost of other employee benefits in FY13 is 14.08% higher than it was in FY04. Nationally, health insurance increases for the last decade have been over 100%. The Town has taken measures to control the increase in health insurance costs and has offered less expensive plan options to employees.



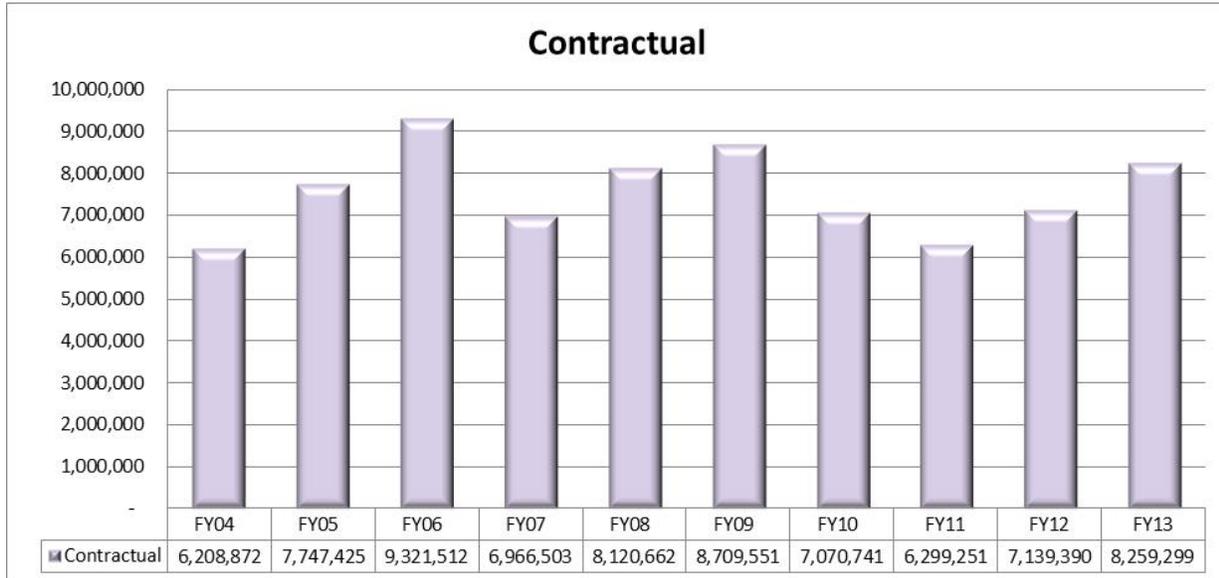
In FY09, the transfer to the Health Insurance Fund increased by \$900,000. Since FY09, health insurance costs have been maintained and increases have been minimized through changes in the program, cost shifting to employees, and having fewer employees in the plan due to the reduction in full time staff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



The trend for benefits as a percent of salary through FY11 showed significant increases due primarily to the significant increase in pension costs. The trend declined significantly in FY12 due to the reduction in costs for funding the Town’s pension benefits. In FY13, the trend increased slightly due to the anticipated increase in pension costs mentioned above.

Contractual Services

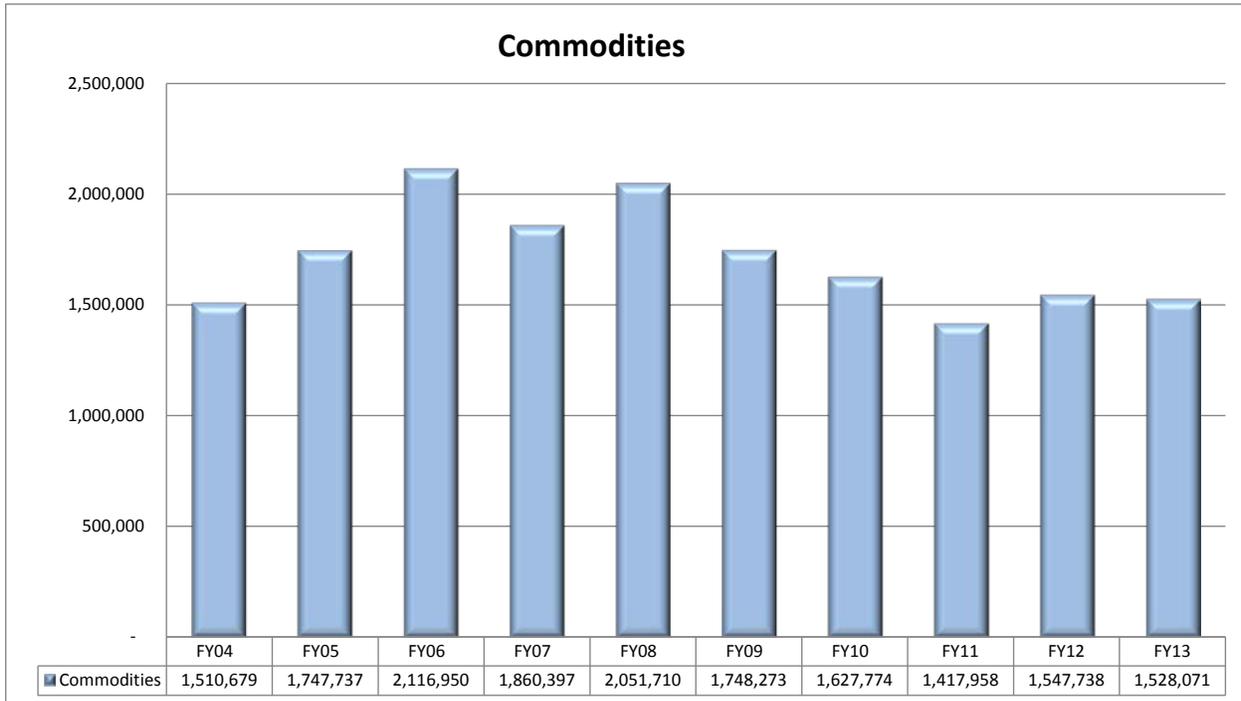
Contractual services include legal advice, consulting services, sewage treatment, solid waste disposal costs, building maintenance, landscape contracting and software maintenance.



The total cost of contractual services in FY13 is 33.02% higher than it was in FY04. Increases in FY05 and FY06 are due to the costs associated with hurricane response and recovery. The increases in FY08 and FY09 were due to increases in lobbying costs, software licensing and support, codification updates, legal advertising, the Comprehensive Plan, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town post construction monitoring, and risk insurance funding. In FY09, funds also were set aside to repay FEMA for an overpayment in reimbursement of hurricane debris removal costs. In FY 12, \$100,000 was added to the budget for the voter approved costs related to the new Palm Beach County Inspector General’s Office. The increase in FY13 is due to increases in sewage treatment and disposal costs, contracting with Palm Beach County for Fire-Rescue mechanic services, landscape contracting, legal services, lobbying, landmark preservation consulting, credit card fees for payment of building permits, and coastal regional monitoring costs.

Commodities

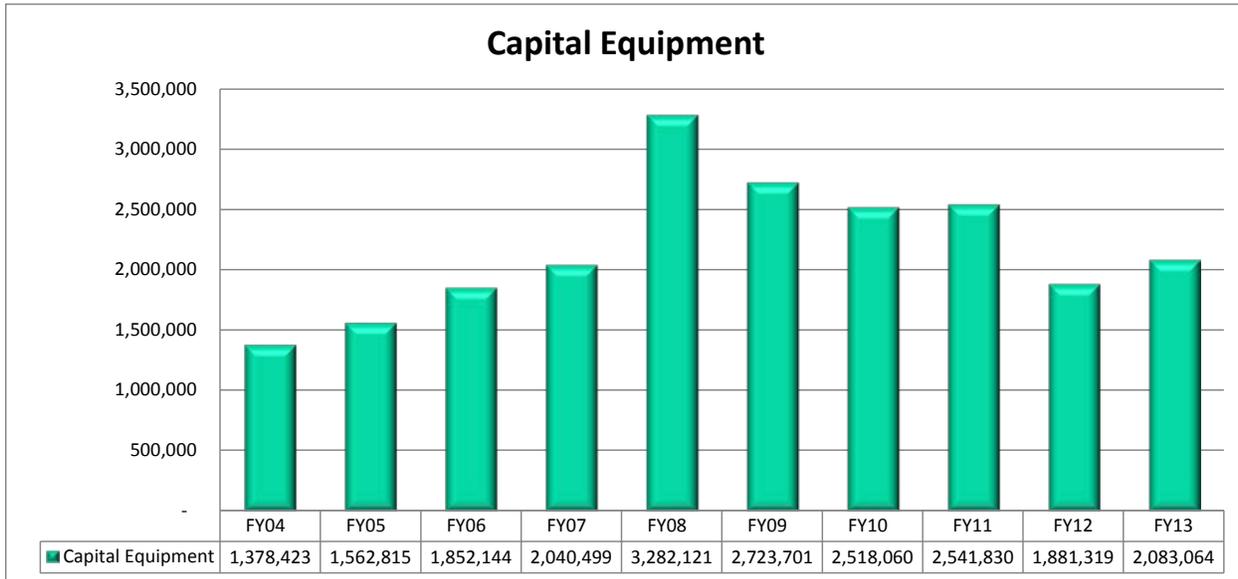
Commodity costs include fuel, electric, water, office supplies and equipment, building and vehicle maintenance supplies, publications and subscriptions, membership dues, medical supplies, and uniform services.



The total cost of commodities in FY13 is 1.15% higher than it was in FY04. The increase in FY05 was due to the hurricane response and recovery. The increase in FY06 was due to computer equipment and software purchases. The increase in FY08 was due to a spike in fuel costs. Decreases during FY09 through FY11 were due to the implementation of cost containment measures throughout all Town departments. The increase for FY12 related to anticipated increases in fuel costs. A slight decrease is planned for FY13.

Capital Outlay

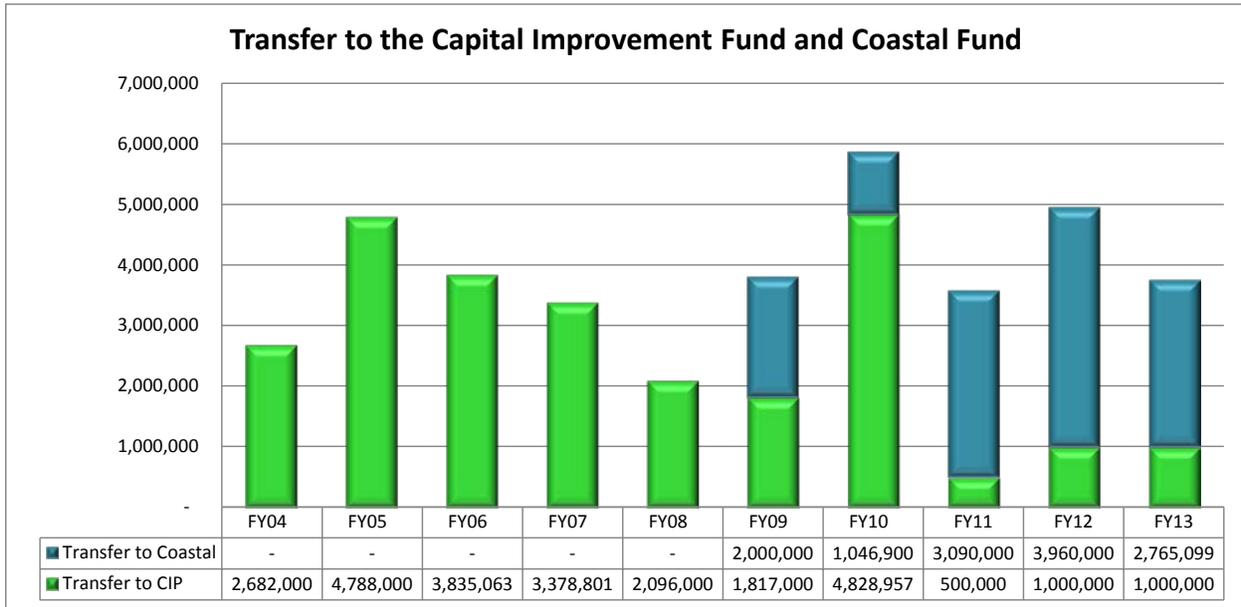
Capital Outlay expenses include depreciation on the Town’s fixed assets, purchases of new equipment that are not purchased through the Equipment Replacement Fund, purchases of equipment through grant funding, and storm and sanitary sewer rehabilitation costs that are not included in the Capital Fund.



The total cost of capital equipment in FY13 is 51.12% than it was in FY04. 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 are available to purchase expensive equipment with long useful lives. The depreciation increase is reflected in the FY08 peak year, which also included new parking kiosks, electronic chalking devices, and surveillance cameras for the Town’s bridges. In FY12, the depreciation transfer decreased by \$344,271. The reduction is the result of a thorough analysis by staff of the useful lives of the equipment, which resulted in extension of useful lives for some items and elimination of some other items. The increase in FY13 is due to increases in depreciation on new equipment purchased in late FY11 and FY12.

Transfer to the Capital Fund

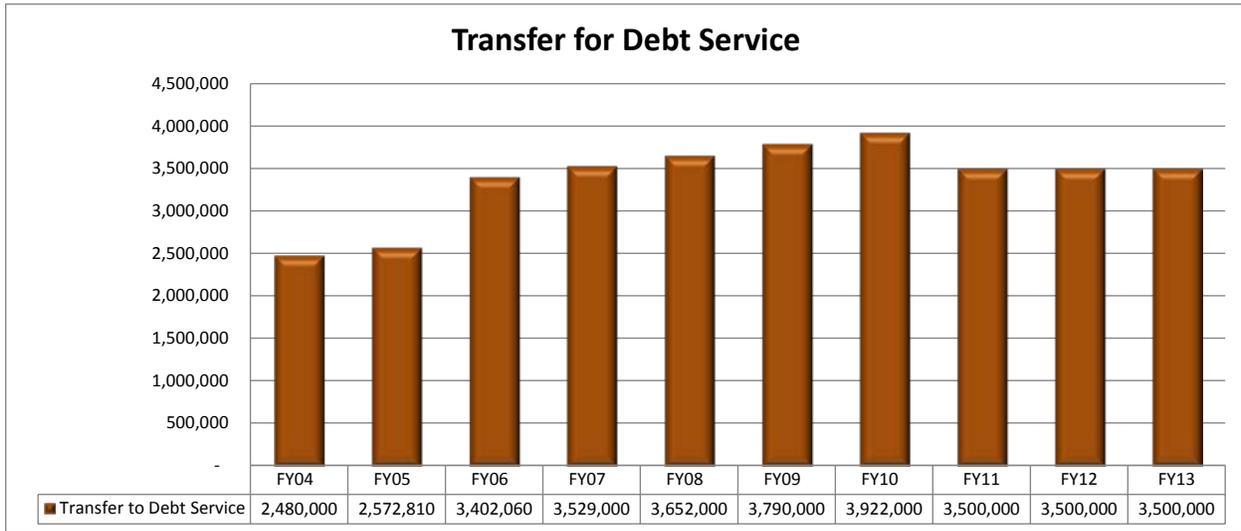
Historically, the Town funded capital projects on a pay-as-you-go basis. If additional funding was necessary for larger projects, transfers from fund balance were used to supplement the funding. In FY10, the Town issued a bond that included approximately \$43 million to fund the initial costs of the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



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. In FY13, \$2,765,099 was transferred to the Coastal Protection Fund and \$1,000,000 to the Capital Improvement Program.

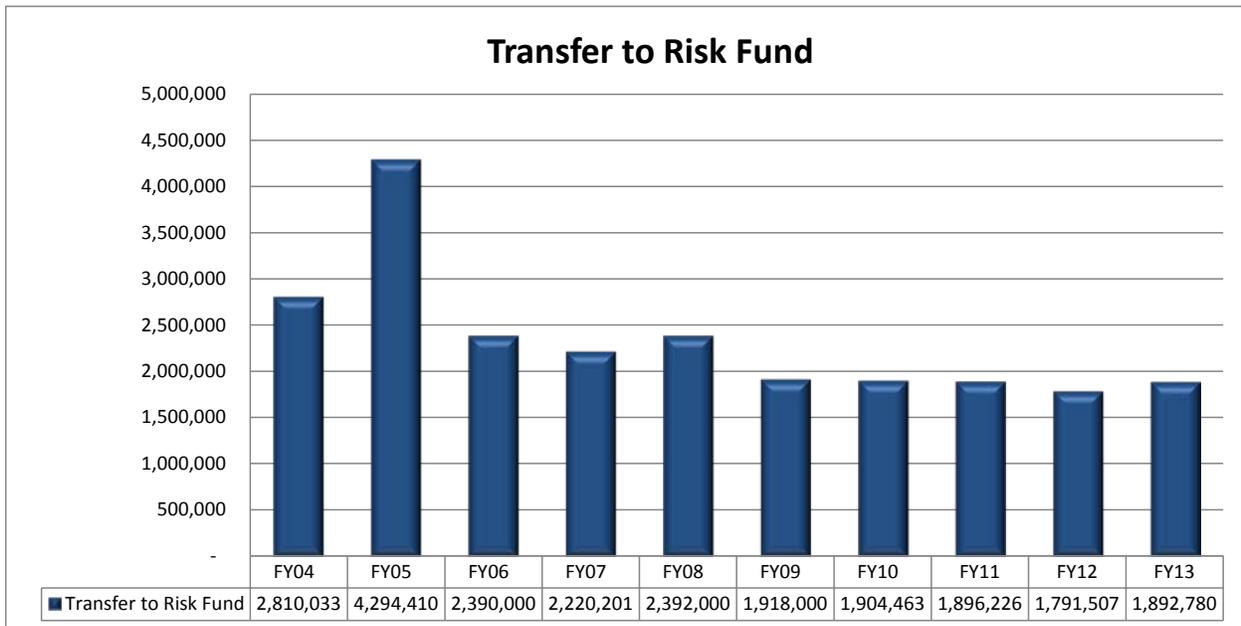
Transfer to the Debt Service Fund

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

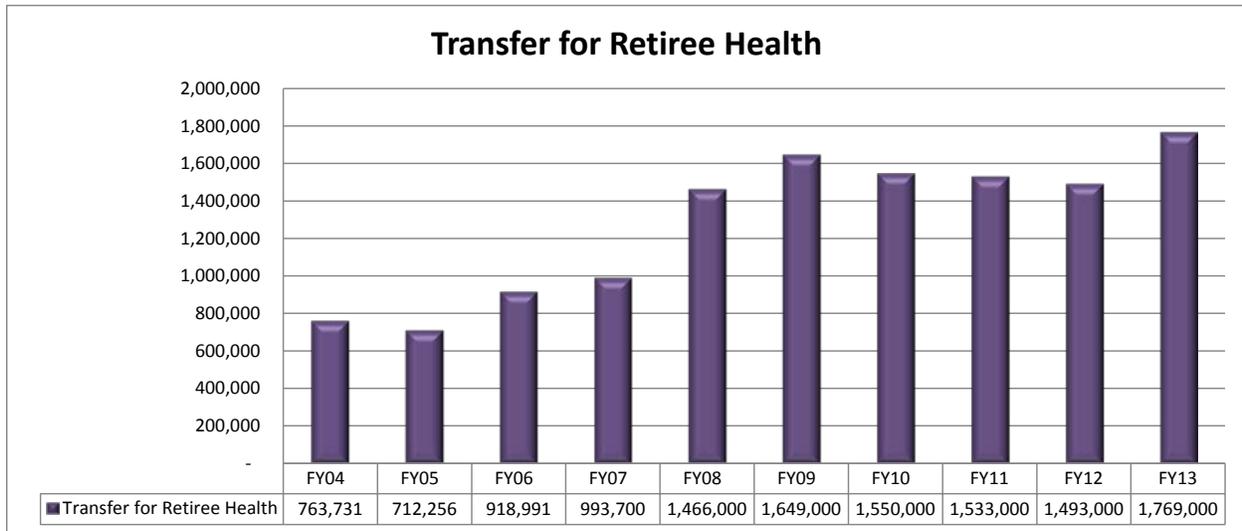
The Town funds the Risk Insurance Program with a transfer from the General Fund. The Risk Insurance program includes insurance for property, liability and worker’s compensation insurance.



Since FY04, the transfer to the Risk Fund has declined by 32.64%. In FY05, additional funds were transferred from fund balance to cover uninsured costs for a construction related lawsuit. Overall the Town’s risk insurance costs have declined over the past decade, due to the changes in carriers and cost-saving 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, 2012 was determined to be \$29,288,881. The actuarial value of assets in the trust is \$20,942,251. The Unfunded Actuarial Accrued Liability is \$8,346,630. The funded ratio for the plan is 71.5%. The annual budgeted contribution for FY13 is \$1,769,000.

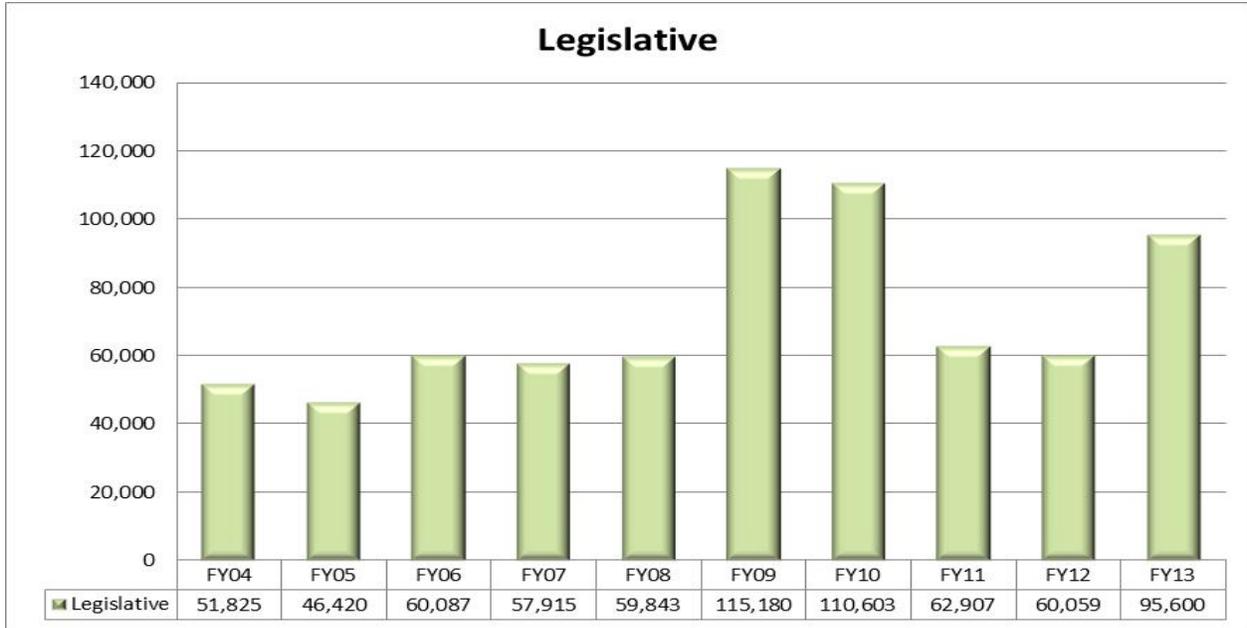


The increase between FY07 and FY08 is a result of the implementation of GASB 43. The FY07 amount represents the pay-as-you-go funding prior to GASB 43 and the FY08 amount represents the actuarially determined contribution based upon the Town’s liability and the initial \$16 million invested in the trust. 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.

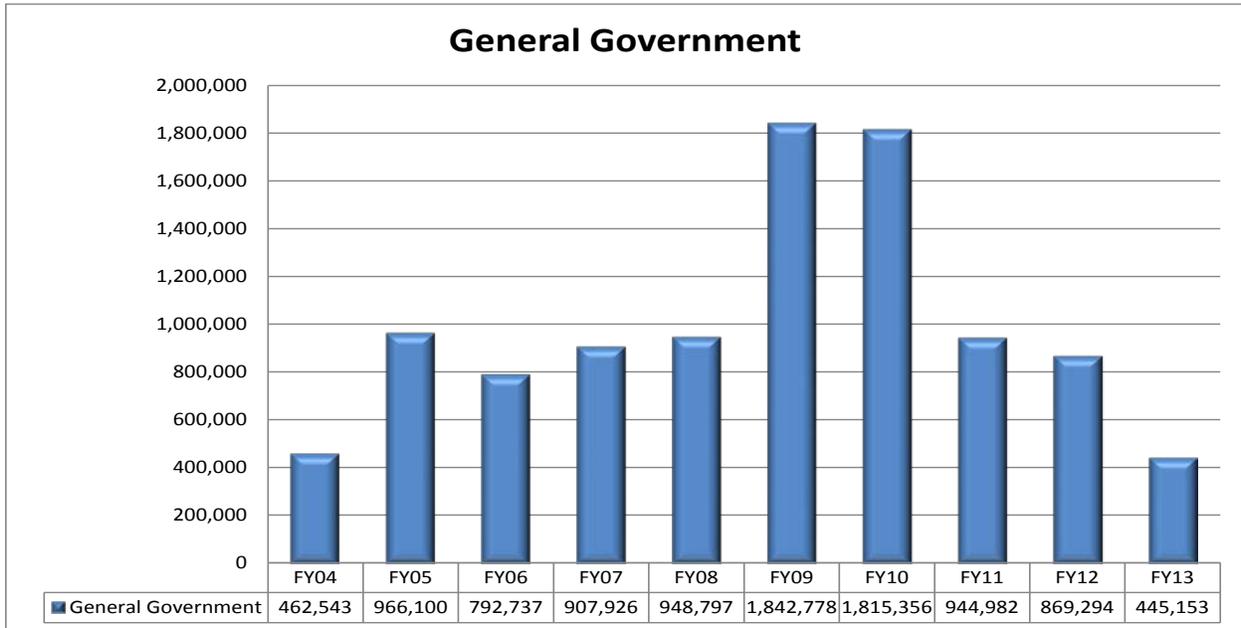


In FY09, the budget for lobbying services was increased to include a Washington DC lobbyist on retainer. In FY11, the funding was cut by 50% for lobbying services in both Washington and Tallahassee. The budget was increased in FY13 due to an increase in the cost for federal lobbying services.

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

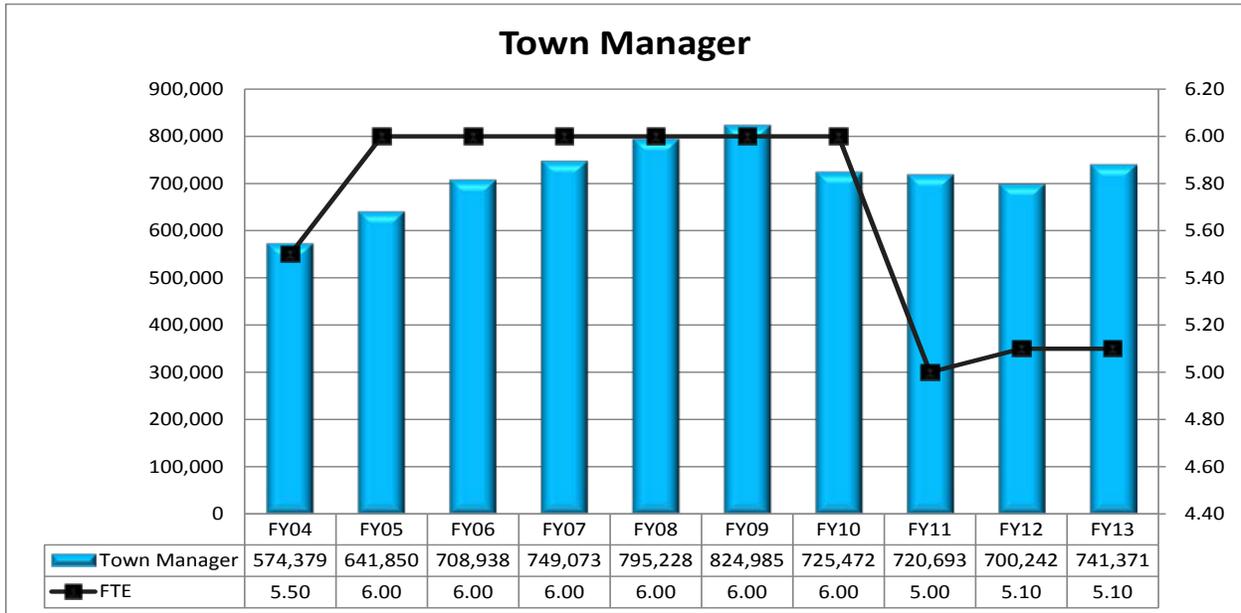


In FY05, pay-outs for compensated absences, a compensation study, and a citizen survey were included in the budget. In FY09 and FY10, most of the increase is due to the costs associated with the early retirement incentive program. In addition, in FY09, expenses related to the Shore Protection Board and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

Town Manager

Expenditures for the Town Manager’s Office are 29.07% higher in FY13 than they were in FY04. From FY04 through FY09, the budget increased by 43.63%. Since FY09, the budget has declined by 10.14%. Most of the increases through FY09 were due to increased personnel costs. The reduction in FY10 was due to the elimination of the Assistant Town Manager position.

The Town Manager’s Office budget represents 1.24% of the total Town budget in FY13. 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 and disciplinary matters.

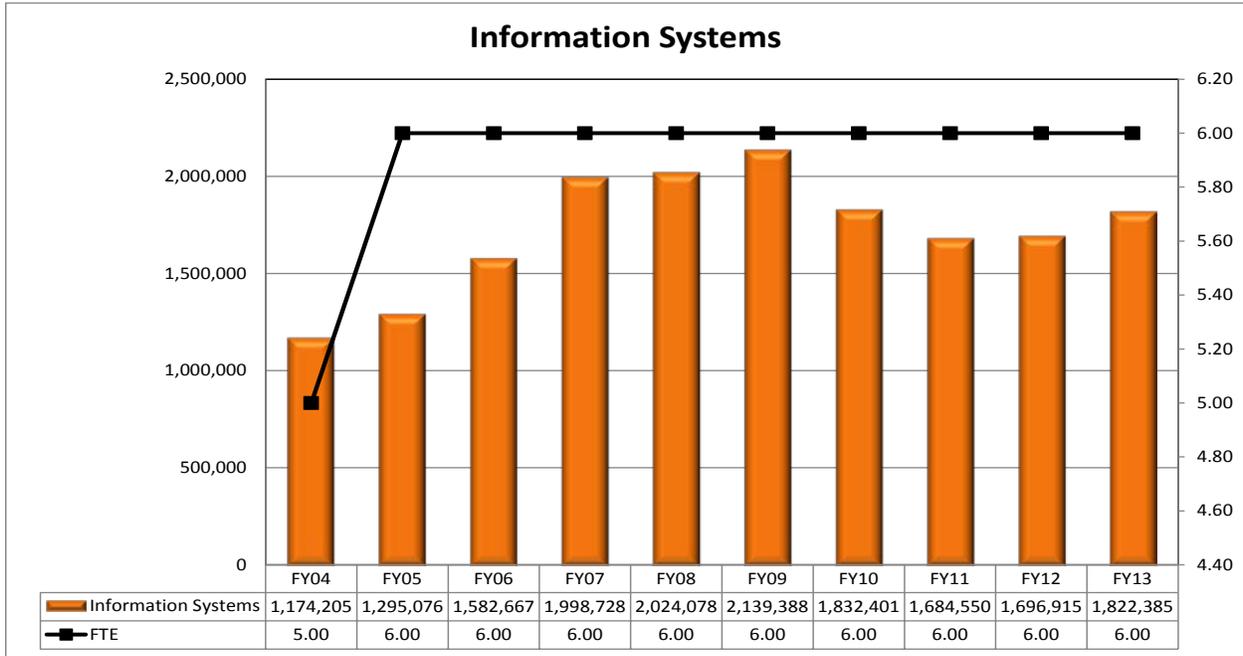


The expenditures for advice and litigation are 50.86% higher in FY13 than they were in FY04. From FY04 through FY08, expenditures increased by 58.7%. Since FY08, the expenditures have declined by 4.92%. The only anomaly in this trend was FY12 when legal costs related to labor and union negotiations were significantly higher than in prior years.

The Advice and Litigation budget represents .79% of the total Town budget in FY13.

Information Systems

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



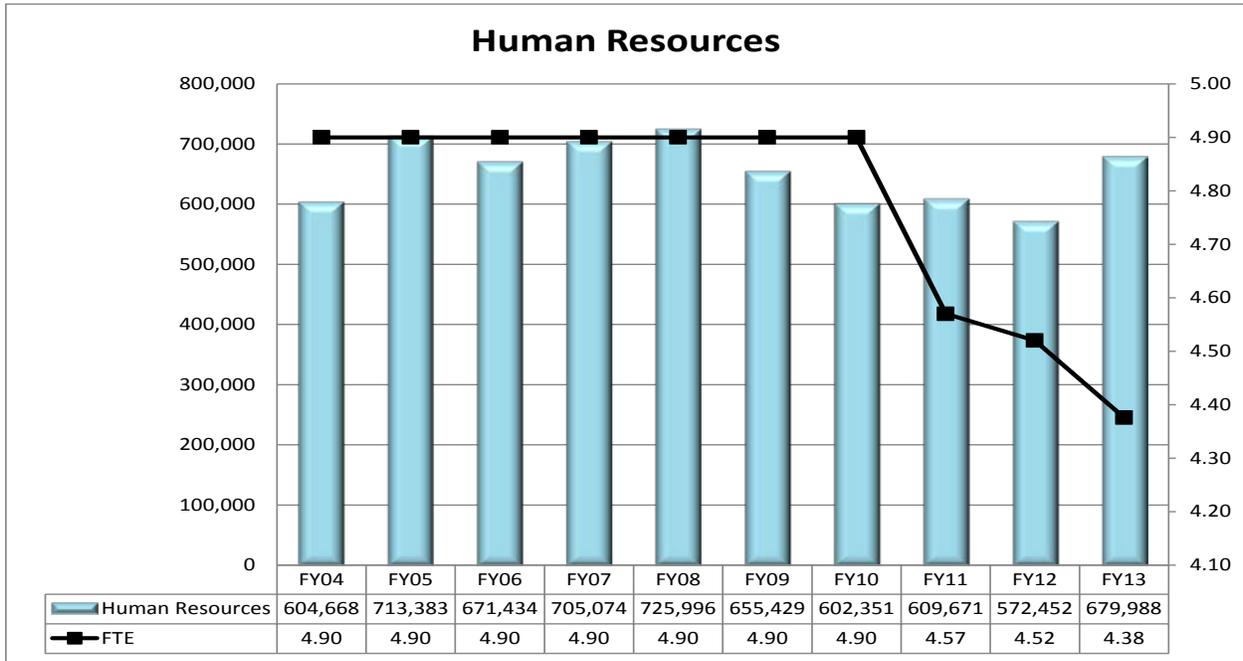
In FY05, this budget increased due to the addition of one full time staff position. In FY06, expenditures increased due to initial funding for the implementation of a new Townwide software system. These expenditures continued through FY10.

In FY13, expenditures for the Information Systems program are 55.2% higher than they were in FY04, but they are 14.82% lower than they were in FY09.

The Information Systems budget represents 3.05% of the total Town budget in FY13. Information Systems currently has 6 full time staff members.

Human Resources Department

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

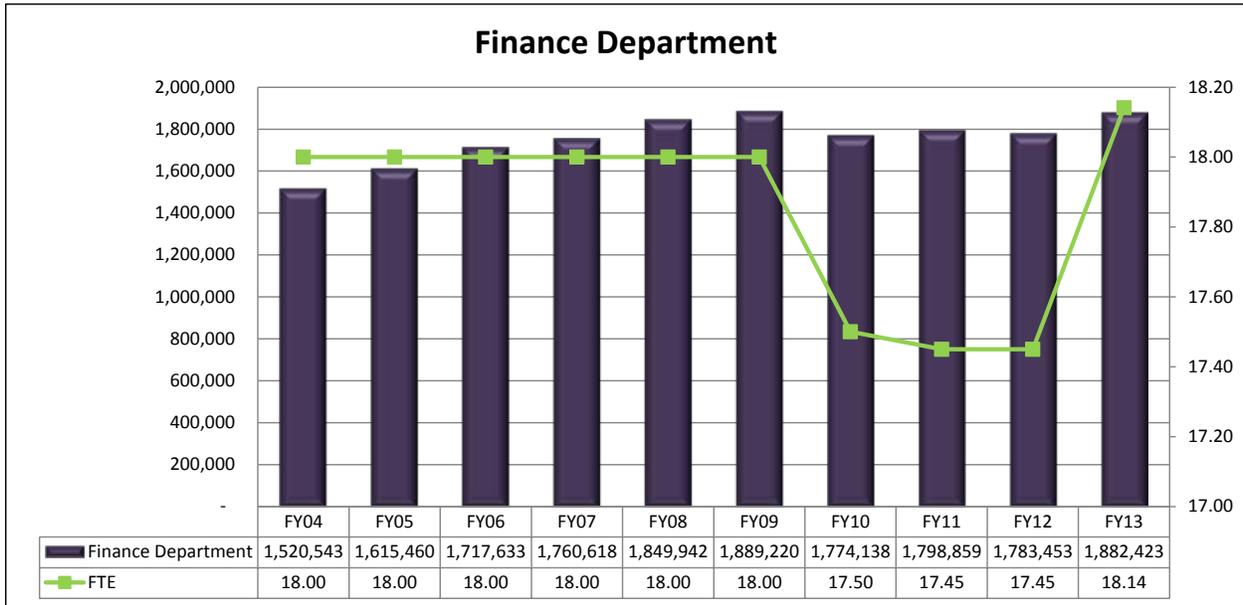


The expenditures for the Human Resource Department are 12.46% higher in FY13 than they were in FY04. From FY04 through FY08, expenditures increased by 20.07%. From FY08 through FY12, expenditures declined by 21.15%. Budgeted expenditures increased in FY13 over actual FY12 expenditures due to the under-expenditure of budgeted funds in FY12. The FY13 budget compared to the FY12 budget increased by 1.33%.

The Human Resource budget represents 1.14% of the total Town budget in FY13. The Human Resource Department currently has 4.38 full time staff members.

Finance Department

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

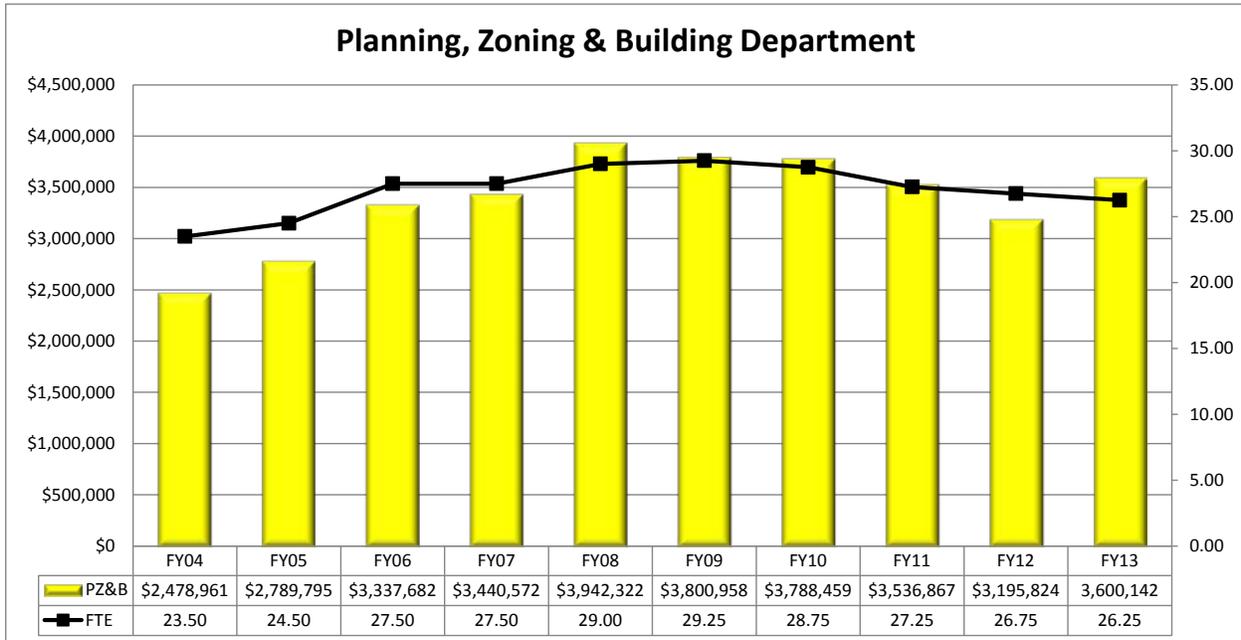


The expenditures for the Finance Department are 23.8% higher in FY13 than they were in FY04.

The Finance budget represents 3.12% of the total Town budget in FY13. The Finance Department currently has 18.14 full time staff members. The FY13 increase in FTE is due the conversion of a part time position to a full time position in the purchasing division to address the increased workload related to the Accelerated Capital Improvement Program.

Planning, Zoning and Building Department

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



The expenditures for the Planning, Zoning and Building Department are 45.23% higher in FY13 than they were in FY04. 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 6.03% of the total Town budget in FY13. The Department budget currently has 26.25 full time staff members.

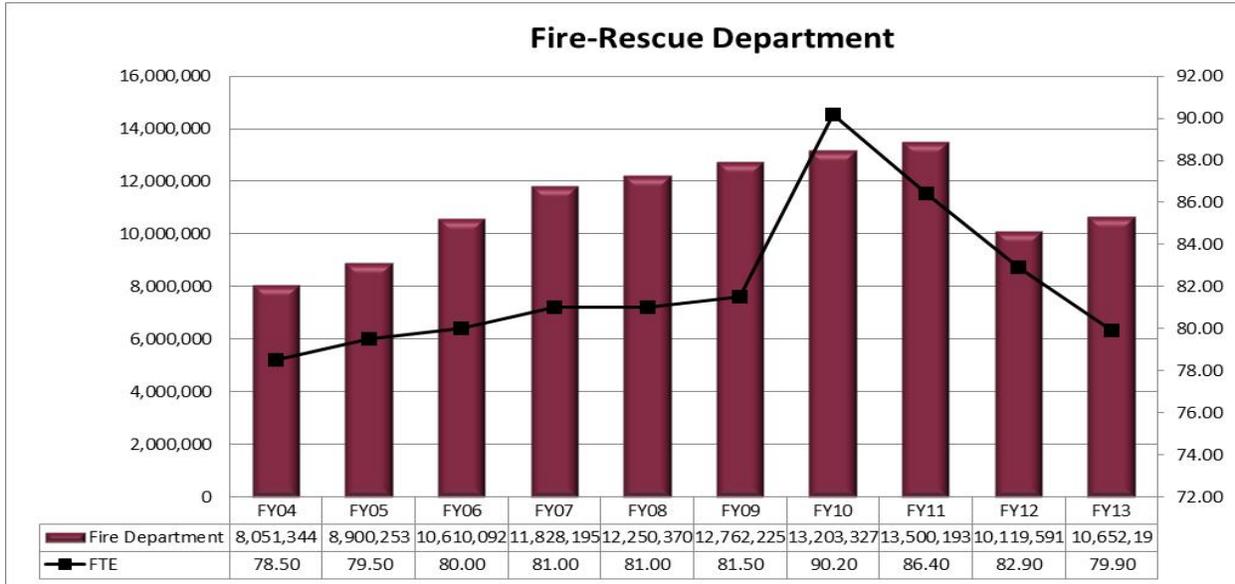
Fire-Rescue Department

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

The expenditures for the Fire-Rescue Department are 32.3% higher in FY13 than they were in FY04. For the period of FY04 through FY11, expenditures increased by 67.7%. The decrease from FY11 to FY13 was 21.1%. 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 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. 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. Pension reform measures reduced the budget in FY12 and in FY13.

The Fire-Rescue budget represents 17.84% of the total Town budget in FY13. The Fire-Rescue Department currently has 79.9 full time staff members.

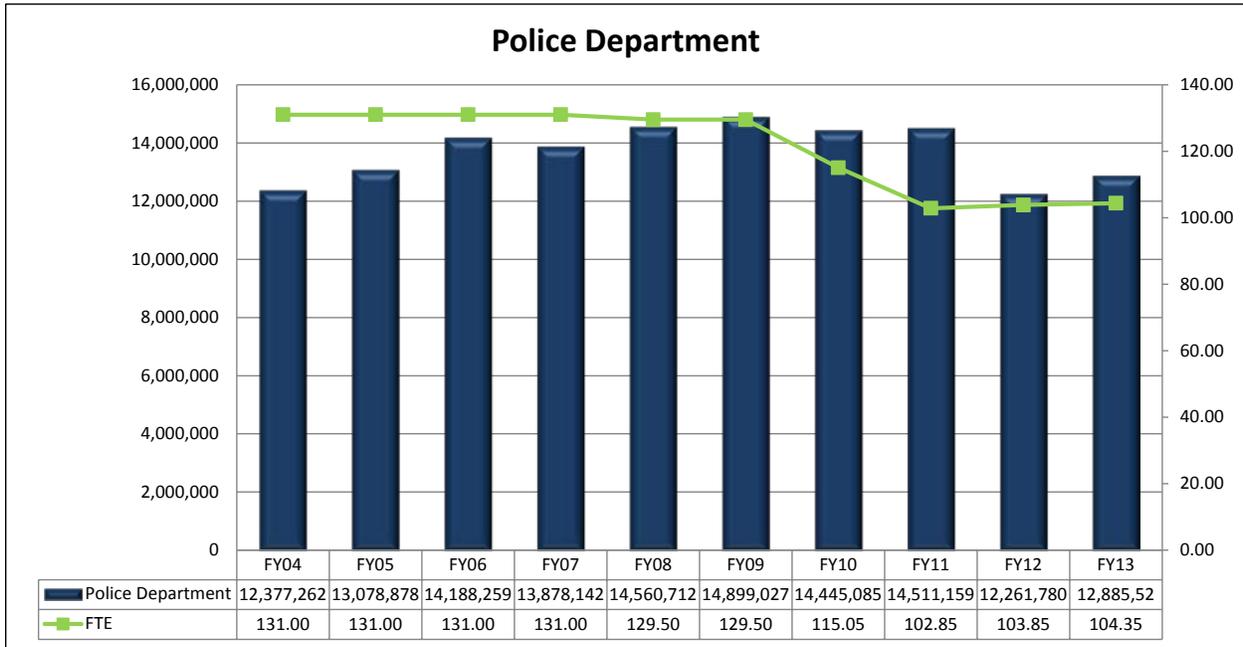


Police Department

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

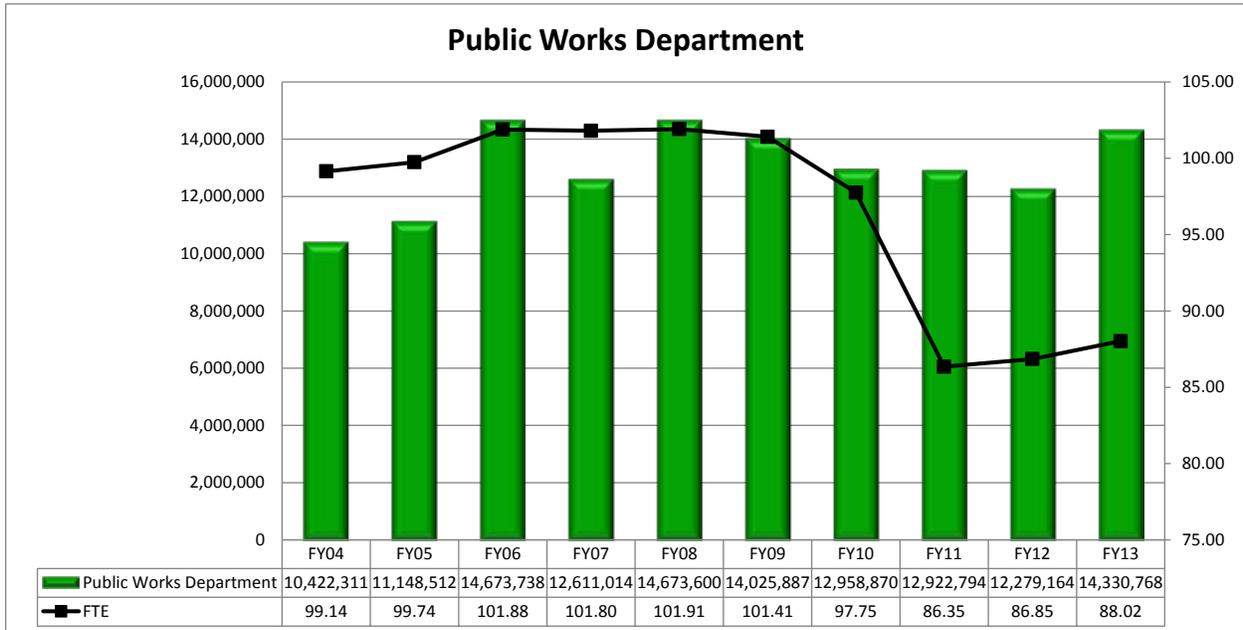
The expenditures for the Police Department are 4.11% higher in FY13 than they were in FY04. For the period of FY04 through FY09, expenditures increased by 20.37%. Since FY09, expenditures have decreased by 19.42%. Increases in FY04, FY05 and FY06 were due to overtime related to the hurricanes. In FY06, 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. In FY12, expenditures declined due to a reduction in personnel and pension costs. For the period of FY02 through FY11, the Town’s contribution to the Police Retirement Fund increased from \$310,756 to \$2,828,758. This is an 810% increase. Pension reform measures reduced the budget in FY12 and FY13.

The Police Department budget represents 21.58% of the total Town budget in FY13. 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.



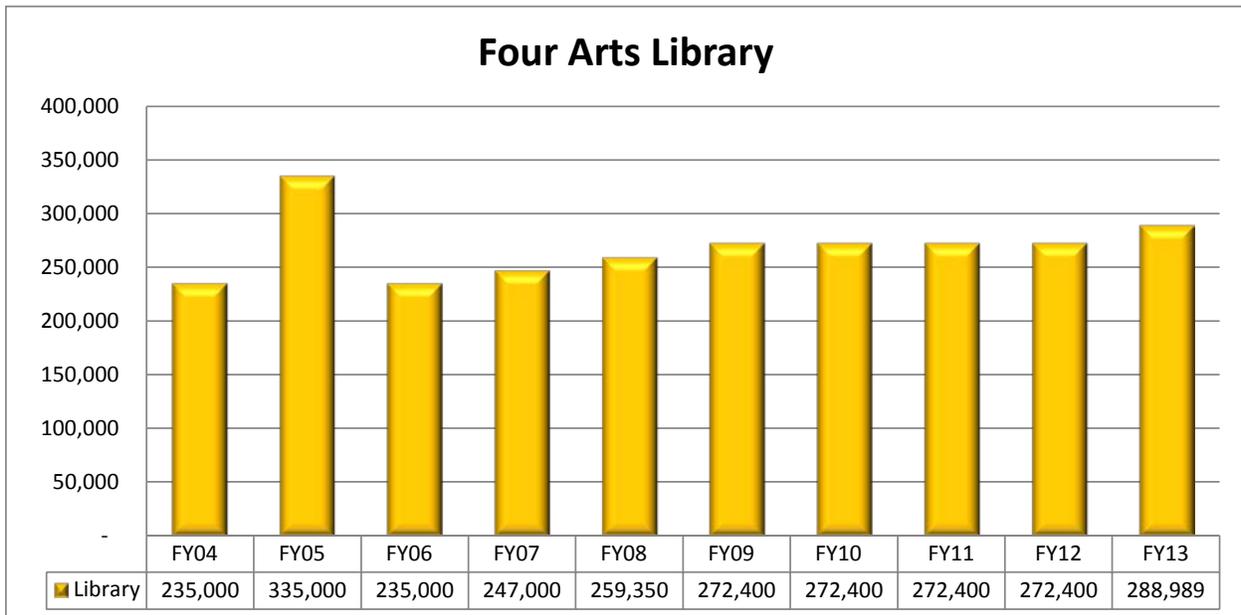
The expenditures for the Public Works Department are 37.5% higher in FY13 than they were in FY04. For the period of FY04 through FY08, expenditures increased by 40.8%. Since FY08,

expenditures have decreased by 2.34%. In 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 system and contractual costs for coastal projects were included. In FY09, costs associated with an accelerated roadway milling and resurfacing project were included. Since FY09, 13.39 positions have been cut from the Department’s budget. Contractual cost increases have offset some of the personnel savings, as the Town has implemented “privatization” of some Public Works services. The FY13 budget increased due to increases in pension costs and sanitary sewage treatment costs.

The Public Works budget represents 24% of the total Town budget in FY13. The Public Works Department currently has 88.02 full time staff members.

Four Arts Library

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



The expenditures for the Four Arts Library are 7.79% higher in FY13 than they were in FY04. 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 FY13.

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 FY13 budget and forecasts through FY23.

Assumptions

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

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

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Ad Valorem Tax Increase	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General Inflation	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Salaries & Wages	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Health Insurance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Pension	10.1%	9.1%	8.5%	7.8%	4.1%	3.5%	3.4%	3.5%	3.5%	3.8%
Other Employee Benefits	3.1%	2.7%	-0.5%	1.0%	1.9%	2.1%	2.8%	2.7%	2.8%	2.0%
Property Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Liability Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
W/C Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

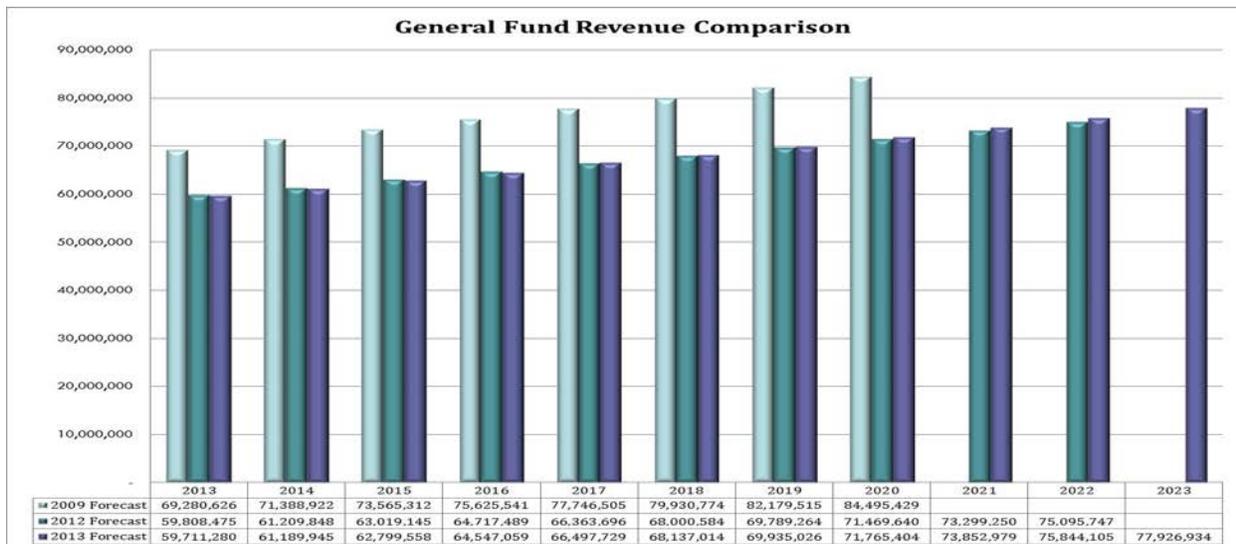
The assumptions for inflation were increased from 2% to 2.1% based upon the increase forecasted in the “Livingston Survey” issued by the Federal Reserve Bank of Philadelphia. The health insurance forecast assumption was increased from 8% to 10% based upon input from our health consultants regarding future increases related to the Affordable Care Act. The pension forecast assumption was updated by the Town’s pension actuary to reflect the actual costs of the adopted pension reform measures.

2013 Forecast

The forecast charts shown on the following pages include a comparison of the original 2009 forecast through 2020 to the 2012 and 2013 forecast projections. The original 2009 forecast showed deficits throughout the forecast period. Since that time, staff and the Town Council have been able to make major reductions in expenditures to slow future growth to sustainable levels. The 2013 forecast highlights the progress and also the future challenges the Town faces in financing future infrastructure and coastal projects.

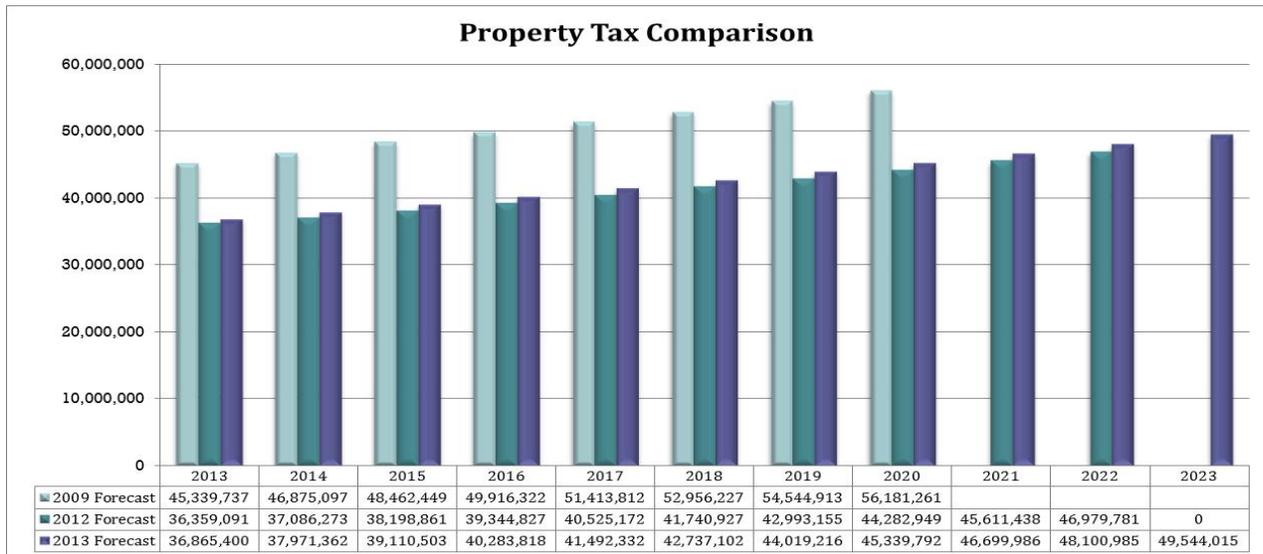
General Fund Revenue Forecast

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



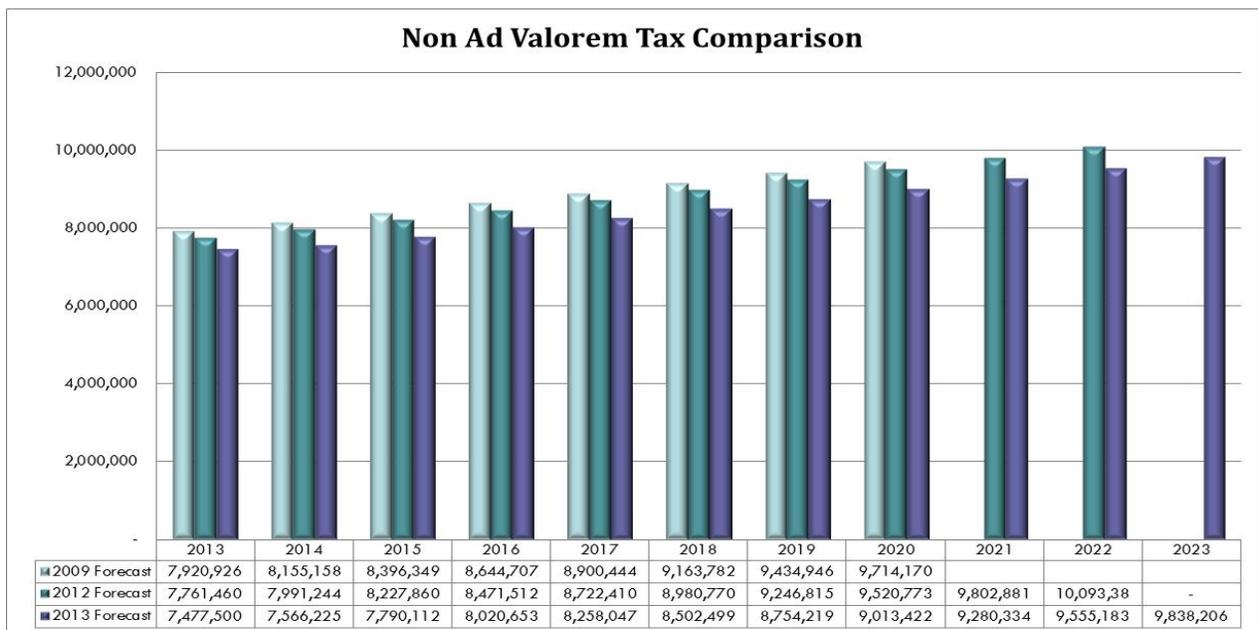
Property Tax Revenue

Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. We project the increase to be 3% for each year of the forecast. The forecast originally assumed a 2% increase in FY14. Since the taxable value increased by 2.69% for FY13, we increased the assumption to 3% for FY14.



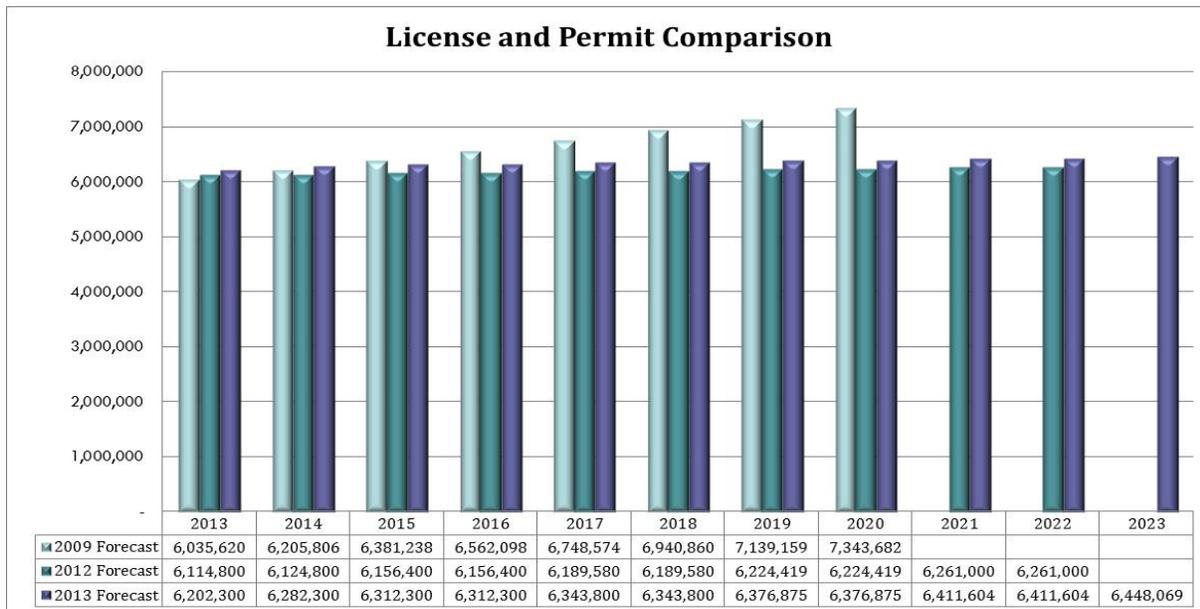
Non Ad Valorem Taxes

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.



License and Permit Revenue

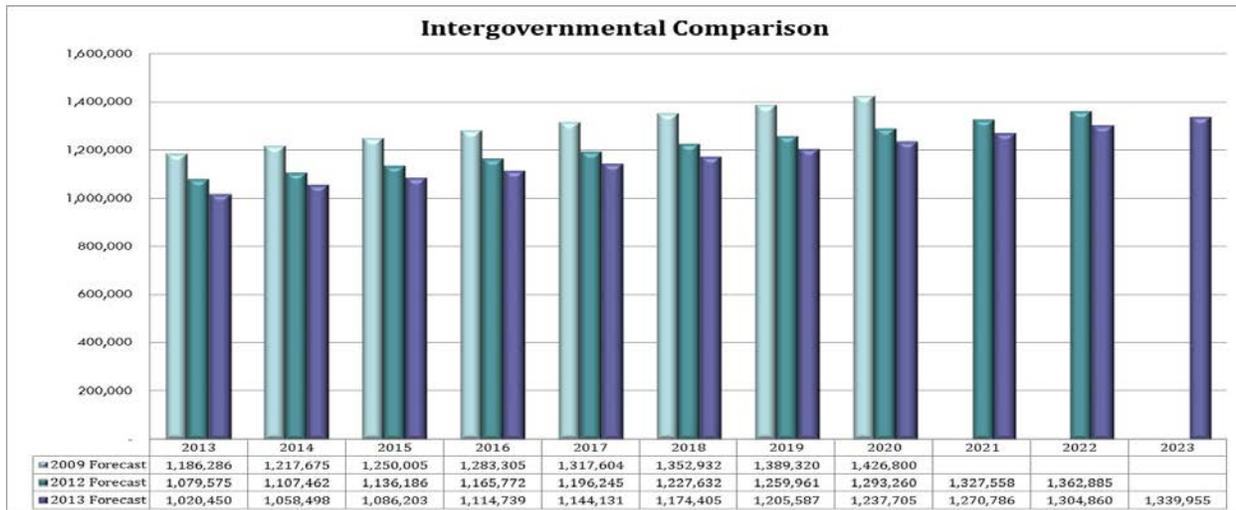
License and permit revenue includes business licenses, building permit revenues and parking permits.



The real estate market has improved in recent years. The budget for FY13 was conservative and current revenues are presently exceeding the budget standard. The 2013 forecast shows a slight improvement due to improved conditions, but, 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. Due to a recent change in state law, the forecast for business tax receipts has been reduced to reflect the exemption of real estate brokers from purchasing a license.

Intergovernmental Revenue

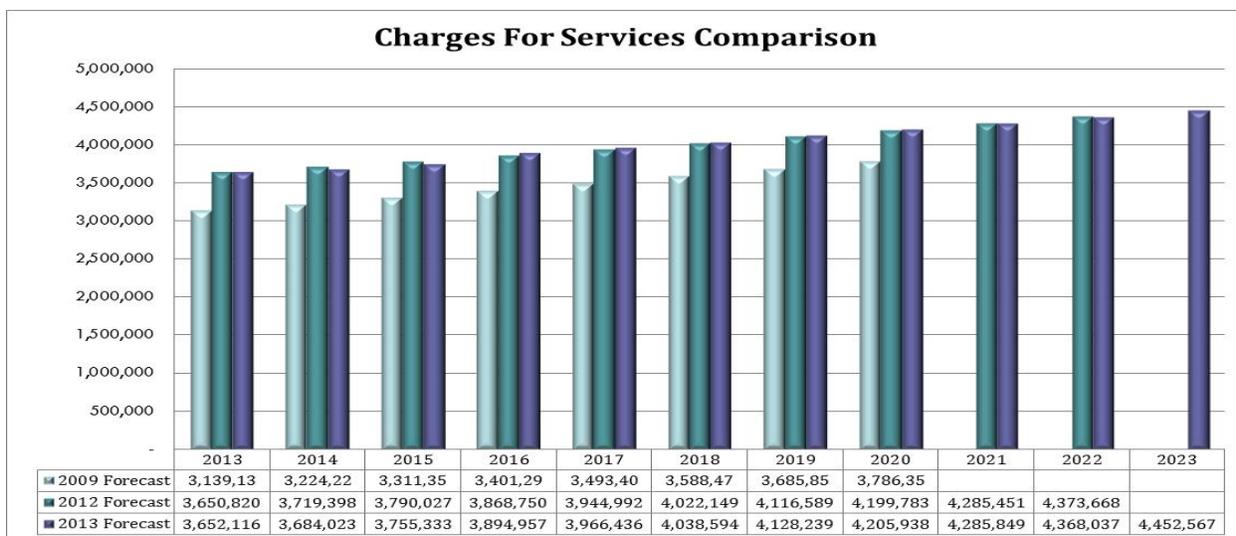
Intergovernmental revenue includes revenue received from Federal, State, County and local government sources. Revenues from the State of Florida include State revenue sharing, local government sales tax and alcoholic beverage licenses. Local revenues include County occupational license revenue, and the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



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

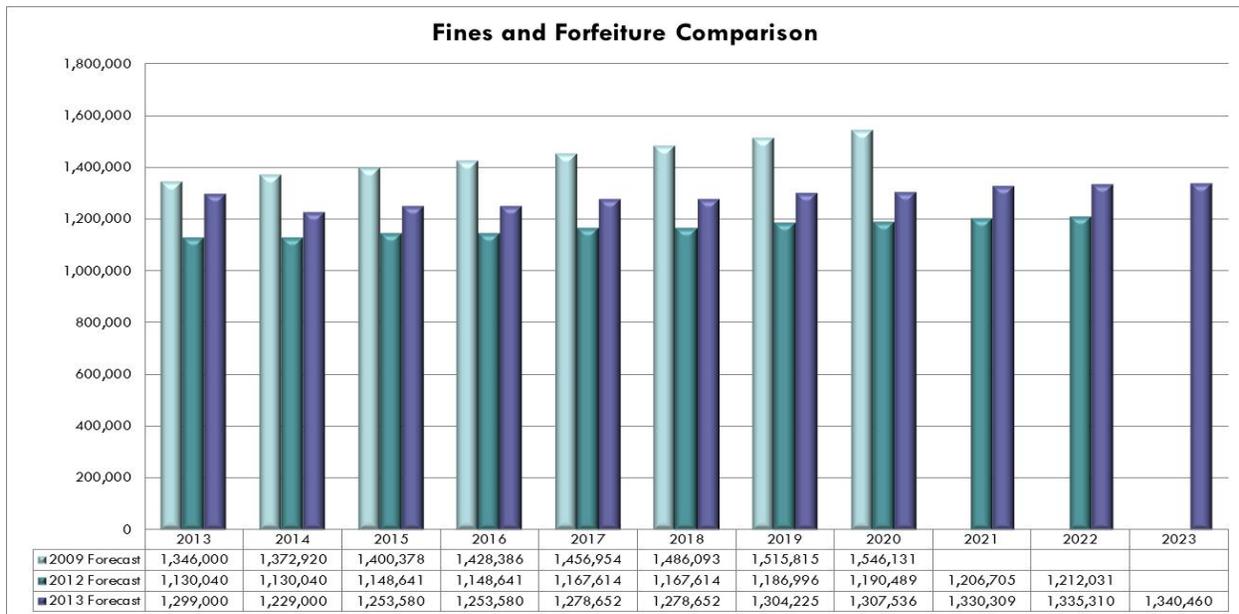
Charges for Services

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 and FY12, increases in oceanfront parking meter rates, parking permit fees and public safety fees resulted in increased revenue.



Fines and Forfeitures

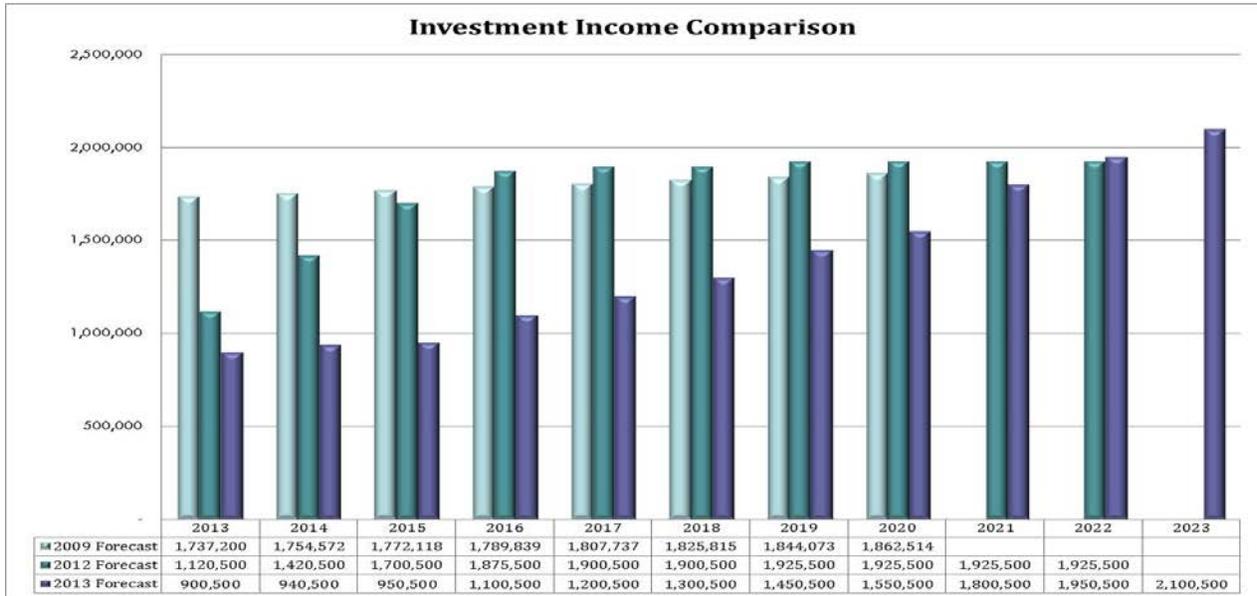
Fine and Forfeiture revenue includes traffic violation fines and penalties, parking fines and penalties and code enforcement violation fines.



Revenues from these sources have decreased since the 2009 forecast. The majority of the decrease is due to the forecast for code enforcement fines. This revenue source is volatile and in recent years collections have declined. During 2012, the Town Council approved increases in parking ticket fines which should generate over \$200,000 per year in additional revenue. This additional revenue is reflected in the change between FY12 and FY13 forecasts. The increase in revenue will be used to offset a portion of the annual coastal protection costs.

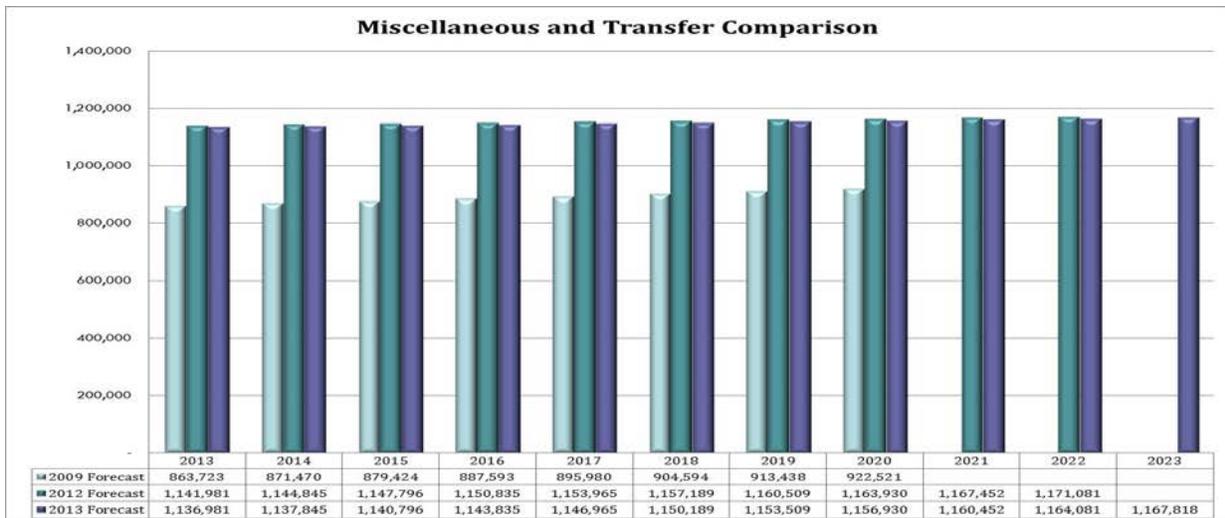
Investment Income

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, for purposes of this forecast, this trend will continue through 2015 with improvement beginning in 2016.



Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. Transfers include transfers from the Recreation Enterprise Fund. The increase in the forecast is due to an increase in the fees associated with the charitable solicitation permits, 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.

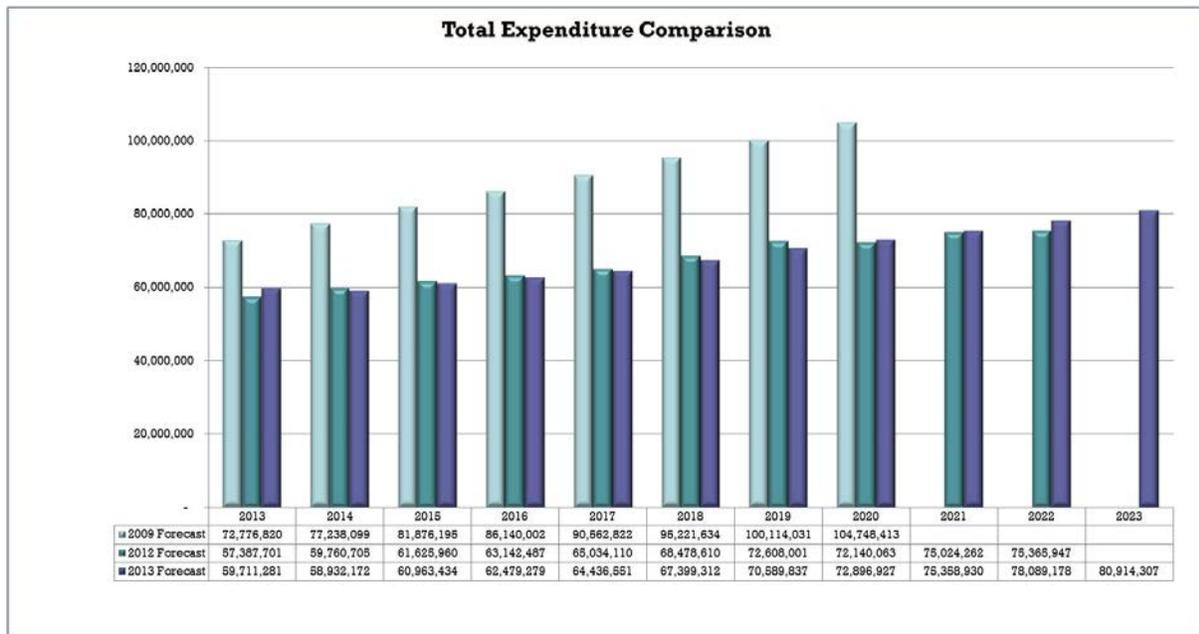


Expenditure Forecast Assumptions

General inflationary increases of 2.1% per year were used to forecast commodities, contractual and depreciation expenditures. This rate was derived from the “Livingston Survey” published by the The Federal Reserve Bank of Philadelphia.

Total General Fund Expenditures

Overall, significant cuts have been made since the original 2009 forecast. Most of the savings is due to reductions in personnel, pension and related 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.



Salary and Wages

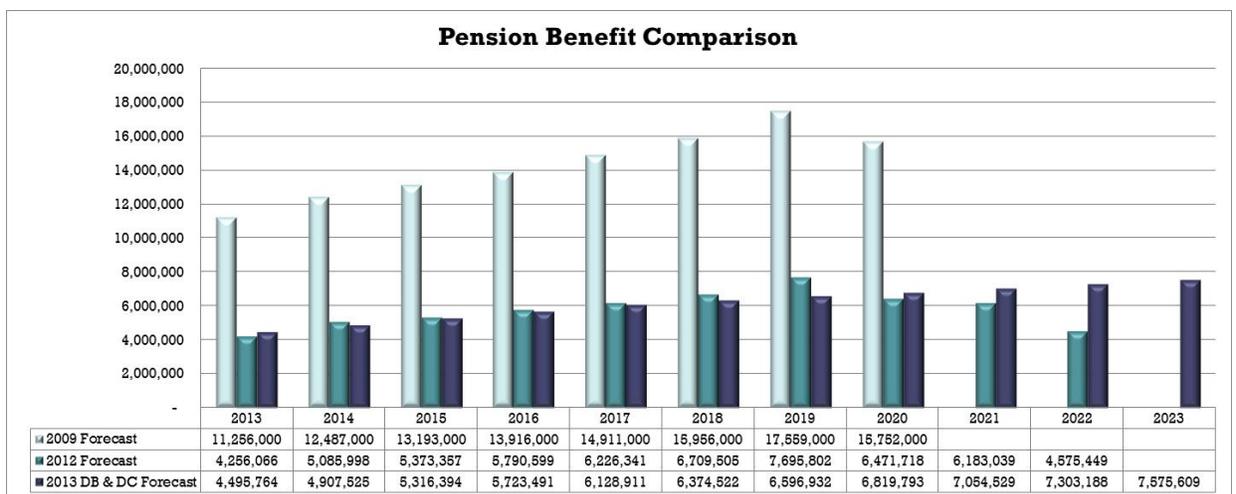
Salary and Wage increases are based upon the modifications to the Town’s employee pay policies and reductions in personnel and replacements of retirees at lower salaries through the forecast period. The forecast contains anticipated growth rates of between 1.21% - 3.33%.



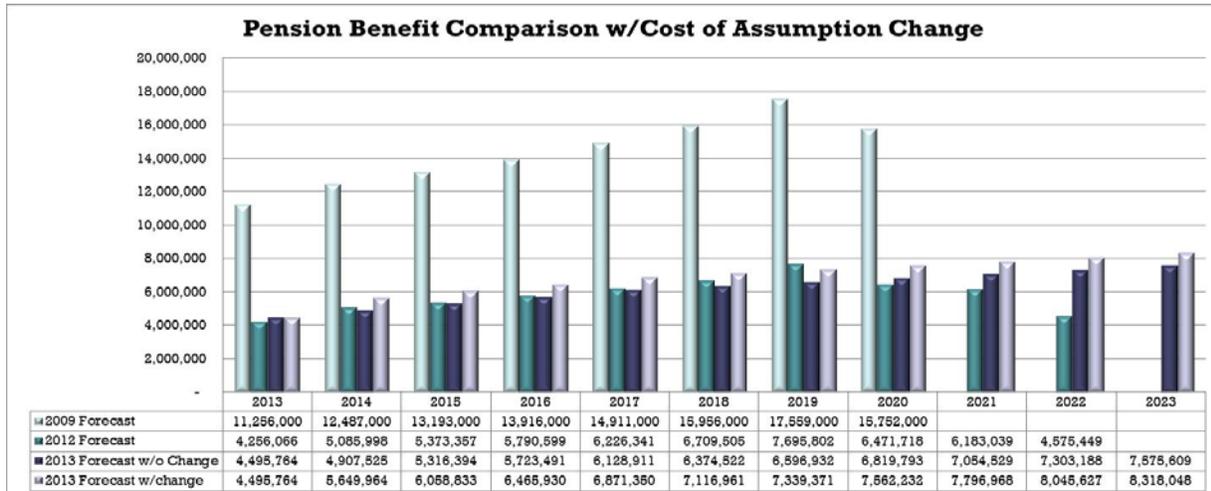
This expenditure category has decreased significantly since the original 2009 forecast. Past assumptions for salary and wage increases had been 5.5%. Between FY01 and FY09, Town salaries increased at an average rate of over 6% per year – more than double the average annual rate of inflation for the same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

Pension Benefits

The employee benefit forecast is broken down between pension and other employee benefits which include health insurance. The pension estimate is based upon the actuary’s estimates for pension costs based upon the pension reform changes implemented in 2012. These changes have significantly reduced this category of expenditures throughout the forecast period.



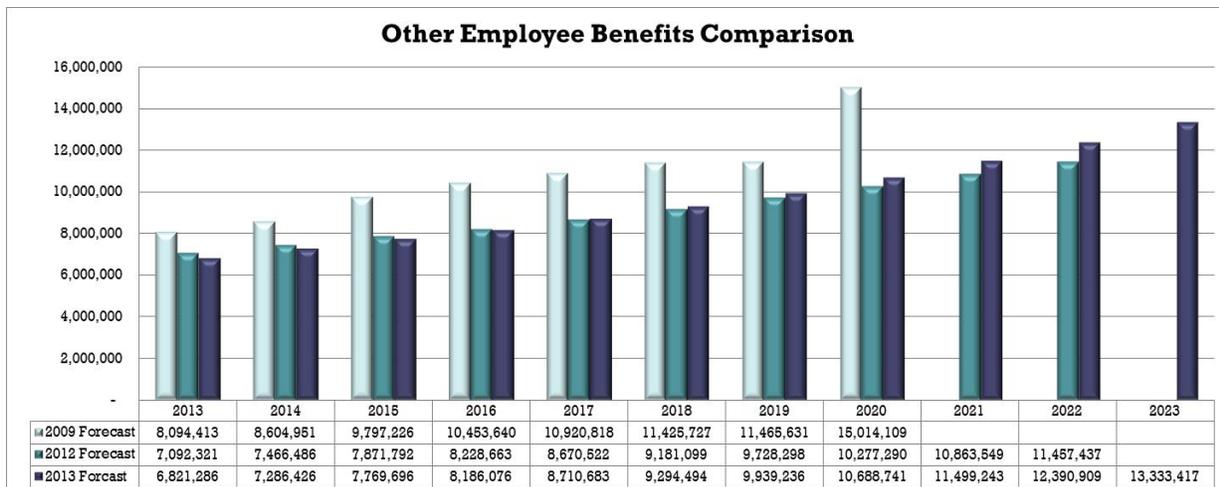
The Town’s Retirement Board plans to recommend a change in the investment assumption from 8% to 7.5%. This change is currently estimated to add \$742,439 per year in additional cost for pension benefits. The chart below shows the effect of the change on the forecast.



The Town has always budgeted and contributed the required contribution as determined by the actuary. For the past few years, the State has required a contribution based upon a percent of payroll. Since total Town payroll has been declining, the amount due per the State requirements has been lower than the Town’s budgeted contribution. The Town contributed the total budgeted amount, resulting in surplus contributions to the Retirement Fund. The total of prepaid contributions through September 30, 2012, is \$2,169,323. The prepaid amount can be used to offset a portion or all of the cost of the decrease in the investment assumption.

Staff will present options for the use of the prepaid amount when the Retirement Board presents the investment assumption change to the Town Council.

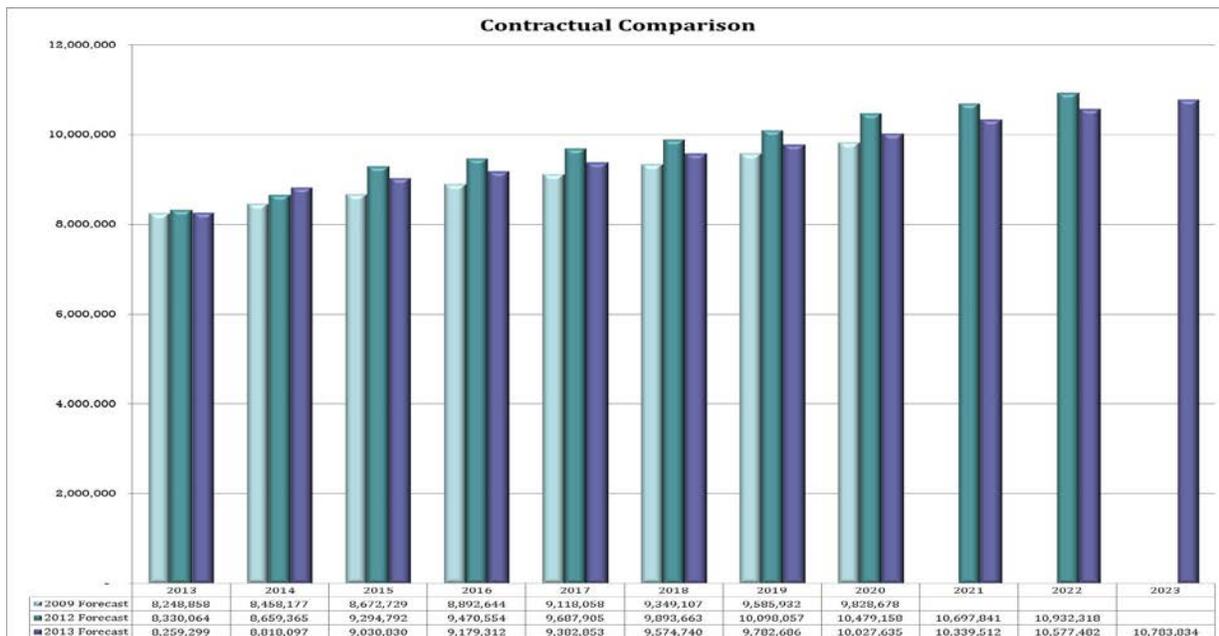
Other Employee Benefits



Other Employee Benefits includes all other benefits including health insurance. We anticipate health insurance costs will increase at 10% per year and other employee benefits, (including FICA, longevity, incentives, and allowances) will increase at a much lower rate.

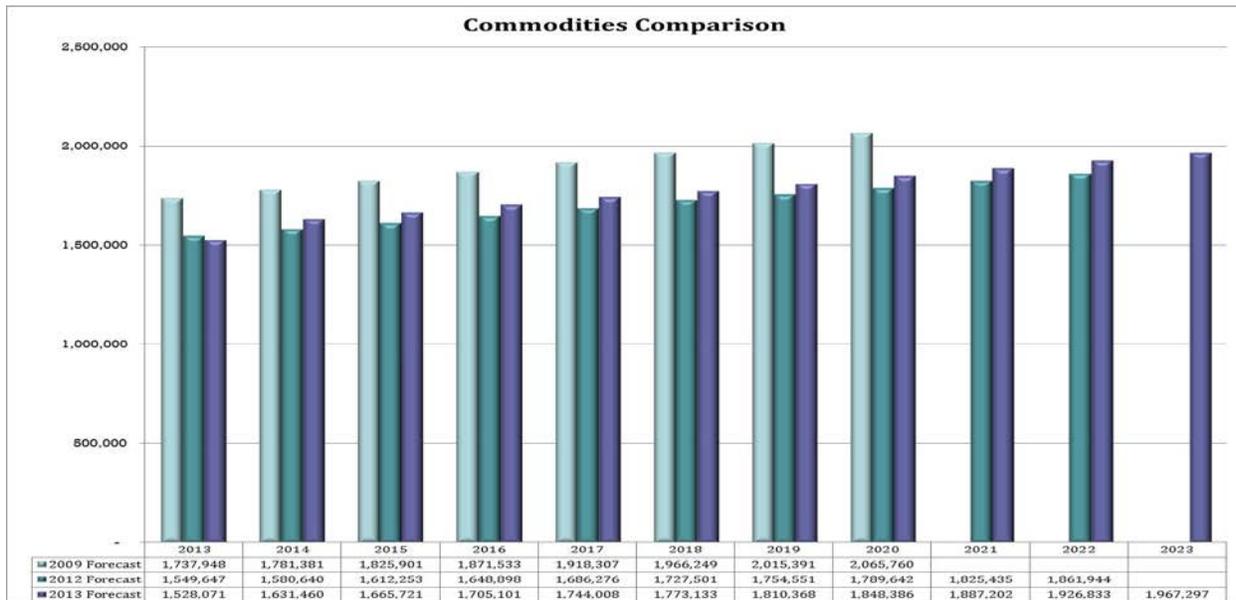
Contractual

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 contracting certain services that are currently performed by employees. In these years, the salary and benefit amounts reflect a corresponding decrease in personnel. Beginning in FY13, \$300,000 per year was added to the forecast for sanitary sewage 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. As a result of the privatization that has occurred since 2009, contractual expenses are higher than the original 2009 forecast, but this increase has been far surpassed by the related savings in employee pay and benefits.



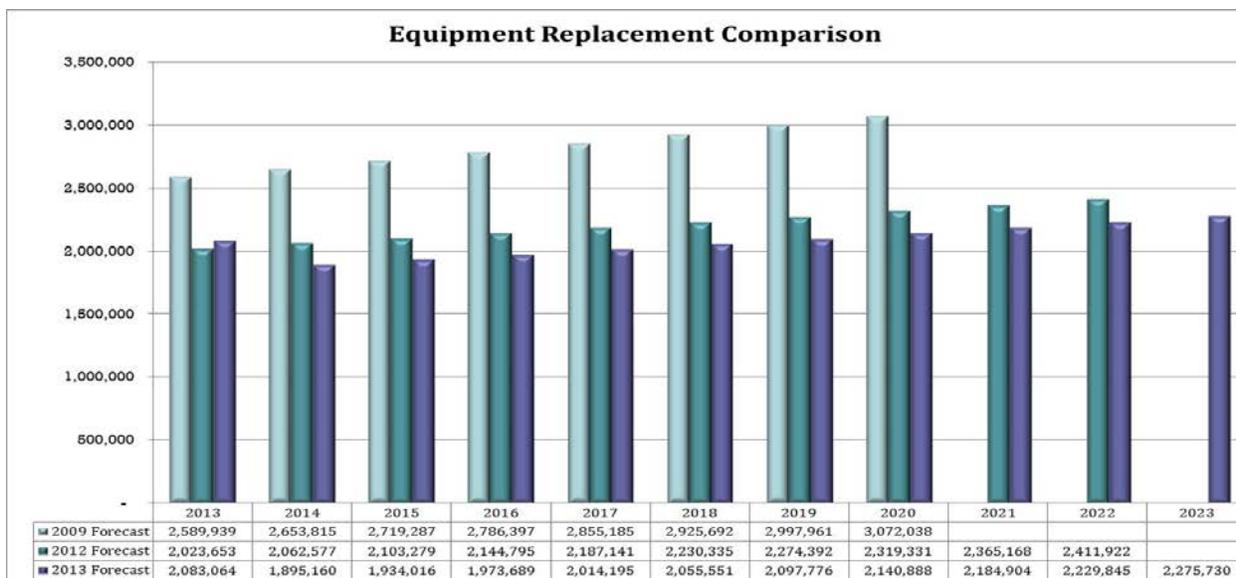
Commodities

The commodity forecast was based upon the assumed rate of inflation. Commodity budgets include fuel, supplies, dues, software, some computer hardware and vehicle maintenance and uniforms.



Equipment Replacement/Capital Outlay

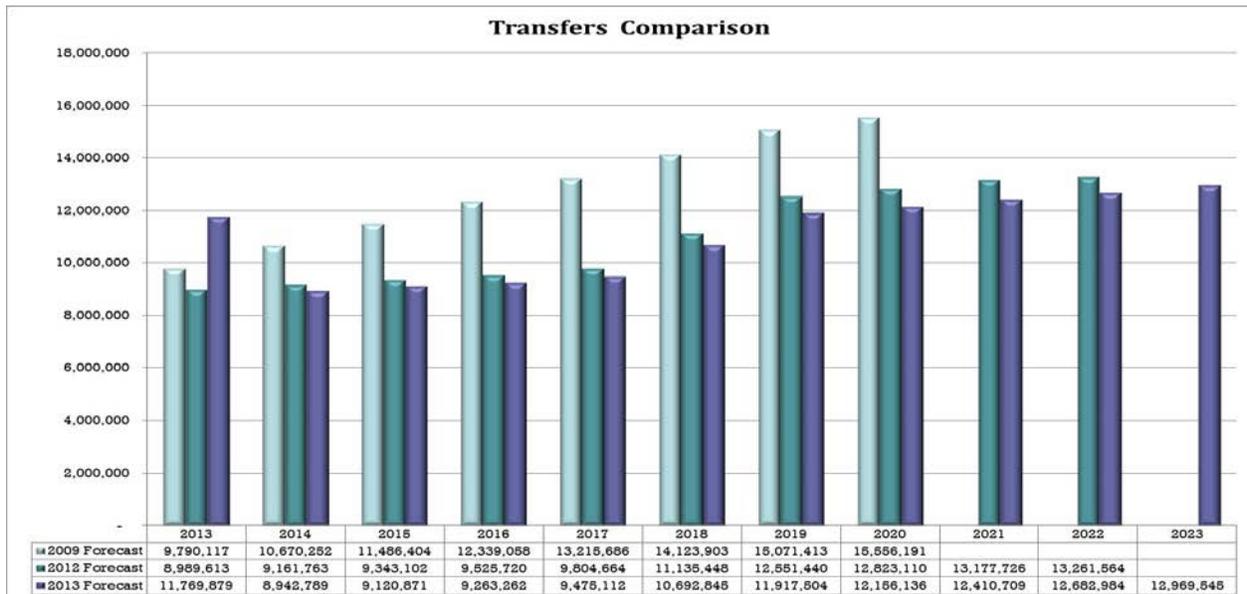
This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. During FY11, staff conducted a thorough review the useful lives of the Town’s equipment. In some cases, departments have identified equipment that can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



Transfers

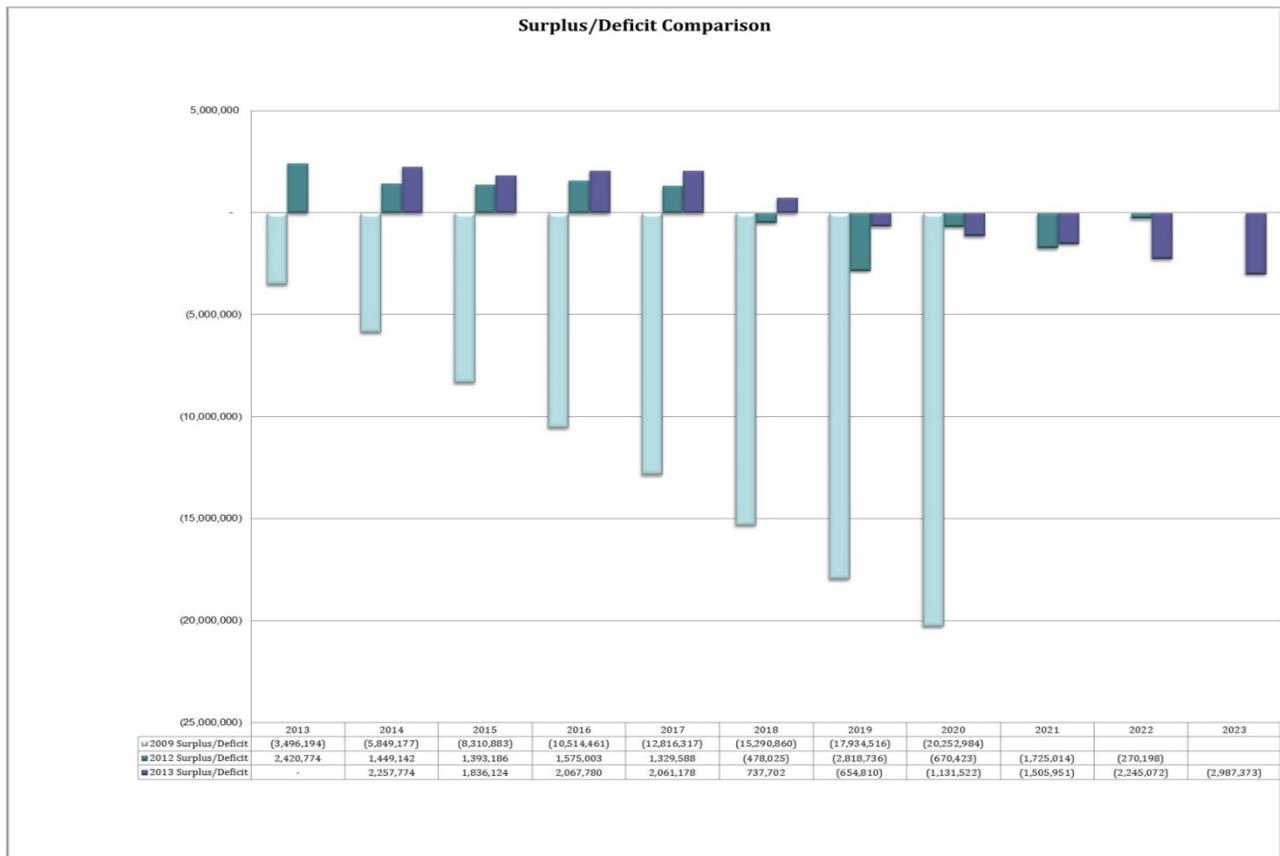
The Transfers category includes transfers to the Capital Improvement Program, Debt Service Fund, Risk Insurance Fund and Retiree Health Insurance Trust. It also includes the annual contingency allocation.

- 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.
- The FY13 budget was amended to transfer \$2,000,000 to the Coastal Protection Fund in addition to the amount shown in the following chart. A transfer to the Coastal Protection Fund of \$200,000 each year is included in the forecast. This amount represents the increased revenue from an increase in parking ticket fine amounts earmarked for coastal. No other funding for coastal has been included in the forecast.
- Debt service has been included in the forecast utilizing the original plan to issue debt in 2017 with additional debt service beginning in FY18 for the accelerated capital improvement program. A separate table later in this section shows the effect on the forecasted surplus/deficit of issuing debt in FY14 rather than FY17.
- 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.
- The General Fund contingency appropriation has been estimated to be 1.5% of the forecasted expenditures as required by Town policy. The General Fund contingency is funded through a transfer from fund balance rather than through operating revenues.
- The Town's contribution to the Four Arts Library is forecasted to increase by 3% per year.



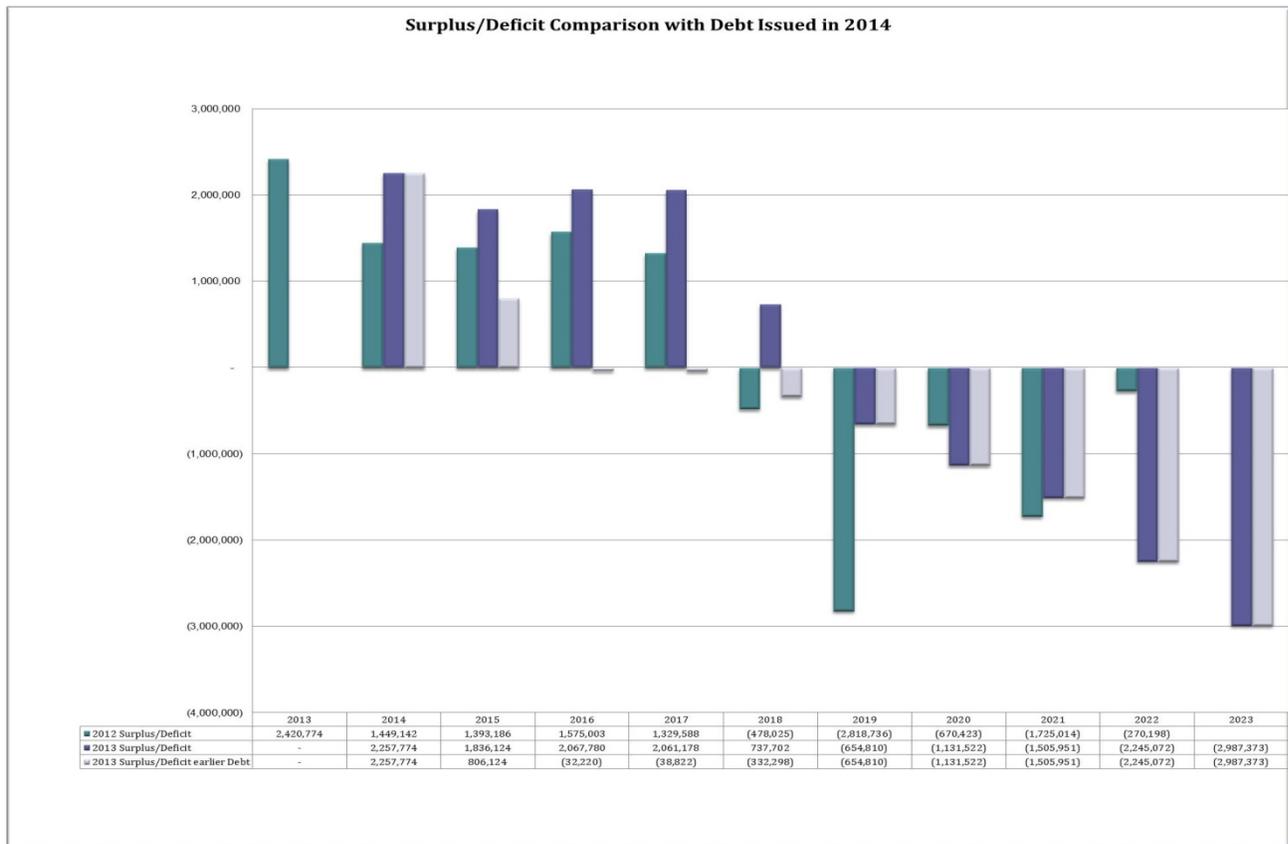
Projected Surplus/ Deficit

Due to the deep cuts in expenditures 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 2013 forecast shows deficits beginning in 2019 and remaining small and manageable for the remainder of the forecast period. Compared to last year’s forecast, the 2013 forecast shows improvements in the projected surplus/deficit amounts through 2019 due to additional projected savings generated from retirements and other forecasted expenditure reductions. The updated pension forecast increased the contribution amounts for the years after 2019, so the deficits for 2020 and 2022 are larger than in last year’s forecast.



Second Phase of the Accelerated Capital Improvement Program

The first phase of the Accelerated Capital Improvement Program is nearing completion. Projects planned for the summer of 2013 and 2014 will exhaust the funding provided by the 2010A bond. The original plan called for a multi-year break in construction and a new bond issued in 2017 to start the second phase work of the Accelerated Capital Improvement Program. This forecast has been prepared using the original schedule. If the Town issues bonds in 2014, with debt service beginning in 2015, earlier than originally planned, and the third phase remains as originally planned with debt issued in 2024, the projected surplus/deficit that would be caused from moving the bond issues forward is identified with the light purple bar on the chart on the following page.



Coastal Protection

The forecast does not include sufficient 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. Once the coastal cost projections have been updated based upon the Woods Hole recommendations, the forecast will be updated and provided to the Town Council.

The transfer to the coastal protection fund forecast includes \$200,000 per year in revenue from the recent increase in parking ticket fines.

Planning for the FY14 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. Staff currently is preparing the FY14 proposed budget to reflect exact needs and specific proposals. The departments have been instructed to submit proposed budgets that are less than the FY14 LTFP amounts.

The FY14 forecast for property tax revenue is forecasted to show a 3% increase over the FY13 budget amount. This increase is based on the assumption of a 3% or more improvement in property values in the Town. If property values were to increase more than 3%, 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 FY2013 - FY2023**

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Revenues											
Ad Valorem Taxes	36,865,400	37,971,362	39,110,502	40,283,818	41,492,332	42,737,102	44,019,216	45,339,792	46,699,986	48,100,985	49,544,015
Non Ad Valorem Taxes	7,477,500	7,566,225	7,790,112	8,020,653	8,258,047	8,502,499	8,754,219	9,013,422	9,280,334	9,555,183	9,838,206
Licenses & Permits	6,202,300	6,282,300	6,312,300	6,312,300	6,343,800	6,343,800	6,376,875	6,376,875	6,411,604	6,411,604	6,448,069
Intergovernmental	1,020,450	1,058,498	1,086,203	1,114,739	1,144,131	1,174,405	1,205,587	1,237,705	1,270,786	1,304,860	1,339,955
Charges for Services	3,652,116	3,684,023	3,755,333	3,894,957	3,966,436	4,038,594	4,128,239	4,205,938	4,285,849	4,368,037	4,452,567
Fines and Forfeitures	1,299,000	1,229,000	1,253,580	1,253,580	1,278,652	1,278,652	1,304,225	1,307,536	1,330,309	1,335,310	1,340,460
Investment Earnings	900,500	940,500	950,500	1,100,500	1,200,500	1,300,500	1,450,500	1,550,500	1,800,500	1,950,500	2,100,500
Miscellaneous and Transfers	1,136,981	1,137,845	1,140,796	1,143,835	1,146,965	1,150,189	1,153,509	1,156,930	1,160,452	1,164,081	1,167,818
Total Operating Revenues	58,554,247	59,869,753	61,399,326	63,124,382	64,830,863	66,525,741	68,392,370	70,188,698	72,239,820	74,190,560	76,231,590
Transfers from Fund Balance	1,157,033	1,320,192	1,400,232	1,422,678	1,666,866	1,611,273	1,542,657	1,576,707	1,613,159	1,653,546	1,695,344
Total Revenues	59,711,280	61,189,945	62,799,558	64,547,060	66,497,729	68,137,014	69,935,027	71,765,405	73,852,979	75,844,106	77,926,934
Expenditures											
Salaries and Wages	24,464,929	25,153,056	25,819,317	26,132,561	26,655,529	27,299,009	28,100,267	28,859,928	29,616,748	30,600,872	31,620,498
Pension Benefits	3,831,588	4,224,155	4,611,215	5,005,276	5,398,757	5,622,160	5,818,311	6,016,233	6,229,488	6,450,293	6,693,858
DC Plan Benefits	664,176	683,370	705,179	718,215	730,154	752,362	778,621	803,560	825,040	852,894	881,751
Other Employee Benefits	6,821,286	7,286,426	7,769,696	8,186,076	8,710,683	9,294,494	9,939,236	10,688,741	11,499,243	12,390,909	13,333,417
Contractual	8,259,299	8,818,097	9,030,830	9,179,312	9,382,853	9,574,740	9,782,686	10,027,635	10,339,512	10,577,482	10,783,834
Commodities	1,528,070	1,631,460	1,665,721	1,705,101	1,744,008	1,773,133	1,810,368	1,848,386	1,887,202	1,926,833	1,967,297
Equipment Replacement	2,085,064	1,895,160	1,934,016	1,973,689	2,014,195	2,055,551	2,097,776	2,140,888	2,184,904	2,229,845	2,275,730
Library Services	288,989	297,659	306,588	315,786	325,260	335,017	345,068	355,420	366,083	377,065	388,377
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	2,765,099	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Debt Service	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	4,530,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000
Retiree Health	1,769,000	1,506,000	1,591,000	1,683,000	1,781,000	1,887,000	2,001,000	2,123,000	2,255,000	2,397,000	2,548,000
Transfer to Risk Insurance Fund	1,892,780	1,866,597	1,929,639	1,957,584	2,027,246	2,064,572	2,073,847	2,156,429	2,242,550	2,332,438	2,426,201
Contingency	843,000	870,192	900,232	922,678	966,866	1,011,273	1,042,657	1,076,707	1,113,159	1,153,546	1,195,344
Total Expenditures	59,711,280	58,932,172	60,963,433	62,479,278	64,436,551	67,399,311	70,589,837	72,896,927	75,358,929	78,089,177	80,914,307
Surplus/(Deficit)	-	2,257,773	1,836,125	2,067,782	2,061,178	737,703	(654,810)	(1,131,522)	(1,505,950)	(2,245,071)	(2,987,373)

Town of Palm Beach
Revenue Forecast
FY13 - FY23

Analysis of Revenues by Category	2013 Budget	2014 Estimated	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated
Ad Valorem Revenues	36,865,400	37,971,362	39,110,503	40,283,818	41,492,332	42,737,102	44,019,216	45,339,792	46,699,986	48,100,985	49,544,015
% Increase	0.55%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	202,484	1,105,962	1,139,141	1,173,315	1,208,515	1,244,770	1,282,113	1,320,576	1,360,194	1,401,000	1,443,030
Non Ad Valorem Taxes	7,477,500	7,566,225	7,790,112	8,020,653	8,258,047	8,502,499	8,754,219	9,013,422	9,280,334	9,555,183	9,838,206
% Increase	2.22%	1.19%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
\$ Increase	162,183	88,725	223,887	230,541	237,394	244,452	251,719	259,204	266,912	274,849	283,023
Licenses and Permits	6,202,300	6,282,300	6,312,300	6,312,300	6,343,800	6,343,800	6,376,875	6,376,875	6,411,604	6,411,604	6,448,069
% Increase	-4.55%	1.29%	0.48%	0.00%	0.50%	0.00%	0.52%	0.00%	0.54%	0.00%	0.57%
\$ Increase	-295,907	80,000	30,000	0	31,500	0	33,075	0	34,729	0	36,465
Intergovernmental Revenue	1,020,450	1,058,498	1,086,203	1,114,739	1,144,131	1,174,405	1,205,587	1,237,705	1,270,786	1,304,860	1,339,955
% Increase	-2.95%	3.73%	2.62%	2.63%	2.64%	2.65%	2.66%	2.66%	2.67%	2.68%	2.69%
\$ Increase	-30,982	38,048	27,705	28,536	29,392	30,274	31,182	32,118	33,081	34,074	35,096
Charges for Services	3,652,116	3,684,023	3,755,333	3,894,957	3,966,436	4,038,594	4,128,239	4,205,938	4,285,849	4,368,037	4,452,567
% Increase	-10.51%	0.87%	1.94%	3.72%	1.84%	1.82%	2.22%	1.88%	1.90%	1.92%	1.94%
\$ Increase	-429,143	31,907	71,310	139,624	71,479	72,159	89,645	77,699	79,911	82,188	84,530
Fines and Forfeitures	1,299,000	1,229,000	1,253,580	1,253,580	1,278,652	1,278,652	1,304,225	1,307,536	1,330,309	1,335,310	1,340,460
% Increase	17.40%	-5.39%	2.00%	0.00%	2.00%	0.00%	2.00%	0.25%	1.74%	0.38%	0.39%
\$ Increase	192,565	-70,000	24,580	0	25,072	0	25,573	3,311	22,774	5,001	5,150
Interest Income	900,500	940,500	950,500	1,100,500	1,200,500	1,300,500	1,450,500	1,550,500	1,800,500	1,950,500	2,100,500
% Increase	81.80%	4.44%	1.06%	15.78%	9.09%	8.33%	11.53%	6.89%	16.12%	8.33%	7.69%
\$ Increase	405,189	40,000	10,000	150,000	100,000	100,000	150,000	100,000	250,000	150,000	150,000
Miscellaneous and Transfers	1,136,981	1,137,845	1,140,796	1,143,835	1,146,965	1,150,189	1,153,509	1,156,930	1,160,452	1,164,081	1,167,818
% Increase	-25.92%	0.08%	0.26%	0.27%	0.27%	0.28%	0.29%	0.30%	0.30%	0.31%	0.32%
\$ Increase	-397,757	864	2,950	3,039	3,130	3,224	3,321	3,420	3,523	3,629	3,737
Transfers from Fund Balance	1,157,033	1,320,192	1,400,232	1,422,678	1,666,866	1,611,273	1,542,657	1,576,707	1,613,159	1,653,546	1,695,344
% Increase	-48.20%	14.10%	6.06%	1.60%	17.16%	-3.34%	-4.26%	2.21%	2.31%	2.50%	2.53%
\$ Increase	-1,076,567	163,159	80,040	22,446	244,188	-55,593	-68,616	34,050	36,452	40,387	41,798
Total Revenues	59,711,280	61,189,945	62,799,558	64,547,059	66,497,729	68,137,014	69,935,026	71,765,404	73,852,979	75,844,105	77,926,934
% Increase	-2.08%	2.48%	2.63%	2.78%	3.02%	2.47%	2.64%	2.62%	2.91%	2.70%	2.75%
\$ Increase	-1,267,935	1,478,665	1,609,613	1,747,501	1,950,670	1,639,285	1,798,012	1,830,378	2,087,575	1,991,126	2,082,829

Town of Palm Beach
Expenditure Forecast
FY13 - FY23

Analysis of Expenses by Category Expenditure Categories	2013 Estimated	2014 Estimated	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated
Salaries/Wages	24,464,929	25,153,056	25,819,317	26,132,561	26,655,529	27,299,009	28,100,267	28,859,928	29,616,748	30,600,872	31,620,498
% Increase	3.54%	2.81%	2.65%	1.21%	2.00%	2.41%	2.94%	2.70%	2.62%	3.32%	3.33%
\$ Increase	837,566	688,127	666,261	313,244	522,968	643,480	801,258	759,661	756,820	984,124	1,019,627
Pension Benefits	3,831,588	4,224,155	4,611,215	5,005,276	5,398,757	5,622,160	5,818,311	6,016,233	6,229,488	6,450,293	6,693,858
% Increase	20.49%	10.25%	9.16%	8.55%	7.86%	4.14%	3.49%	3.40%	3.54%	3.54%	3.78%
\$ Increase	651,462	392,567	387,060	394,062	393,480	223,404	196,151	197,922	213,255	220,805	243,565
DC Plan	664,176	683,370	705,179	718,215	730,154	752,362	778,621	803,560	825,040	852,894	881,751
% Increase	198.77%	2.89%	3.19%	1.85%	1.66%	3.04%	3.49%	3.20%	2.67%	3.38%	3.38%
\$ Increase	441,870	19,194	21,809	13,035	11,940	22,208	26,259	24,939	21,480	27,854	28,857
Other Employee Benefits	6,821,286	7,286,426	7,769,696	8,186,076	8,710,683	9,294,494	9,939,236	10,688,741	11,499,243	12,390,909	13,333,417
% Increase	3.09%	6.82%	6.63%	5.36%	6.41%	6.70%	6.94%	7.54%	7.58%	7.75%	7.61%
\$ Increase	204,315	465,140	483,270	416,380	524,607	583,811	644,742	749,505	810,502	891,665	942,508
Contractual	8,259,299	8,818,097	9,030,830	9,179,312	9,382,853	9,574,740	9,782,686	10,027,635	10,339,512	10,577,482	10,783,834
% Increase	15.69%	6.77%	2.41%	1.64%	2.22%	2.05%	2.17%	2.50%	3.11%	2.30%	1.95%
\$ Increase	1,119,909	558,798	212,732	148,482	203,541	191,886	207,946	244,949	311,877	237,970	206,352
Commodities	1,528,071	1,631,460	1,665,721	1,705,101	1,744,008	1,773,133	1,810,368	1,848,386	1,887,202	1,926,833	1,967,297
% Increase	-1.27%	6.77%	2.10%	2.36%	2.28%	1.67%	2.10%	2.10%	2.10%	2.10%	2.10%
\$ Increase	(19,667)	103,389	34,261	39,380	38,907	29,124	37,236	38,018	38,816	39,631	40,464
Equipment Replacement	2,083,064	1,895,160	1,934,016	1,973,689	2,014,195	2,055,551	2,097,776	2,140,888	2,184,904	2,229,845	2,275,730
% Increase	10.72%	-9.02%	2.05%	2.05%	2.05%	2.05%	2.05%	2.06%	2.06%	2.06%	2.06%
\$ Increase	201,745	-187,904	38,857	39,673	40,506	41,356	42,225	43,111	44,017	44,941	45,885
Library Services	288,989	297,659	306,588	315,786	325,260	335,017	345,068	355,420	366,083	377,065	388,377
% Increase	6.09%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	16,589	8,670	8,930	9,198	9,474	9,758	10,051	10,352	10,663	10,982	11,312
TRANSFER TO OTHER FUNDS											
CAPITAL IMPROV. FUND (307)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309)	2,765,099	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
DEBT SERVICE FUND (203)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	4,530,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000
RETIREE HEALTH INS.(OPEB) (610)	1,769,000	1,506,000	1,591,000	1,683,000	1,781,000	1,887,000	2,001,000	2,123,000	2,255,000	2,397,000	2,548,000
RISK/W.C. LIAB.PROP. (501)	1,892,780	1,866,597	1,929,639	1,957,584	2,027,246	2,064,572	2,073,847	2,156,429	2,242,550	2,332,438	2,426,201
CONTINGENT APPROP.	843,000	870,192	900,232	922,678	966,866	1,011,273	1,042,657	1,076,707	1,113,159	1,153,546	1,195,344
Total Transfers and Other	11,769,879	8,942,789	9,120,871	9,263,262	9,475,112	10,692,845	11,917,504	12,156,136	12,410,709	12,682,984	12,969,545
% Increase	0.22%	-24.02%	1.99%	1.56%	2.29%	12.85%	11.45%	2.00%	2.09%	2.19%	2.26%
\$ Increase	25,372	-2,827,090	178,082	142,391	211,850	1,217,733	1,224,659	238,632	254,573	272,275	286,561
Total Expenditures	59,711,281	58,932,172	60,963,434	62,479,279	64,436,551	67,399,312	70,589,837	72,896,927	75,358,930	78,089,178	80,914,307
% Increase	6.61%	-1.30%	3.45%	2.49%	3.13%	4.60%	4.73%	3.27%	3.38%	3.62%	3.62%
\$ Increase	3,701,466	-779,109	2,031,262	1,515,845	1,957,272	2,962,761	3,190,525	2,307,090	2,462,003	2,730,248	2,825,129

Recreation Enterprise Fund Trends

Marina

Revenues

2003 - 2008: Revenue increases reflect strategic increases in rates and growth in transient business.

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

2012 - 2013: Revenue increases from growth in business as yachting industry improves.

Expenses

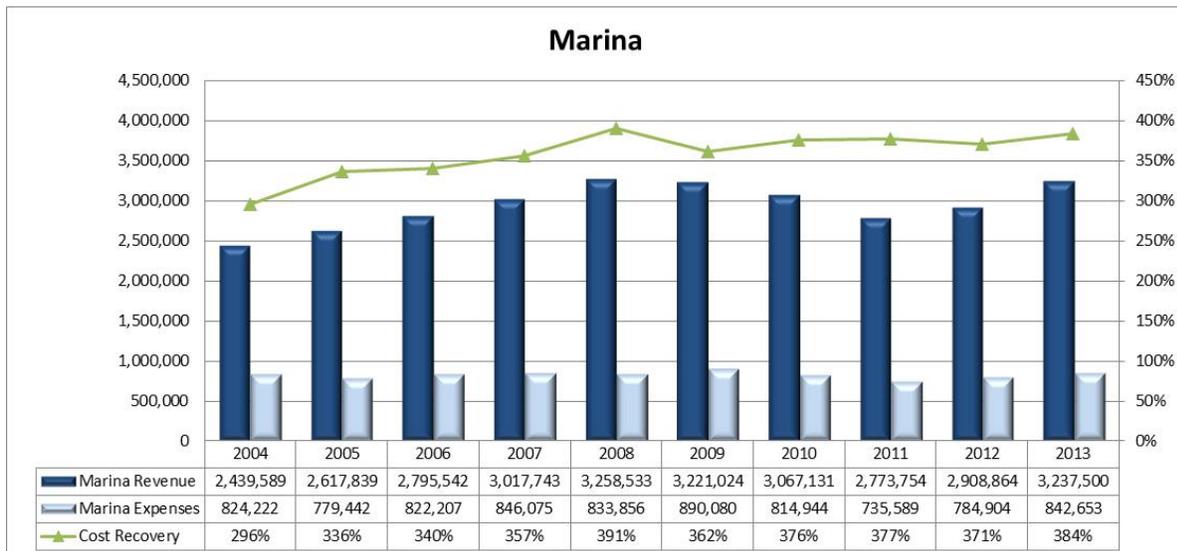
2009: Increased expenses are attributed to minor facility improvements.

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

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

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

2013: Increased expenses due to minor facility improvements.



Par 3 Golf Course

Revenues

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

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

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

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

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

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

Expenses

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

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

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

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



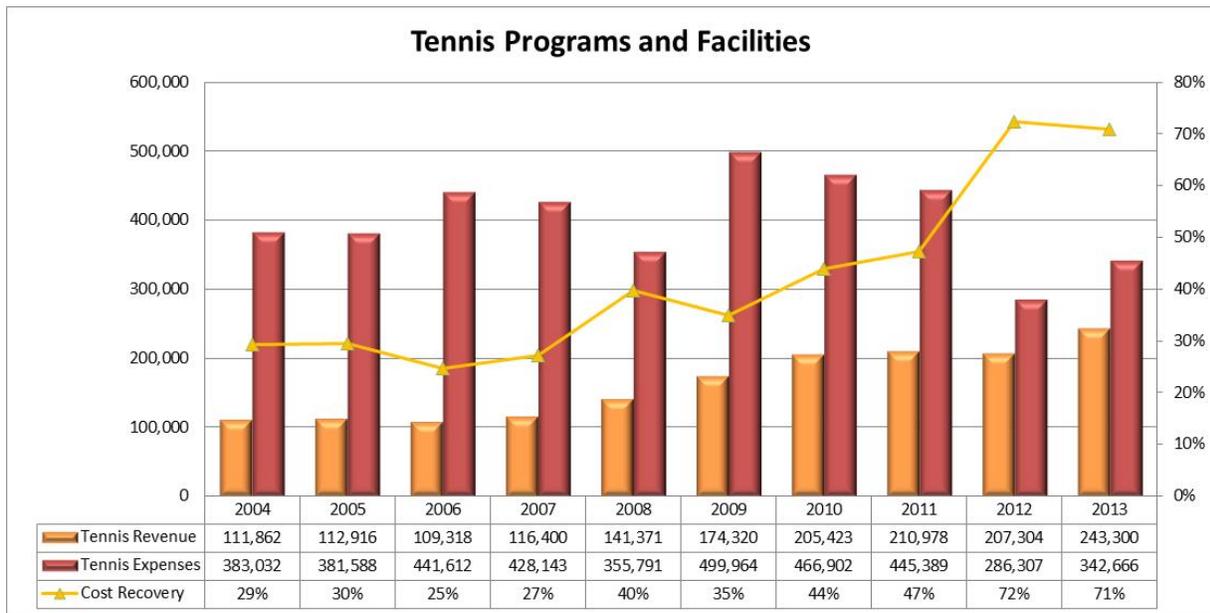
Tennis Programs & Facilities

Revenues

2009: Revenue increase is attributed to pricing increases for annual passes and daily play rates.
 2010 - 2013: Revenue increase due to growth in income share from the teaching contract, and increased participation.

Expenses

2008: Decrease reflects the elimination of the Pro-Manager position.
 2009: Increase can be attributed to a partial re-allocation of an Assistant Director salary to match responsibilities, additional PT staff hours, equipment purchases to maintain the new courts, and new furniture/fixtures.
 2011 - 2012: Decrease attributed to elimination of one Facility Supervisor and Maintenance Worker positions.
 2013: Increase attributed to minor facility improvements and increased cost of employee benefits.



Recreation Center

Revenues

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

2012 - 2013: Revenues flat due to a leveling off of programming offerings and limited activity space.

Expenses

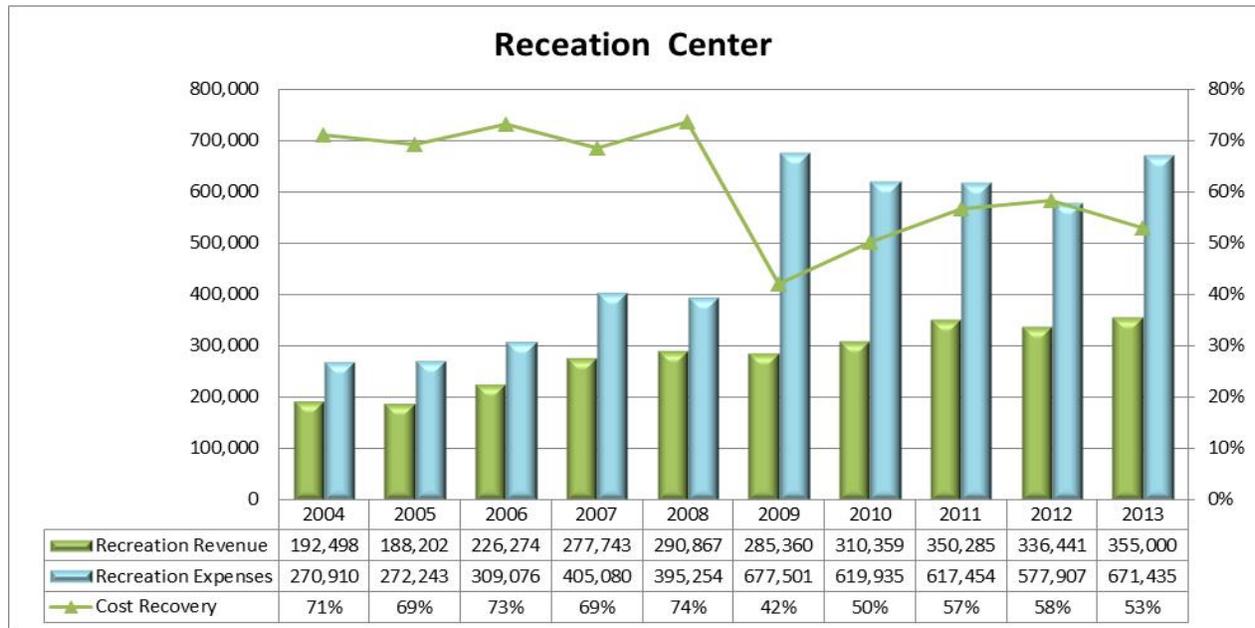
2007: Recreation Supervisor position added to meet programming needs (offset by elimination of Tennis Manager), and new furniture/equipment was purchased for the facility.

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

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

2012: Decrease attributed to elimination of Maintenance Worker position.

2013: Increase attributed to the addition of part-time no benefits staff support to perform functions of the Maintenance Worker position eliminated in FY12. Increase also attributed to increased cost of certain employee benefits and minor facility improvements.

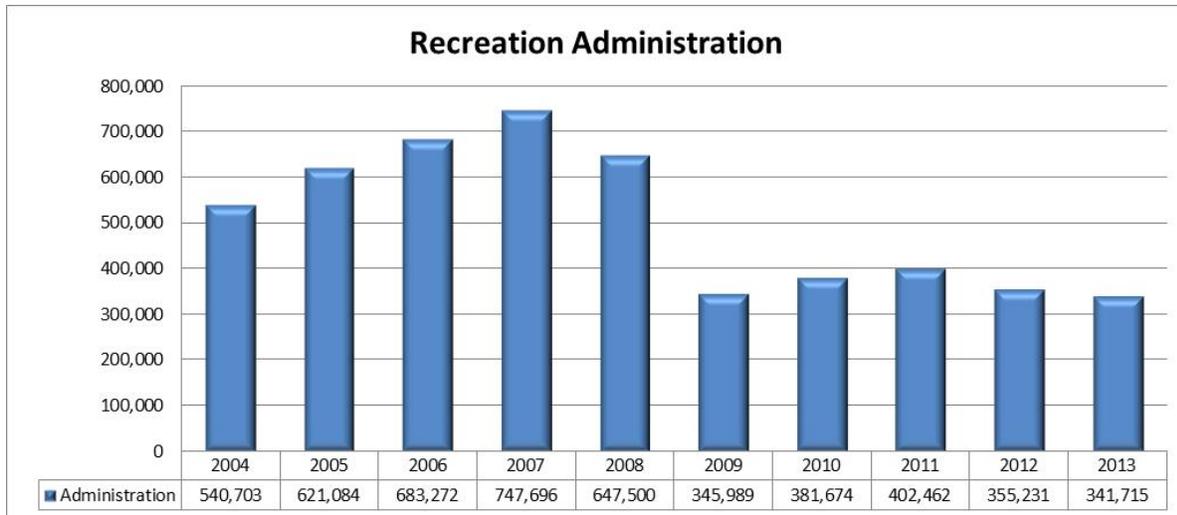


Recreation Administration

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

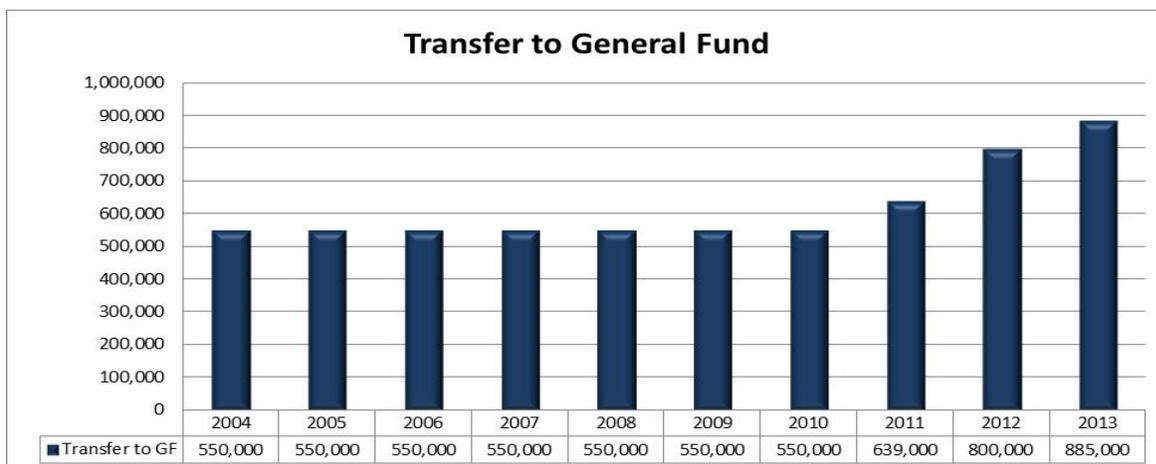
2012: Expenses decreased due to partial reallocation of an Assistant Director’s salary to other programs.

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



Transfer to General Fund

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



Full Time Positions

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

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

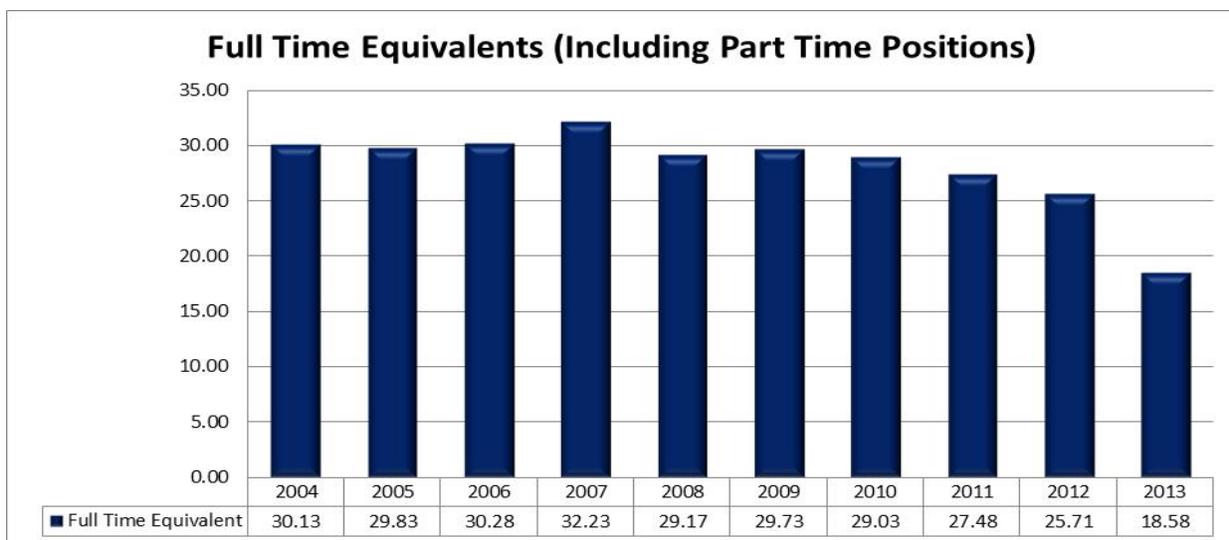
2010: Eliminated Equipment Operator position.

2011: Eliminated Assistant Dockmaster position.

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

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

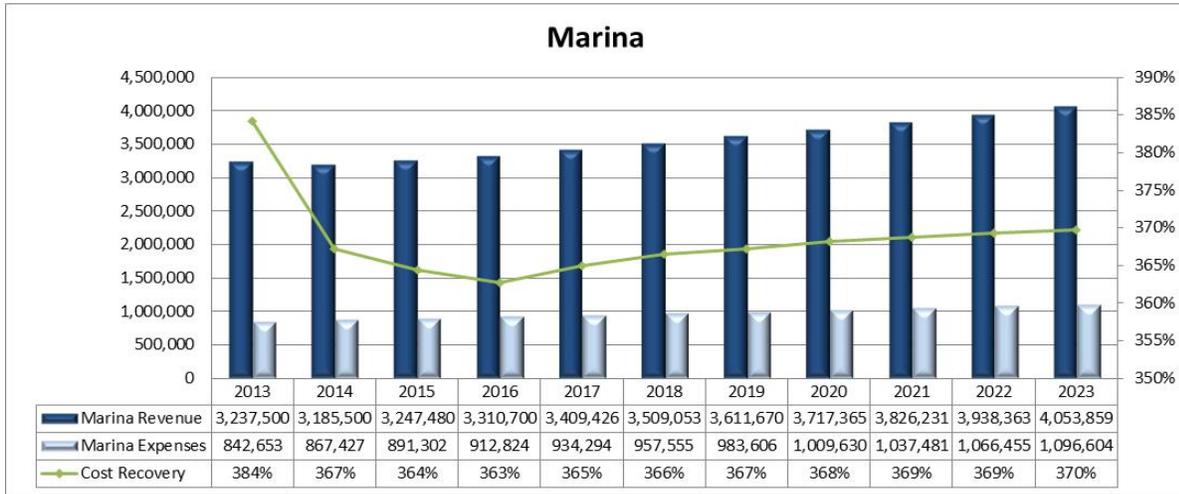
* Please note some of the full-time positions eliminated required part-time supplementation to continue adequate level of service to meet safety, programming and maintenance standards.



Recreation Enterprise Fund Forecast

Marina

Gradual growth in revenue assumes 100% occupancy, strategic price increases and growth in transient business. Expenses gradually increase for costs of goods, services, and salaries/benefits.



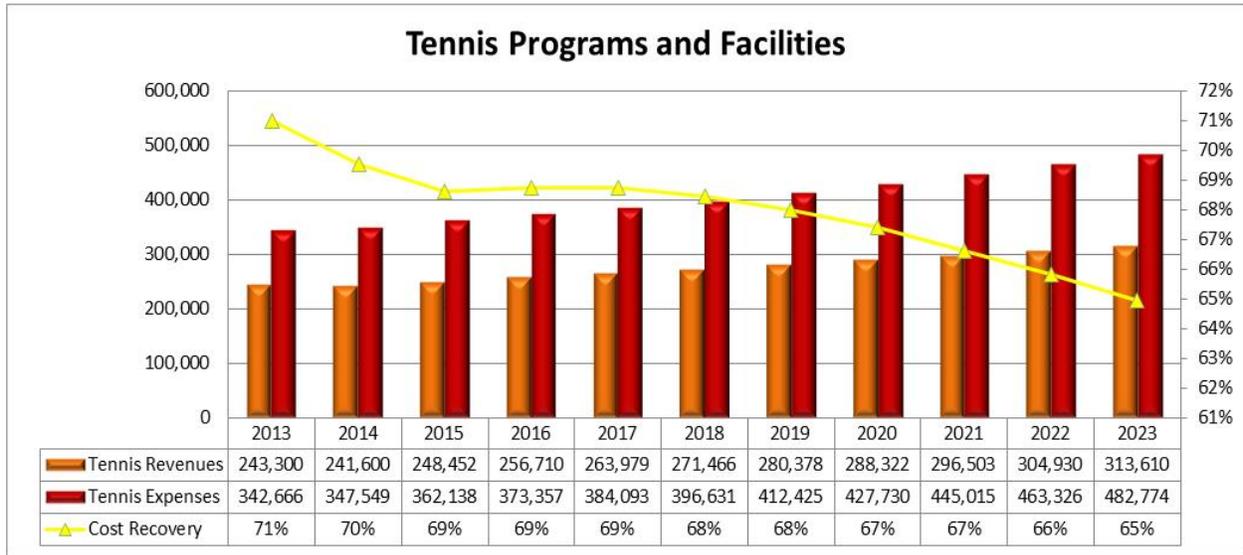
Par 3 Golf Course

Revenue projections are based on an improving economy, strategic price increases, improved advertising, and growth in play. It also includes new revenue for the lease of the new clubhouse restaurant. Expenses gradually increase for costs of goods, services, and salaries/benefits.



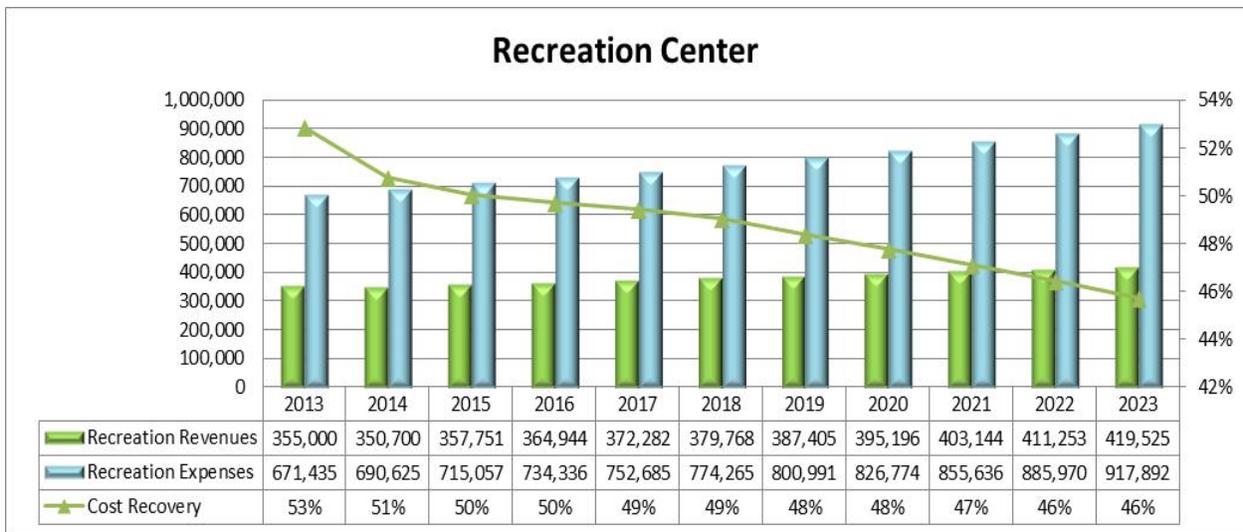
Tennis Programs & Facilities

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/benefits.



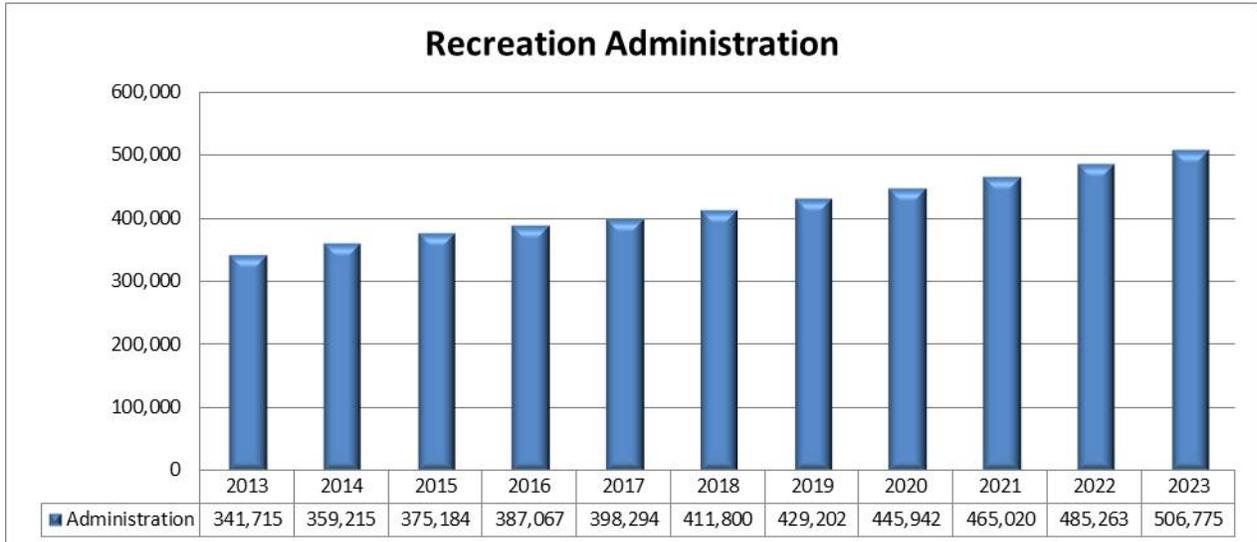
Recreation Center

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/benefits.

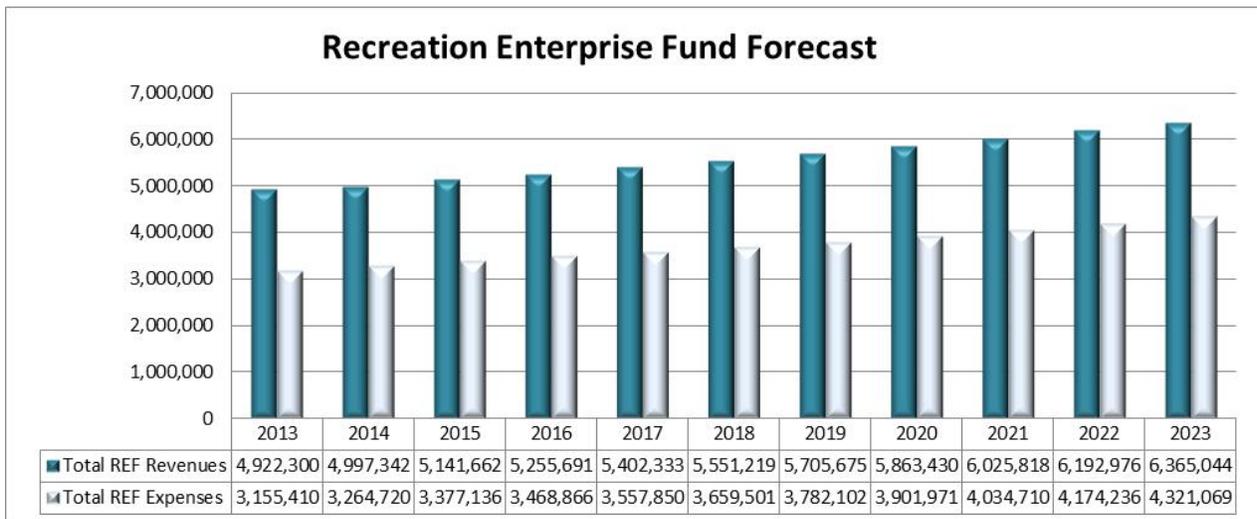


Recreation Administration

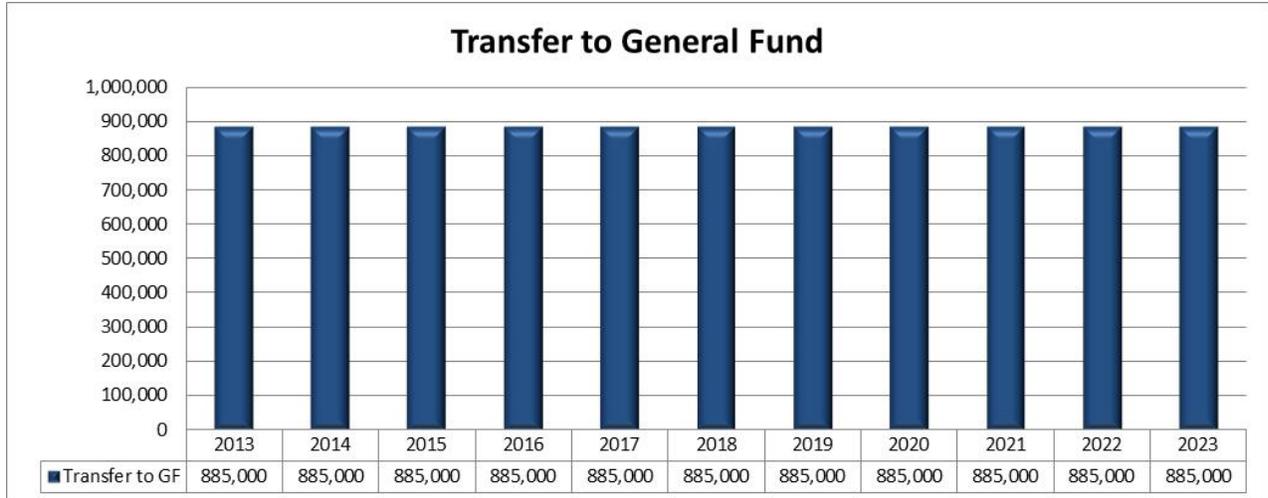
Expenses gradually increase for costs of goods, services, and salaries/benefits.



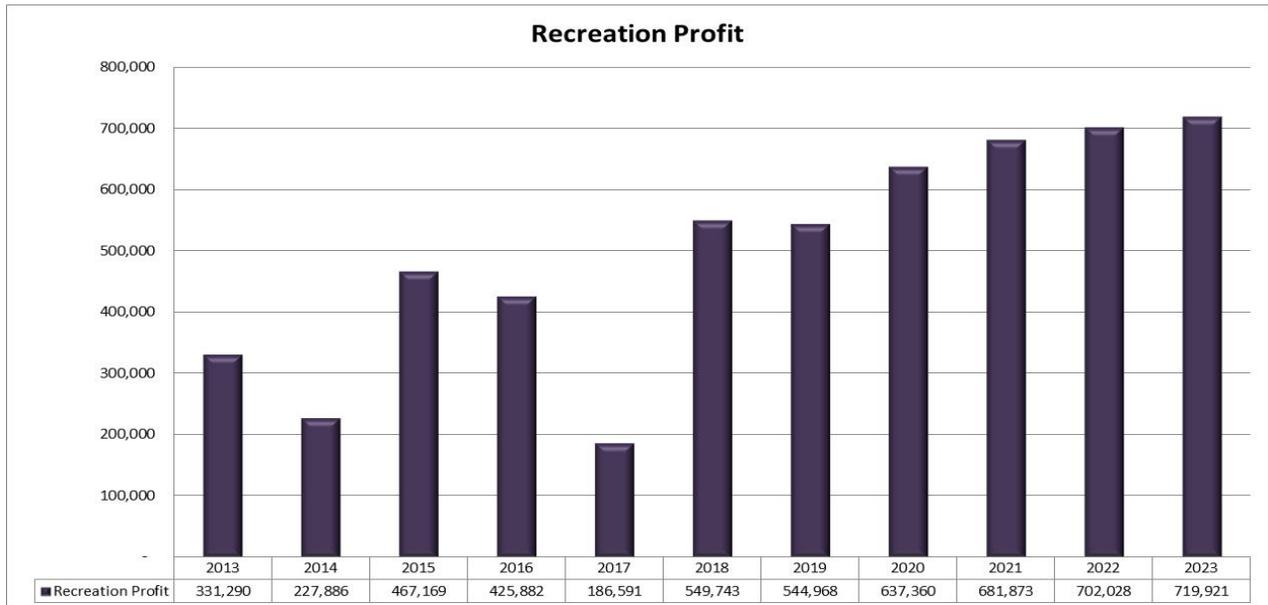
Total Recreation Enterprise Operating Fund



Transfer to General Fund



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



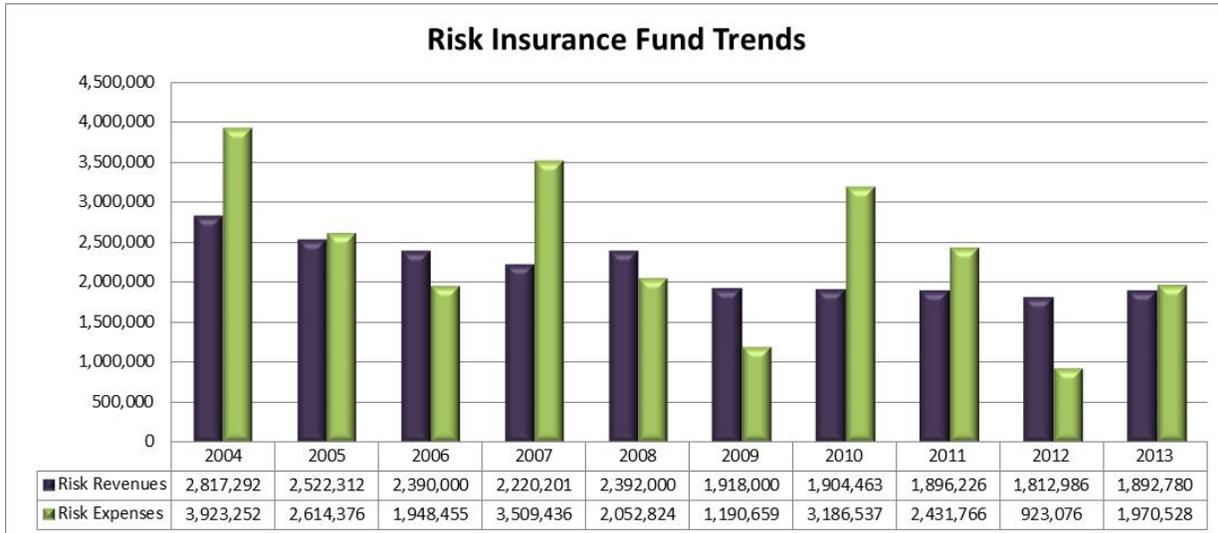
The net profits realized after the annual transfer of \$885,000 to the General Fund, payments for any capital expenses, and payment for debt service will be used to build the enterprise fund’s net asset balance. Growth of net assets will provide a revenue source for future major capital projects, such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

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.

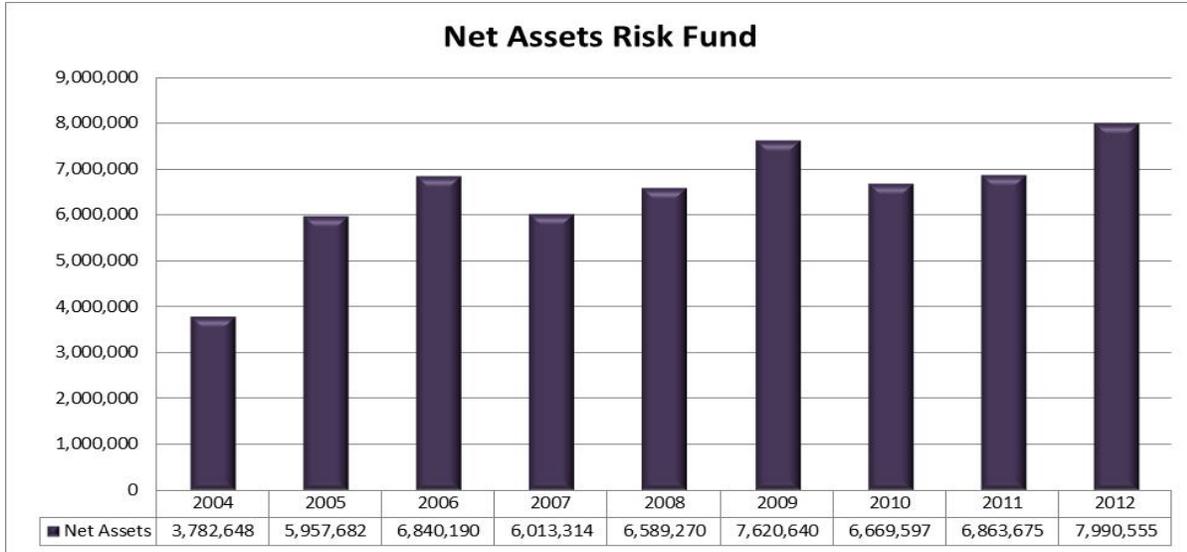
The operation the Office of Risk Management and the Town’s insurance programs are funded by an annual transfer from the General Fund and interest earned on the retained earnings within the fund.

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

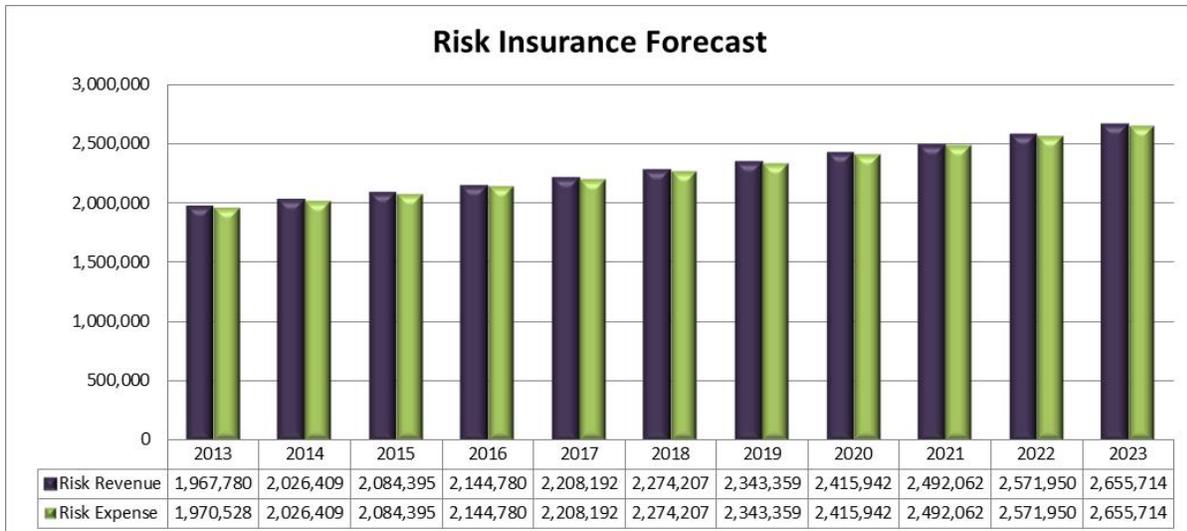


In 2004, expenditures included the uninsured cost for a construction related lawsuit. The 2007 and 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker’s compensation claims. In 2012, the retention levels were lowered which caused a decrease in expense.

The Net Assets of the fund have increased 111% since 2004. The reserves have been used to fund uninsured losses.



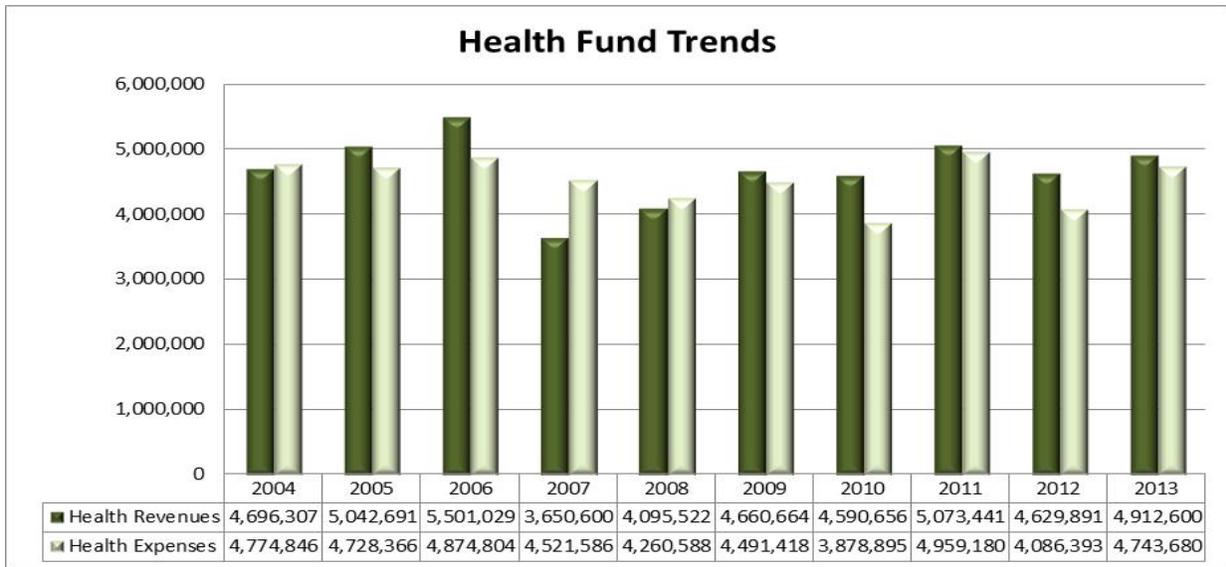
The Risk Insurance Fund forecast assumes annual increases of 5% for property and liability insurance and 3% for workmen’s compensation insurance.



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.

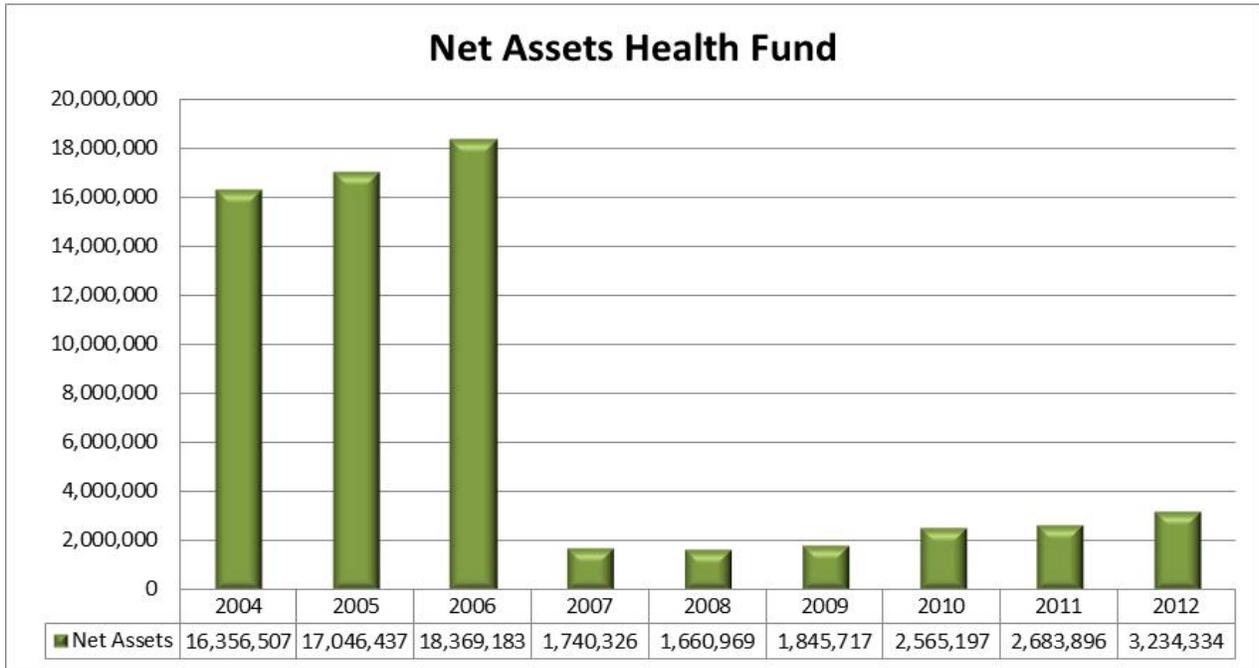
The 10 year trend in health revenues and expenditures is shown below.



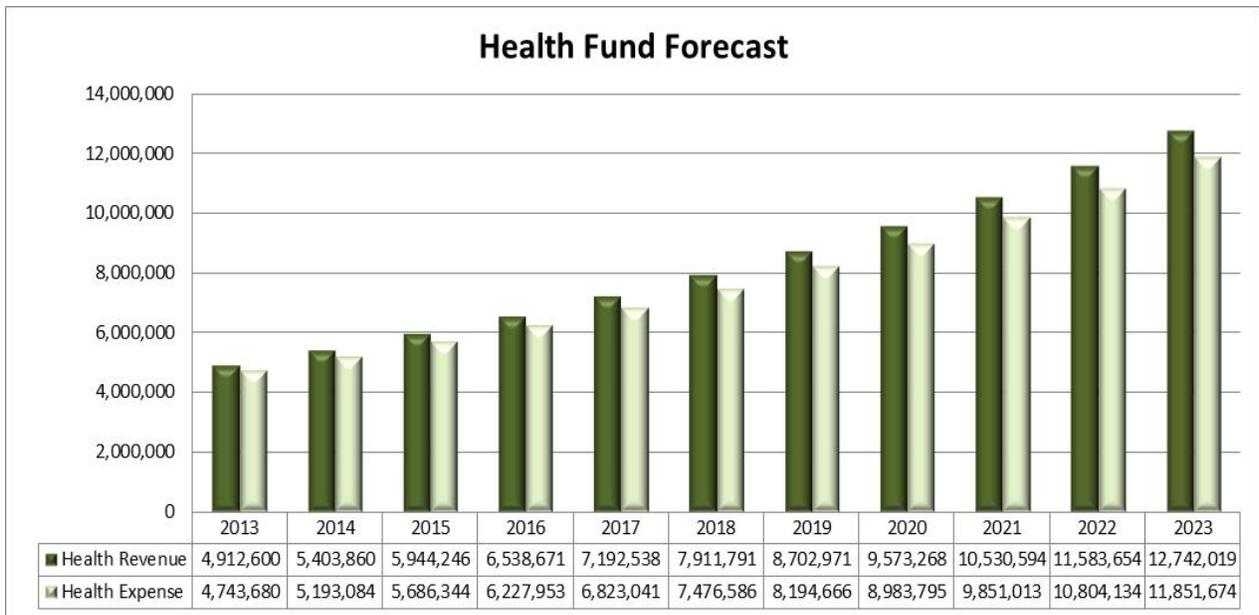
In 2007, revenues and expenditures associated with retiree health insurance costs were transferred out to the newly established OPEB trust. In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund.

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 Reserves have been improving and can be used in case of claims in excess of coverage.

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



The Health Fund forecast assumes an annual increase of 10% for health insurance costs.

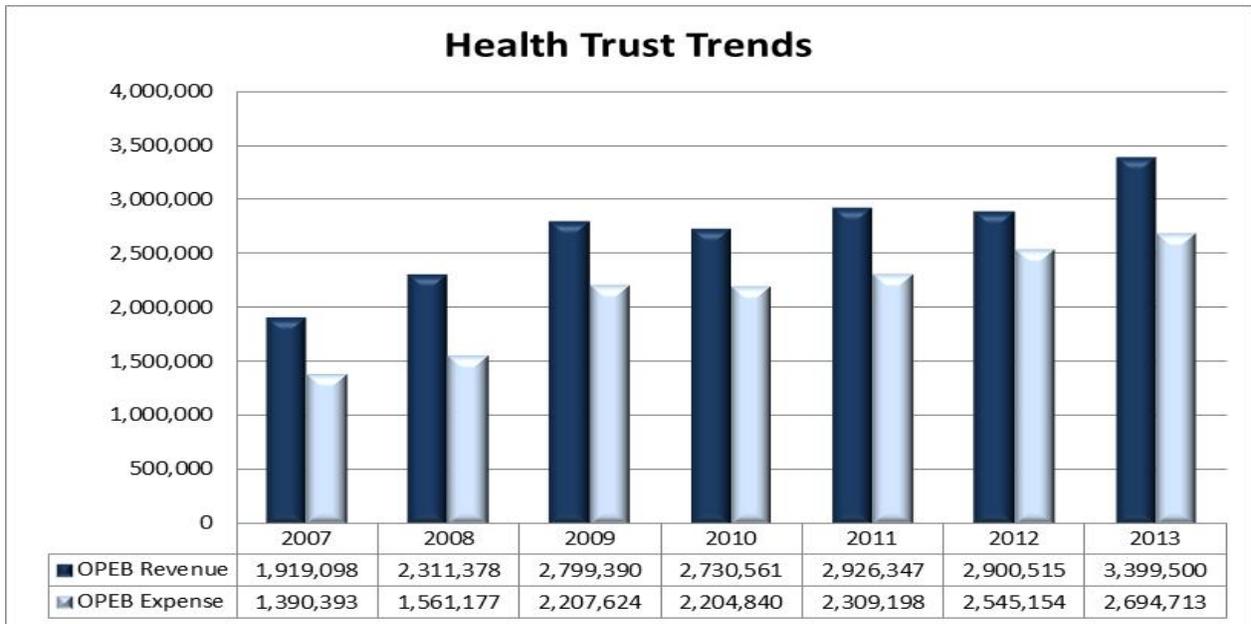


The Health Insurance Trust (OPEB)

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

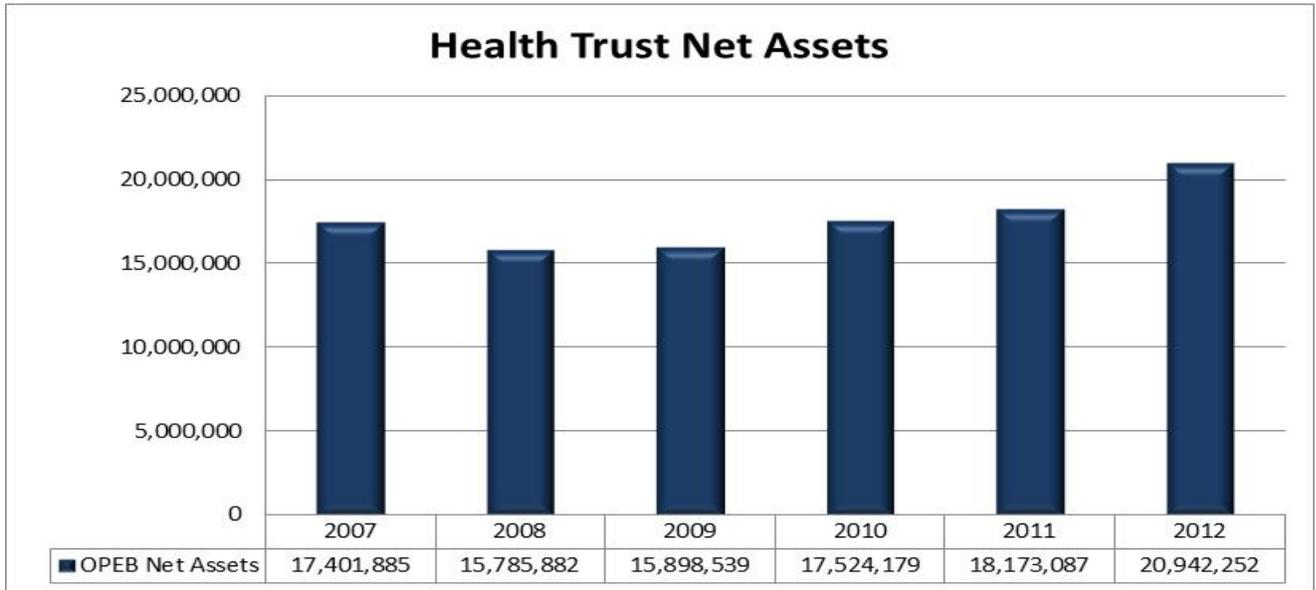
The actuarial valuation of the retiree health plan was conducted as of September 30, 2012. The Town’s Actuarial Accrued Liability as of September 30, 2012 was determined to be \$29,288,881. The annual budgeted contribution for FY13 is \$1,769,000.

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

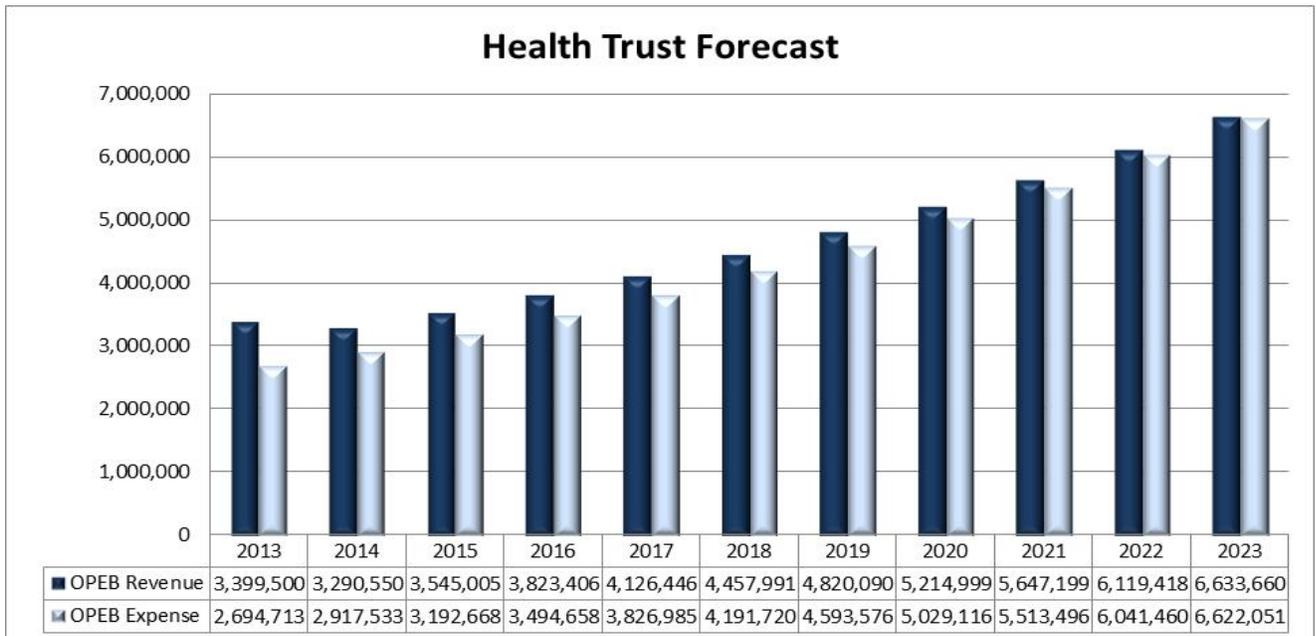


In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures.

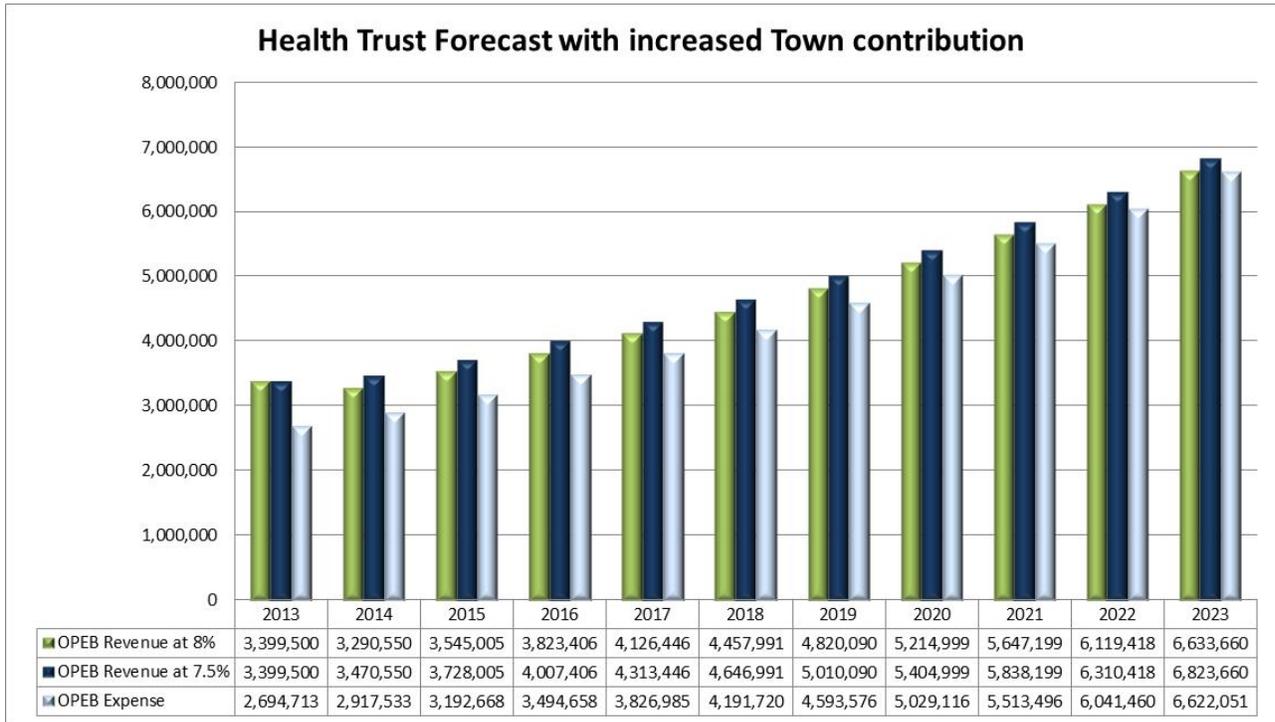
The Trust’s net assets declined in 2008 due to the decline in the stock market. Contributions and improved returns in the market have improved the net asset reserves for this fund.



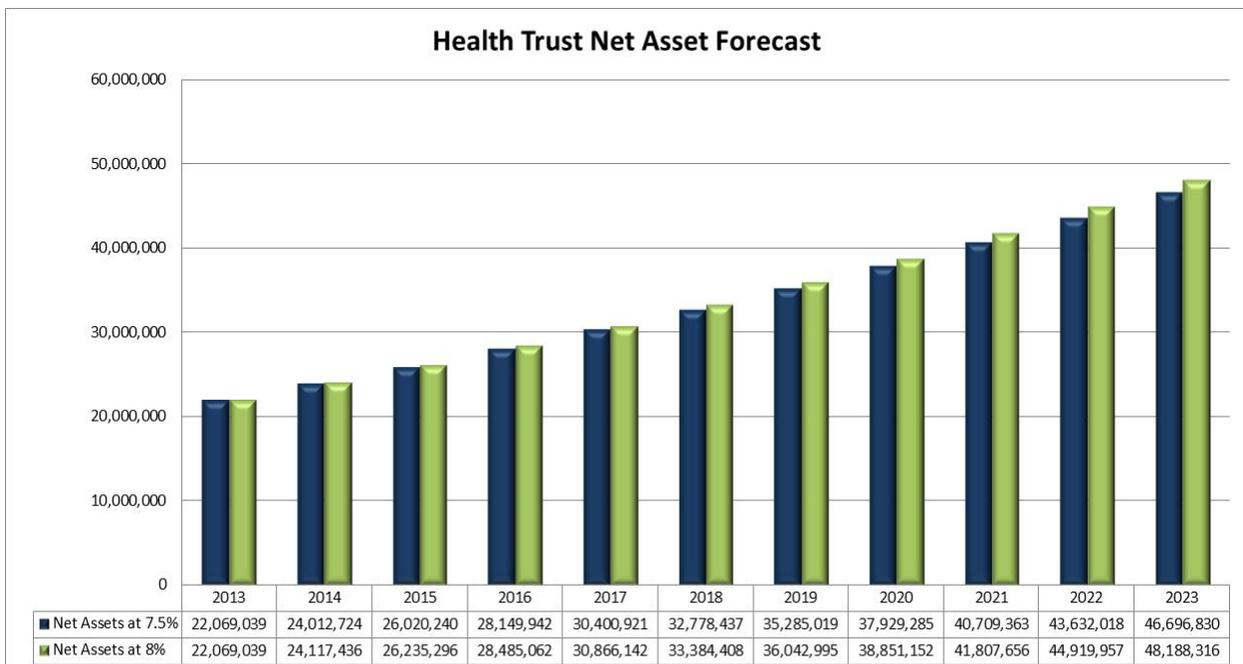
The 10 year forecast assumes a 10% annual increase in health insurance costs. The Town’s contribution estimates were based upon actuarial estimates.



The Investment Advisory Committee may take up the interest rate assumption for the Health Insurance Trust based upon the Town’s Retirement Board’s action. The health actuaries estimate that the reduction in the interest rate assumption from 8% to 7.5% would cost approximately \$180,000 per year in additional Town Contribution to the OPEB Trust. The chart on the following page shows the revised forecast with the increased Town contribution.



The Health Insurance reserves are forecasted to increase from \$22 million to \$48.6 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%. The forecast for the Health Insurance Trust net assets is shown below for both the 7.5% return and the 8% return assumption.



Debt Service Fund

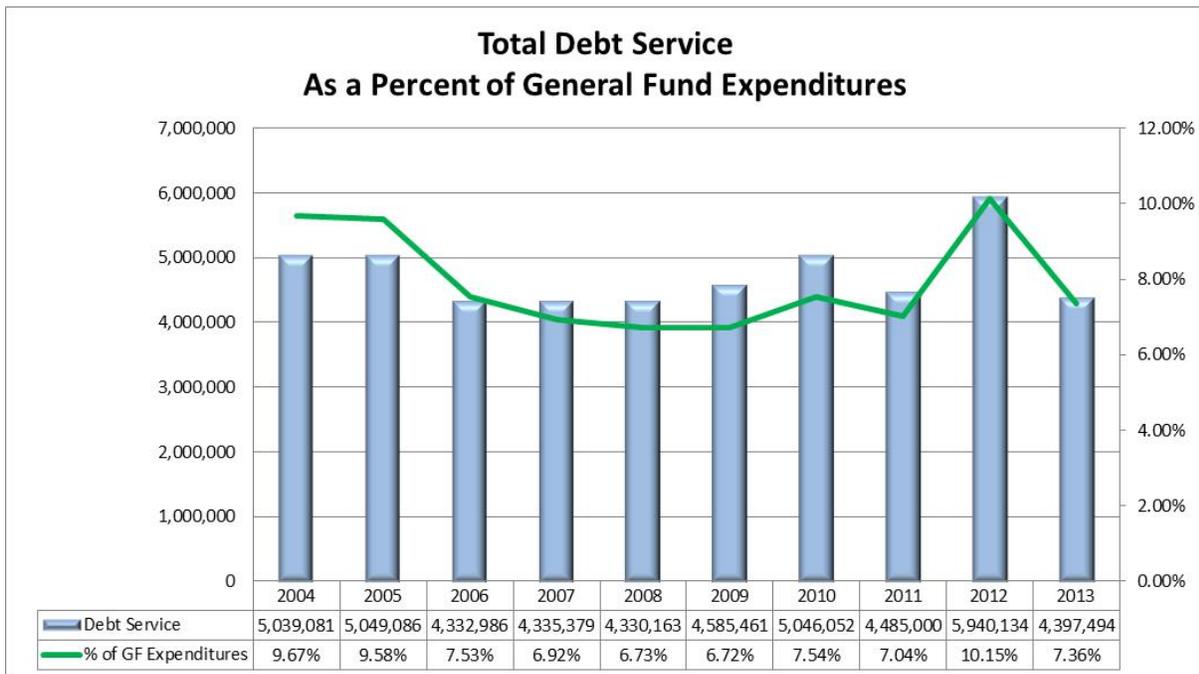
During 2010, the Town issued 2010A Public Improvement Revenue and Refunding Bonds in the principal amount of \$57,035,000, and 2010B Worth Avenue Commercial District Project bonds in the principal amount of \$14,770,000.

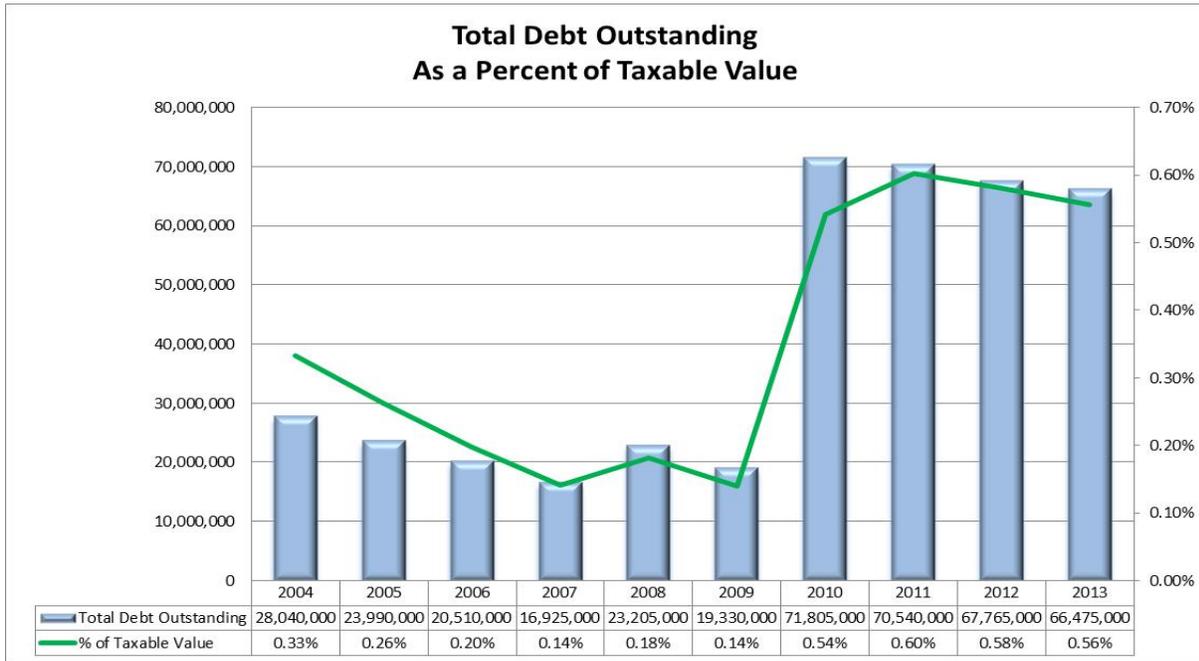
The 2010A bonds refunded the 2003B bonds (\$5,310,000), the 2008 Revenue Note (\$10,000,000), and a 2009 Line of Credit (\$600,000) which was issued for the Worth Avenue Project. The balance of the proceeds is to be used to fund a portion of the Town’s 20 year Capital Improvement Program totaling \$41,232,000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

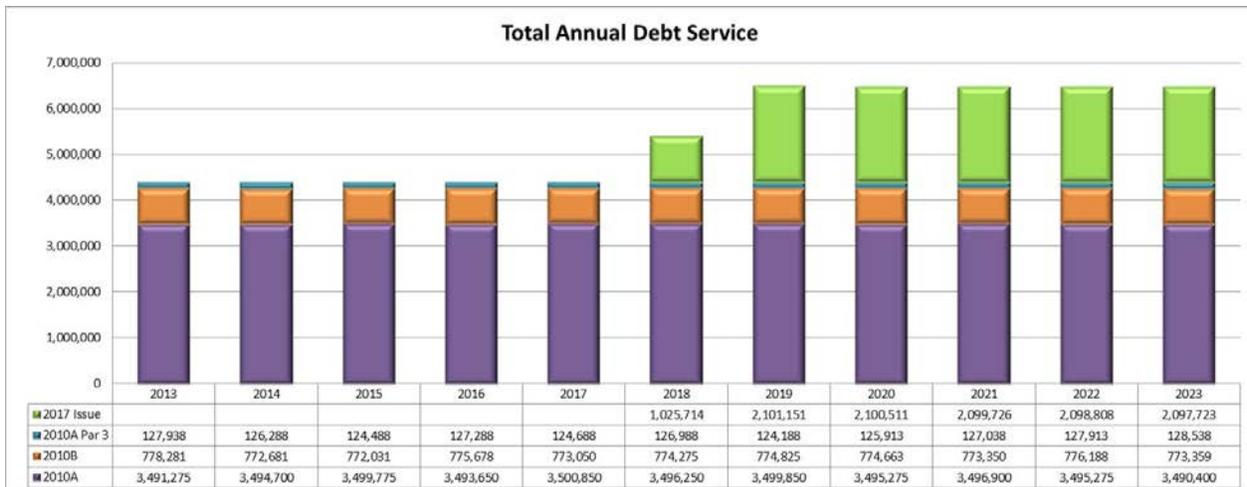
On January 1, 2012, the Town exercised a pro rata extraordinary mandatory redemption in the amount of \$1,485,000 for the 2010B Worth Avenue Commercial District Bonds. Excess funds were remaining after the project was completed and were used for this redemption.

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

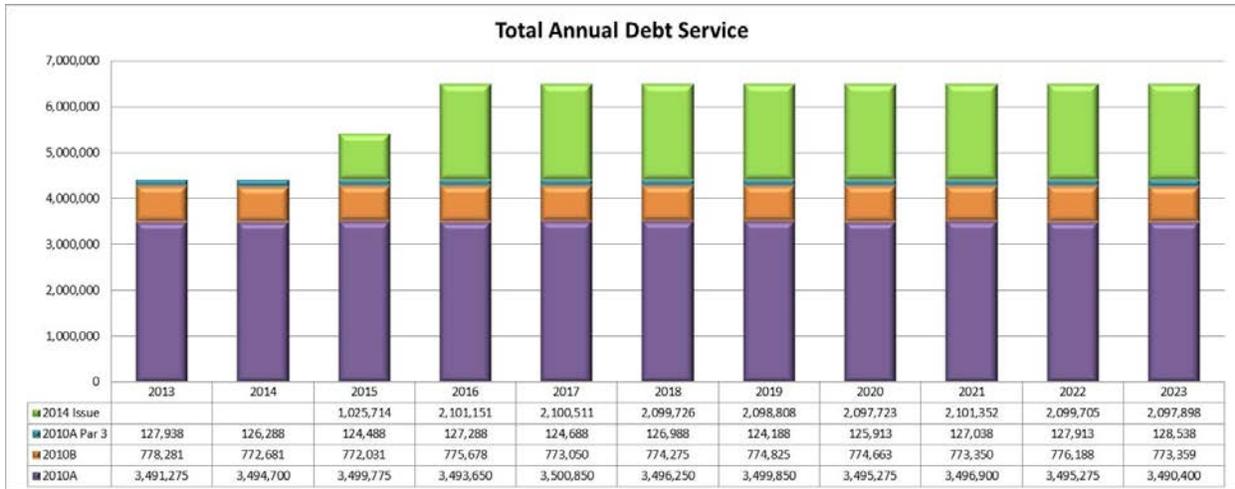




The forecasted total annual debt service for the period of FY13 through FY23 is shown in the chart below. The forecast assumes a new bond issue in 2017 and debt service beginning in 2018.



If the next bond issue was moved forward to 2014 with debt service beginning in 2015, the total annual debt service forecast is shown in the following chart.



The total principal debt outstanding for the all debt recorded as of this forecast for FY13 through FY23 is shown in the chart below.

