

FY2017 – FY2026

Town of Palm Beach  
Long Term Financial Plan  
FY2017 – FY2026

**PREPARED BY: FINANCE DEPARTMENT**

360 SOUTH COUNTY ROAD, PALM BEACH, FL

Presentation at the March 30, 2017, Special Town Council Meeting



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## Long Term Financial Plan Overview and Executive Summary

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

The Long Term Financial Plan (LTFP) is intended to serve as a tool, providing the Mayor, Town Council and staff with the insight required to address issues impacting the Town's financial condition. This plan consists of the following sections:

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

Financial planning expands a government's awareness of potential problems and opportunities, and of options for addressing them. The long-term revenue, expenditure and service implications of continuing or ending existing programs or adding new programs, services and debt can be identified. The financial planning process helps shape decisions and permits necessary and corrective action to be taken before problems become more severe. Generally, long-term financial plans have a time horizon that extends between five and ten years from the current period, with a five-year horizon being most common. The Town of Palm Beach plan is a ten-year plan.

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

The General Fund trend section includes 9 years of actual expenditures including updated FY16 year-end data and the FY17 budget. A summary table containing the revenue and expenditure information for the past 10 years can be found at the end of this section of the document. In addition, a summarized forecast is also included as part of the executive summary.

The current financial status for FY17 can be found in the monthly report that is routinely provided to the Mayor and Town Council and posted on the Town's website

The emphasis of this document is on the Town's General Fund. Forecast and trend information on the Recreation Enterprise Fund, Risk Insurance Fund, Health Insurance Fund, OPEB Trust Fund, and Debt Service Funds are also included in this document. A Capital section has been added containing information on the five-year capital improvement plans for the Capital Improvement

# EXECUTIVE SUMMARY

Fund, the Coastal Protection Fund, the ACIP fund, the Recreation Enterprise Fund and the Underground Utility Fund.

## General Fund

### *General Fund Historical Trends*

The 10-year revenue and expenditure history shows the trend in revenues and expenditure categories and the ending surplus/deficits for FY08– FY17. See page 5 for the ten-year revenue and expenditure history summary. Most of the deficits that were experienced over the 10-year period were the result of using unassigned fund balance for capital and coastal projects. Each surplus/deficit is described below:

- FY08 – The budget included a transfer from fund balance of \$2,663,178 to fund the contingency reserve, and one-time capital purchases. The surplus for the year of \$1,786,696 is the result of higher than anticipated revenues and lower than anticipated expenditures.
- FY09 – Budget included a transfer from fund balance of \$3,516,600 to fund a transfer to the coastal protection fund, one time capital purchases, the first year cost of the early retirement buyout, and to fund the annual contingency reserve. Actual transfer was only \$1,422,721 due to higher than anticipated revenues and expenditure savings.
- FY10 – Budget included a transfer from fund balance of \$4,978,800 to fund the second year of the early retirement buyout, one-time capital purchases, annual contingency reserve, and \$2,600,000 to ramp up funding for the 20 year CIP program. Actual transfer was \$3,647,037 due to higher than anticipated revenues and expenditure savings.
- FY11 – Budget included a transfer from fund balance of \$4,541,745 to fund the contingency reserve, the final funding for the early retirement buyout, and a transfer to the coastal protection fund of \$2,898,277. The actual transfer was \$2,010,598.
- FY12 – Budget included a transfer of \$807,000 from fund balance to fund the contingency reserve. The ending surplus was \$2,500,562 resulting from higher than anticipated revenues and expenditure savings.
- FY13 – The budget included a transfer of \$843,000 from fund balance to fund the contingency reserve. The ending surplus of \$2,196,059 was the result of higher than anticipated revenues and expenditure savings.
- FY14 – Budget included a transfer from fund balance of \$4,860,000 to fund the annual contingency reserve and \$4,000,000 for coastal protection. The actual transfer was \$1,470,831 due to higher than anticipated revenue and expenditure savings.
- FY15 – The budget included a transfer to the coastal projection fund of \$4,777,000 and during the year, the Town Council approved an additional transfer of \$6,600,000 to the coastal protection fund from fund balance in order to increase the reserves of the Coastal fund. Due to higher than anticipated revenues, most of this transfer was made with the current surplus, and only \$195,076 was funded from reserve balances.
- FY16 – The budget included a transfer of fund balance of \$944,686 to fund the contingency reserve. The ending surplus of \$1,918,445 was due to higher than anticipated revenues and expenditure savings.

# EXECUTIVE SUMMARY

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

## *General Fund Forecast*

The forecast summary can be found on page 6. The General Fund forecast assumptions can be found under the section titled Forecast. These assumptions were used to create the forecast. Property tax revenue has been forecasted to increase at 3.25% per year. On the expenditure side, additional funds were added to the Transfer to Capital Improvement Fund in FY18 and throughout the forecast period. We expect all ACIP bond funds to be spent within the next few years and then return to pay-as-you-go funding for future projects. We plan to build up the reserves in this fund over the next few years in anticipation of future pay-as-you-go funding for capital projects. We project funding for the coastal protection program based upon the FY17 budgeted amount increased at 3% per year throughout the 10-year period. Overall, expenditure increases range from a decrease of 1.23% for FY18 to increases of between 2.7% and 3.59% throughout the forecast period.

The General Fund forecast summary shows surpluses through FY24 and then small manageable deficits thereafter. The FY18 forecast shows a surplus of \$663,700.

## **Recreation Enterprise Fund**

The Recreation Enterprise Fund Trend and Forecast details can be found later in this document under the Recreation Enterprise Fund tab. A summary of the forecasted revenues and expenditures can be found on pages 7 - 9. The summary identifies a reduction in revenues in FY18 due to the anticipated closing of the recreation center. In 2019, growth in revenues increases due to the reopening of the Recreation Center and the success of the Par 3 Golf Course and for the future steady revenue growth at the Town Docks. Expenses decrease in 2018 due to the closing of the Recreation Center and then increase in 2019 once the center reopens taper off to a moderate growth rate between 2% and 3% per year.

The Recreation Center reconstruction cost is to be funded as follows: One-third from the Mandel Foundation, one-third from the Friends of Recreation, and one-third from the Town. The original cost estimate of \$15 million and offsetting donations are included in the Recreation Enterprise Fund Capital Program. Once the final costs are known, these amounts will be updated.

During FY17, a master plan is expected to be completed for the replacement of the Town Docks. The master plan is to be designed to maximize revenues at the docks. A Dock Replacement Fund was established in 2002 and has been funded with an amount equal to the annual depreciation on the docks. The current amount in the Dock Replacement Reserve is \$3,356,781. This reserve will not be sufficient to completely finance the anticipated costs of the dock replacement and a loan will be required for the balance. It is expected that increased revenue from the docks after the reconstruction will be more than enough to service the debt. The Marina forecast does not include any costs associated with the reconstruction nor any additional revenues or expenses based on the new plan. Once the master plan is reviewed and a final design plan is approved, the numbers in the forecast will be updated to reflect the final plan.

# EXECUTIVE SUMMARY

## Capital Funds

Included in the Capital Funds section of this document is a five-year summary of all of the capital project funds of the Town. The funds include the Capital Improvement Fund Pay-as-you-go Fund, the Coastal Protection Fund, the ACIP Project Fund, the Recreation Enterprise Fund five-year capital plan, and the Underground Utility Project Fund. Details of the projects for each of these funds can be found in the FY17 budget document. The details of the Underground Utility Project can be found in the recently released master plan.

## Other Funds

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

The Risk Fund includes additional funding for the stop loss reserve. The stop loss reserve increased from \$780,000 in FY14, \$900,000 in FY15 to \$1.1 million in FY17 based upon recommendations by our insurance carrier due to our claims history. The Health Fund and OPEB Trust fund forecast a 7% increase in health insurance costs in FY18 and then 6.5% thereafter. The Debt Service fund identifies future debt service on the 2013 and 2016 bonds and does not anticipate any additional revenue bond debt.

## Reserve Status

The final section of this document contains an update of the status of Town Reserves as of September 30, 2016. The September 30, 2016 amounts have been derived from the draft financial statements prepared by the Town auditors. The financial statements will be presented at the April 13, 2017, Town Council meeting. The reserve balances exceed all of the policy minimums that have been established. The General Fund unassigned fund balance exceeds the required minimum by \$5,415,788.

## Items for Town Council Consideration

During the remainder of FY17 and/or in the FY18 budget process, staff will be requesting input and making recommendations to the Town Council on the following items that have not been included in the LTFP or need additional review. These items include:

- Coastal Management Program and 2013 ACIP Bond Monies
- Fire-Rescue Union Contract (In a called Executive Session only)
- Town-wide Underground Utility Project
- Master Plan for the Town Docks
- Additional Pension Funding to further reduce the UAAL

We look forward to working with the Town Council on the FY18 budget.

**Town of Palm Beach  
Revenue and Expenditure History  
FY2008 - FY2017**

	<i>FY08 Actual</i>	<i>FY09 Actual</i>	<i>FY10 Actual</i>	<i>FY11 Actual</i>	<i>FY12 Actual</i>	<i>FY13 Actual</i>	<i>FY14 Actual</i>	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Budget</i>
<b>Revenues</b>										
Ad Valorem Taxes	41,457,250	42,887,216	41,508,570	36,635,343	36,662,916	37,473,108	39,110,926	43,869,888	47,890,700	49,494,500
Non Ad Valorem Taxes	7,281,836	7,386,397	7,371,330	7,189,368	7,315,317	7,533,859	7,946,097	8,056,312	8,061,358	8,103,000
Licenses & Permits	7,773,244	5,543,034	4,777,557	6,382,545	6,498,207	7,572,518	8,053,581	10,657,676	10,096,673	7,303,500
Intergovernmental	1,248,316	1,485,128	1,101,206	1,319,119	1,051,432	990,715	1,071,413	1,102,689	1,122,465	1,178,500
Charges for Services	2,808,506	3,278,180	3,215,943	3,461,766	4,081,259	3,576,156	3,741,183	3,957,603	4,123,243	3,816,550
Fines and Forfeitures	1,183,318	1,152,807	594,473	1,297,226	1,106,435	1,253,760	1,924,182	1,099,525	1,016,089	1,255,000
Investment Earnings	1,368,751	1,923,224	1,168,997	495,649	495,311	32,425	383,726	597,585	490,102	704,339
Miscellaneous and Transfers	924,286	801,901	1,930,162	2,774,498	1,534,738	1,871,043	1,584,625	1,098,106	1,117,897	1,030,758
<b>Total Operating Revenues</b>	<b>64,045,507</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>70,439,384</b>	<b>73,918,527</b>	<b>72,886,147</b>
<b>Transfers from Fund Balance</b>								-	-	3,966,230
<b>Total Revenues</b>	<b>64,045,507</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>70,439,384</b>	<b>73,918,527</b>	<b>76,852,377</b>
<b>Expenditures</b>										
Salaries and Wages	25,280,657	27,346,557	26,359,064	24,396,538	23,627,363	22,943,974	23,152,224	23,478,697	23,581,853	24,737,579
Pension Benefits	7,218,551	6,621,068	7,303,519	8,771,681	3,180,126	3,831,588	4,977,617	5,454,327	6,180,062	7,819,957
DC Plan Benefits	-	-	-	-	222,307	537,532	1,088,013	1,132,126	1,132,836	942,432
Other Employee Benefits	6,323,368	7,285,058	6,913,472	6,601,573	6,616,971	6,736,760	6,741,912	6,680,817	6,627,932	6,808,159
Contractual	8,120,662	8,709,551	7,070,741	6,963,078	7,139,390	7,224,092	7,602,595	8,191,690	8,876,307	9,432,209
Commodities	2,051,710	1,748,218	1,627,774	1,484,765	1,547,738	1,554,104	1,642,397	1,517,617	1,438,222	1,810,844
Equipment Replacement	3,282,121	2,723,701	2,518,060	2,547,679	1,881,319	2,033,744	2,097,896	1,893,244	2,858,676	2,694,682
Library Services	259,350	272,400	272,400	272,400	272,400	288,989	297,659	306,580	315,777	325,250
Other	116,392	55	(2,075)	9,172	12,932	29,863	4,251	-	-	-
Transfer to Capital Improvement	2,096,000	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200
Transfer to Coastal Protection	-	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000
Transfer to the Underground Utility Fund	-	-	-	-	-	-	-	-	2,530,250	-
Transfer to Retirement Fund	-	-	-	-	-	-	-	-	-	2,500,000
Debt Service	3,652,000	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728
Retiree Health	1,466,000	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000
Transfer to Risk Insurance Fund	2,392,000	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037
Contingency	-	-	-	-	-	-	-	-	-	960,300
<b>Total Expenditures</b>	<b>62,258,811</b>	<b>65,880,608</b>	<b>65,315,275</b>	<b>61,566,112</b>	<b>56,245,053</b>	<b>58,107,525</b>	<b>65,286,564</b>	<b>70,634,460</b>	<b>72,000,082</b>	<b>76,852,377</b>
<b>Surplus/(Deficit)</b>	<b>1,786,696</b>	<b>(1,422,721)</b>	<b>(3,647,037)</b>	<b>(2,010,598)</b>	<b>2,500,562</b>	<b>2,196,059</b>	<b>(1,470,831)</b>	<b>(195,076)</b>	<b>1,918,445</b>	<b>-</b>

**Town of Palm Beach  
Revenue and Expenditure Forecast  
LTFP FY2017 - FY2026**

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
<b>Revenues</b>										
Ad Valorem Taxes	49,494,500	51,103,071	52,763,921	54,478,749	56,249,308	58,077,410	59,964,926	61,913,786	63,925,984	66,003,579
Non Ad Valorem Taxes	8,103,000	8,342,760	8,589,646	8,843,871	9,105,653	9,375,218	9,652,798	9,938,632	10,232,966	10,536,053
Licenses & Permits	7,303,500	7,376,100	7,381,100	7,416,380	7,416,380	7,453,424	7,571,424	7,610,320	7,660,320	7,701,161
Intergovernmental	1,178,500	1,142,570	1,173,023	1,197,276	1,222,111	1,247,541	1,273,581	1,300,247	1,327,554	1,355,518
Charges for Services	3,816,550	3,936,900	4,021,013	4,088,451	4,157,812	4,229,152	4,302,527	4,377,998	4,455,624	4,535,468
Fines and Forefeitures	1,255,000	1,238,000	1,262,760	1,266,575	1,288,015	1,293,831	1,299,821	1,305,990	1,312,344	1,318,888
Investment Earnings	704,339	1,000,000	1,325,000	1,600,000	1,800,000	1,950,000	2,050,000	2,200,000	2,300,000	2,400,000
Miscellaneous and Transfers	1,030,758	879,580	780,692	681,838	683,018	684,234	685,486	686,775	688,104	689,472
<b>Total Operating Revenues</b>	<b>72,886,147</b>	<b>75,018,981</b>	<b>77,297,155</b>	<b>79,573,140</b>	<b>81,922,297</b>	<b>84,310,810</b>	<b>86,800,563</b>	<b>89,333,748</b>	<b>91,902,896</b>	<b>94,540,139</b>
<b>Transfers from Fund Balance</b>	<b>3,966,230</b>	<b>1,551,268</b>	<b>1,586,421</b>	<b>1,613,259</b>	<b>1,646,608</b>	<b>1,678,983</b>	<b>1,713,920</b>	<b>1,750,518</b>	<b>1,786,842</b>	<b>1,822,445</b>
<b>Total Revenues</b>	<b>76,852,377</b>	<b>76,570,249</b>	<b>78,883,576</b>	<b>81,186,399</b>	<b>83,568,905</b>	<b>85,989,793</b>	<b>88,514,483</b>	<b>91,084,266</b>	<b>93,689,738</b>	<b>96,362,584</b>
<b>Expenditures</b>										
Salaries and Wages	24,737,579	25,117,162	25,853,401	26,100,775	26,627,954	27,162,702	28,054,797	29,025,720	30,029,077	31,068,004
Pension Benefits	7,819,957	8,961,987	9,706,228	10,576,237	11,335,240	11,596,466	11,892,222	12,173,806	12,461,878	12,748,675
DC Plan Benefits	942,432	584,999	601,904	614,737	626,960	642,376	662,594	685,258	708,589	732,721
Other Employee Benefits	6,808,159	7,080,608	7,383,991	7,639,623	7,943,678	8,320,767	8,753,114	9,194,086	9,673,852	10,179,721
Contractual	9,432,209	9,614,545	9,818,264	10,057,296	10,270,433	10,488,104	10,710,407	10,937,439	11,169,302	11,406,100
Commodities	1,810,844	1,851,976	1,883,372	1,922,928	1,963,314	2,004,549	2,046,650	2,089,635	2,133,523	2,178,332
Equipment Replacement	2,694,682	2,269,742	2,315,118	2,361,448	2,408,750	2,457,045	2,506,355	2,556,700	2,608,102	2,660,413
Library Services	325,250	335,008	345,058	355,409	366,073	377,054	388,366	400,016	412,017	424,377
Transfer to Capital Improvement	2,290,200	2,420,000	2,662,000	2,928,200	3,221,020	3,543,122	3,720,278	3,906,292	4,101,607	4,306,687
Transfer to Coastal Protection	7,265,000	7,482,950	7,707,439	7,938,662	8,176,822	8,422,126	8,674,790	8,935,034	9,203,085	9,479,177
Debt Service	6,088,728	5,982,331	5,989,806	5,981,981	5,944,231	5,941,981	5,943,981	5,944,856	5,954,106	5,946,606
Retiree Health	1,339,000	1,350,000	1,450,000	1,400,000	1,449,000	1,518,000	1,625,000	1,750,000	1,751,000	1,840,000
Transfer to Risk Insurance Fund	1,838,037	1,842,223	1,869,148	1,905,754	1,949,340	2,024,308	2,102,003	2,182,445	2,265,810	2,352,235
Extraordinary Transfer to Retirement Fund	2,500,000	-	-	-	-	-	-	-	-	-
Contingency	960,300	1,013,018	1,048,171	1,075,009	1,108,358	1,140,733	1,175,670	1,212,268	1,248,592	1,284,195
<b>Total Expenditures</b>	<b>76,852,377</b>	<b>75,906,549</b>	<b>78,633,900</b>	<b>80,858,059</b>	<b>83,391,173</b>	<b>85,639,333</b>	<b>88,256,227</b>	<b>90,993,555</b>	<b>93,720,540</b>	<b>96,607,243</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>663,700</b>	<b>249,676</b>	<b>328,340</b>	<b>177,732</b>	<b>350,460</b>	<b>258,256</b>	<b>90,711</b>	<b>(30,802)</b>	<b>(244,659)</b>

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

**Summary of Operating Revenue**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<b>Budget</b>									
<b>Revenues</b>										
Youth Program Fees	295,500	147,367	425,824	434,340	443,027	451,888	460,926	470,144	479,547	489,138
Adult Program Fees	27,000	22,909	46,564	47,495	48,445	49,414	50,402	51,410	52,439	53,487
Facility Rental Fees	1,500	0	15,480	15,944	16,423	16,915	17,423	17,946	18,484	19,038
Seaview Park Concession	1,200	0	4,724	4,866	5,012	5,162	5,317	5,476	5,641	5,810
Promotional Merchandise	1,200	0	1,974	2,033	2,094	2,157	2,222	2,288	2,357	2,428
Tennis Mixers	4,300	4,429	4,562	4,699	4,840	4,985	5,134	5,288	5,447	5,611
Tennis Program Fee	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Tennis 12 Play Pass	35,500	36,565	37,662	38,792	39,956	41,154	42,389	43,661	44,970	46,319
Tennis Daily Court Fees	31,000	31,930	32,888	33,875	34,891	35,937	37,016	38,126	39,270	40,448
Tennis Annual Pass Fees	55,000	56,650	58,350	60,100	61,903	63,760	65,673	67,643	69,672	71,763
Tennis Pro Admin Fees	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Tennis Maintenance & Imp Fee	8,100	8,343	8,593	8,851	9,117	9,390	9,672	9,962	10,261	10,569
Tennis Facility Rentals	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567
Tennis Merchandise	16,000	16,480	16,974	17,484	18,008	18,548	19,105	19,678	20,268	20,876
Tennis Teaching Services	65,000	63,500	65,405	67,367	69,388	71,470	73,614	75,822	78,097	80,440
Annual Leases	2,800,000	2,884,000	2,970,520	3,059,636	3,151,425	3,245,967	3,343,346	3,443,647	3,546,956	3,653,365
Seasonal Leases	185,000	190,550	196,267	202,154	208,219	214,466	220,900	227,527	234,352	241,383
Transient	475,500	489,765	504,458	519,592	535,179	551,235	567,772	584,805	602,349	620,420
Electricity	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	100,000
Waiting List Fee	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Ice Sales	800	824	849	874	900	927	955	984	1,013	1,044
Replacement Reserve	50,000	0	0	0	0	0	0	0	0	0
Sales Tax Commissions -Other	200	206	212	219	225	232	239	246	253	261
Misc Revenue Docks	50,000	500	515	530	546	563	580	597	615	633
Golf Pro Administrative Fee	2,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Golf Resident Pass Fees	19,500	20,085	20,688	21,308	21,947	22,606	23,284	23,983	24,702	25,443
Golf Non-Res. Pass Fees	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438
Golf 12 Play Passes	13,000	13,390	13,792	14,205	14,632	15,071	15,523	15,988	16,468	16,962
Greens Fees	748,800	763,776	779,052	794,633	810,525	826,736	843,270	860,136	877,339	894,885
Golf Riding Cart Rental	207,000	213,210	219,606	226,194	232,980	239,970	247,169	254,584	262,221	270,088
Golf Pull Cart Rental	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667
Golf Driving Range	94,000	96,820	99,725	102,716	105,798	108,972	112,241	115,608	119,076	122,649
Golf Maint & Improve Fee	101,000	104,030	107,151	110,365	113,676	117,087	120,599	124,217	127,944	131,782
Club Rentals	51,000	52,530	54,106	55,729	57,401	59,123	60,897	62,724	64,605	66,543

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

Golf Teaching Services	34,000	34,680	35,374	36,081	36,803	37,539	38,290	39,055	39,836	40,633
Golf Merchandise	176,000	179,520	183,110	186,773	190,508	194,318	198,205	202,169	206,212	210,336
Golf F&B Revenue (Restaurant)	387,000	390,870	394,779	398,726	402,714	406,741	410,808	414,916	419,066	423,256
Programs & Events	16,000	16,480	16,974	17,484	18,008	18,548	19,105	19,678	20,268	20,876
Golf Outings	32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356	40,537	41,753
Gift Certificates	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Interest Earnings	13,700	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vending Machine Comm Golf	0	0	0	0	0	0	0	0	0	0
Sales Tax Commissions - Golf	300	309	318	328	338	348	358	369	380	391
Misc Revenue - Golf	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>6,207,900</b>	<b>6,123,973</b>	<b>6,603,277</b>	<b>6,772,779</b>	<b>6,946,993</b>	<b>7,126,052</b>	<b>7,310,096</b>	<b>7,499,266</b>	<b>7,693,710</b>	<b>7,853,579</b>
	15.0%	-1.4%	7.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.1%

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

**Summary of Operating Expenses**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Budget									
<b>Expenses</b>										
Salaries/Wages	1,354,465	1,418,928	1,584,187	1,626,801	1,666,170	1,714,156	1,762,666	1,820,305	1,879,647	1,940,924
Pension Benefits - DB	200,340	219,332	232,624	249,605	265,330	274,935	283,403	293,181	302,826	312,820
Pension Benefits - DC	81,794	83,274	85,423	87,721	89,844	92,431	95,047	98,155	101,355	104,659
Other Employee Benefits	354,183	371,007	387,368	400,848	416,882	436,768	459,567	482,821	508,121	534,797
Contractual	1,563,947	1,437,271	1,715,400	1,749,708	1,784,702	1,820,396	1,856,804	1,893,940	1,931,819	1,970,455
Commodities	539,152	344,168	381,386	389,013	396,794	404,730	412,824	421,081	429,502	438,092
Capital Outlay	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>4,093,881</b>	<b>3,873,980</b>	<b>4,386,387</b>	<b>4,503,697</b>	<b>4,619,722</b>	<b>4,743,416</b>	<b>4,870,312</b>	<b>5,009,483</b>	<b>5,153,271</b>	<b>5,301,747</b>
	14.4%	-5.4%	13.2%	2.7%	2.6%	2.7%	2.7%	2.9%	2.9%	2.9%
Operating Revenues over/(under) Expenses	2,114,019	2,249,993	2,216,890	2,269,082	2,327,271	2,382,637	2,439,784	2,489,783	2,540,439	2,551,831
Capital Expenses	(679,519)	(193,500)	(293,500)	(172,000)	(215,500)	(81,000)	(81,000)	(120,000)	(51,000)	(78,000)
Depreciation*	(955,329)	(1,075,391)	(1,197,974)	(1,323,132)	(1,350,917)	(1,379,287)	(1,408,252)	(1,437,825)	(1,468,019)	(1,498,848)
Depreciation (Credited to show cash)	955,329	1,075,391	1,197,974	1,323,132	1,350,917	1,379,287	1,408,252	1,437,825	1,468,019	1,498,848
Transfer to General Fund	(685,000)	(585,000)	(485,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)
Debt Service	(185,967)	(198,263)	(199,338)	(199,813)	(194,813)	(194,688)	(194,313)	(193,688)	(187,938)	(191,938)
Contingency (5% operating expenses)	(321,200)	(193,699)	(219,319)	(225,185)	(230,986)	(237,171)	(243,516)	(250,474)	(257,664)	(265,087)
<b>TOTAL REVENUES</b>										
<b>OVER/(UNDER) EXPENSES</b>	<b>242,333</b>	<b>1,079,531</b>	<b>1,019,732</b>	<b>1,287,084</b>	<b>1,300,971</b>	<b>1,484,778</b>	<b>1,535,955</b>	<b>1,540,621</b>	<b>1,658,838</b>	<b>1,631,806</b>

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



# GENERAL FUND TREND ANALYSIS

## General Fund Trend Analysis

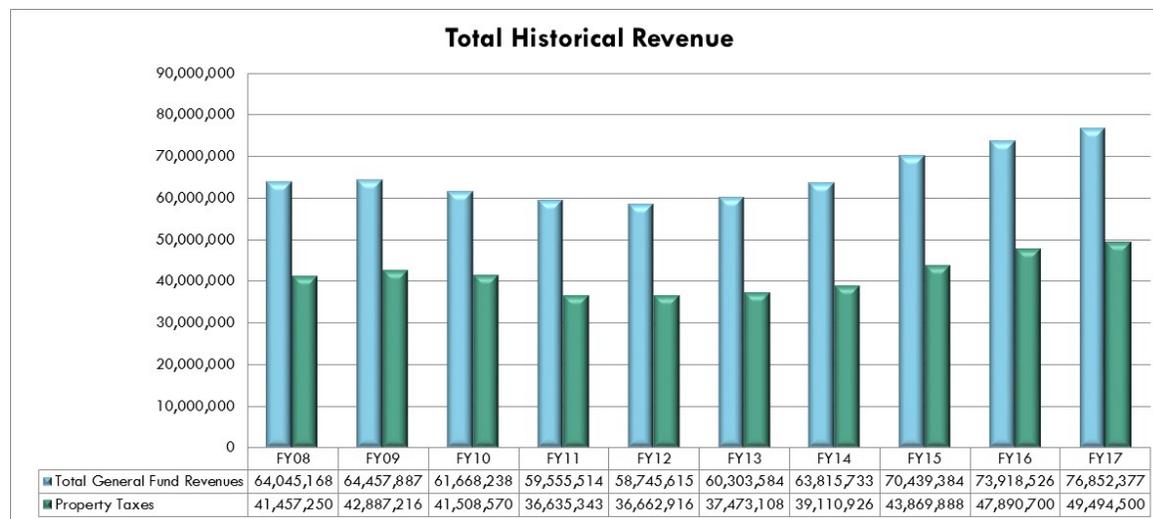
Financial trend analysis assists the Town in evaluating its financial condition. The trend analysis describes the fluctuations in the major categories of General Fund revenues and categories of expenditures. The financial trends present a picture of the Town's financial strengths and weaknesses and allow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

The Town was not immune to the effects of the 2007-2009 recession and the slow economic recovery that followed. Town taxable value dropped 15% between 2009–2012. Total General Fund revenues dropped 8.8% during that time. Property values have increased since 2012 and non ad valorem revenues, such as building permits, public safety fees, utility taxes and some state revenues have also increased. There is still weakness in investment income due to the low interest rate environment.

The amounts in this section represent actual expenditures for the years FY08 through FY16 and budgeted amounts for FY17.

### 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.

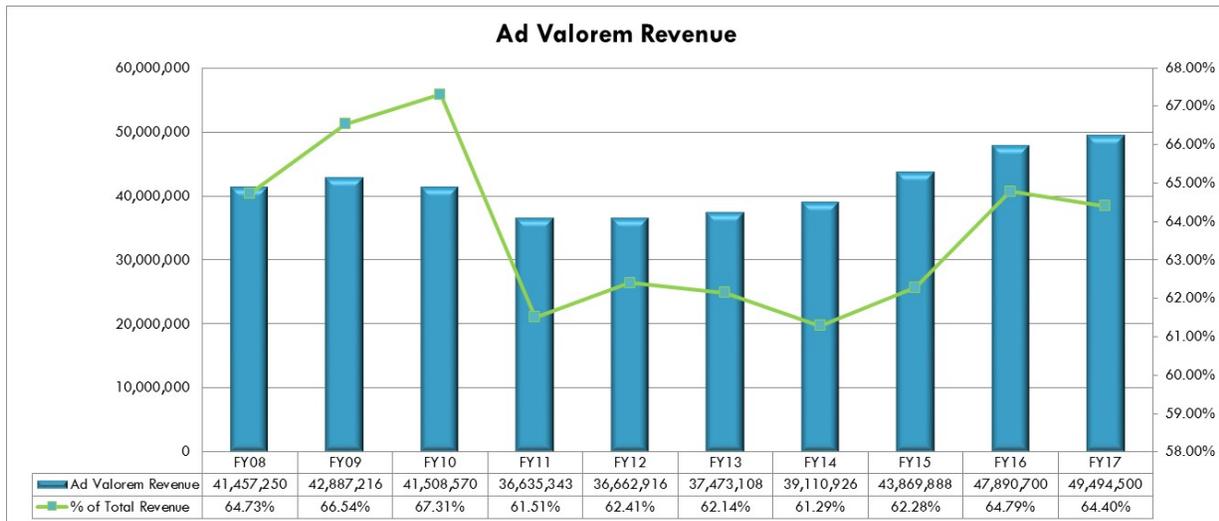


General Fund Revenues are 20% higher in FY17 than they were in FY08. The major causes of recent increases are the FY15 and FY16 property tax revenue increases for coastal protection projects and increased revenue from parking meters and public safety charges and in FY17 the use of unassigned fund balance for the extraordinary retirement fund transfer.

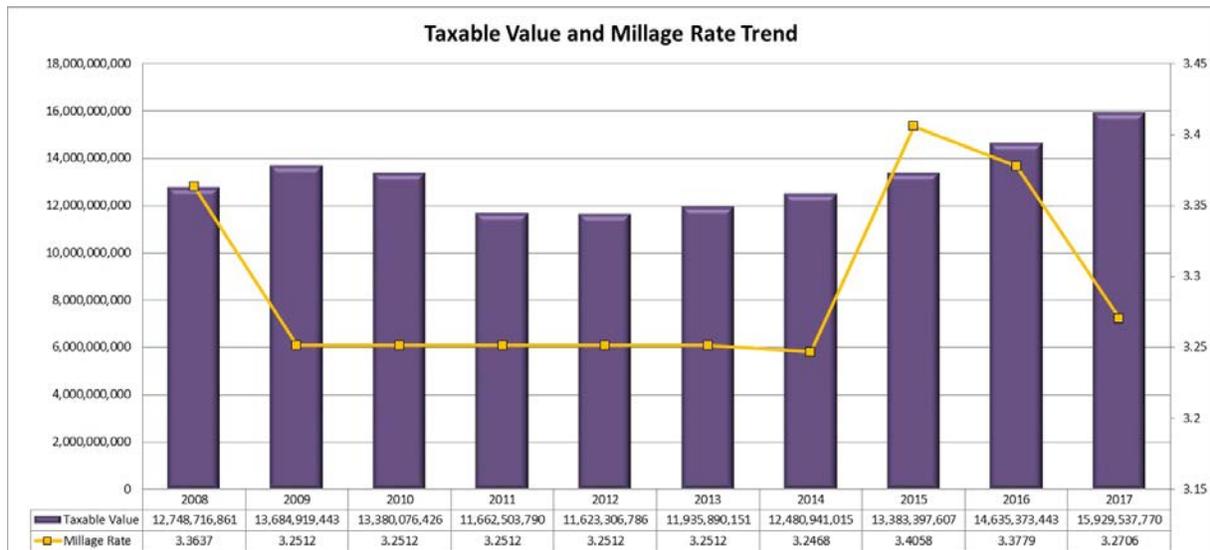
# GENERAL FUND TREND ANALYSIS

## Ad Valorem Revenue

Ad valorem taxes are the Town's largest revenue source. Municipalities in Florida are not permitted to levy property taxes at a rate of more than 10 mills for the operating millage. From 2009-2012 ad valorem revenue declined due to property tax reform measures adopted by the State of Florida in FY08 and also due to a decline in taxable value in FY10, FY11 and FY12. In FY15, ad valorem revenue increased by 11%, with the entire increase allocated to coastal protection funding, and in FY16 another increase of 9.71% was approved to increase funding for coastal protection. The FY17 increase was 5.01%. Currently, ad valorem revenue accounts for 64.4% of total revenue.



The millage rate was maintained at 3.2512 from FY09 through FY13 which resulted in declining revenue due to the declining taxable values for FY10 – FY12. Taxable value increased since 2012. The millage rate increased in 2015 to fund the coastal protection fund. Recent increases in taxable value have allowed the Town to reduce the millage rate.

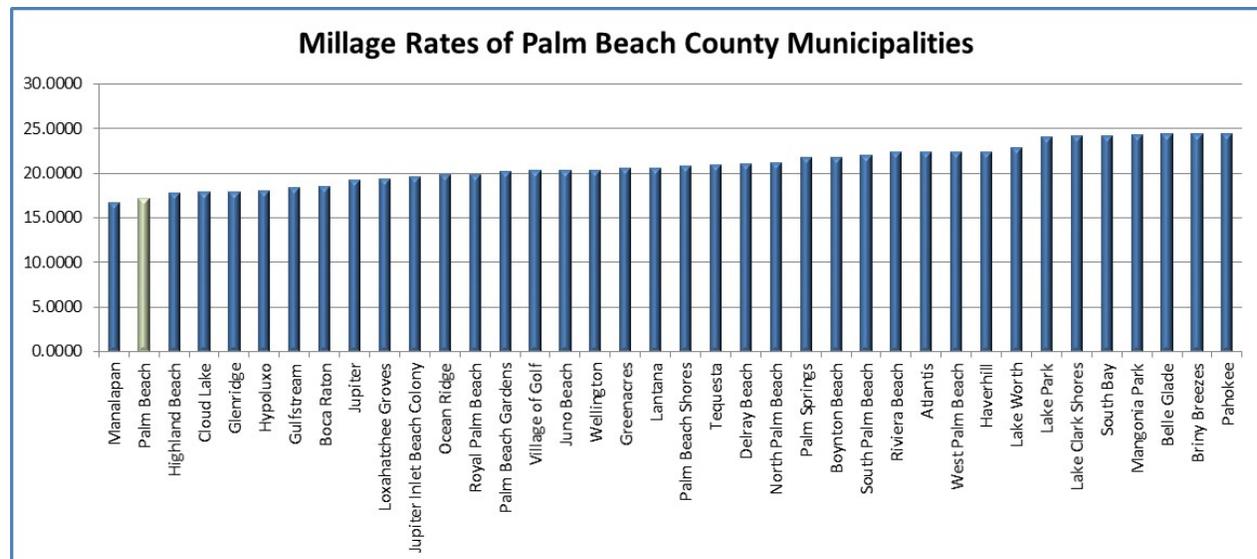


# GENERAL FUND TREND ANALYSIS

State law limits millage rate increases to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments are allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, decreased 3.99% from 17.9150 to 17.2001. The Town's portion of the total millage is 19.02% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY16 to FY17 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY16 Millage Rate	FY17 Millage Rate	FY17 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
<b>Palm Beach</b>	3.3779	3.2706	\$3,271	-\$107.30	-3.18%	19.02%
<b>Palm Beach County</b>	4.9277	4.9142	\$4,914	-\$13.50	-0.27%	28.57%
<b>Palm Beach County School District</b>	7.5120	7.0700	\$7,070	-\$442.00	-5.88%	41.10%
<b>South Florida Water Mgmt</b>	0.3045	0.2836	\$284	-\$20.90	-6.86%	1.65%
<b>Children Services</b>	0.6677	0.6833	\$683	\$15.60	2.34%	3.97%
<b>Florida Inland Navigation</b>	0.0320	0.0320	\$32	\$0.00	0.00%	0.19%
<b>Health Care District</b>	1.0426	0.8993	\$899	-\$143.30	-13.74%	5.23%
<b>Everglades Construction</b>	0.0506	0.0471	\$47	-\$3.50	-6.92%	0.27%
<b>Grand Total</b>	17.9150	17.2001	\$17,200	-\$714.90	-3.99%	100.00%

The Town of Palm Beach's total millage rate is the second lowest in Palm Beach County. The owner of a home with a taxable value of \$1 million pays \$17,200 in total taxes in Palm Beach versus \$18,523 in Boca Raton, \$20,201 in Palm Beach Gardens and \$22,424 in West Palm Beach.

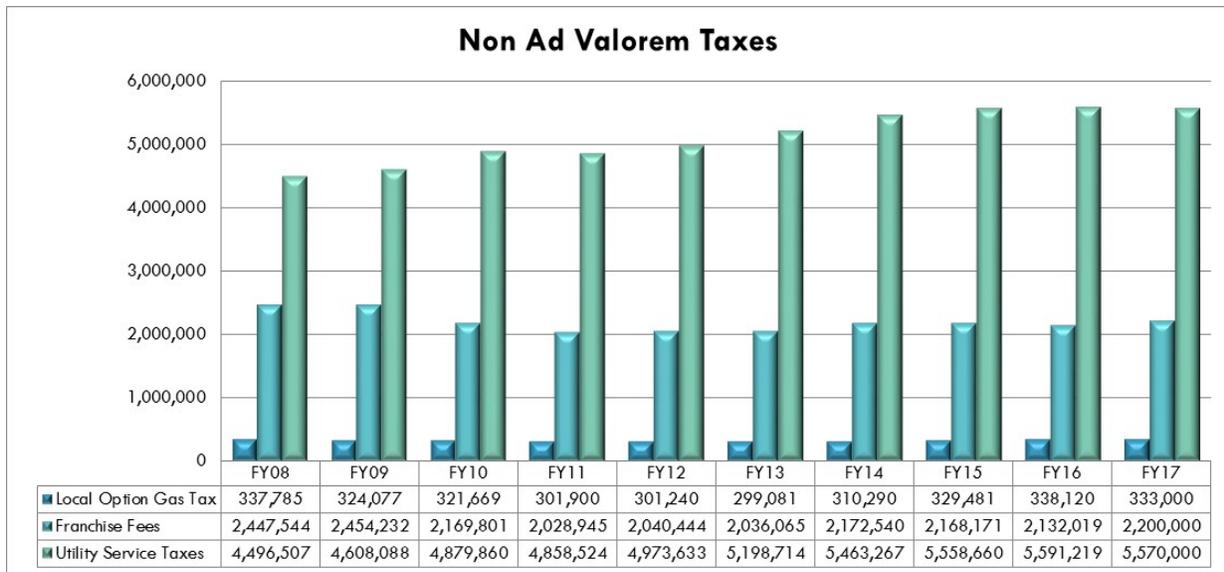


Many other municipalities in Palm Beach County have enterprise funds and charge separate fees for sewer, stormwater, sanitation, and other services over and above the funds collected from ad valorem taxes. The Town of Palm Beach does not charge separate fees for these services as all costs are included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

# GENERAL FUND TREND ANALYSIS

## Non Ad Valorem Tax Revenue

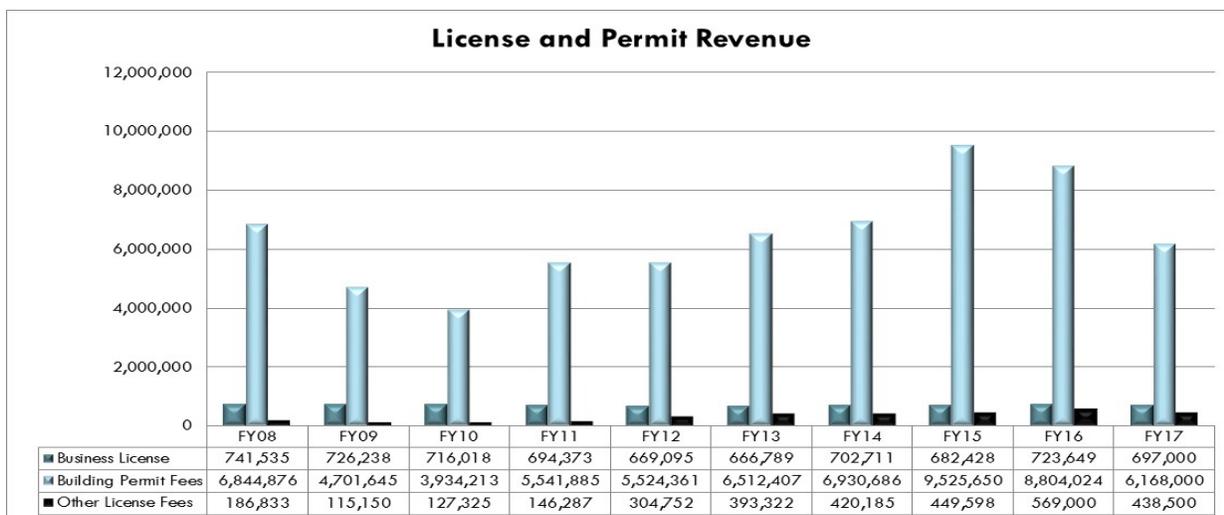
Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.



Local Option Gas Tax and Franchise fee revenue declined from FY10 through FY13 and have increased in recent years. Utility service taxes have increased throughout the 10-year period. The budget estimates for FY17 were conservatively based upon prior year trend.

## License and Permit Revenue

License and permit revenue includes, business licenses, building permit revenues and parking permits. The trend chart is shown below.



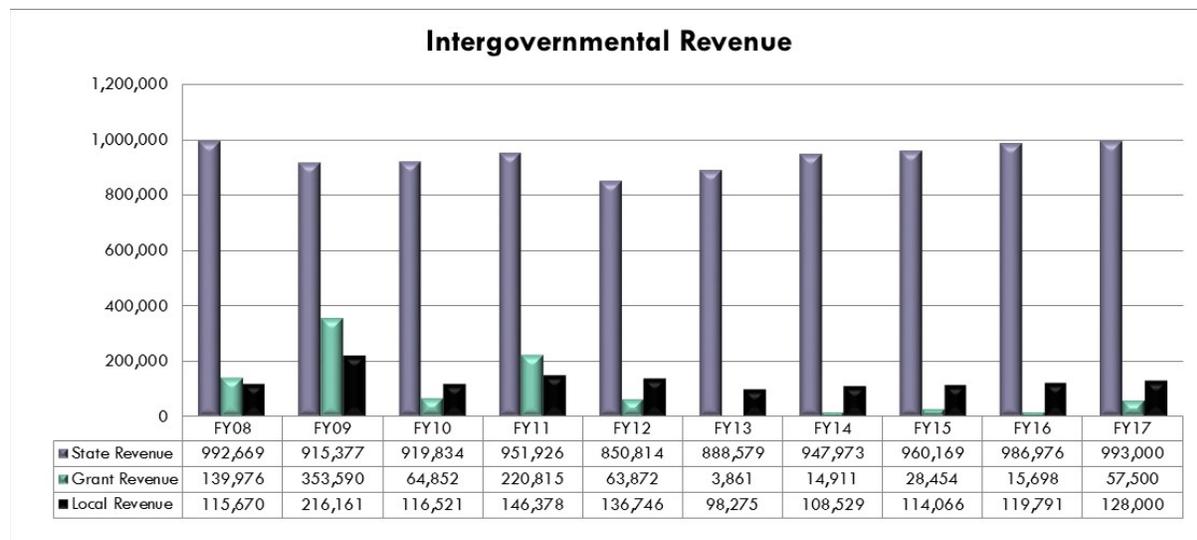
Building permit revenue makes up the majority of these revenues. Building permit revenues dropped significantly in FY09 and FY10. The recession and downturn in housing caused the decline.

# GENERAL FUND TREND ANALYSIS

Since FY10, revenues have improved due to increases in building activity. FY15 and FY16 were record years for permit activity. The FY17 budget reflects a conservative estimate for building permit revenues due to a slow-down from the historic highs. The number of business licenses have declined from FY08 through FY15. A change in state law exempting real estate brokers from the business tax caused a further decline in FY15. Other licenses and fees have increased since FY12 due to increases in right-of-way permit and parking permit revenues.

## *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.



State revenues declined during FY12 and FY13, but have rebounded to prior levels.

## *Charges for Services*

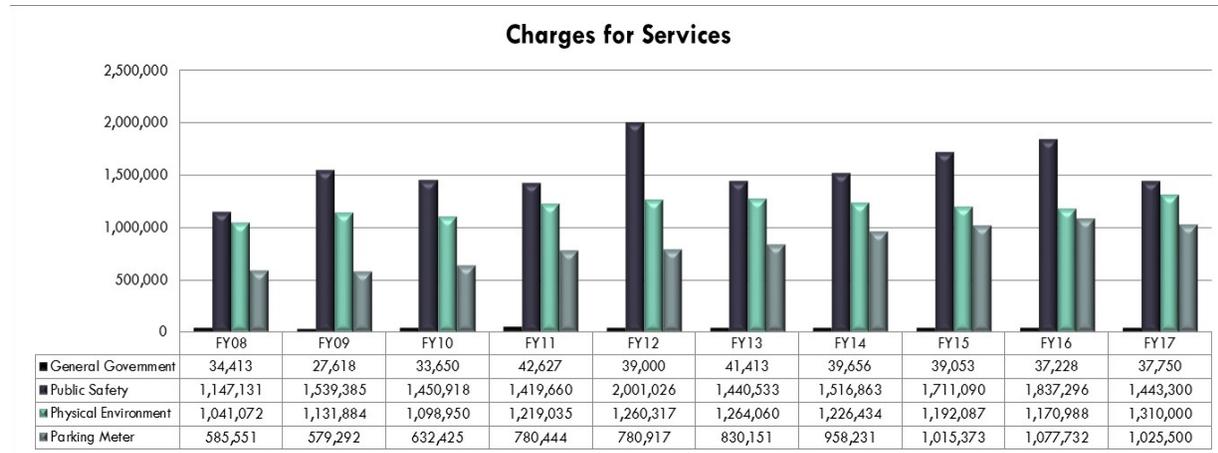
Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches.

Public safety fees have increased over the past 10 years due to the addition of fire prevention fees in FY06, increases in the EMS transport fees in FY12, and increases in revenues for police special detail. Revenue for FY17 was conservatively estimated.

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.

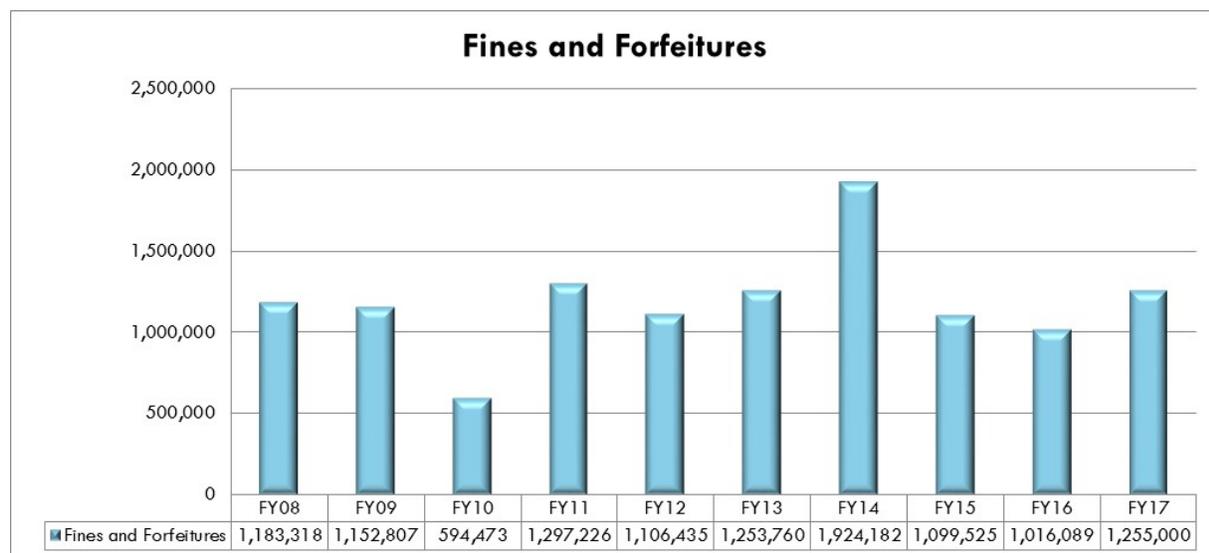
# GENERAL FUND TREND ANALYSIS

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. Parking meter revenue has increased in recent years due to the park mobile program.



## *Fines and Forfeitures*

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

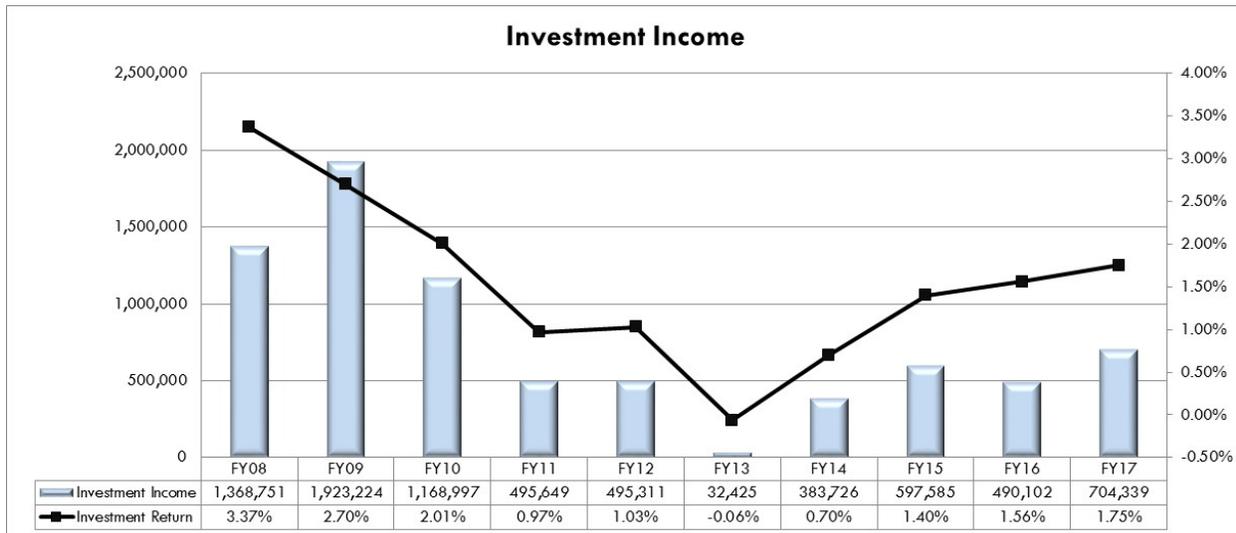


In FY08, FY09, FY11 and FY14 large code enforcement fines were collected causing spikes in revenues. In FY13 revenues from parking tickets increased due to an increase in parking fines. In recent years, parking fines have declined due to improved compliance. The FY17 budget was based on the FY16 budget and may be higher than what we will actually receive during the year.

# GENERAL FUND TREND ANALYSIS

## 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, two bond funds with the Florida League of Cities Investment Trust and Certificate of Deposits.



Since 2008, historically low interest 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 Recreation Enterprise Fund.



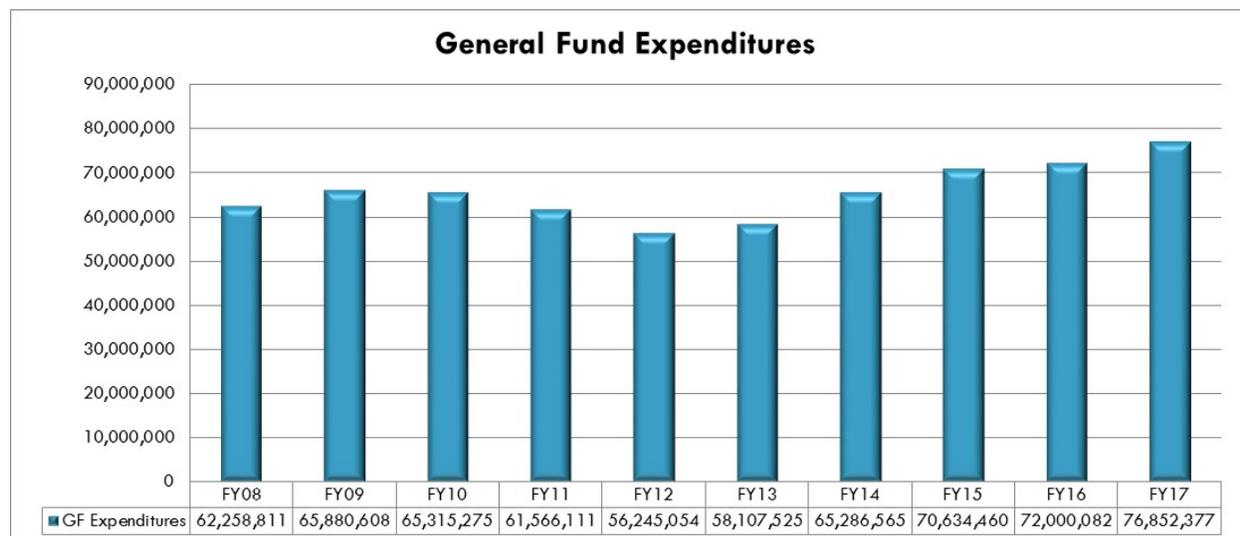
# GENERAL FUND TREND ANALYSIS

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. Revenues in FY13 and FY14 include a transfer of \$885,000 from the Recreation Enterprise Fund and the proceeds from the sale of property. In FY16 and FY17, the transfer from the Recreation Enterprise Fund was reduced by \$100,000 in each year.

## 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.

Since FY08, the General Fund budget has increased a total of 23%. A significant portion (87%) of the increase is due to increases in the coastal protection fund and increases in the transfer to the debt service fund. Operating costs have only increased 3.69% during the 10-year period. The increases are described in greater detail later in this section. The total General Fund budget increased by 6.78% in FY17 from the FY16 budget. The transfer to the Capital Improvement Fund increased by \$1,260,200, pension costs increased due to lower returns in FY15 and the state mandated mortality tables and depreciation costs increased. In addition, the Town Council approved an extraordinary transfer of \$2,500,000 to the Retirement Fund to begin to reduce the UAAL.



The major changes in the General Fund budget for FY08 – FY17 are detailed on the following pages by fiscal year. 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.

# GENERAL FUND TREND ANALYSIS

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

# GENERAL FUND TREND ANALYSIS

	<ul style="list-style-type: none"> <li>• <b>Final year of Townwide software upgrade - \$160,000</b></li> <li>• Decreased contribution for feral cat program - (\$50,000)</li> <li>• <b>Increase in debt service funding - \$132,000</b></li> <li>• <b>Increase in transfer to the Capital Improvement Program - \$3,011,957 (included \$2,600,000 from fund balance for one time transfer for 20 year CIP program)</b></li> <li>• Contracted a Pension Consultant - \$127,268</li> <li>• Contracted with an Internal Auditor - \$110,710</li> <li>• Elimination of printing and mailing of Annual Report - (\$9,500)</li> </ul>
FY2011 Budget Decrease 4.7%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$63,734,848</li> <li>• Maintained millage rate at 3.2512, taxable value declined 11.42%</li> <li>• Reduction in property tax revenue - (\$5,080,500)</li> <li>• <i>Second year of a salary freeze for all employees</i></li> <li>• <i>Elimination of 32.65 positions - (savings of \$1,788,439)</i></li> <li>• <i>Increase in contribution to retirement fund - \$1,568,698</i></li> <li>• <i>Final payment for early retirement buyout - \$136,000</i></li> <li>• <i>Decrease in Town contribution for health insurance - (\$205,000)</i></li> <li>• Reduced funding for lobbying services - (\$50,000)</li> <li>• Cut employee events - (\$40,000)</li> <li>• Eliminated funding for 4<sup>th</sup> of July event - (\$25,000)</li> <li>• Decrease in debt service funding - (\$422,000)</li> <li>• Decrease in transfer to the Capital Improvement Program - (\$4,328,957)</li> <li>• <b>Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)</b></li> </ul>
FY2012 Budget Decrease 8.2%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$58,535,436</li> <li>• Maintained millage rate at 3.2512, taxable value declined .46%</li> <li>• Reduction in property tax revenue - (\$246,300)</li> <li>• <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i></li> <li>• <i>Elimination of 4.68 positions</i></li> <li>• <i>Reinstated performance based pay increases for employees - \$327,300</i></li> <li>• <i>Increase in health insurance funding - \$272,700</i></li> <li>• New funding for the Palm Beach County Inspector General - \$100,000</li> <li>• Modification to funding for Equipment Replacement Program - (Savings of \$344,271)</li> <li>• Increased transfer from Recreation Enterprise Fund - \$161,000</li> <li>• Increased the transfer to the Capital Improvement Program by - \$500,000</li> <li>• <b>Transfer to Coastal Protection Fund - \$3,960,000</b></li> </ul>
FY2013 Budget Increase 2.01%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$59,711,280</li> <li>• Maintained millage rate at 3.2512, taxable value increased by 2.69%</li> <li>• Increase in property tax revenue - \$866,200</li> <li>• <i>Elimination of 8.71 positions</i></li> </ul>

# GENERAL FUND TREND ANALYSIS

	<ul style="list-style-type: none"> <li>• <i>Increased the pay ranges 3% for all non-union positions.</i></li> <li>• <i>Increase in pension costs - \$1,035,548</i></li> <li>• <i>Increase in health insurance and OPEB costs- \$556,727</i></li> <li>• <i>Decrease in FICA tax - \$115,019</i></li> <li>• <i>Increase in sewage treatment and disposal costs - \$303,634</i></li> <li>• <i>Increase in risk insurance costs - \$101,273</i></li> <li>• <b>Transfer to Coastal Protection Fund - \$2,765,099</b></li> </ul>
FY2014 Budget Increase 9.54%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$65,406,493</li> <li>• Reduced millage rate to 3.2468, taxable value increased by 5.16%</li> <li>• Increase in property tax revenue - \$1,782,300</li> <li>• <i>Elimination of 5.00 positions</i></li> <li>• <i>Provided for merit pay raises for all non-union positions</i></li> <li>• <i>Increase in DB pension costs - \$1,939,921. Changed investment earnings and wage assumptions. Used \$930,690 in prepaid Town contributions as a partial offset.</i></li> <li>• <i>Provided for a discretionary 4% employer contribution to DC plan - \$587,902</i></li> <li>• <i>Modification to required employee contribution to pension plan - \$152,515</i></li> <li>• Increase in debt service transfer for 2013 bond - \$2,600,000</li> <li>• <b>Transfer to Coastal Protection Fund - \$4,200,000</b></li> </ul>
FY2015 Budget Increase 2.89%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$67,295,344</li> <li>• Increased millage rate to 3.4058, taxable value increased by 7.53%</li> <li>• Increase in property tax revenue - \$4,777,000</li> <li>• <i>Addition of 2.58 positions</i></li> <li>• <i>Provided for merit pay raises and an increase in the employee pay ranges.</i></li> <li>• <i>Increase in DB pension costs - \$509,600</i></li> <li>• <i>Provided for a discretionary 4% employer contribution to the DC plan</i></li> <li>• <b>Transfer to Coastal Protection Fund - \$4,777,000</b></li> </ul>
FY2016 Budget Increase 6.86%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$71,914,331</li> <li>• Decreased millage rate to 3.3779, taxable value increased by 9.74%</li> <li>• Increase property tax revenue - \$3,706,700</li> <li>• <i>Addition of 4.91 positions</i></li> <li>• <i>Provided for merit pay raises and a 2% increase in the employee pay ranges.</i></li> <li>• <i>Increase in pension costs - \$800,441</i></li> <li>• <i>Provided for a discretionary 4% employer contribution to the DC plan</i></li> <li>• <b>Transfer to Coastal Protection Fund - \$8,015,220</b></li> <li>• <b>Purchase of an Opticom System - \$171,000</b></li> <li>• <b>Purchase of StarChase Pursuit Management Systems - \$16,800</b></li> </ul>
FY2017 Budget Increase 6.87%	<ul style="list-style-type: none"> <li>• Total General Fund Budget - \$76,852,377</li> <li>• Decreased millage rate to 3.2706, taxable value increased 8.84%</li> <li>• Increased property tax revenue \$2,363,500</li> <li>• <i>Decrease of 2.22 positions</i></li> <li>• <i>Provided for merit pay raises and a 2% increase in the employee pay ranges.</i></li> <li>• <i>Increase in pension costs - \$1,279,333</i></li> </ul>

# GENERAL FUND TREND ANALYSIS

- Provided for a discretionary 4% employer contribution to the DC plan
- **Transferred \$2,500,000 from unassigned fund balance to the Retirement Fund**
- Increased the transfer to the OPEB trust due to the reduction in the investment assumption change from 8% to 7.5% - \$159,000
- **Increased the transfer to Capital Improvement Fund by \$1,260,200**
- **Decreased transfer to the Coastal Protection Fund by \$750,220**

## General Fund Operating Expenditures

The chart below shows the trend in General Fund expenditures broken out between operating expenditures and transfers.



Since FY08, operating expenditures have increased a total of \$1,941,290 or 3.69% over the 10-year period. Most of the increase coming from pension benefits and contractual expenditures. Of the total budget increase over the same time period, \$14,593,566 or 23.44%, the balance of \$12,652,276 is from the Town transfers, specifically coastal protection and debt service. A more detailed analysis of the expenditures by category follows.

## Expenditure by Category Trend Analysis

### Salaries and Wages

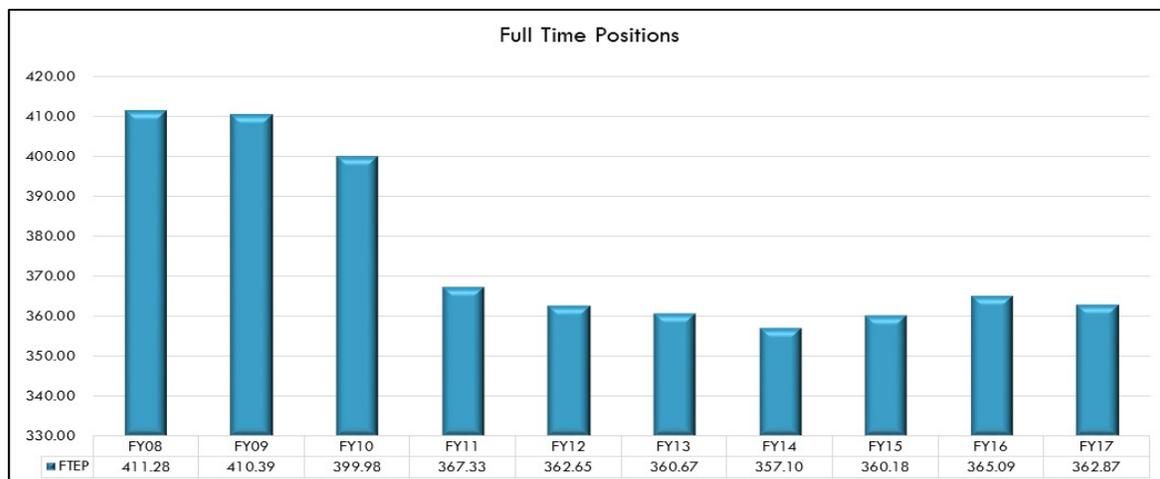
The salary and wage trend is shown on the graph below. FY17 salaries are 2.15% less than they were in FY08. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09 these costs were added to the budget. The final payout 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 through FY17 merit and step increases were included, along with an increase in employee pay ranges. In

# GENERAL FUND TREND ANALYSIS

FY15 and FY16, 7.49 positions were added to the budget. The FY16 actual reflected the retirement of 13 employees. The FY17 budget was less than the FY16 budget. The increase over the actual amount is the reduction in expenses paid out in FY16 due to the retirements and vacancies that occurred during the year.



Since FY08, 48.41 (12%) positions have been eliminated from the budget through attrition. In FY15 and FY16 7.99 positions were added to the budget. In FY17, 2.22 positions were eliminated from the budget. There are 5.77 more positions in the FY17 budget than the all-time low in FY14. The trend in Full Time Equivalent Positions (FTEP) is shown below:

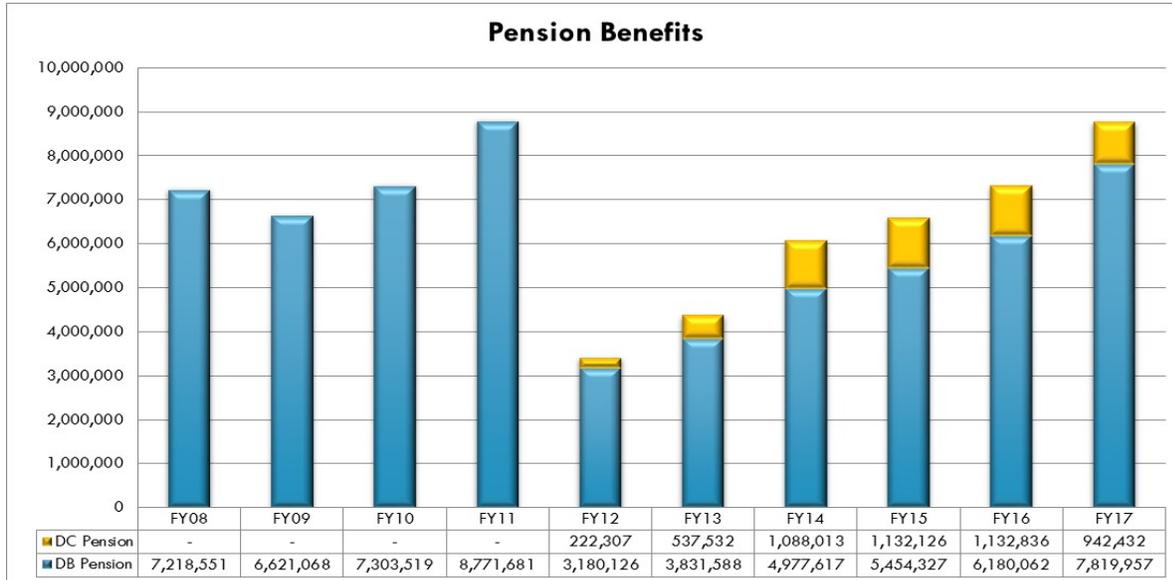


## Employee Benefits

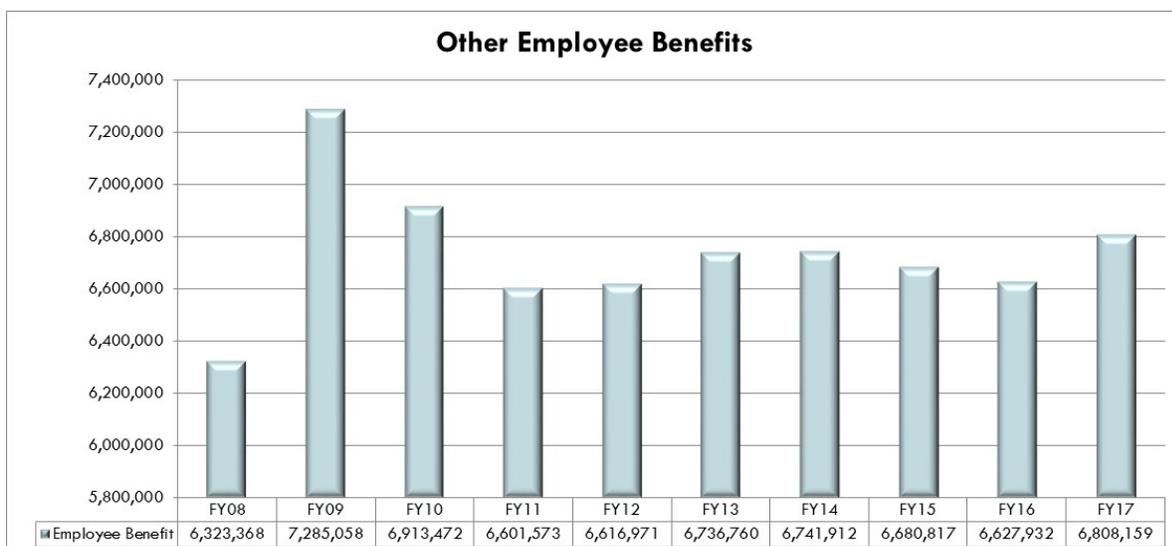
For purposes of this analysis, we have broken employee benefits into pension trends and other employee benefit trends. On May 1, 2012, pension reform measures to decrease the level of benefits and reduce the long term cost were implemented. The first year savings was \$5,369,248. The pension benefit is a hybrid plan with a defined benefit and defined contribution component. Increases in FY13 and FY14 were due to modifications to the plan and more retirements than anticipated. The actuarial assumptions for investment returns and wage inflation were reduced and

# GENERAL FUND TREND ANALYSIS

employee contribution rates were modified. In FY14, the Town Council approved a discretionary 4% employer contribution to the defined contribution plan. During FY16, the Town Council adopted changes to the police and non-union firefighters pension plan. These changes eliminated the DC portion of the benefit and improved the multiplier and age benefit for a pure DB plan. In addition, costs increased due to the change in mortality table and investment losses in FY15.



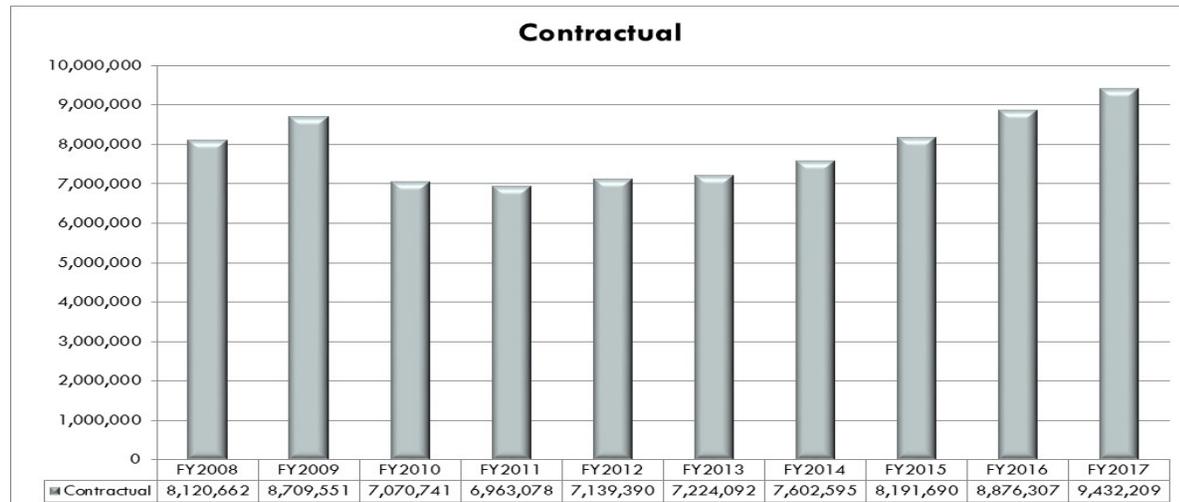
Other employee benefits include health insurance, FICA, bonuses, allowances, incentives, and uniform maintenance. Since FY08, Other employee benefits have increased 7.48% over the 10-year period. The increase in FY09 was due to an increase in health insurance. Since FY13, health insurance costs have been maintained 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 and wellness programs.



# GENERAL FUND TREND ANALYSIS

## Contractual Services

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

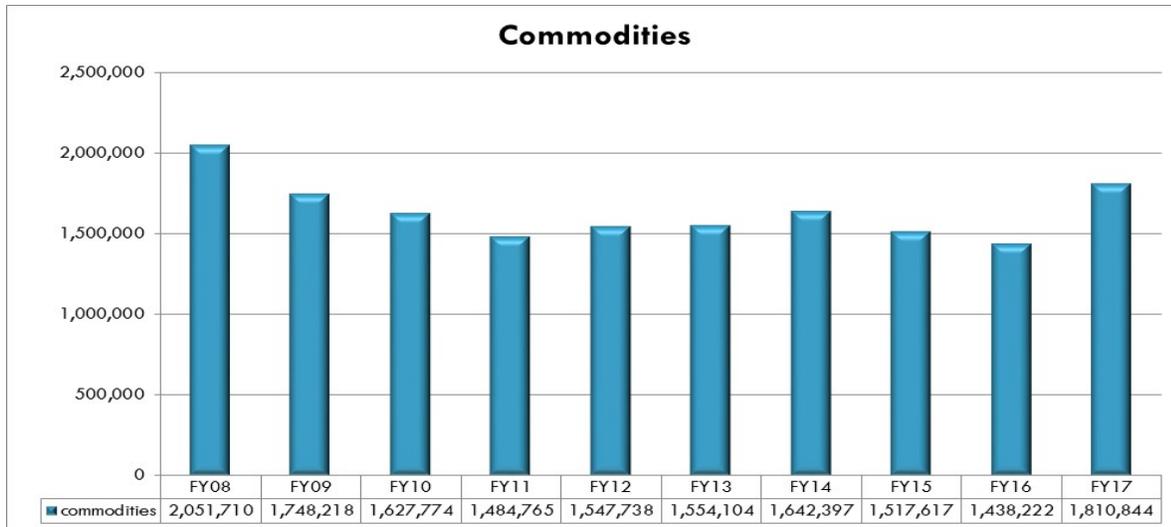


Contractual services have increased 16.15% since FY08. The increases in FY08 and FY09 were due to increases in lobbying costs, software licensing and support, codification updates, legal advertising, the Comprehensive Plan, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town beach renourishment 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. Increases since FY11 were 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, landfill maintenance, employee recruiting, and digital scanning.

## 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.

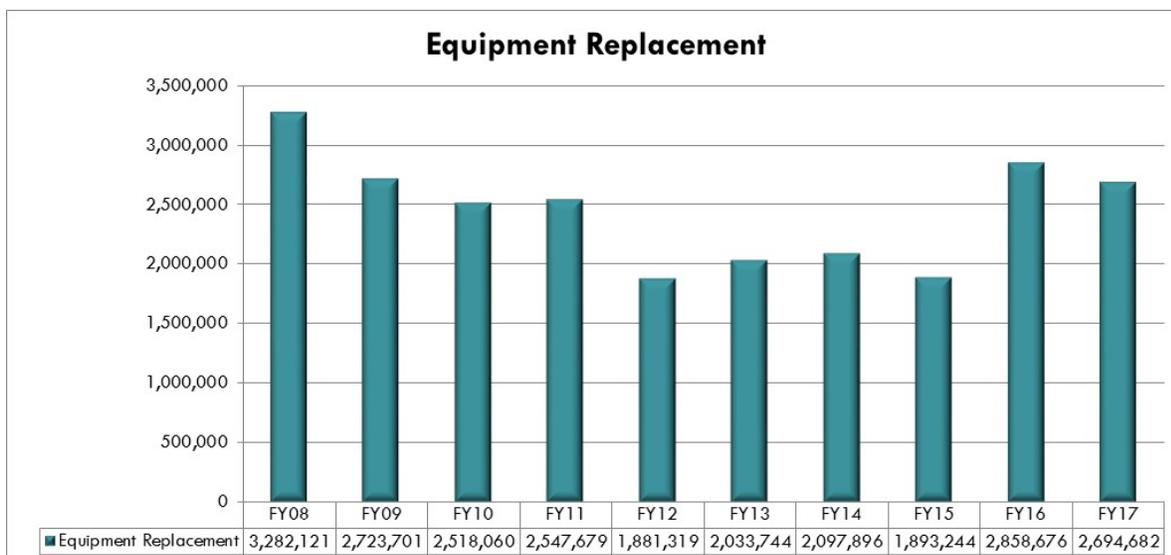
# GENERAL FUND TREND ANALYSIS



The total cost of commodities in FY17 is 11.74% lower than it was in FY08. 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. The decreases since FY15 are due to decreases in fuel costs and supplies. The FY17 budget was 2.06% more than the FY16 budget. FY16 actual amounts reflect lower fuel expenditures during the year than the amounts budgeted and other savings during the year amounting to total savings of \$336,017 versus the budgeted amount.

## *Capital Outlay/Equipment Replacement*

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

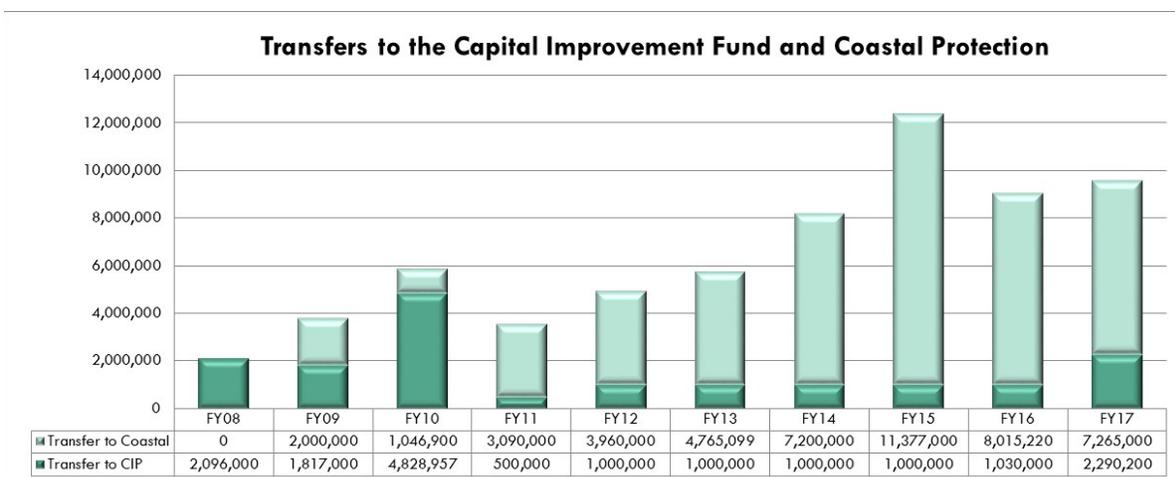


# GENERAL FUND TREND ANALYSIS

The total cost of capital equipment in FY17 is 17.9% lower than it was in FY08. The Town has established the Equipment Replacement Fund (ERF). Transfers are made to the ERF based on the annual depreciation based on the replacement cost of each asset. The FY08 amount 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 increases since FY12 were due to increases in depreciation on new equipment purchased. In FY16, an Opticom system was purchased and there was a specific increase in the estimated depreciation for 3 fire rescue pumpers due to the higher than anticipated increases in the cost of these vehicles.

## *Transfer to the Capital Improvement Fund and Coastal Protection 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 and FY13 the Town issued bonds to fund the 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 chart below.

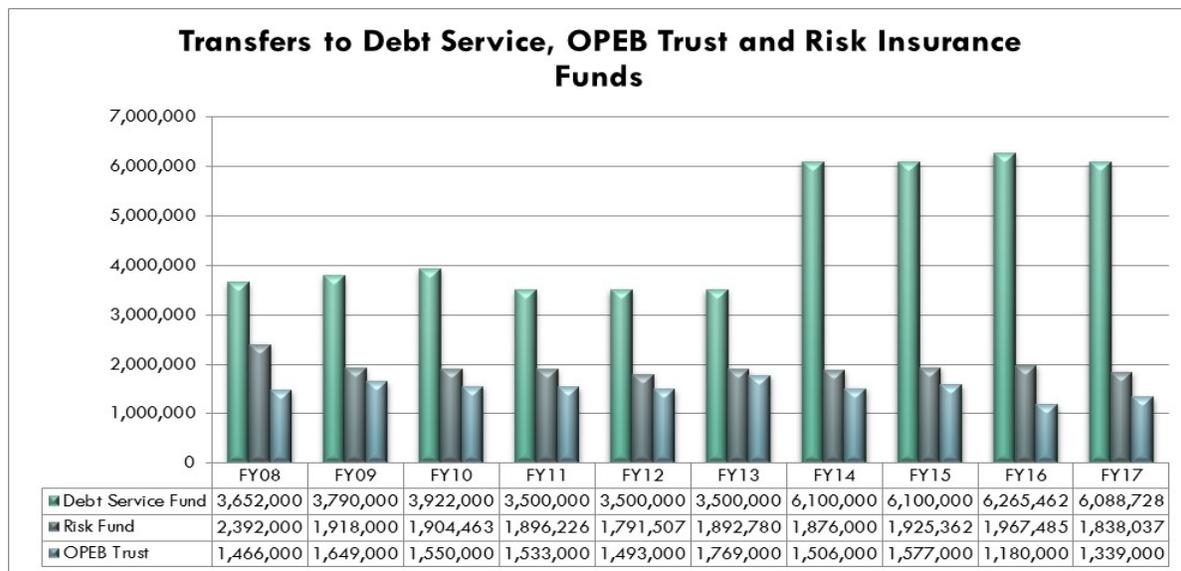


The coastal transfer since FY08 has increased \$7,265,000, and the CIP transfer has increased by 9.27%. In FY09, \$2 million was transferred to the Coastal Protection Fund for pending litigation regarding Lake Worth Inlet. In FY10, a one-time transfer of \$2.6 million was included to begin to fund the 20-year Capital Improvement Program and \$1,046,000 was transferred from the unassigned net assets 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 the transfer to the Capital Improvement Program was increased to \$1,000,000. In FY13, \$4,765,099 was transferred to the Coastal Protection Fund and in FY14 an additional \$7,200,000 was transferred to build reserves for the Mid-Town and Phipps beach renourishment projects. In FY15, \$6,600,000 was transferred to the coastal fund from various town reserves, in addition, a property tax increase of \$4,777,000 was established to begin to fund the coastal protection fund through property taxes. In FY16 the transfer to coastal was increased to \$8,015,220 due to higher than expected costs of the Mid-Town and Phipps beach

# GENERAL FUND TREND ANALYSIS

renourishment projects. In FY17, the coastal transfer was decreased due to the reduction in the funding for the Reach 8 restoration project. Also in FY17, the transfer to the CIP fund was increased to begin to build up the reserves for capital projects once the ACIP bond funds have been spent and to fund a portion of the underground utility project costs for the Lake Worth section and to hire a project coordinator.

## *Transfers to the Debt Service Fund, OPEB Trust Fund and Risk Insurance Fund*



### *Debt Service*

Debt service costs have increased 66.72% since FY08. In 2010, the 2000 revenue bond for coastal projects was paid in full and 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 in FY11. In 2013, the Town issued bonds for the second phase of the accelerated capital improvement program. The FY14 increase reflects the additional debt service for the new bonds. The debt service costs for these bonds have increased the General Fund transfer to the debt service fund by 66.7% from \$3,652,000 million in FY08 to \$6,088,728 million. In FY16, the Town refunded the 2010 bonds which lowered the debt service for the Town's bonds reflected in the FY17 budget.

### *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, 2016 was calculated to be \$34,693,373. The actuarial value of assets in the trust at that

# GENERAL FUND TREND ANALYSIS

time was \$28,572,959. The Unfunded Actuarial Accrued Liability is \$6,120,414. The funded ratio for the plan was 82.4%. The actuarial valuations are performed on a bi-annual basis. The annual budgeted contribution for FY17 is \$1,339,000.

## *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 FY08, the transfer to the Risk Fund has declined by 23%. Overall the Town's risk insurance costs have declined over the past decade, due to the changes in carriers and cost-saving measures in the overall insurance program.

## *Trend Summary*

Significant changes in the budget have been made over the past 10 years. Operating costs have only increased 3.69% during the 10-year period. A bulk of the increase since FY08 has been due to coastal protection and debt service costs. The following two pages contain tables showing the year by year actual changes in the main revenue and expenditure categories since FY08.

**Town of Palm Beach  
Revenue Trend Analysis  
FY08 - FY17**

Analysis of Revenues by Category Revenue Sources	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Budget
<b>Ad Valorem Revenues</b>	<b>41,457,250</b>	<b>42,887,216</b>	<b>41,508,570</b>	<b>36,635,343</b>	<b>36,662,916</b>	<b>37,473,108</b>	<b>39,110,926</b>	<b>43,869,888</b>	<b>47,890,700</b>	<b>49,494,500</b>
% Increase	-3.80%	3.45%	-3.21%	-11.74%	0.08%	2.21%	4.37%	12.17%	9.17%	3.35%
\$ Increase	-1,639,356	1,429,967	-1,378,646	-4,873,227	27,573	810,191	1,637,818	4,758,962	4,020,812	1,603,800
<b>Non Ad Valorem Taxes</b>	<b>7,281,836</b>	<b>7,386,397</b>	<b>7,371,330</b>	<b>7,189,368</b>	<b>7,315,317</b>	<b>7,533,859</b>	<b>7,946,097</b>	<b>8,056,312</b>	<b>8,061,358</b>	<b>8,103,000</b>
% Increase	4.85%	1.44%	-0.20%	-2.47%	1.75%	2.99%	5.47%	1.39%	0.06%	0.52%
\$ Increase	336,539	104,561	-15,068	-181,961	125,948	218,543	412,238	110,215	5,046	41,642
<b>Licenses and Permits</b>	<b>7,773,244</b>	<b>5,543,034</b>	<b>4,777,557</b>	<b>6,382,545</b>	<b>6,498,207</b>	<b>7,572,518</b>	<b>8,053,581</b>	<b>10,657,676</b>	<b>10,096,673</b>	<b>7,303,500</b>
% Increase	9.41%	-28.69%	-13.81%	33.59%	1.81%	16.53%	6.35%	32.33%	-5.26%	-27.66%
\$ Increase	668,716	-2,230,210	-765,477	1,604,988	115,662	1,074,311	481,064	2,604,095	-561,003	-2,793,173
<b>Intergovernmental Revenue</b>	<b>1,248,316</b>	<b>1,485,128</b>	<b>1,101,206</b>	<b>1,319,119</b>	<b>1,051,432</b>	<b>990,715</b>	<b>1,071,413</b>	<b>1,102,689</b>	<b>1,122,465</b>	<b>1,178,500</b>
% Increase	-6.09%	18.97%	-25.85%	19.79%	-20.29%	-5.77%	8.15%	2.92%	1.79%	4.99%
\$ Increase	-81,012	236,812	-383,922	217,913	-267,687	-60,716	80,697	31,276	19,776	56,035
<b>Charges for Services</b>	<b>2,808,166</b>	<b>3,278,180</b>	<b>3,215,943</b>	<b>3,461,766</b>	<b>4,081,259</b>	<b>3,576,156</b>	<b>3,741,183</b>	<b>3,957,603</b>	<b>4,123,243</b>	<b>3,816,550</b>
% Increase	14.66%	16.74%	-1.90%	7.64%	17.90%	-12.38%	4.61%	5.78%	4.19%	-7.44%
\$ Increase	359,128	470,013	-62,236	245,822	619,493	-505,103	165,027	216,420	165,640	-306,693
<b>Fines and Forefeitures</b>	<b>1,183,318</b>	<b>1,152,807</b>	<b>594,473</b>	<b>1,297,226</b>	<b>1,106,435</b>	<b>1,253,760</b>	<b>1,924,182</b>	<b>1,099,525</b>	<b>1,016,089</b>	<b>1,255,000</b>
% Increase	-23.23%	-2.58%	-48.43%	118.21%	-14.71%	13.32%	53.47%	-42.86%	-7.59%	23.51%
\$ Increase	-358,131	-30,511	-558,334	702,753	-190,790	147,325	670,422	-824,657	-83,436	238,911
<b>Interest Income</b>	<b>1,368,751</b>	<b>1,923,224</b>	<b>1,168,997</b>	<b>495,649</b>	<b>495,311</b>	<b>32,425</b>	<b>383,726</b>	<b>597,585</b>	<b>490,102</b>	<b>704,339</b>
% Increase	-40.15%	40.51%	-39.22%	-57.60%	-0.07%	-93.45%	1083.43%	55.73%	-17.99%	43.71%
\$ Increase	-918,375	554,473	-754,227	-673,348	-338	-462,886	351,301	213,859	-107,483	214,237
<b>Miscellaneous and Transfers</b>	<b>924,286</b>	<b>801,901</b>	<b>1,930,162</b>	<b>2,774,498</b>	<b>1,534,738</b>	<b>1,871,043</b>	<b>1,584,625</b>	<b>1,098,106</b>	<b>1,117,897</b>	<b>1,030,758</b>
% Increase	11.42%	-13.24%	140.70%	43.74%	-44.68%	21.91%	-15.31%	-30.70%	1.80%	-7.79%
\$ Increase	94,700	-122,386	1,128,261	844,336	-1,239,760	336,305	-286,418	-486,519	19,791	-87,139
<b>Transfers from Fund Balance</b>	<b>0</b>	<b>3,966,230</b>								
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%
\$ Increase	0	0	0	0	0	0	0	0	0	3,966,230
<b>Total Revenues</b>	<b>64,045,168</b>	<b>64,457,887</b>	<b>61,668,238</b>	<b>59,555,514</b>	<b>58,745,615</b>	<b>60,303,584</b>	<b>63,815,733</b>	<b>70,439,384</b>	<b>73,918,526</b>	<b>76,852,377</b>
% Increase	-2.34%	0.64%	-4.33%	-3.43%	-1.36%	2.65%	5.82%	10.38%	4.94%	3.97%
\$ Increase	-1,537,790	412,720	-2,789,649	-2,112,725	-809,898	1,557,969	3,512,149	6,623,651	3,479,142	2,933,851

**Town of Palm Beach  
Expenditure Trend Analysis  
FY08 - FY17**

Analysis of Expenses by Category Expenditure Categories	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Budget
<b>Salaries/Wages</b>	<b>25,280,657</b>	<b>27,346,557</b>	<b>26,359,064</b>	<b>24,396,538</b>	<b>23,627,363</b>	<b>22,943,974</b>	<b>23,152,224</b>	<b>23,478,697</b>	<b>23,581,853</b>	<b>24,737,579</b>
% Increase	3.00%	8.17%	-3.61%	-7.45%	-3.15%	-2.89%	0.91%	1.41%	0.44%	4.90%
\$ Increase	736,684	2,065,900	-987,493	-1,962,526	-769,175	-683,389	208,251	326,473	103,155	1,155,726
<b>Pension Benefits</b>	<b>7,218,551</b>	<b>6,621,068</b>	<b>7,303,519</b>	<b>8,771,681</b>	<b>3,180,126</b>	<b>3,831,588</b>	<b>4,977,617</b>	<b>5,454,327</b>	<b>6,180,062</b>	<b>7,819,957</b>
% Increase	10.45%	-8.28%	10.31%	20.10%	-63.75%	20.49%	29.91%	9.58%	13.31%	26.54%
\$ Increase	682,885	-597,483	682,451	1,468,162	-5,591,555	651,462	1,146,029	476,710	725,735	1,639,895
<b>DC Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,307</b>	<b>537,532</b>	<b>1,088,013</b>	<b>1,132,126</b>	<b>1,132,836</b>	<b>942,432</b>
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%	141.80%	102.41%	4.05%	0.06%	-16.81%
\$ Increase	-	-	-	-	222,307	315,226	550,480	44,113	711	-190,404
<b>Other Employee Benefits</b>	<b>6,323,368</b>	<b>7,285,058</b>	<b>6,913,472</b>	<b>6,601,573</b>	<b>6,616,971</b>	<b>6,736,760</b>	<b>6,741,912</b>	<b>6,680,817</b>	<b>6,627,932</b>	<b>6,808,159</b>
% Increase	0.31%	15.21%	-5.10%	-4.51%	0.23%	1.81%	0.08%	-0.91%	-0.79%	2.72%
\$ Increase	19,382	961,690	-371,586	-311,900	15,398	119,788	5,152	-61,095	-52,885	180,227
<b>Contractual</b>	<b>8,120,662</b>	<b>8,709,551</b>	<b>7,070,741</b>	<b>6,963,078</b>	<b>7,139,390</b>	<b>7,224,092</b>	<b>7,602,595</b>	<b>8,191,690</b>	<b>8,876,307</b>	<b>9,432,209</b>
% Increase	16.57%	7.25%	-18.82%	-1.52%	2.53%	1.19%	5.24%	7.75%	8.36%	6.26%
\$ Increase	1,154,159	588,889	-1,638,810	-107,663	176,312	84,702	378,503	589,094	684,618	555,902
<b>Commodities</b>	<b>2,051,710</b>	<b>1,748,218</b>	<b>1,627,774</b>	<b>1,484,765</b>	<b>1,547,738</b>	<b>1,554,104</b>	<b>1,642,397</b>	<b>1,517,617</b>	<b>1,438,222</b>	<b>1,810,844</b>
% Increase	10.28%	-14.79%	-6.89%	-8.79%	4.24%	0.41%	5.68%	-7.60%	-5.23%	25.91%
\$ Increase	191,314	-303,493	-120,444	-143,009	62,973	6,366	88,293	-124,781	-79,394	372,622
<b>Equipment Replacement</b>	<b>3,282,121</b>	<b>2,723,701</b>	<b>2,518,060</b>	<b>2,547,679</b>	<b>1,881,319</b>	<b>2,033,744</b>	<b>2,097,896</b>	<b>1,893,244</b>	<b>2,858,676</b>	<b>2,694,682</b>
% Increase	60.85%	-17.01%	-7.55%	1.18%	-26.16%	8.10%	3.15%	-9.76%	50.99%	-5.74%
\$ Increase	1,241,623	-558,421	-205,640	29,618	-666,360	152,425	64,152	-204,652	965,432	-163,994
<b>Library Services</b>	<b>259,350</b>	<b>272,400</b>	<b>272,400</b>	<b>272,400</b>	<b>272,400</b>	<b>288,989</b>	<b>297,659</b>	<b>306,580</b>	<b>315,777</b>	<b>325,250</b>
% Increase	5.00%	5.03%	0.00%	0.00%	0.00%	6.09%	3.00%	3.00%	3.00%	3.00%
\$ Increase	12,350	13,050	0	0	0	16,589	8,670	8,921	9,197	9,473
<b>Other</b>	<b>93,403</b>	<b>0</b>								
<b>Total Operating Expenses</b>	<b>52,629,822</b>	<b>54,706,552</b>	<b>52,065,030</b>	<b>51,037,713</b>	<b>44,487,614</b>	<b>45,150,783</b>	<b>47,600,314</b>	<b>48,655,098</b>	<b>51,011,666</b>	<b>54,571,112</b>
% Increase	8.31%	3.95%	-4.83%	-1.97%	-12.83%	1.49%	5.43%	2.22%	4.84%	6.98%
\$ Increase	4,036,800	2,076,730	-2,641,522	-1,027,317	-6,550,099	663,168	2,449,531	1,054,784	2,356,568	3,559,446
<b>TRANSFER TO OTHER FUNDS AND OTHER EXPENSES</b>										
CAPITAL IMPROV. FUND (307)	2,096,000	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200
COASTAL PROTECTION FUND (309)	0	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000
Transfer to Underground Utility fund	0	0	0	0	0	0	0	0	2,530,250	0
EQUIPMENT REPLACEMENT FUND	0	0	0	0	0	0	0	0	0	2,500,000
DEBT SERVICE FUND (203)	3,652,000	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728
RETIREE HEALTH INS.(OPEB) (610)	1,466,000	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000
RISK-W/C, LIAB.PROP. (501)	2,392,000	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037
CONTINGENT APPROP.	0	0	0	0	0	0	0	0	0	960,300
INVENTORY ADJUSTMENTS	22,989	55	-2,075	9,172	12,932	29,863	4,251	0	0	0
<b>Total Transfers and Other</b>	<b>9,628,989</b>	<b>11,174,055</b>	<b>13,250,245</b>	<b>10,528,398</b>	<b>11,757,439</b>	<b>12,956,742</b>	<b>17,686,251</b>	<b>21,979,362</b>	<b>20,988,417</b>	<b>22,281,265</b>
% Increase	-4.87%	16.05%	18.58%	-20.54%	11.67%	10.20%	36.50%	24.27%	-4.51%	6.16%
\$ Increase	-492,713	1,545,066	2,076,190	-2,721,847	1,229,042	1,199,303	4,729,509	4,293,111	-990,945	1,292,848
<b>Total Expenditures</b>	<b>62,258,811</b>	<b>65,880,608</b>	<b>65,315,275</b>	<b>61,566,111</b>	<b>56,245,054</b>	<b>58,107,525</b>	<b>65,286,565</b>	<b>70,634,460</b>	<b>72,000,082</b>	<b>76,852,377</b>
% Increase	6.04%	5.82%	-0.86%	-5.74%	-8.64%	3.31%	12.35%	8.19%	1.93%	6.74%
\$ Increase	3,544,087	3,621,796	-565,333	-3,749,164	-5,321,058	1,862,471	7,179,040	5,347,895	1,365,623	4,852,295



# FORECAST SUMMARY

## General Fund Long Term Financial Plan Forecast

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 FY17 budget and a 9 year forecast through FY26.

### Assumptions

The forecast for the first 2 - 4 years is based upon recent trends and specific expectations. The forecast for the remaining 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:

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
<b>Ad Valorem Tax Increase</b>	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
<b>General Inflation</b>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
<b>Salaries &amp; Wages</b>	1.5%	2.9%	1.0%	2.0%	2.0%	3.3%	3.5%	3.5%	3.5%
<b>Health Insurance</b>	7.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
<b>Pension</b>	8.9%	8.0%	8.6%	6.9%	2.3%	2.6%	2.4%	2.4%	2.4%
<b>Other Employee Benefits</b>	4.7%	4.4%	3.5%	4.0%	4.8%	5.2%	5.1%	5.2%	5.2%
<b>Property Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Liability Insurance</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>W/C Insurance</b>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Revenue forecasts are based upon historical trends and recent activity. To be conservative, the ad valorem tax increase is projected at 3.25% per year rather than estimate the increase in taxable value. Each revenue category forecast is described in greater detail later in this section.

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

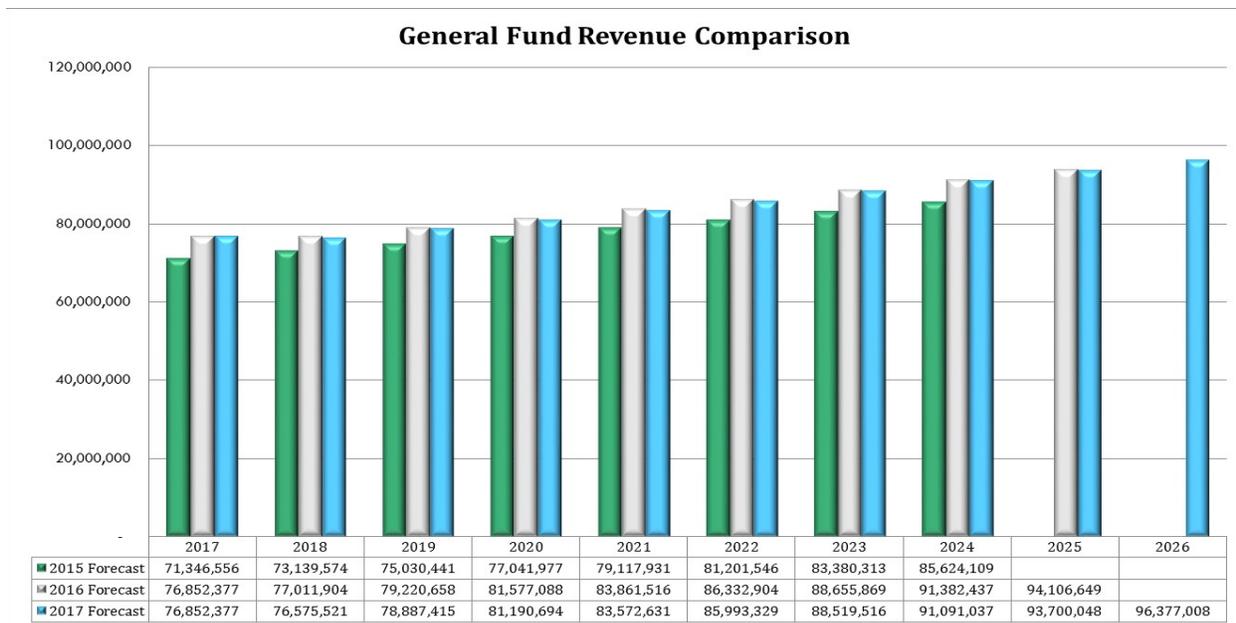
# GENERAL FUND FORECAST

## 2017 Forecast

The forecast charts shown on the following pages include a comparison the forecasts prepared in 2015 and 2016 to the current 2017 forecast. In recent years, staff and the Town Council have been able to make major reductions in expenditures and to slow future growth to sustainable levels. The 2017 forecast shows steady progress with meeting the Town’s needs and funding coastal protection and capital projects.

### General Fund Revenue Forecast

The forecast for revenues is conservative and should allow for minor fluctuations in various revenue sources. The forecast details for each major revenue category are included in this analysis.



### Property Tax Revenue

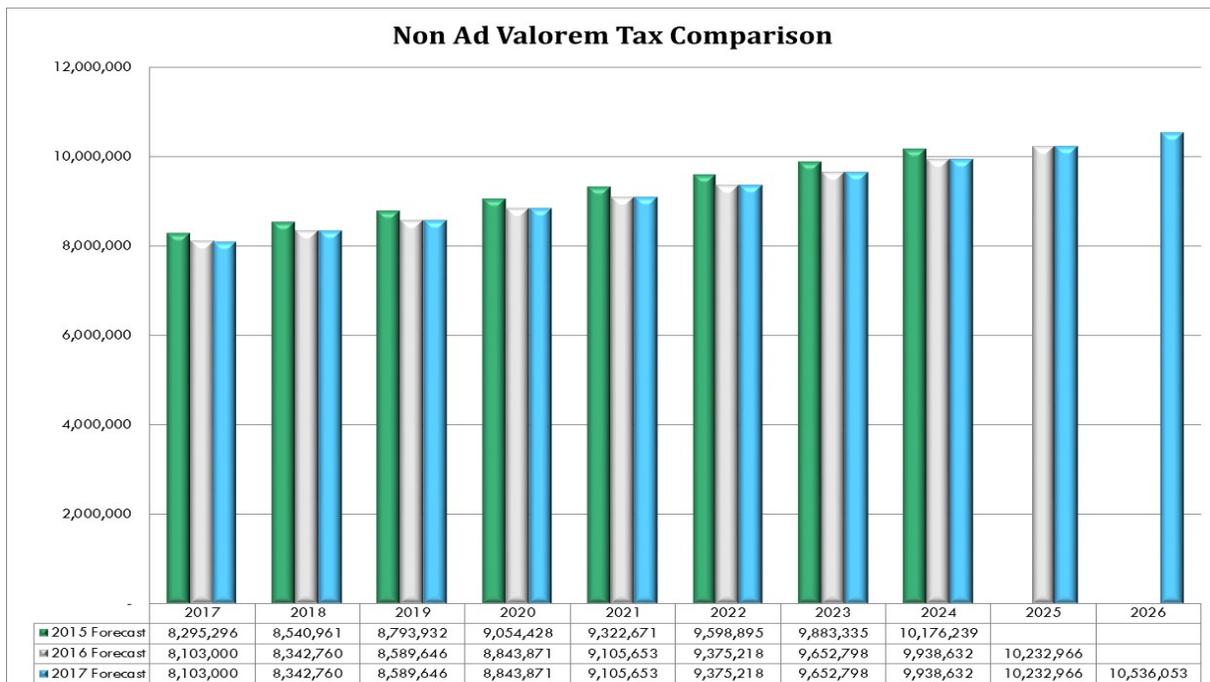
Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. The 2017 forecast includes the FY17 budget plus a 9 year forecast. Property tax revenues in FY17 increased by 5.01%. Over the past 5 years, taxable value has increased by 33% an average of 6.54% per year. We increased the forecast slightly since FY15, due to the recent trends in taxable value increases.

# FORECAST SUMMARY



## Non Ad Valorem Taxes

Non ad valorem taxes include local option gas taxes, franchise fees and utility service taxes. The forecast for 2016 and 2017 has declined because recent revenue collections have not been as high as had been anticipated in recent forecasts. The forecast trend chart is shown below:

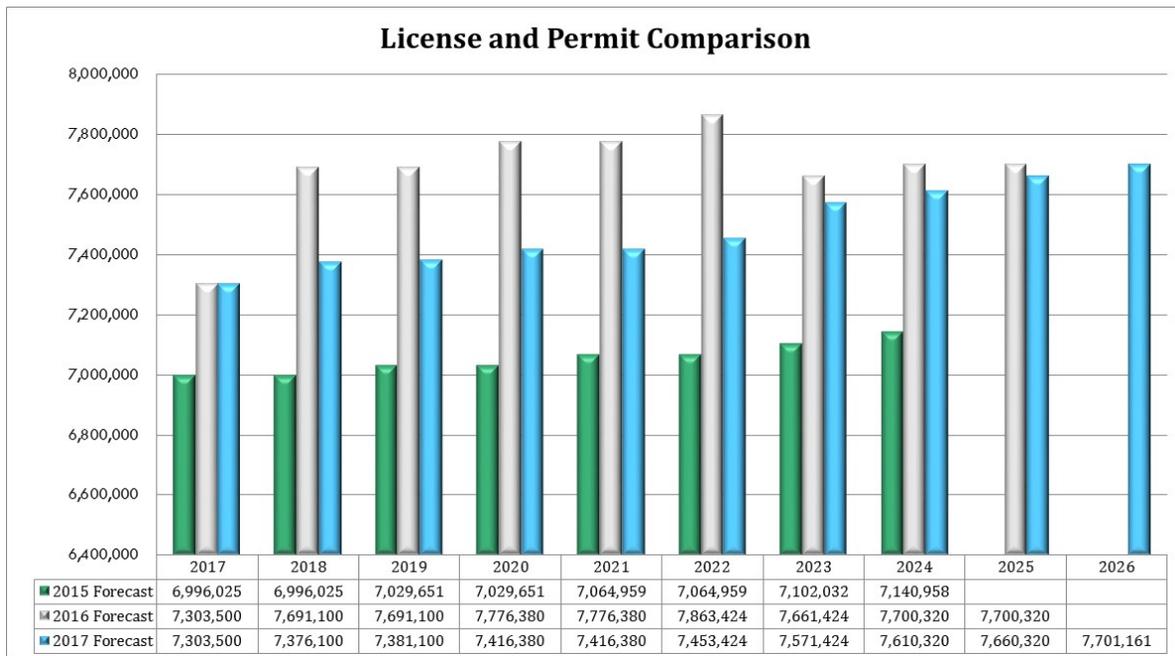


# GENERAL FUND FORECAST

## *License and Permit Revenue*

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

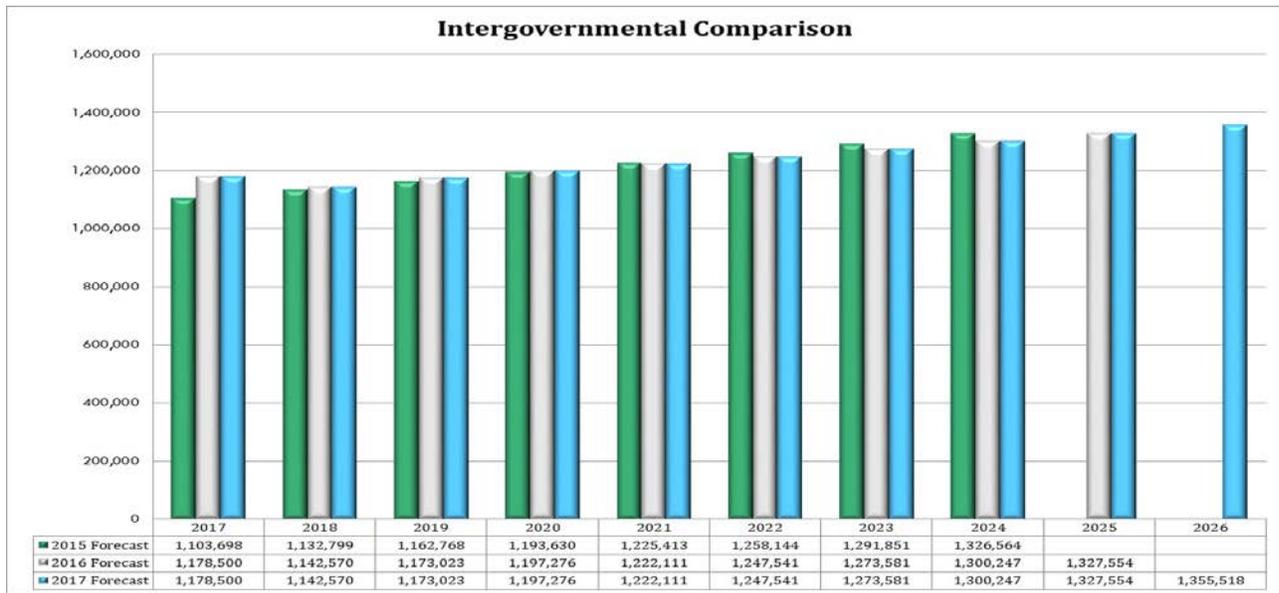
FY15 was a record year for permit revenue and FY16 revenues remained at high levels, but did not meet the levels of FY15. The FY17 forecast shows a conservative revenue forecast for 2018 and beyond that more closely aligns with actual receipts. The forecast is lower in 2016 and growth in the near future is relatively flat.



## *Intergovernmental Revenue*

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

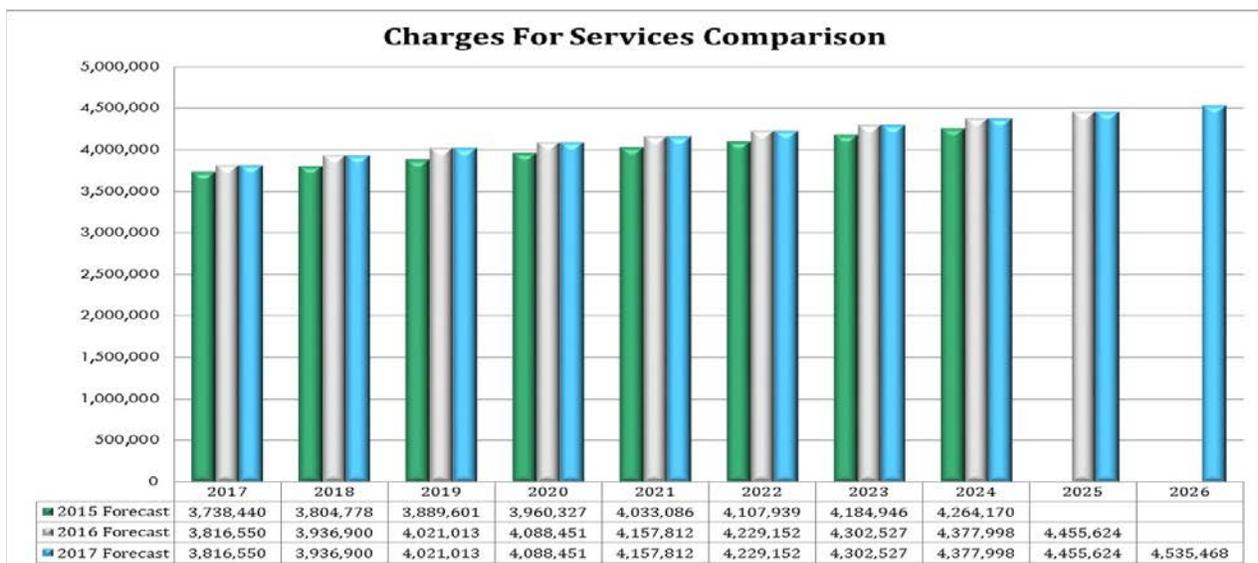
# FORECAST SUMMARY



The forecast for intergovernmental revenues has remained flat based on revenues received from the State of Florida for sales tax and revenue sharing. The FY17 budget contains anticipated grant funds, but the forecast does not plan for any grant revenue. The forecast anticipates a small inflationary increase per year in the State revenues.

## *Charges for Services*

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The forecast for these revenues decreased in 2015 due to lower public safety revenues and solid waste collection revenues. The forecast for 2016 and 2017 reflects slight increases in these revenue sources.

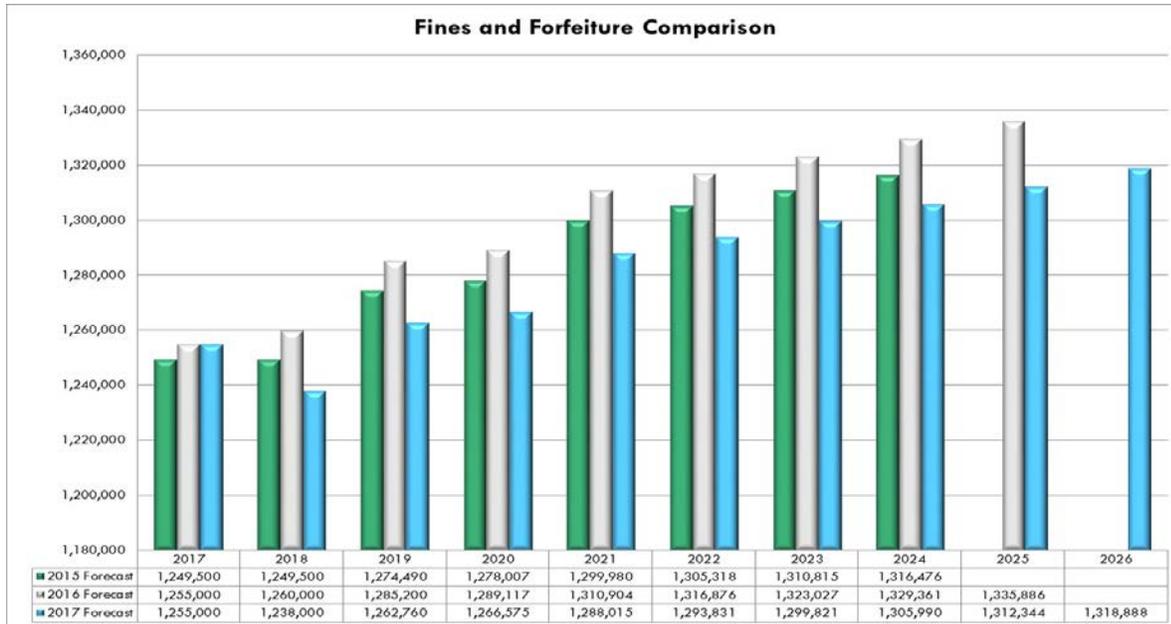


# GENERAL FUND FORECAST

## *Fines and Forfeitures*

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

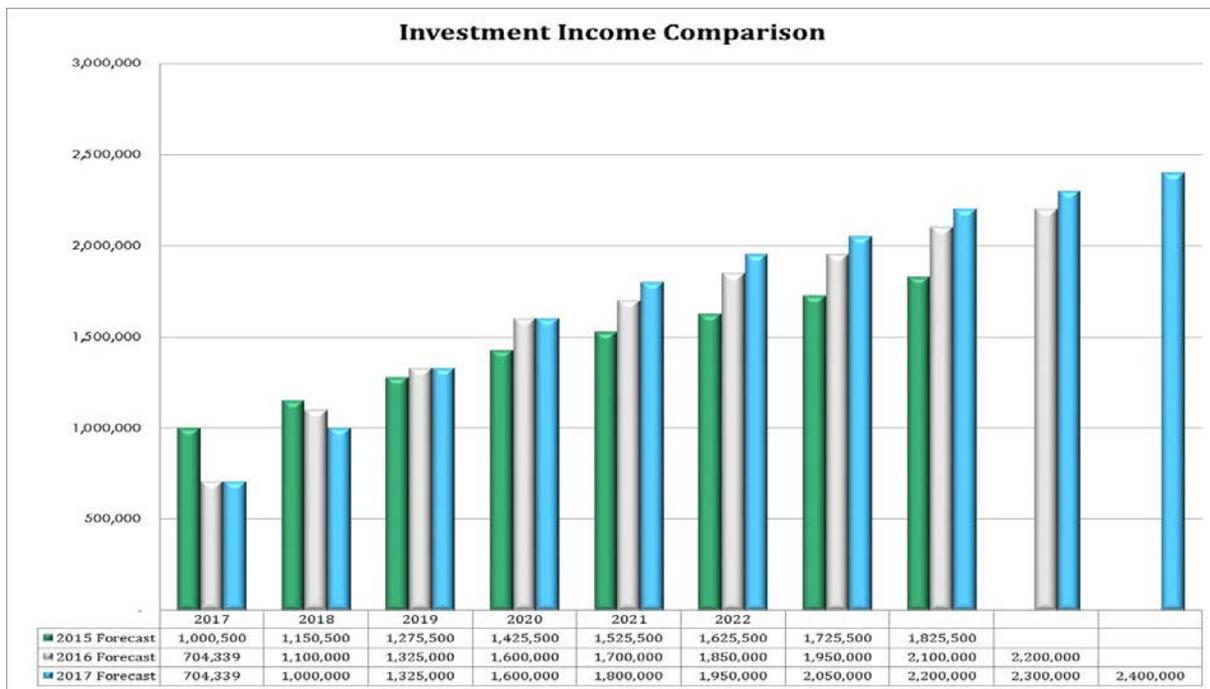
Revenues from these sources have decreased since the 2016 forecast. Parking ticket fines and moving violation revenue have decreased and the 2017 forecast has been adjusted to reflect the recent actual activity. The downward trend in these revenues reflect improved parking compliance.



## *Investment Income*

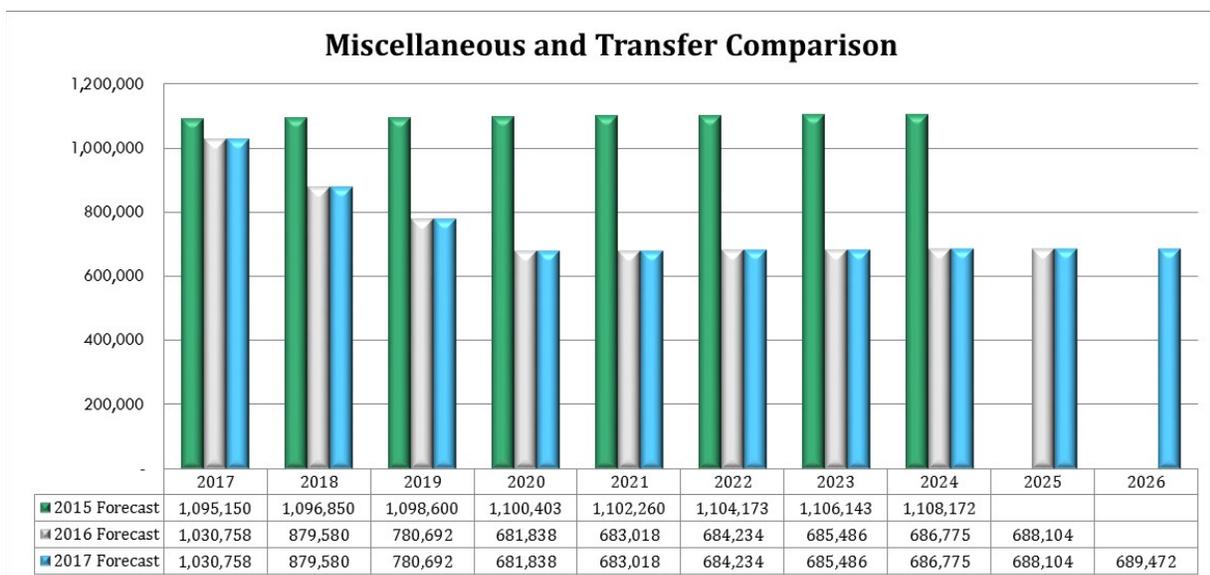
We are forecasting investment returns will increase in FY18 from FY17 budget levels and gradually improve through the forecast period. Recent increases in rates over the long term should have a positive impact on revenues. In the short term certain bond funds may experience market losses. The Investment Advisory Committee and our investment consultants are monitoring the situation closely and will adjust the duration of the portfolios as required to mitigate the losses.

# FORECAST SUMMARY



## Miscellaneous and Transfers

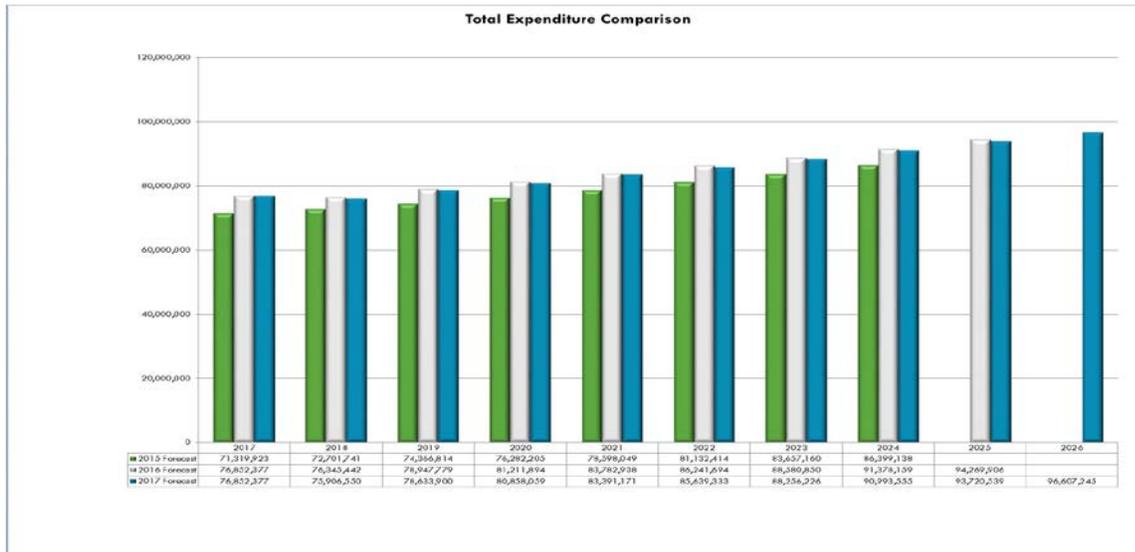
Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. Transfers include transfers from the Recreation Enterprise Fund. The decrease in the 2016 and 2017 forecast is due to the termination of a lease for a cellular tower and anticipated decreases in the transfer from the Recreation Enterprise Fund. The Recreation Enterprise Fund transfer to the General Fund will decrease through 2020 and instead the funds will be directed to the Dock Replacement Fund to reduce the amount of borrowing for this project.



# GENERAL FUND FORECAST

## Total General Fund Expenditures

The 2016 forecast reflects increases in pension costs and the transfer to the CIP fund. The 2017 forecast is slightly less than the 2016 forecast in total. Changes in the forecast by category are described in the balance of this section.

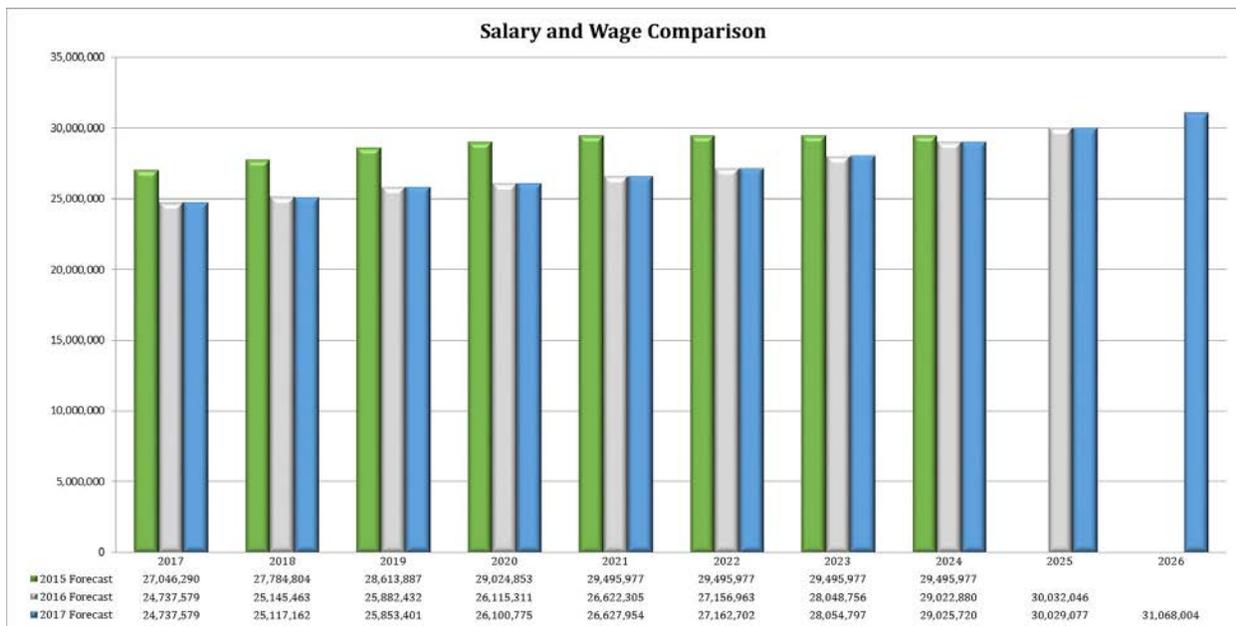


### Salary and Wages

The forecasted salary and wage increases are based upon the employee pay policies and replacements of retirees at lower salaries through the forecast period. The salary and wage assumption is based upon the average annual increases for all employee groups and forecasted retirements.

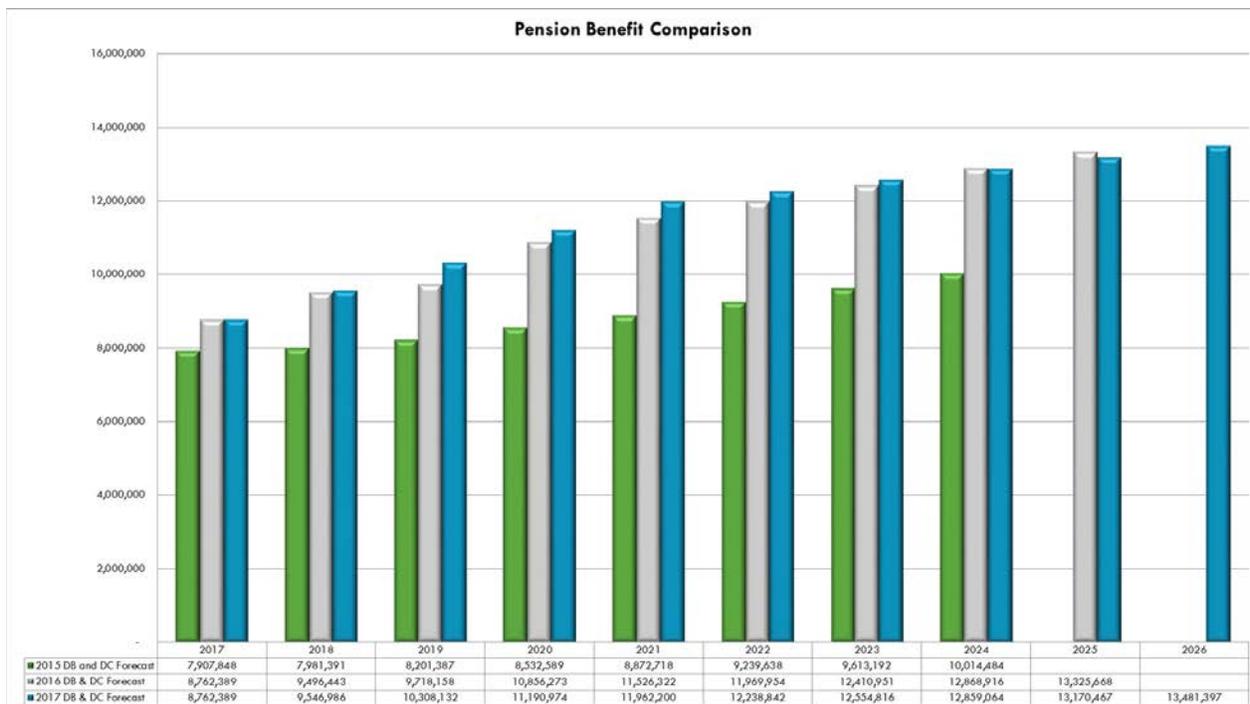
Since the high in 2007 Town staffing has decreased by 52.36 FTEP. A combination of actions (changing pay policies, reducing staffing, etc.) has improved the salary forecast significantly. The 2016 forecast for salaries is lower than 2015 due to the retirement of 20 employees. There has been very little change in the 2017 forecast.

# FORECAST SUMMARY



## Pension Benefits

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



The Town's Retirement Board recommended a change in the investment assumption from 7.5% to 7.0% over a 5-year period. This change will require additional funding for the pension plan. The higher amounts of increase through 2021 are based on the .1% annual reductions to the investment

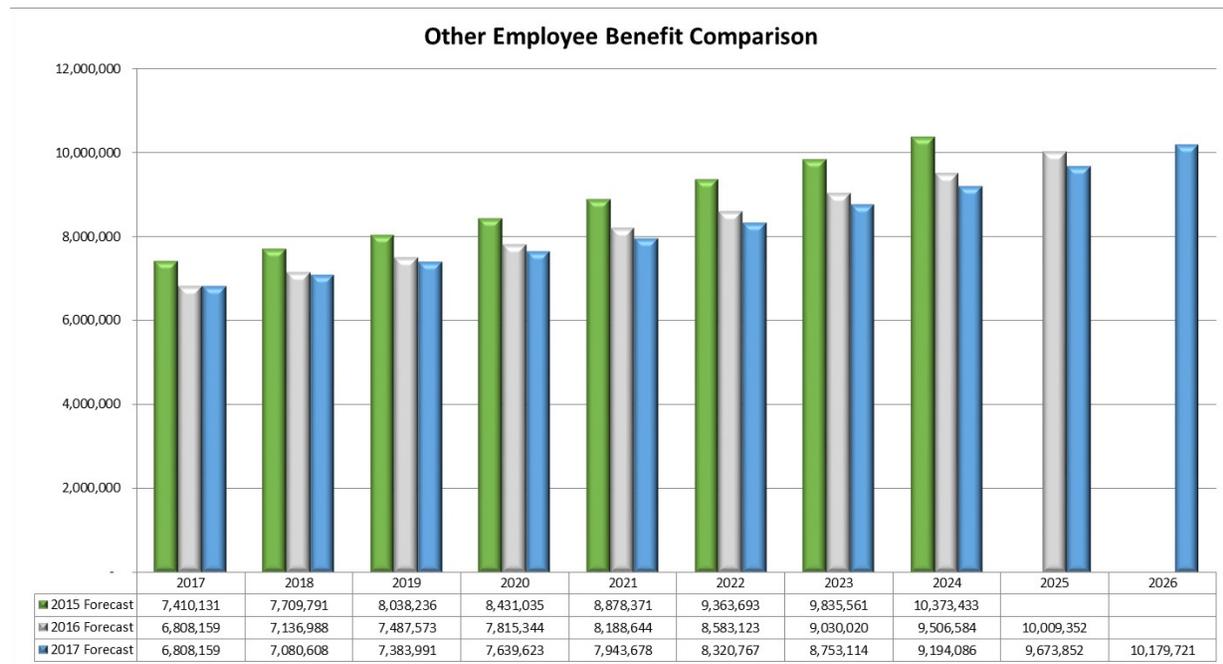
# GENERAL FUND FORECAST

assumption. The updated forecast also reflects changes in the wage assumption and the new mortality tables. The FY17 budget included the changes to the public safety retirement program. The FY18 estimate includes the benefit changes for the General Employee’s based on the actuary’s impact statements. The FY18 amount also includes the amount of “savings” from the General Employee pension change added to the total based on the Town Council’s actions.

The forecast includes the updated lower DC contribution amounts for General Employees throughout the 9-year period. The new benefit changes eliminated the DC contributions for non-union public safety employees. The total DB and DC changes for FY18 together represent a 8.66% increase from the FY17 budget.

## Other Employee Benefits

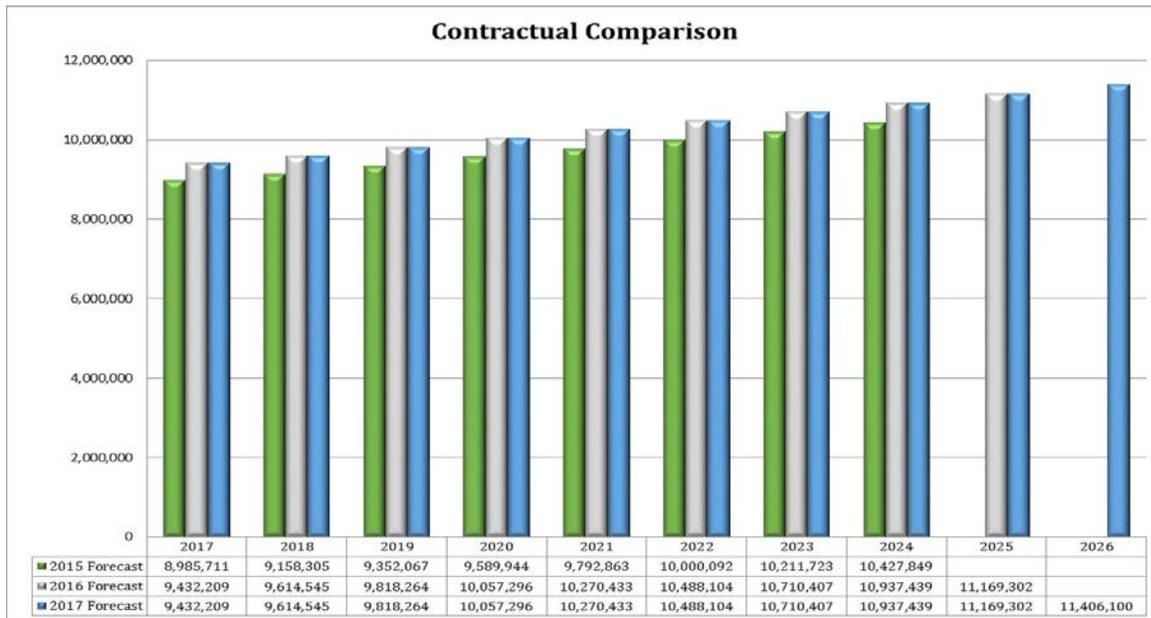
Other Employee Benefits includes all other benefits including health insurance. Health insurance costs have remained flat for four years. To be conservative, the health insurance forecast reflects an increase of 7% for FY18, then 6.5% increases thereafter and other employee benefits (including FICA, longevity, incentives, and allowances) are expected to increase at a much lower rate. The forecast decreased from 2015 due to reduced longevity and FICA costs due to recent retirements and turnover.



## Contractual

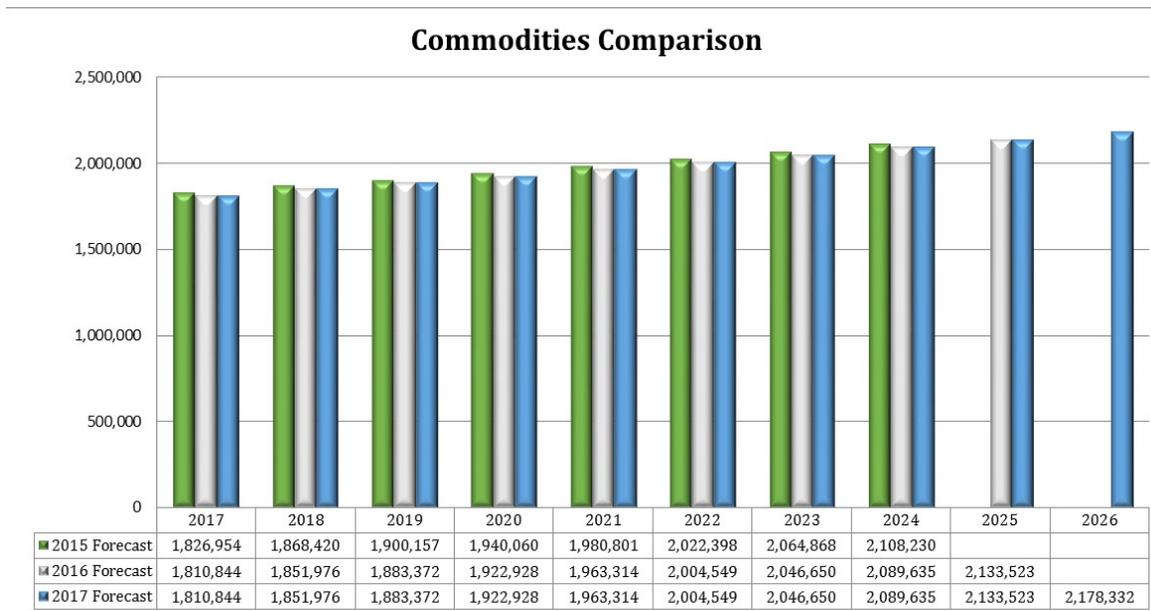
Contractual expenditures are forecasted to increase by the rate of inflation. The contractual forecast since 2015 has increased due to increases in the FY17 budget. These increases include, additional funding for lobbying, landscape maintenance costs, utility service, contractual plan review, landfill costs and training and professional development. There was no change between the 2016 and 2017 forecast.

# FORECAST SUMMARY



## Commodities

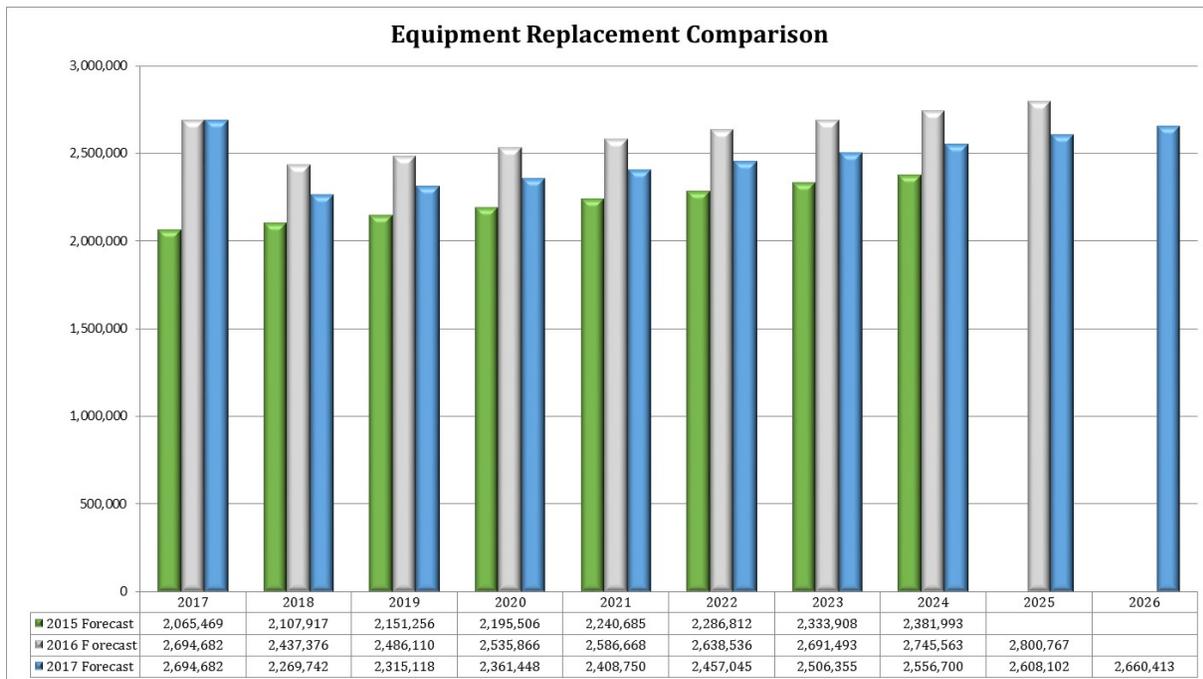
The commodity forecast is based upon the assumed rate of inflation. Commodity budgets include fuel, supplies, dues, software, some computer hardware and vehicle maintenance and uniforms. The 2016 forecast decreased based upon budget savings in these areas and there was no change in the 2017 forecast.



# GENERAL FUND FORECAST

## Equipment Replacement/Capital Outlay

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. It also includes purchases of new equipment that is not replacement equipment. The 2016 forecast increase is due to depreciation on new equipment and a specific increase in the estimated replacement value of 3 fire-rescue pumpers due to higher than anticipated increases in the cost of these vehicles. The 2017 forecast is less due to replacements made during the year less than the estimated replacement cost.



## Transfers

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

- The FY17 budget includes a transfer to the Capital Improvement Program of \$2,290,200 for Capital projects. The increase of \$1,330,200 is intended to begin to increase the transfer to build reserves for capital projects once the ACIP bond funds have been spent and to fund costs related to the underground utility project. In subsequent years the forecast assumes a 10% increase per year until 2023 then a 5% increase thereafter. The increase are in anticipation of the expenditure of all of the bond proceeds in 2018 and the need to increase funding in the Capital Improvement fund going forward to move toward pay-as-you-go funding for capital improvement projects.

# FORECAST SUMMARY

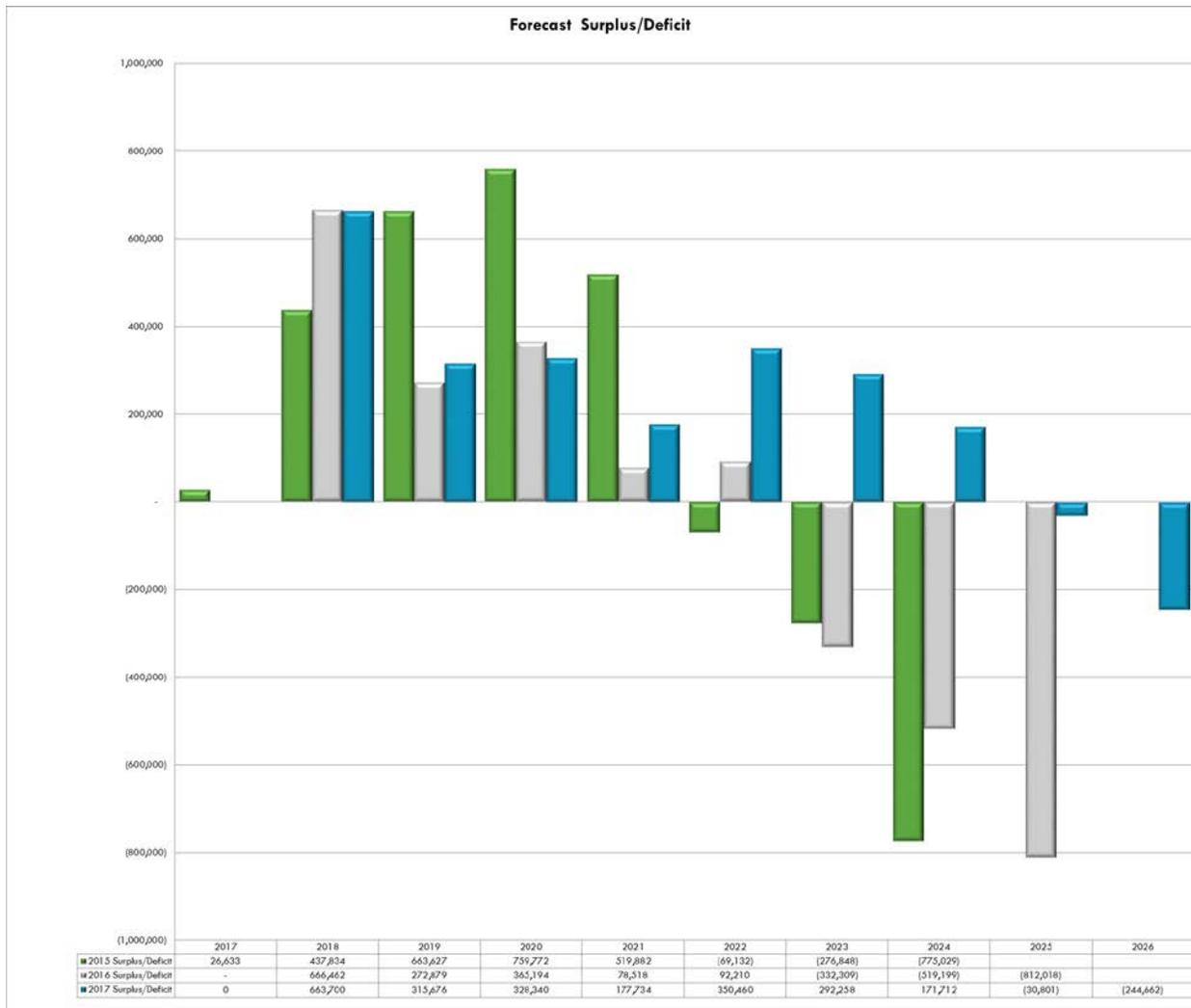
- The Town Council approved a 10 year \$84 million Coastal Protection program in 2013. The first year funding in FY15 was approved at \$4,777,000. The transfer increased to \$8,015,220 due to increased beach renourishment project costs. In FY17, the transfer was lowered to \$7,265,000 due to the reduction in scope of some projects. The forecast for FY18 forward assumes a 3% increase per year in funding.
- Debt service decreased in FY17 due to the refunding of the 2010A bonds at a lower interest rate. The forecast includes the debt service on both the 2013 and 2016 bonds.
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 5% per year, and Worker’s Compensation 3% per year throughout the forecast period. The 2017 forecast also included the increased stop loss claim reserve.
- Retiree Health Insurance is based upon a forecast for Town Contributions prepared by the Town’s actuary.
- The General Fund contingency appropriation has been estimated to be 1.5% of the forecasted operating 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.
- In FY17, an extraordinary transfer of \$2,500,000 to the Retirement Fund was included in the budget. The transfer was funded from the Town’s unassigned fund balance. This transfer is not included in the forecast for future years. This will be an item for the Town Council to consider each year if reserves are available to fund a transfer



# GENERAL FUND FORECAST

## *Projected Surplus/ Deficit*

Due to the deep cuts in expenditures the projection of the annual surplus/deficit has changed dramatically since the 2009 forecast. Deficits were originally forecast to begin in 2012 and continue throughout the forecast period, peaking at \$20.2 million in 2020. Compared to the 2015 forecast, the 2017 forecast contains projected surpluses through most of the forecast period. There are small manageable deficits in 2025 and 2026.



**Town of Palm Beach  
Revenue Forecast  
FY17 - FY26**

Analysis of Revenues by Category Revenue Sources	2017 Budget	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated
<b>Ad Valorem Revenues</b>	<b>49,494,500</b>	<b>51,103,071</b>	<b>52,763,921</b>	<b>54,478,749</b>	<b>56,249,308</b>	<b>58,077,410</b>	<b>59,964,926</b>	<b>61,913,786</b>	<b>63,925,984</b>	<b>66,003,579</b>
% Increase	5.01%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
\$ Increase	2,363,500	1,608,571	1,660,850	1,714,827	1,770,559	1,828,103	1,887,516	1,948,860	2,012,198	2,077,594
<b>Non Ad Valorem Taxes</b>	<b>8,103,000</b>	<b>8,342,760</b>	<b>8,589,646</b>	<b>8,843,871</b>	<b>9,105,653</b>	<b>9,375,218</b>	<b>9,652,798</b>	<b>9,938,632</b>	<b>10,232,966</b>	<b>10,536,053</b>
% Increase	1.22%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
\$ Increase	98,000	239,760	246,886	254,225	261,782	269,565	277,580	285,834	294,334	303,087
<b>Licenses and Permits</b>	<b>7,303,500</b>	<b>7,376,100</b>	<b>7,381,100</b>	<b>7,416,380</b>	<b>7,416,380</b>	<b>7,453,424</b>	<b>7,571,424</b>	<b>7,610,320</b>	<b>7,660,320</b>	<b>7,701,161</b>
% Increase	2.82%	0.99%	0.07%	0.48%	0.00%	0.50%	1.58%	0.51%	0.66%	0.53%
\$ Increase	200,180	72,600	5,000	35,280	0	37,044	118,000	38,896	50,000	40,841
<b>Intergovernmental Revenue</b>	<b>1,178,500</b>	<b>1,142,570</b>	<b>1,173,023</b>	<b>1,197,276</b>	<b>1,222,111</b>	<b>1,247,541</b>	<b>1,273,581</b>	<b>1,300,247</b>	<b>1,327,554</b>	<b>1,355,518</b>
% Increase	3.79%	-3.05%	2.67%	2.07%	2.07%	2.08%	2.09%	2.09%	2.10%	2.11%
\$ Increase	43,063	-35,930	30,453	24,254	24,835	25,430	26,040	26,666	27,307	27,964
<b>Charges for Services</b>	<b>3,816,550</b>	<b>3,936,900</b>	<b>4,021,013</b>	<b>4,088,451</b>	<b>4,157,812</b>	<b>4,229,152</b>	<b>4,302,527</b>	<b>4,377,998</b>	<b>4,455,624</b>	<b>4,535,468</b>
% Increase	-1.31%	3.15%	2.14%	1.68%	1.70%	1.72%	1.73%	1.75%	1.77%	1.79%
\$ Increase	-50,838	120,350	84,113	67,438	69,361	71,340	73,376	75,470	77,626	79,844
<b>Fines and Forefeitures</b>	<b>1,255,000</b>	<b>1,238,000</b>	<b>1,262,760</b>	<b>1,266,575</b>	<b>1,288,015</b>	<b>1,293,831</b>	<b>1,299,821</b>	<b>1,305,990</b>	<b>1,312,344</b>	<b>1,318,888</b>
% Increase	-2.26%	-1.35%	2.00%	0.30%	1.69%	0.45%	0.46%	0.47%	0.49%	0.50%
\$ Increase	-29,000	-17,000	24,760	3,815	21,440	5,816	5,990	6,169	6,354	6,544
<b>Interest Income</b>	<b>704,339</b>	<b>1,000,000</b>	<b>1,325,000</b>	<b>1,600,000</b>	<b>1,800,000</b>	<b>1,950,000</b>	<b>2,050,000</b>	<b>2,200,000</b>	<b>2,300,000</b>	<b>2,400,000</b>
% Increase	0.62%	41.98%	32.50%	20.75%	12.50%	8.33%	5.13%	7.32%	4.55%	4.35%
\$ Increase	4,339	295,661	325,000	275,000	200,000	150,000	100,000	150,000	100,000	100,000
<b>Miscellaneous and Transfers</b>	<b>1,030,758</b>	<b>879,580</b>	<b>780,692</b>	<b>681,838</b>	<b>683,018</b>	<b>684,234</b>	<b>685,486</b>	<b>686,775</b>	<b>688,104</b>	<b>689,472</b>
% Increase	-7.02%	-14.67%	-11.24%	-12.66%	0.17%	0.18%	0.18%	0.19%	0.19%	0.20%
\$ Increase	-77,842	-151,178	-98,888	-98,854	1,180	1,216	1,252	1,290	1,328	1,368
<b>Transfers from Fund Balance</b>	<b>3,966,230</b>	<b>1,551,268</b>	<b>1,586,421</b>	<b>1,613,259</b>	<b>1,646,608</b>	<b>1,678,983</b>	<b>1,713,920</b>	<b>1,750,518</b>	<b>1,786,842</b>	<b>1,822,445</b>
% Increase	151.09%	-60.89%	2.27%	1.69%	2.07%	1.97%	2.08%	2.14%	2.08%	1.99%
\$ Increase	2,386,644	-2,414,962	35,152	26,838	33,349	32,375	34,937	36,598	36,324	35,603
<b>Total Revenues</b>	<b>76,852,377</b>	<b>76,570,250</b>	<b>78,883,576</b>	<b>81,186,399</b>	<b>83,568,906</b>	<b>85,989,793</b>	<b>88,514,484</b>	<b>91,084,267</b>	<b>93,689,738</b>	<b>96,362,584</b>
% Increase	6.87%	-0.37%	3.02%	2.92%	2.93%	2.90%	2.94%	2.90%	2.86%	2.85%
\$ Increase	4,938,046	-282,127	2,313,326	2,302,823	2,382,507	2,420,887	2,524,691	2,569,783	2,605,471	2,672,846

**Town of Palm Beach  
Expenditure Forecast  
FY17- FY26**

Analysis of Expenses by Category Expenditure Categories	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated
<b>Salaries/Wages</b>	<b>24,737,579</b>	<b>25,117,162</b>	<b>25,853,401</b>	<b>26,100,775</b>	<b>26,627,954</b>	<b>27,162,702</b>	<b>28,054,797</b>	<b>29,025,720</b>	<b>30,029,077</b>	<b>31,068,004</b>
% Increase	-0.87%	1.53%	2.93%	0.96%	2.02%	2.01%	3.28%	3.46%	3.46%	3.46%
\$ Increase	-216,807	379,583	736,239	247,374	527,179	534,748	892,095	970,922	1,003,357	1,038,928
<b>Pension Benefits</b>	<b>7,819,957</b>	<b>8,961,987</b>	<b>9,706,228</b>	<b>10,576,237</b>	<b>11,335,240</b>	<b>11,596,466</b>	<b>11,892,222</b>	<b>12,173,806</b>	<b>12,461,878</b>	<b>12,748,675</b>
% Increase	26.54%	14.60%	8.30%	8.96%	7.18%	2.30%	2.55%	2.37%	2.37%	2.30%
\$ Increase	1,639,895	1,142,030	744,241	870,009	759,003	261,226	295,755	281,585	288,072	286,797
<b>DC Plan</b>	<b>942,432</b>	<b>584,999</b>	<b>601,904</b>	<b>614,737</b>	<b>626,960</b>	<b>642,376</b>	<b>662,594</b>	<b>685,258</b>	<b>708,589</b>	<b>732,721</b>
% Increase	-27.67%	-37.93%	2.89%	2.13%	1.99%	2.46%	3.15%	3.42%	3.40%	3.41%
\$ Increase	-360,563	-357,433	16,905	12,834	12,222	15,416	20,219	22,664	23,331	24,132
<b>Other Employee Benefits</b>	<b>6,808,159</b>	<b>7,080,608</b>	<b>7,383,991</b>	<b>7,639,623</b>	<b>7,943,678</b>	<b>8,320,767</b>	<b>8,753,114</b>	<b>9,194,086</b>	<b>9,673,852</b>	<b>10,179,721</b>
% Increase	0.94%	4.00%	4.28%	3.46%	3.98%	4.75%	5.20%	5.04%	5.22%	5.23%
\$ Increase	63,491	272,449	303,383	255,632	304,055	377,089	432,347	440,972	479,766	505,869
<b>Contractual</b>	<b>9,432,209</b>	<b>9,614,545</b>	<b>9,818,264</b>	<b>10,057,296</b>	<b>10,270,433</b>	<b>10,488,104</b>	<b>10,710,407</b>	<b>10,937,439</b>	<b>11,169,302</b>	<b>11,406,100</b>
% Increase	5.67%	1.93%	2.12%	2.43%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
\$ Increase	506,186	182,336	203,719	239,032	213,137	217,671	222,302	227,032	231,863	236,798
<b>Commodities</b>	<b>1,810,844</b>	<b>1,851,976</b>	<b>1,883,372</b>	<b>1,922,928</b>	<b>1,963,314</b>	<b>2,004,549</b>	<b>2,046,650</b>	<b>2,089,635</b>	<b>2,133,523</b>	<b>2,178,332</b>
% Increase	2.06%	2.27%	1.70%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
\$ Increase	36,505	41,132	31,396	39,556	40,386	41,235	42,101	42,985	43,888	44,810
<b>Equipment Replacement</b>	<b>2,694,682</b>	<b>2,269,742</b>	<b>2,315,118</b>	<b>2,361,448</b>	<b>2,408,750</b>	<b>2,457,045</b>	<b>2,506,355</b>	<b>2,556,700</b>	<b>2,608,102</b>	<b>2,660,413</b>
% Increase	14.86%	-15.77%	2.00%	2.00%	2.00%	2.00%	2.01%	2.01%	2.01%	2.01%
\$ Increase	348,564	-424,940	45,377	46,329	47,302	48,295	49,310	50,345	51,402	52,311
<b>Library Services</b>	<b>325,250</b>	<b>335,008</b>	<b>345,058</b>	<b>355,409</b>	<b>366,072</b>	<b>377,054</b>	<b>388,366</b>	<b>400,016</b>	<b>412,017</b>	<b>424,377</b>
% Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	9,473	9,758	10,050	10,352	10,662	10,982	11,312	11,651	12,000	12,361
<b>TRANSFER TO OTHER FUNDS</b>										
CAPITAL IMPROV. FUND (307)	2,290,200	2,420,000	2,662,000	2,928,200	3,221,020	3,543,122	3,720,278	3,906,292	4,101,607	4,306,687
COASTAL PROTECTION FUND (309)	7,265,000	7,482,950	7,707,439	7,938,662	8,176,822	8,422,126	8,674,790	8,935,034	9,203,085	9,479,177
Extraordinary transfer to Retirement	2,500,000									
DEBT SERVICE FUND (203)	6,088,728	5,982,331	5,989,806	5,981,981	5,944,231	5,941,981	5,943,981	5,944,856	5,954,106	5,946,606
RETIREE HEALTH INS.(OPEB) (610)	1,339,000	1,350,000	1,450,000	1,400,000	1,449,000	1,518,000	1,625,000	1,750,000	1,751,000	1,840,000
RISK-W/C. LIAB.PROP. (501)	1,838,037	1,842,223	1,869,148	1,905,754	1,949,340	2,024,308	2,102,003	2,182,445	2,265,810	2,352,235
CONTINGENT APPROP.	960,300	1,013,018	1,048,171	1,075,009	1,108,358	1,140,733	1,175,670	1,212,268	1,248,592	1,284,195
<b>Total Transfers and Other</b>	<b>22,281,265</b>	<b>20,090,522</b>	<b>20,726,563</b>	<b>21,229,605</b>	<b>21,848,770</b>	<b>22,590,270</b>	<b>23,241,722</b>	<b>23,930,894</b>	<b>24,524,199</b>	<b>25,208,900</b>
% Increase	15.03%	-9.83%	3.17%	2.43%	2.92%	3.39%	2.88%	2.97%	2.48%	2.79%
\$ Increase	2,911,302	-2,190,743	636,041	503,042	619,165	741,500	651,452	689,172	593,305	684,701
<b>Total Expenditures</b>	<b>76,852,377</b>	<b>75,906,550</b>	<b>78,633,900</b>	<b>80,858,059</b>	<b>83,391,171</b>	<b>85,639,333</b>	<b>88,256,226</b>	<b>90,993,555</b>	<b>93,720,539</b>	<b>96,607,245</b>
% Increase	6.87%	-1.23%	3.59%	2.83%	3.13%	2.70%	3.06%	3.10%	3.00%	3.08%
\$ Increase	4,938,045	-945,827	2,727,350	2,224,159	2,533,113	2,248,162	2,616,893	2,737,329	2,726,985	2,886,706

# RECREATION ENTERPRISE FUND TREND ANALYSIS

## Recreation Enterprise Fund Trends

### Marina

#### Revenues

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

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

2014: Revenue increases due to increased occupancy and minor increases in dockage rates and electrical charges.

2015: Growth in revenue can be attributed to achievement of 100% annual and seasonal lease occupancy and increased transient business.

2016: Revenue increases can be correlated to dockage rate increases and the increase in the number of transient nights.

#### Expenses

2009: Increased expenses were attributed to minor facility improvements.

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

2011: Decreased expenses were 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.

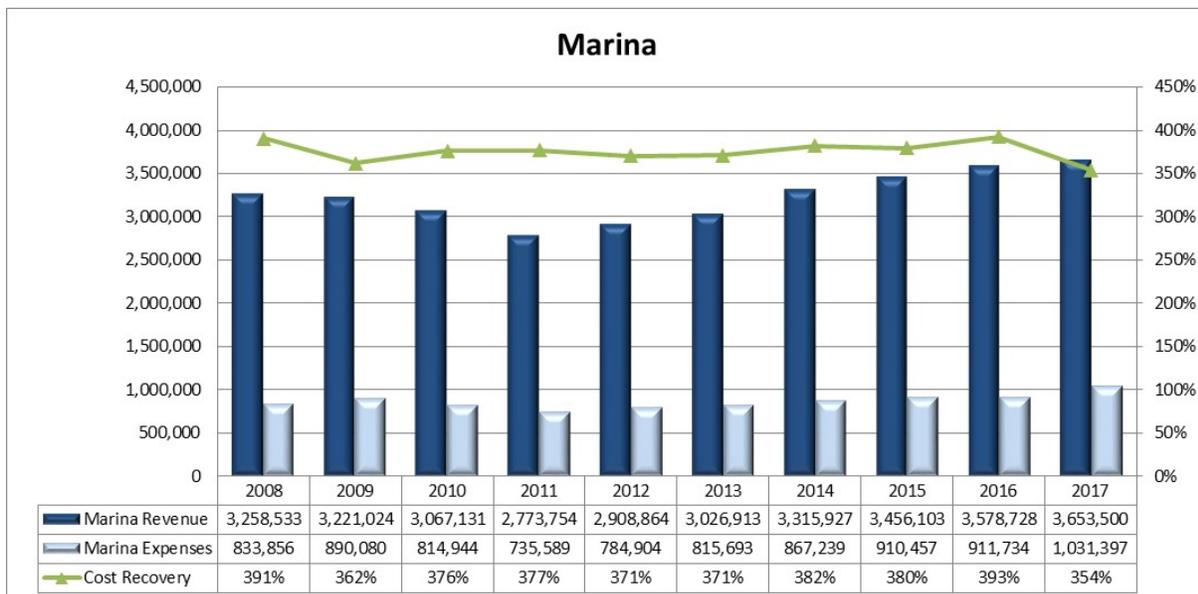
2012: Increased expenses were due to fully funded Dockmaster position and partial reallocation of an Assistant Director's salary.

2013: Increased expenses were due to minor facility improvements.

2014: Increased expenses were due to upgraded shore power and minor facility improvements.

2015: Expense increases were attributed to enhanced security measures, which included extended security guard hours and the installation of security cameras.

2016: Expenses at the marina showed little fluctuation with a .1% variance from the previous year.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## Par 3 Golf Course

### Revenues

2008: Decreased revenue was attributed to downturn in play due to slumping economy.  
 2009: The Par 3 closed for renovation 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 an effect on golf play.  
 2011: Revenue increases reflect re-positioning efforts of the golf course, through enhanced marketing approaches, new price structures, and growth in play.  
 2012: Revenue decreased due to rainier than normal season and A1A road closure.  
 2013: Revenue increased from growth in business and improved golf economy.  
 2014: Revenue increased from growth in rounds played and merchandise sales, as well as new revenue associated with the restaurant vendor agreement.  
 2015: Revenue increased from growth in restaurant business and increased golf cart rental.  
 2016: Revenue growth can be attributed to expansion of restaurant business and increase in rounds of golf.

### Expenses

2008: Decrease in expenses can be attributed to the elimination of Registration Clerk II position.  
 2010: Expenses reflect the use of contract labor to establish and maintain a higher level of maintenance standards which offset the elimination of a full-time Equipment Operator position.  
 2011: Eliminated the Pro-Manager leadership model and a Golf Manager model was implemented.  
 2013: Increase in expenses due mostly to purchase of new golf cart fleet.  
 2014: Increase in expenses attributed to additional staff needed to meet increased play and pro-shop business, as well as operating costs for the new clubhouse.  
 2015: Increase in expenses due to higher personnel costs and to an increase in building maintenance costs.  
 2016: Expenses reflect the addition of a Crew Foreman/Irrigation Specialist position and the additional costs for maintenance projects at the clubhouse and on the golf course.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## *Tennis Programs & Facilities*

### Revenues

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

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

2014: Revenue increase is attributed to lower nonresident fees that increased overall participation, thus total revenue.

2015: Revenue increase due to increased sale of 12 play passes and daily court fees. Tennis teaching services contract revenue also contributed to revenue growth.

2016: Revenue decline can be attributed to a reduction in funds generated from tennis teaching services contract.

### Expenses

2008: Expense decrease reflects the elimination of the Pro-Manager position.

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

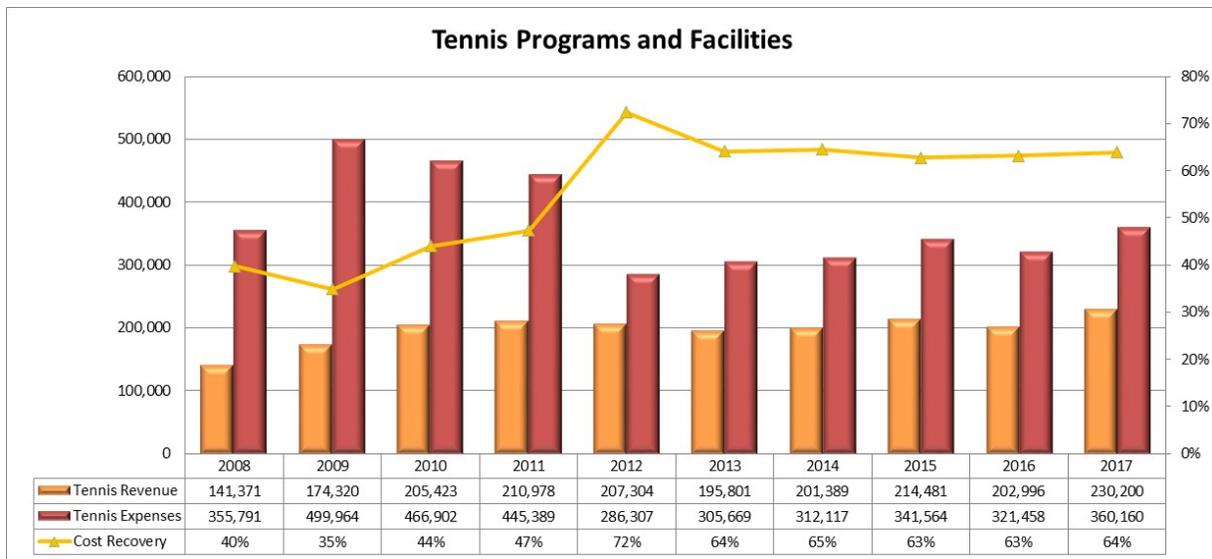
2011 - 2012: Decrease attributed to elimination of one Facility Supervisor and Maintenance Worker positions.

2013: Increase attributed to minor facility improvements and increased cost of employee benefits.

2014: Increase in expenses attributed to increases in contractual items.

2015: Increase in expenses due to need to replace air conditioning units and use of temporary staff to cover extended staff absence.

2016: Expense decrease attributed to extended vacancy in Maintenance Worker position and increased reliance on contractual staffing.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

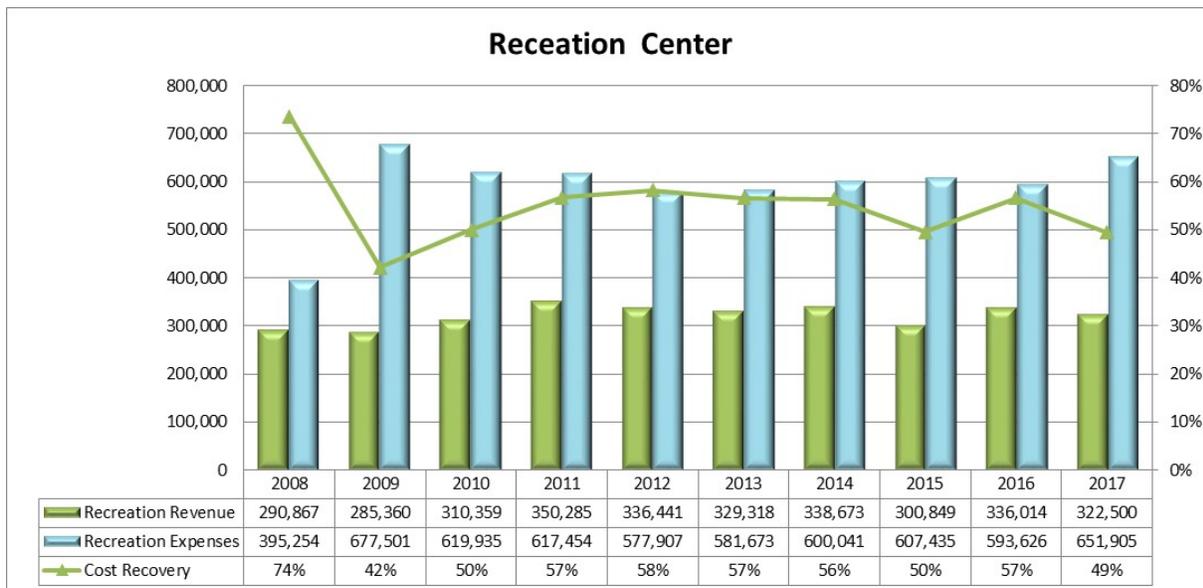
## Recreation Center

### Revenues

2010 - 2011: Revenues increased due to program growth, price increases, and additional offerings.  
 2012 - 2013: Revenues flat due to a leveling off of programming offerings and limited activity space.  
 2014: Revenue increase due to participation growth through additional offerings.  
 2015: Revenue decrease due to reduction in youth programming opportunities due to instructor unavailability.  
 2016: Revenue increase due to expansion of programming offerings.

### Expenses

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, and few one-time expenses, such as painting of the facility, new air handler installation, and re-finishing of floors.  
 2010: Decrease in expenses was attributed to the elimination of one-time expenses from the prior year.  
 2012: Decrease attributed to elimination of Maintenance Worker position.  
 2013: Increase attributed to the addition of part-time no benefits staff support to perform functions of the Maintenance Worker position eliminated in FY12. Increase also attributed to increased cost of certain employee benefits and minor facility improvements.  
 2014: Increase due to anticipated rise in costs of contractual services and commodities in an effort to repair and/or complete minor improvements to the aging Recreation Center.  
 2015: Minimal increase in expense due to increased maintenance costs.  
 2016: Expense decrease due to extended vacancy of Maintenance Worker position.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## *Recreation Administration*

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

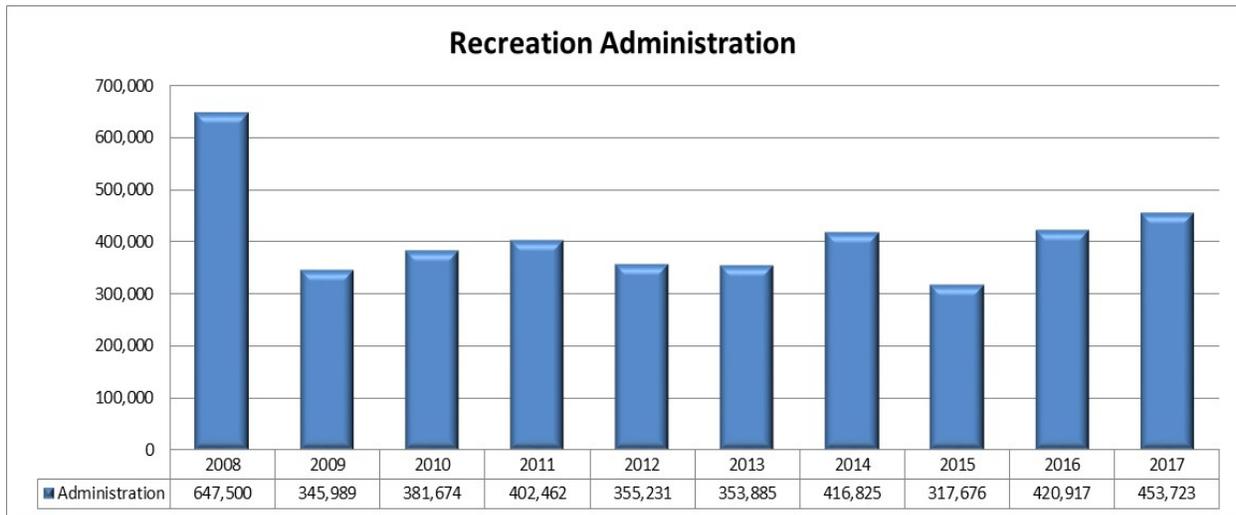
2012: Expenses decreased due to partial reallocation of an Assistant Director's salary to other programs.

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

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

2015: Expenses decreased due to extended Director of Recreation vacancy.

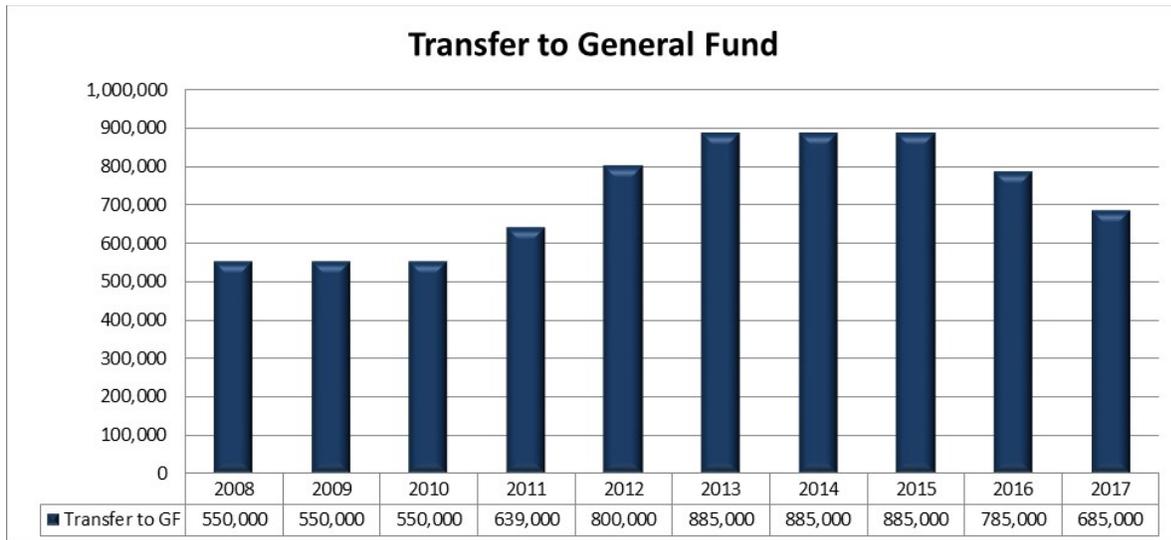
2016: Expenses increased due to hiring of Director of Recreation.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## *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. In FY16 and FY17, the transfer was cut by \$100,000 each year and the funds were redirected to the dock replacement reserve to build up funds for the replacement of the docks.



# RECREATION ENTERPRISE FUND TREND ANALYSIS

## *Full Time Positions*

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.

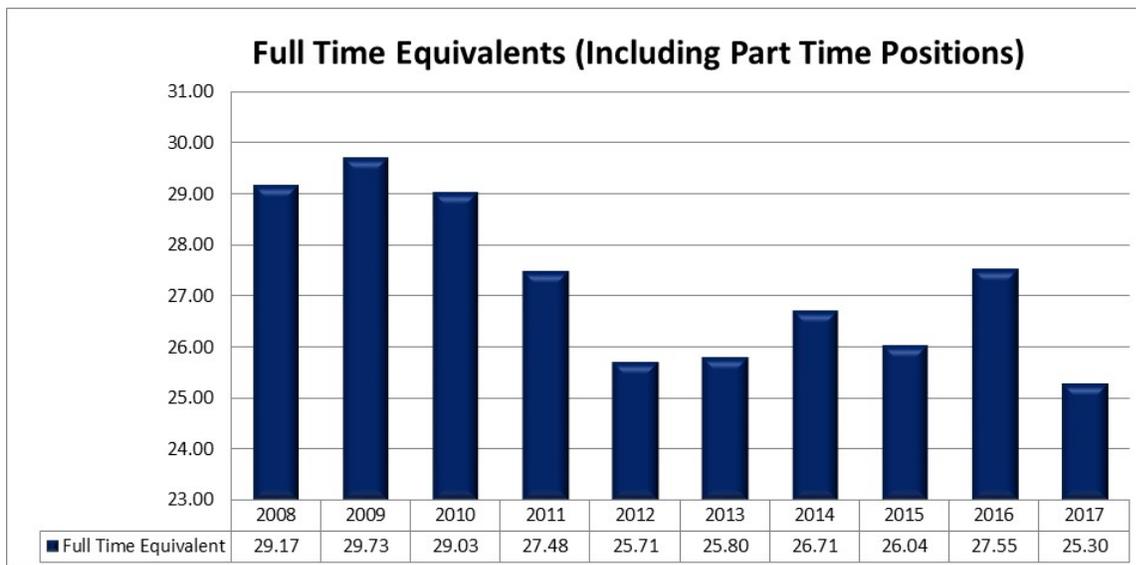
2013: Eliminated one Assistant Director position. Part-time no benefits employees working in a temporary capacity were included in FTE count.

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

2015: The .75 FTE Office Assistant II position upgraded to a full-time position for Administrative support and a PT No Benefits Pro Shop Assistant position was upgraded to a full-time position to allow for coverage of the tennis centers. Golf associate positions were increased. The tennis attendant and Labor positions in tennis were reduced and activity leader positions were reduced.

2016: A full-time Crew Foreman/Irrigation Specialist was added at the Par 3 Golf Course.

2017: Tennis attendant and labor positions were reduced as well as activity leader positions.

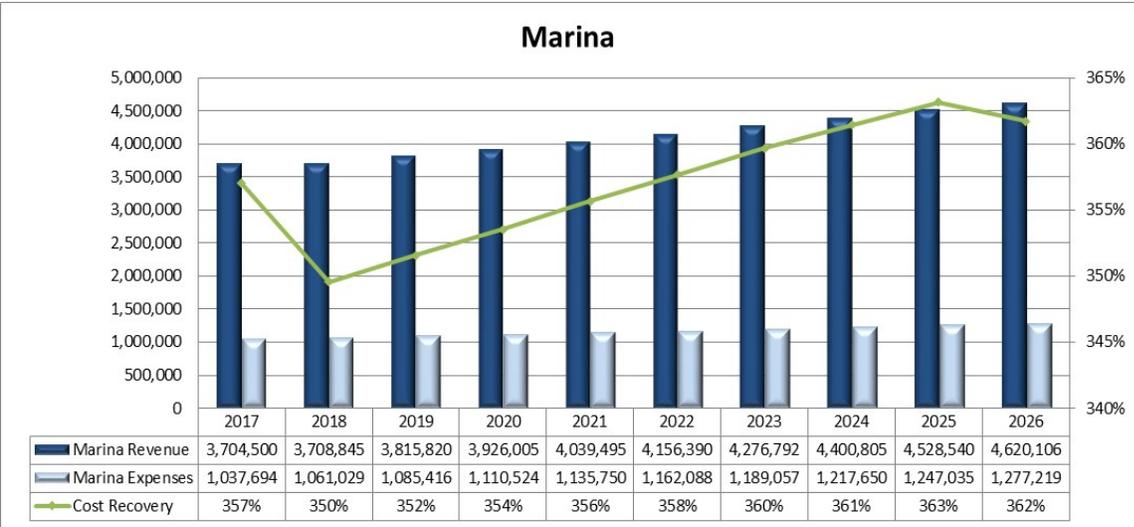


# FORECAST SUMMARY

## Recreation Enterprise Fund Forecast

### Marina

Gradual growth in revenue is based on continued improvement in the local economy, increasing occupancy with long-term leases, strategic price increases for dockage and electrical charges, and growth in transient business. Expenses gradually increase for costs of goods, services, facility improvements, and salaries/benefits.



### Par 3 Golf Course

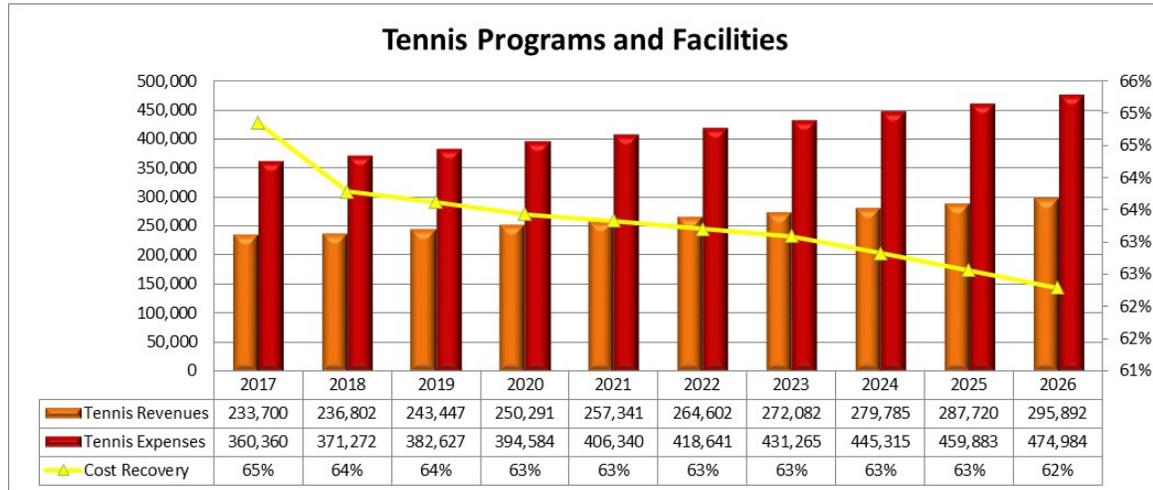
Revenue projections are based on an improved economy, strategic price increases, growth in play and increased merchandise sales all due to the recent success of the new clubhouse and restaurant agreement and course redesign. Expenses increase for additional staff needed to meet increased play and pro-shop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



# FORECAST SUMMARY

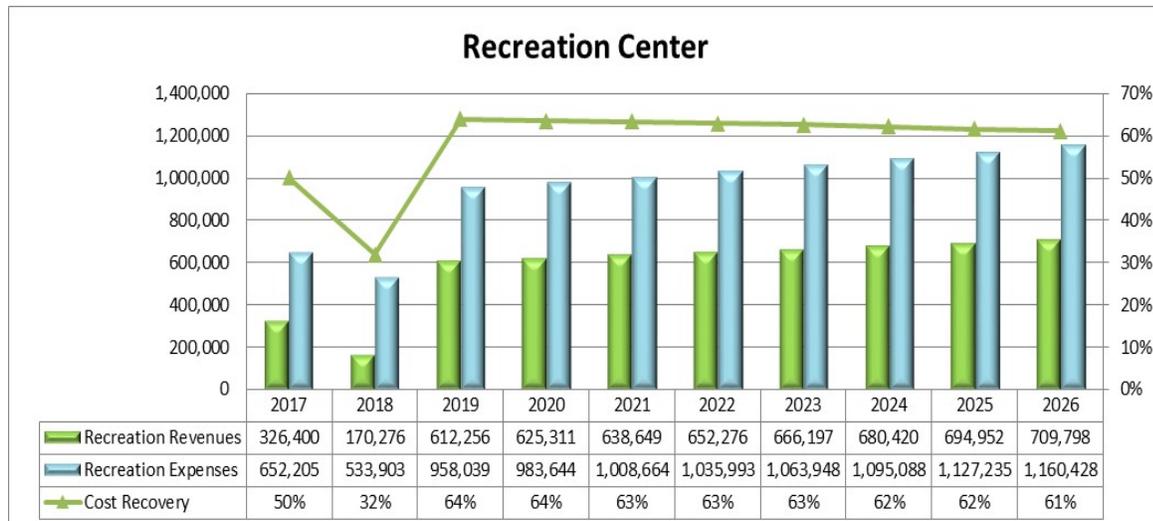
## Tennis Programs & Facilities

Gradual revenue growth is based on an improving economy, strategic price decreases for nonresidents to foster growth in overall play. Expenses gradually increase for costs of goods, services, and salaries/benefits.



## Recreation Center

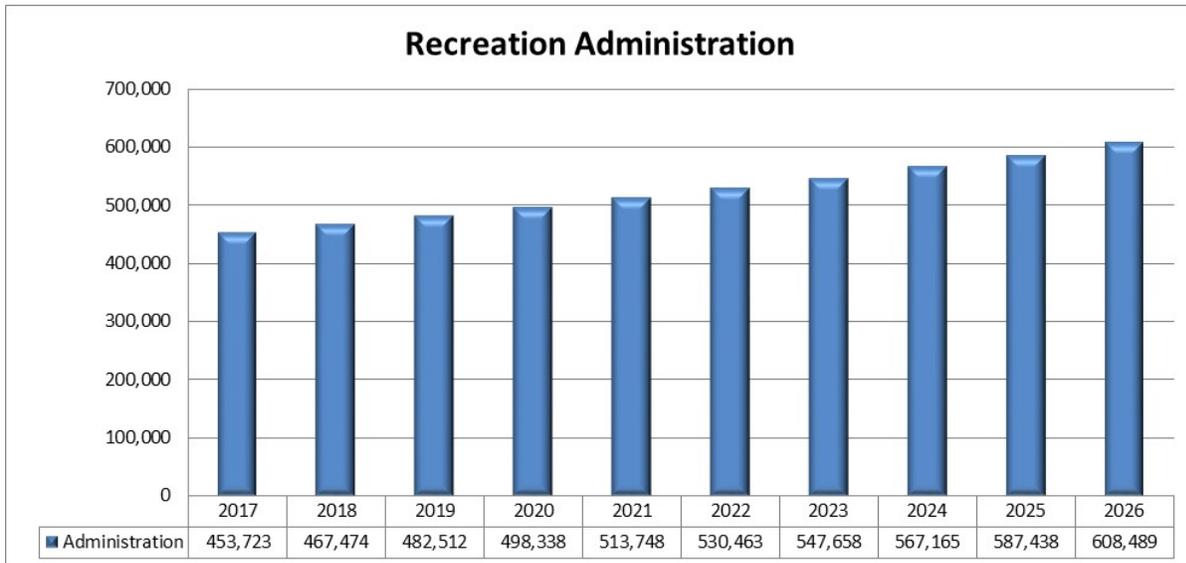
Revenue growth is based on an improving economy and participation growth due to increased program offerings as a result of expanded program spaces. Revenue from pass sales for the new amenities is expected to create a significant positive impact. Expenses will increase for costs of goods and services, mostly related to minor facility repair and upkeep, and increase in salaries/benefits.



# FORECAST SUMMARY

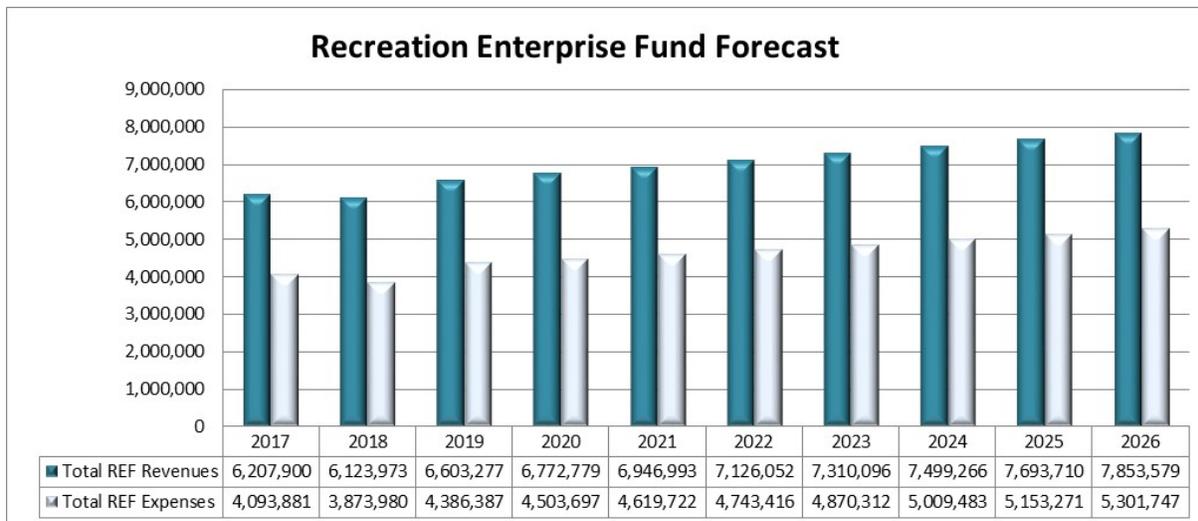
## Recreation Administration

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



## Total Recreation Enterprise Operating Fund

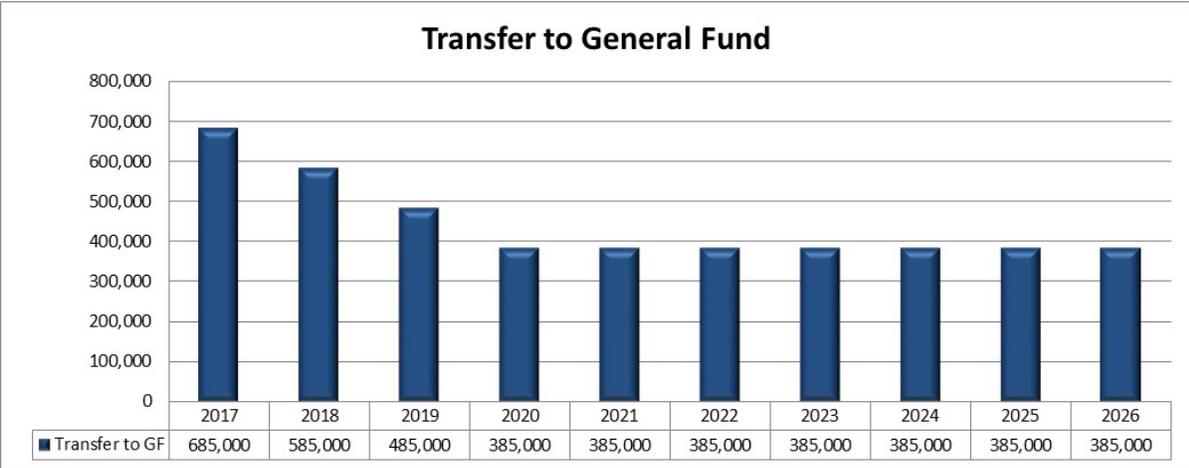
The forecast for the total operating revenues and expenditures for the Recreation Enterprise Fund is shown in the chart below. Revenues increase at an average annual increase of 2.6% per year. Expenditures increases are around 2.7% per year. In 2018, revenues and expenditures decrease due to the expected closing of the Recreation Center for construction.



# FORECAST SUMMARY

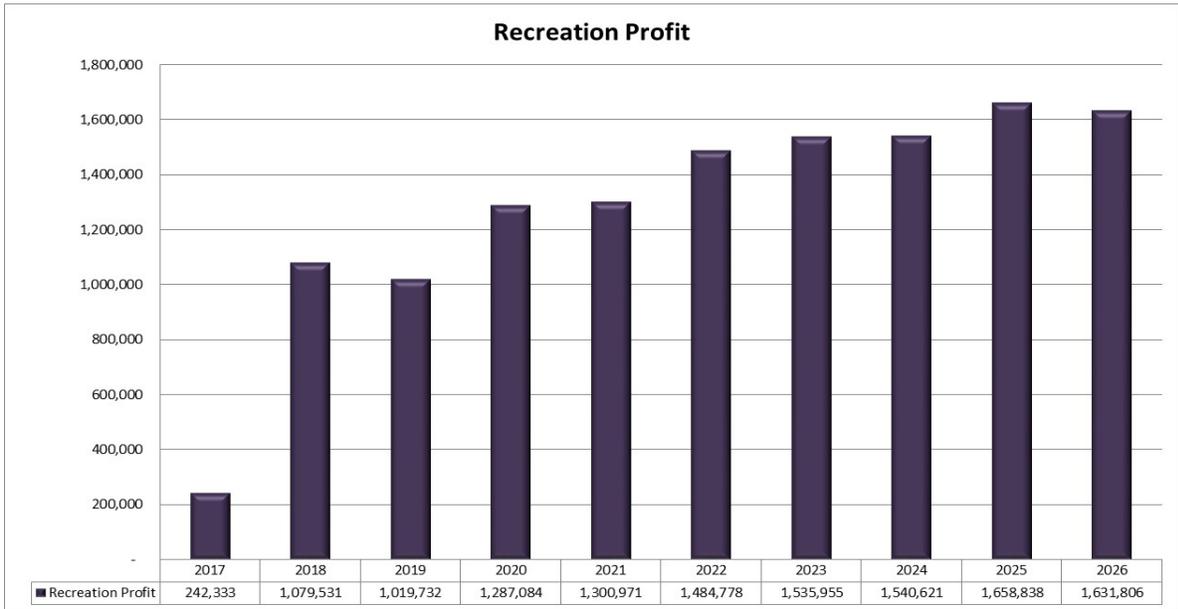
## *Transfer to the General Fund*

The transfer to the General Fund from the Enterprise Fund is forecasted to decrease from \$685,000 to an annual transfer of \$385,000 from 2020 through 2026. This decreased is based on the plan to add more funding to the dock replacement fund to offset the borrowing needed for this project.



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

The net profits realized after the annual transfer 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.





# CAPITAL FUNDS

## Capital Fund Overview

The Town has several capital improvement programs. This section provides details of the Town's capital program activities. The table on the following page summarizes the capital plans for the next 5 years for the following programs:

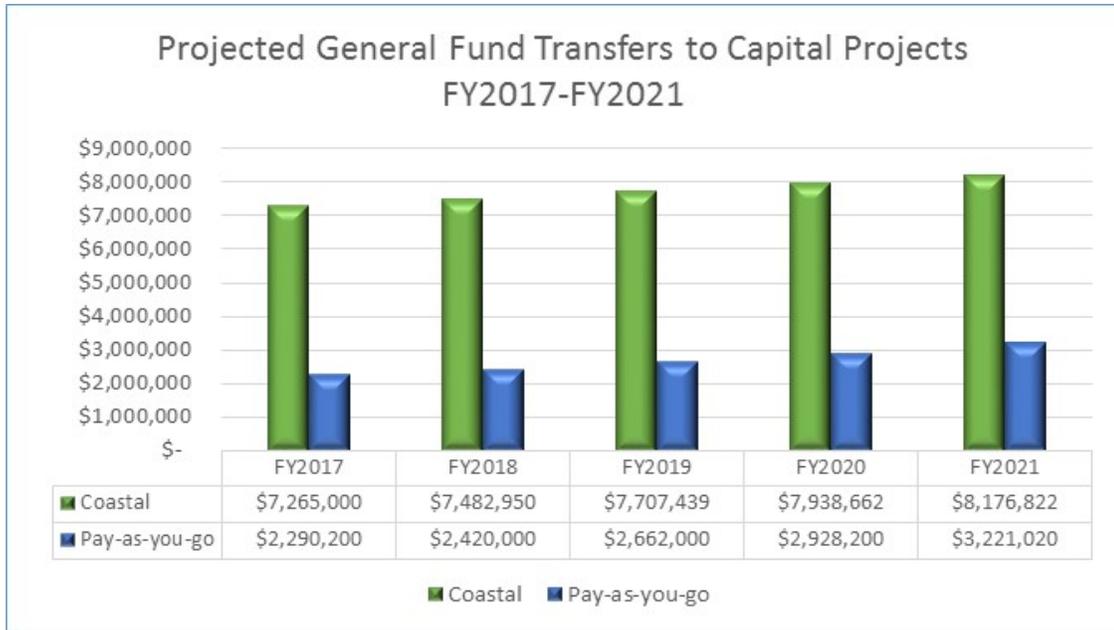
- **Capital Improvement Program – Pay-as-you-go Fund.** This fund accounts for the capital projects that are not part of the Accelerated Capital Improvement Program (ACIP) associated with the Town's two bond issues. Since the bonds were issued, this fund has been used to fund small minor projects. Now that the projects associated with the bond funds are almost finished we are forecasting increased transfers and increased project activity in this fund.
- **Coastal Management Program.** This fund accounts for the coastal expenditures. The Town Council adopted a 10-year coastal plan that ended in 2023. Staff produces updates each year and has added 2024, 2025, and 2026 forecasted amounts. The full 10-year plan can be found in the FY17 budget document. This document contains the FY17 budget and information through FY21.
- **2013 ACIP Bond Proceeds.** This fund accounts for the remaining proceeds of the 2013 bond issue. These funds are expected to be fully spent on the remaining projects by FY19.
- **Recreation Enterprise Fund – Capital Program.** These funds are accounted for in the Recreation Enterprise Fund. The 5-year plan contains the original estimates for the Recreation Center and will be updated once true costs are known. We have not included any estimates for the replacement of the Town Docks. Once we have completed the master plan, we will update the Recreation Capital program with the estimates.
- **Town-wide Utility Undergrounding Program** – These funds are accounted for in a special revenue fund. The amounts contained in this document represent the costs provided by Kimley Horn in the presentation of the master plan. We will update these numbers as the estimates are refined.

The funding for Capital Improvement Pay-as-you-go fund and the Coastal Management Program comes from the General Fund. In 2015, the Town Council approved a property tax increase to fund the Coastal Protection plan, and in 2016 the Town Council approved an increase to the annual funding.

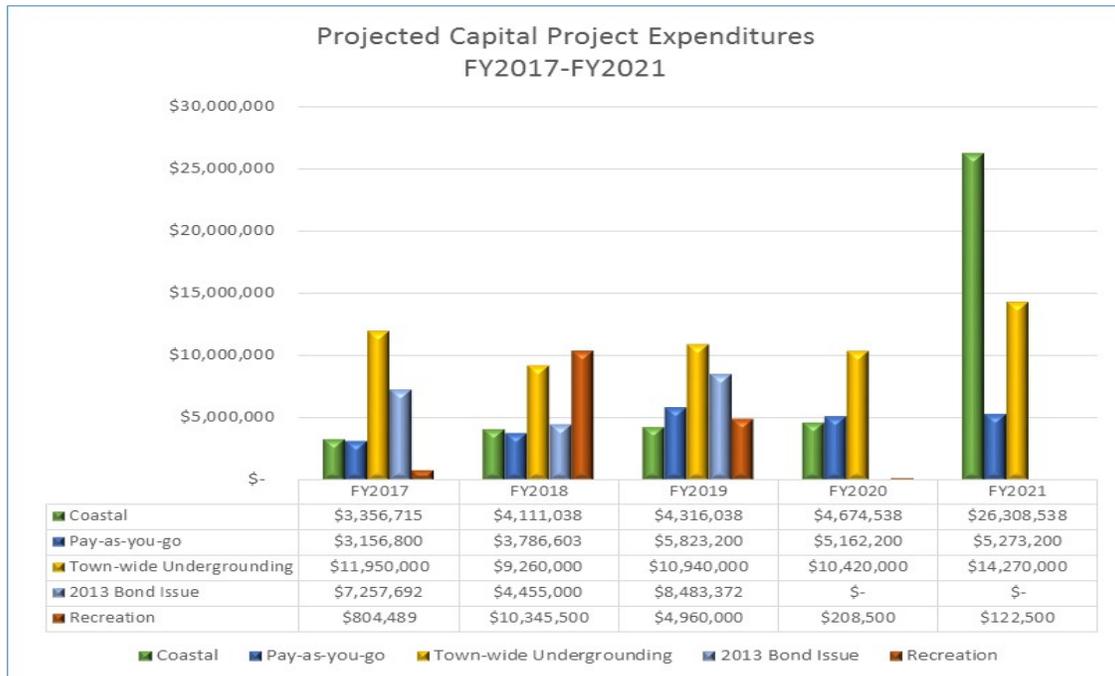
The Capital Improvement Pay-as-you-go fund transfer was increased from \$1,030,000 in FY16 to \$2,290,200 in FY17. This increase was to begin to build up reserves to fund future projects. The forecast projects a 10% increase in this funding per year through FY22.

# CAPITAL FUNDS

The following chart shows the transfers from the General fund for capital and coastal projects FY17 and the next 4 years.

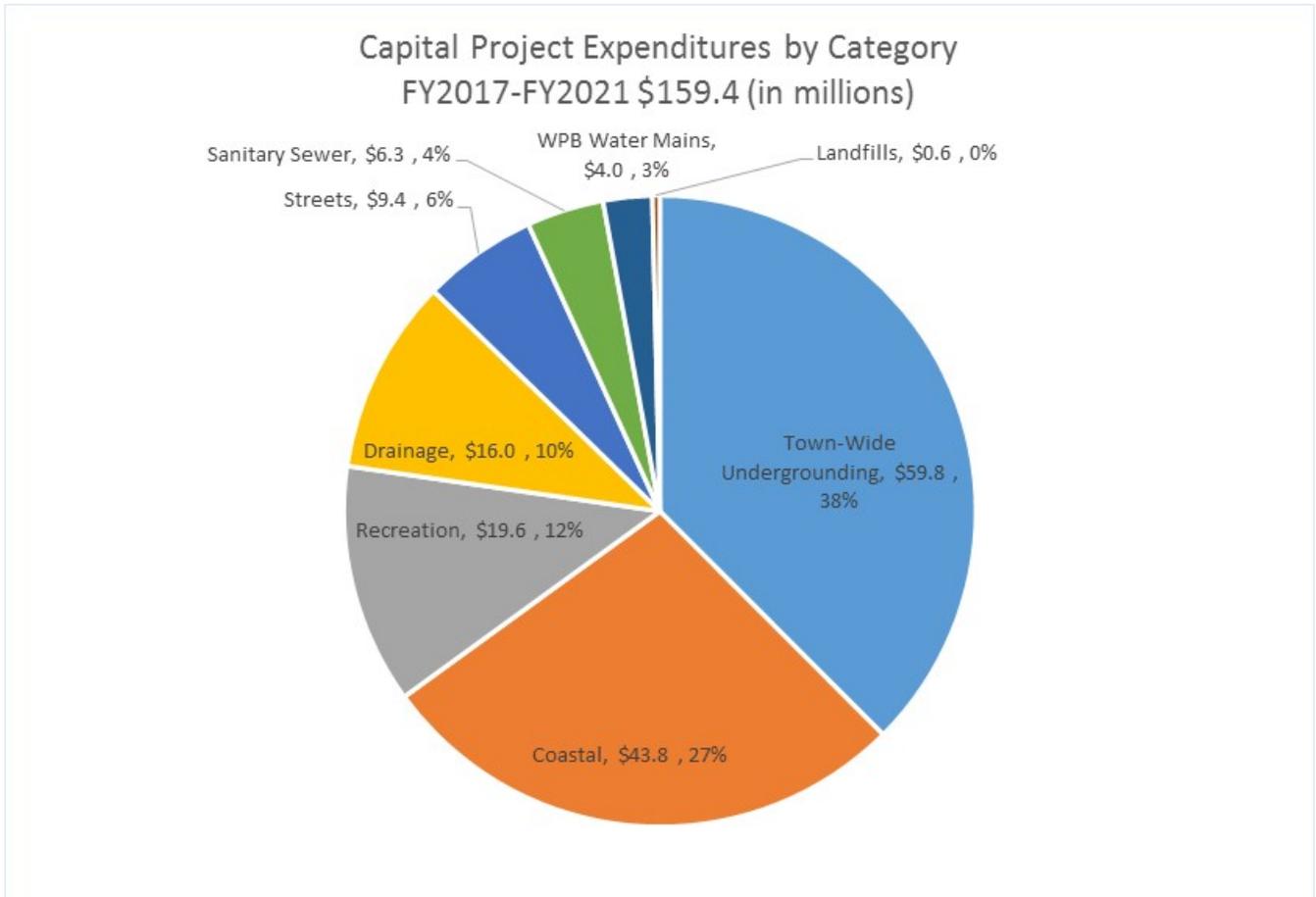


The following chart summarizes the projected capital project expenditures for FY17 through FY21.



# CAPITAL FUNDS

The following pie chart shows the capital project expenditures by category of expenditure for FY17 through FY21.



Details of the specific projects represented above can be found in the FY17 budget document in the Capital Funds section of the document. Recreation Enterprise Fund projects are in the Recreation Enterprise fund section of the budget document.

Town of Palm Beach  
Capital Project Funds  
Five Year Projection

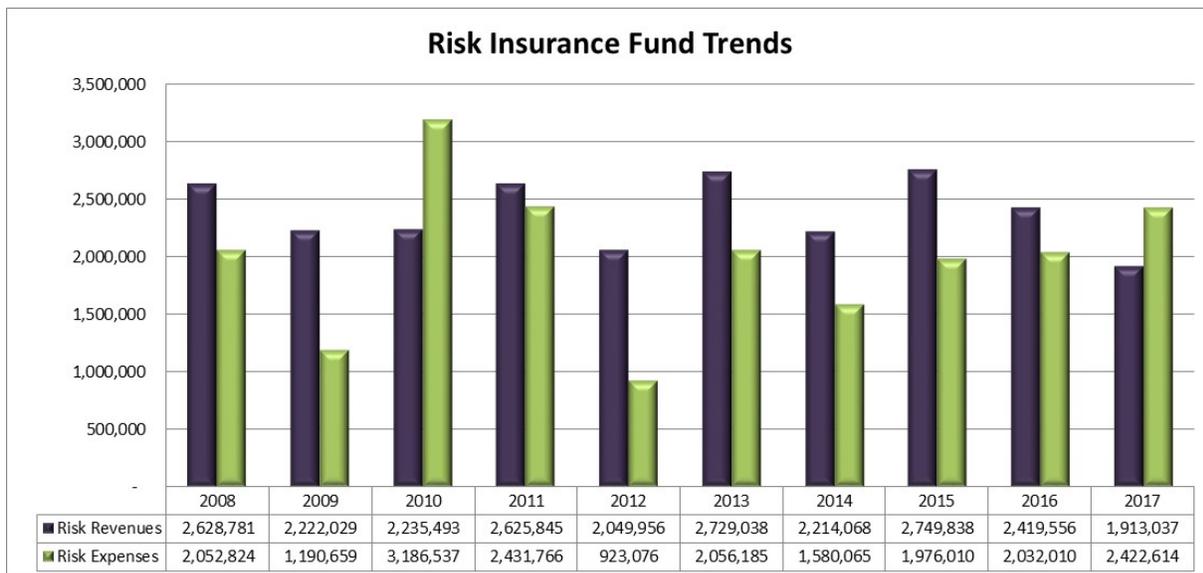
Fund	Description	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Pay-as-you-go	Beginning Balance	5,506,265	5,506,265	5,006,662	2,712,462	1,345,462	5,506,265
	General Fund Transfer	2,290,200	2,420,000	2,662,000	2,928,200	3,221,020	13,521,420
	Interest Earnings	66,600	67,000	67,000	67,000	67,000	334,600
	WPB Water Main Improvements	800,000	800,000	800,000	800,000	800,000	4,000,000
	Projects	(3,156,800)	(3,786,603)	(5,823,200)	(5,162,200)	(5,273,200)	(23,202,003)
	Ending Balance	5,506,265	5,006,662	2,712,462	1,345,462	160,282	160,282
Coastal	Beginning Balance	3,609,835	7,599,158	11,208,025	14,835,659	18,462,983	3,609,835
	General Fund Transfer	7,265,000	7,482,950	7,707,439	7,938,662	8,176,822	38,570,873
	Interest Earnings	81,038	236,955	236,233	363,200	490,156	1,407,582
	Projects	(3,356,715)	(4,111,038)	(4,316,038)	(4,674,538)	(26,308,538)	(42,766,867)
		Ending Balance	7,599,158	11,208,025	14,835,659	18,462,983	821,423
2013 Bond Issue	Beginning Balance	20,196,064	12,938,372	8,483,372	-	-	20,196,064
	Projects	(7,257,692)	(4,455,000)	(8,483,372)	-	-	(20,196,064)
		Ending Balance	12,938,372	8,483,372	-	-	-
Recreation	Beginning Balance	-	-	-	-	-	-
	General Fund Transfer	-	800,000	4,200,000	-	-	5,000,000
	Mandel Foundation Grant	-	4,366,000	-	-	-	4,366,000
	Friends of Recreation Donations	-	5,000,000	-	-	-	5,000,000
	FRDAP Grant	50,000	-	-	-	-	50,000
	Al Fresco - 1/2 of Veranda Project	33,000	-	-	-	-	33,000
	Maint & Improve Reserves	466,000	139,500	410,000	108,500	97,500	1,221,500
	Undesignated Reserves	241,789	26,000	336,000	86,000	11,000	700,789
	Interest Earnings	13,700	14,000	14,000	14,000	14,000	69,700
	Projects	(804,489)	(10,345,500)	(4,960,000)	(208,500)	(122,500)	(16,440,989)
		Ending Balance	-	-	-	-	-
Town-wide Undergrounding	Beginning Balance	-	-	-	-	-	-
	Debt Financing/Assessments	11,950,000	9,260,000	10,940,000	10,420,000	14,270,000	56,840,000
	Projects	(11,950,000)	(9,260,000)	(10,940,000)	(10,420,000)	(14,270,000)	(56,840,000)
		Ending Balance	-	-	-	-	-

## Self-Insurance Fund – Risk Management

The Risk Management program is under the direction of the Town Manager’s Office. Responsibility includes insurance management for workers' compensation, property and casualty, general liability, automobile liability, and public officials and employment practices insurance. Other responsibilities include: claims investigation and administration; contract review regarding hold harmless agreements, indemnification and insurance requirements of vendors; safety, loss prevention and control programs; and review of proposed legislation which could impact the Town.

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

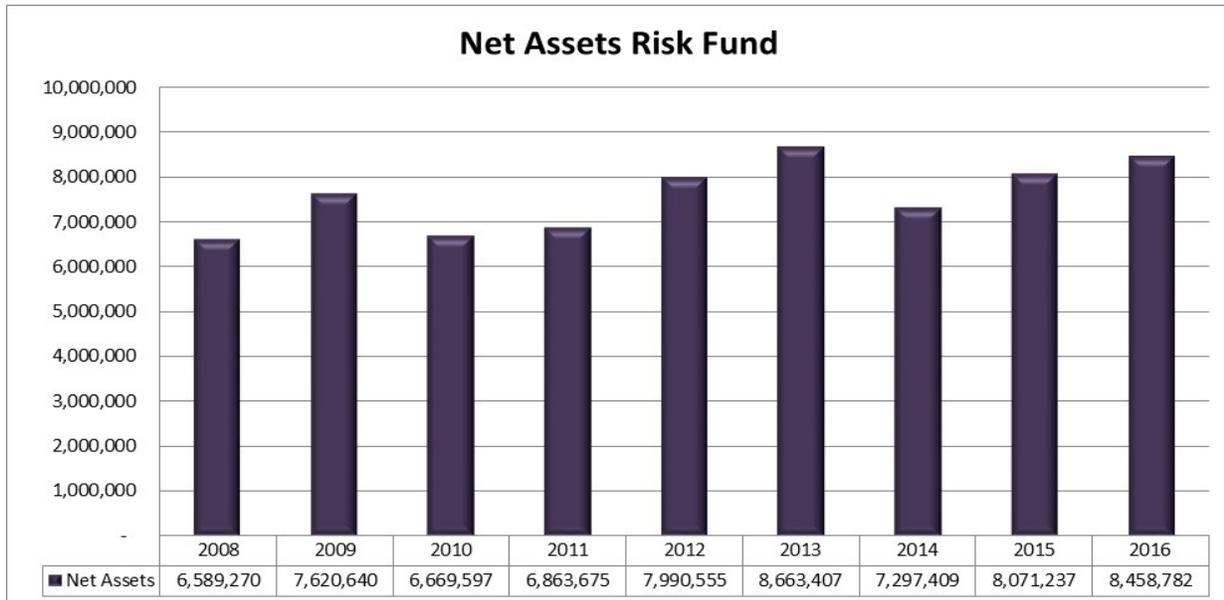
The 10-year trend in revenues and expenditures is shown below.



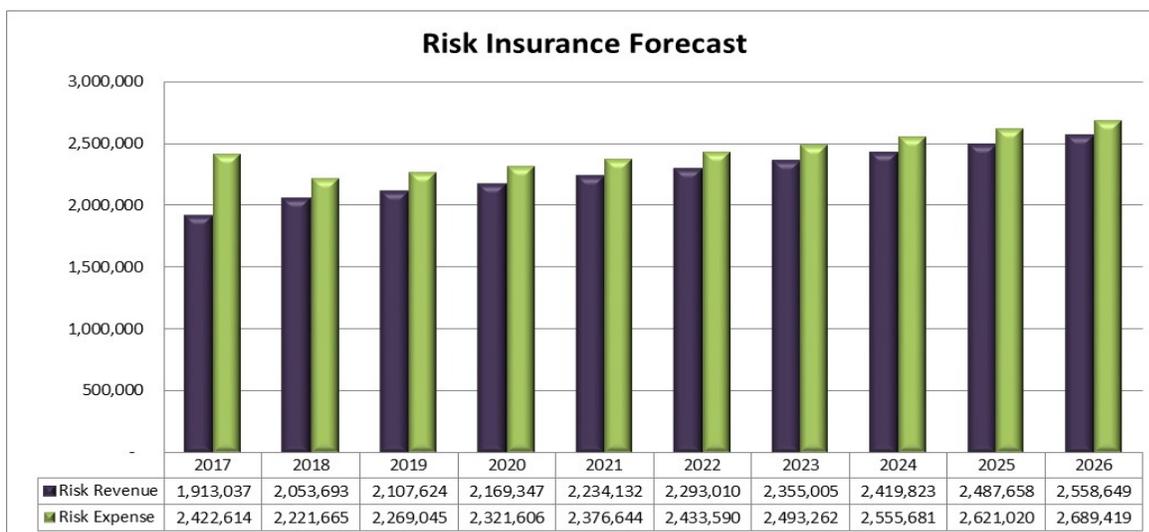
The 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker’s compensation claims. In 2012, the retention levels were lowered which caused a decrease in expense. The increase in expense in 2013 was due to abnormally high claims for the year. Risk expenses in 2014 were lower than expected due to lower claims. In 2015 we increased funding for the stop loss from \$780,000 to \$900,000 and in 2017 we increased funding for the stop loss from \$900,000 to \$1,100,000.

## OTHER FUNDS

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



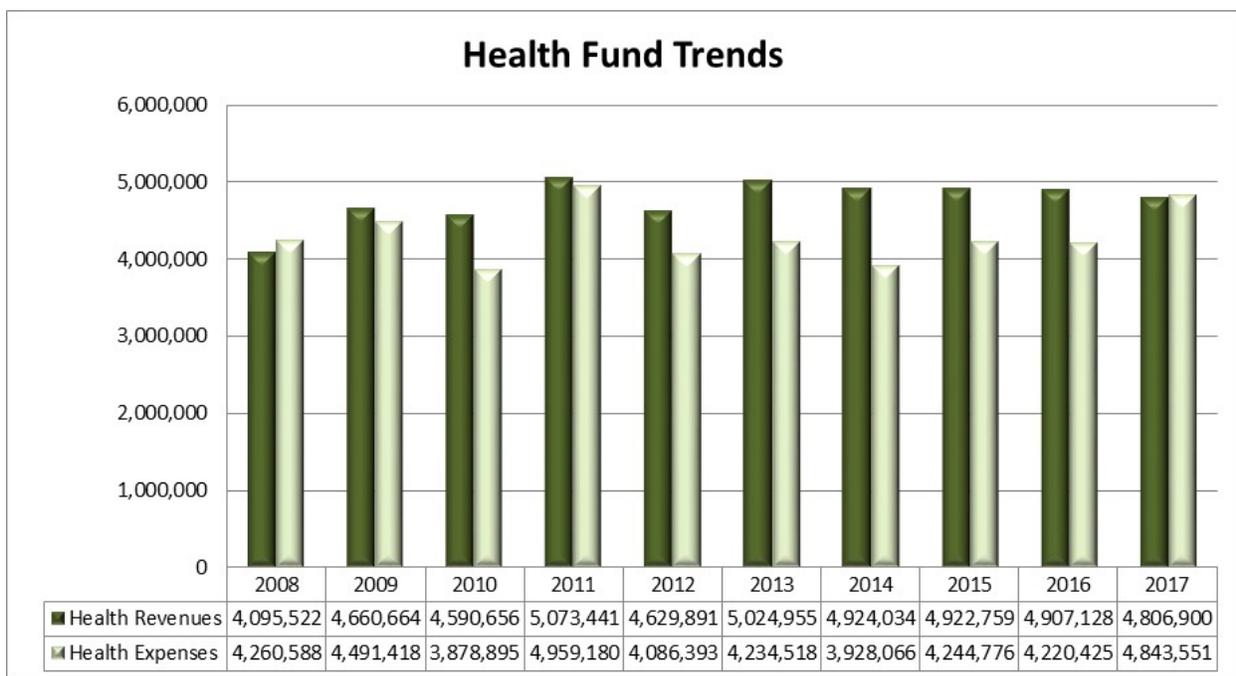
The Risk Insurance Fund forecast assumes annual increases of 5% for property and liability insurance and 3% for workers' compensation insurance. The stop loss reserves have been increased from \$780,000 in 2014, \$900,000 in 2015 to \$1,100,000 in 2017 based upon the recommendation by our insurance carrier based upon the Town's claims history. The annual deficit that is forecasted is the use of reserves to fund the uninsured loss budget. In a typical year, funds are returned to the reserves as noted in the above chart so no deficits actually occur, unless we have an extraordinary year of claims.



### 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, 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 from Town employees.

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

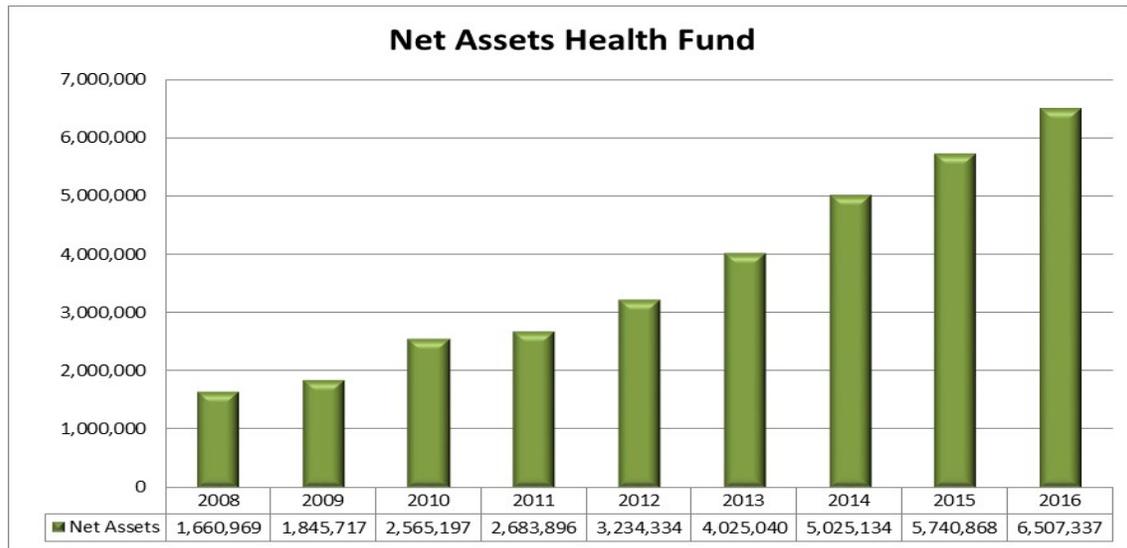


In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund. Health claims in 2012 through and 2016 were below expectations due to cost containment measures that were implemented.

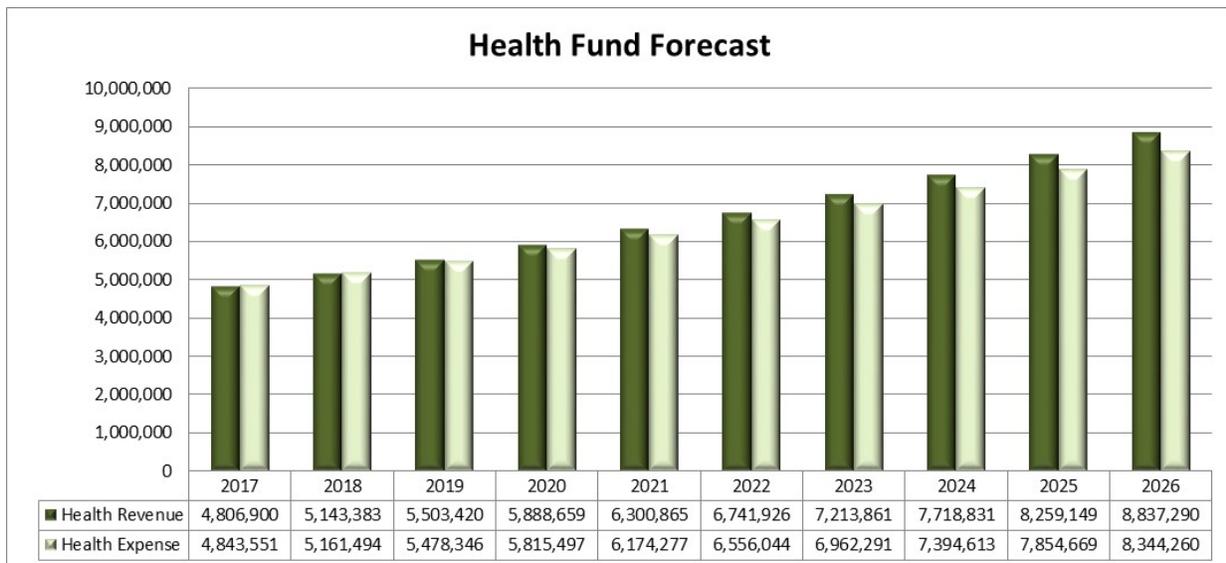
Reserves of the Health Fund Reserves have increased throughout the 10-year period due to favorable claims experience and steps taken to manage the fund throughout the years. These reserves can be used in case of claims in excess of coverage.

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

# OTHER FUNDS



The Health Fund forecast assumes an increase in FY18 of 7% and then annual increases of 6.5% for health insurance costs through the remainder of the forecast period. Town staff believes we can continue to manage this benefit proactively to contain future cost increases to lower than market levels, as we have done in the past.

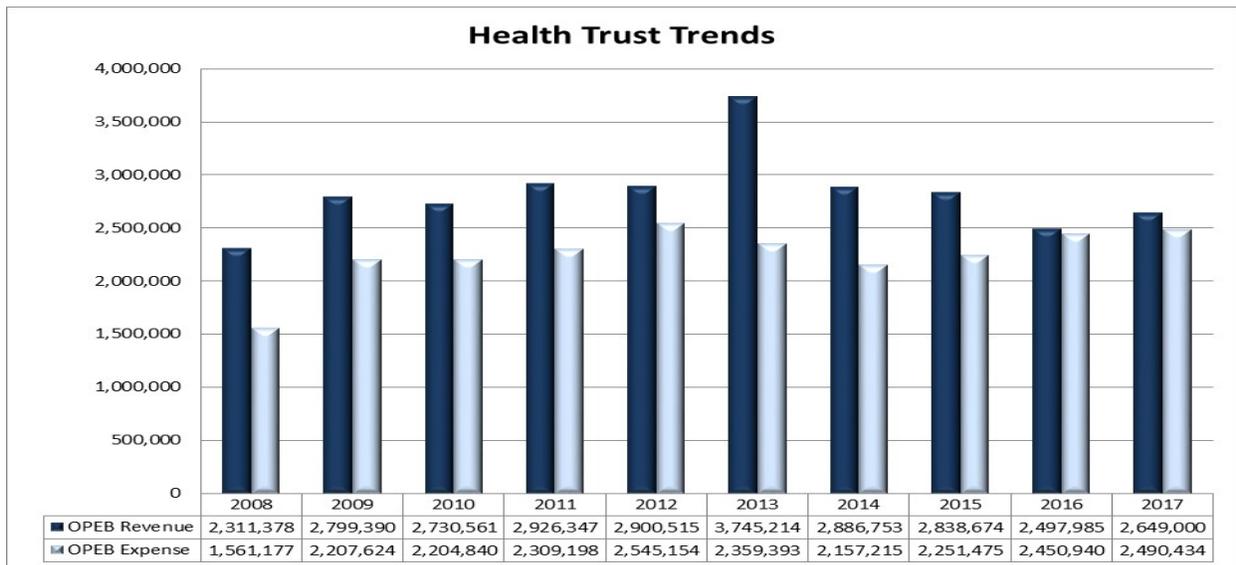


### The Health Insurance Trust (OPEB)

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

The bi-annual actuarial valuation of the retiree health plan was conducted as of September 30, 2016. The Town’s Actuarial Accrued Liability as of September 30, 2016 was determined to be \$34,693,373. The Unfunded Actuarial Accrued Liability (UAAL) is \$6,120,414, resulting in a funded ratio of 82.4%. The annual budgeted contribution for FY17 is \$1,339,000. In 2013, the Investment Advisory Committee approved a reduction in the interest rate assumption from 8% to 7.5%. The Investment Advisory Committee is considering a further decrease to 7% and is studying this matter at a future meeting with the new investment consultant.

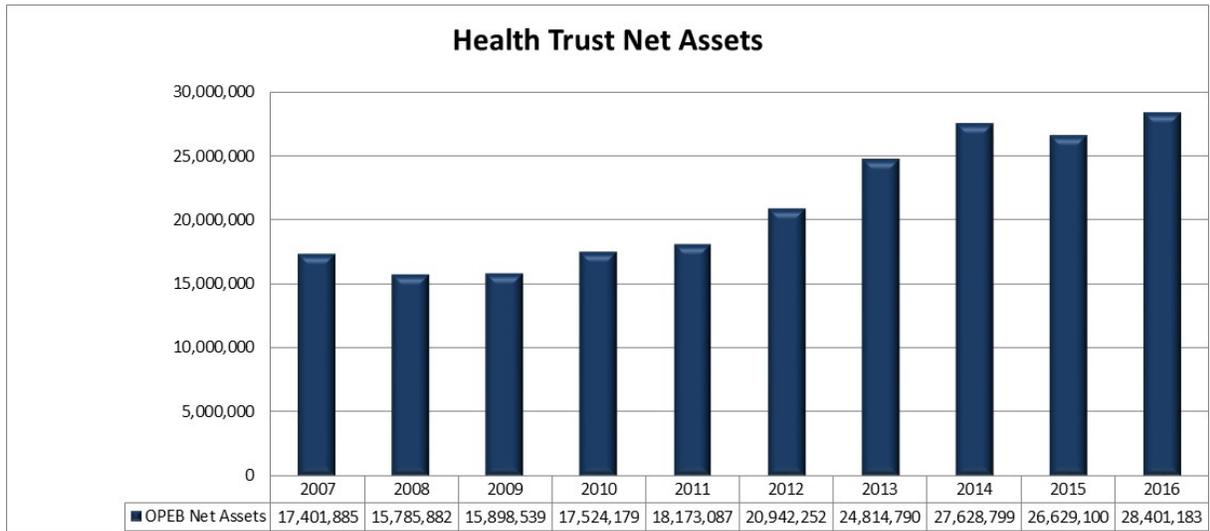
The trend in revenues and expenditures since 2008 is shown below.



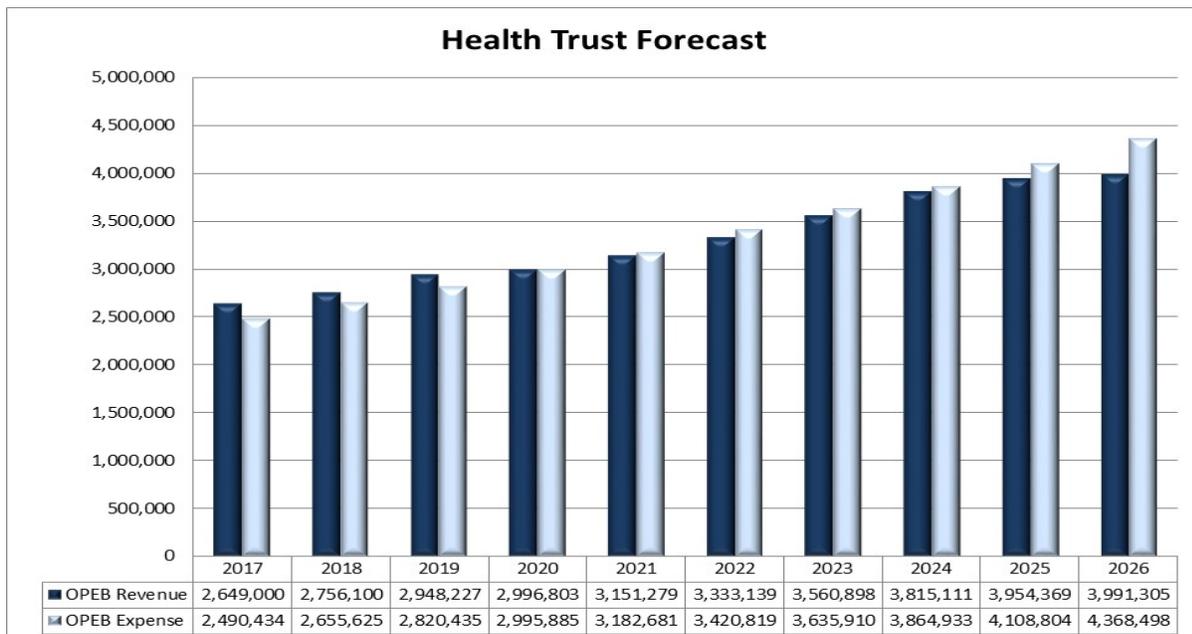
In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures. The increase in revenue in 2013 was due to better than expected investment performance.

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

# OTHER FUNDS



The 10 year forecast assumes a 7% increase in health costs for FY18 and then a 6.5% annual increase thereafter. Town staff believes we can continue to manage this benefit proactively to contain future costs increases to lower than market levels, as we have done in the past. The Town's contribution estimates were based upon actuarial estimates for the next 10-year period.



### Debt Service Fund

In 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 were to fund a portion of the Town’s Accelerated Capital Improvement Program totaling \$41,232,000 and \$1,740,844 was used to reimburse the Town for the Town’s portion of the Par 3 Golf Course Project.

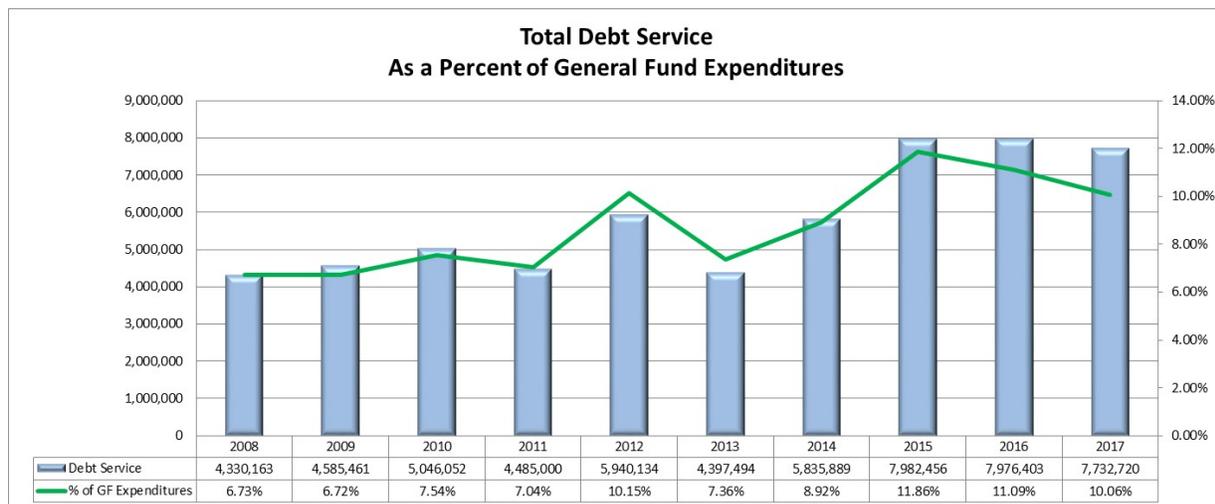
The 2010B bonds were used to fund the Worth Avenue Commercial District streetscape project. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the costs of the Worth Avenue Projects. The assessments will be payable over a thirty year period.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

On January 1, 2012, the Town used excess funds remaining after completion of the Worth Avenue Project to redeem \$1,485,000 of the 2010B Bonds.

On August 25, 2016, the Town issued bonds to refund the 2010A & 2010B bonds. This transaction produced gross savings of \$8,900,539 over 23 years. The net present value savings is \$6,895,965 or 13.35%. This savings reduced debt service for FY17 by \$247,655.29.

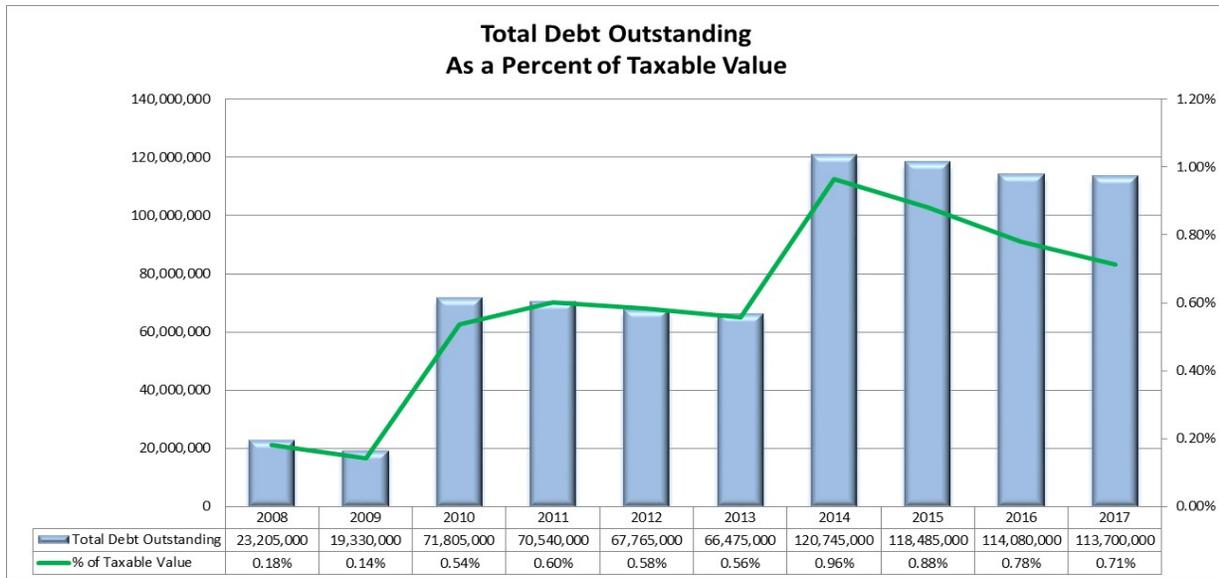
In 2013, the Town issued Public Improvement Revenue Bonds in a par amount of \$55,590,000. The proceeds of the bond will be used for the second phase of the Town’s Accelerated Capital Improvement Program (\$44,997,957) groin rehabilitation and seawall replacement (\$11,900,000) and the Town’s portion of the Par 3 Clubhouse project (\$1,250,000).

The debt service trend as a percent of General Fund Expenditures is shown below:

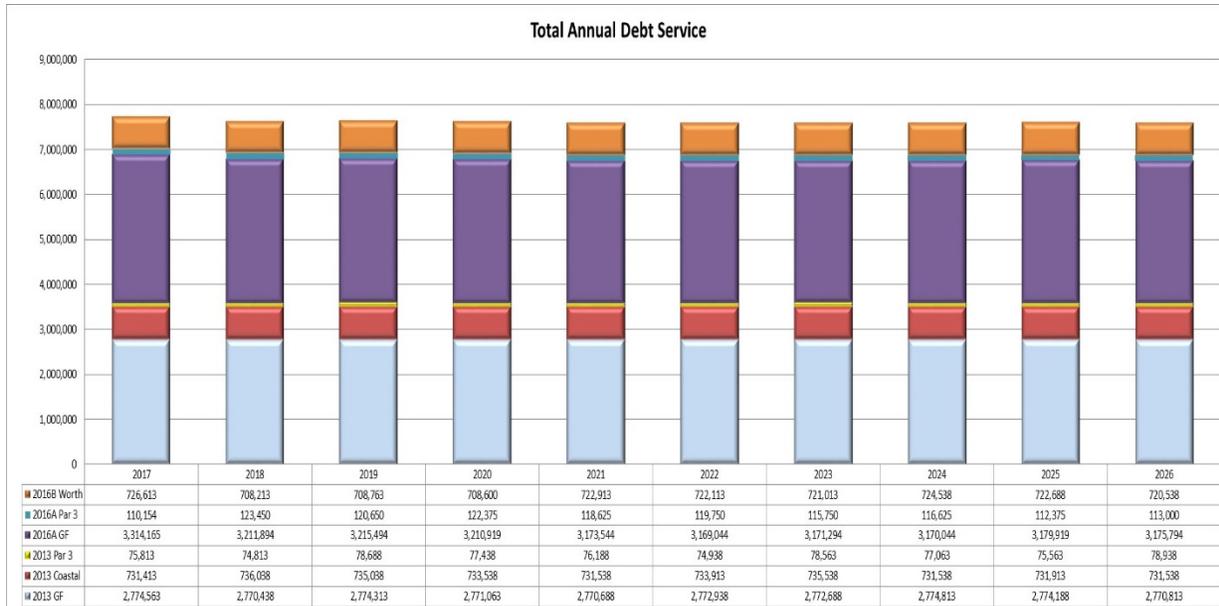


# OTHER FUNDS

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

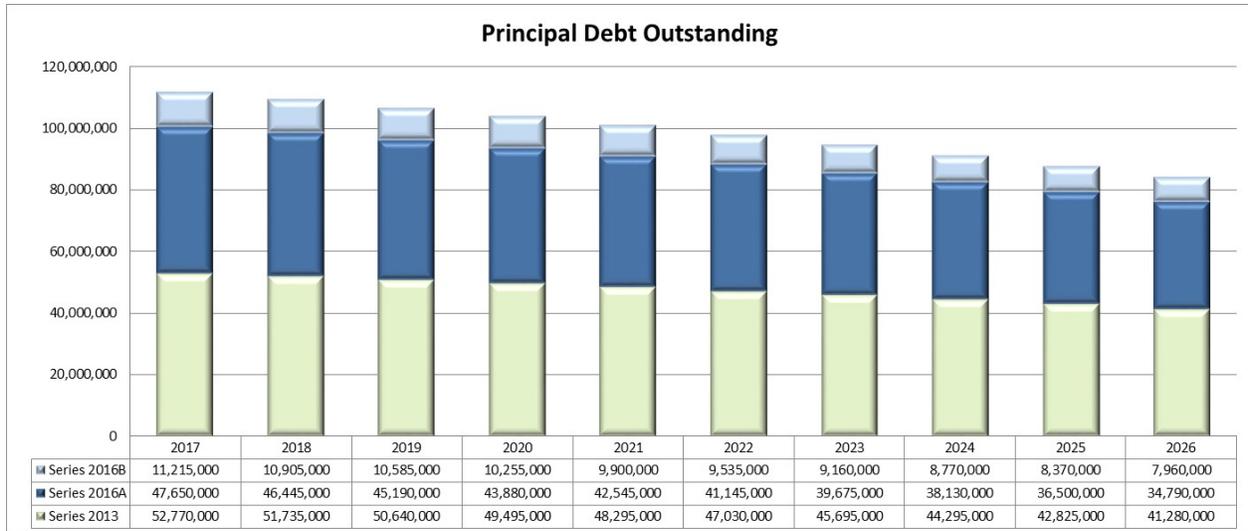


The forecasted total annual debt service for the period of FY17 through FY26 is shown in the chart below:

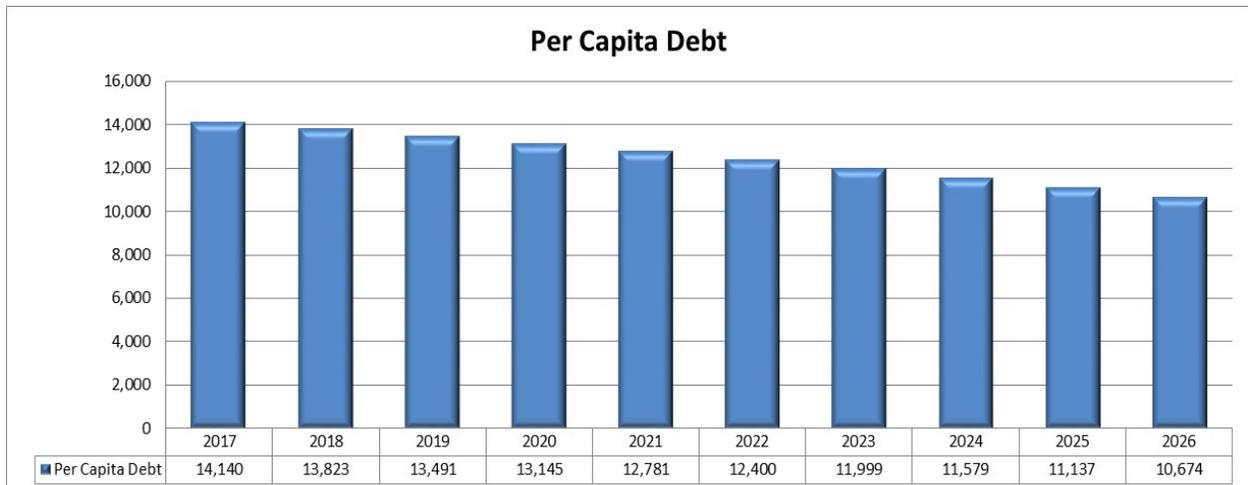


# OTHER FUNDS

The total principal debt outstanding for the all debt recorded as of this forecast for FY17 through FY26 is shown in the chart below:



The per capita debt utilizing the current census population of 8,041 for the period of 2017 through 2026 is shown below:





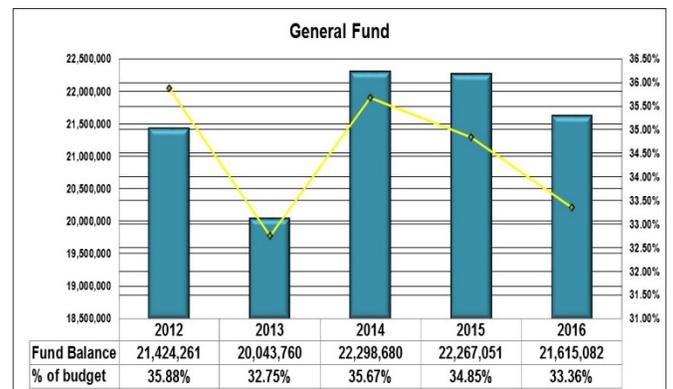
# RESERVE STATUS

## Town of Palm Beach Reserves

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

### 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 FY17 General Fund operating budget (General Fund budget less CIP, coastal and extraordinary retirement transfer) is \$16,199,294. The FY16 ending fund balance was \$21,615,082. The unassigned fund balance exceeds the minimum requirement by \$5,415,788.

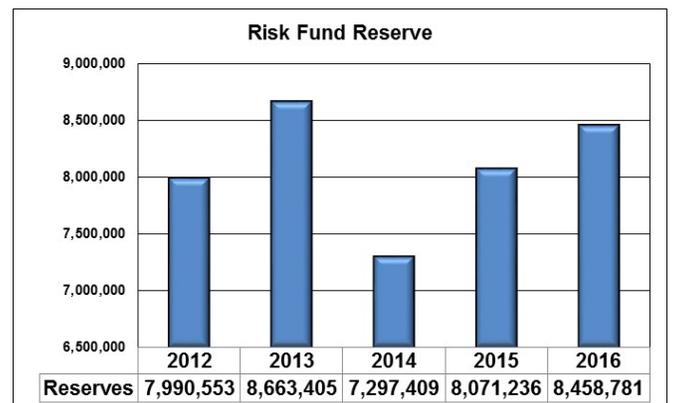


The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart details the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents.

In FY16, the Town Council authorized the transfer of \$2,530,250 to begin to fund the underground utility project. In addition, contained in the FY17 budget is a extraordinary transfer of \$2,500,000 to the Retirement Fund to begin to reduce the UAAL. The fund balance amount of \$21,615,082 is net of these two transfers.

### Reserves - Risk Fund

The total reserve balance for the Risk Fund was \$8,458,781 as of September 30, 2016. Out of this reserve balance, the Town funds the Reserve for Catastrophic Exposures/Emergencies - Risk Fund in the amount of \$2,500,000 and the Contingency Reserve for \$500,000. The trend for the Risk Fund Reserve is shown in the table. In 2014 the Town Council approved a transfer of \$2,000,000 from the reserves of the Risk Fund to the Coastal Protection Fund.



# RESERVE STATUS

## *Reserve for Catastrophic Exposures/Emergencies - Risk Fund*

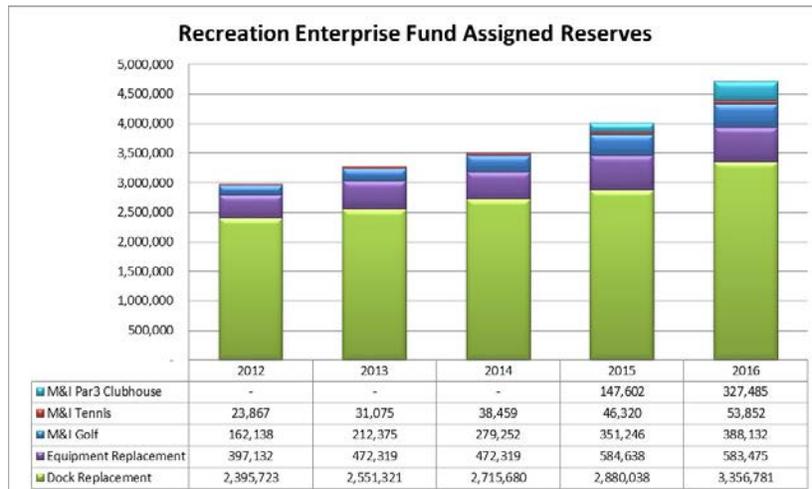
The Reserve for Catastrophic Exposures/Emergencies for the Risk Fund is funded at a minimum of \$2,500,000. This reserve was established to set aside emergency funds to protect the Town against the potential financial impacts large judgments in excess of insurance coverage and the financial impacts of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

## *Recreation Enterprise Fund Reserves*

The Recreation Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,551,975 for FY17. 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 FY16, the net asset balance for the Recreation Enterprise Fund (REF) was \$4,999,782. 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 FY16, \$3,356,781 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. In FY16, the Town committed to lowering the transfer to the General Fund each year by \$100,000 and add these funds each year to the Dock Replacement Reserve.

The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. At the end of FY16, the balance is \$388,132.

In FY15, the Town established a Maintenance and Improvement fund for the Par 3 Clubhouse. This reserve is funded each year based on 50% of the net income from the operations of the Par 3 Golf Course. At the end of FY16, the balance is \$327,485.

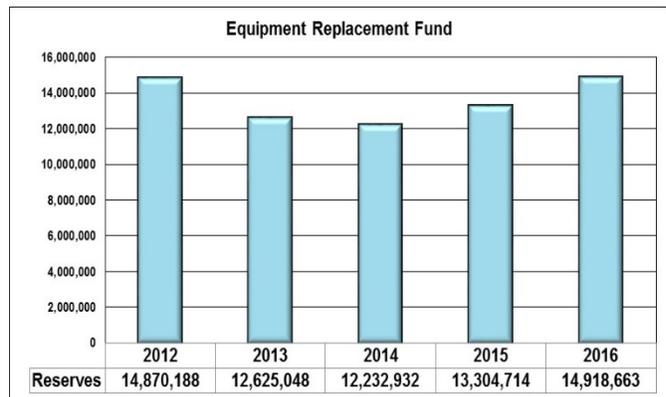
# RESERVE STATUS

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY16 is \$53,852 and has been set aside for improvements to the tennis centers.

The Recreation Enterprise Fund’s equipment replacement reserve allows for the purchase of capital equipment and is funded with accumulated replacement cost depreciation from Recreation Net Assets. The balance in the REF Equipment Replacement Fund for FY16 is \$583,475.

## *Equipment Replacement Fund*

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



The balance in the Equipment Replacement Fund Reserve for year-end FY16 is

\$14,918,663. In FY13, the Town Council approved the use of up to \$4,867,019 from this reserve for internal financing for small underground utility projects financed by special assessments. To date, a balance of \$1,354,221 remains available. In FY14, the Town Council authorized a transfer of \$2,858,913 in excess reserves to the coastal protection fund.

For FY17, income including the depreciation transfer will total \$2,414,133 and expenditures for capital equipment are budgeted at \$2,135,219.

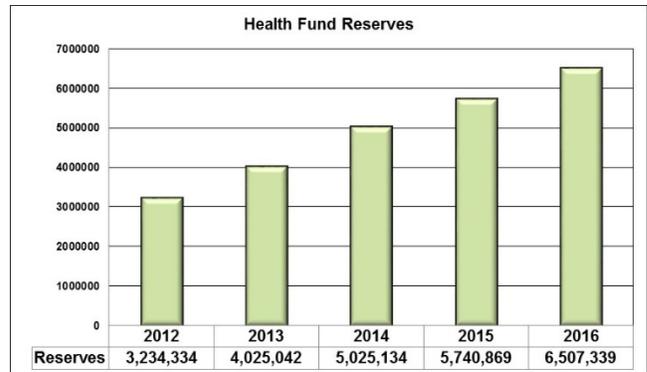
## *Designation of General Fund Balance for Payment of Liability Related to Compensated Absences Leave Balances*

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, 2016, was \$3,061,180. The FY17 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$505,930.

# RESERVE STATUS

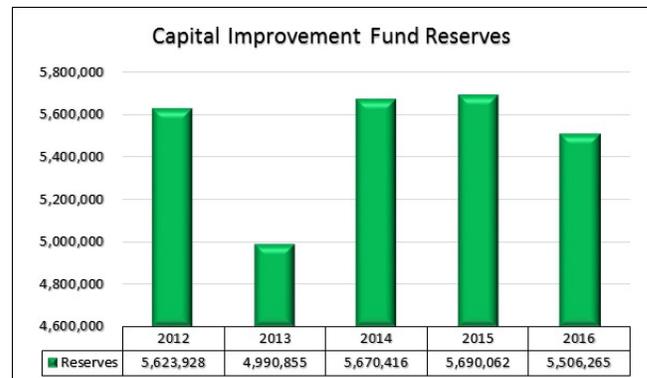
## Health Insurance Reserve

The balance of the reserve in the Health Fund at the end FY16 is \$6,507,339. These reserves guard against any deficiencies in the Town's self-insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. Since FY13, the Town has maintained level funding of health insurance benefits due to good claims experience and the wellness program. These reserves have also provided cushion in case claims unexpectedly increase.



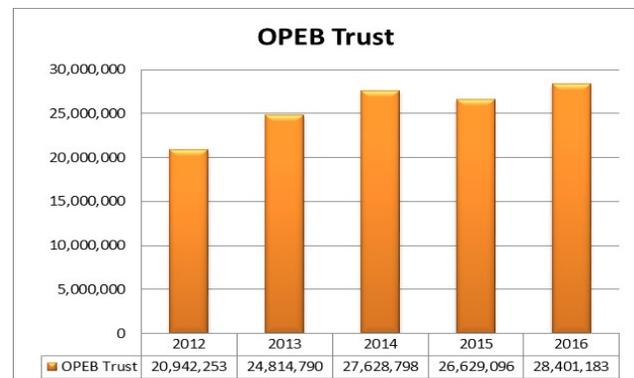
## Capital Improvement Fund

For many years, the Town funded all of the capital infrastructure improvements through pay-as-you-go financing. In 2010, the Town issued the first of two bonds for capital improvements to accelerate many large scale capital improvement projects identified in the 20 year plan. Since 2012, the Capital Improvement Fund transfer from the General Fund was reduced to \$1,000,000. In FY17, the transfer was increased to \$2,290,200 to begin to build up the reserves for projects once the bond proceeds have been spent. Once the bond proceeds have been spent on the remaining projects, it is proposed to return to pay-as-you-go financing.



## OPEB (Other Post Employment Benefits) Trust

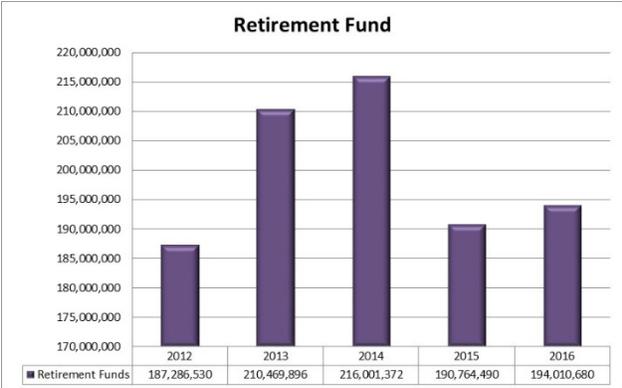
The Town's OPEB Trust Fund was established in 2007 to comply with GASB Statements 43 and 54, which required the establishment of a liability for actuarially determined costs of retiree health benefits. This fund's investments are overseen by the Town's Investment Advisory Committee. The net asset balance in this trust is \$28,401,183 as of September 30, 2016. The actuarially determined transfer from the General Fund for the OPEB liability for FY17 is \$1,339,000. The Town continues to be well ahead of other government agencies in funding this liability.



# RESERVE STATUS

## Retirement Fund

The Town provides pension benefits for General Employees, Lifeguards, Police Officers, and Firefighters. The funds were separately managed by 3 pension boards until the consolidation on April 1, 2012, into the Employee's Retirement Fund. The Retirement Board oversees all of the Town's pension assets and retirement programs. The net assets of the consolidated retirement fund at the end of FY16 were \$194,010,680. The decline from FY14 to FY15 was due to investment losses.



## 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 FY17 operating budget. The Capital Fund Contingency is appropriated at 10% of the capital budget, while the Equipment Replacement Fund, Risk, and Health Contingency Reserves are appropriated at \$500,000 each. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses. All of the contingency reserves are annually appropriated in the budget process from the net asset reserves of each of the funds. Amounts from the contingency are appropriated for expenditures through an affirmative vote of the Town Council.

The table below identifies the contingency budgets and actual expenditures for the fiscal years 2013 through YTD 2017.

### Contingency Reserves FY2013 – FY2017

Contingency	2013	2014	2015	2016	YTD2017
General Fund Budget	843,000	860,000	909,000	944,686	960,300
General Fund Actual	556,668	356,300	246,361	764,145	171,902
CIP Budget	201,000	205,000	205,000	208,000	348,600
CIP Actual	201,000	-0-	205,000	208,000	-0-
ERF Budget	500,000	500,000	500,000	500,000	500,000
ERF Actual	156,528	136,869	-0-	29,111	-0-
Risk Budget	500,000	500,000	500,000	500,000	500,000
Risk Actual	-0-	-0-	-0-	-0-	-0-
Health Budget	500,000	500,000	500,000	500,000	500,000
Health Actual	-0-	-0-	-0-	-0-	-0-
Recreation Budget	235,600	249,220	272,100	285,300	321,200
Recreation Actual	35,000	-0-	39,000	135,030	-0-

# RESERVE STATUS

## *Unassigned Net Position*

All reserves are at or over the policy established minimum. The financial strength of the Town can be measured by the health of its reserves. Bond rating agencies look closely at the reserve levels and the financial policies in place when rating a municipality. In 2010, 2013, and 2016 the rating agencies reviewed the Town's credit ratings in preparation for the issuance of the 2010, 2013 and 2016 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 Revenue Bonds and confirmed the Town's Aaa issuer credit rating. Standard and Poor's issued a AA+ credit rating on the 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 below and on the following page summarize the trend of the unassigned net position, compensated absence, and replacement reserve balances for fiscal year ending FY12 through FY16.

### Reserve Balances Fiscal Years 2012 – 2016

Fund	2012	2013	2014	2015	2016
General Fund	21,424,261	20,043,760	22,298,680	22,267,051	21,615,082
Compensated Absence (GF)	3,315,135	3,390,226	3,456,532	3,168,789	3,061,180
Equipment Replacement Fund	14,870,188	12,625,048	12,232,932	13,304,714	14,918,663
Recreation Enterprise Fund	707,381	486,466	1,025,665	179,645	169,291
Recreation ERF	397,132	472,319	472,319	584,638	583,475
Dock Replacement	2,395,723	2,551,321	2,715,680	2,880,038	3,356,781
Par 3 M&I Reserve	162,138	212,375	279,252	351,246	388,132
Tennis M&I reserve	23,867	31,075	38,459	46,320	53,852
Par 3 Clubhouse M&I	0	0	0	147,602	327,485
Capital Improvement	5,623,928	4,990,855	5,670,416	5,898,531	5,506,265
Health Fund	3,234,334	4,025,042	5,025,134	5,740,869	6,507,339
Risk Fund	7,990,553	6,625,018	7,297,409	8,071,236	8,458,781
Health - OPEB Trust	20,942,253	24,814,790	27,628,798	26,629,096	28,401,183
Pension Funds	<u>187,286,530</u>	<u>210,469,896</u>	<u>216,001,372</u>	<u>190,764,490</u>	<u>194,010,680</u>
<b>Total</b>	268,373,423	290,738,191	304,142,648	280,034,265	287,358,189

# RESERVE STATUS

