

FY2020 – FY2029

Town of Palm Beach Long Term Financial Plan



Presentation at the July 15, 2020, Budget Workshop

Prepared by the Finance Department
360 South County Road,
Palm Beach, FL 33480

TABLE OF CONTENTS

Table of Contents

Executive Summary.....	1
Current Status of FY20 Budget.....	7
General Fund Revenue and Expenditure Trend Analysis.....	13
General Fund Forecast Summary.....	35
General Fund Revenue Forecast Details.....	48
General Fund Expenditure Forecast Details.....	49
Enterprise Funds Forecast	51
Coastal Management Fund Forecast Summary.....	57
Townwide Utility Underground Project Forecast.....	59
Other Funds.....	61
Reserve Analysis.....	77

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 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
- Current Financial Condition
- General Fund Revenue and Expense Trend Analysis
- Forecast Details
- Enterprise Funds Forecast Summary
- Coastal Fund Forecast Summary
- Townwide Underground Utility Fund Forecast Summary
- Other Funds Trend and Forecast Summary
- Reserve Analysis

Financial planning expands a government's awareness of potential challenges and opportunities, as well as 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 about corrective measures to proactively address forecasted financial challenges. 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 uses 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 the FY20 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 FY20 has been provided in this document. In addition, a monthly financial report is provided to the Mayor and Town Council and posted on the Town's website. Due to the COVID-19 recession, General Fund revenues will not exceed budget estimates in most categories and expenditures are on track to finish the year under the budget target, unless we experience a hurricane or other unexpected event. We anticipate a small surplus at the end of the fiscal year.

The emphasis of this document is on the Town's General Fund. Forecast and trend information on the Enterprise Funds, Coastal Protection Fund, Townwide Underground Utility Fund, Risk Insurance Fund, Health Insurance Fund, OPEB Trust Fund, Debt Service Funds and the Retirement Fund are also included in this document.

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 FY11– FY20. 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:

- 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.
- FY17 – The budget included a transfer of fund balance of \$960,300 to fund the contingency reserve and a transfer of fund balance of \$2,800,000 to fund an extraordinary transfer to the Retirement Fund to begin to lower the Unfunded Liability. The ending deficit of \$2,824,289 was due to these transfers.
- FY18 – The budget included a transfer of fund balance of \$655,877 to fund the contingency reserve and a transfer of fund balance of \$3,832,893 to partially fund the additional transfer to the Retirement Fund to begin to lower the Unfunded Liability. The ending surplus of \$1,104,772 was due to cost cutting measures implemented during the year.
- FY19 – The budget included a transfer of fund balance of \$560,000 to fund the contingency reserve. The ending surplus of \$3,235,251 was due to higher than anticipated revenues and further cost cutting expenditure measures implemented during the year.

- FY20 – The budget included a transfer of fund balance of \$610,000 to fund the contingency reserve.

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. On the expenditure side the proposed FY21 budget has been used as the baseline for the forecast. Because the proposed budget is 4.69% less than the FY20 budget, the new forecasted expenditures are lower. We reduced funding for the coastal protection program to \$4,777,777 in the proposed FY21 budget which represents the original tax increase in FY15 to start the funding of the program. FEMA, Federal and State grants have allowed a reduction in annual funding. Going forward, the transfer is increased at 3% per year throughout the 10-year period. Overall, the General Fund expenditure forecast includes annual increases that range between 1.74% and 3.96% throughout the forecast period.

Most revenue increases were based on historical trends. We prepared the forecast using property tax revenue to balance each year of the forecast. The FY22 forecast contains a property tax revenue increase of 2.15%. A taxable value increase of 4.41% in FY22, would reflect a decrease of 2.16% in the millage rate and would result in a \$0 increase per million of taxable value. It is far too early in the process to predict the total impact of the COVID-19 pandemic recession and its effect on Town revenues and expenditures and ultimately what the property tax increase will be for FY22.

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenues	83,203,392	85,294,006	88,270,677	91,765,020	94,829,851	97,407,721	99,171,430	101,435,203
Expenditures	83,203,392	85,294,006	88,270,677	91,765,020	94,829,851	97,407,721	99,171,430	101,435,203
Surplus/(Deficit)	(0)	0	(0)	0	0	0	0	(0)
Property Tax Revenue % Increase	2.15%	2.55%	4.13%	4.88%	3.88%	2.99%	1.58%	2.42%

Enterprise Funds

The Town Marina forecast was recently updated by USMG. The forecast covered a 5 year period. Staff has updated the forecast with FY21 budget information and extended it out to FY29. For FY21, the marina will be closed for construction and is scheduled to open in the fall of 2021.

The revenue forecast through year 5 was prepared by USMG, for the remaining years of the forecast lease revenues were increased by 3% per year. The forecast used the same assumptions for expenses as were used in the General Fund.

The Par 3 revenue projections are based on an improving economy after the pandemic, strategic price increases, growth in play and increased merchandise sales. Once the course reopened, demand for use has been very high, so we expect improved performance in future years. Expenses increase due to operating costs for the new clubhouse, and gradual increases for costs of goods, services, and salaries/benefits.

The Building Enterprise Fund is being established this year to account for all building permit revenue and expenses to allow for greater transparency as required by the State of Florida. The revenue and expenditure forecasts can be found later in this document.

Coastal Protection Fund

The Coastal Protection Fund section includes the Cash Flow projections for the next 10 years as well as actual results since 2013. Included are summaries of the current proposed budget, which includes \$12 million for the Mid-town seawall and funding levels based on the reset to \$4,777,000 in FY21.

Other Funds

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

The Risk Fund forecast contains a 5% per year increase for property insurance, a 2% per year increase for liability insurance and a 3% per year increase for Worker’s Compensation insurance. The Health Fund and OPEB Trust fund forecast the same increases in health insurance costs as outlined in the assumption table. The Debt Service fund identifies future debt service for all Revenue Bonds based on the updated debt service schedules after the recent refinancings and also includes the 2018 GO Bond debt service forecast. The Retirement fund reflects the actuaries forecast based on current assumptions and the compensation and benefit study results with stress tests at 3% and 5% actual investment returns.

Reserve Status

The final section of this document contains an update of the status of Town Reserves as of September 30, 2019. The reserve balances exceed all of the policy minimums that have been established. A total of \$22.7 million in excess reserves above the policy minimums has been identified.

**Town of Palm Beach
Revenue and Expenditure History
FY2011 - FY2020**

	<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 Actual</i>	<i>FY18 Actual</i>	<i>FY19 Actual</i>	<i>FY20 Budget</i>
Revenues										
Ad Valorem Taxes	36,635,343	36,662,916	37,473,108	39,110,926	43,869,888	47,890,700	50,195,981	52,282,254	54,883,747	55,979,439
Non Ad Valorem Taxes	7,189,368	7,315,317	7,533,859	7,946,097	8,056,312	8,061,358	8,188,599	8,392,264	8,526,302	8,817,700
Licenses & Permits	6,382,545	6,498,207	7,572,518	8,053,581	10,657,676	10,096,673	7,677,953	10,071,916	11,853,215	8,485,100
Intergovernmental	1,319,119	1,051,432	990,715	1,071,413	1,102,689	1,122,465	1,028,493	1,406,615	1,282,065	1,099,600
Charges for Services	3,461,766	4,081,259	3,576,156	3,741,183	3,957,603	4,123,243	3,681,626	3,763,590	5,152,779	6,319,199
Fines and Forfeitures	1,297,226	1,106,435	1,253,760	1,924,182	1,099,525	1,016,089	938,624	1,068,544	904,075	942,000
Investment Earnings	495,649	495,311	32,425	383,726	597,585	490,102	424,365	702,261	969,178	1,230,000
Miscellaneous and Transfers	2,774,498	1,534,738	1,871,043	1,584,625	1,098,106	1,117,897	1,209,878	1,008,466	2,621,707	958,728
Total Operating Revenues	59,555,514	58,745,615	60,303,584	63,815,733	70,439,384	73,918,527	73,345,519	78,695,910	86,193,068	83,831,766
Transfers from Fund Balance					-	-	-	-	-	610,000
Total Revenues	59,555,514	58,745,615	60,303,584	63,815,733	70,439,384	73,918,527	73,345,519	78,695,910	86,193,068	84,441,766
Expenditures										
Salaries and Wages	24,396,538	23,627,363	22,943,974	23,152,224	23,478,697	23,581,853	24,128,637	23,764,069	24,909,207	28,004,601
Pension Benefits	8,771,681	3,180,126	3,831,588	4,977,617	5,454,327	6,180,062	7,819,957	8,971,687	9,099,192	10,461,176
DC Plan Benefits	-	222,307	537,532	1,088,013	1,132,126	1,132,836	671,355	404,640	408,097	558,296
Other Employee Benefits	6,601,573	6,616,971	6,736,760	6,741,912	6,680,817	6,627,932	6,763,691	6,742,200	6,549,843	6,784,000
Contractual	6,963,078	7,139,390	7,224,092	7,602,595	8,191,690	8,876,307	9,649,474	10,021,787	9,870,999	10,682,513
Commodities	1,484,765	1,547,738	1,554,104	1,642,397	1,517,617	1,438,222	1,774,332	1,733,077	1,692,833	1,753,420
Equipment Replacement	2,547,679	1,881,319	2,033,744	2,097,896	1,893,244	2,858,676	3,053,651	2,538,572	2,533,598	2,422,703
Library Services	272,400	272,400	288,989	297,659	306,580	315,777	350,250	335,008	345,058	352,650
Other	9,172	12,932	29,863	4,251	-	-	70,455	-	-	-
Transfer to Capital Improvement	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200	2,118,024	2,200,000	2,420,000
Transfer to Coastal Protection	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000	7,410,300	7,349,124	6,520,211
Transfer to the Underground Utility Fund	-	-	-	-	-	2,530,250	267,041	-	135,000	144,450
Transfer to Retirement Fund	-	-	-	-	-	-	2,800,000	4,759,016	9,501,699	5,420,000
Debt Service	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728	5,982,331	5,994,738	5,983,913
Retiree Health	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000	960,000	435,383	423,014
Transfer to Risk Insurance Fund	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037	1,850,382	1,933,046	1,900,819
Contingency	-	-	-	-	-	-	-	-	-	610,000
Total Expenditures	61,566,112	56,245,053	58,107,525	65,286,564	70,634,460	72,000,082	76,169,808	77,591,093	82,957,817	84,441,766
Surplus/(Deficit)	(2,010,598)	2,500,562	2,196,059	(1,470,831)	(195,076)	1,918,445	(2,824,289)	1,104,817	3,235,251	-

**Town of Palm Beach
Revenue and Expenditure Forecast
LTFP FY2020 - FY2029**

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenues										
Ad Valorem Taxes	55,979,439	57,134,000	58,364,632	59,853,789	62,328,118	65,371,794	67,908,039	69,940,308	71,044,088	72,761,104
Non Ad Valorem Taxes	8,817,700	8,601,000	8,852,580	9,111,578	9,378,215	9,652,717	9,935,317	10,226,255	10,525,779	10,834,143
Licenses & Permits	8,485,100	1,995,100	2,073,298	2,092,042	2,150,198	2,170,084	2,231,358	2,252,455	2,317,016	2,339,397
Intergovernmental	1,099,600	956,000	927,464	947,928	968,878	990,326	1,012,285	1,034,767	1,057,785	1,081,353
Charges for Services	6,289,199	5,384,700	5,564,664	5,671,785	5,774,139	5,879,304	5,987,360	6,098,389	6,212,477	6,329,711
Fines and Forefeitures	942,000	916,000	929,640	933,389	937,250	941,226	945,321	949,539	953,882	958,356
Investment Earnings	1,230,000	904,773	1,040,000	1,190,000	1,215,000	1,215,000	1,240,000	1,290,000	1,390,000	1,390,000
Miscellaneous and Transfers	515,728	3,719,500	4,302,622	4,328,915	4,330,248	4,331,620	4,333,034	4,359,490	4,385,815	4,437,180
Total Operating Revenues	83,358,766	79,611,073	82,054,900	84,129,426	87,082,046	90,552,071	93,592,714	96,151,203	97,886,842	100,131,244
Transfers from Fund Balance	1,083,000	1,304,500	1,148,492	1,164,580	1,188,632	1,212,950	1,237,138	1,256,519	1,284,588	1,303,958
Total Revenues	84,441,766	80,915,573	83,203,392	85,294,006	88,270,678	91,765,021	94,829,852	97,407,722	99,171,430	101,435,202
Expenditures										
Salaries and Wages	28,004,601	26,512,380	27,569,524	28,141,972	29,262,992	30,539,101	31,852,537	33,254,145	34,711,835	36,211,280
Pension Benefits	10,474,061	11,099,260	11,376,360	11,793,745	12,368,536	12,912,678	13,350,195	13,187,217	12,157,767	11,654,490
DC Plan Benefits	559,296	502,742	518,974	528,194	547,263	569,076	591,267	614,427	638,468	663,218
Other Employee Benefits	6,770,115	6,279,584	6,541,872	6,841,689	7,215,878	7,482,886	7,798,538	8,136,111	8,496,466	8,873,702
Contractual	10,682,513	10,407,395	10,596,923	10,816,291	11,040,238	11,268,861	11,502,258	11,740,530	11,883,148	12,129,467
Commodities	1,753,420	1,712,155	1,739,556	1,774,353	1,809,845	1,846,047	1,882,974	1,920,639	1,959,058	1,998,245
Equipment Replacement	2,422,703	2,293,961	2,329,453	2,375,532	2,422,533	2,470,473	2,519,373	2,569,256	2,620,141	2,672,044
Library Services	352,650	352,650	363,230	374,126	385,350	396,911	408,818	421,083	433,715	446,726
Transfer to Capital Improvement	2,420,000	2,662,000	2,928,200	3,221,020	3,543,122	3,897,434	4,287,178	4,715,895	5,187,485	5,446,859
Transfer to Coastal Protection	6,520,211	4,777,000	4,920,310	5,067,919	5,219,957	5,376,556	5,537,852	5,703,988	5,875,107	6,051,361
Transfer to the UUTF	144,450	165,000	176,550	188,909	202,132	216,281	231,421	-	-	-
Extraordinary Transfer to Retirement Fund	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000
Debt Service	5,983,913	5,691,148	5,646,719	5,640,423	5,648,771	5,658,776	5,667,781	5,858,767	5,854,128	5,855,211
Retiree Health	423,014	429,858	402,178	384,768	391,956	842,833	829,891	816,793	792,449	768,629
Transfer to Risk Insurance Fund	1,900,819	2,010,439	2,063,184	2,098,605	2,141,578	2,192,247	2,250,708	2,330,436	2,412,656	2,497,479
Contingency	610,000	600,000	610,358	626,460	650,527	674,860	699,060	718,434	729,006	746,491
Total Expenditures	84,441,766	80,915,572	83,203,391	85,294,006	88,270,678	91,765,020	94,829,851	97,407,721	99,171,429	101,435,202
Surplus/(Deficit)	-									

Status of the FY20 Budget

The adopted FY20 budget was 2.4% more than the FY19 budget. Personnel count totaled 362.25 positions. A monthly financial report has been sent each month to the Mayor and Town Council detailing the status of revenues and expenditures in the General Fund, Enterprise Funds and summary information for other funds. Due to the sudden recession caused by the COVID-19 pandemic a more detailed look at the budget-to-date is warranted. The current estimates discussed below are based on actual results through May 31, 2020.

General Fund Revenues

Revenues for FY20 in total are expected to be below budget estimates. A few of the budgeted revenues for FY20 are expected to be at or over budget. These include: Ad Valorem taxes, business tax receipts, other licenses, fees, and permits, grant revenue, and miscellaneous revenues. Property taxes are collected early in the fiscal year so we have received to-date 99.4% of the expected revenues and should finish the year at or above 101%. Business Tax receipts are mostly collected early in the fiscal year and we are currently at 98.7% of expected revenue. Other licenses, fees and permits include right of way permits and residential parking permits. The right of way permit income currently exceeds budget estimates at 117% and the trend is expected to continue through the fiscal year. We have received FEMA grant revenue for prior year hurricane expenditures and a small distribution from the pandemic related CARES act. We expect additional funding for COVID-19 related expenditures, but receipt of these funds may not occur in FY20. All of the above revenue sources positively impact the budget by \$1.2 million.

There are other revenues that are expected to finish the year close to the budget estimates. These include: Building permit revenues and parking fines. Building permit revenue declined during March and April, but picked up in May. We expect the pace of these revenues to continue through the fiscal year and to come in at or even slightly above budget. Parking fines have exceeded the budget to-date. In April there was a decline, but May exceeded prior year revenues. If this trend continues, the fiscal year revenues should end the year at or slightly below estimates.

Revenues that have been more impacted by the recession caused by the pandemic include: Gas tax, utility taxes, state shared revenues which include sales tax distributions, franchise fees, public safety fees, parking meter fees, recreation fees, code enforcement fines, and investment earnings. The budget impact from the reduced receipts from these sources could total approximately \$2.5 million.

In total, the FY20 revenue budget may come in around \$1.3 million below the budget estimates.

General Fund Expenditures

Through May, expenditures for most departments were below the budget standard. General Government, and Library Services are above the budget standard. General Government is over budget due to payments made for the vacation buy-back program in November and all COVID-19 related expenditures were charged to this program. Direct COVID-19 expenditures to-date have totaled \$61,043. Library Services is over the budget standard due to the payment of both

installments to the Four Arts Library; this program is expected to be at the budget standard by the end of the fiscal year.

All other departments are below the budget standard to-date. The main reason for the reduction in expenditures for these departments is personnel costs. There are currently 30 vacant positions of which 10 have been frozen. In addition, savings were realized during the implementation of the compensation study. Salaries at the current trend may finish the year over \$3 million below budget. Employee benefits other than pensions will also come in below budget. Some of the reduction in salary cost will be offset by increases in contractual costs. Some parking enforcement positions have been contracted out and some of the recreation positions have been filled by contractual positions. Contractual costs are expected to end the year \$470,000 above budget. Commodity costs are anticipated to come in \$370,000 below budget due to reductions in fuel costs and the reduction in operations during the pandemic.

Based on current estimates, we expect to end the year approximately \$3 million below the expenditure budget.

Summary

Over the past two years, staff has been able to reduce expenditures and improve efficiencies. These actions have allowed departments to run more efficiently with less resources and reduce the impact of the current COVID-19 recession.

Unless the revenue status worsens, or if Palm Beach experiences a major storm event during the summer, we expect to end the year with a surplus of approximately \$1.7 million.

Tables summarizing General Fund Revenues and Expenditures through May 31, 2020, can be found on the next two pages.

General Fund Revenues

General Fund Revenues For the Period Ended May 31, 2020 (67% of FY2020)								
	FY2020 Budget	FY2020 YTD Actual	% Budget vs. Actual	FY2019 Budget	FY2019 YTD Actual	% Budget vs. Actual	FY2019 Actual	% Budget vs. Actual
Ad Valorem Taxes	55,979,439	55,647,673	99.4%	54,210,963	53,719,131	99.1%	54,883,747	101.2%
Sales, Use and Fuel Taxes	352,000	196,017	55.7%	352,000	204,896	58.2%	353,375	100.4%
Utility Service Taxes	6,107,000	3,658,701	59.9%	5,955,000	3,628,021	60.9%	5,945,986	99.8%
Business Tax Receipts	763,000	753,404	98.7%	750,000	731,345	97.5%	773,039	103.1%
Building Permits	7,008,000	4,606,471	65.7%	6,944,000	6,174,614	88.9%	9,892,112	142.5%
Franchise Fees	2,358,700	1,082,147	45.9%	2,290,000	1,090,623	47.6%	2,226,940	97.2%
Other Licenses, Fees and Permits	771,100	821,266	106.5%	650,108	772,509	118.8%	1,234,249	189.9%
Federal and Local Grants	32,700	362,771	1109.4%	32,755	62,428	190.6%	195,379	596.5%
State Shared Revenues	1,046,900	619,542	59.2%	1,028,500	648,998	63.1%	1,063,200	103.4%
Shared Revenues from Other Local Units	20,000	9,119	45.6%	15,000	8,429	56.2%	23,485	156.6%
Public Safety Fees	2,468,000	1,420,902	57.6%	1,408,000	1,494,878	106.2%	2,301,067	163.4%
Physical Environment Fees	1,323,000	1,004,145	75.9%	1,361,108	1,061,853	78.0%	1,175,710	86.4%
Transportation Fees	1,386,000	646,293	46.6%	1,127,800	849,482	75.3%	1,219,460	108.1%
Culture and Recreation	1,025,599	345,878	33.7%	412,050	252,743	61.3%	364,021	0.0%
Other Charges for Services	86,600	54,881	63.4%	86,600	65,243	75.3%	92,503	106.8%
Judgments and Fines	762,000	541,406	71.1%	986,000	458,179	46.5%	581,201	58.9%
Violations of Local Ordinances	180,000	120,500	66.9%	185,000	312,800	169.1%	322,875	174.5%
Interest and Other Earnings	1,230,000	512,274	41.6%	828,000	611,558	73.9%	969,180	117.1%
Rents and Royalties	72,267	22,307	30.9%	36,964	17,996	48.7%	38,290	103.6%
Disposition of Fixed Assets	0	0	0.0%	0	0	100.0%	0	100.0%
Miscellaneous Revenues	361,461	270,634	74.9%	348,000	451,595	129.8%	376,212	108.1%
Interfund Transfers	1,108,000	16,667	1.5%	7,052,377	1,391,721	19.7%	2,161,035	30.6%
Total Revenues	84,441,766	72,712,998	86.1%	86,060,225	74,009,043	86.0%	86,193,065	100.2%

General Fund Expenditures

General Fund Comparison of Expenditures Expenditures by Department For the Period Ended May 31, 2020 (67% of FY2020)								
	FY2020 Budget	FY2020 YTD Actual	% Budget vs. Actual	FY2019 Budget	FY2019 YTD Actual	% Budget vs. Actual	FY2019 Actual	% Budget vs. Actual
Legislative	154,400	80,056	51.9%	157,500	83,439	53.0%	149,895	95.2%
General Government	614,643	699,673	113.8%	985,190	717,647	72.8%	918,805	93.3%
Town Manager	774,011	520,079	67.2%	801,228	476,057	59.4%	777,982	97.1%
Advice and Litigation	528,200	190,046	36.0%	732,824	455,799	62.2%	691,685	94.4%
Information Systems	2,775,010	1,770,663	63.8%	2,624,700	1,801,756	68.6%	2,464,496	93.9%
Human Resources	752,902	423,231	56.2%	907,212	462,676	51.0%	724,036	79.8%
Town Clerk	307,400	153,082	49.8%	312,626	209,025	66.9%	309,377	99.0%
Finance	1,818,911	1,195,122	65.7%	1,716,405	1,112,394	64.8%	1,688,181	98.4%
Planning, Zoning & Building	4,215,179	2,557,450	60.7%	4,215,588	2,431,894	57.7%	3,782,180	89.7%
Recreation	1,682,074	897,401	53.4%	1,150,554	548,060	0.0%	960,997	83.5%
Library	352,650	352,650	100.0%	345,058	172,529	50.0%	345,058	100.0%
Fire-Rescue	14,456,969	9,007,148	62.3%	13,277,708	8,512,083	64.1%	13,068,438	98.4%
Police	16,809,302	10,313,510	61.4%	14,857,128	9,608,394	64.7%	14,766,404	99.4%
Public Works	15,777,708	9,925,667	62.9%	15,932,617	9,827,374	61.7%	14,761,236	92.6%
Emergency Management	-	154	0.0%	14,749	-	0.0%	57	0.4%
Transfers:								
Capital Improvement Fund	2,420,000	1,613,333	66.7%	2,200,000	1,466,667	66.7%	2,200,000	100.0%
Coastal Protection Fund	6,520,211	4,346,807	66.7%	7,349,124	4,899,416	66.7%	7,349,124	100.0%
Transfer to Retirement Fund	5,420,000	5,420,000	100.0%	9,501,699	6,860,000	72.2%	9,501,699	100.0%
Transfer to Underground Utility	144,450	96,300	66.7%	135,000	90,000	66.7%	135,000	100.0%
Debt Service Fund	5,983,913	3,989,275	66.7%	5,994,738	3,996,492	66.7%	5,994,738	100.0%
OPEB Trust Fund	423,014	282,009	66.7%	435,383	290,255	66.7%	435,383	100.0%
Risk Insurance Fund	1,900,819	1,267,213	66.7%	1,933,059	1,265,595	65.5%	1,933,046	100.0%
Contingency	610,000		0.0%	480,136		0.0%	0	0.0%
Total	84,441,766	55,100,869	65.3%	86,060,225	55,287,552	64.2%	82,957,817	96.4%
General Fund Comparison of Expenditures Expenditures by Type								
	FY2020 Budget	FY2020 YTD Actual	% Budget vs. Actual	FY2019 Budget	FY2019 YTD Actual	% Budget vs. Actual	FY2019 Actual	% Budget vs. Actual
Salaries and Wages	28,004,601	16,318,871	58.3%	26,200,355	15,884,988	60.6%	24,909,207	95.1%
Pension Benefits	11,043,453	7,362,302	66.7%	9,648,558	6,432,372	66.7%	9,648,558	100.0%
Other Employee Benefits	7,183,033	4,736,579	65.9%	7,094,515	4,815,701	67.9%	6,843,958	96.5%
Contractual	10,682,513	8,362,720	78.3%	10,953,049	7,999,646	73.0%	11,769,115	107.5%
Commodities	1,753,420	918,973	52.4%	1,775,363	995,041	56.0%	1,727,763	97.3%
Capital Outlay	2,422,703	1,583,057	65.3%	2,484,571	1,674,701	67.4%	2,533,597	102.0%
Contingency	610,000	0	0.0%	480,136	0	0.0%	0	0.0%
Transfers and Other	22,742,043	15,810,774	69.5%	27,423,678	17,485,104	63.8%	25,525,619	93.1%
Total	84,441,766	55,093,277	65.2%	86,060,225	55,287,552	64.2%	82,957,817	96.4%

Enterprise Funds

The Town currently has two enterprise funds accounting for the operations of the Town Marina, and Par 3 Golf Course.

Town Marina

On May 1st, the Town Marina closed operations to begin the demolition, dredging and reconstruction of a new marina. Revenues were expected to be significantly less than prior years due to the shortened season. Revenues through May were \$268,023 over the budget estimate for the year.

Expenses are expected to finish the year slightly less than the budget estimates. An operating surplus of approximately \$400,000 is expected. The surplus will be set aside in reserves to use to fund expenses during the closure.

Town of Palm Beach, Florida Marina Enterprise Fund Revenue and Expenditure Report May 31, 2020								
	Budget FY2020	YTD Actual 2020	% Budget vs Actual	Budget FY2019	YTD Actual 2019	% Budget vs Actual	Actual 2019	% Budget vs Actual
Revenues								
Annual Slip Rental	1,587,362	1,696,593	106.88%	3,654,694	3,221,437	88.15%	3,198,708	87.52%
Transient Slip Rental	595,000	602,546	101.27%	698,899	622,024	89.00%	703,473	100.65%
Electricity	135,000	136,576	101.17%	275,150	144,905	52.66%	194,309	70.62%
Waiting List Application Fee	15,000	-	0.00%	3,500	2,000	57.14%	6,000	171.43%
Maintenance and Improvement Fee	-	0	0.00%	52,243	11,747	22.49%	12,992	24.87%
Ice Sales	650	417	64.15%	1,500	900	59.97%	924	61.60%
Sales Tax Commissions	-	187	0.00%	300	173	57.57%	293	97.57%
Investment Income	-	164,916	100.00%	1,000	307,957	30795.66%	469,816	46981.59%
Miscellaneous Revenue	200	-	0.00%	1,000	200	20.00%	152	15.21%
Total Revenues	2,333,212	2,601,235	111.49%	4,688,286	4,311,342	91.96%	4,586,667	97.83%
Expenditures								
Salaries and Wages	242,373	127,682	52.68%	248,934	130,579	52.46%	217,873	87.52%
Employee Benefits	116,915	77,901	66.63%	98,751	66,526	67.37%	98,432	99.68%
Contractual	715,025	503,618	70.43%	754,300	527,431	69.92%	704,290	93.37%
Commodities	9,875	2,417	24.48%	11,600	8,573	73.90%	13,752	118.55%
Depreciation	1,060,000	-	0.00%	1,063,735	-	0.00%	1,063,735	100.00%
Capital Expenses	-	-	0.00%	40,000	37,735	94.34%	37,735	94.34%
Contingency	54,209	-	0.00%	55,679	-	0.00%	-	0.00%
Transfer to the General Fund	-	-	0.00%	1,282,160	854,773	66.67%	1,282,160	100.00%
Total Expenditures	2,198,397	711,618	32.37%	3,555,159	1,625,618	45.73%	3,417,977	96.14%
Operating Revenue over/(under) Expenditures	134,815	1,889,618		1,133,127	2,685,724		1,168,690	
Town Docks Project	37,511,546	1,457,767		1,776,316	682,500		1,124,925	
Total Revenues over/(under) Expenditures	(37,376,731)	431,850		(643,189)	2,003,225		43,765	

Par 3 Golf Course

The Par 3 Golf Course was the first public course to shut down and close operations on March 18, 2020. The course reopened on April 30th with longer intervals between starting times which reduced capacity to 66%. Due to the closure during the height of the season, and the reduced capacity revenues losses have been significant. Revenues are 18% below year over year revenues. In June, play has picked up and revenues are better than originally thought. The revenue shortfall for FY20 is estimated to be approximately \$400,000 below budget estimates.

Due to the closure, expenses are estimated to be approximately \$270,000 less than budget. Salaries, contractual and commodity expenditures will be less than the budget standard. If these revenue and expenditure projections hold, the Par 3 golf course will end the year with a deficit of approximately \$200,000.

Town of Palm Beach, Florida Golf Enterprise Fund Revenue and Expenditure Report May 31, 2020								
	Budget FY2020	YTD Actual 2020	% Budget vs Actual	Budget FY2019	YTD Actual 2019	% Budget vs Actual	Actual 2019	% Budget
Revenues								
Golf Pass Fees	16,400	27,994	170.69%	31,000	13,268	42.80%	15,286	49.31%
Greens Fees	1,093,000	779,664	71.33%	915,500	856,072	93.51%	966,276	105.55%
Food and Beverage Sales	455,000	266,287	58.52%	455,000	343,903	75.58%	453,183	99.60%
Golf Riding Cart Rental	315,000	227,379	72.18%	282,000	274,459	97.33%	334,663	118.67%
Golf Pull Cart Rental	43,000	20,574	47.85%	43,000	32,166	74.80%	34,065	79.22%
Driving Range Fees	125,000	70,322	56.26%	95,000	98,653	103.85%	119,719	126.02%
Golf Outings	85,000	34,719	40.85%	65,000	62,927	96.81%	71,240	109.60%
Town Tournaments	3,000	1,083	36.10%	4,500	931	20.69%	3,074	68.32%
Merchandise Sales	200,000	151,804	75.90%	180,000	168,025	93.35%	202,154	112.31%
Electricity Sales	5,000	0	0.00%	5,000	3,962	79.23%	3,962	79.23%
Town Share Golf Teaching Services	37,000	31,833	86.04%	37,000	33,329	90.08%	44,083	119.14%
Golf Pro Administrative Fee	-	0	0.00%	17,000	3,695	21.74%	3,695	21.74%
Golf Maintenance and Improvement Fee	-	10,278	0.00%	120,000	94,559	78.80%	114,515	95.43%
Gift Certificates Sales - Net Redemptions	-	8,123	0.00%	14,000	3,925	28.04%	4,500	32.14%
Club Rentals	70,000	51,352	73.36%	69,000	66,131	95.84%	78,654	113.99%
Sales Tax Commissions	150	210	140.00%	150	240	160.00%	360	240.00%
Investment Income	-	61	0.00%	0	1,878	0.00%	4,079	0.00%
Use of Reserves	274,634	0	0.00%	634,504	0	0.00%	0	0.00%
Miscellaneous Revenue	3,500	4,247	121.33%	3,500	3,860	0.00%	5,838	0.00%
Total Revenues	2,725,684	1,685,929	61.85%	2,971,154	2,061,984	69.40%	2,459,346	82.77%
Expenditures								
Salaries and Wages	569,252	319,839	56.19%	565,932	289,277	51.12%	475,054	83.94%
Employee Benefits	288,231	200,246	69.47%	248,179	171,382	69.06%	247,906	99.89%
Contractual	574,935	326,011	56.70%	530,350	332,561	62.71%	581,032	109.56%
Commodities	337,425	215,352	63.82%	309,650	188,311	60.81%	298,925	96.54%
Capital Equipment	55,000	49,701	90.37%	138,500	98,314	70.98%	127,545	92.09%
Use of M&I Reserves	173,500	41,352	23.83%	355,634	107,670	30.28%	180,790	50.84%
Debt Service - Par 3	199,813	133,209	66.67%	199,338	132,892	66.67%	199,338	100.00%
Depreciation	417,230	204,409	48.99%	366,915	204,409	55.71%	306,613	83.57%
Contingency	85,298	-	0.00%	89,630	-	0.00%	-	0.00%
Transfer to the General Fund	25,000	16,667	66.67%	25,000	16,667	66.67%	25,000	100.00%
Total Expenditures	2,725,684	1,506,785	55.28%	2,829,128	1,541,482	54.49%	2,442,203	86.32%
Total Revenues over/(under) Expenditures	-	179,145		142,026	520,501		17,144	
% of Fiscal Year Completed: 67%								

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 financial trends have been analyzed using the International City Management Association’s (ICMA) guidelines contained in “Evaluating Financial Condition”. This analysis is designed to present information on the fiscal health of the Town as part of the Long Term Financial Plan.

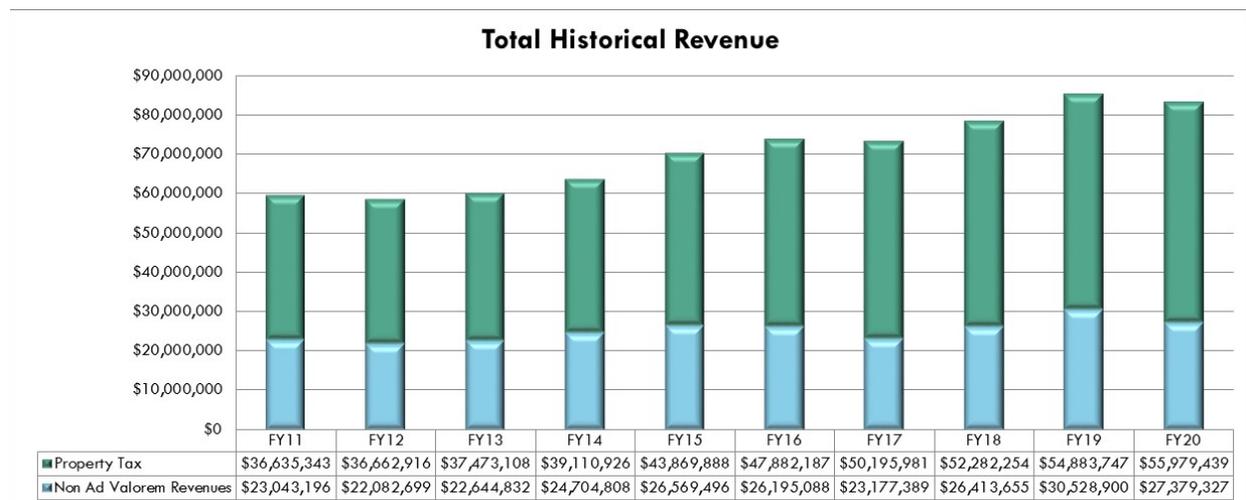
The City’s financial trends are analyzed annually in order to understand the financial condition of the Town. The factors include:

- The economic condition of the Town;
- Types and amounts of revenues and whether they are sufficient, and the right mix to support the Town;
- Expenditure levels and whether these expenditures are sufficient to provide the desired level of services the citizens expect;
- Fund balances and debt levels and their impact upon current Town financial resources.

The amounts in this section represent actual expenditures for the years FY11 through FY19 and budgeted amounts for FY20. The FY20 budget in the trend document does not take into account any revenue changes due to the shutdown related to the COVID-19 pandemic. The projected results are discussed in greater detail in the Current Status section of the document.

General Fund Revenues

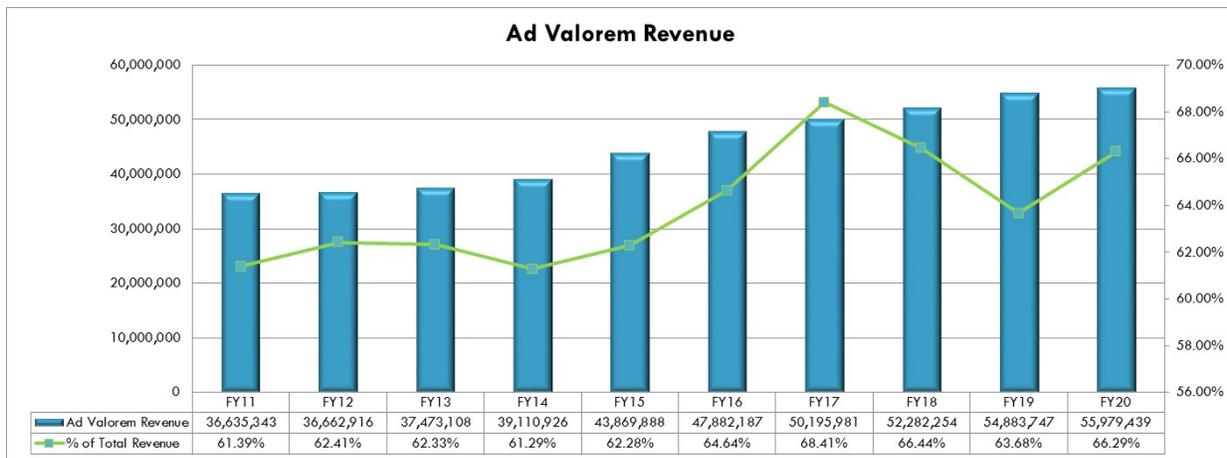
Revenues determine the capacity of a municipality to provide services. Important issues to consider when reviewing revenue trends are growth, flexibility, diversity, reliability and administration. Revenues should grow at a rate equal to or greater than the combined effects of inflation and expenditures.



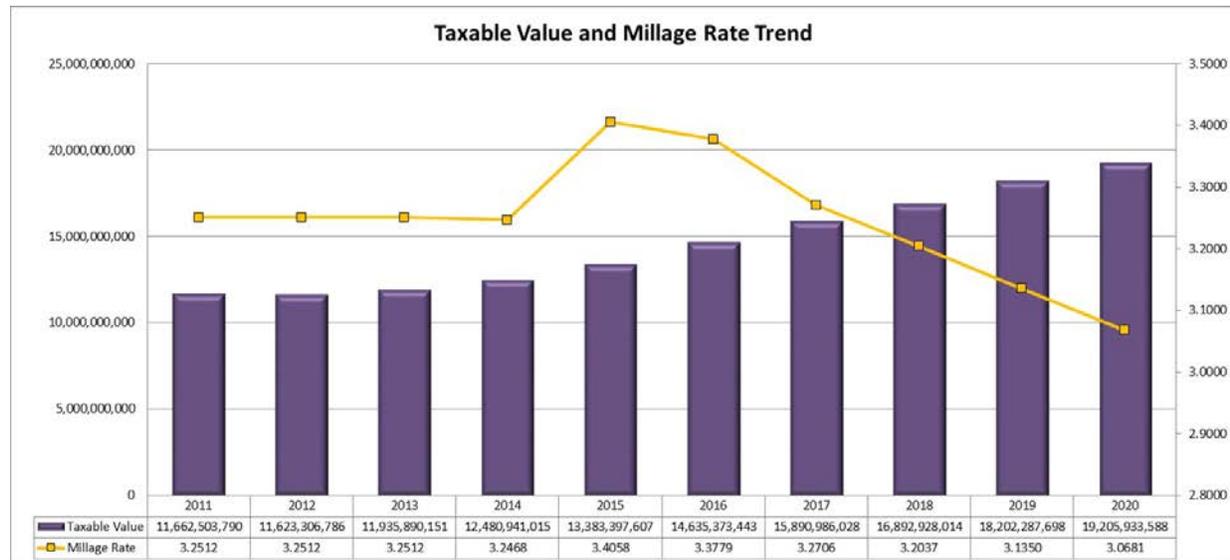
General Fund Revenues are 41.5% higher in FY20 than they were in FY11. The major causes of recent increases are property tax revenue increases for coastal protection projects and pension funding and increased revenue from parking meter, permit revenues, and utility tax revenues.

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 2010-2012 ad valorem revenue declined due to a decline in taxable value. In FY15, ad valorem revenue increased by 12%, with the entire increase of \$4.7 million allocated to coastal protection funding, and in FY16 another increase of 9.17% was approved to increase funding for coastal protection. The FY20 increase was 3.26%. Currently, ad valorem revenue accounts for 66.3% of total revenue.



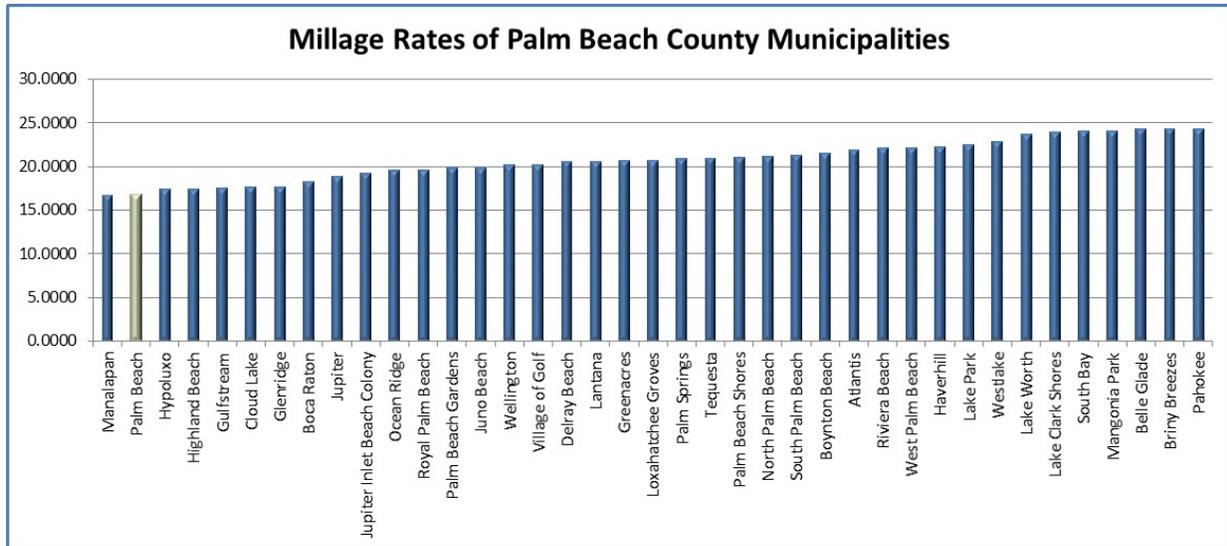
The millage rate was maintained at 3.2512 from FY09 through FY13. Taxable value has increased since 2012. The millage rate increased in 2015 to fund the coastal protection financing plan. Recent increases in taxable value have allowed the Town to reduce the millage rate to the lowest historical level.



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, increased 2.95% from 16.2970 to 16.7774. The Town's portion of the total millage is 18.29% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY19 to FY20 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year). The total change in FY20, was an increase of \$480.40 per million due entirely to the voter approved increase in millage for the Palm Beach County School District for additional security, higher teacher salaries and mental health programs.

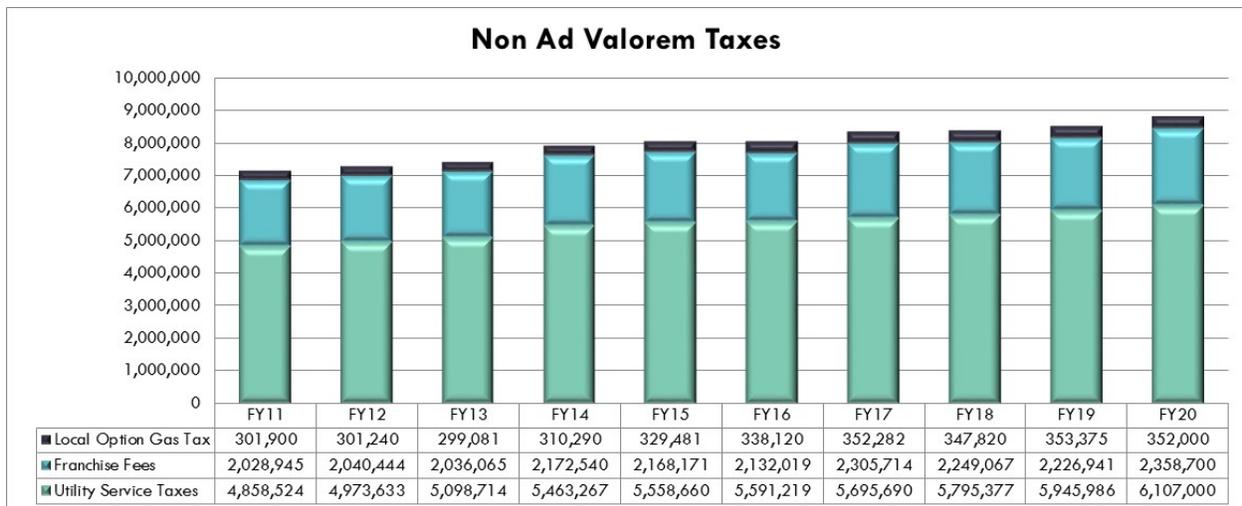
Taxing Authority	FY19 Millage Rate	FY20 Millage Rate	FY20 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
Palm Beach	3.1350	3.0681	\$3,068	-\$66.90	-2.13%	18.29%
Palm Beach County	4.8980	4.8580	\$4,858	-\$40.00	-0.82%	28.96%
Palm Beach County School District	6.5720	7.1640	\$7,164	\$592.00	9.01%	42.70%
South Florida Water Mgmt	0.2519	0.2398	\$240	-\$12.10	-4.80%	1.43%
Children Services	0.6403	0.6497	\$650	\$9.40	1.47%	3.87%
Florida Inland Navigation	0.0320	0.0320	\$32	\$0.00	0.00%	0.19%
Health Care District	0.7261	0.7261	\$726	\$0.00	0.00%	4.33%
Everglades Construction	0.0417	0.0397	\$40	-\$2.00	-4.80%	0.24%
Grand Total	16.2970	16.7774	\$16,777	\$480.40	2.95%	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 \$16,777 in total taxes in Palm Beach versus \$18,303 in Boca Raton, \$18,967 in Jupiter, \$19,846 in Palm Beach Gardens and \$22,176 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.

Non Ad Valorem Tax Revenue

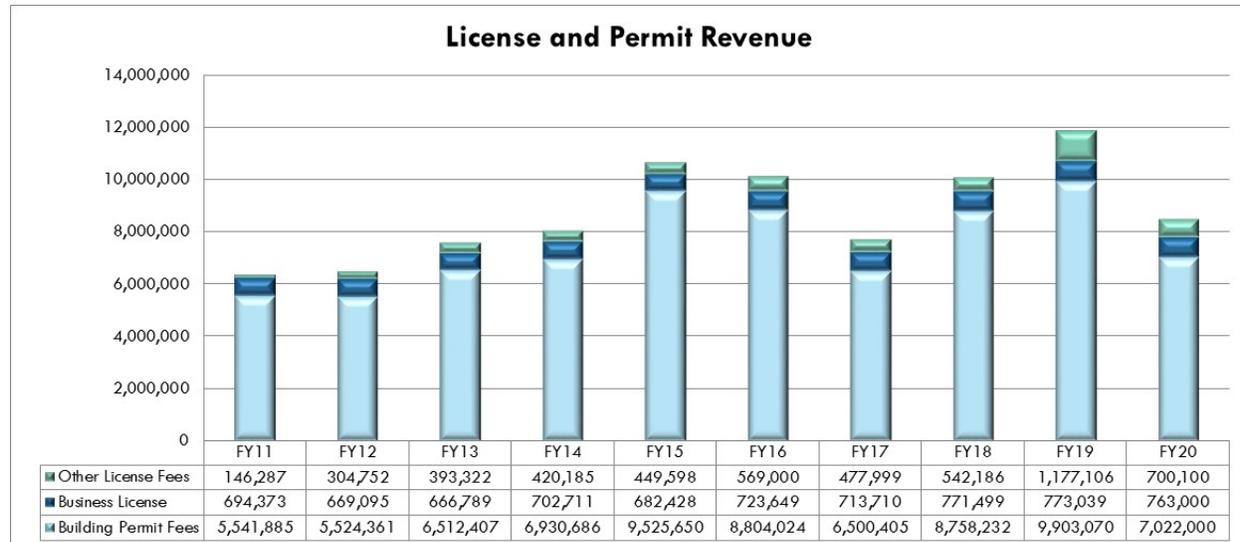


Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.

Local Option Gas Tax and Franchise fee revenue declined from FY11 through FY13 and have increased in recent years. Utility service taxes have increased throughout the 10-year period. The budget estimates for FY20 were conservatively based upon recent trends.

License and Permit Revenue

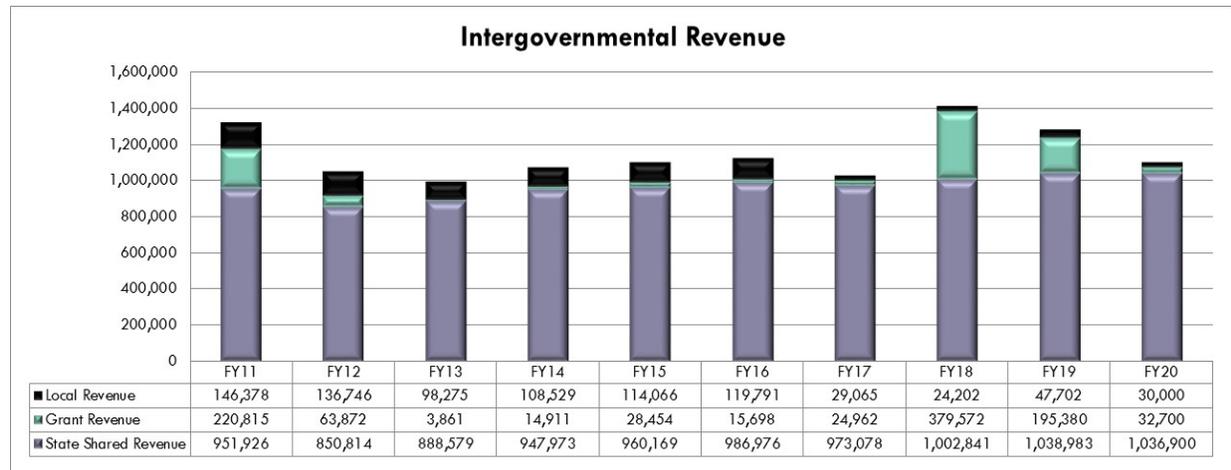
License and permit revenue includes, business licenses, building permit revenues and parking permits. The trend chart is shown below.



Building permit revenue makes up the majority of these revenues. The recession and downturn in housing caused the decline in FY11 and FY12. Since FY12, revenues have improved due to increases in building activity. FY15, FY16, FY18 and FY19 were record years for permit activity. In FY17, a decline in permit activity occurred due to a brief slowdown in construction. The FY20 budget reflects a conservative estimate for building permit revenues from the historic highs. The number of business licenses have declined from FY11 through FY15. A change in state law exempting real estate brokers from the business tax caused a further decline in FY15, but revenues have increased since that time. Other licenses and fees have increased since FY12 due to increases in right-of-way permit and parking permit revenues. FY19 shows a record amount of right-of-way permits due stricter enforcement. The FY20 budget contains conservative estimates for these 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 since rebounded.

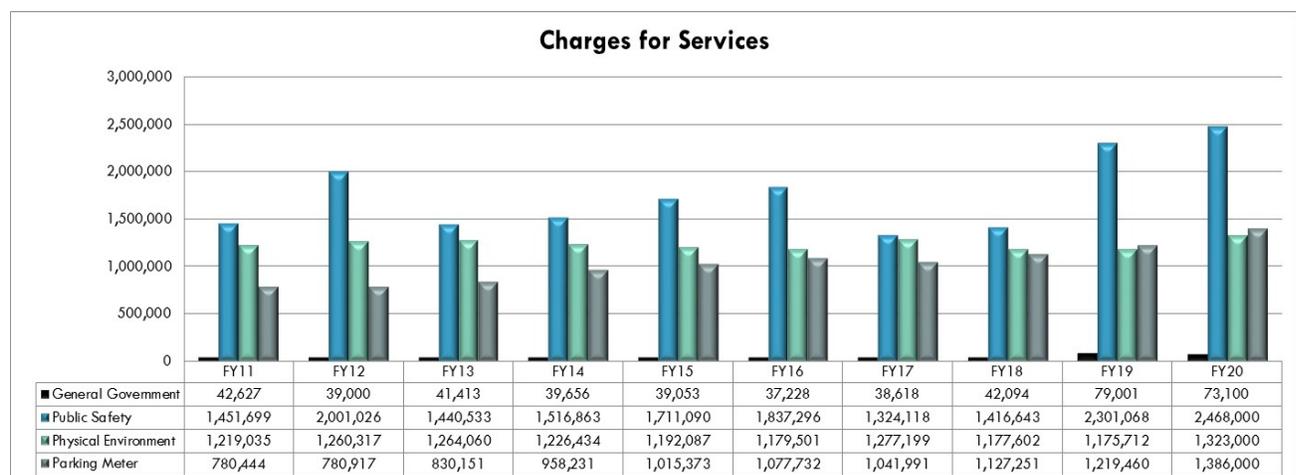
Charges for Services

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 in the past due to increases in the EMS transport fees in FY12, and increases in revenues for police special detail. Revenues for police special detail have increased in FY19 and FY20 due to two new large contracts.

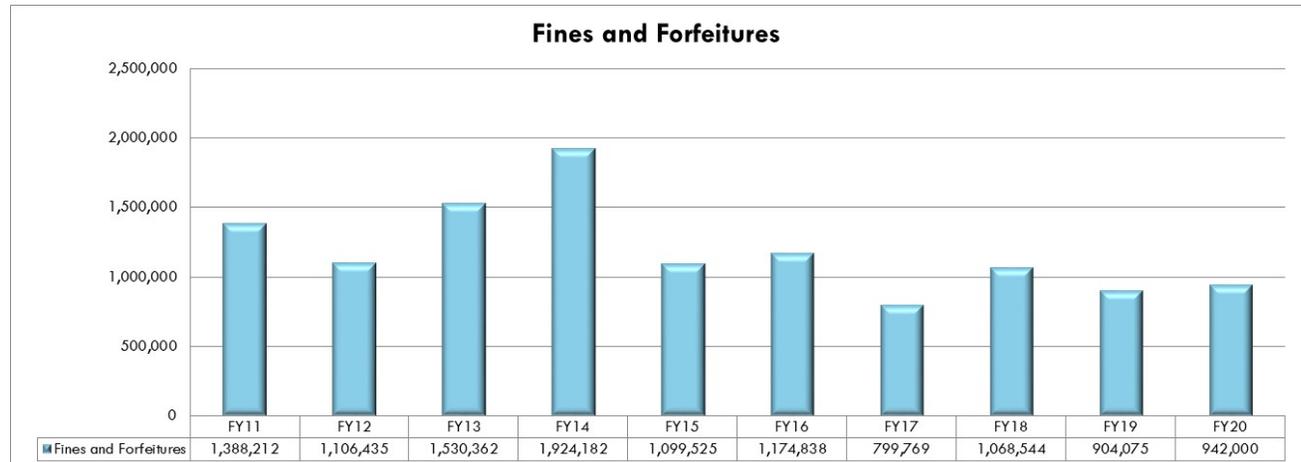
Physical environment fees include solid waste fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service.

In FY11, parking 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

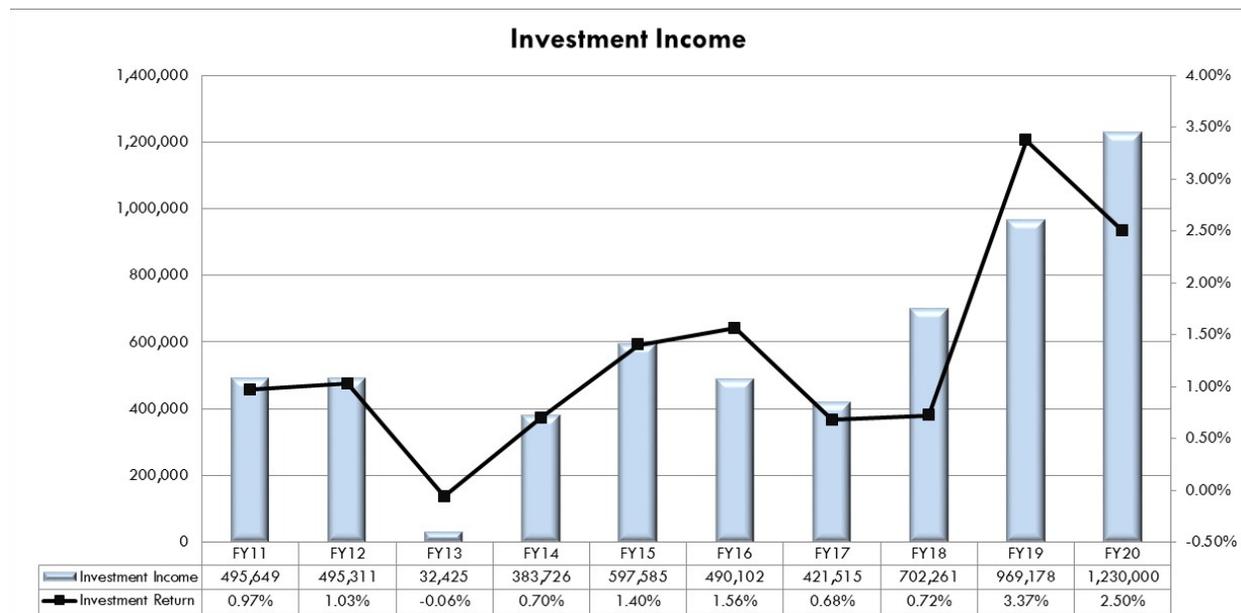
Fine and forfeiture revenue includes traffic violation fines, parking fines and penalties, right of way fines, and code enforcement violation fines.



In 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 FY20 budget is based on the recent trends.

Investment Income

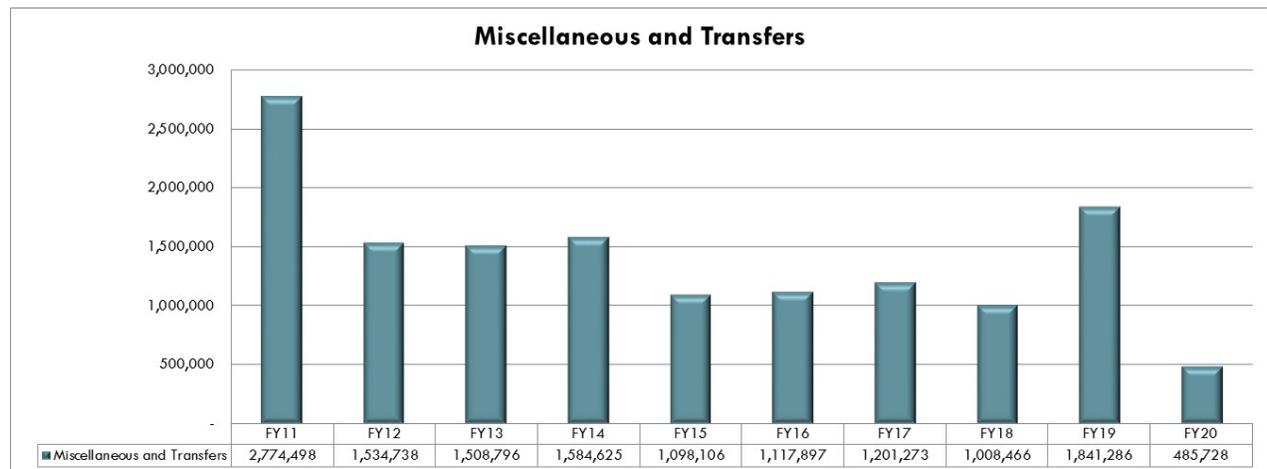
The Town’s Investment Advisory Committee oversees the investment of the Town’s surplus funds as well as the investments in the Town’s OPEB trust. The Town’s surplus funds are invested in fixed income securities, money market accounts, two bond funds with the Florida League of Cities Investment Trust and Certificate of Deposits.



Since 2011, historically low interest rates have caused investment revenue to decline. The recent growth is due to higher reserves and recent increases in interest rates providing more opportunities to invest in short term securities. The FY20 budget was based on conservative estimates for investment returns.

Miscellaneous and Transfers

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

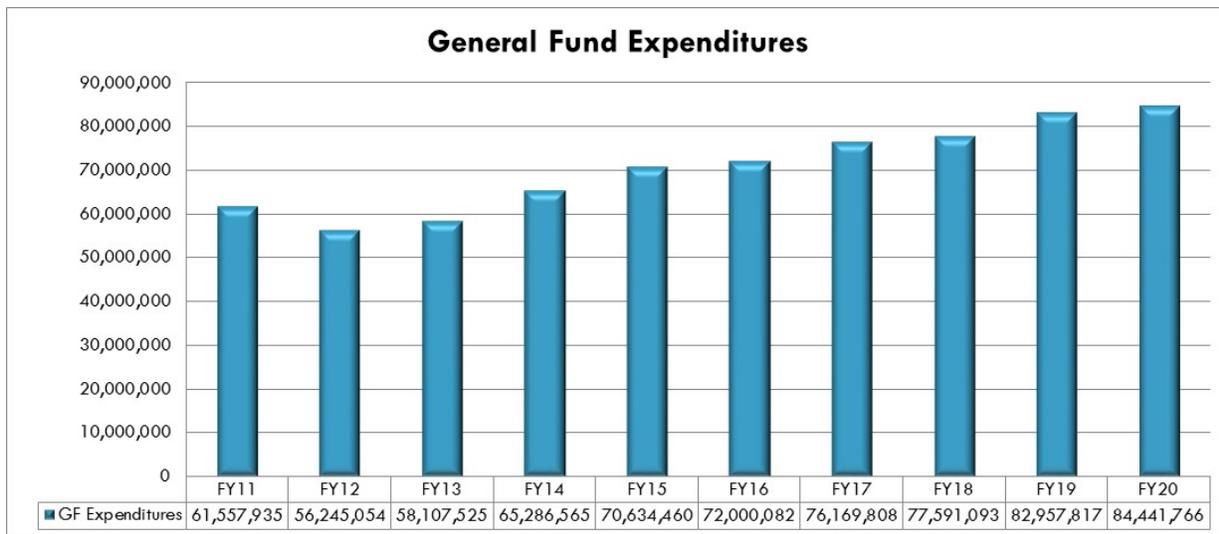


FY11 revenues included a transfer from the Capital Improvement Fund and an increase in the Recreation Enterprise Fund transfer. The Town had transferred \$2.6 million in FY10 to the Capital Improvement Program to begin to fund the 20 year CIP program. Bonds were issued in FY10 to fund the program, so most of the funds were no longer needed in the CIP program and \$1.4 million was transferred back to the General Fund in FY11. 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, FY17, and FY18 the transfer from the Recreation Enterprise Fund was reduced by \$100,000 in each year to add to the funding of the Dock Replacement Reserve. For FY19, the Recreation Enterprise Fund was eliminated and the recreation activities were returned to the General Fund. The Marina and Par 3 Golf Course are now accounted for in separate funds. In order to ease the burden on the General Fund in FY19, the transfer from the two enterprise funds was increased to \$1,307,160 from \$585,000 for the first year. In addition, surplus funds from the Equipment Replacement Fund were transferred to the General Fund in FY19 from funds that were set aside for the beach cleaning equipment that was not replaced and the savings on the purchase of the quint fire truck totaling \$780,421.

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 FY11, the General Fund budget has increased a total of 37.2%. A significant portion (44%) of the increase is due to increases in the coastal protection fund, the transfers to the debt service fund, and Capital Improvement Fund, and the extraordinary retirement contribution to reduce the UAAL. Operating costs have increased 19.6% during the 10-year period. The increase from the low point in the past decade (2012) was 50.1%. The increases are described in greater detail later in this section. The total General Fund budget increased by 2.4% in FY20 from the FY19 budget.



The major changes in the General Fund budget for FY11 – FY20 are detailed in the chart below and 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.

Year	Major Areas of Change to General Fund Revenues and Expenditures
FY2011 Budget Decrease 4.7%	<ul style="list-style-type: none"> • Total General Fund Budget - \$63,734,848 • Maintained millage rate at 3.2512, taxable value declined 11.42% • Reduction in property tax revenue - (\$5,080,500) • <i>Second year of a salary freeze for all employees</i> • <i>Elimination of 32.65 positions - (savings of \$1,788,439)</i> • <i>Increase in contribution to retirement fund - \$1,568,698</i> • <i>Final payment for early retirement buyout - \$136,000</i> • <i>Decrease in Town contribution for health insurance - (\$205,000)</i> • Reduced funding for lobbying services - (\$50,000) • Cut employee events - (\$40,000) • Eliminated funding for 4th of July event - (\$25,000) • Decrease in debt service funding - (\$422,000) • Decrease in transfer to the Capital Improvement Program - (\$4,328,957) • Transfer to Coastal Protection Fund \$3,090,000 (partially funded with a transfer from fund balance of \$2,898,277)

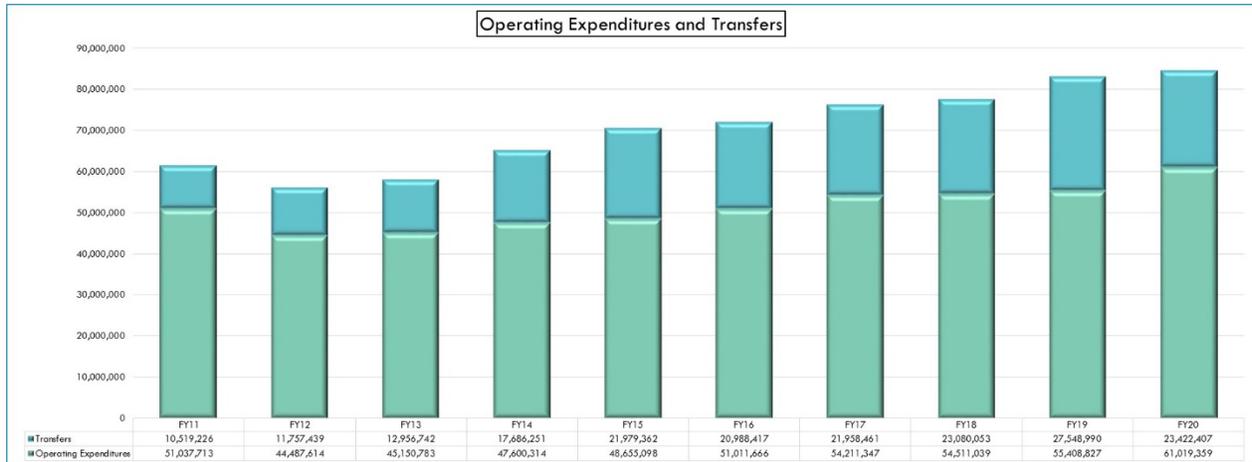
<p>FY2012 Budget Decrease 8.2%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$58,535,436 • Maintained millage rate at 3.2512, taxable value declined .46% • Reduction in property tax revenue - (\$246,300) • <i>Decrease in contribution to retirement fund due to pension reform – (savings of \$5,577,544)</i> • <i>Elimination of 4.68 positions</i> • <i>Reinstated performance based pay increases for employees - \$327,300</i> • <i>Increase in health insurance funding - \$272,700</i> • New funding for the Palm Beach County Inspector General - \$100,000 • Modification to funding for Equipment Replacement Program - (Savings of \$344,271) • Increased transfer from Recreation Enterprise Fund - \$161,000 • Increased the transfer to the Capital Improvement Program by - \$500,000 • Transfer to Coastal Protection Fund - \$3,960,000
<p>FY2013 Budget Increase 2.01%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$59,711,280 • Maintained millage rate at 3.2512, taxable value increased by 2.69% • Increase in property tax revenue - \$866,200 • <i>Elimination of 8.71 positions</i> • <i>Increased the pay ranges 3% for all non-union positions.</i> • <i>Increase in pension costs - \$1,035,548</i> • <i>Increase in health insurance and OPEB costs- \$556,727</i> • <i>Decrease in FICA tax - \$115,019</i> • Increase in sewage treatment and disposal costs - \$303,634 • Increase in risk insurance costs - \$101,273 • Transfer to Coastal Protection Fund - \$2,765,099
<p>FY2014 Budget Increase 9.54%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$65,406,493 • Reduced millage rate to 3.2468, taxable value increased by 5.16% • Increase in property tax revenue - \$1,782,300 • <i>Elimination of 5.00 positions</i> • <i>Provided for merit pay raises for all non-union positions</i> • <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> • <i>Provided for a discretionary 4% employer contribution to DC plan - \$587,902</i> • <i>Modification to required employee contribution to pension plan - \$152,515</i> • Increase in debt service transfer for 2013 bond - \$2,600,000 • Transfer to Coastal Protection Fund - \$4,200,000
<p>FY2015 Budget Increase 2.89%</p>	<ul style="list-style-type: none"> • Total General Fund Budget - \$67,295,344 • Increased millage rate to 3.4058, taxable value increased by 7.53% • Increase in property tax revenue - \$4,777,000 • <i>Addition of 2.58 positions</i> • <i>Provided for merit pay raises and an increase in the employee pay ranges.</i> • <i>Increase in DB pension costs - \$509,600</i>

	<ul style="list-style-type: none"> • <i>Provided for a discretionary 4% employer contribution to the DC plan</i> • Transfer to Coastal Protection Fund - \$4,777,000
FY2016 Budget Increase 6.86%	<ul style="list-style-type: none"> • Total General Fund Budget - \$71,914,331 • Decreased millage rate to 3.3779, taxable value increased by 9.74% • Increase property tax revenue - \$3,706,700 • <i>Addition of 4.91 positions</i> • <i>Provided for merit pay raises and a 2% increase in the employee pay ranges.</i> • <i>Increase in pension costs - \$800,441</i> • <i>Provided for a discretionary 4% employer contribution to the DC plan</i> • Transfer to Coastal Protection Fund - \$8,015,220 • Purchase of an Opticom System - \$171,000 • Purchase of StarChase Pursuit Management Systems - \$16,800
FY2017 Budget Increase 6.87%	<ul style="list-style-type: none"> • Total General Fund Budget - \$76,852,377 • Decreased millage rate to 3.2706, taxable value increased 8.84% • Increased property tax revenue \$2,363,500 • <i>Decrease of 2.22 positions</i> • <i>Provided for merit pay raises and a 2% increase in the employee pay ranges.</i> • <i>Increase in pension costs - \$1,279,333</i> • <i>Provided for a discretionary 4% employer contribution to the DC plan</i> • Transferred \$2,500,000 from unassigned fund balance to the Retirement Fund • <i>Increased the transfer to the OPEB trust due to the reduction in the investment assumption change from 8% to 7.5% - \$159,000</i> • Increased the transfer to Capital Improvement Fund by \$1,260,200 • Decreased transfer to the Coastal Protection Fund by \$750,220
FY2018 Budget Increase 4.73%	<ul style="list-style-type: none"> • Total General Fund Budget \$80,489,411 • Decreased millage rate to 3.2037, taxable value increased 6.42% • Increased property tax revenue \$1,976,000 • Increase in overtime for visits by the President and dignitaries \$204,000 • <i>Increase of 7 positions</i> • <i>Provided for merit pay raises (\$434,799) and a 2.5% increase in the employee pay ranges. (\$108,897)</i> • <i>Health Insurance cost increased \$242,549 – Paid from Health Insurance Reserves</i> • <i>Increase in DB pension costs of \$1,151,730 offset by a reduction in DC pension costs of \$398,437</i> • <i>Included costs for the pension changes for firefighters and general employees.</i> • Provided for an extraordinary transfer to the Retirement Fund of \$4,759,016 as part of the \$5,420,000 policy mandated transfer. The balance was transferred in FY17. • Decreased the transfer to the OPEB Trust fund due to favorable experience \$379,000 • Increased transfer to Coastal Protection fund by \$145,300

FY2019 2.46% Budget Increase	<ul style="list-style-type: none"> • Total General Fund Budget \$82,466,218 • Decreased millage rate to 3.1350, taxable value increased 7.75% • Increased property tax revenue \$2,740,463 • <i>Decrease of 14.65 positions</i> • <i>Provided for merit pay raises (\$377,030) and a 3% increase in the employee pay ranges. (\$165,490)</i> • <i>Health Insurance cost decreased \$249,372</i> • <i>Increase in DB pension costs of \$311,212 offset by a reduction for the early payment interest savings for a net decrease of \$17,853.</i> • <i>Decrease in DC contributions of \$28,892.</i> • <i>Provided for an extraordinary transfer to the Retirement Fund of \$5,420,000 for policy mandated transfer.</i> • <i>Provided funding of \$1,440,000 to lower the amortization rate for the Retirement Fund from 25 years to 15 years. Ultimately the decision was made to use a amortization of 15 years for experience Gains/Losses and Plan Changes; 20-year for Assumption/Method Changes which cost \$879,055 instead of \$1,440,000 a difference of \$558,298.</i> • <i>Decreased the transfer to the OPEB Trust fund due to favorable experience \$524,617.</i> • Decreased transfer to Coastal Protection fund by \$61,176. • Increased the transfer to the Capital Improvement Fund by \$211,976.
FY2020 2.4% Budget Increase	<ul style="list-style-type: none"> • Total General Fund Budget \$84,441,766 • Decreased millage rate to 3.0681, taxable value increased 5.63% • Increased property tax revenue \$1,768,476 • <i>Increase of 7.48 including 3 firefighter positions and positions for the new Recreation Center</i> • <i>Salaries increased by \$804,246 due to the results of the compensation study.</i> • <i>Health Insurance cost were flat</i> • <i>Increase in DB pension costs of \$558,981.</i> • <i>Decrease in DC contributions of \$10,619.</i> • <i>Provided for an extraordinary transfer to the Retirement Fund of \$5,420,000 for policy mandated transfer.</i> • <i>Decreased the transfer to the OPEB Trust fund due to favorable experience \$12,369.</i> • Decreased transfer to Coastal Protection fund by \$828,913. • Increased the transfer to the Capital Improvement Fund by \$220,000.

General Fund Operating Expenditures

The chart on the following page shows the trend in General Fund expenditures broken out between operating expenditures and transfers since FY11.



Since FY11, operating expenditures have increased a total of \$9,981,646 or 19.6% over the 10-year period. Most of the increase coming from pension benefits and contractual expenditures. The total budget increased \$22,884,827 over the same time period with \$12,903,181 or 43.6%, of the total from the Town transfers, specifically coastal protection and debt service and the new extraordinary transfer to the retirement fund. From the lowest point of the budget trend in FY12, the budget has increased \$28,196,713 or 50.1% with \$16,531,745 coming from operating expenditures and the other \$11,664,968 of the increase coming from transfers. A more detailed analysis of the expenditures by category follows.

Expenditure by Category Trend Analysis

Salaries and Wages

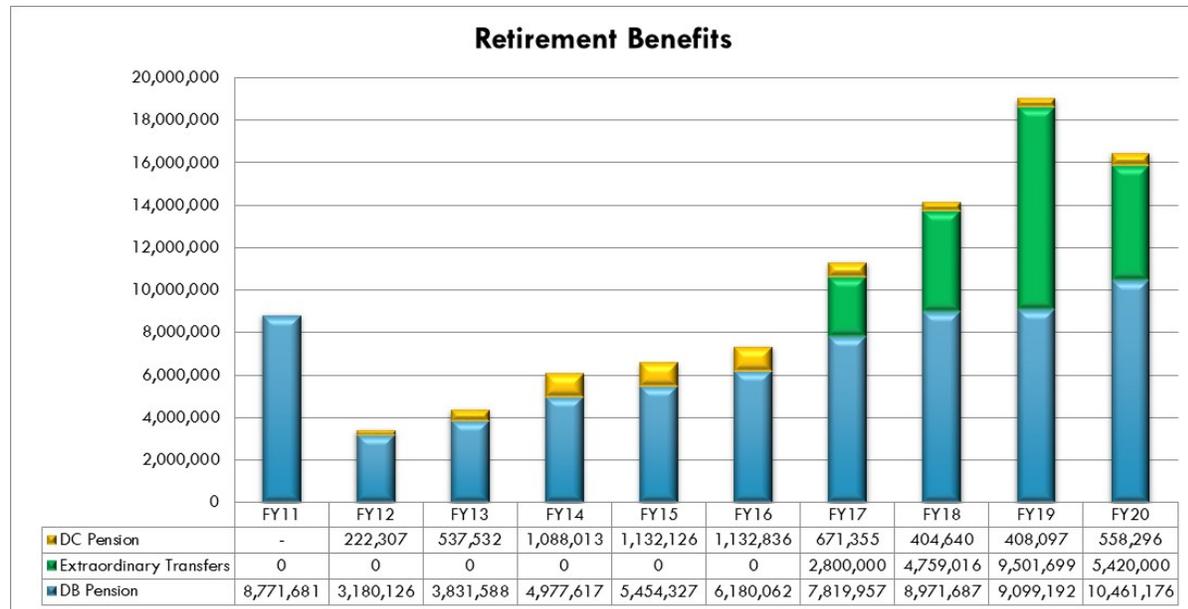
The salary and wage trend is shown on the graph below. FY20 salaries are 14.8% more than they were in FY11. A wage freeze was in effect in FY11 for all employees. In all following years merit and step increases were included the budget and in FY13 through FY19 an increase in employee pay ranges were included in all years except FY14. The FY20 budget increased 12.43% from the FY19 budget due to the results of the compensation and benefits study which included the addition of 3 firefighters in order to add a Kelly Day. On the chart on the following page, FY20 shows a large increase over the actual FY19 amount. This is due to a reduction in expenses paid out in FY19 due to retirements and vacancies that occurred during the year. At the beginning of the fiscal year, there were 30 vacant positions, 12 were frozen and 18 were vacant but not frozen positions. The FY19 actual for salaries was \$891,148 less than the FY19 budget due to these vacancies.

The lowest point in the trend (2013) shows that the actual salary amount is \$5,060,627 (18.1%) less than the FY20 budget. The FY20 budget has 1.56 more positions than 2013. In 2013, there was reduction of 8.7 FTEs in the budget and a significant amount of turnover (42 positions). This caused the actual amount paid out for salaries to be \$1,520,955 less than the amount budgeted for 2013. There are currently, as of April 30, 2020, 30 vacant positions of which 10 are frozen and 20 are vacant and not frozen. We expect the FY20 year-end salary amount to be much less than the budget amount due to these vacancies.

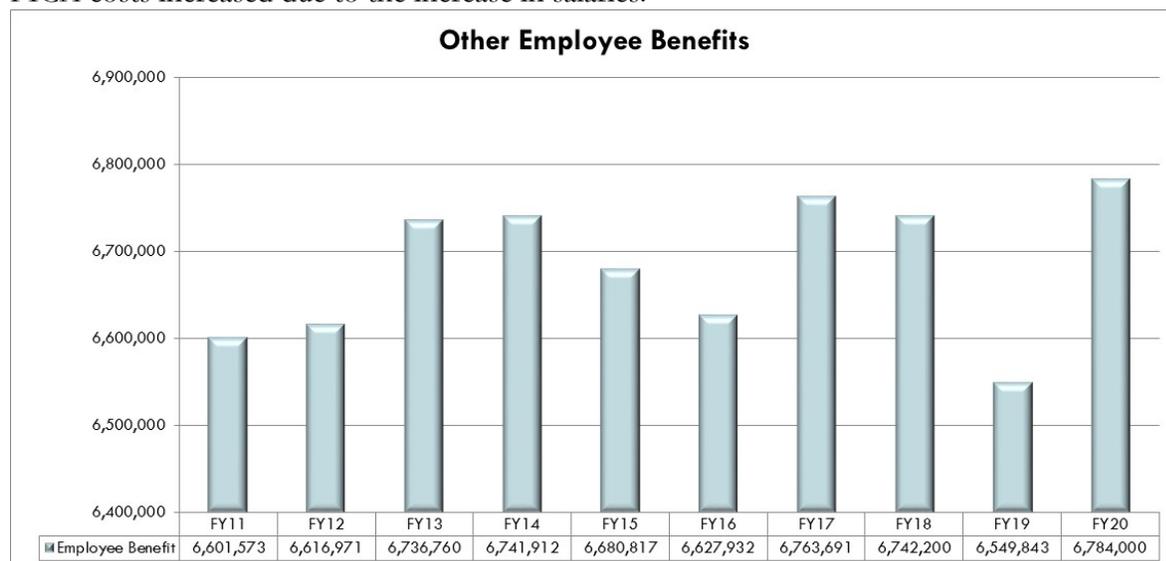


Employee Benefits

For purposes of this analysis, we have broken employee benefits into retirement benefit 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 at that time was a hybrid plan with a defined benefit and defined contribution component for all employees. 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 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, and in FY17, changes were made to the 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. Also in FY17, the Town Council adopted changes to the General Employees pension plan. The changes included modifications to both the DC and DB benefits and kept the hybrid DB/DC system. In FY18, costs increased due to the change in mortality table and the smoothing of investment losses in FY15. The Town Council approved a policy to transfer additional funds to the retirement system to lower the unfunded liability. In FY17 the Town transferred \$2,800,000, FY18 the town transferred \$4,759,016 for this funding and in FY19 the Town transferred \$5,420,000. In addition, \$1,440,000 was added to the budget to fund a reduction in the amortization of the UAAL from 25 years to 15 years. Also at the end of FY19, as a result of the compensation and benefits study, an additional \$2,641,699 was contributed to pre-fund UAAL increase associated with the benefit and compenation changes.

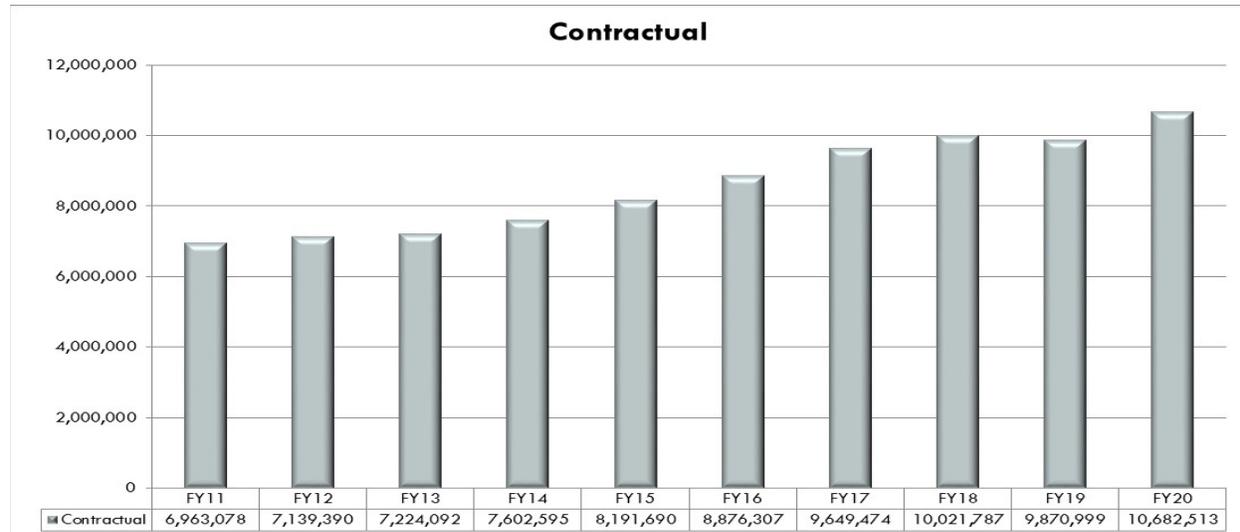


Other employee benefits include health insurance, FICA, bonuses, allowances, incentives, and uniform maintenance. Since FY11, other employee benefits have increased 2.76% over the 10-year period. Since FY13, health insurance costs have been maintained through changes in the program, cost shifting to employees, wellness programs, and having fewer employees in the plan due to the reduction in full time staff positions. In FY18, health insurance costs increased but the increase was funded from the Health Insurance reserves. In FY19, the health insurance costs decreased due to improved claims performance and fewer employees. In FY20, health insurance costs remained flat. Included in the other employees benefits category is the transfer to the OPEB Trust. The transfer decreased by \$524,617 in FY19, due to the improved funding level of the plan. Also over the 10-year period, the longevity /bonus program costs decreased due to the phasing out of the longevity program accomplished through retirements and freezing the benefit at FY18 levels. The cell phone allowance also decreased due to the reductions in the stipend provided to the employee. In FY20, FICA costs increased due to the increase in salaries.



Contractual Services

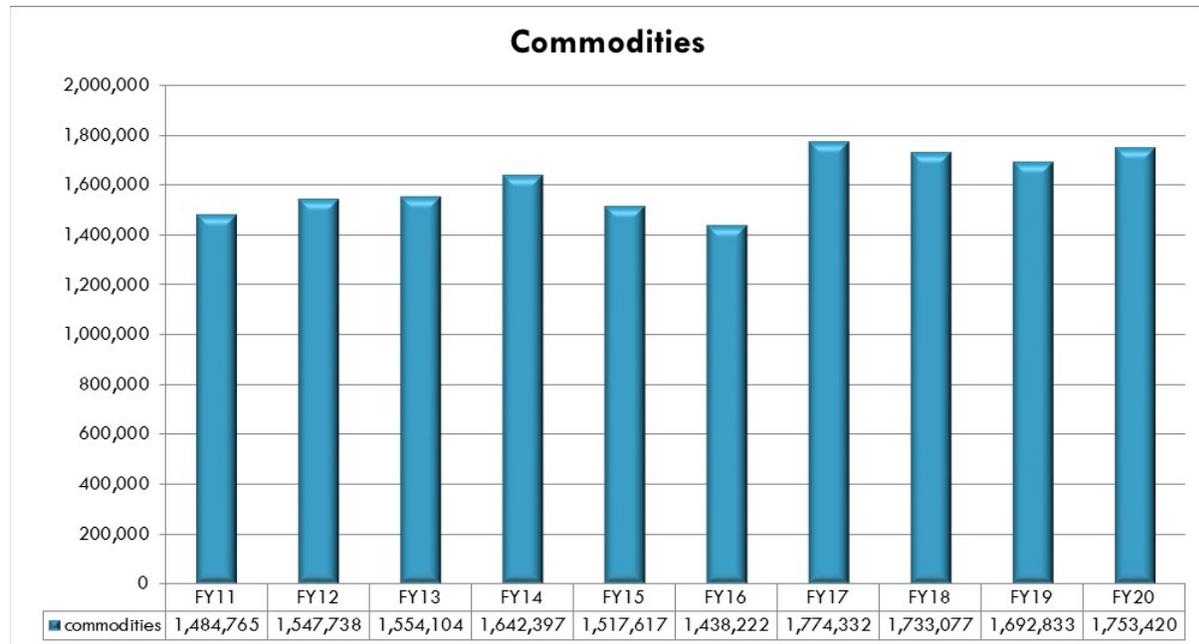
Contractual services include legal advice, lobbyists, consulting services, sewage treatment, solid waste disposal costs, building maintenance, landscape contracting and software maintenance.



Contractual services have increased 53.42% since FY11. Much of the increase since FY11 is due to increases the use of contractual services for duties that were once done in house like contracting with Palm Beach County for Fire-Rescue mechanic services and landscape contracting. Other contractual cost increases were due to increases in sewage treatment and disposal costs, legal services, lobbying, landmark preservation consulting, credit card fees for payment of building permits, landfill maintenance, employee recruiting, and digital scanning. In FY17, costs increased due to the post storm clean-up efforts for hurricanes Mathew and Irma. A significant portion of the increase was caused by increased costs from West Palm Beach for sewer treatment and disposal. In FY20, funding was appropriated for code reform, and increases for landscape maintenance, recreation contracts, and software maintenance.

Commodities

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

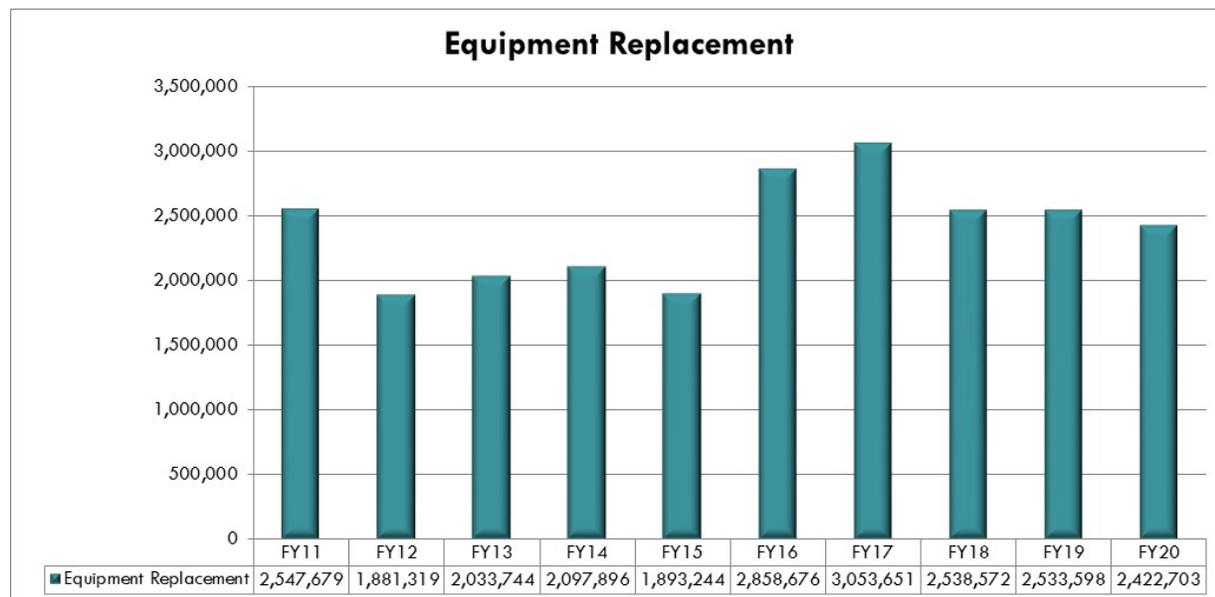


The total cost of commodities in FY20 is 18.1% higher than it was in FY11. The increase for FY12 related to increases in fuel costs. The decreases in FY15 are due to decreases in fuel costs and supplies. FY16 actual amounts reflect lower fuel expenditures during the year and other savings during the year amounting to total savings of \$336,017 versus the budgeted amount. The FY17 costs increases were due to increased costs for fuel and other operational supplies. FY18 expenditures included additional uniforms for the new firefighter positions, telecommunication lockers and patrol equipment. In addition, travel and per diem costs were moved from the contractual category to commodities for a more accurate costs for training. This category has remained flat for the past few years.

Capital Outlay/Equipment Replacement

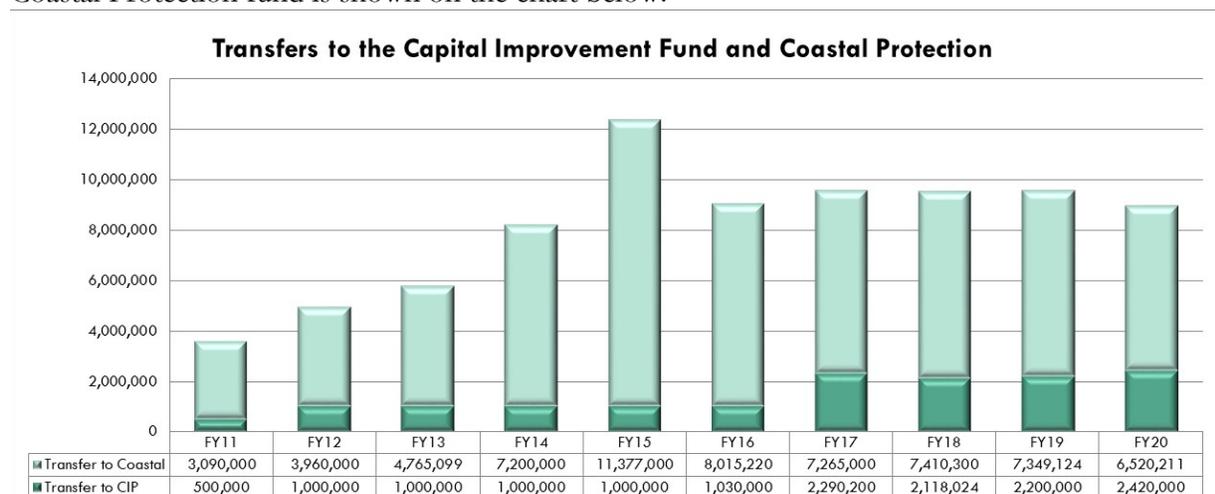
Capital Outlay expenses include depreciation on the Town’s fixed assets, purchases of new equipment that are not purchased through the Equipment Replacement Fund, and purchases of equipment through grant funding.

The total cost of capital equipment in FY20 is 4.91% lower than it was in FY11. The Town utilizes an Equipment Replacement Fund (ERF). Transfers are made to the ERF based on the annual depreciation based on the replacement cost of each asset. 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 in FY16 and FY17 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. In FY19, the budget decreased due to purchases that were made in FY18 versus FY19. In addition, Recreation and Tennis equipment was added to the General Fund and depreciation on this equipment is now included in this category. FY20 decreased due to a study of the equipment which extended the useful life in many cases.



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 FY11 has increased \$3,430,211, and the CIP transfer has increased \$1,920,000. 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 annual transfer to coastal was increased to \$8,015,220 due to higher than expected costs of the Mid-Town and Phipps beach 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. For FY18, the coastal transfer was increased by 3%, and the CIP transfer was decreased by \$172,176 due to the transfer of projects to the ACIP fund. In FY20, the coastal transfer was decreased due to the receipt of Federal and State Funding for beach renourishment projects.

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

Debt Service

Debt service costs have increased 71% since FY11. 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. In FY16, the Town refunded the 2010 bonds, which lowered the debt service for the Town's bonds reflected in the subsequent budgets. In FY19, the Town refinanced the 2013 bonds which lowered the debt service for FY20 and beyond.

Retiree Health Benefits (OPEB Trust)

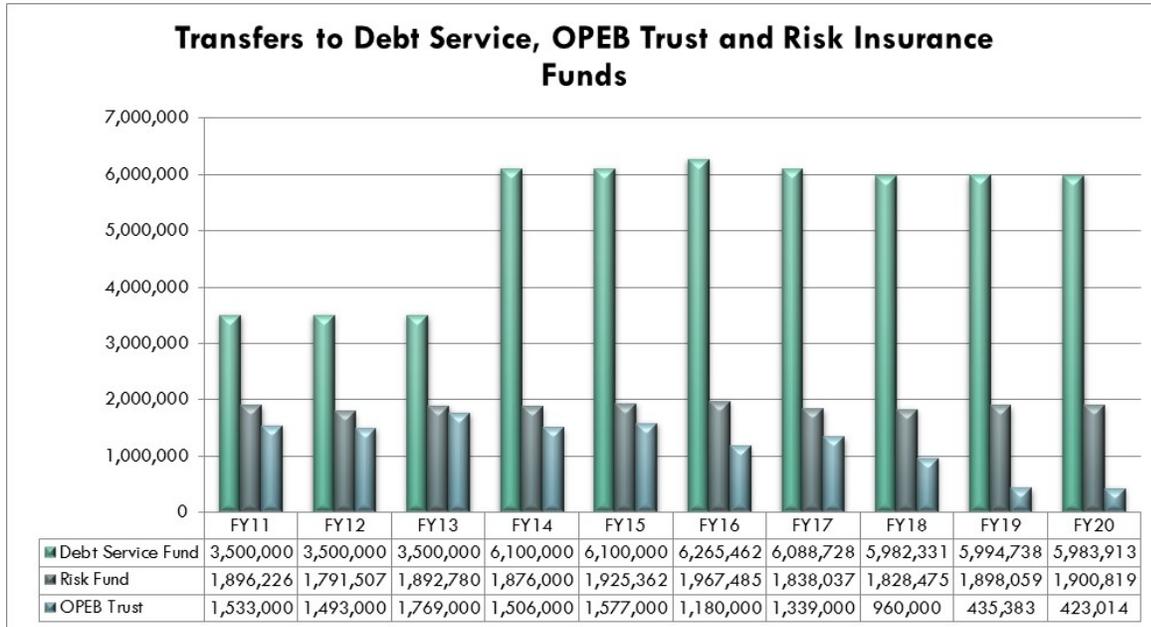
For many years, the Town accumulated reserves in the Health Insurance Fund in anticipation of the implementation of GASB 43, which required governments to begin to fund their retiree health benefits in the same manner as retirement benefits. In FY07, the Town established the Health Insurance Trust with 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 OPEB Liability as of October 1, 2019 was calculated to be \$30,440,027. The actuarial value of assets in the trust are \$32,682,812. The resulting OPEB asset is \$2,242,785. The funded ratio for the plan is 107.4% for FY19. The annual budgeted contribution for FY20 is \$423,014, which is \$12,369 less than FY19.

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 FY11, the transfer to the Risk Fund has remained relatively flat with an overall increase of only \$4,593 over the 10-year period. The Town's risk insurance costs have been maintained over the past

decade, due to the changes in carriers and other cost-saving measures in the overall insurance program and healthy reserves.



**Town of Palm Beach
Revenue Trend Analysis
FY11 - FY20**

Analysis of Revenues by Category Revenue Sources	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Budget
Ad Valorem Revenues	36,635,343	36,662,916	37,473,108	39,110,926	43,869,888	47,882,187	50,195,981	52,282,254	54,883,747	55,979,439
% Increase	-11.74%	0.08%	2.21%	4.37%	12.17%	9.15%	4.83%	4.16%	4.98%	2.00%
\$ Increase	-4,873,227	27,573	810,191	1,637,818	4,758,962	4,012,299	2,313,794	2,086,273	2,601,493	1,095,692
Non Ad Valorem Taxes	7,189,368	7,315,317	7,433,859	7,946,097	8,056,312	8,061,358	8,353,685	8,392,264	8,526,302	8,817,700
% Increase	-2.92%	1.75%	1.62%	6.89%	1.39%	0.06%	3.63%	0.46%	1.60%	3.42%
\$ Increase	-216,322	125,948	118,543	512,238	110,215	5,046	292,328	38,578	134,038	291,398
Licenses and Permits	6,382,545	6,498,207	7,572,518	8,053,581	10,657,676	10,096,673	7,692,114	10,071,916	11,853,215	8,485,100
% Increase	33.59%	1.81%	16.53%	6.35%	32.33%	-5.26%	-23.82%	30.94%	17.69%	-28.42%
\$ Increase	1,604,988	115,662	1,074,311	481,064	2,604,095	-561,003	-2,404,558	2,379,802	1,781,299	-3,368,115
Intergovernmental Revenue	1,319,119	1,051,432	990,715	1,071,413	1,102,689	1,122,465	1,027,105	1,406,615	1,282,065	1,099,600
% Increase	26.38%	-20.29%	-5.77%	8.15%	2.92%	1.79%	-8.50%	36.95%	-8.85%	-14.23%
\$ Increase	275,309	-267,687	-60,716	80,697	31,276	19,776	-95,360	379,509	-124,550	-182,465
Charges for Services	3,493,805	4,081,259	3,576,156	3,741,183	3,957,603	4,131,756	3,681,926	3,763,590	5,152,779	6,319,199
% Increase	9.37%	16.81%	-12.38%	4.61%	5.78%	4.40%	-10.89%	2.22%	36.91%	22.64%
\$ Increase	299,421	587,454	-505,103	165,027	216,420	174,153	-449,829	81,663	1,389,189	1,166,420
Fines and Forefeitures	1,388,212	1,106,435	1,530,362	1,924,182	1,099,525	1,174,838	799,769	1,068,544	904,075	942,000
% Increase	133.52%	-20.30%	38.31%	25.73%	-42.86%	6.85%	-31.93%	33.61%	-15.39%	4.19%
\$ Increase	793,739	-281,776	423,927	393,820	-824,657	75,313	-375,069	268,775	-164,469	37,925
Interest Income	495,649	495,311	32,425	383,726	597,585	490,102	421,515	702,261	969,178	1,230,000
% Increase	-57.60%	-0.07%	-93.45%	1083.43%	55.73%	-17.99%	-13.99%	66.60%	38.01%	26.91%
\$ Increase	-673,348	-338	-462,886	351,301	213,859	-107,483	-68,587	280,746	266,917	260,822
Miscellaneous and Transfers	2,774,498	1,534,738	1,508,796	1,584,625	1,098,106	1,117,897	1,201,273	1,008,466	2,621,707	485,728
% Increase	43.77%	-44.68%	-1.69%	5.03%	-30.70%	1.80%	7.46%	-16.05%	159.97%	-81.47%
\$ Increase	844,692	-1,239,760	-25,942	75,829	-486,519	19,791	83,376	-192,807	1,613,241	-2,135,979
Transfers from Fund Balance	0	1,083,000								
% Increase	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
\$ Increase	0	0	0	0	0	0	0	0	0	1,083,000
Total Revenues	59,678,539	58,745,615	60,117,939	63,815,733	70,439,384	74,077,275	73,373,370	78,695,909	86,193,068	84,441,766
% Increase	-3.16%	-1.56%	2.34%	6.15%	10.38%	5.16%	-0.95%	7.25%	9.53%	-2.03%
\$ Increase	-1,944,749	-932,923	1,372,324	3,697,794	6,623,651	3,637,891	-703,905	5,322,539	7,497,159	-1,751,302

**Town of Palm Beach
Expenditure Trend Analysis
FY11 - FY20**

Analysis of Expenses by Category Expenditure Categories	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget
Salaries/Wages	24,396,538	23,627,363	22,943,974	23,152,224	23,478,697	23,581,853	24,128,637	23,764,069	24,909,207	28,004,601
% Increase	-7.45%	-3.15%	-2.89%	0.91%	1.41%	0.44%	2.32%	-1.51%	4.82%	12.43%
\$ Increase	-1,963,395	-769,175	-683,389	208,251	326,473	103,155	546,784	-364,568	1,145,138	3,095,394
Pension Benefits	8,771,681	3,180,126	3,831,588	4,977,617	5,454,327	6,180,062	7,819,957	8,971,687	9,099,192	10,461,176
% Increase	20.10%	-63.75%	20.49%	29.91%	9.58%	13.31%	26.54%	14.73%	1.42%	14.97%
\$ Increase	1,468,162	-5,591,555	651,462	1,146,029	476,710	725,735	1,639,895	1,151,730	127,505	1,361,984
DC Plan	-	222,307	537,532	1,088,013	1,132,126	1,132,836	671,355	404,640	408,097	558,296
% Increase	0.00%	0.00%	141.80%	102.41%	4.05%	0.06%	-40.74%	-39.73%	0.85%	36.80%
\$ Increase	-	222,307	315,226	550,480	44,113	711	-461,481	-266,715	3,457	150,199
Other Employee Benefits	6,601,573	6,616,971	6,736,760	6,741,912	6,680,817	6,627,932	6,763,691	6,742,200	6,549,843	6,784,000
% Increase	-4.51%	0.23%	1.81%	0.08%	-0.91%	-0.79%	2.05%	-0.32%	-2.85%	3.57%
\$ Increase	-311,900	15,398	119,788	5,152	-61,095	-52,885	135,759	-21,491	-192,357	234,157
Contractual	6,963,078	7,139,390	7,224,092	7,602,595	8,191,690	8,876,307	9,649,474	10,021,787	9,870,999	10,682,513
% Increase	-2.19%	2.53%	1.19%	5.24%	7.75%	8.36%	8.71%	3.86%	-1.50%	8.22%
\$ Increase	-155,642	176,312	84,702	378,503	589,094	684,618	773,167	372,313	-150,789	811,514
Commodities	1,484,765	1,547,738	1,554,104	1,642,397	1,517,617	1,438,222	1,774,332	1,733,077	1,692,833	1,753,420
% Increase	-8.79%	4.24%	0.41%	5.68%	-7.60%	-5.23%	23.37%	-2.33%	-2.32%	3.58%
\$ Increase	-143,009	62,973	6,366	88,293	-124,781	-79,394	336,110	-41,255	-40,244	60,587
Equipment Replacement	2,547,679	1,881,319	2,033,744	2,097,896	1,893,244	2,858,676	3,053,651	2,538,572	2,533,598	2,422,703
% Increase	1.18%	-26.16%	8.10%	3.15%	-9.76%	50.99%	6.82%	-16.87%	-0.20%	-4.38%
\$ Increase	29,618	-666,360	152,425	64,152	-204,652	965,432	194,975	-515,079	-4,974	-110,894
Library Services	272,400	272,400	288,989	297,659	306,580	315,777	350,250	335,008	345,058	352,650
% Increase	0.00%	0.00%	6.09%	3.00%	3.00%	3.00%	10.92%	-4.35%	3.00%	2.20%
\$ Increase	0	0	16,589	8,670	8,921	9,197	34,473	-15,242	10,050	7,592
Total Operating Expenses	51,037,713	44,487,614	45,150,783	47,600,314	48,655,098	51,011,666	54,211,347	54,511,039	55,408,827	61,019,359
% Increase	-2.07%	-12.83%	1.49%	5.43%	2.22%	4.84%	6.27%	0.55%	1.65%	10.13%
\$ Increase	-1,076,165	-6,550,099	663,168	2,449,531	1,054,784	2,356,568	3,199,681	299,692	897,788	5,610,532
TRANSFER TO OTHER FUNDS AND OTHER EXPENSES										
CAPITAL IMPROV. FUND (307)	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200	2,118,024	2,200,000	2,420,000
COASTAL PROTECTION FUND (309)	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000	7,410,300	7,349,124	6,520,211
TRANSFER TO UNDERGROUND UTILITY FUNC	0	0	0	0	0	2,530,250	267,041	0	135,000	144,450
TRANSFER TO RETIREMENT FUND	0	0	0	0	0	0	2,800,000	4,759,016	9,501,699	5,420,000
DEBT SERVICE FUND (203)	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728	5,982,331	5,994,738	5,983,913
RETIREE HEALTH INS.(OPEB) (610)	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000	960,000	435,383	423,014
RISK-W/C, LIAB.PROP. (501)	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037	1,828,475	1,898,059	1,900,819
CONTINGENT APPROP.	0	0	0	0	0	0	0	0	0	610,000
INVENTORY ADJUSTMENTS	0	12,932	29,863	4,251	0	0	70,455	21,907	34,987	0
Total Transfers and Other Expenses	10,519,226	11,757,439	12,956,742	17,686,251	21,979,362	20,988,417	21,958,461	23,080,053	27,548,990	23,422,407
% Increase	-20.61%	11.77%	10.20%	36.50%	24.27%	-4.51%	4.62%	5.11%	19.36%	-14.98%
\$ Increase	-2,731,019	1,238,213	1,199,303	4,729,509	4,293,111	-990,945	970,044	1,121,592	4,468,937	-4,126,583
Total Expenditures	61,556,939	56,245,054	58,107,525	65,286,565	70,634,460	72,000,082	76,169,808	77,591,093	82,957,817	84,441,766
% Increase	-5.82%	-8.63%	3.31%	12.35%	8.19%	1.93%	5.79%	1.87%	6.92%	1.79%
\$ Increase	-3,807,184	-5,311,886	1,862,471	7,179,040	5,347,895	1,365,623	4,169,726	1,421,284	5,366,725	1,483,949

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. We typically use the current year budget to prepare the forecast but due to the delay caused by the COVID-19 pandemic, we prepared this forecast of General Fund revenues and expenditures to include the FY21 proposed budget and an 8-year forecast through FY29.

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:

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Ad Valorem Tax Increase	2.15%	2.55%	4.13%	4.88%	3.88%	2.99%	1.58%	2.42%
General Inflation	1.60%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Salaries & Wages	4.59%	4.80%	2.06%	3.97%	4.34%	4.28%	4.38%	4.36%
Health Insurance	6.00%	6.00%	6.00%	5.87%	5.75%	5.62%	5.49%	5.49%
Pension (ADEC)	2.73%	3.74%	4.93%	4.47%	3.43%	-1.19%	-7.31%	-4.05%
Other Employee Benefits	3.99%	4.61%	5.50%	3.72%	4.24%	4.35%	4.45%	4.46%
Property Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Liability Insurance	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
W/C Insurance	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. The forecast was prepared using property tax to balance the budget. The percentage increases for ad valorem taxes are shown in the table above. This will not be the ultimate result in future years. The forecast for all revenue categories are described in greater detail later in this section.

The assumption for inflation for FY22 is 1.6% and 2.0% for all years thereafter is based upon the forecast in the *Livingston Survey* issued by the Federal Reserve Bank of Philadelphia. The salary and wage assumption is based upon the most recent compensation and benefits study in FY20 and average annual increases for all employee groups and forecasted retirements from FY22 through FY29. The health insurance forecast assumption is based upon input from our health consultant’s actuary. The pension forecast assumptions were updated by the Town’s pension actuary to include

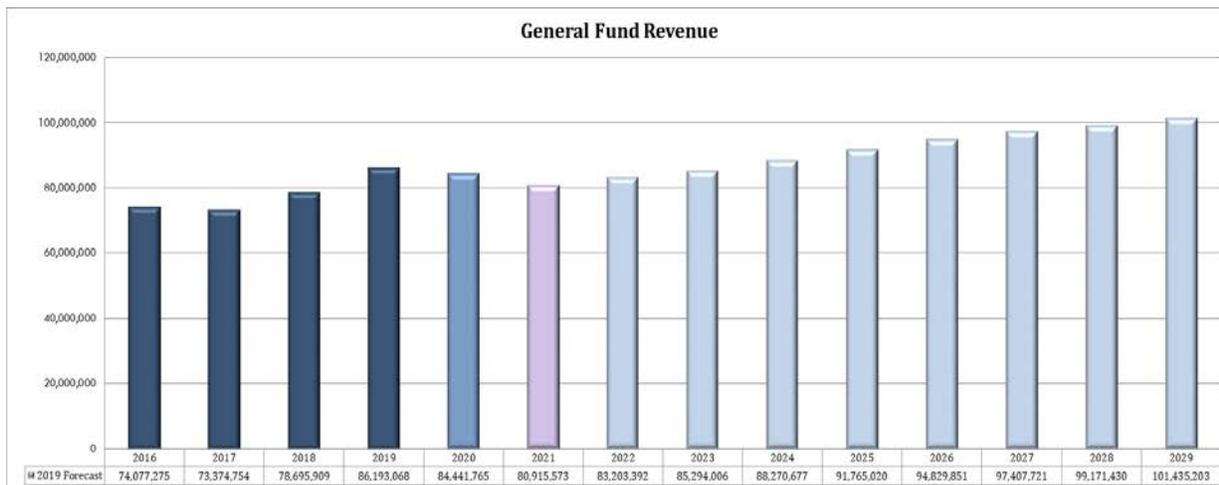
the results of the compensation study results. The other employee benefit assumptions have been calculated based upon anticipated retirements and other inflation factors and does not include health insurance. Property, Liability and Workmen’s Compensation insurance assumptions are based upon information received from our brokers regarding potential increases.

2020 Forecast

The forecast charts shown on the following pages include actual results for 2016-2019 shown in dark blue, the FY20 budget, shown in medium blue and the proposed FY21 budget shown in violet, and then forecasts through FY29 shown in light blue. The forecast maintains service levels, funds the additional contribution of \$5,420,000 for the retirement program, and contains the results of the compensation and benefits study.

General Fund Revenue Forecast

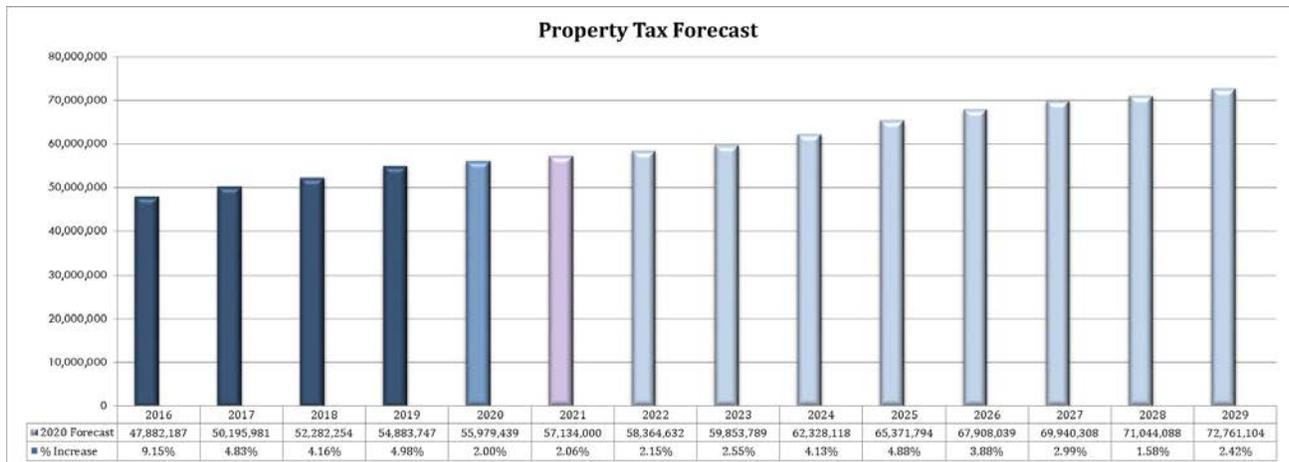
The forecast for revenues is conservative and should allow for minor fluctuations in various revenue sources. The forecast details for each major revenue category are included in this analysis. The forecast chart below contains the property tax increases based on the assumptions shown on the table at the beginning of the document.



Property Tax Revenue

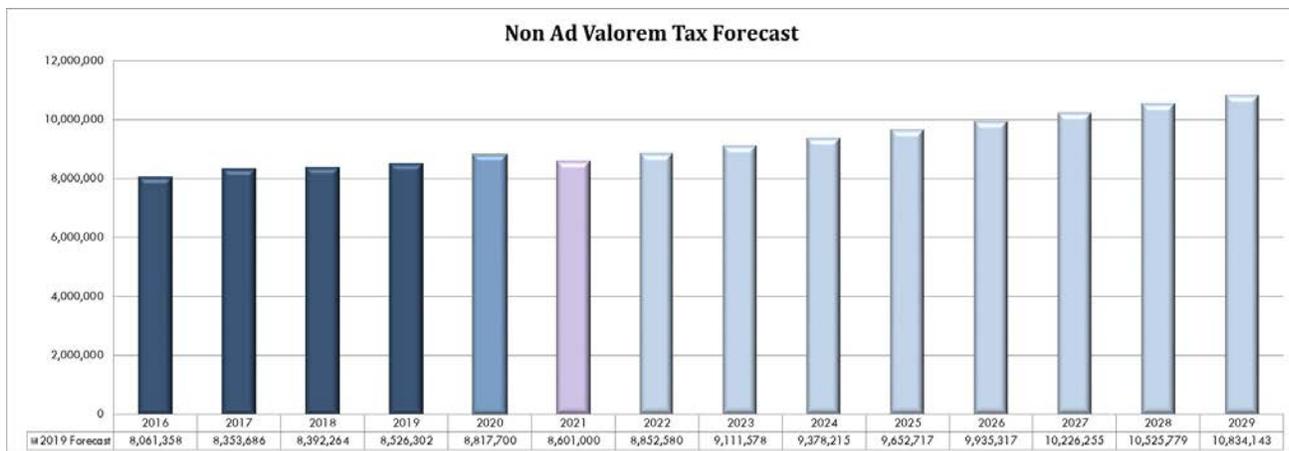
As mentioned earlier, we used ad valorem property taxes as the plug to balance the budget for the forecast years of FY22 through FY29. Over the past 5 years, taxable value has increased by 32.66% an average of 6.53% per year. The taxable value increase for FY21 was 4.68%. Over the past five years, the Town portion of the property tax bill for a \$1,000,000 homesteaded property has decreased by \$116. As of FY20, the total ad valorem tax bill including all taxing districts declined by \$7.32 per million of taxable value over the same five year period. In FY20, the school district millage increased based on a voter approved tax increase which caused the overall tax bill for a \$1

million homestead property owner to increase by \$1,123 in FY20. Prior to FY20, the total bill had decreased \$1,131 since 2016.



Non Ad Valorem Taxes

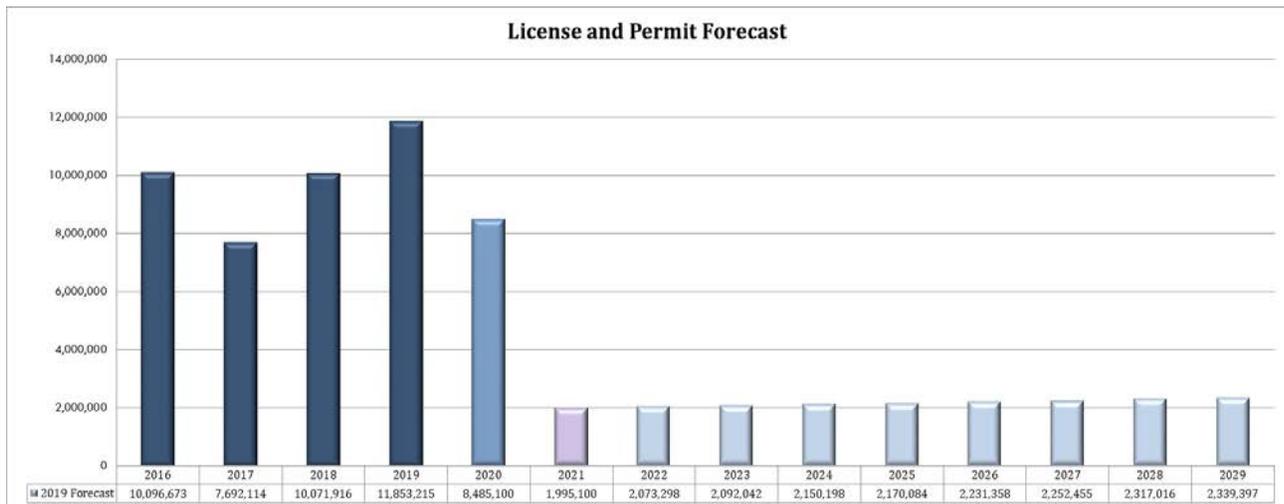
Non ad valorem taxes include local option gas taxes, franchise fees and utility service taxes. The forecast has increased because recent revenue collections have improved. The forecast and trend chart is shown below:



License and Permit Revenue

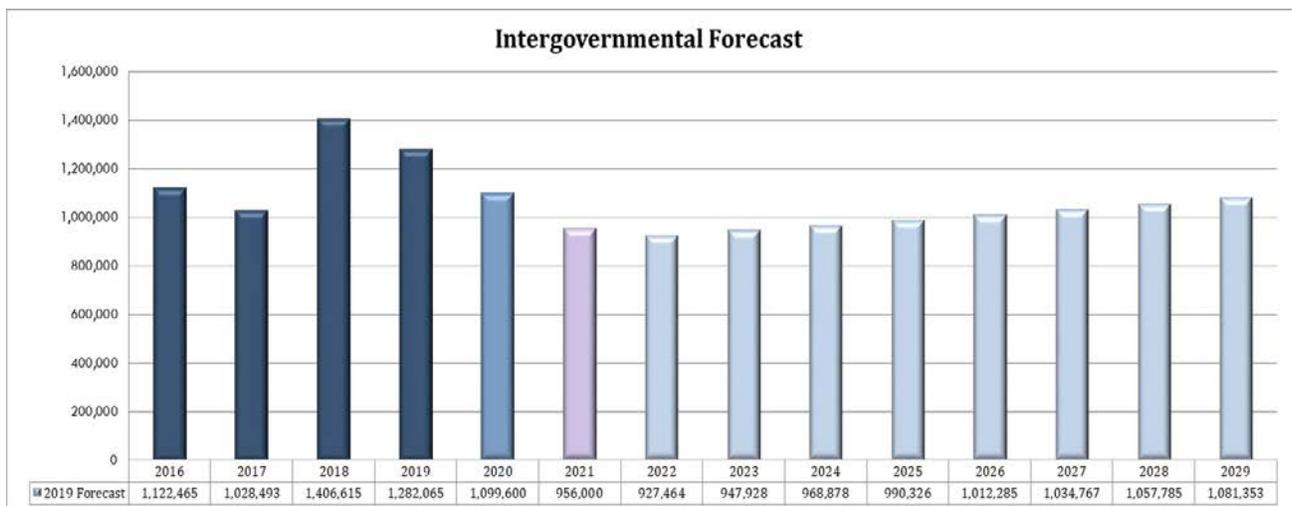
License and permit revenue includes business licenses, building permit revenues and parking permits.

The chart on the following page shows record years for these revenues sources in FY16, FY18 and FY19. In FY20, revenues are expected to be lower due to the COVID-19 shutdown. For FY21 through 29, the building permit related revenues have been transferred to the Building Enterprise Fund. The forecast below is for the remaining non-building permit revenues.



Intergovernmental Revenue

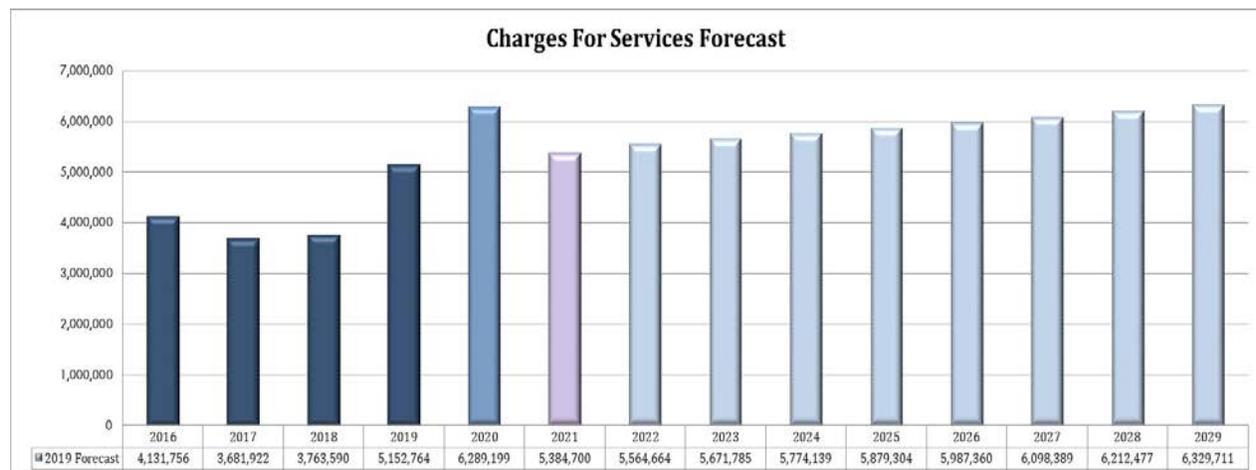
Intergovernmental revenue includes revenue received from Federal, State, County and local government sources. Revenues from the State of Florida include State revenue sharing, local government sales tax and alcoholic beverage licenses. Local revenues include County occupational license revenue, and the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



The forecast for intergovernmental revenues has decreased for FY21 and FY22 based on revenues received from the State of Florida for sales tax and revenue sharing. FY18 contained grant funds from FEMA and the Federal Government. The updated forecast for all other revenues anticipates a small inflationary increase per year.

Charges for Services

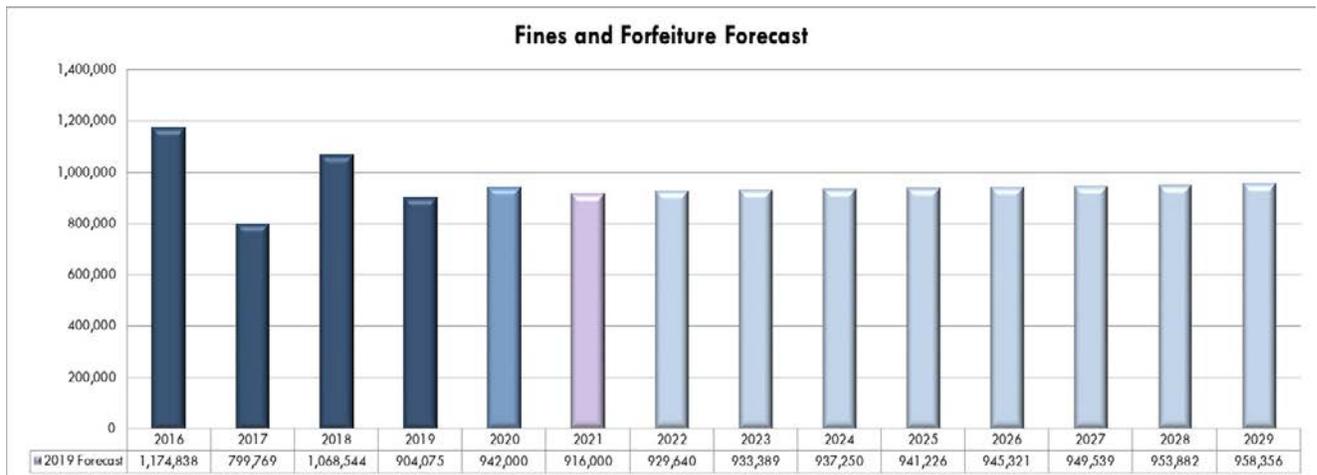
Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The updated forecast reflects the increase in special assignment overtime for two new large contracts. This revenue source offsets increased expenditures in the salary and wage budget in the police department. If the contracts were not renewed and the revenue was lost, the expenditures would also decline by approximately the same amount. This category also includes the estimates for the revenue for the new Recreation Center beginning in FY20. The forecast for these revenue sources reflect small inflationary increases.



Fines and Forfeitures

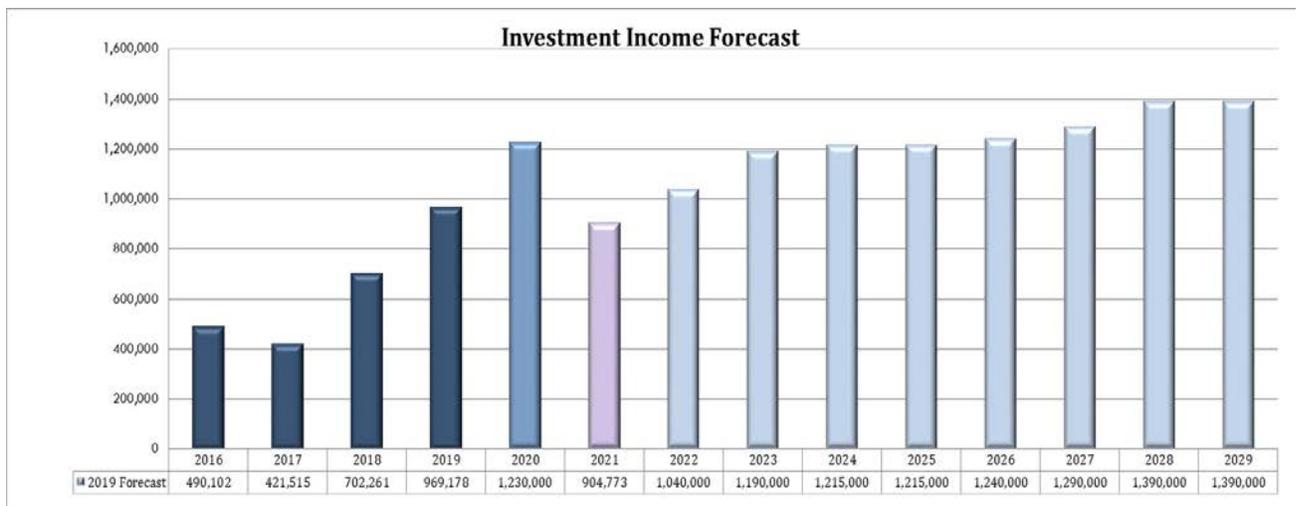
Fine and Forfeiture revenue includes traffic violation fines and penalties, parking fines and penalties and code enforcement violation fines.

Revenues from these sources have been variable and have declined in recent years. There have been several recent vacancies in parking enforcement and officers have been pulled from their duties to handle traffic duty during presidential visits. In addition, the new parking meter system allows a customer to update their meter time on their mobile device, so fewer tickets are being issued for parking meters. The downward forecast in these revenues from FY20 reflect the current status.



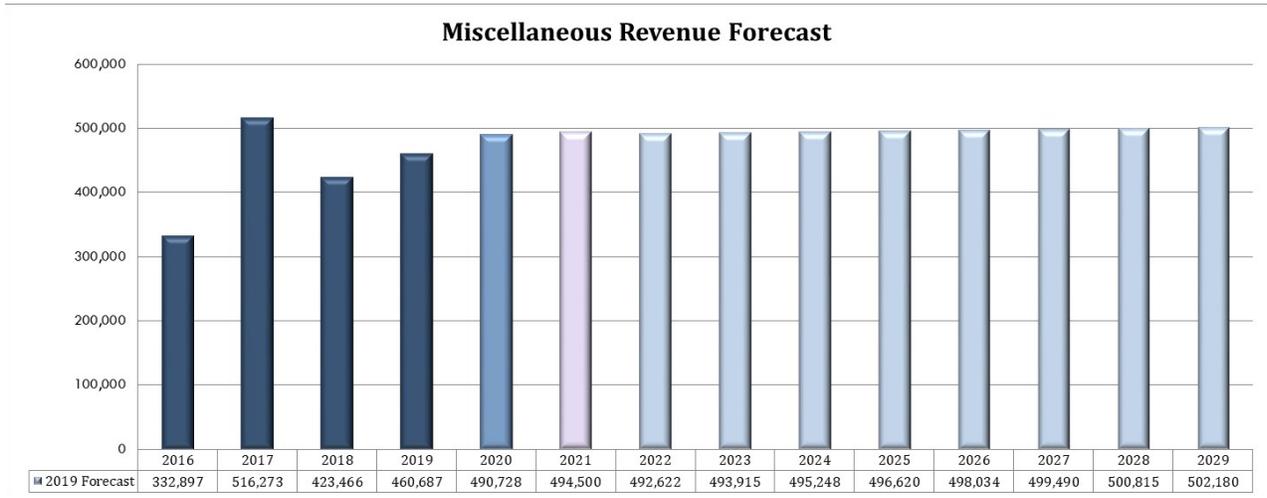
Investment Income

Investment returns started to increase due to rising interest rates. The Federal Reserve cut interest rates in response to the COVID-19 pandemic recession, so we have lowered our FY21 budget and future forecast for lower rates for the near term. The Investment Advisory Committee and our investment consultants are monitoring the situation closely and will adjust the duration of the portfolios as required.



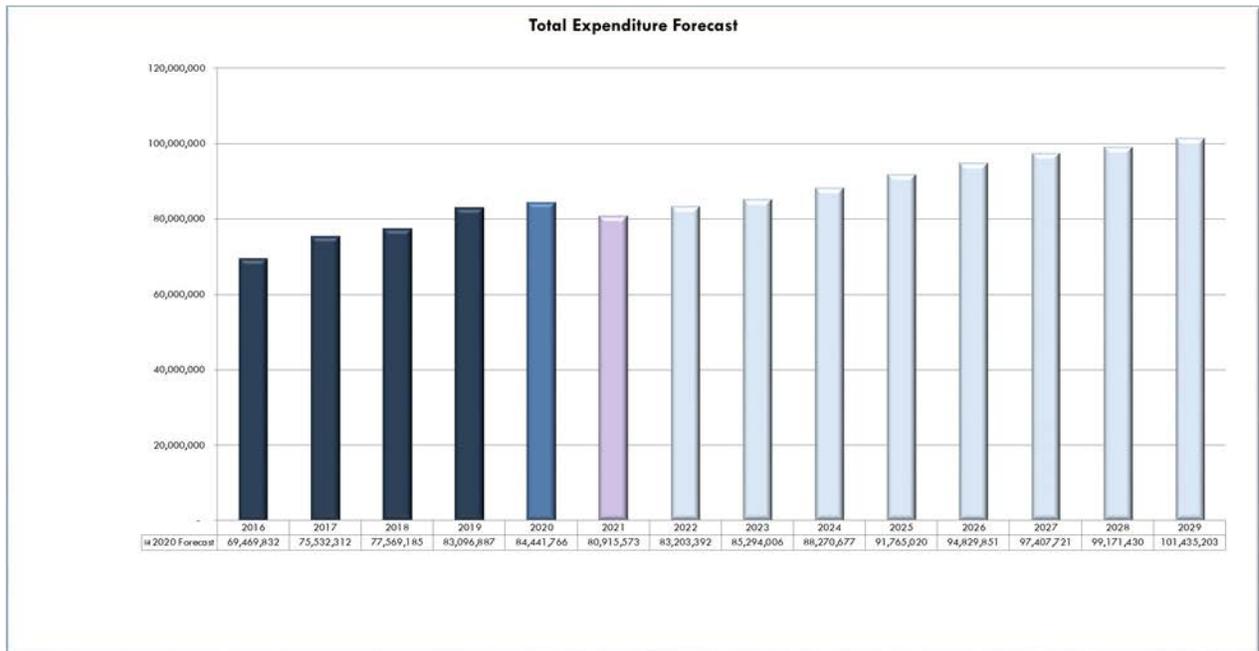
Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. The increase in the FY20 budget and future forecast is due to new revenue from the p-card rebate program, and higher than anticipated DC forfeiture funds.



Total General Fund Expenditures

The 2020 forecast contains the results of the compensation and benefit study and additional funding of \$5,420,000 annually for the pension fund. In addition, the forecast reflects the expenditure increase assumptions outlined earlier in this section. The charts in this section include four years of actual data from 2016-2019 in dark blue, the FY20 budget in medium blue, the proposed FY21 budget in violet and the forecast through FY29 in light blue. The forecast has been updated to reflect the transfer of the Building Permit related expenses to the new Building Enterprise Fund beginning in FY21.



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 compensation study results and the change to the merit system and new step program including COLA on October 1st of each year. In recent years expenditures have come in well below budget due to vacancies from retirements and turnover. We expect the FY20 actual costs to be below the budget amount. For FY21, a COLA increase was not included due to the negative CPI. The chart on the following page shows the forecast and past trends.

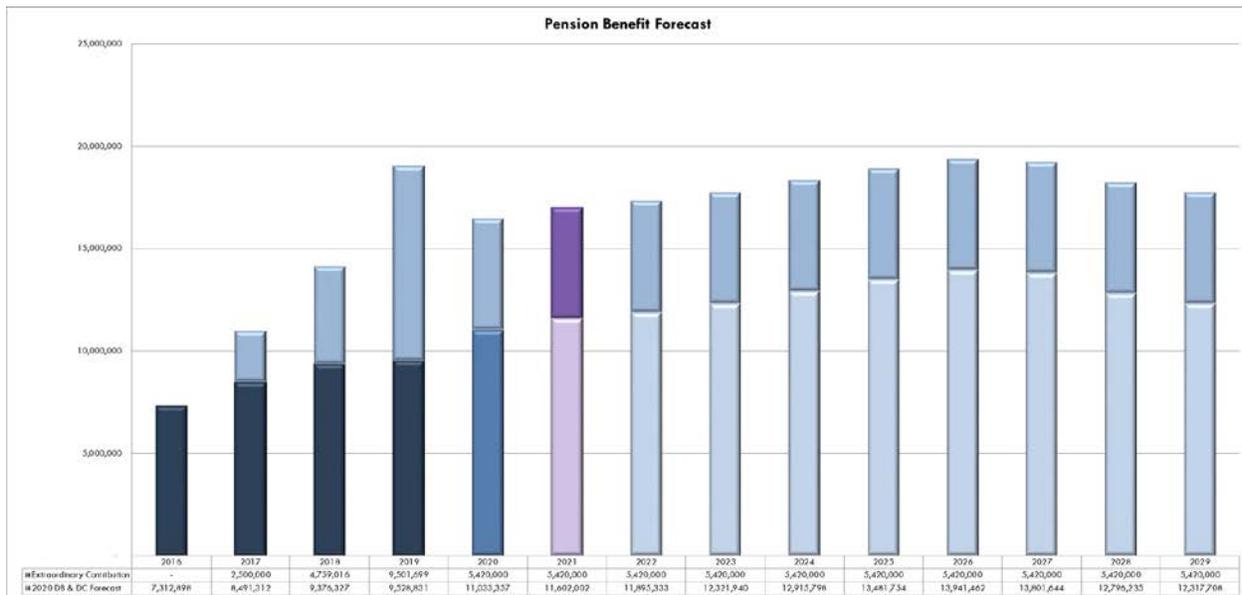


Reduced staffing has improved the salary forecast over recent years. The 2020 forecast contains the personnel cuts that have been made in FY21 and the reductions planned through attrition in future years. The average increase throughout the forecast period is 4.4% for total salary and wages.

Pension Benefits

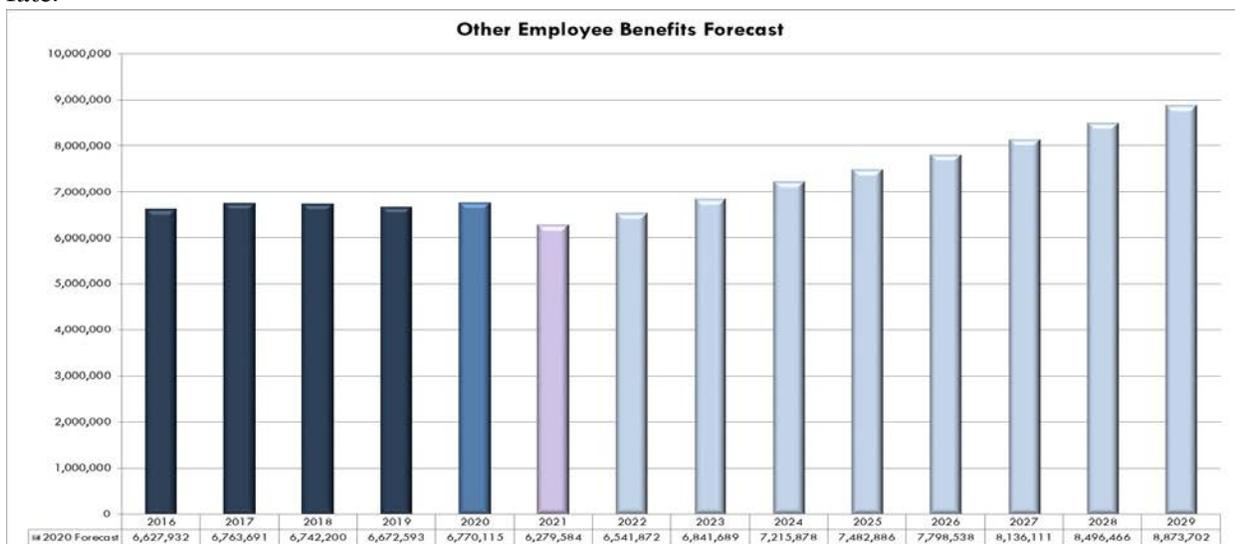
The pension estimate is based upon the actuary’s forecast for pension costs for the annual required contribution and estimates for the General Employee DC contributions. The forecast for annual contributions has been updated to include the compensation study results and the benefit changes for police officers and firefighters.

The forecast reflects the Town’s Retirement Board recommended a change in the investment assumption from 7.0% to 6.0% over a 5-year period, the change in the payroll growth assumption, the increase in the wage growth assumption and the new mortality tables. The actuary forecasts the costs to decline over the 10-year period if all assumptions are met. The FY19 extraordinary contribution includes additional funds paid into the system for the new amortization and the prepayment of the UAAL for the effects of the compensation study.



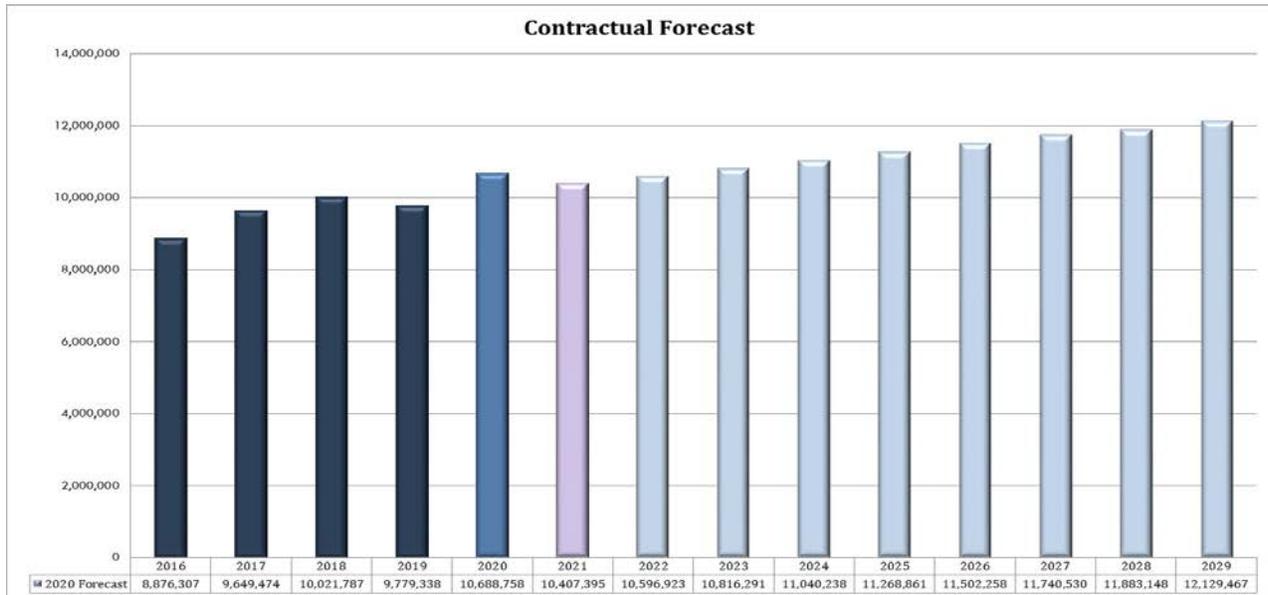
Other Employee Benefits

Other Employee Benefits includes all other benefits including health insurance. Health insurance costs have remained flat for six years. To be conservative, the health insurance forecast reflects an increase of 6.0% for FY22 – FY24, then reductions through the forecast period to 5.49%. The Town’s actuary for the health plan provided the health insurance forecast. Other employee benefits (including FICA, longevity, incentives, and allowances) are expected to increase at a much lower rate.



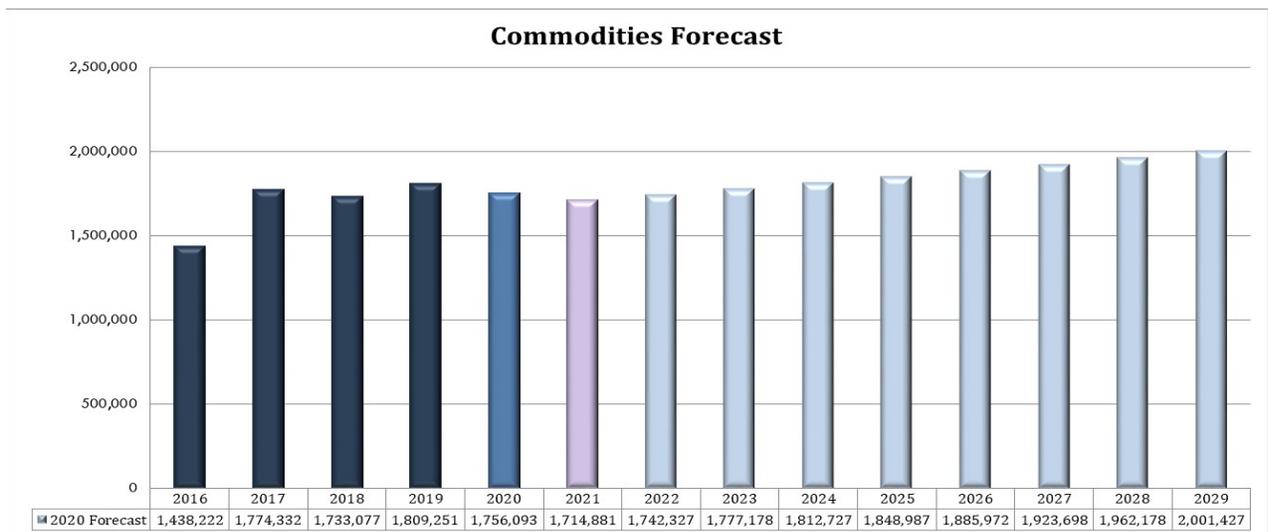
Contractual

The contractual costs have increased due to increases in software maintenance agreements, sanitary sewer treatment costs, landscape maintenance and the addition of Recreation Department expenses. Contractual expenditures are forecasted to increase by the rate of inflation.



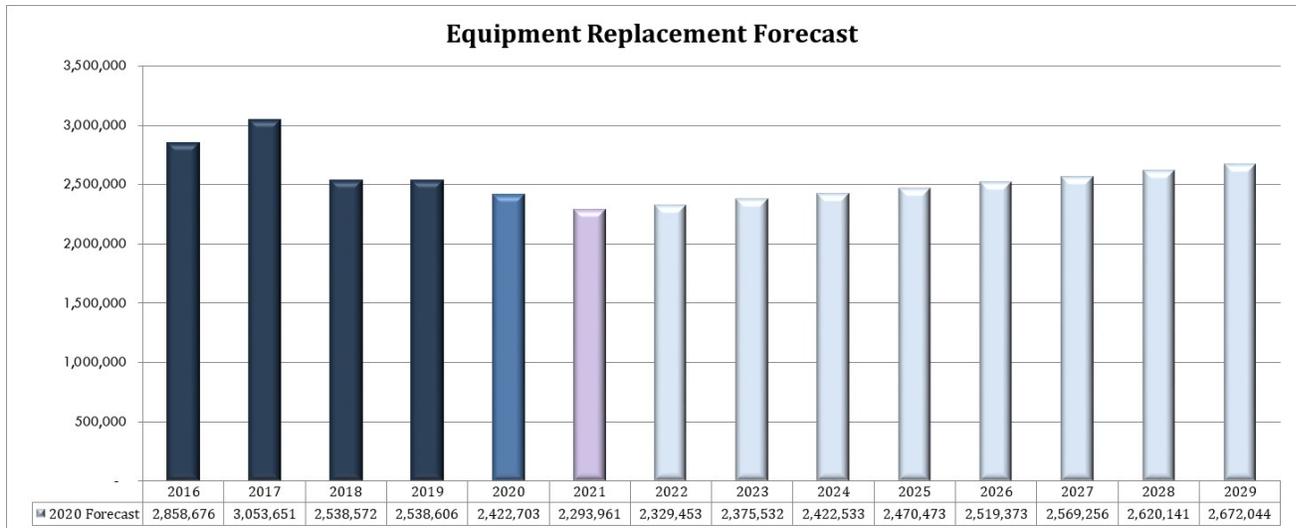
Commodities

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 reduction in expenses represent an overall town effort to reduce expenses wherever possible.



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. There were large capital purchases in FY17 in the Police and Fire-Rescue Departments that caused the spike in each year.



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.



- In FY17, the transfer to the Capital Improvement Program increased by \$1,260,200. This transfer is intended to begin to build reserves for capital projects in the pay-as-you-go fund once the ACIP bond funds have been spent at the end of 2019. The forecast assumes a 10% increase per year until 2027 then a 5% increase thereafter. The increases are in anticipation of the need to increase funding in the Capital Improvement fund going forward to move toward pay-as-you-go funding for capital improvement projects.
- 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. In FY20 the transfer was reduced by \$369,413 and in FY21 the budget was reduced to the original \$4,777,000 because of the award of FEMA, Federal and State grant funding. The forecast for FY22 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 budget for FY21 was reduced due to the refunding of the balance of the 2010A bonds and the 2013 bonds. The forecast includes the debt service on both the 2016 and 2019 bonds which are paid mostly from General Fund revenues.
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 2% per year, and Worker's Compensation 3% per year throughout the forecast period.
- Retiree Health Insurance is based upon a forecast for Town Contributions prepared by the Town's actuary. Due to the over funded status of this trust the transfer has been reduced to \$423,014 in FY20. The actuary calculated the amounts in the forecast to keep the plan 100% funded if the investment return assumption is set at 6%.
- The General Fund contingency appropriation has been estimated to be 1% 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 policy was modified to reduce the appropriation from 1.5% to 1% in FY18.
- The Town's contribution to the Four Arts Library is forecasted to increase by CPI capped at 3% per year.

**Town of Palm Beach
Revenue Forecast
FY20 - FY29**

Analysis of Revenues by Category Revenue Sources	2020 Budget	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated	2027 Estimated	2028 Estimated	2029 Estimated
Ad Valorem Revenues	55,979,439	57,134,000	58,364,632	59,853,789	62,328,118	65,371,794	67,908,039	69,940,308	71,044,088	72,761,104
% Increase	2.00%	2.06%	2.15%	2.55%	4.13%	4.88%	3.88%	2.99%	1.58%	2.42%
\$ Increase	1,095,692	1,154,561	1,230,632	1,489,157	2,474,329	3,043,677	2,536,244	2,032,269	1,103,780	1,717,016
Non Ad Valorem Taxes	8,817,700	8,601,000	8,852,580	9,111,578	9,378,215	9,652,717	9,935,317	10,226,255	10,525,779	10,834,143
% Increase	3.42%	-2.46%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%
\$ Increase	291,398	-216,700	251,580	258,998	266,637	274,502	282,600	290,938	299,524	308,364
Licenses and Permits	8,485,100	1,995,100	2,073,298	2,092,042	2,150,198	2,170,084	2,231,358	2,252,455	2,317,016	2,339,397
% Increase	-28.42%	-76.49%	3.92%	0.90%	2.78%	0.92%	2.82%	0.95%	2.87%	0.97%
\$ Increase	-3,368,115	-6,490,000	78,198	18,744	58,156	19,885	61,275	21,096	64,561	22,381
Intergovernmental Revenue	1,099,600	956,000	927,464	947,928	968,878	990,326	1,012,285	1,034,767	1,057,785	1,081,353
% Increase	-14.23%	-13.06%	-2.98%	2.21%	2.21%	2.21%	2.22%	2.22%	2.22%	2.23%
\$ Increase	-182,465	-143,600	-28,536	20,464	20,950	21,448	21,959	22,482	23,018	23,568
Charges for Services	6,289,199	5,384,700	5,564,664	5,671,785	5,774,139	5,879,304	5,987,360	6,098,389	6,212,477	6,329,711
% Increase	22.05%	-14.38%	3.34%	1.93%	1.80%	1.82%	1.84%	1.85%	1.87%	1.89%
\$ Increase	1,136,435	-904,499	179,964	107,121	102,354	105,165	108,056	111,029	114,088	117,234
Fines and Forefeitures	942,000	916,000	929,640	933,389	937,250	941,226	945,321	949,539	953,882	958,356
% Increase	4.19%	-2.76%	1.49%	0.40%	0.41%	0.42%	0.44%	0.45%	0.46%	0.47%
\$ Increase	37,925	-26,000	13,640	3,749	3,861	3,976	4,095	4,218	4,344	4,473
Interest Income	1,230,000	904,773	1,040,000	1,190,000	1,215,000	1,215,000	1,240,000	1,290,000	1,390,000	1,390,000
% Increase	26.91%	-26.44%	14.95%	14.42%	2.10%	0.00%	2.06%	4.03%	7.75%	0.00%
\$ Increase	260,822	-325,227	135,227	150,000	25,000	0	25,000	50,000	100,000	0
Miscellaneous and Transfers	515,728	3,719,500	4,302,622	4,328,915	4,330,248	4,331,620	4,333,034	4,359,490	4,385,815	4,437,180
% Increase	-80.33%	621.21%	15.68%	0.61%	0.03%	0.03%	0.03%	0.61%	0.60%	1.17%
\$ Increase	-2,105,994	3,203,772	583,122	26,293	1,333	1,372	1,414	26,456	26,325	51,365
Transfers from Fund Balance	1,083,000	1,304,500	1,148,492	1,164,580	1,188,632	1,212,950	1,237,138	1,256,519	1,284,588	1,303,958
% Increase	-20.99%	20.45%	-11.96%	1.40%	2.07%	2.05%	1.99%	1.57%	2.23%	1.51%
\$ Increase	-287,789	221,500	-156,008	16,088	24,052	24,318	24,188	19,381	28,069	19,370
Total Revenues	84,441,766	80,915,573	83,203,392	85,294,006	88,270,677	91,765,020	94,829,851	97,407,721	99,171,430	101,435,203
% Increase	-3.57%	-4.18%	2.83%	2.51%	3.49%	3.96%	3.34%	2.72%	1.81%	2.28%
\$ Increase	-3,122,091	-3,526,193	2,287,819	2,090,614	2,976,671	3,494,343	3,064,831	2,577,870	1,763,710	2,263,772

**Town of Palm Beach
Expenditure Forecast
FY20- FY29**

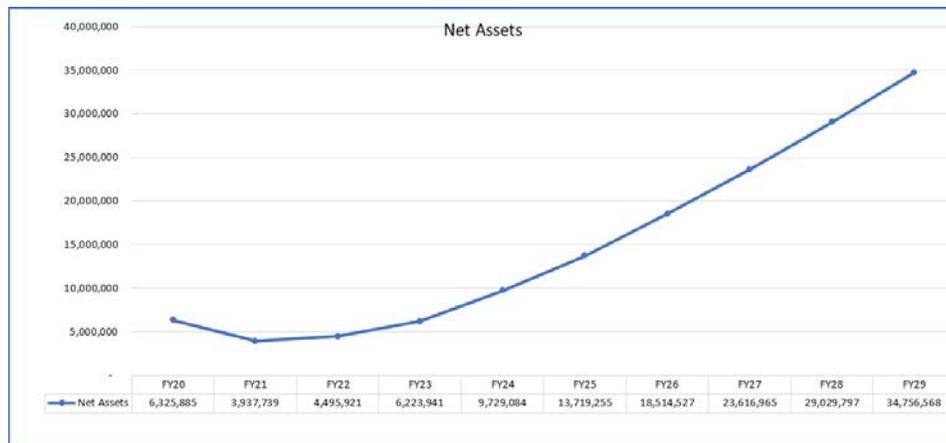
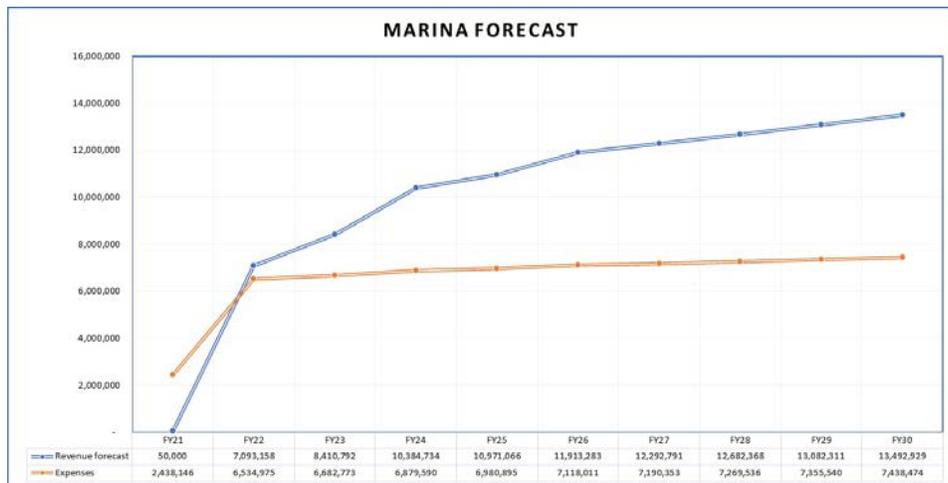
Analysis of Expenses by Category Expenditure Categories	2020 Budget	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated	2027 Estimated	2028 Estimated	2029 Estimated
Salaries/Wages	28,004,601	26,512,380	27,569,524	28,141,972	29,262,992	30,539,101	31,852,537	33,254,145	34,711,835	36,211,280
% Increase	12.43%	-5.33%	3.99%	2.08%	3.98%	4.36%	4.30%	4.40%	4.38%	4.32%
\$ Increase	3,095,395	-1,492,221	1,057,144	572,447	1,121,021	1,276,109	1,313,436	1,401,608	1,457,690	1,499,444
Pension Benefits	10,474,061	11,099,260	11,376,360	11,793,745	12,368,536	12,912,678	13,350,195	13,187,217	12,157,767	11,654,490
% Increase	15.47%	5.97%	2.50%	3.67%	4.87%	4.40%	3.39%	-1.22%	-7.81%	-4.14%
\$ Increase	1,402,907	625,199	277,100	417,386	574,790	544,142	437,517	-162,978	-1,029,450	-503,277
DC Plan	559,296	502,742	518,974	528,194	547,263	569,076	591,267	614,427	638,468	663,218
% Increase	22.20%	-10.11%	3.23%	1.78%	3.61%	3.99%	3.90%	3.92%	3.91%	3.88%
\$ Increase	101,619	-56,554	16,232	9,221	19,068	21,813	22,191	23,159	24,042	24,750
Other Employee Benefits	6,770,115	6,279,584	6,541,872	6,841,689	7,215,878	7,482,886	7,798,538	8,136,111	8,496,466	8,873,702
% Increase	1.46%	-7.25%	4.18%	4.58%	5.47%	3.70%	4.22%	4.33%	4.43%	4.44%
\$ Increase	97,522	-490,531	262,288	299,817	374,189	267,008	315,653	337,573	360,355	377,236
Contractual	10,682,513	10,407,395	10,596,923	10,816,291	11,040,238	11,268,861	11,502,258	11,740,530	11,883,148	12,129,467
% Increase	9.24%	-2.58%	1.82%	2.07%	2.07%	2.07%	2.07%	2.07%	1.21%	2.07%
\$ Increase	903,175	-275,118	189,528	219,368	223,947	228,623	233,397	238,272	142,618	246,319
Commodities	1,753,420	1,712,155	1,739,556	1,774,353	1,809,845	1,846,047	1,882,974	1,920,639	1,959,058	1,998,245
% Increase	-3.09%	-2.35%	1.60%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ Increase	-55,831	-41,265	27,401	34,796	35,492	36,202	36,927	37,665	38,419	39,187
Equipment Replacement	2,422,703	2,293,961	2,329,453	2,375,532	2,422,533	2,470,473	2,519,373	2,569,256	2,620,141	2,672,044
% Increase	-4.57%	-5.31%	1.55%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
\$ Increase	-115,903	-128,742	35,492	46,079	47,001	47,941	48,899	49,883	50,885	51,903
Library Services	352,650	352,650	363,230	374,126	385,350	396,911	408,818	421,083	433,715	446,726
% Increase	2.20%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	7,592	0	10,580	10,897	11,224	11,561	11,907	12,265	12,632	13,011
TOTAL OPERATING EXPENSES	61,019,359	59,160,127	61,035,892	62,645,903	65,052,635	67,486,033	69,905,960	71,843,408	72,900,598	74,649,172
% Increase	9.78%	-3.05%	3.17%	2.64%	3.84%	3.74%	3.59%	2.77%	1.47%	2.40%
\$ Increase	5,436,476	-1,859,232	1,875,765	1,610,011	2,406,732	2,433,398	2,419,928	1,937,447	1,057,191	1,748,574
TRANSFER TO OTHER FUNDS										
CAPITAL IMPROV. FUND (307)	2,420,000	2,662,000	2,928,200	3,221,020	3,543,122	3,897,434	4,287,178	4,715,895	5,187,485	5,446,859
COASTAL PROTECTION FUND (309)	6,520,211	4,777,000	4,920,310	5,067,919	5,219,957	5,376,556	5,537,852	5,703,988	5,875,107	6,051,361
TRANSFER TO UU FUND	144,450	165,000	176,550	188,909	202,132	216,281	231,421	0	0	0
EXTRAORDINARY TRANSFER TO RETIRE	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000	5,420,000
DEBT SERVICE FUND (203)	5,983,913	5,691,148	5,646,719	5,640,423	5,648,771	5,658,776	5,667,781	5,858,767	5,854,128	5,855,211
RETIREE HEALTH INS.(OPEB) (610)	423,014	429,858	402,178	384,768	391,956	842,833	829,891	816,793	792,449	768,629
RISK-W/C, LIAB.PROP. (501)	1,900,819	2,010,439	2,063,184	2,098,605	2,141,578	2,192,247	2,250,708	2,330,436	2,412,656	2,497,479
CONTINGENT APPROP.	610,000	600,000	610,359	626,459	650,526	674,860	699,060	718,434	729,006	746,492
Total Transfers and Other	23,422,407	21,755,445	22,167,500	22,648,103	23,218,043	24,278,987	24,923,890	25,564,313	26,270,832	26,786,031
% Increase	-14.87%	-7.12%	1.89%	2.17%	2.52%	4.57%	2.66%	2.57%	2.76%	1.96%
\$ Increase	-4,091,596	-1,666,962	412,055	480,603	569,940	1,060,945	644,903	640,423	706,519	515,199
Total Expenditures	84,441,766	80,915,573	83,203,392	85,294,006	88,270,677	91,765,020	94,829,851	97,407,721	99,171,430	101,435,203
% Increase	1.62%	-4.18%	2.83%	2.51%	3.49%	3.96%	3.34%	2.72%	1.81%	2.28%
\$ Increase	1,344,880	-3,526,194	2,287,820	2,090,613	2,976,672	3,494,343	3,064,830	2,577,870	1,763,709	2,263,773

Enterprise Fund Forecast

Marina

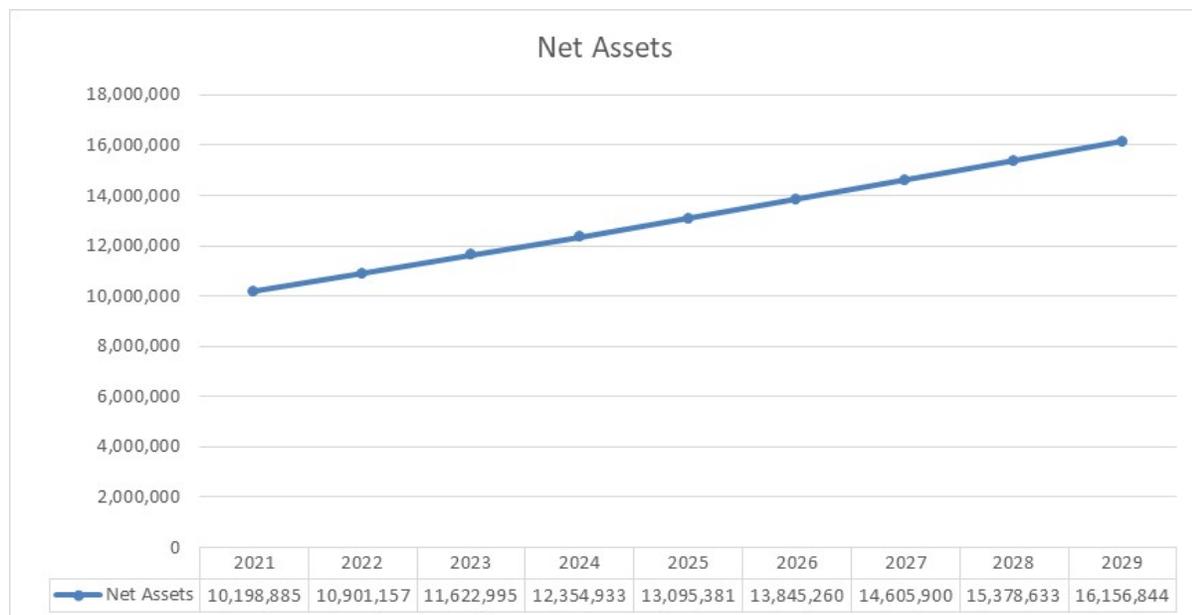
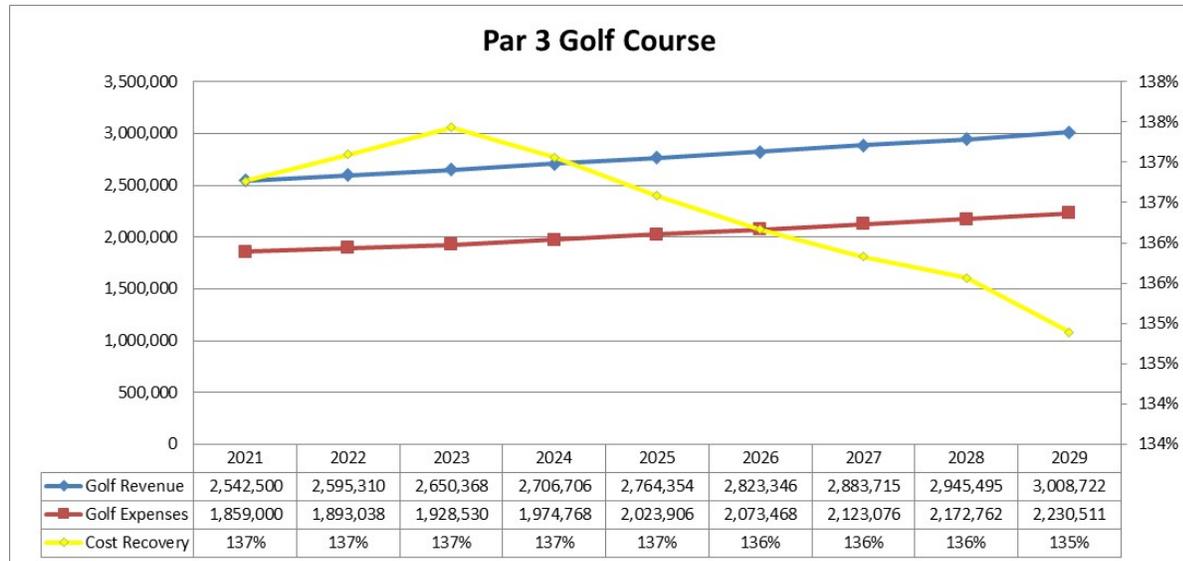
The Town Marina forecast was recently updated by USMG. The forecast covered a 5 year period. Staff has updated the forecast with FY21 budget information and extended it out to FY29. For FY21, the marina will be closed for construction and is scheduled to open in the fall of 2021. In FY21 the revenues include waiting list deposits and expenditures relate to the remaining personnel, submerged land lease and other small expenses. There will also be debt service costs and depreciation costs if the project is completed before fiscal year end.

The revenue forecast through year 5 was prepared by USMG, for the remaining years of the forecast lease revenues were increased by 3% per year. The forecast used the same assumptions for expenses as were used in the General Fund. The debt service cost represent the scheduled bond payments. The transfer to the General Fund represents a transfer to partially cover services that the General Fund provides to the marina. A summary of the forecast is included in this section. The charts below shows the forecast for revenues and expenditures and net assets through FY29. The net asset forecast assumes the profits of the fund will not be transferred out for other purposes.



Par 3 Golf Course

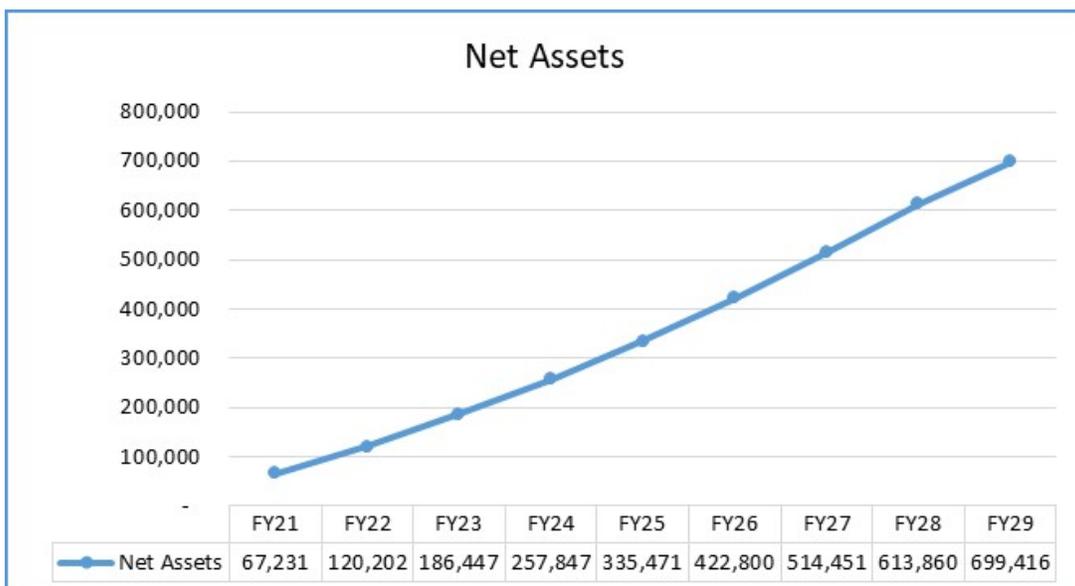
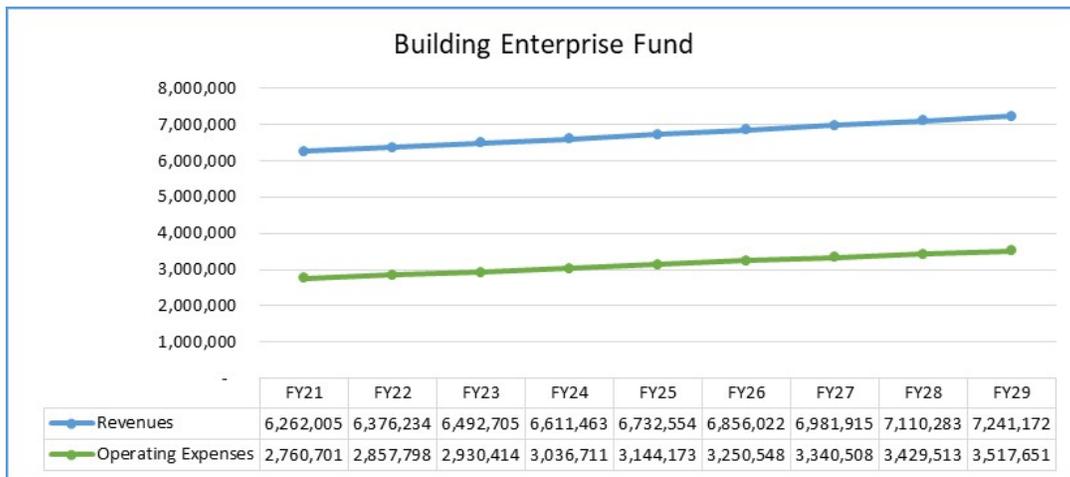
Revenue projections are based on an improving economy after the pandemic, strategic price increases, growth in play and increased merchandise sales. Once the course reopened, demand for use has been very high, so we expect improved performance in future years. Expenses increase due to operating costs for the new clubhouse, and gradual increases for costs of goods, services, and salaries/benefits. The net assets include the investment in the capital assets which include the course and clubhouse.



Building Enterprise Fund

The Building Enterprise Fund is being created this year to account for all building permit revenue and expenses and allow for greater transparency as required by the State of Florida. During FY20, a cost allocation study was performed to confirm the appropriate permit fee multiplier to stay consistent with Florida Statutes and to provide the basis for implementing reduced permit fees for owners and contractors that choose to use private providers on their construction projects.

The forecast for revenues are conservatively estimated to increase by 1.82% to 1.84% throughout the forecast period. The forecast for expenses is based on the assumptions used for the General Fund. The expenses also include a transfer to the General Fund which is for the allocated costs for services that the General Fund provides to the building permit process.



**Marina Fund
Revenue/Expense Forecast**

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Marina Income									
Annual/Seasonal Lease Revenue	-	5,389,423	6,422,391	8,032,722	8,391,192	9,109,485	9,382,769	9,664,252	9,954,180
Transient Rental	-	1,002,235	1,181,701	1,437,812	1,563,924	1,683,798	1,734,312	1,786,341	1,839,932
Sub-Total Dockage revenues		6,391,658	7,604,092	9,470,534	9,955,116	10,793,283	11,117,081	11,450,594	11,794,111
Tender revenue		36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Utility Reimbursement		621,000	687,700	756,700	819,950	885,500	903,210	921,274	939,700
Investment Income		38,000	76,000	114,000	152,000	190,000	228,000	266,000	304,000
Miscellaneous Revenue	50,000	6,500	7,000	7,500	8,000	8,500	8,500	8,500	8,500
TOTAL REVENUE	50,000	7,093,158	8,410,792	10,384,734	10,971,066	11,913,283	12,292,791	12,682,368	13,082,311
Total Occupancy Expectation	0.0%	62.1%	72.5%	83.8%	88.9%	93.7%	95.0%	95.0%	95.0%

Marina Expenses									
Salaries and Wages	162,234	285,000	299,250	314,213	329,923	346,419	363,740	381,927	401,024
Employee Benefits	73,877	125,400	131,670	138,254	145,166	152,424	160,046	168,048	176,450
Contractual Costs	548,400	1,456,990	1,570,818	1,733,988	1,804,844	1,909,409	1,956,334	2,004,430	2,053,730
Total Marina Expenses	784,511	1,867,390	2,001,738	2,186,454	2,279,933	2,408,253	2,480,119	2,554,405	2,631,204
FTE Count		5	5	5	5	5	5	5	5
Other Deductions									
Golf cart/vehicle expense		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Trash/Waste removal		10,000	10,000	10,000	10,000	10,000	10,200	10,404	10,612
Maintenance		12,000	20,000	25,000	26,250	27,563	28,941	30,388	31,907
Computer/Technology/Software		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Tools/Supplies		3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Travel/entertainment		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Office supplies		3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Uniforms		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Misc Expenses	9,200	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Other Deductions	9,200	51,400	59,400	64,400	65,650	66,963	68,541	70,192	71,919
Total Operating Expenses	793,711	1,918,790	2,061,138	2,250,854	2,345,583	2,475,216	2,548,660	2,624,597	2,703,123
Other Non Operating Expenses									
Capital Expense									
Debt Service	740,900	2,035,246	2,033,578	2,031,194	2,033,032	2,034,035	2,029,260	2,028,709	2,032,261
Depreciation Reserve	900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Contingency	39,686	95,939	103,057	112,543	117,279	123,761	127,433	131,230	135,156
Transfer to General Fund	-	585,000	585,000	585,000	585,000	585,000	585,000	585,000	585,000
Total Non Operating Expenses	1,680,586	4,616,185	4,621,635	4,628,736	4,635,311	4,642,795	4,641,693	4,644,939	4,652,417
Net Income	(2,424,297)	558,183	1,728,019	3,505,144	3,990,171	4,795,272	5,102,438	5,412,832	5,726,771
Beginning Unrestricted Net Assets	6,325,885	3,901,588	4,459,771	6,187,790	9,692,934	13,683,104	18,478,376	23,580,814	28,993,646
Ending Unrestricted Net Assets	3,901,588	4,459,771	6,187,790	9,692,934	13,683,104	18,478,376	23,580,814	28,993,646	34,720,418

Par 3 Golf Course - 402

	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Budget	Estimates							
Revenues									
Golf Resident Pass Fees	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Golf Non-Res. Pass Fees	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800
Golf 12 Play Passes	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501
Greens Fees	1,155,000	1,178,100	1,201,662	1,225,695	1,250,209	1,275,213	1,300,718	1,326,732	1,353,267
Golf Riding Cart Rental	357,000	367,710	378,741	390,104	401,807	413,861	426,277	439,065	452,237
Golf Pull Cart Rental	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003
Golf Driving Range	130,000	133,900	137,917	142,055	146,316	150,706	155,227	159,884	164,680
Club Rentals	80,000	82,400	84,872	87,418	90,041	92,742	95,524	98,390	101,342
Golf Teaching Services	50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583
Golf Merchandise	225,000	229,500	234,090	238,772	243,547	248,418	253,387	258,454	263,623
Golf F&B Revenue (Restaurant)	400,000	404,000	408,040	412,120	416,242	420,404	424,608	428,854	433,143
Programs & Events	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067
Golf Outings	85,000	87,550	90,177	92,882	95,668	98,538	101,494	104,539	107,675
Golf Now Transaction Fee	1,500	0	0	0	0	0	0	0	0
Electricity sales	4,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Sales Tax Commissions - Golf	500	515	530	546	563	580	597	615	633
TOTAL REVENUES	2,542,500	2,595,310	2,650,368	2,706,706	2,764,354	2,823,346	2,883,715	2,945,495	3,008,722
	3.7%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Expenses									
Salaries/Wages	552,436	566,689	576,379	595,803	617,848	640,152	662,878	686,476	710,846
Pension Benefits - DB	124,427	121,739	119,755	117,432	114,508	110,958	106,231	99,836	99,836
Pension Benefits - DC	24,725	25,363	25,797	26,666	27,653	28,651	29,668	30,724	31,815
Other Employee Benefits	138,777	144,314	150,967	158,123	165,618	173,462	181,649	190,223	199,201
Contractual	680,285	691,170	704,993	719,093	733,475	748,144	763,107	778,369	793,937
Commodities	338,350	343,764	350,639	357,652	364,805	372,101	379,543	387,134	394,876
TOTAL EXPENSES	1,859,000	1,893,038	1,928,530	1,974,768	2,023,906	2,073,468	2,123,076	2,172,762	2,230,511
	5.0%	1.8%	1.9%	2.4%	2.5%	2.4%	2.4%	2.3%	2.7%
Operating Revenues									
over/(under) Expenses	683,500	702,272	721,839	731,938	740,449	749,879	760,640	772,734	778,211
Cost Recovery %	137%	137%	137%	137%	137%	136%	136%	136%	135%
Other Non Operating Expenses									
Transfer to ERF and Golf Course Reserves	263,924	266,563	269,229	271,921	274,640	277,387	280,161	282,962	285,792
Transfer to General Fund	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Debt Service	194,813	194,688	194,313	193,688	187,938	191,938	190,563	188,938	192,138
Contingency (5% operating expenses)	92,950	94,652	96,426	98,738	101,195	103,673	106,154	108,638	111,526
Total Non Operating Expenses	576,687	580,903	584,968	589,348	588,774	597,998	601,877	605,538	614,455
TOTAL REVENUES									
OVER/(UNDER) EXPENSES	106,813	121,368	136,870	142,590	151,675	151,881	158,762	167,195	163,755
Beginning Net Assets	10,092,072	10,198,885	10,901,157	11,622,995	12,354,933	13,095,381	13,845,260	14,605,900	15,378,633
Ending Net Assets	10,198,885	10,901,157	11,622,995	12,354,933	13,095,381	13,845,260	14,605,900	15,378,633	16,156,844
Golf Course & Buildings Reserves									
Beginning Balance	1,062,148	1,046,955	994,762	749,569	774,376	927,683	1,080,990	1,234,297	1,387,604
Capital Expenses	(168,500)	(205,500)	(398,500)	(128,500)	-	-	-	-	-
Transfer to Reserve Fund	153,307	153,307	153,307	153,307	153,307	153,307	153,307	153,307	153,307
Ending Balance	1,046,955	994,762	749,569	774,376	927,683	1,080,990	1,234,297	1,387,604	1,540,911
Equipment Replacement Reserves									
Beginning Balance	580,258	588,425	651,254	666,340	733,728	753,463	825,593	850,166	927,230
Equipment Replacement Purchases	(102,450)	(50,000)	(100,000)	(50,000)	(100,000)	(50,000)	(100,000)	(50,000)	(100,000)
Transfer to Reserve Fund	110,617	112,829	115,086	117,388	119,735	122,130	124,573	127,064	129,605
Ending Balance	588,425	651,254	666,340	733,728	753,463	825,593	850,166	927,230	956,836

Building Enterprise Fund

Revenues	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Town Plan Review and Town Inspection	5,500,000	5,610,000	5,722,200	5,836,644	5,953,377	6,072,444	6,193,893	6,317,771	6,444,127
Permit Processing	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Permit Penalty	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Reinspection Fees	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Contractor Registration Fee	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Permit Revision Fee	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Flood Plain Management Fee	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Right of Way Permits	393,400	397,334	401,307	405,320	409,374	413,467	417,602	421,778	425,996
Building Insp Fund Fees	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Radon Gas	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ROW Violations	29,505	29,800	30,098	30,399	30,703	31,010	31,320	31,633	31,950
Building permit search fee	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Miscellaneous Revenue	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Revenue	6,262,005	6,376,234	6,492,705	6,611,463	6,732,554	6,856,022	6,981,915	7,110,283	7,241,172
		1.82%	1.83%	1.83%	1.83%	1.83%	1.84%	1.84%	1.84%
Expenses									
Salaries and Wages	1,418,123	1,454,711	1,479,586	1,529,448	1,586,038	1,643,294	1,701,631	1,762,209	1,824,767
Pension - DB	311,629	346,157	362,358	382,686	403,274	419,002	415,650	407,462	395,116
Pension - DC	66,255	68,243	70,290	72,399	74,571	76,808	79,112	81,485	83,930
Other Employee Benefits	358,094	372,382	389,549	410,974	426,262	444,336	463,664	484,297	505,897
Contractual	573,600	582,778	594,433	606,322	618,448	630,817	643,434	656,302	669,428
Commodities	33,000	33,528	34,199	34,883	35,580	36,292	37,018	37,758	38,513
Capital Outlay	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,760,701	2,857,798	2,930,414	3,036,711	3,144,173	3,250,548	3,340,508	3,429,513	3,517,651
		3.52%	2.54%	3.63%	3.54%	3.38%	2.77%	2.66%	2.57%
Operating Revenues over/(under) Expenses	3,501,304	3,518,436	3,562,291	3,574,752	3,588,380	3,605,474	3,641,407	3,680,769	3,723,521
Depreciation	(96,038)	(97,575)	(99,526)	(101,517)	(103,547)	(105,618)	(107,730)	(109,885)	(112,083)
Contingency	(138,035)	(142,890)	(146,521)	(151,836)	(157,209)	(162,527)	(167,025)	(171,476)	(175,883)
Transfer to the General Fund	(3,200,000)	(3,225,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,275,000)	(3,300,000)	(3,350,000)
Total Revenues over/(under) Expenses	67,231	52,971	66,244	71,400	77,625	87,328	91,652	99,409	85,556
Beginning Net Assets	0	67,231	121,547	190,222	265,427	348,360	442,655	543,160	653,432
Ending Net Assets	67,231	120,202	187,791	261,622	343,051	435,688	534,307	642,569	738,988

**Coastal Program - Cash Flow Projection through FY2030 w/\$500,000 Groins and Midtown Seawall \$12 Million
Reduction in Funding of \$1,743,711 to baseline amount in FY21**

Fiscal Year	Beginning Balance	General and Other Funds Transfers In	Bond Deposits Additional Transfers Federal/State/County	Bondable Project Costs	Non-Bond Project Costs	Interest Earnings	Debt Service	Ending Period Balance
2013	15,448,557							15,448,557
2014	15,448,557	12,402,807	11,900,000	(243,783)	(1,278,817)	83,361	(295,100)	38,017,025
2015	38,017,025	4,777,000	6,925,412	(3,935,588)	(21,306,354)	329,203	(734,613)	24,072,085
2016	24,072,085	8,015,220	2,541,573	(2,591,110)	(17,653,274)	157,317	(731,163)	13,810,648
2017	13,810,648	7,265,000	43,385	-	(798,150)	72,496	(731,413)	19,661,966
2018	19,661,966	7,410,300	7,112,416	(4,603,045)	(1,110,235)	181,246	(736,038)	27,916,610
2019	27,916,610	7,349,124	6,100,465	(1,018,826)	(1,140,348)	1,104,641	(542,606)	39,769,060
2020	39,769,060	6,520,711	3,579,390	(3,400,741)	(17,799,049)	994,226	(544,107)	29,119,490
2021	29,119,490	4,777,000	16,262,500	-	(23,144,754)	582,390	(542,232)	27,054,394
2022	27,054,394	4,920,310	-	-	(5,968,537)	541,088	(540,982)	26,006,273
2023	26,006,273	5,067,919	-	-	(5,052,493)	520,125	(546,107)	25,995,717
2024	25,995,717	5,219,957	11,902,800	-	(29,948,628)	649,893	(540,732)	13,279,007
2025	13,279,007	5,376,556	-	-	(4,255,946)	331,975	(539,982)	14,191,610
2026	14,191,610	5,537,852	-	-	(5,255,455)	354,790	(543,607)	14,285,191
2027	14,285,191	5,703,988	-	-	(2,437,158)	357,130	(546,481)	17,362,669
2028	17,362,669	5,875,107	16,765,760	-	(28,343,063)	434,067	(543,731)	11,550,809
2029	11,550,809	6,051,361	-	-	(2,401,175)	288,770	(541,831)	14,947,934
2030	14,947,934	6,232,901	-	-	(3,227,675)	373,698	(540,656)	17,786,203
Total		108,503,113	83,133,701	(15,793,093)	(171,121,111)	7,356,418	(9,741,381)	

Assumes a 3% increase in revenue per year

Townwide Undergrounding Project
Cash Flow Projection through 2026 with Updated Opinion of Cost

		Project Income					Project Expenses				
Fiscal Year	Beginning Cash Balance	1 Cent Sales Tax & Transfers In	Bond Deposits Grant Funds	Assessments and Prepaid Assessments	Interest Earnings	Other Income	Project Costs	Other Costs	Costs for Debt Issuance	Debt Service	Ending Cash Balance
2016 A	-			2,530,250			(693,339)				1,836,911
2017 A	1,836,911	1,027,241			16,531	49,250	(3,946,801)	(91,001)	(64,750)		(1,172,618)
2018 A	(1,172,618)	1,130,000		15,688,010	449,285	378,298	(8,321,847)	(1,119,669)	(126,194)	(232,528)	6,672,735
2019 A	6,672,735	635,000	60,499,897	4,338,050	1,719,181	800,654	(7,519,182)	(314,331)	(422,642)	(2,464,848)	63,944,515
2020 E	63,944,515	644,450		4,460,011	1,278,890		(15,594,541)	(165,000)		(3,398,350)	51,169,976
2021 E	51,169,976	651,673	13,830,055	4,251,211	1,023,400		(24,474,489)	(173,250)		(3,398,850)	42,879,724
2022 E	42,879,724	659,257	-	4,251,211	857,594		(20,161,847)	(181,913)	-	(3,401,850)	24,902,177
2023 E	24,902,177	667,220	8,500,000	4,251,211	498,044		(19,261,000)	(191,008)		(4,251,211)	15,115,432
2024 E	15,115,432	675,581		4,251,211	302,309		(14,567,000)	(200,559)		(4,251,211)	1,325,763
2025 E	1,325,763	684,360		4,251,211	26,515		(13,107,000)	(210,586)		(4,251,211)	(11,280,948)
2026 E	(11,280,948)	500,000		4,251,211	-					(4,251,211)	(10,780,948)
Total		7,274,781	82,829,952	52,523,588	6,171,749	1,228,202	(127,647,047)	(2,647,316)	(613,586)	(29,901,270)	

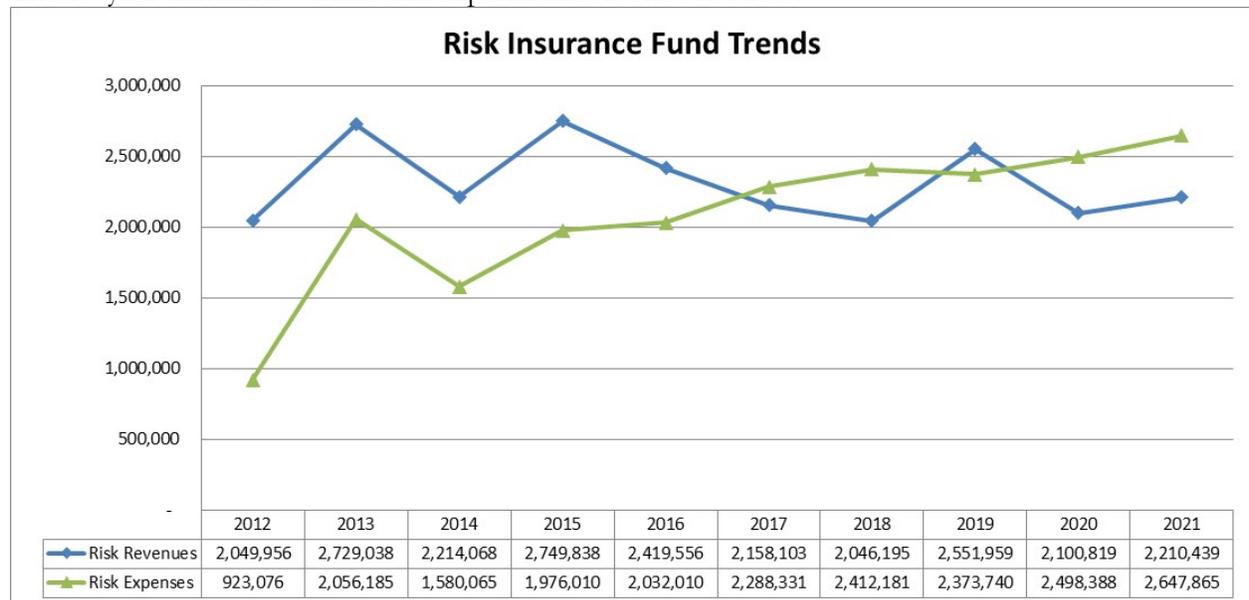
A= Actual E= Estimate

Self-Insurance Fund – Risk Management

The Risk Management program is under the direction of the Human Resources Department. 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.

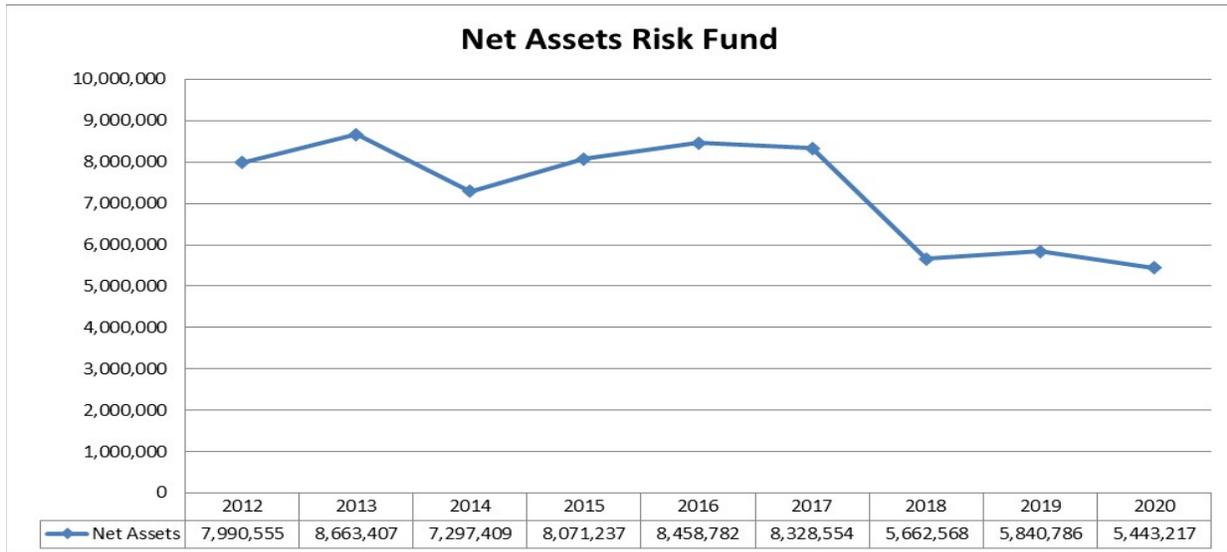
The Office of Risk Management and the Town's insurance programs are funded by an annual transfer from the General Fund and interest earned on the net assets within the fund.

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

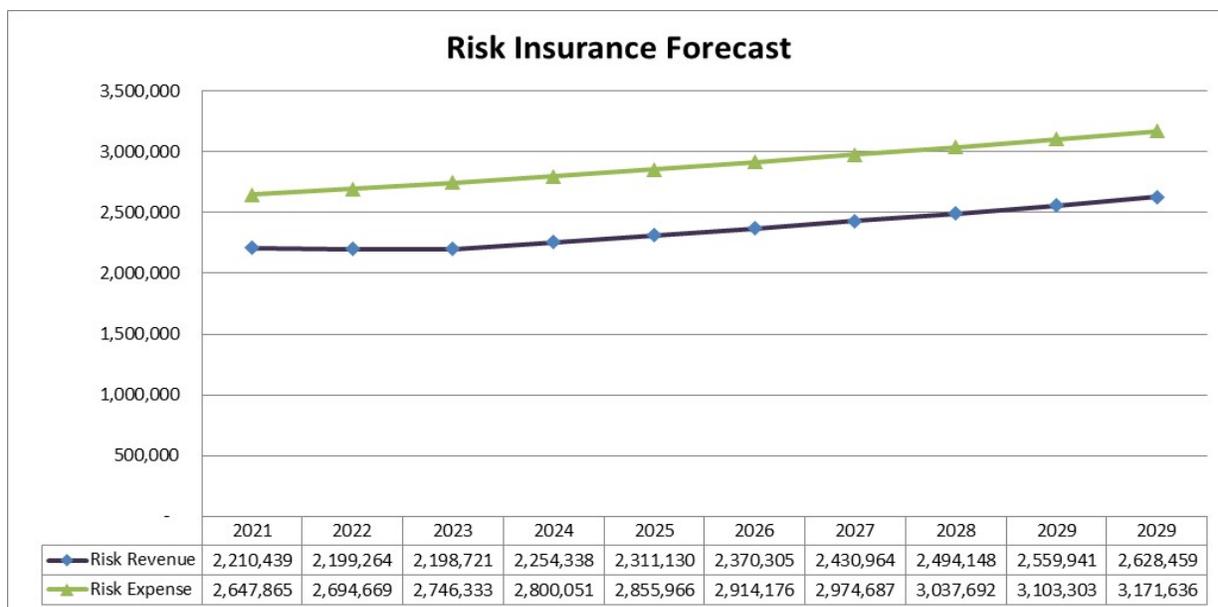


The Risk revenues represent the transfer from the General Fund, investment income and excess claims payments. The 2010 expenditures included increases to the retention levels, which caused adjustments to the reserves for worker's compensation claims. In 2012, the retention levels were lowered which caused 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. Insurance claims were higher in FY17 than in recent years. FY18 included expenditures related to Hurricane Irma. The FY19 budget included an estimated increase in fixed costs.

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 and in FY18 a transfer of \$2,300,000 was made to partially fund the Town's portion of the new Recreation Center construction cost.



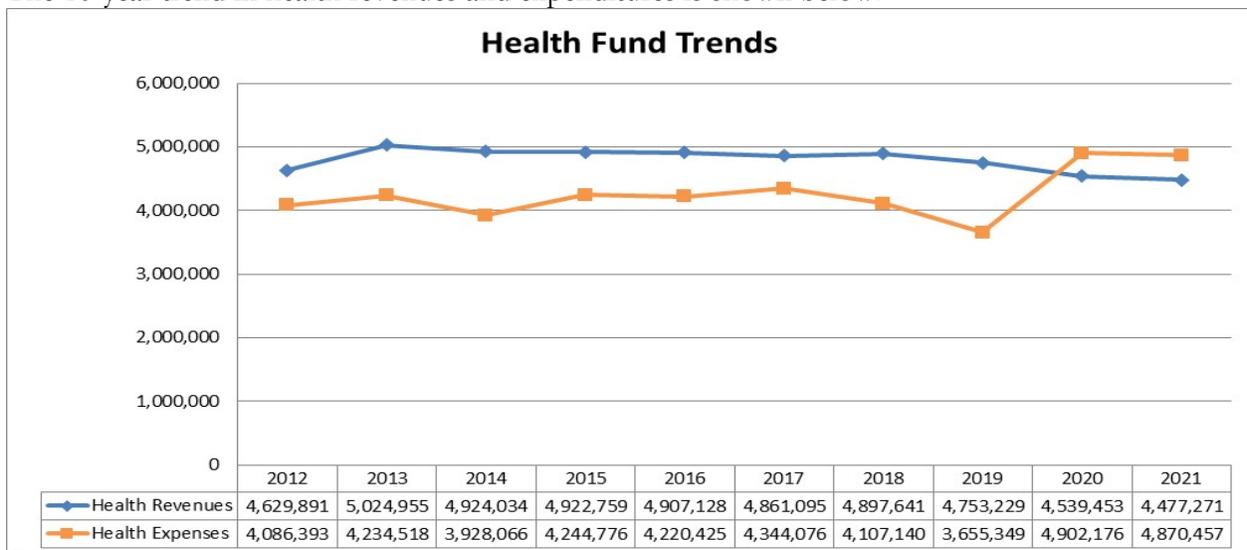
The Risk Insurance Fund forecast assumes annual increases of 5% for property, 2% for liability insurance and 3% for workers' compensation insurance. The stop loss reserves were increased from \$780,000 in 2014, \$900,000 in 2015 to \$1,100,000 in 2017 based upon the recommendation by our insurance carrier which was based upon the Town's claims history.



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 FY20 budget for claims is conservatively based and is on track to finish the year below the budget and in line with prior years expenses.

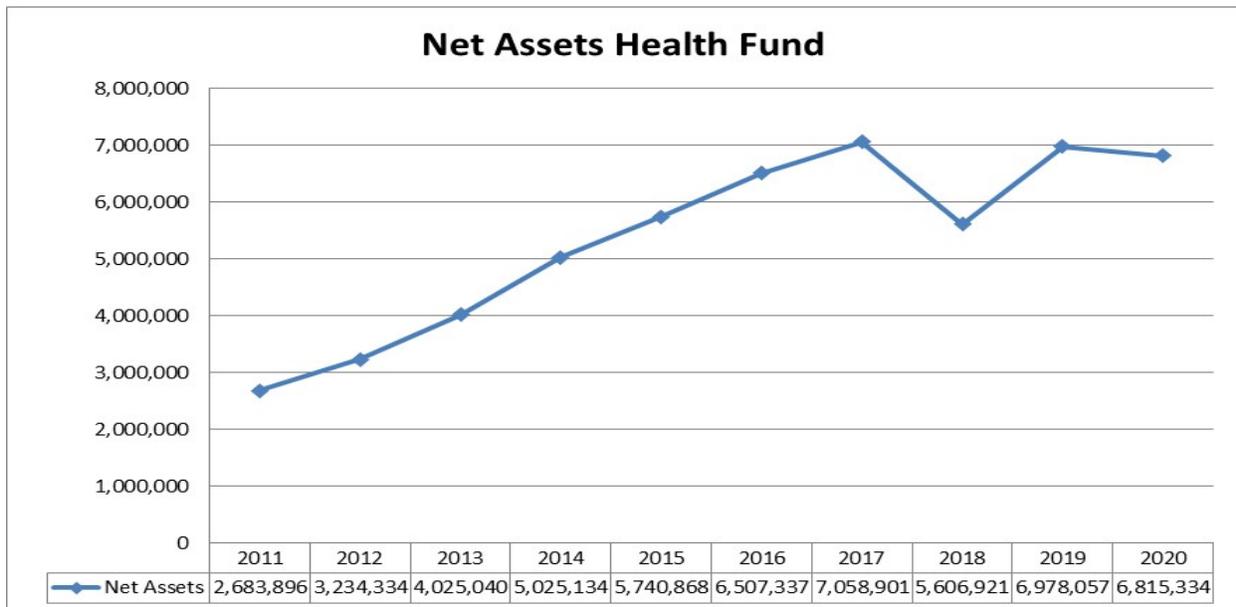
The 10-year trend in health revenues and expenditures is shown below.



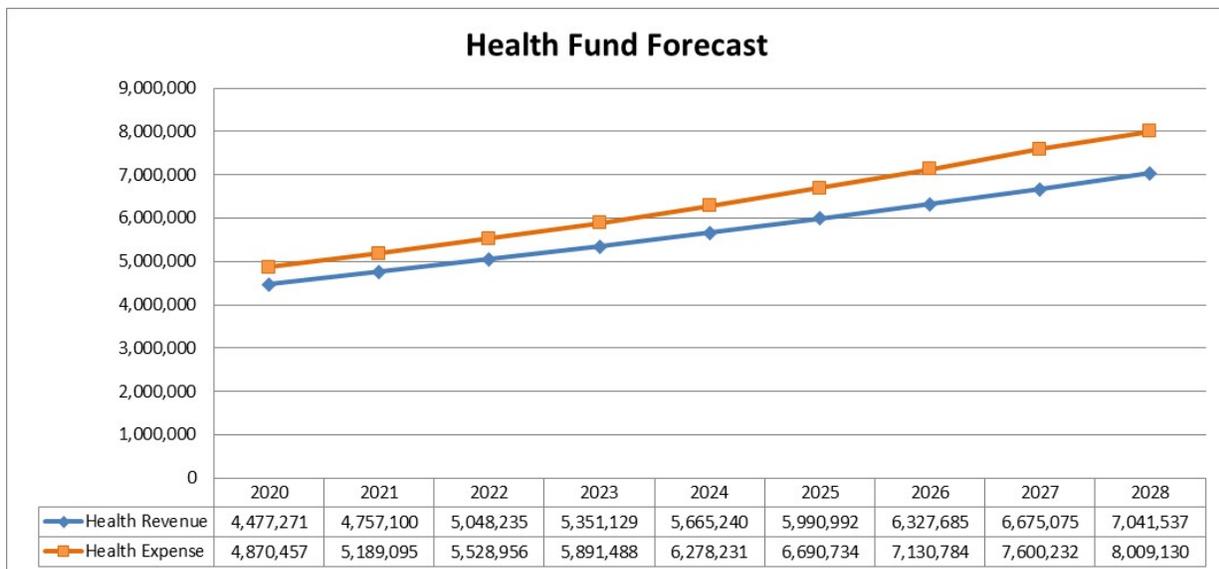
Health claims in 2012 through and 2019 were below expectations due to cost containment measures that were implemented.

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. A transfer of \$2,300,000 of the excess reserves were used to partially pay for the costs of the new Recreation Center construction costs.

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



The Health Fund forecast assumes an increase of 6% for 2022-2024, then decreasing to 5.49% by 2029. These estimates were provided by the Town’s health insurance actuary. 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.

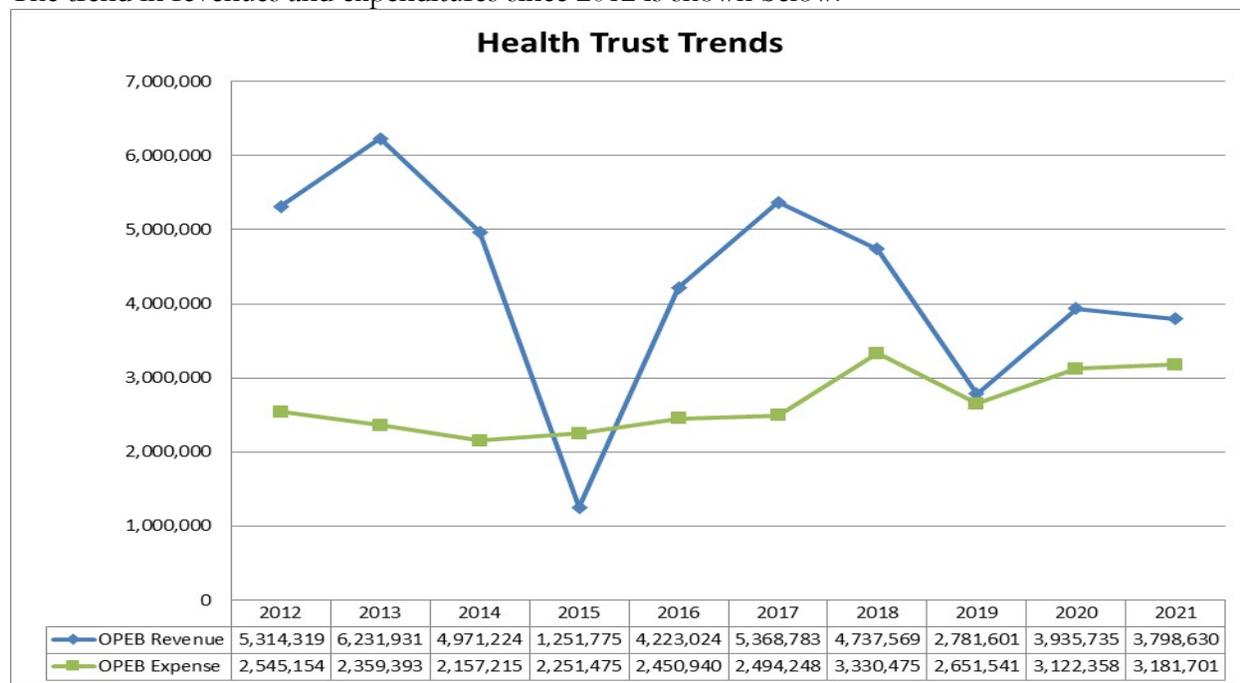


The Health Insurance Trust (OPEB)

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.

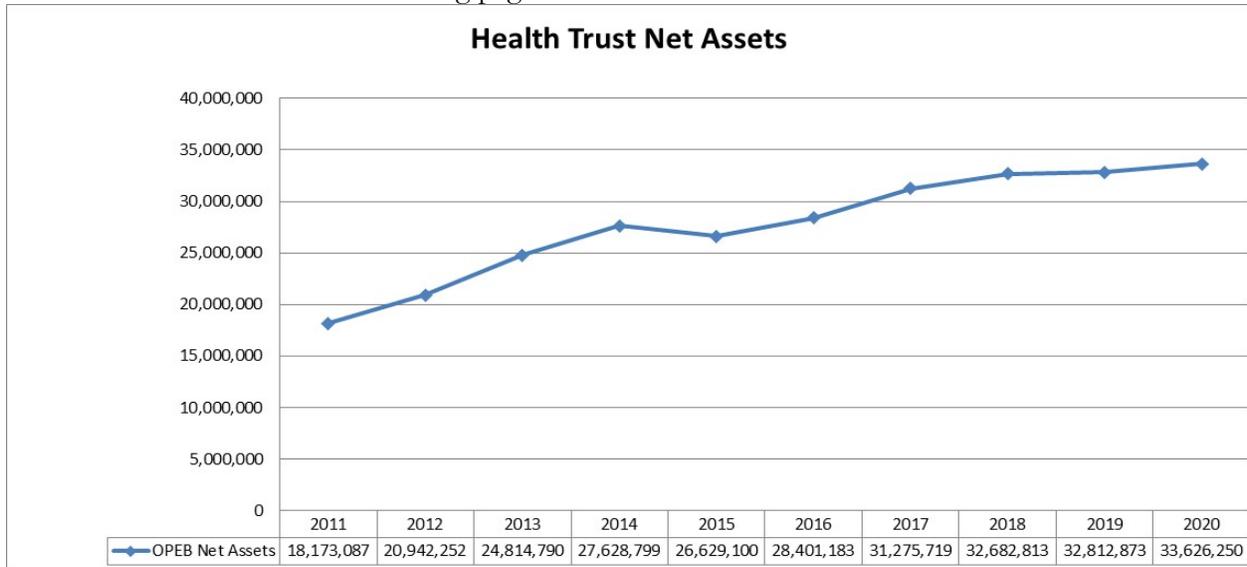
The bi-annual actuarial valuation of the retiree health plan was prepared as of September 30, 2018. The Town’s OPEB liability for September 30, 2019 was determined to be \$30,440,027. The plan net assets totaled \$32,682,812 resulting in a funded ratio of 107.4%. The annual budgeted contribution for FY21 is \$429,858. The Investment Advisory Committee recommended and the Town Council approved a 6% return assumption for this fund.

The trend in revenues and expenditures since 2012 is shown below.

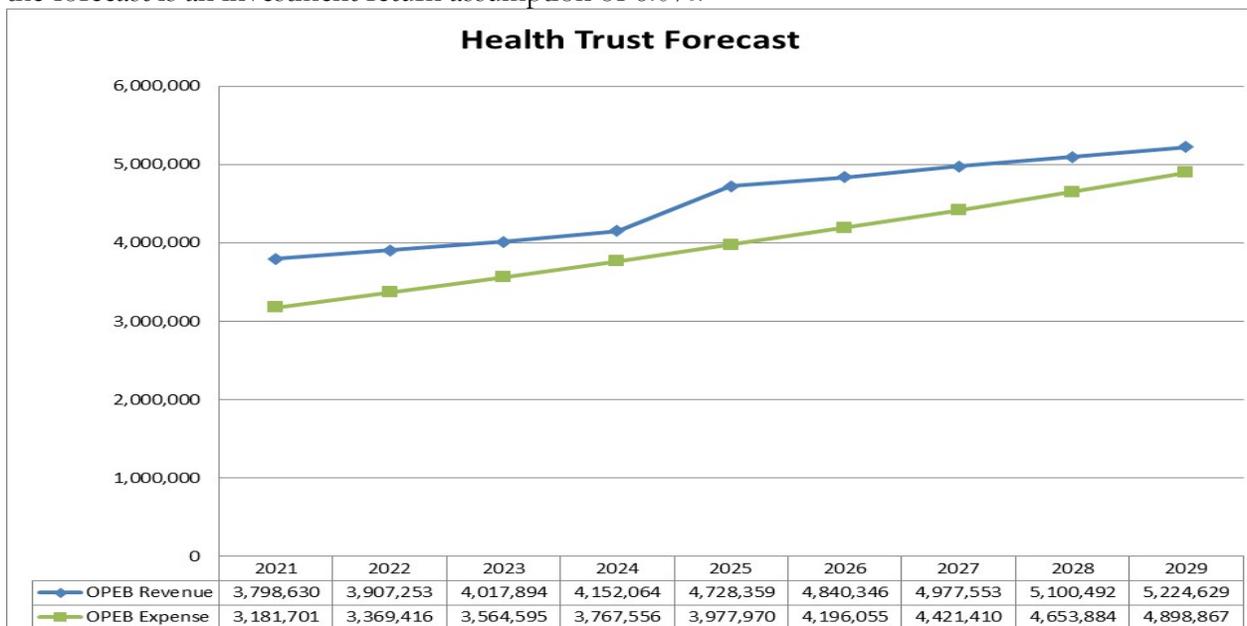


In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures. The revenue volatility is due to investment performance.

The net assets of the trust have increased over the past 10-year period due to the positive results of this fund. The chart on the following page shows the trend in the Health Trust Net Assets.



The 10-year forecast assumes the same increases in health costs for FY22 and beyond as the Health Insurance Fund. 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. Included in the forecast is an investment return assumption of 6.0%.



Debt Service Fund

General Obligation Bonds

The voters approved a referendum on March 15, 2016 for the issuance of \$90,000,000 in General Obligation Bonds for the Townwide Underground Utility Project. The Town issued \$56,040,000 of the General Obligation Bonds in October 2018. The all-in true interest cost (TIC) for the 2018 series was 3.64%.

Revenue Bonds

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 all-in true interest costs (TIC) for the 2010A issue was 4.52% and the 2010B issue was 4.51%.

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.

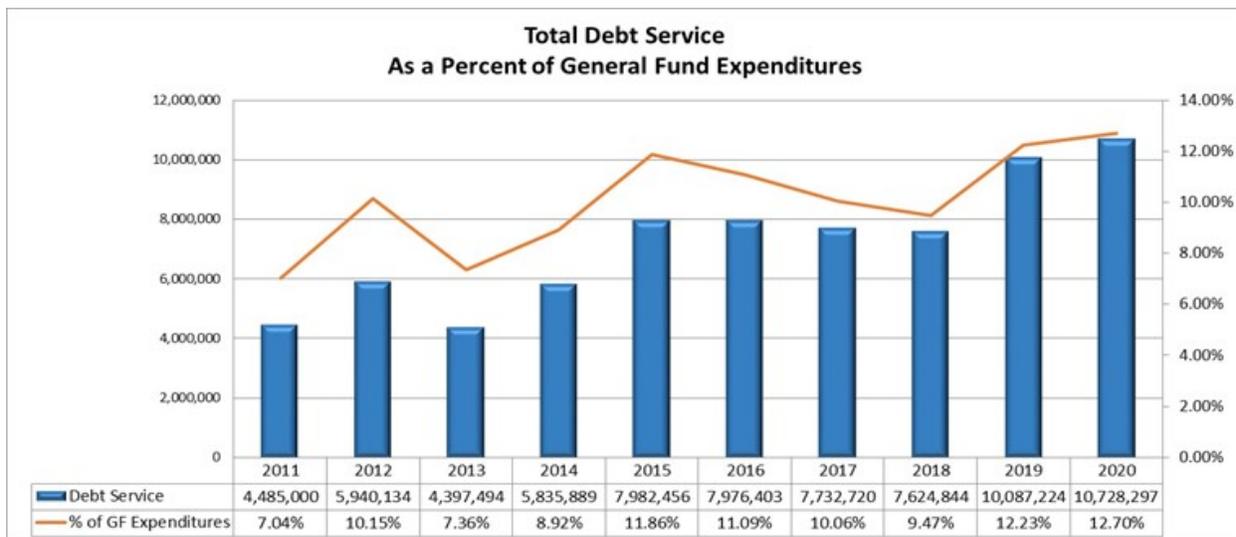
On January 1, 2012, the Town used excess funds remaining after completion of the Worth Avenue Project to redeem \$1,485,000 of the 2010B Bonds.

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%. The all-in true interest costs (TIC) for the 2016 issue was 2.75%. On October 17, 2019, the Town refunding the remaining \$4,660,000 of the 2010A bonds. The refunding achieved \$1,157,902 of net present value debt service savings or 25.39% of the refunded bonds par amount. The all-in true interest Cost (TIC) was 2.46%.

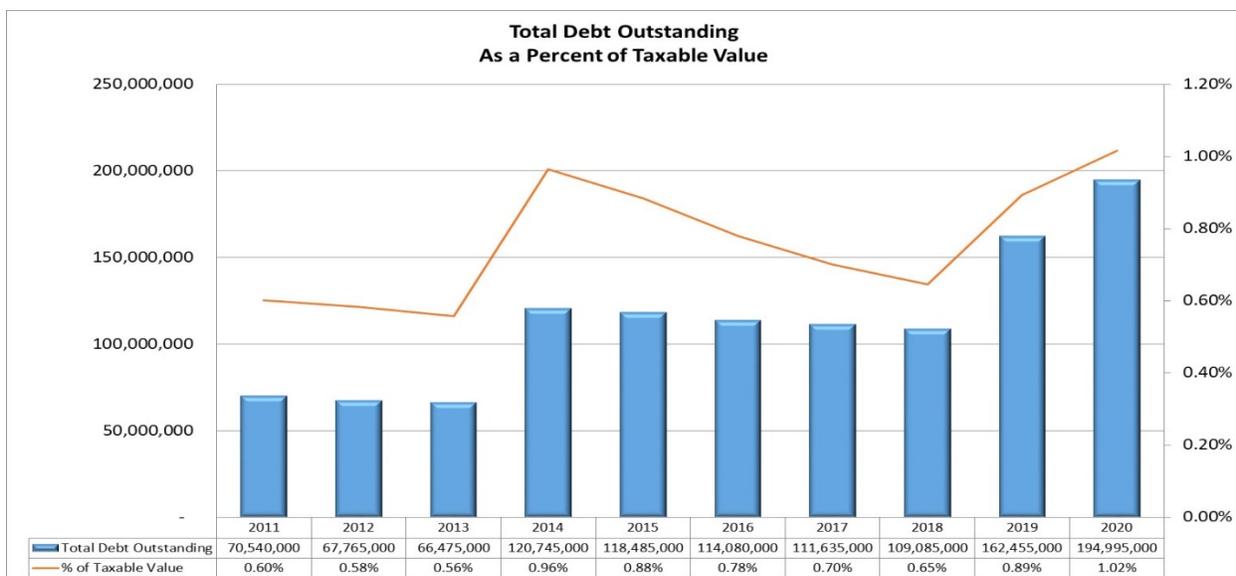
In 2013, the Town issued Public Improvement Revenue Bonds in a par amount of \$55,590,000. The proceeds of the bond will be used for the second phase of the Town's Accelerated Capital Improvement Program (\$44,997,957) groin rehabilitation and seawall replacement (\$11,900,000) and the Town's portion of the Par 3 Clubhouse project (\$1,250,000). The all-in true interest costs (TIC) for the 2013 issue was 4.49%. In 2019, the Town issued bonds to refund most of the 2013 bonds. The transaction produced savings of \$4,385,248 or 10.24%. The all-in true interest cost (TIC) for the 2019 refunding was 3.036%.

In 2020 the Town issued \$31,000,000 in Revenue Bond through CenterState Bank for the Marina Construction project. This bond is secured by non-ad valorem revenues. The rate on the bonds is 2.25%. Debt service for this bond will be paid from the Marina Fund.

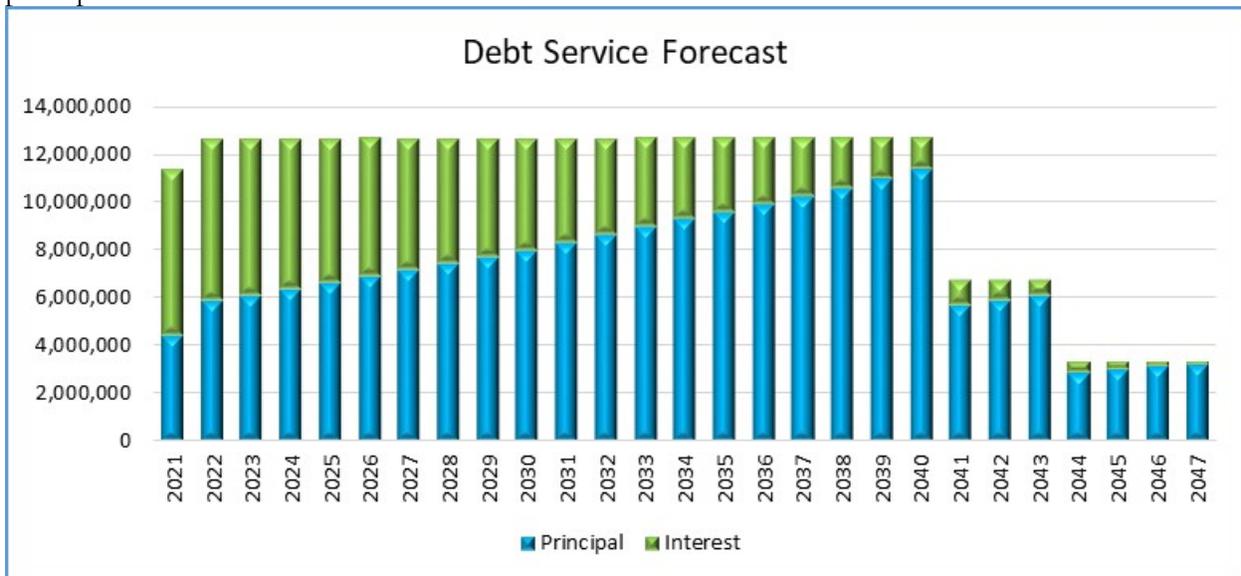
The debt service trend as a percent of General Fund Expenditures is shown below. The total debt service beginning in FY19 includes the General Obligation Bond. The General Obligation bond debt service is paid using non ad valorem assessments on the properties affected by the project.



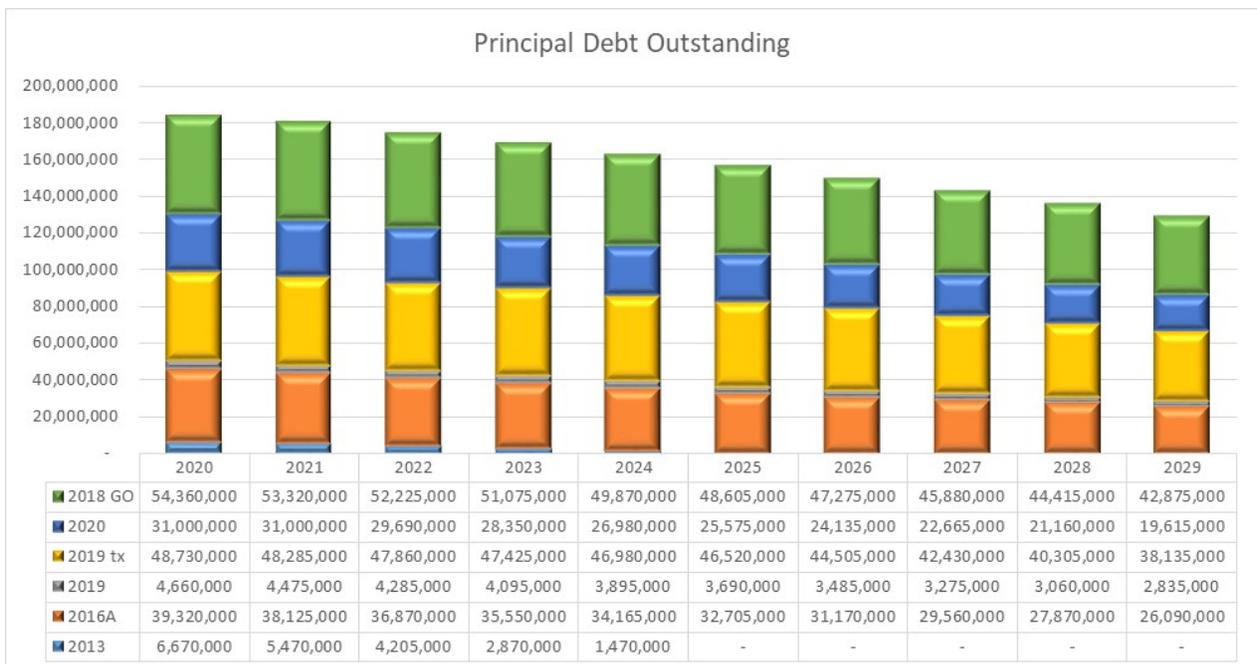
Total debt outstanding as a percent of taxable value 10-year trend is shown below:



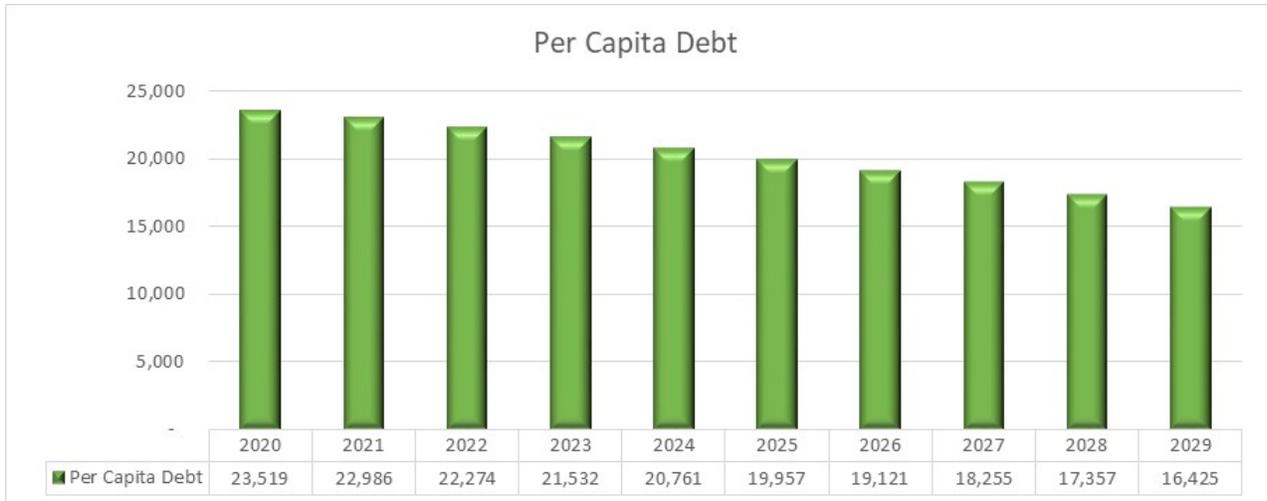
The forecasted total annual debt service through the life of all outstanding debt, broken down by principal and interest is shown on the chart below.



The total principal debt outstanding for the all debt outstanding as of this forecast for FY20 through FY29 is shown in the chart below:



The per capita debt utilizing the current census population of 8,291 for the period of 2020 through 2029 is shown below:



The Retirement Fund

The Town provides pension benefits for General Employees, Police Officers and Firefighters. Approximately 272 active employees and 433 retirees are covered by the three plans.

The Town of Palm Beach Retirement System Board of Trustees is responsible for the administration of all the Town's pension assets and retirement programs. An outside investment consultant and a retirement system administrator service the board.

On May 1, 2012, the retirement benefits for most Town employees were changed from a defined benefit plan to a hybrid pension plan. Employees who were eligible to retire on or before that date were grandfathered into the old defined benefit plan, and the accrued benefits for all other employees were frozen as of May 1, 2012. Benefits accrued after that date by those not grandfathered were in a new hybrid pension plan that contained a defined benefit component and a defined contribution component. In addition, the Town ceased participation in the State of Florida's Chapter 175 and 185 programs for firefighters and police officers.

The Town Council also decided in 2012, to reduce the investment assumption from 8% to 7.5% in 2012. In 2015, after an experience study was completed, several demographic assumption changes were made to the plan and in 2016, the mortality tables changed.

In 2016, the Town Council decided to further reduce the investment return assumption from 7.5% in .1% annual increments until the ultimate 7% return assumption is reached. During FY20, the Town Council decided to reduce the return assumption to 6% in .2% annual increments.

During 2016, the Town Council approved benefit changes for non-union public safety officers. The changes included the elimination of the hybrid option and include an enhanced DB plan with an increased multiplier and reduced retirement age.

During 2017, the Town Council approved benefit changes for union firefighters, general employees and lifeguards. The union firefighters have an enhanced DB plan with an increased multiplier and reduced retirement age. The plan is the same as was approved for the non-union public safety officers. The Town Council approved a change to the hybrid plan for the General Employees that included an increase in the multiplier and reduced age for the DB plan and a reduced DC plan.

During 2019, the Town Council approved benefit changes for police and firefighters. Normal retirement eligibility for police officers and firefighters was changed to age 55 with at least 10 years of service or age 52 with at least 25 years of service. In addition, the member contribution rate for these groups was changed to a fixed rate of 8.5% per year.

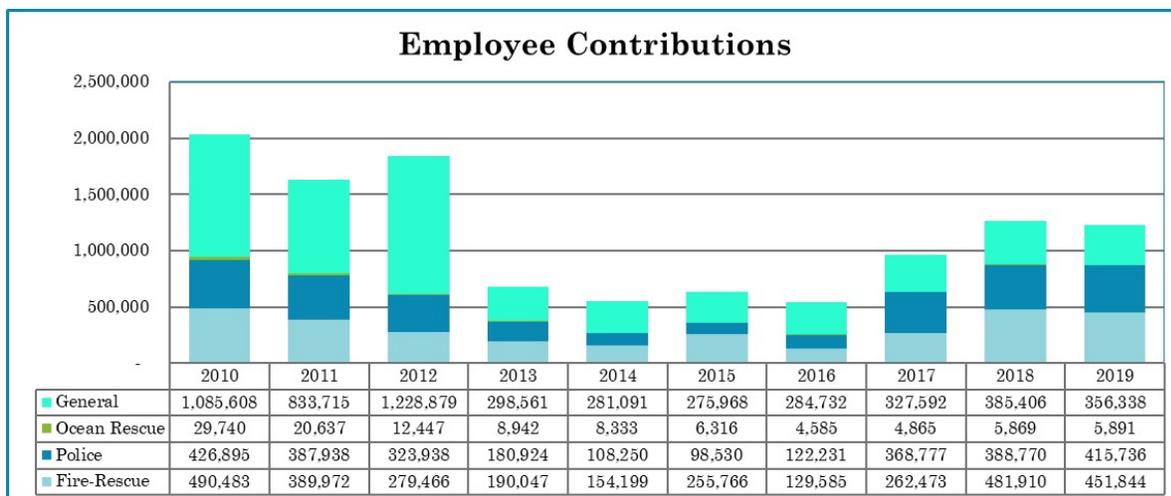
Due to concerns regarding the rising unfunded liability, the Town Council adopted a policy beginning in FY18, requiring an annual extraordinary contribution of \$5,420,000 to the Town's retirement system each year.

In FY19, the Town Council approved reducing the UAAL amortization period from 25 years to 15 years for experience gains/losses and plan changes and 20 years for assumption and method changes.

Town and Employee Contributions

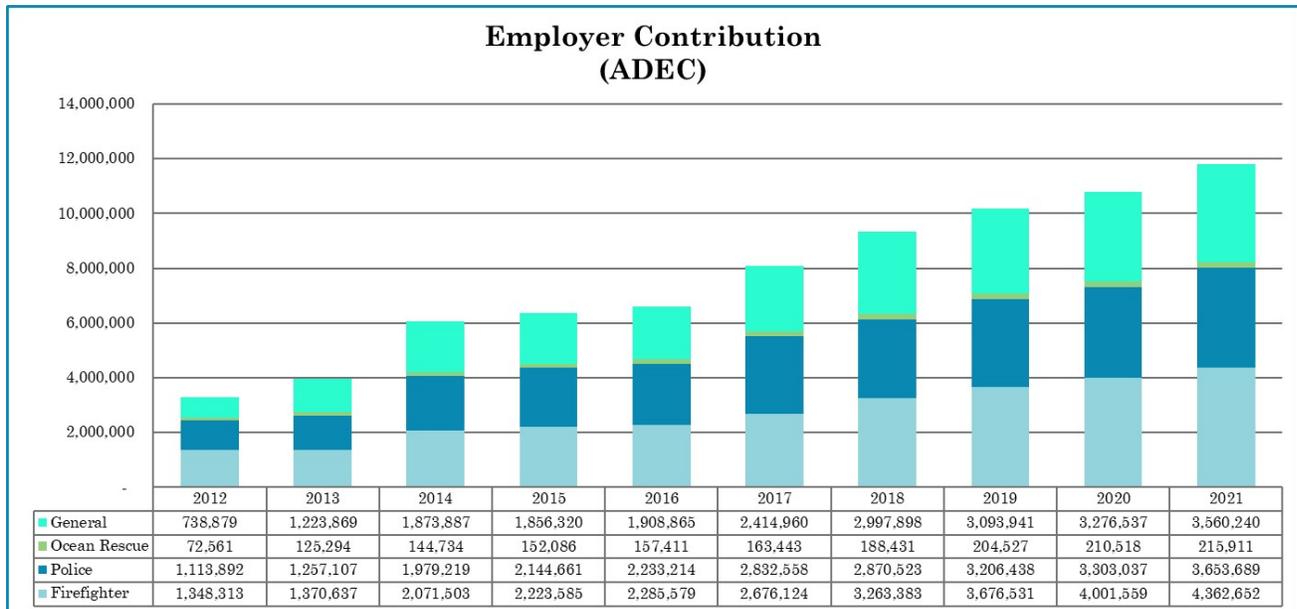
The contribution requirements of the Plan members are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual pensionable wages as described in the following table. The member contribution rates for the FY21 budget year (presented as a percentage of the employees' annual compensation) vary by benefit group, and are shown below (along with the Town's matching contribution rates for the 401(a) plan):

Benefit Group	Defined Benefit Plan Employee Contribution	401(a) Defined Contribution Plan			
		Mandatory Contribution		Voluntary Contribution (post tax)	
		Employee	Employer	Employee	Employer
General Employees	3.5%	3%	3%	Voluntary up to the maximum allowable under IRS regulations	Up to 2.0%
Lifeguard Employees	3.5%	3%	3%	Voluntary up to the maximum allowable under IRS regulations	Up to 2.0%
Firefighter Union	10% Variable				
Firefighter Non-Union	10% Variable				
Police Officer	10% Variable				



The Town's annual appropriation for the defined benefit pension plan is based upon the actuaries' determined rate. In addition, the Town Council adopted a policy that provides for an annual appropriation of \$5,420,000 to begin to provide funding to reduce the UAAL. The Town's actuarial

determined contributions (ADEC) for the defined benefit plans for FY21 are shown in the table below and do not include the extraordinary \$5,420,000 contribution:



The table below shows the breakdown in costs between Normal costs and the amortization of the UAAL by benefit tier (Legacy and Plan B), for the plan as a whole and each employee group.

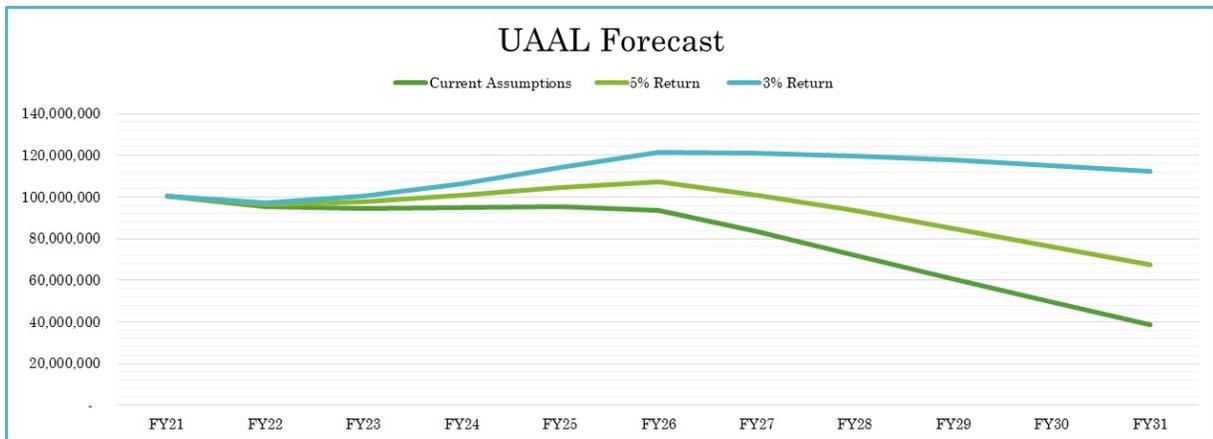
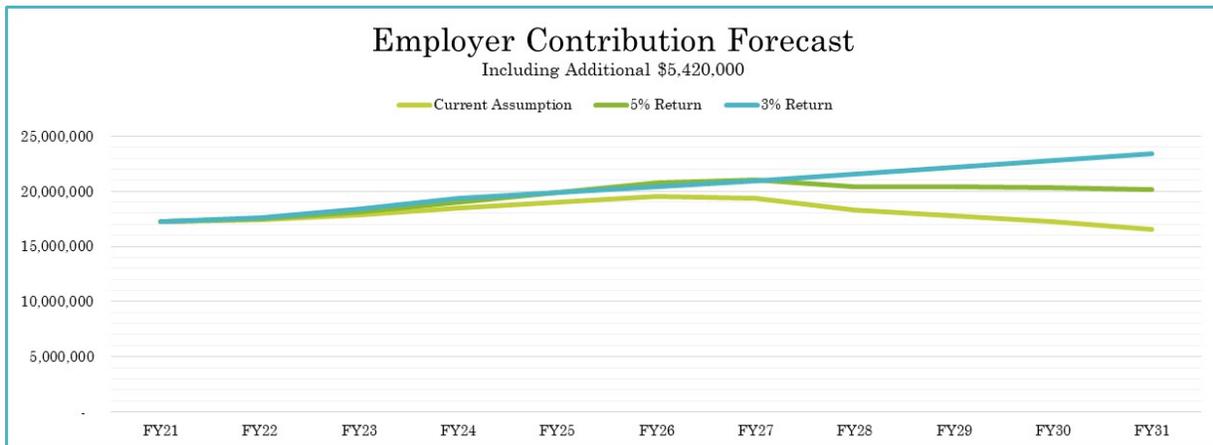
Actuarially Determined Contribution Breakdown by Benefit Tier					
Valuation Date: September 30, 2019					
	Total Plan	General	Ocean Rescue	Police	Firefighters
Participants	272	152	4	58	58
Total Plan					
Employer Normal Cost	12.34%	8.74%	8.96%	16.36%	16.67%
Amortization of UAAL	50.00%	26.81%	122.43%	69.38%	80.77%
Total	62.34%	35.55%	131.39%	85.74%	97.44%
Town Contribution	\$ 11,792,492	\$ 3,560,240	\$ 215,911	\$ 3,653,689	\$ 4,362,652
Plan B - Ongoing Plan					
Employer Normal Cost	12.34%	8.74%	8.96%	16.36%	16.67%
Amortization of UAAL	1.74%	1.42%	0.75%	2.00%	2.26%
Total	14.08%	10.16%	9.71%	18.36%	18.93%
Town Contribution	\$ 2,663,388	\$ 1,017,498	\$ 15,956	\$ 782,386	\$ 847,548
Plan A - Legacy Plan					
Employer Normal Cost	0.00%	0.00%	0.00%	0.00%	0.00%
Amortization of UAAL	48.26%	25.39%	121.68%	67.38%	78.51%
Total	48.26%	25.39%	121.68%	67.38%	78.51%
Town Contribution	\$ 9,129,104	\$ 2,542,742	\$ 199,955	\$ 2,871,303	\$ 3,515,104
Legacy cost	77.4%	71.4%	92.6%	78.6%	80.6%

The Town Council has committed to lowering the investment return assumption from the current 7.1% to 7% then .2% per year until 6%. As of the September 30, 2019, valuation date the cost to lower the assumption to 6% immediately would increase the Town Contribution for FY21 by \$3,349,902 and increase the UAAL by \$46,315,004. The details are shown below:

	Total Plan
Current Rate of 7.1%	
Employer Normal Cost	12.34%
Ammortization of UAAL	50.00%
Total	62.34%
Town Contribution	\$ 11,792,492
UAAL	\$ 100,219,557
Funded Ratio	70.30%
Assumption Change to 6%	
Employer Normal Cost	16.53%
Ammortization of UAAL	63.14%
Total	79.67%
Town Contribution	\$ 15,142,394
UAAL	\$ 146,534,561
Funded Ratio	61.90%
Difference	
Town Contribution	\$ 3,349,902
UAAL	\$ 46,315,004
Funded Ratio	-8.40%

UAAL and Employer Contribution Forecast

A ten-year forecast of the Unfunded Actuarial Accrued Liability (UAAL) and employer contribution has been prepared by the actuary and the results are shown on the charts on the following page. The current assumptions include the reduction in investment return by .1% per year from 7.1% to 7% then .2% per year until 6% as of September 30, 2025. The forecast was also run at an actual 5% return and 3% return to stress test the results.



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.

Below is a table showing the projected fund balance through September 30, 2020, based on the ending fund balance at September 30, 2019 plus FY20 budgeted revenues less expenditures for all funds.

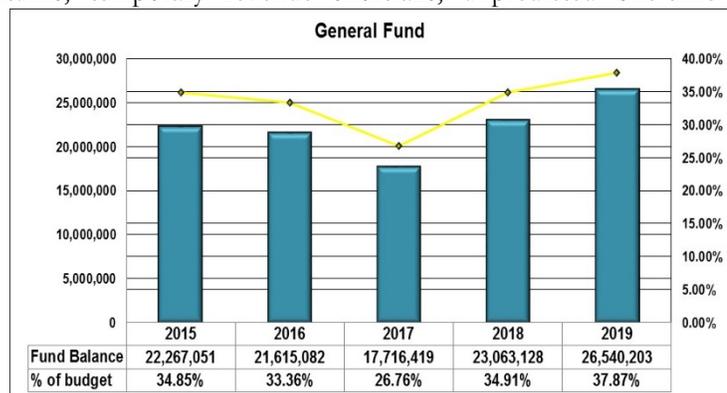
Fund Balance Projections

Fiscal Year 2020 Annual Budget

Fund	Projected Fund Balance at 9/30/19	Estimated FY2020 Revenues	Estimated FY2020 Expenditures	Projected Fund Balance at 9/30/20
General Fund	\$ 25,421,429	\$ 84,441,766	\$ 84,441,766	\$ 25,421,429
Townwide Underground Utilities Fund	\$ 43,245,465	\$ 4,894,450	\$ 34,037,426	\$ 14,102,489
2013 and 2016A Bonds Debt Service Fund	\$ 1,378,748	\$ 6,737,833	\$ 6,925,332	\$ 1,191,249
2016B Worth Avenue Bond Debt Service Fund	\$ 161,514	\$ 713,600	\$ 713,600	\$ 161,514
Capital Improvement Fund	\$ 11,911,863	\$ 3,920,000	\$ 11,258,270	\$ 4,573,593
Coastal Management Fund	\$ 35,972,025	\$ 32,323,169	\$ 33,770,429	\$ 34,524,765
Worth Avenue Assessment District Fund	\$ 322,681	\$ 271,317	\$ 321,317	\$ 272,681
Accelerated Capital Improvement Fund	\$ 2,396,574	\$ -	\$ 2,396,574	\$ -
Marina Enterprise Fund	\$ 6,984,904	\$ 2,333,212	\$ 2,198,397	\$ 7,119,719
Par 3 Golf Course Enterprise Fund	\$ 10,577,712	\$ 2,679,550	\$ 2,725,684	\$ 10,531,578
Risk Insurance Fund	\$ 4,516,996	\$ 2,100,819	\$ 5,498,388	\$ 1,119,427
Health Insurance Fund	\$ 6,159,625	\$ 4,739,453	\$ 5,363,844	\$ 5,535,234
Equipment Replacement Fund	\$ 26,551,518	\$ 2,487,005	\$ 1,236,947	\$ 27,801,576
Employee's Retirement Fund	\$ 226,859,639	\$ 34,524,889	\$ 21,786,065	\$ 239,598,463
OPEB Trust Fund	\$ 33,388,247	\$ 3,826,309	\$ 3,041,308	\$ 34,173,248
Totals	\$435,848,940	\$185,993,372	\$ 215,715,347	\$406,126,965

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 FY20 General Fund operating budget (General Fund budget less CIP, coastal and extraordinary retirement transfer) is \$17,520,389. The FY19 ending fund balance was \$26,540,203. The unassigned fund balance exceeded the minimum requirement by \$9,019,814. The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%.



The chart shows the trend for the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents.

In FY19, a transfer of \$2,641,699 from the unassigned fund balance to the Retirement Fund was made during the fiscal year. This transfer was approved by the Town Council to prepay the increase to the UAAL due to the effects of the compensation and benefit study.

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

The 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 payouts of eligible accrued vacation and sick time and the related payroll tax liability. The balance in the reserve as of September 30, 2019, was \$3,094,888. The FY20 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$423,000.

Townwide Underground Utilities Fund

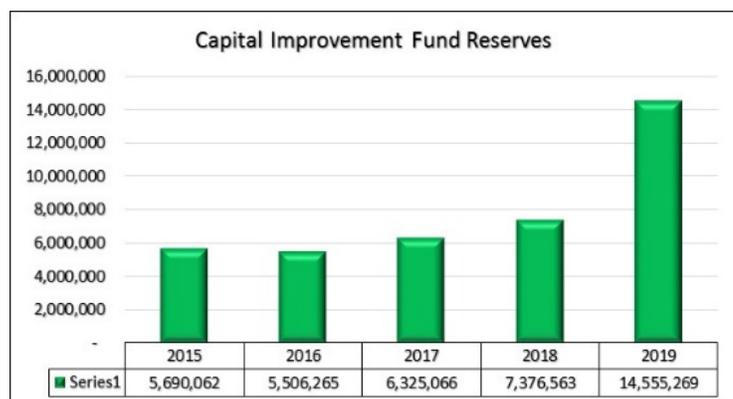
The Town issued General Obligation Bonds in FY19 for the Townwide Underground Utilities Project. Phase 1 North was completed in FY19 and Phase 1 South, Phase 2 and 3 North should be completed in FY20. Engineering and design is underway for Phases 4 and 5 of the project. The completion of these projects will reduce the net assets in this fund during FY20.

Debt Service Funds

The debt service fund for the 2016A and 2019 bonds has excess reserves of \$1,381,353 that had accrued since the issuance of the 2013 bonds. These excess funds are being used to lower the annual transfer from the General Fund to the debt service fund over a period of 7 years.

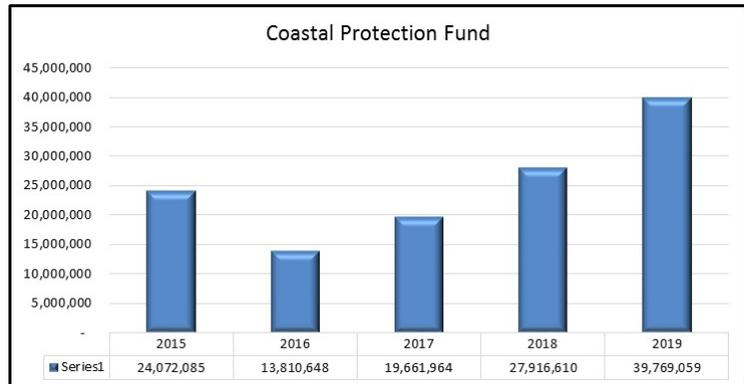
Capital Improvement Fund

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. For FY20, the transfer to Capital Improvement Fund from the General Fund increased to \$2,420,000 to build up the reserves for future projects. All bond proceeds are expected to be spent by the end of the fiscal year on the remaining projects. The Town will return to pay-as-you-go financing for future capital projects and the reserves of this fund will be used for funding. The increase in the FY19 balance is due to the transfer of the Mandel Recreation Center project to this fund from the Recreation Enterprise Fund. The funding contained in this reserve for this project was spent by the end of calendar 2019 when the new Recreation Center was completed.



Coastal Protection Fund

The Coastal Protection Fund reserves are in place for beach renourishment projects. The Coastal Protection financing plan calls for annual transfers from the General Fund to the Coastal Fund to accumulate funds for renourishment projects and the other costs associated with the plan. The FY20 transfer was \$6,520,211. As of September 30, 2019, the reserve balance in this fund is \$39,769,059. Excess reserves from closed out projects total \$3,623,091. A portion of this excess reserve, \$3,562,492, was approved to be used for the replacement of the bulkhead at the marina. The next planned project is the Mid-Town beach renourishment project in FY20. Sufficient funds will be available for this project with Federal, State and County grant funds expected to offset much of the cost.



Worth Avenue Assessment District

The Worth Avenue Assessment District is used to account for the maintenance of the improvements on Worth Avenue. The maintenance and debt service is fully paid through assessments of the property owners in this district. The reserves in this fund have accumulated since the initial capital project was completed. The reserves in FY20 are being used to offset increased maintenance costs and for valet service during the season.

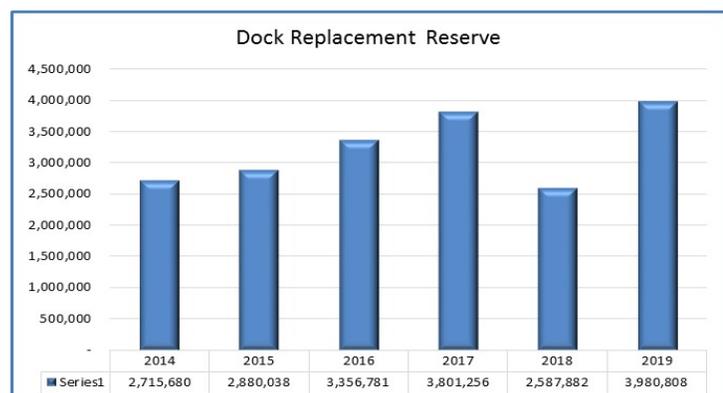
Accelerated Capital Improvement Fund

The Accelerated Capital Improvement Fund was established for the 2010 and 2013 bond proceeds. The bond proceeds will be fully utilized during the first part of FY20. This fund will be eliminated in future years.

Marina Enterprise Fund Reserves

The Recreation Enterprise Fund was dissolved in FY19. The Marina and Par 3 Golf Course now are separate enterprise funds. The Recreation and Tennis activities have been transferred to the General Fund. The ending FY18 reserves were divided between the Marina and the Par 3 Golf course and any reserves related to the Recreation activities and Tennis were transferred to the General Fund.

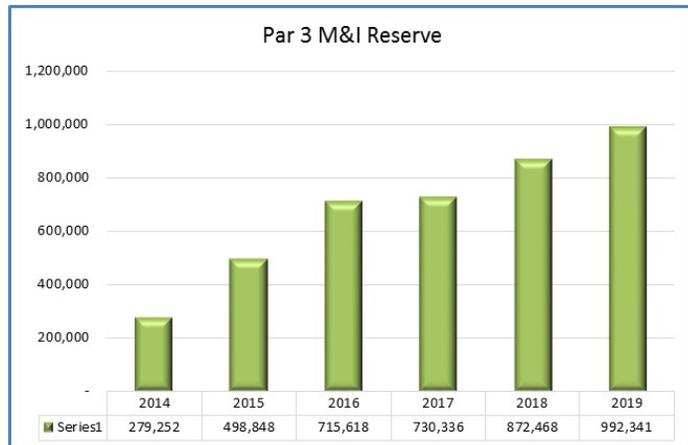
At the end of FY19, \$3,980,807 had been set aside in the Dock Replacement Reserve. The Dock Replacement reserve was created to partially fund the replacement cost of the construction of the Town's docks when they are replaced. The replacement reserve is to be maintained at 100% of accumulated depreciation plus accumulated interest earned on the reserve. In FY16, the Town committed to lowering the transfer to the General Fund from the Marina each year by \$100,000 and add these funds to the Dock Replacement Reserve. In FY18, the Town used a portion of these reserves to fund the engineering and permitting costs associated with the dock replacement project. The FY19 balance will be used for partial funding for the construction of the new marina during in FY20. The Marina Enterprise Fund net



assets are expected to increase in FY20 in part because of lower expenses as a result of ceasing operations after the winter season for construction in the spring.

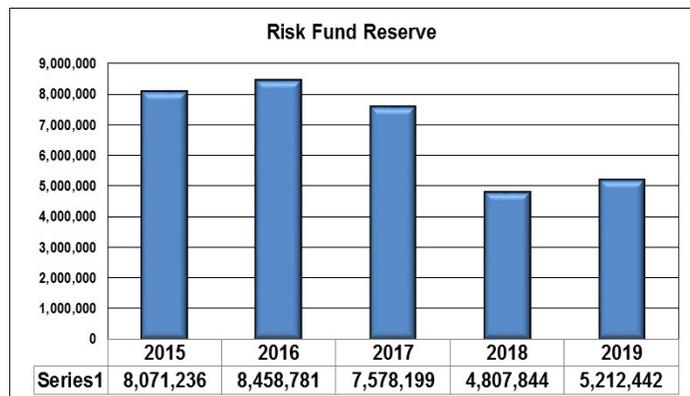
Par 3 Enterprise Fund Reserves

At the end of FY18, the Par 3 Golf Course maintenance and improvement reserve and the Par 3 Clubhouse reserve were combined into the Par 3 Golf course repair and replacement reserve. This reserve is funded with the proceeds from the Maintenance and Improvement fee and a transfer equal to ½ of the annual depreciation on the clubhouse and golf course. The balance in this reserve as of September 30, 2019 was \$992,341. The Par 3 Enterprise Fund also has an Equipment Replacement Fund with a reserve balance at the end of FY19 of \$524,641. The Maintenance and Improvement reserve increased in FY19 and the Equipment Replacement Reserve decreased due to equipment purchases made during the year.



Risk Fund Reserves

The total reserve balance for the Risk Fund was \$5,212,442 as of September 30, 2019. 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. The fund balance declined in FY18 due to a transfer of \$2,300,000 of excess reserves to the Recreation Enterprise Fund to partially fund the Town's portion of the new Recreation Center. The minimum recommended reserve balance is \$4,000,000, which represents the amount of the Reserve for Catastrophic Exposures/Emergencies and the Contingency Reserve plus an equity amount of \$1 million to safeguard the Town's budget from an adverse event recommended by the actuary. The excess reserve for this fund at the end of FY19 is \$1,212,442. For FY20, the Risk fund is expected to use a portion of the excess reserve and end the year slightly over the minimum recommended amount. The \$3,000,000 appropriated for contingency and the Reserve for Catastrophic Exposures/Emergencies is not expected to be spent unless there is an emergency event such as a hurricane that would require the use of these reserves.



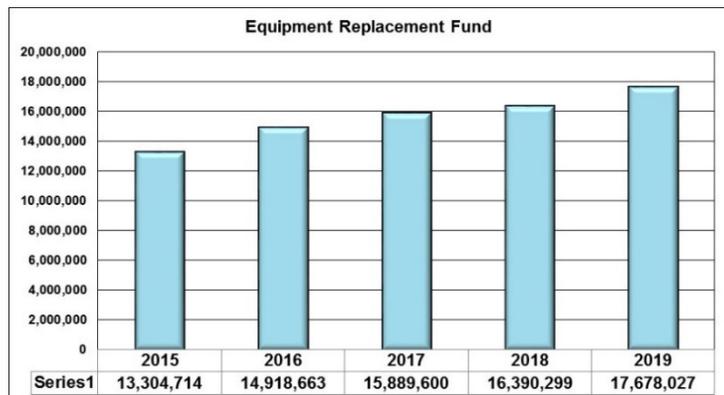
Reserve for Catastrophic Exposures/Emergencies - Risk Fund

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 of 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.

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.

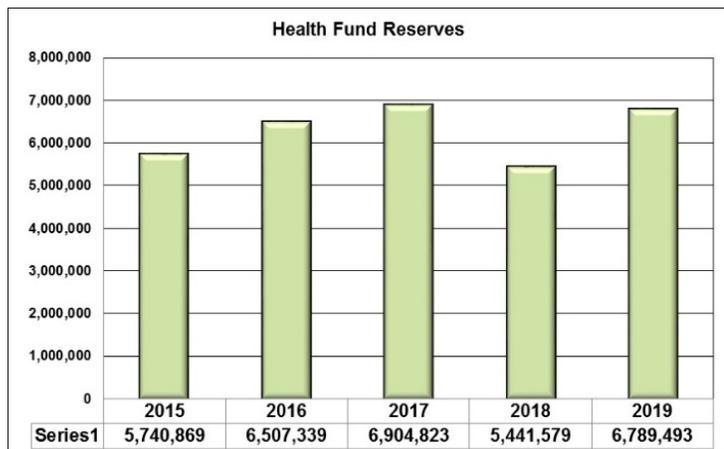
The balance in the Equipment Replacement Fund Reserve for year-end FY19 is \$17,678,027. In FY13, the Town Council approved the use of funds from this reserve for internal financing for small neighborhood underground utility projects financed by special assessments. To date, there is a balance of \$1,891,767 remaining from this allocation. Currently the total amount in the fund available for equipment replacement is \$15,446,987 leaving an excess of \$2,231,040.



For FY20, income including the depreciation transfer will total \$2,487,005 and expenditures for capital equipment are budgeted at \$1,236,947 which will cause the net assets of this fund to increase.

Health Insurance Reserve

The balance of the reserve in the Health Fund at the end FY19 is \$6,789,493. 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 maintained level funding of health insurance benefits due to the wellness program and good claims experience which enabled a reduction in funding for FY19 and FY20. The reserves of this fund have provided a cushion in case claims unexpectedly increase. In FY18, a transfer of \$2,300,000 from excess reserves to the Recreation Enterprise Fund was made to fund the Town's portion of the new Recreation Center. The actuary recommends a minimum reserve of 6 months of estimated claims as well as the incurred but not Recorded (IBNR) claims. These amounts at the end of FY19 totalled \$1,548,944, leaving a surplus reserve amount of \$5,240,549. For FY20, the contingency balance is not expected to be spent and the projected fund balance is expected to be stable.



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 \$32,812,872 as of September 30, 2019. The total OPEB liability is calculated to be \$30,440,000, resulting in a Net OPEB asset of \$2,372,872, and a funded ratio of 107.8% using a 6% return assumption. The actuarially determined transfer from the General Fund for the OPEB liability for FY20 is \$423,014. The Town continues

to be well ahead of other government agencies in funding this liability. During the first quarter of 2020 the market declines caused the net asset balance of this fund to decline.

Retirement Fund

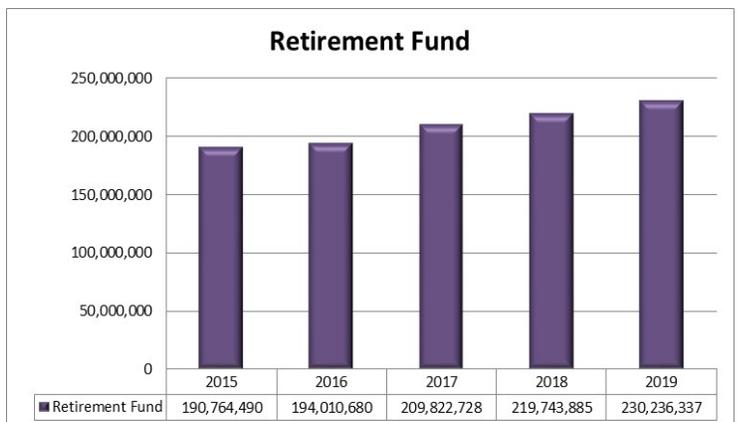
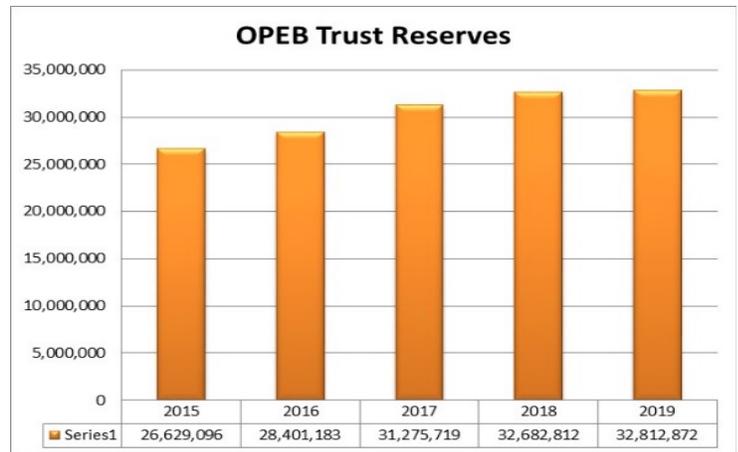
The Town provides pension benefits for General Employees, Lifeguards, Police Officers, and Firefighters. The funds were separately managed by three pension boards until the consolidation on April 1, 2012, into the Employee's Retirement Fund. The Retirement Board oversees all of the Town's pension assets and retirement programs. The net assets of the consolidated retirement fund at the end of FY19 were \$230,236,337. The increase was a result of good investment performance during the year and the extraordinary retirement contribution. During the first quarter of 2020 the market declines caused the net asset balance of this fund to decline.

Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Marina and Par 3 Enterprise Funds, 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% of the FY20 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 Enterprise Funds maintain a Contingency Reserve 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 on the following page identifies the contingency budgets and actual expenditures for the fiscal years 2015 through FY2020 budget.



**Contingency Reserves
FY2015 – FY2020**

Contingency	2015	2016	2017	2018	2019 Est	2020
General Fund Budget	\$ 909,000	\$ 944,686	\$ 960,300	\$ 655,877	\$ 560,000	\$ 610,000
General Fund Actual	\$ 246,361	\$ 764,145	\$ 759,644	\$ 12,000	\$ 79,864	\$ -
CIP Budget	\$ 205,000	\$ 208,000	\$ 348,600	\$ 284,500	\$ 603,750	\$ 693,500
CIP Actual	\$ 205,000	\$ 208,000	\$ -	\$ -	\$ 95,796	\$ -
ERF Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
ERF Actual	\$ -	\$ 29,111	\$ 10,391	\$ 105,252	\$ -	\$ -
Risk Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Risk Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Health Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Par 3 Golf Course Budget	\$ -	\$ -	\$ -	\$ -	\$ 89,630	\$ 85,298
Par 3 Golf Course Actual	\$ -	\$ -	\$ -	\$ -	\$ 55,882	\$ -
Marina Budget	\$ -	\$ -	\$ -	\$ -	\$ 55,679	\$ 54,209
Marina Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recreation Enterprise Budget	\$ 272,100	\$ 285,300	\$ 321,200	\$ 168,303	\$ -	\$ -
Recreation Enterprise Actual	\$ 39,000	\$ 135,030	\$ -	\$ 37,750	\$ -	\$ -

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. The rating agencies reviewed the Town's credit ratings in preparation for the issuance of the Town's 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 provided the Town with a General Obligation Bond rating of Aaa. Standard and Poor's has recently upgraded the credit rating on the revenue bonds to AAA and provided the Town's General Obligation Bond a rating of AAA. These revenue bond ratings and issuer credit ratings are the highest ratings these two services issue and represent the highest quality investment grade debt.

The table and the chart on the next page summarize the trend of the unassigned net position, compensated absence, and replacement reserve balances for fiscal year ending FY15 through fiscal year end 2019.



**Reserve Balances
Fiscal Years 2015 – 2019**

Fund	2015	2016	2017	2018	2019
General Fund	\$ 22,267,051	\$ 21,615,082	\$ 17,716,419	\$ 23,063,128	\$ 26,540,203
Compensated Absence (GF)	\$ 3,168,789	\$ 3,061,180	\$ 3,210,518	\$ 3,129,714	\$ 3,094,888
Townwide Underground Utility Fund	\$ -	\$ -	\$ (1,172,618)	\$ 6,672,736	\$ 63,944,516
Equipment Replacement Fund	\$ 13,304,714	\$ 14,918,663	\$ 15,889,600	\$ 16,390,299	\$ 17,678,027
Recreation	\$ 179,645	\$ 169,291	\$ 777,250	\$ -	\$ -
Enterprise Fund Recreation ERF	\$ 584,638	\$ 583,475	\$ 651,225	\$ -	\$ -
Dock Replacement	\$ 2,880,038	\$ 3,356,781	\$ 3,801,256	\$ 2,587,882	\$ 3,980,807
Par 3 M&I Reserve	\$ 351,246	\$ 388,132	\$ 442,910	\$ -	\$ -
Tennis M&I reserve	\$ 46,320	\$ 53,852	\$ 61,142	\$ 71,610	\$ -
Par 3 M&I	\$ 147,602	\$ 327,485	\$ 287,426	\$ 872,468	\$ 992,341
Par 3 Equipment Replacement					\$ 524,641
Donation Fund	\$ 564,368	\$ 1,180,331	\$ 3,018,697	\$ 1,666,199	\$ 1,490,547
Debt Service	\$ 1,567,384	\$ 955,441	\$ 1,569,976	\$ 1,566,248	\$ 1,381,353
Capital Improvement	\$ 5,898,531	\$ 5,506,265	\$ 6,639,003	\$ 7,376,553	\$ 14,555,269
Coastal Protection Fund	\$ 24,072,085	\$ 13,810,648	\$ 19,661,966	\$ 27,916,610	\$ 39,769,059
2013 ACIP Fund	\$ 34,967,926	\$ 20,196,064	\$ 12,095,772	\$ 7,286,574	\$ 1,601,603
Health Fund	\$ 5,740,869	\$ 6,507,339	\$ 6,904,823	\$ 5,441,578	\$ 6,789,493
Risk Fund	\$ 8,071,236	\$ 8,458,781	\$ 7,578,199	\$ 4,807,846	\$ 5,212,442
Health - OPEB Trust	\$ 26,629,096	\$ 28,401,183	\$ 31,275,719	\$ 32,682,812	\$ 32,812,872
Pension Funds	\$ 190,764,490	\$ 194,010,680	\$ 209,822,728	\$ 219,743,891	\$ 226,859,639
Total	\$ 341,206,028	\$ 323,500,673	\$ 340,232,011	\$ 361,276,148	\$ 447,227,700

Excess Reserves

Many of the Town's reserves must be maintained at a minimum level set by policy or based on recommendations of the actuarial firms used by the Town. The various capital fund reserves represent funds that have been accrued for future projects, or in the case of the 2013 ACIP funds, the remaining bond funds available for projects. The chart below shows the FY19 ending balance, minimum reserve amount and excess reserve balances. Total excess reserves are \$22,708,289. Of this amount \$3,562,492 was allocated from the Coastal Protection Fund for the bulkhead construction for the Marina project.

Fund	2019 Reserve Balance	Minimum Required Balance	Excess Reserves
General Fund	\$ 26,540,203	\$ 17,520,389	\$ 9,019,814
Compensated Absence (GF)	\$ 3,094,888	\$ 3,094,888	\$ -
Equipment Replacement Fund	\$ 17,678,027	\$ 15,446,987	\$ 2,231,040
Dock Replacement	\$ 3,980,807	\$ 3,980,807	\$ -
Par 3 M&I Reserve	\$ 992,341	\$ 992,341	\$ -
Par 3 ERF	\$ 524,641	\$ 524,641	\$ -
Donation Fund	\$ 1,490,547	\$ 1,490,547	\$ -
Debt Service	\$ 1,381,353	\$ -	\$ 1,381,353
Capital Improvement	\$ 14,555,269	\$ 14,555,269	\$ -
Coastal Protection Fund	\$ 39,769,059	\$ 36,145,968	\$ 3,623,091
2013 ACIP Fund	\$ 1,601,603	\$ 1,601,603	\$ -
Health Fund	\$ 6,789,493	\$ 1,548,944	\$ 5,240,549
Risk Fund	\$ 5,212,442	\$ 4,000,000	\$ 1,212,442
Health - OPEB Trust	\$ 32,812,872	\$ 32,812,872	\$ -
Pension Funds	\$ 226,859,639	\$ 226,859,639	\$ -
Total	\$ 383,283,184	\$ 360,574,894	\$ 22,708,289

