

Reserve Status

Town of Palm Beach

Town of Palm Beach Reserves

The Town Council has adopted twenty two financial policies, nineteen 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, 2024, based on the ending fund balance on September 30, 2023 plus FY24 budgeted revenues less expenditures for all funds.

Fund Balance Projections

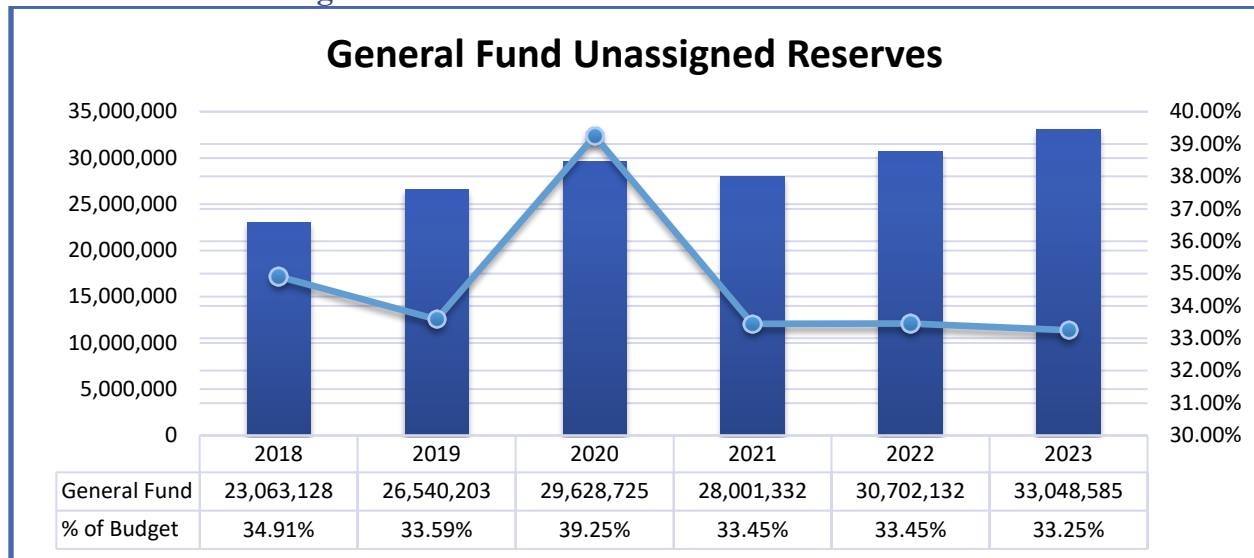
Fiscal Year 2024 Annual Budget

Fund	Estimated Fund Balance at 9/30/23	Estimated FY2024 Revenues	Estimated FY2024 Expenditures	Projected Fund Balance at 9/30/24
General Fund	\$ 30,142,767	\$ 103,712,931	\$ 104,812,931	\$ 29,042,767
Townwide Underground Utilities Fund	\$ 31,605,309	\$ 8,628,660	\$ 33,758,605	\$ 6,475,364
2013 and 2016A Bonds Debt Service Fund	\$ 1,169,053	\$ 6,395,683	\$ 6,550,683	\$ 1,014,053
2016B Worth Avenue Bond Debt Service Fund	\$ 202,631	\$ 727,038	\$ 727,038	\$ 202,631
Capital Improvement Fund	\$ 23,782,707	\$ 13,308,122	\$ 39,035,886	\$ (1,945,057)
Coastal Management Fund	\$ 38,104,995	\$ 8,345,052	\$ 36,449,178	\$ 10,000,869
Worth Avenue Assessment District Fund	\$ 253,304	\$ 484,027	\$ 604,027	\$ 133,304
Marina Enterprise Fund	\$ 20,998,001	\$ 15,932,000	\$ 12,813,002	\$ 24,116,999
Par 3 Golf Course Enterprise Fund	\$ 13,961,388	\$ 4,685,913	\$ 4,685,913	\$ 13,961,388
Building Fund	\$ 12,574,939	\$ 10,009,500	\$ 11,465,557	\$ 11,118,882
Risk Insurance Fund	\$ 6,182,727	\$ 2,479,817	\$ 3,348,041	\$ 5,314,503
Health Insurance Fund	\$ 4,564,209	\$ 5,861,632	\$ 7,063,345	\$ 3,362,496
Equipment Replacement Fund	\$ 31,195,254	\$ 2,288,014	\$ 2,606,472	\$ 30,876,796
Employee's Retirement Fund	\$ 251,982,588	\$ 37,000,878	\$ 24,967,650	\$ 264,015,816
OPEB Trust Fund	\$ 36,885,660	\$ 3,796,628	\$ 2,533,946	\$ 38,148,342
Totals	\$ 503,605,532	\$ 223,655,895	\$ 291,422,274	\$ 435,839,153

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General Fund - Unassigned Fund Balance



Pursuant to the new adopted policy, the unassigned fund balance for the General Fund is to be kept at a minimum level of 30% 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. Thirty percent of the FY24 General Fund operating budget (General Fund budget less extraordinary retirement transfer) is \$29,817,879. The FY23 ending unassigned fund balance was \$33,048,585. The unassigned fund balance exceeded the minimum requirement by \$3,230,706. The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 30%. The chart shows the trend for the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents. The unassigned fund balance increased by \$2,346,453. The percentage of Unassigned Fund Balance vs. Budget slightly decreased to 33.25%.

Commitment of General Fund Reserves 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 pay-outs of eligible accrued vacation and sick time and the related payroll tax liability. The balance in the reserve as of September 30, 2023, was \$2,652,248. The FY24 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$500,000.

Townwide Underground Utilities Fund

The Town issued General Obligation Bonds in FY19 and FY21 for the Townwide Underground Utilities Project. Phase 1 North was completed in FY19. Phase 1 South and Phase 2 North were completed in FY20. During FY21, Phase 3 North was completed. In FY23, Phase 2 South and Phase 4 North was completed with Phase 3 South substantially completed. Phase 4 South, Phase 5 North and South are under construction. Phase 6 North and South along with Phase 7 North Construction has begun while Construction on Phase 7 South will begin later this year. Engineering and design is underway Phase 8, the last phase of the project. The completion of these projects will reduce the net assets in this fund during FY24.

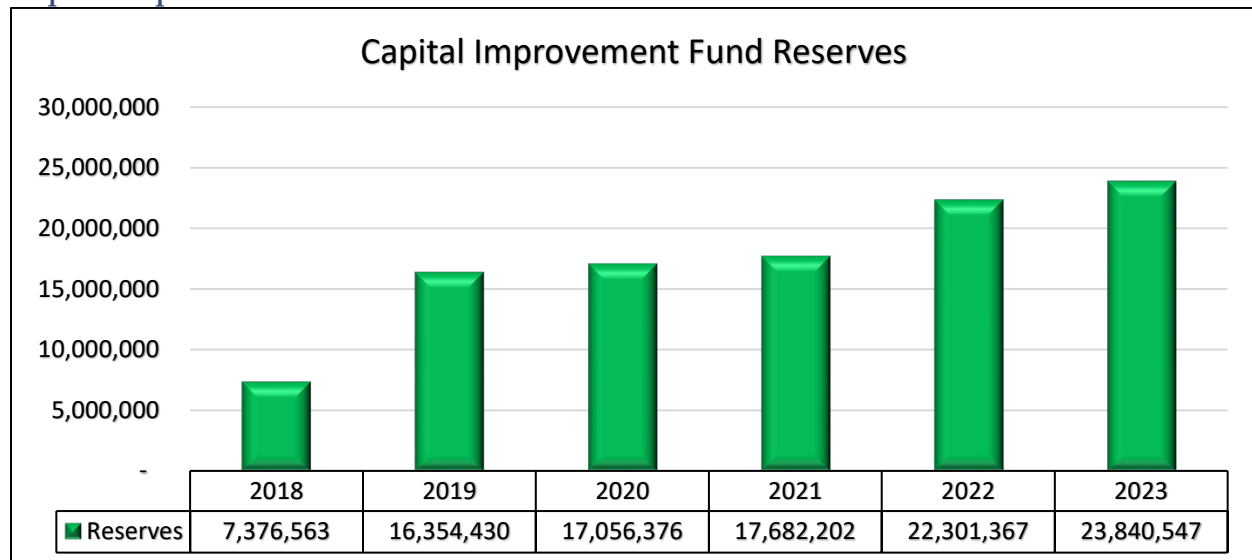
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Debt Service Funds

The debt service fund for the 2016A and 2019 bonds has excess reserves of \$1,371,684 that had accrued since the issuance of the 2013 bonds. Some of these excess funds might be used to help fund the Capital Improvement Fund in FY25.

Capital Improvement Fund

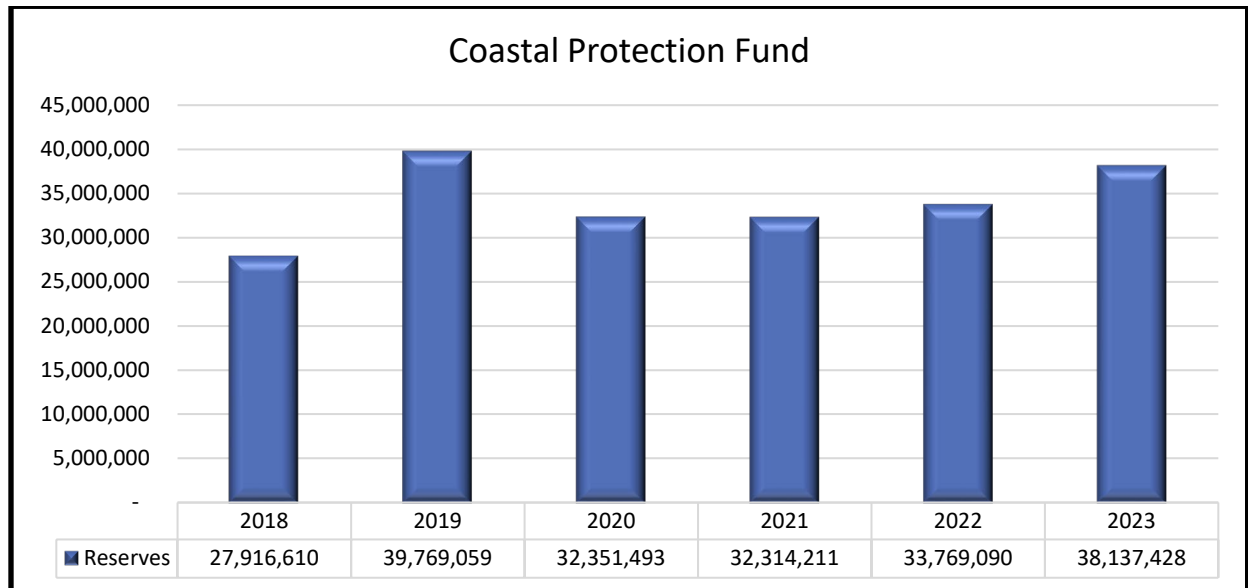


For many years, the Town funded all of the capital infrastructure improvements through pay-as-you-go financing. For FY24, the transfer to the Capital Improvement Fund from the General Fund increased to \$10,308,122 to fund future projects and the North Fire-Rescue station renovation. The increase in reserves to the FY19 balance is due to the transfer of the Mandel Recreation Center project to this fund from the Recreation Enterprise Fund and contributions from the Mandel foundation and the Friends of Recreation. Due to extremely high inflation for construction in the South Florida area, the transfer to the Capital Fund will need to increase to cover increased costs as well as the completion of the paving for the Undergrounding projects. Reserves of \$17,917,623 have been encumbered for current projects. The balance of \$5,865,087 is reserved for future projects.

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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 FY24 transfer was \$5,791,205, which was an increase of over \$500,000 over the prior FY. As of September 30, 2023, the reserve balance in this fund is \$38,137,428. The Mid-Town beach renourishment project occurred in FY20 which lowered the balance of these reserves. In the 10-year projection, there will not be enough pay-go funds to cover all of the anticipated projects. Financing may be required to fund the Mid-Town Seawall Project scheduled in FY27. The Town will look for Federal, State and County grant whenever possible to fund these projects.

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 on the property owners in this district. The reserves in this fund of \$235,097 have accumulated since the initial capital project was completed. The reserves in FY24 are being used to offset increased maintenance costs and for valet service during the season.

Marina Enterprise Fund Reserves

At the end of FY23, \$8,523,256 has been set aside in the Dock Replacement Reserve and at the end of FY23 the “unassigned” fund balance totaled \$7,821,254. The Dock Replacement reserve was created to partially fund the replacement cost of the construction of the Town’s docks. In FY18, the Town used a portion of these reserves to fund the engineering and permitting costs associated with the dock replacement project. The Marina was closed at the end of the 2020 season to begin construction of the new Marina. A loan was secured for \$31,000,000 to finance a portion of the construction. Construction was finished and the Marina reopened November 1, 2022. Due to funding from the Florida Inland Navigation District, the dock replacement reserve was not used for the Marina Project. The annual depreciation for the new Marina in FY24 is \$1,698,786. These funds will be set aside for future replacement. The Town Council approved an allocation from these reserves to be

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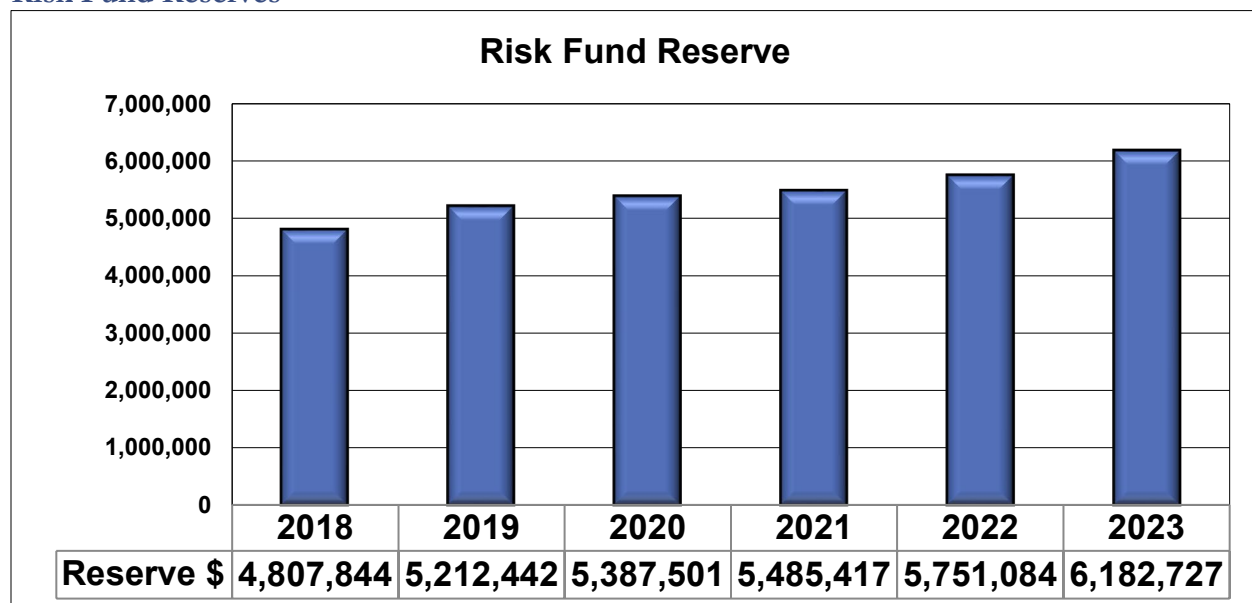
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used to fund a portion (\$1,133,500) of the Lake Drive Park project that is related to the Marina. In FY24, Town Council approved the increase in the transfer of profits from the Marina to the Townwide Underground Utility Project from \$2,600,000 to \$4,100,000 in FY24. In FY25, that transfer will need to increase to at least \$5,500,000 in order to assist with the funding of the Townwide Underground Project.

Par 3 Enterprise Fund Reserves

The Par 3 Golf course repair and replacement reserve is funded with a transfer equal to $\frac{1}{2}$ of the annual depreciation on the clubhouse and golf course. The balance in this reserve as of September 30, 2023 is \$628,706. The Par 3 Enterprise Fund also has an Equipment Replacement Fund with a reserve balance at the end of FY23 of \$487,596.

Risk Fund Reserves



The total reserve balance for the Risk Fund was \$6,182,727 as of September 30, 2023. 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 FY22 is \$1,751,084. The \$3,000,000 appropriated each year for contingency and the Reserve for Catastrophic Exposures/Emergencies are 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

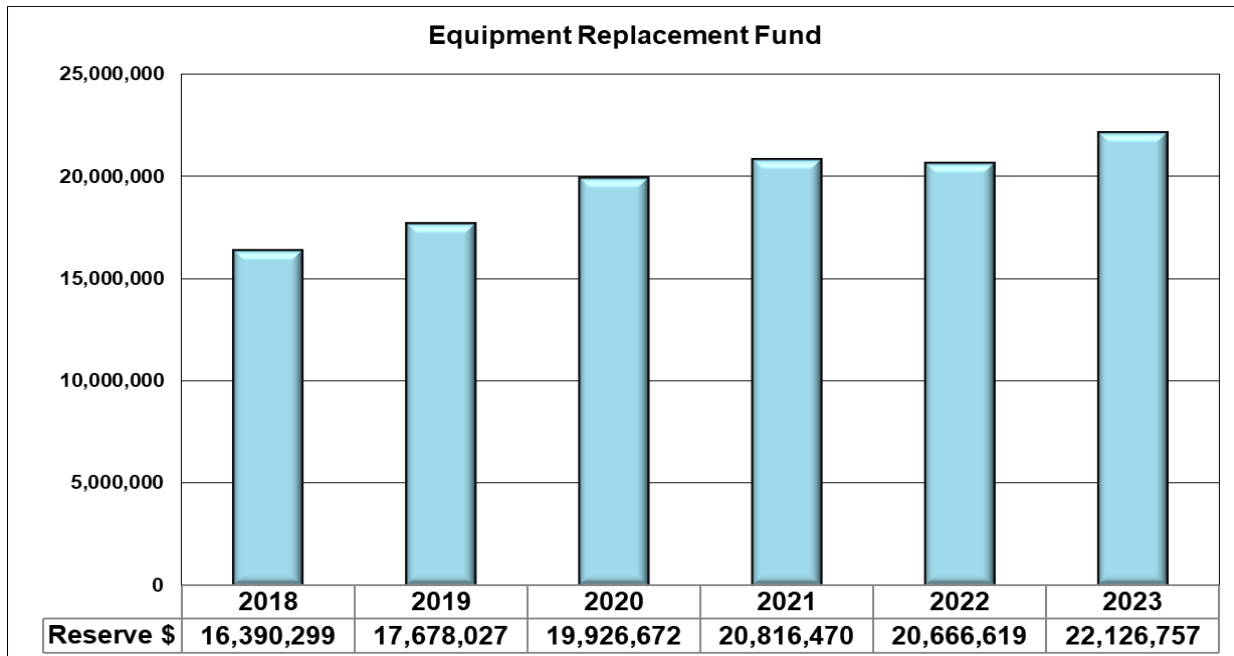
The Reserve for Catastrophic Exposures/Emergencies for the Risk Fund is funded at a minimum of \$2,500,000. This reserve was established to set aside emergency funds to protect the Town against

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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.

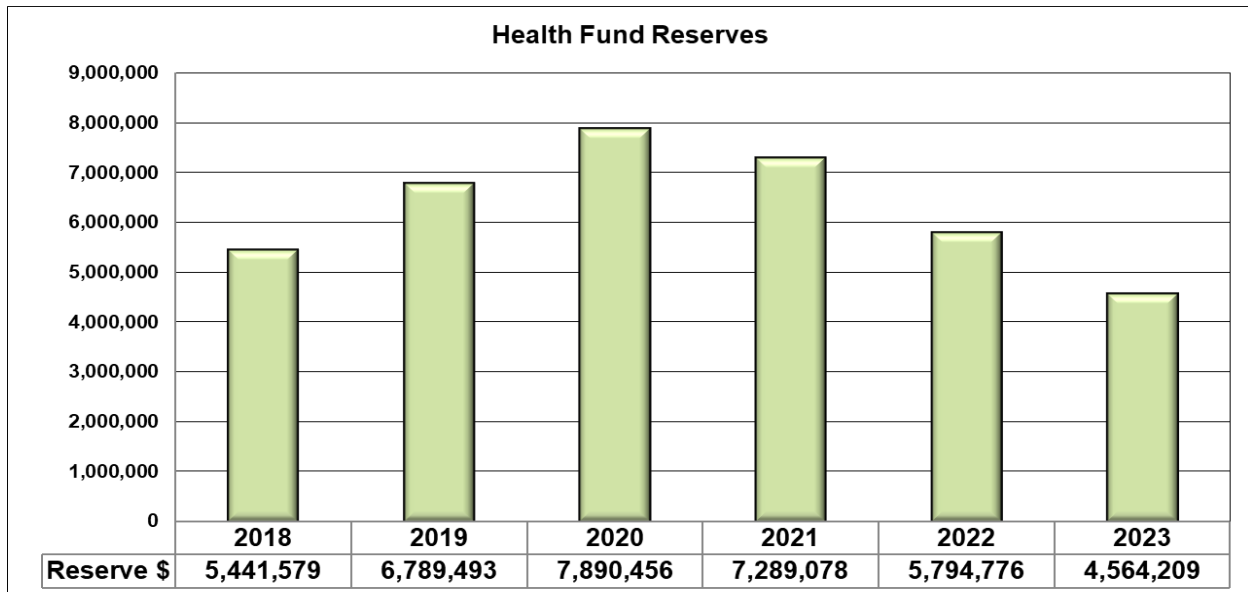
The Unassigned balance in the Equipment Replacement Fund Reserve for year-end FY23 was \$22,126,757.

For FY24, income including the depreciation transfer will total \$2,288,014 and expenditures for capital equipment are budgeted at \$2,606,472 which will cause the net assets of this fund to decrease.

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Health Insurance Reserve

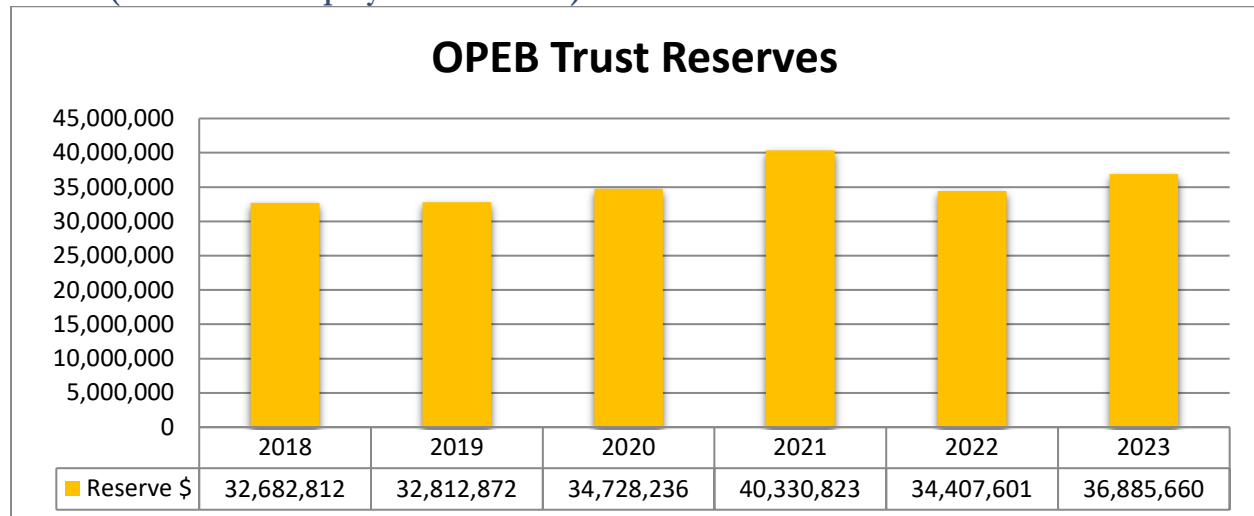


The balance of the reserve in the Health Fund at the end FY23 was \$4,564,209. These reserves guard against any deficiencies in the Town's self-insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. Since FY13, the Town maintained level funding of health insurance benefits due to the wellness program and good claims experience which enabled a reduction in funding for FY19 and FY20 and allowed for maintained level funding in FY21. 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. In FY21, reserves decreased due to higher than expected claims due to COVID. The actuary recommends a minimum reserve of 6 months of estimated claims, plus 60 days of claims, as well as the incurred but not Recorded (IBNR) claims. These amounts at the end of FY23 totaled \$3,364,147, leaving a surplus reserve amount of \$1,200,062. For FY24, \$1,701,713 from fund balance was used to balance the healthcare fund. This fund has been losing money for the last three fiscal years. The Town will take a phased approach in increasing funding from the General Fund to balance the budget. This reserve will more than likely decrease in 2024.

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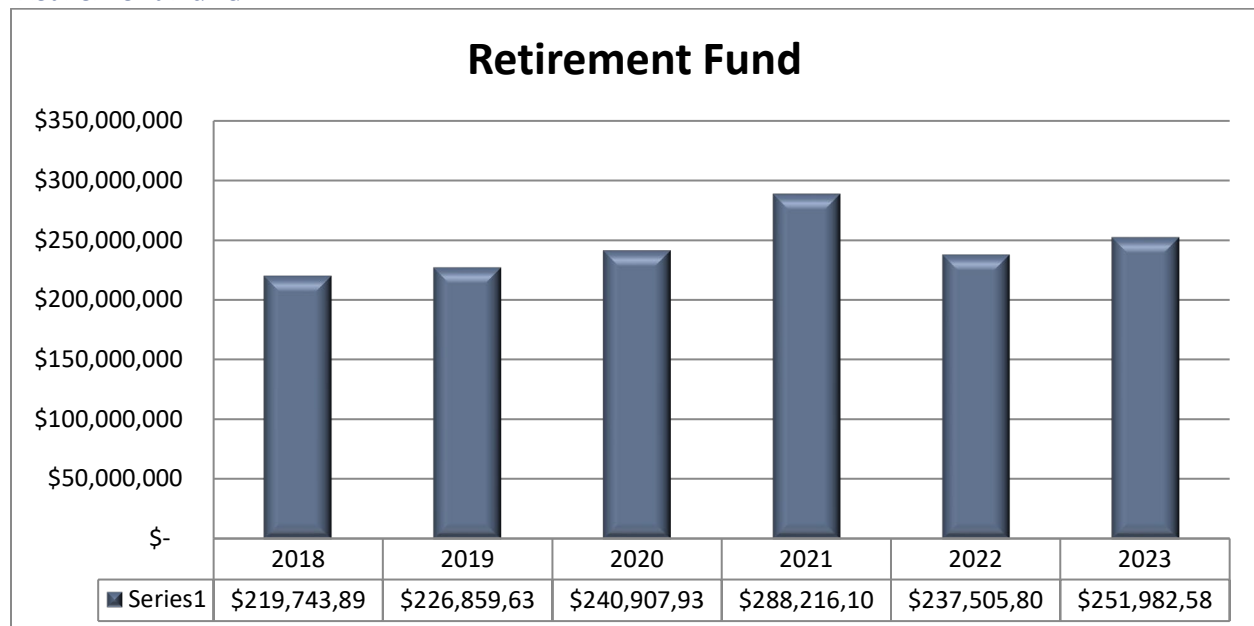
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OPEB (Other Post Employment Benefits) Trust



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 Committee lowered the investment assumption from 6% to 5% in FY21. The net asset balance in this trust was \$36,885,660 as of September 30, 2023. The total OPEB liability at the end of FY23, was calculated to be \$31,068,482, resulting in a Net OPEB asset of \$3,525,444, and a funded ratio of 110.57% using a 5% return assumption. The actuarially determined transfer from the General Fund for the OPEB liability for FY24 is \$789,128. The Town is well funded and continues to be well ahead of other government agencies.

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

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pension assets and retirement programs. The net assets of the consolidated retirement fund at the end of FY22 were \$251,982,588. The decrease was a result of poor investment performance during the year. The funded ratio decreased from 75.2% last year to 74.0% this year. The reduction in the actuarial results resulted in an increase of \$1,403,198 in the actuarially determined employer contribution for FY25.

Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Marina and Par 3 Enterprise Funds, Building Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at \$600,000 since FY2021 (the Town's policy states it would be funded at 1% of the operating expenses and will need to be changed to reflect the current environment). The Capital Fund Contingency is accounted for at the project level and uses a contingency anywhere between 5-20%, depending on the type of project. 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 below identifies the contingency budgets and actual expenditures for the fiscal years 2019 through FY2024 budget.

Contingency Balances 2019-2024

Contingency	2019	2020	2021	2022	2023	2024
General Fund Budget	\$560,000	\$610,000	\$600,000	\$600,000	\$600,000	\$600,000
General Fund Actual	79,864	160,280	105,000	42,000	212,000	-
ERF Budget	500,000	500,000	500,000	500,000	500,000	500,000
ERF Actual	-	-	30,000	130,000	144,337	-
Risk Budget	500,000	500,000	500,000	500,000	500,000	500,000
Risk Actual	-	-	-	-	-	60,000
Health Budget	500,000	500,000	500,000	500,000	500,000	500,000
Health Actual	-	-	-	-	-	-
Par 3Golf Course Budget	89,630	85,298	93,223	103,477	130,169	142,022
Par 3Golf Course Actual	55,882	69,000	-	100,000	-	-
Marina Budget	55,679	54,209	39,686	123,094	145,985	185,883
Marina Actual	-	-	-	-	-	-
Building Permit Fund Budget	-	-	138,720	166,817	187,439	217,708
Building Permit Fund Actual	-	-	74,030	-	-	-

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

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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 upgraded in FY23 the Town's Revenue Bonds to Aaa 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 following page summarize the trend of the unassigned net position, compensated absence, and replacement reserve balances for fiscal year ending 2018 through fiscal year end 2023. Total reserves equal \$483,493,035. Reserves less Pension and Retiree Health Trust total \$194,624,787. Total Town reserves have grown over 33.6% since 2018. Total reserves *less* the Pension Fund, Retiree Health OPEB Trust, and Townwide Undergrounding have grown by 58.6% or \$60,203,927 over the same period. The Pension and Retiree Health Funds have grown by \$32,238,697 or 14.7% since 2018.

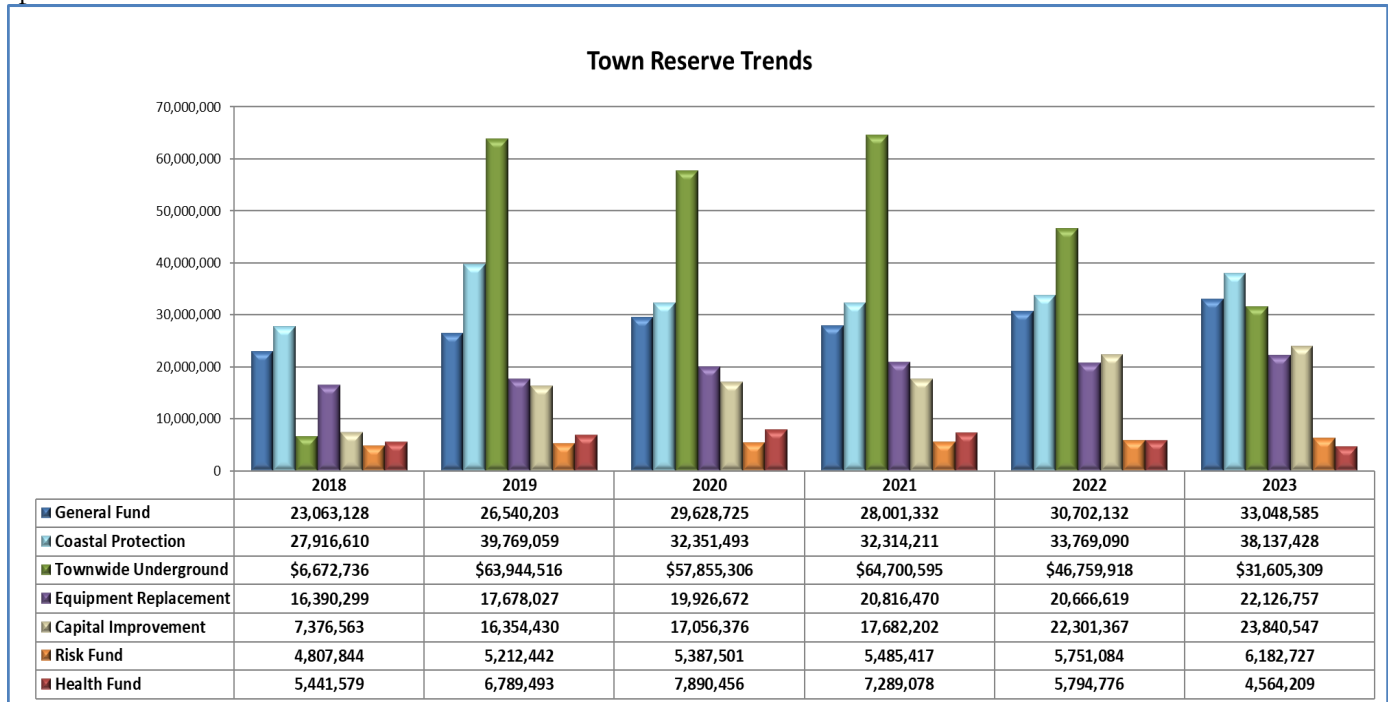
Town Reserve Balance History 2018 – 2023

Fund	2018	2019	2020	2021	2022	2023
General Fund	\$ 23,063,128	\$ 26,540,203	\$ 29,628,725	\$ 28,001,332	\$ 30,702,132	\$ 33,048,585
Compensated Absence (GF)	\$ 3,129,714	\$ 3,094,888	\$ 2,703,693	\$ 2,645,408	\$ 2,198,670	\$ 2,652,248
Equipment Replacement Fund	\$ 16,390,299	\$ 17,678,027	\$ 19,926,672	\$ 20,816,470	\$ 20,666,619	\$ 22,126,757
Recreation Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
Recreation ERF	\$ -	\$ -	\$ -	\$ -	\$ -	
Town Docks Unassigned Reserve				\$ 5,244,165	\$ 2,465,346	\$ 7,801,152
Marina Replacement	\$ 2,587,882	\$ 3,980,807	\$ 5,141,712	\$ 5,116,981	\$ 6,746,069	\$ 8,523,256
Marina Equipment Replacement					\$ -	\$ 20,102
Tennis M&I reserve	\$ 71,610	\$ 80,841	\$ 80,962	\$ 80,962	\$ 80,962	\$ 80,962
Par 3 R&R Reserve	\$ 872,468	\$ 992,341	\$ 985,326	\$ 1,050,369	\$ 1,015,845	\$ 628,706
Par 3 Equipment Replacement	\$ 638,842	\$ 524,641	\$ 524,869	\$ 555,779	\$ 591,211	\$ 487,596
Building Fund				\$ 2,572,742	\$ 7,252,043	\$ 12,361,385
MPSCC Replacement Fund (PS radios)					\$ 196,445	\$ 262,467
Donation Fund	\$ 1,666,199	\$ 1,490,547	\$ 1,011,637	\$ 1,041,522	\$ 1,016,553	\$ 1,019,940
Debt Service	\$ 1,566,248	\$ 1,381,353	\$ 1,659,221	\$ 1,479,569	\$ 1,511,783	\$ 1,371,684
Capital Improvement	\$ 7,376,553	\$ 16,354,430	\$ 17,056,376	\$ 17,682,202	\$ 22,301,367	\$ 23,782,707
Coastal Protection Fund	\$ 27,916,610	\$ 39,769,059	\$ 32,351,493	\$ 32,314,211	\$ 33,769,090	\$ 38,104,995
Townwide Underground Fund	\$ 6,672,736	\$ 63,944,516	\$ 57,855,306	\$ 64,700,595	\$ 46,759,918	\$ 31,605,309
2013 ACIP Fund	\$ 7,286,574	\$ 1,601,603	\$ 864,227	\$ -	\$ -	
Health Fund	\$ 5,441,578	\$ 6,789,493	\$ 7,890,456	\$ 7,289,078	\$ 5,794,776	\$ 4,564,209
Risk Fund	\$ 4,807,846	\$ 5,212,442	\$ 5,387,501	\$ 5,485,417	\$ 5,751,084	\$ 6,182,727
Health - OPEB Trust	\$ 32,682,812	\$ 32,812,872	\$ 34,728,236	\$ 40,330,823	\$ 34,407,601	\$ 36,885,660
Pension Funds	\$ 219,743,891	\$ 226,859,639	\$ 240,907,938	\$ 288,216,109	\$ 237,505,807	\$ 251,982,588
Total	\$ 361,914,990	\$ 449,107,701	\$ 458,704,350	\$ 524,623,734	\$ 460,733,321	\$ 483,493,035

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The chart below shows the reserve trends of the major Town funds excluding enterprise funds and special revenue funds.



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. The chart below shows the FY22 ending balance, minimum reserve amount and excess reserve balances. Total excess reserves are \$25,070,464

Fund	2023 Reserve Balance	Minimum Required Balance	Excess Reserves
General Fund	\$ 33,048,585	\$ 29,817,879	\$ 3,230,706
Building Enterprise Fund	\$ 12,361,385	\$ 12,361,385	\$ -
Equipment Replacement Fund	\$ 22,126,757	\$ 18,443,581	\$ 3,683,176
Dock Replacement	\$ 8,523,256	\$ 3,740,322	\$ 4,782,934
Debt Service	\$ 1,371,684	\$ -	\$ 1,371,684
Capital Improvement	\$ 23,782,707	\$ 23,782,707	\$ -
Coastal Protection Fund	\$ 38,104,995	\$ 38,104,995	\$ -
Health Fund	\$ 4,564,209	\$ 3,364,147	\$ 1,200,062
Risk Fund	\$ 6,182,727	\$ 4,000,000	\$ 2,182,727
Health - OPEB Trust	\$ 36,885,660	\$ 36,885,660	\$ -
Pension Funds	\$ 251,982,588	\$ 251,982,588	\$ -
Total	\$ 440,523,051	\$ 424,071,762	\$ 16,451,289

