



Budget Message

Town of Palm Beach / FY 2025 Tentative Annual Budget



Town of Palm Beach, Florida

September 11, 2024

Honorable Mayor, Town Council and Residents of the Town of Palm Beach,

Each year the Directors and I start the budget process by conducting a thorough review of Town operations and available resources, while looking for improved ways to meet the needs and expectations of the community.

The proposed FY2025 budget is the result of Town Management and department efforts to improve efficiency and apply lean principles town-wide. Once adopted, staff will carefully review each expense to ensure it is still necessary, can be deferred, can be managed more efficiently, or is being made in the most cost-effective way.

The Town Team found efficiencies where possible and produced a \$6 million surplus in FY2023. The majority of this surplus has been earmarked for projects in fiscal years 2024 and 2025. These projects included Phipps Ocean Park, Public Safety radios and replacement of the Enterprise Resource Planning (ERP) software. For FY2025, we are proposing a budget which contains additional staffing to meet operational and service needs of the community as outlined by the Town Council and members of Town staff. Inflation continues to pose challenges to controlling costs, particularly material and labor costs for capital projects. More detail on proposed expenditures and revenues are contained later in the summary.

This year staff has been busy implementing new initiatives and working on many significant projects. These include:

- ▶ For the first time ever, the Town has been awarded the Top Workplaces Award by the SunSentinel. This year, based on the scores of our annual employee engagement survey, the Town scored high enough against national benchmarks to be recognized along with 138 other South Florida businesses. Only one other municipality earned this award in 2024.
- ▶ The Office of Risk Management is one of three recipients of a new award program, the 2023 Florida Municipal Insurance Trust (FMIT), administered by the Florida League of Cities (FLC), recognized the Town of Palm Beach's successful insurance processes, risk management efforts and other proactive measures that improve the quality of life in the Town community and working environment. The Town specifically received the Risk & Safety Award, which recognizes the implementation of FMIT Risk & Safety Management frameworks with proven results.
- ▶ The IT Department continues to update cybersecurity measures while maintaining and upgrading the IT infrastructure; plus supporting the Town staff.
- ▶ The Procurement and Contract Management Division was the recipient of the National Procurement Institute Achievement of Excellence in Procurement Award in 2023. This prestigious annual award is earned by those organizations that demonstrate excellence by obtaining a high score based on criteria designed to measure innovation, professionalism, productivity, e-procurement, and leadership

attributes of the procurement organization. The Town was one of one hundred seventy-eight organizations nationwide to achieve this award. In addition, the Division was the recipient of the Florida Association of Public Procurement Officer's Award of Excellence in Public Procurement for the third time in a row in 2023. Only twenty-seven Florida public procurement agencies were awarded this honor.

- ▶ Planning, Zoning and Building (PZB) Department staff and consultants have continued to work on reviewing code reform opportunities. The Planning & Zoning Commission is reviewing proposed changes to the R-B Zoning district (the largest single-family home district), proposed changes to the midtown commercial districts and they are ready to start on the south end multi-family districts next. Code review, in general, has been proceeding slower than expected, due to the changes in State laws and the need to process the Comp Plan update at this time.
- ▶ The 2024 Comprehensive Plan Update (formally called the Evaluation and Appraisal Review) has been underway for a year and half. The Comprehensive Plan has proceeded through the Planning & Zoning Commission and presented formally to the Town Council on August 12, 2024. The plan will undergo three reviews by the Town Council before the Transmittal hearing by the Local Planning Agency (LPA) and the Town Council.
- ▶ PZB along with Public Works, Police, Finance and IT implemented a new permitting software system that went live April 2024, this will help streamline the building permit process and integrate data between departments.
- ▶ The Corradino Traffic & Parking Study, commissioned by the Town Council more than a year ago, was finalized in July 2024. The study includes both 2023 and 2024 traffic counts, reviews of numerous valet programs, a study of existing public and private parking and proposed changes to the on-site parking requirements under the Zoning code.
- ▶ The Town-wide undergrounding project is expected to finish construction of Phases 6 North and South during FY25. During FY25 work will continue on Phases 7 North, 7 South and Phase 8. The entire project is expected to be completed in 2027. Paving will be done as each phase is completed.
- ▶ The Town is in negotiations with West Palm Beach and Lake Worth Beach on who will be the Town's next water provider.
- ▶ We are expanding the number of police officers as high visibility community contacts to increase interaction with residents, businesses, schools, and religious institutions in Town.
- ▶ Police are leading the efforts for the Town's proposed comprehensive parking plan.
- ▶ Construction on the North Fire-Rescue station will be completed by the end of this calendar year. .
- ▶ The Mandel Recreation Center is on pace for another record year in revenues.
- ▶ Seaview Park and Phipps Ocean Tennis Centers' revenues are ahead of last year's record pace. The Seaview Tennis Center will be closed for two months this summer for renovations.
- ▶ Marina revenues remain strong with a noted increase in transient dockage reservations.
- ▶ Golf revenues are slightly ahead of last year's record levels.

General Fund

FY25 General Fund Revenues

Property Taxes

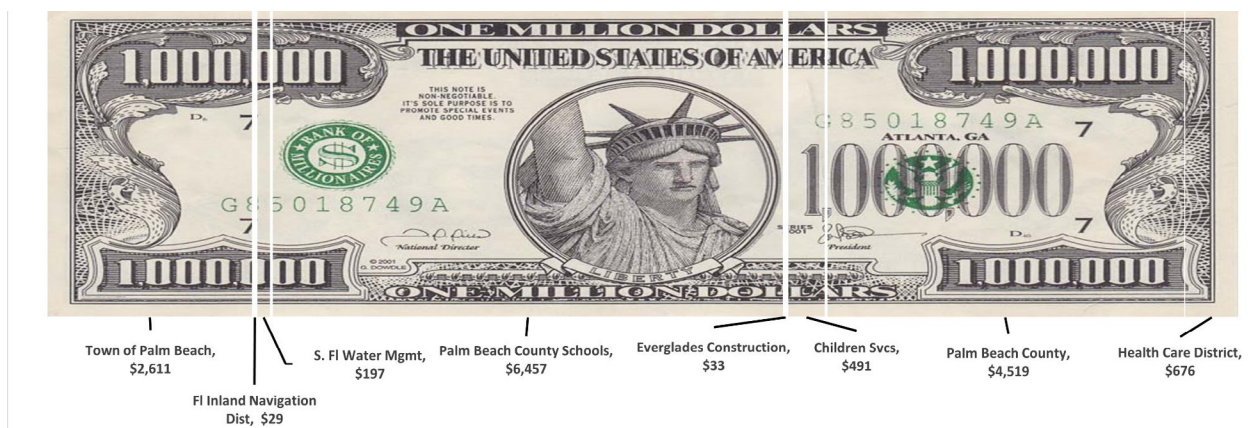
FY24 Final Property Taxes

The General Fund is the only fund to directly use property taxes as a revenue source. Property taxes (ad valorem taxes) represent the largest revenue source. The Town's portion of the total millage rate in FY2024 was 17.4%. This means for every \$100 paid in taxes only \$17.39 stays in the Town.

Below are the taxing districts and the adopted millage rates for FY2024 with the total amount of taxes paid to each of the districts by Palm Beach Property owners. The biggest beneficiaries of Town of Palm Beach property owners' taxes are Palm Beach County and Palm Beach County School District collecting 73.1% of all taxes paid in the Town followed by the Town of Palm Beach at 17.4% with the other taxing districts making up the balance of 9.5%.

Taxing Authority	FY24 Adopted Millage Rates	Taxes Per \$1 Million Value	% of Total Tax Bill	Total Taxes Paid by Palm Beach Property Owners
Palm Beach County School District	6.4570	\$ 6,457	43.01%	\$ 186,948,597
Palm Beach County	4.5188	\$ 4,519	30.10%	\$ 130,832,170
Palm Beach	2.6110	\$ 2,611	17.39%	\$ 75,595,909
Health Care District	0.6761	\$ 676	4.50%	\$ 19,575,027
Children Services	0.4908	\$ 491	3.27%	\$ 14,210,062
South Florida Water Mgmt	0.1974	\$ 197	1.31%	\$ 5,715,294
Everglades Construction	0.0327	\$ 33	0.22%	\$ 946,758
Florida Inland Navigation	0.0288	\$ 29	0.19%	\$ 833,842
Grand Total	15.0126	\$ 15,013	100.00%	\$ 434,657,660

The total taxes paid per million of taxable value in the Town in FY24 was \$15,013 a decrease of \$483 from FY23. Of that amount, \$2,611 stayed in the Town to pay for services and the remaining \$12,402 went to other taxing districts. A breakdown by taxing district for a \$1 million homesteaded property using the FY24 tax rates is shown on the next page.



FY25 Millage Rate

Below is a millage rate table that shows the FY25 proposed rate versus the FY24 millage rate. The proposed FY25 millage rate of 2.6110 represents a 0.00% reduction from FY24 and a \$79 increase in taxes per million for homesteaded properties and a \$161 increase for non-homestead properties based on the 10% cap, as defined by State law, for these properties.

	FY2024 Millage Rate	FY2025 Millage Rate \$0 Increase for Homestead
Millage Rate	2.6110	2.6110
Tax Revenue	\$ 72,130,503	\$ 79,745,500
Revenue Increase over FY24	n/a	\$ 7,614,997
Millage % Increase/Decrease vs. FY24	n/a	-%
Homestead Value Increased by 3.0%	\$ 1,000,000	\$ 1,030,000
Town Taxes	\$ 2,480	\$ 2,559
Increase/(Decrease) over FY24	n/a	\$ 79
Non-Homestead Tax Increase (Decrease) Max 10%	n/a	\$ 249

The State of Florida requires the Town to calculate a rolled-back millage rate. The rolled-back rate is defined as the millage rate which provides the same property tax revenue for each taxing authority as was levied during the previous year (exclusive of new construction, additions, rehabilitative improvements increasing assessed value by at least 100%, annexations, deletions). The rolled-back millage rate currently is 2.3608. This millage would represent a 9.6% decrease from the FY24 millage and would provide the homestead property owner a \$166 per million reduction in taxes. The proposed millage rate for FY25 represents a 10.6% increase over the rolled-back rate.

Revenues

The FY24 revenue budget estimates were conservative. For FY24 to date, some of the revenue sources are exceeding budget expectations. The FY25 proposed revenues represent a moderate increase over FY24. The revenue budget by type for the General Fund for FY25 compared to FY24 is shown on the table below:

Revenue	FY2024	FY2025	FY24 vs. FY25 Difference	% Change
Ad Valorem Taxes	\$ 72,130,510	\$ 79,745,500	\$ 7,614,990	10.56%
Non Ad Valorem Taxes	6,678,000	6,780,000	102,000	1.53%
Licenses & Permits	5,331,000	5,463,500	132,500	2.49%
Intergovernmental	1,240,200	1,272,500	32,300	2.60%
Charges for Services	8,175,638	9,975,775	1,800,137	22.02%
Fines and Forfeitures	1,128,000	1,128,000	-	-%
Investment Earnings	685,386	1,864,484	1,179,098	172.03%
Miscellaneous	595,200	1,328,700	733,500	123.24%
Transfers from the Enterprise Funds	7,748,997	8,362,090	613,093	7.91%
Transfers from unassigned fund balance for Contingency and Compensated Absences	1,100,000	3,260,000	2,160,000	196.36%
Total Revenues	\$ 104,812,931	\$ 119,180,549	\$ 14,367,618	13.71%

Significant highlights for General Fund FY25 revenues include:

- The Property Appraiser's Preliminary Certification issued July 1, 2024, showed existing property taxable values in the Town have risen 11.28% over the prior year. The total taxable value is \$32,149,560,525.

- ▶ The amount included for property tax represents the taxes generated from millage rate of 2.6110 that represents a \$79 increase per million for homestead property owners.
- ▶ The Non Ad Valorem tax revenue has increased slightly based on current trends.
- ▶ The small increase in Licenses and Permits is due to current activity expected to continue into FY25.
- ▶ The Intergovernmental revenue increase is due to improvements in State sales tax receipts.
- ▶ Charges for services increased due to additional paid parking associated with the Town's comprehensive parking plan and recreation fees anticipated to increase with historically high levels of usage
- ▶ Fines and forfeiture revenue remained level based on current trends.
- ▶ Investment earnings have increased based on the current interest rate environment.
- ▶ The transfers from the Enterprise Funds represent a transfer of \$25,000 from the Par 3 Golf Course enterprise fund, a transfer of \$1,109,000 from the Marina Fund which represents General Fund allocated costs of services such as Finance, People and Culture, Town Manager and Public Works. The transfer from the Building Enterprise Fund of \$7,228,090 represents allocated costs of General Fund services provided for the building permit process. This amount was originally estimated conservatively when the fund was established.
- ▶ Transfers from fund balance represent transfers for Contingency, the compensated absence payouts for the year and a transfer to the Equipment Replacement Fund for the Town's new Enterprise Resource Planning (ERP) software.

General Fund Expenditures

General Fund expenditures have increase by 13.71% from FY24. The details by expenditure category are shown in the table below.

Expenditure Category	FY2024	FY2025	FY24 vs. FY25 Difference	% Change
Salary and Wages	\$ 33,335,047	\$ 36,922,812	\$ 3,587,765	10.76%
Pension Benefits	12,591,687	14,543,944	1,952,257	15.50%
Other Employee Benefits	8,760,746	9,814,479	1,053,733	12.03%
Contractual	15,090,034	16,498,487	1,408,453	9.33%
Commodities	2,102,506	2,210,727	108,221	5.15%
Depreciation/Capital Outlay	2,419,403	3,055,027	635,624	26.27%
Subtotal Operating Expenditures	74,299,423	83,045,475	8,746,052	11.77%
Library	385,351	396,912	11,561	3.00%
Transfer to the Risk Insurance Fund	2,329,817	2,329,817	-	-%
Transfer to Capital Improvement Program	10,308,122	14,250,622	3,942,500	38.25%
Transfer to Equipment Replacement Fund	-	2,000,000	2,000,000	100.00%
Transfer to the Debt Service Fund	5,679,013	5,846,518	167,505	2.95%
Transfer to Coastal Management Fund	5,791,205	5,791,205	-	-%
Extraordinary Transfer to Retirement Fund	5,420,000	5,420,000	-	-%
Salary Savings	-	(500,000)	(500,000)	-%
Contingency	600,000	600,000	-	-%
Subtotal Transfers and Contingency	30,513,508	36,135,074	5,621,566	18.42%
Total General Fund	\$ 104,812,931	\$ 119,180,549	\$ 14,367,618	13.71%
FTE Totals	370.919	384.129	13.21	3.44%

Highlights for General Fund expenditures are as follows:

Total operating expenditures increased \$8,746,052 or 11.77% from FY24. Total transfers and other expenses increased \$5,621,566 or 18.42%. Details of the changes are as follows:

Operating Expenditures:

- ▶ Tentatively, \$3,587,765 has been earmarked to pay for increased salary and wages, and the increase in FTEs allocated to the General Fund of 12.21 (see full description later in the document). The increase also includes merit and step increases and a cost-of-living lump sum payment (COLA). In 2022, the Town adopted a policy using the Social Security COLA calculation as the method to determine the annual COLA rather than focusing on a one-month snapshot, which could result in abnormal spikes. We use the average of the CPI index for the Miami-Ft. Lauderdale-West Palm Beach area for the last three reporting periods. (This CPI index is reported every other month).
 - Using this methodology the COLA for FY25 would be 5.0%. Included in this proposed budget is a 5% non-pensionable lump sum payment. Paying out 5% as a non-pensionable lump sum would help curb any impacts to the pension fund and assist in keeping salaries in line with the assumptions in the actuarial forecasts.
- ▶ We are also including market adjustments for Police and Fire-Rescue personnel to ensure they remain at the 85th percentile and a 3% market adjustment for General Employee ranges to maintain internal equity and market competitiveness. Additional information regarding compensation changes can be found later in this message under “Compensation Update”.
- ▶ The total annual required contribution for the defined benefit plan (DB) and defined contribution (DC) pension benefits increased in the general fund by a total of \$1,952,257 due to investment losses in FY22 and plan changes in FY24.
- ▶ Other employee benefit costs increased by \$1,053,733 or 12.03%. Total Town funding for health insurance increased by \$774,047 with \$732,562 of the increase allocated to the General Fund. Health Insurance costs are calculated and then allocated throughout the budget on a per Full-Time Equivalent (FTE) basis. The health costs per FTE for FY25 are \$14,932.
- ▶ FICA tax increased by \$252,273 due to the increase in the salary budget. The Longevity/Bonus program increased slightly, \$1,954. New employees are not eligible for bonus until they have worked for the Town for 5 years.
- ▶ Included in Other Employee Benefits is the Transfer to the OPEB trust. The transfer to the OPEB trust fund increased by \$39,456.
- ▶ The increase in contractual costs, \$1,408,453, is mainly due to increases associated with anticipated CPI increases for contract renewals. The largest increase is in the advice and litigation division, of \$341,000. This increase is to budget closer to current spending trends. Other large increases include Sanitary Sewer Treatment and Disposal, 113,819 and Recreation Programs, \$62,000.
- ▶ The increase in commodities of \$108,221 is related to higher fuel costs/usage, \$105,962, vehicle maintenance, \$26,850, cleaning supplies and other supply budget increases and decreases.
- ▶ Depreciation/Capital outlay costs increased \$635,624.
- ▶ The funding for the Four Arts Library will increase by \$11,561. This funding is now tied to CPI or 3% whichever is lower.

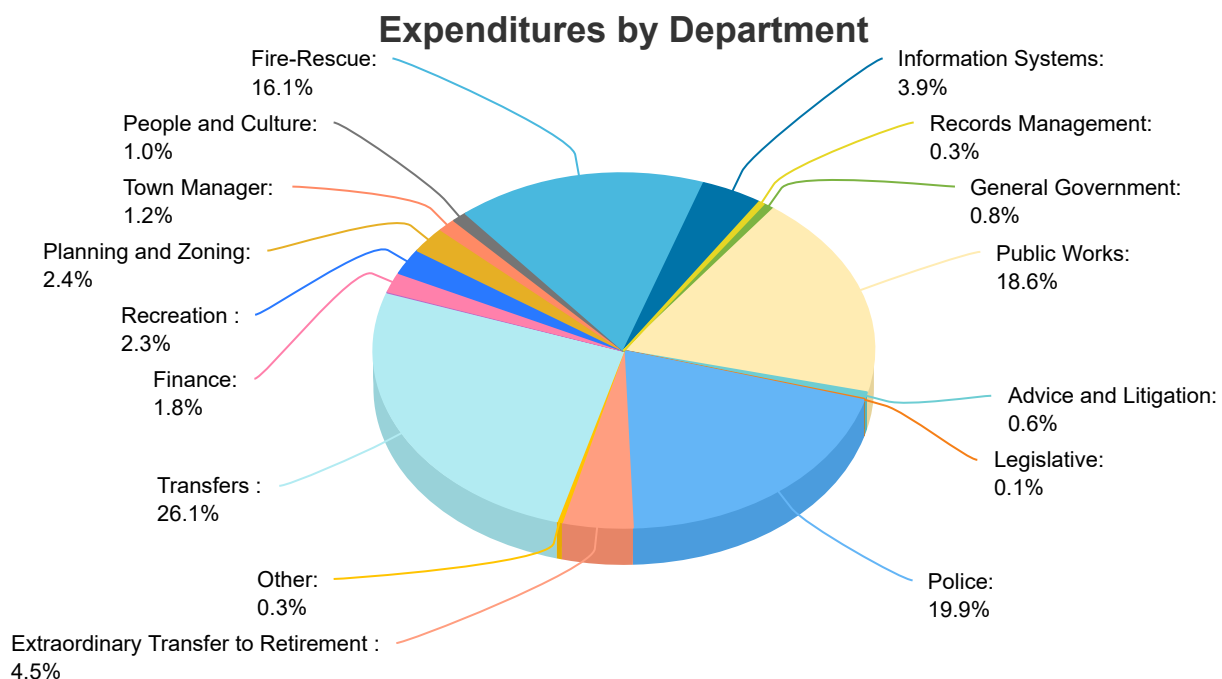
Transfers and Other:

- ▶ The transfer to the Risk Fund remained the same due to \$431,643 increase to fund balance in FY23.

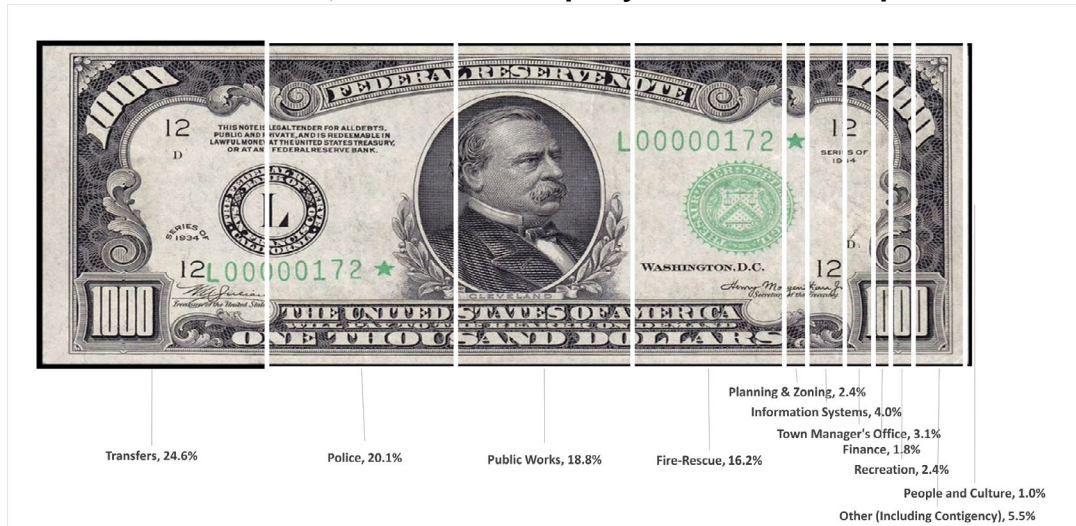
- ▶ The annual transfer to the Capital Improvement Fund (CIP) increased by \$3,942,500 or 38.25% over FY24. At the July 2024 Budget meeting, Town Council decided to keep the millage rate constant and use the additional revenue to fund the N. County Road Canopy Drainage project. This additional revenue was \$2.2 million of the total transfer from the General Fund. Other large projects in FY25 include, D-17 Drainage Pump Station and A-5 Sanitary Sewer Pump Station. Other projects funded from prior year transfers will also be worked on by Public Works in FY25. The Marina Fund has transferred \$4 million into the CIP fund in FY25 to fund paving as each phase of undergrounding is completed.
- ▶ The transfer to the debt service fund increased by \$167,505.
- ▶ Coastal funding remained the same. The transfer will provide funding for the annual coastal operations plus Phipps Ocean Park/Reach 7 Beach Nourishment Project and Reach 8 Dune/Beach Construction. The revenues reflect what the Town would be reimbursed for through the federal and state agencies. Please see the Coastal Budget section for more information about the budget and forecasted expenditures and revenues.
- ▶ The extraordinary transfer to the retirement fund to accelerate improvements to the UAAL remained at \$5,420,000.
- ▶ Contingency is funded at the same amount as last year. Absent extraordinary unforeseen circumstances, this amount should be enough to cover unexpected expenditures.

Departmental Expenditures

The three largest departments, Police, Fire-Rescue and Public Works, account for over 54.6% of the Town budget. The transfers mentioned on the prior page account for another 30.6%, for a total of 85.2% of the total Town budget. All other general government and administrative departments make up the balance of 14.8%. The charts below and on the next page provide a graphic example of expenditures by each department and transfer.



How each \$1,000 of Town Property Tax Revenue is spent



Fund Balance

The General Fund Unassigned Fund Balance as of September 30, 2023, was \$33,048,585. This amount was \$3,230,706 above the policy-required minimum. The FY25 budget includes a transfer of \$600,000 from fund balance to fund the contingency. Estimated compensated absence payouts totaling \$660,000 will be paid from the reserve for compensated absences. Total excess reserves in the Town's remaining funds as of September 30, 2023, were \$13,220,583.

For FY24, revenues are exceeding the budget estimates and are at 100.3% through July, and expenditures are in line with budget estimates at 83.3%.

Compensation Update

People & Culture is in the process of conducting the regular annual market assessment for public safety to ensure that the Town's pay ranges remain at the 85th percentile. All Sworn and certified positions will be included in this study. Added benefit incentives for sworn and certified are also under review to ensure that the Town can match other municipal competitors.

Thirty-Three (33) percent of all General employee positions have been studied and the majority required some adjustments to the scale and/or incumbent's salaries. It bears emphasizing that the current market for talent in the public sector is highly competitive, and if the Town wishes to attract and retain exceptional employees, such studies and adjustments will be required over the coming months/years. As planned in FY24, another thirty-three (33) percent of positions will be reviewed in the coming year.

People & Culture is also recommending that the general employee salary scales be adjusted upwards by 3% to avoid pay crowding at the top of each scale.

Personnel Complement

Total FTE includes full time employees and part time no benefits employees (PTNB). The total personnel complement (for all funds Townwide) for FY25 is 384.129 full-time equivalent personnel (FTE), which is a net increase of 13.210 FTE from the adopted FY24 budget. The additional FTE's included in the FY25 budget do not include the FTE's approved by Council to support the additional needs of Phipps Ocean Park once the construction is complete. The increase of 13.21 FTEs in FY25 is made up of the following changes in full-time and part-time positions:

Department	Roles	# FTEs	Comments
Fire Prevention	Administrative Assistant	0.250	Part Time to Full Time
Fire Prevention	Fire Inspector	1.000	Increased Demand
Fire Department	Firefighter/Paramedic	4.000	Increase Resiliency for Absences
People and Culture	Administrative Assistant	1.000	Increased P&C Programs and Digitization
Police Department	Police Sergeant	2.000	Increased security
Police Department	Crime Scene Evidence Manager	-1.000	Reclassified to Sergeant Position
Police Department	Police Officer	1.000	Increased security
Police Department	Parking Enforcement Officer	3.000	Increased Enforcement
Information Technology	IT Project Manager	1.000	ERP Implementation
Recreation	Tennis Manager	1.000	Improve Management Efficiency & Financial Performance
Recreation	Part-time Employees	(0.040)	Annual Adjustment
Total FTE additions		13.210	

Other Funds

Below are highlights from the budgets for other Town funds. Additional information can be found at the tabs in the back of the Budget Document behind the General Fund information. The Town's other funds include Special Revenue, Debt Service, Capital Improvement Funds, Enterprise Funds (Marina, Par 3 Golf Course and Building Enterprise Fund), Internal Service Funds (Health, Risk, Equipment Replacement), and Trust Funds (Pension and OPEB Trust).

Special Revenue Fund (122) Town-wide Underground Utility Project

The Town-wide Underground Utility Project fund accounts for the project costs and associated assessments and borrowings for the project. During FY25, we expect to complete Phases 6 North and South. During FY25 work will continue on Phases 7 North, 7 South, and Phase 8. The entire project is expected to be completed in 2027.

In the FY24 budget a \$4.1 million transfer of Marina surplus funds was approved to offset prior project deficits. This transfer has been increased to \$6.0 million in the FY25 budget.

Debt Service Funds (205, 206)

The Debt Service Funds provide for the payment of principal and interest on the Town's outstanding bonds.

The 2013, 2016A and 2019 Series Revenue Bond debt service is funded from non-ad valorem revenues. A portion of the debt service payment is funded through the Par 3 Enterprise Fund for the Town's portion of the golf course and clubhouse renovation (\$183,999), and a portion is funded through the Coastal Management Fund (\$508,760). The non-ad valorem revenue transfer from the General Fund for FY25 is \$5,846,518.

The 2016B Series Revenue Bonds debt service appropriation of \$725,188 is funded through non ad valorem assessments on the property owners within the Worth Avenue Assessment District.

The Town has issued General Obligation bonds for the Underground Utility Project. These bonds shall be payable first from the Underground Utility Project special assessments and, to the extent the assessments are insufficient to pay debt service or not assessed, ad valorem taxes will be levied and collected on all taxable property in the Town to pay principal and interest on the bonds as they become due and payable. Total debt service for FY25 on these bonds will be \$3,847,605 and is included in the Town-wide Underground Utility project fund.

In 2020, the Town issued non ad valorem debt totaling \$31,000,000 through a bank loan for the Marina construction project at an interest rate of 2.25%. The debt service for FY25 will be \$1,996,244 and paid through the Marina fund.

The Town's outstanding debt as of September 30, 2024, is shown on the table on below:

Year Issued	Outstanding Principal Balance September 30, 2024	Purpose
2016A	\$ 34,165,000	First Phase of the ACIP and Refund Outstanding Debt
2016B	\$ 8,770,000	Worth Avenue Commercial District Project
2013	\$ 1,470,000	Remaining Balance on Second Phase of ACIP
2018	\$ 49,870,000	General Obligation Bonds for Townwide Undergrounding Project
2019	\$ 46,980,000	Taxable Refunding Revenue Bonds for Second Phase of the ACIP
2019	\$ 3,895,000	Refunding of Remaining Balance of First Phase of ACIP Debt
2020	\$ 26,980,000	Marina Loan
2021	\$ 7,915,000	General Obligation Bonds for Townwide Undergrounding Project
Total	\$ 180,045,000	

As of September 30, 2024, the Town's net bonded debt will amount to 11.2% of the legal limit of \$1,607,478,026 (5% of preliminary FY25 taxable value of \$32,149,560,525).

Capital Project Funds (307, 309, 311)

Capital Improvement Fund

For FY25, the following items totaling \$20,451,000 are included in the Capital Improvement Fund (307):

- ▶ Town-wide paving - \$4,000,000
- ▶ N. County Canopy Drainage - \$2,600,000
- ▶ Drainage Improvements – \$7,325,000
- ▶ Sanitary Sewage System Improvements – \$3,936,000
- ▶ Town Facility Improvements - \$815,000
- ▶ Water main improvements (WPB) – \$1,000,000 (Funded by West Palm Beach)
- ▶ General Engineering Services – \$200,000
- ▶ Water Feasibility - \$75,000
- ▶ Transfer to Undergrounding Fund (One Cent Sales Tax) - \$500,000

The transfer from the General Fund to the Capital Improvement Fund is \$14,250,622 and increased by \$3,942,500 from FY24.

Coastal Management

The Coastal Management Fund (309) is used to fund the construction costs of the coastal projects. The details of the FY25 budget for Coastal Management can be found in the Proposed Budget Document. This plan has been updated by Public Works to include estimates for future projects based upon current costs. The plan includes annual operating costs, as well as planned projects, including Phipps Ocean Park Beach Renourishment in FY25. The cost estimate is \$23,350,000 for this project. Also included in this budget is annual funding of \$1,000,000 per year for the next ten years for seawall or bulkhead repair or replacement. We are proposing coastal program funding remain the same in FY25 as FY24.

Worth Avenue Special Assessment District

The budget for the Worth Avenue Special Assessment District is included in the Capital Funds and the Debt Service section of the budget document. The budget includes funding for maintenance and debt service. These costs are fully offset by the assessments charged to property owners within the district.

Enterprise Funds (401, 402, 405)

Town Marina

Town Marina reopened for new vessels on November 1, 2021. FY24 has been a very successful year. The success is due in part to improvements in branding, marketing, and financial planning. Through July, revenues are at 79.5% of budget estimates. The FY25 revenue budget is projected to decrease 8%, \$1,239,000 compared to the FY24 budget. The operating expenditure budget has a decrease of 4.3%, \$157,664 due to a decrease in the submerged land lease, which is based on revenues, offset slightly by increases in salaries and employee benefits. Non operating expenditures include a \$6 million transfer to the Underground Utility Fund and a \$4 million transfer to the Capital Improvement Fund.

Par 3 Golf Course

The FY25 fee adjustments include strategic increases to green fees and passes, designed to capitalize on player demand. The Par 3 Golf Course anticipates an operating gross profit of \$1,881,459 prior to depreciation and other below the line expenses. Deductions from the operating profit include transfers for debt service, \$183,999, contingency, \$157,951 and the general fund transfer, \$25,000.

Through July, the Par 3 revenues are at 107.4% of budget estimates. The Par 3 should end the year with a surplus.

Building Enterprise Fund

The Building Enterprise Fund was created in FY21 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. FY24 revenues are trending to be higher than budget and will provide for a surplus rather than a deficit as anticipated. Total revenues for FY25 are conservatively estimated to be \$10,079,500 and total operating expenses are \$11,854,090, which includes a transfer to the General Fund of \$7,228,090, which is for the allocated costs that the General Fund provides to the building permit process. Building permit related revenues have increased by \$70,000 due to the anticipated stabilization of building activity. After depreciation of \$85,000 and a 5% operating expense contingency of \$229,687 there is a projected reduction in reserves of \$2,089,277.

Internal Service Funds (501, 502, 320)

Risk Fund

The transfer to the Risk Fund (501) has remained stable due to the increase in fund balance in FY23 of \$431,643.

Health Insurance Fund

The transfer from all funds to the Health Insurance Fund (502) has increased \$774,046 or 16% due to recent higher than normal claims experience. During FY21 the fund had a deficit of \$601,379. This was the first deficit since 2008. In fiscal years 22 and 23, the fund had deficits of \$1,494,302 and \$1,230,567. Deficits are also anticipated for FY24 and FY25. The increase in health care costs, especially pharmaceuticals, over the last few years will continue for the foreseeable future. Future increases to the transfer from the general fund will be needed to stabilize the fund.

In FY23 the Town re-established the Town Clinic, located at the Public Works facility in West Palm Beach. The increase in Clinic services, contracted out to Concentra, will provide minor urgent care and primary care services to all employees, ultimately impacting claims and reducing the overall claims expense in the upcoming and future years. The return on investment will not be realized until we can review future claims experience.

Equipment Replacement Fund

The Equipment Replacement Fund (320) contains the accumulated depreciation of all fixed assets over the established thresholds of \$5,000 for capital equipment and \$3,000 for computer equipment. A detailed listing of planned equipment purchases is located in the Internal Service Funds section of the Proposed Budget Document.

In FY25, the Equipment Replacement Fund budget also includes an IT Project Manager position. This position will oversee the implementation of the new Enterprise Resource Planning (ERP) software.

Trust Funds (600 & 610)

Retirement

The FY25 actuarially determined contribution to the Defined Benefit (DB) plan totals \$14,660,253. The contribution increased \$2,009,375 due to weak investment returns for FY22 and benefit updates in FY24. The return assumption will decrease from 6.2% in FY24 to 6.0% in FY25.

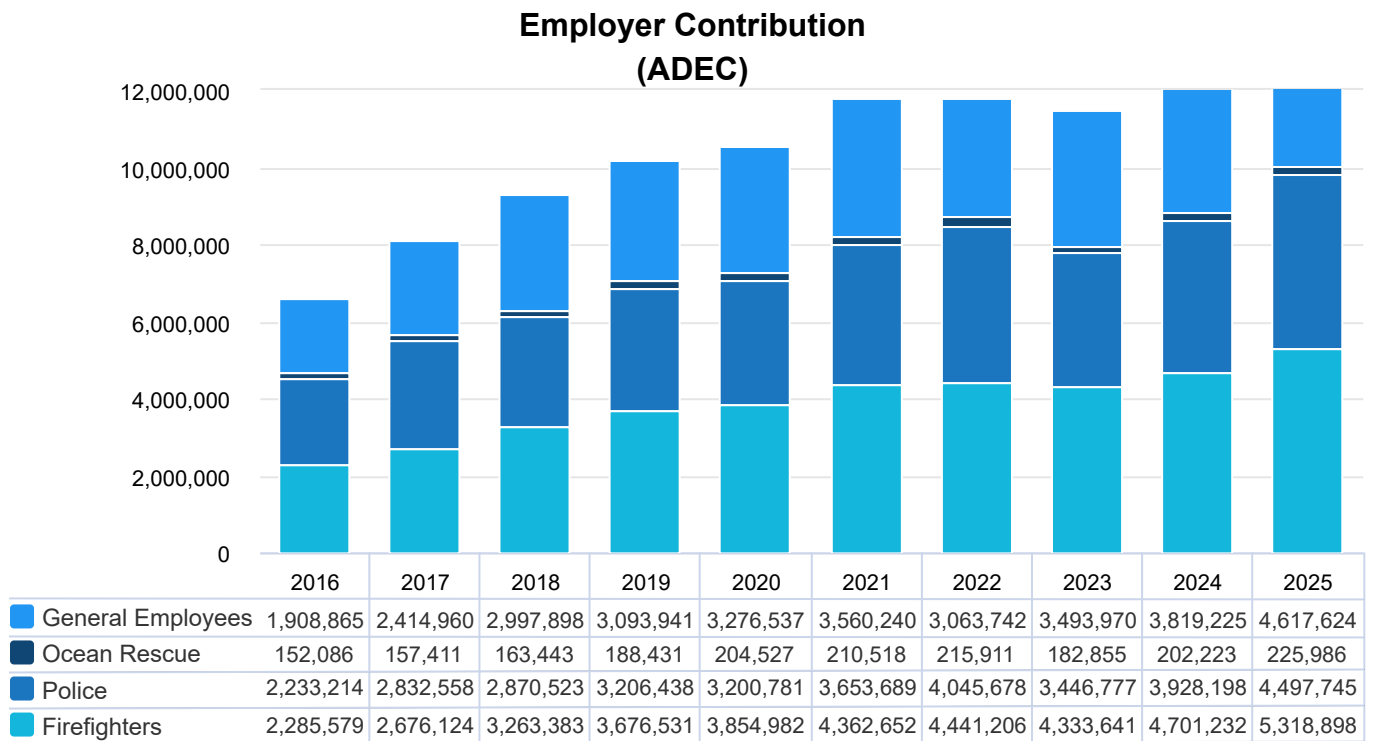
The budget also contains the \$5,420,000 extraordinary contribution to the retirement plan. The funded ratio decreased from 75.2% to 74.0% and the unfunded liability increased from \$91,096,064 to \$98,335,829. Assuming all assumptions are realized the total Town contributions to the retirement system, including the extra Town contributions of \$5.42 million per year, are expected to be in the range of \$18 to \$21.2 million over the next 9 years and are then projected to decline to around \$15.4 million in FY34.

The Town contribution amounts by employee group are shown below versus the FY24 contribution. Legacy plan costs represent \$9,442,424 (67.2%) of the total and the costs for the ongoing plan are \$4,611,652 (32.8%).

Town DB and DC Retirement Contributions

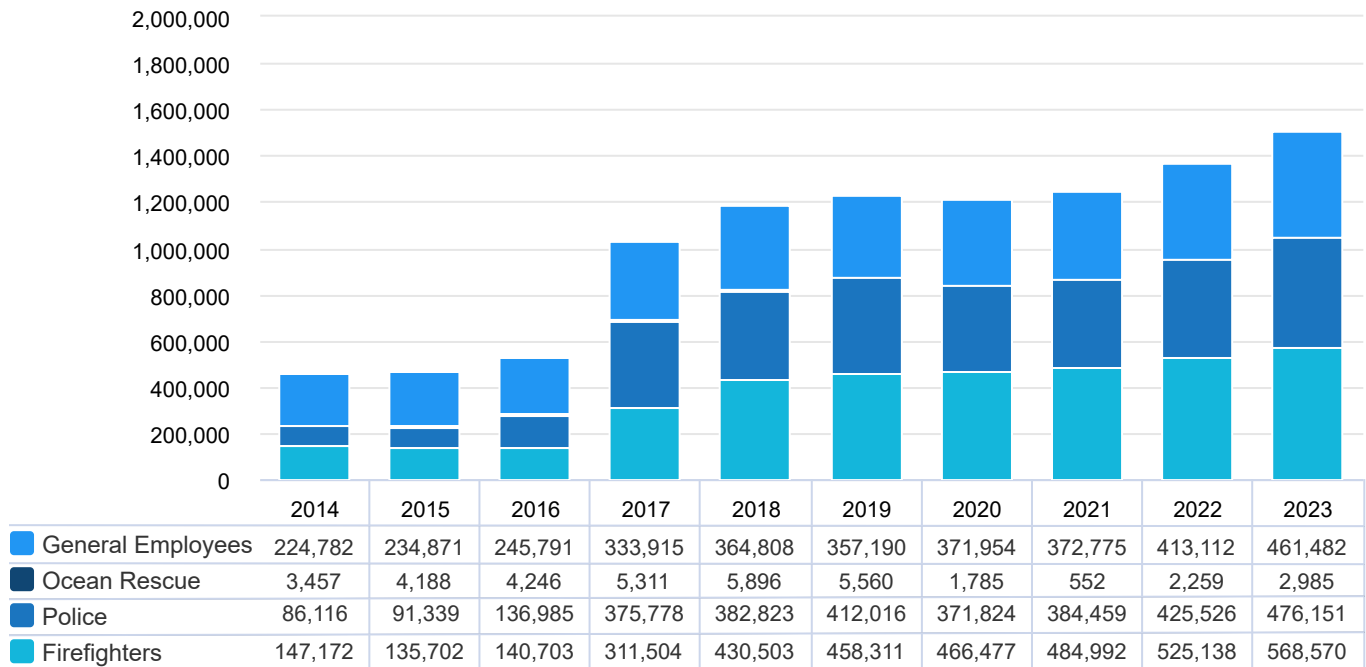
Town Retirement Contributions	FY2024	FY2025	\$ Change	% Change
General Employee DB	\$ 3,819,225	\$ 4,617,624	\$ 798,399	20.90%
Lifeguards DB	202,223	225,986	23,763	11.75%
Police DB	3,928,198	4,497,745	569,547	14.50%
Fire-Rescue DB	4,701,232	5,318,898	617,666	13.14%
Total DB Contribution	\$ 12,650,878	\$ 14,660,253	\$ 2,009,375	15.88%
Total DC Contribution	\$ 814,604	\$ 845,445	\$ 30,841	3.79%
Total Town DB and DC Contribution	\$ 13,465,482	\$ 15,505,698	\$ 2,040,216	15.15%

The historical 10-year trend in Town actuarially determined employer contributions (ADEC) for the defined benefit pensions are shown on the chart below.



The 10-year trend for employee contributions to the Defined Benefit plan is shown below:

Employee Contributions



Based on pension changes, the Town no longer provides a DC plan for public safety employees. For General Employees and Lifeguards, the Town contributes a mandatory match of 3% and an optional match of 2% to the Defined Contribution (DC) plan. Total employer contributions to the DC plan are shown in the table below:

Employer Defined Contribution Funding

DC Contributions		FY2021 Actual		FY2022 Actual		FY2023 Actual		FY2024 Budget		FY2025 Budget
General	\$	469,444	\$	504,896	\$	738,462	\$	805,507	\$	836,210
Lifeguards		424		1,393		11,805		9,097		9,234
Total	\$	469,868	\$	506,289	\$	750,267	\$	814,604	\$	845,445

OPEB Trust

The actuarially determined transfer to the OPEB trust from the General Fund in the FY25 budget is \$828,584. This amount is \$39,456 more than FY24. The funded ratio in the October 1, 2022 actuarial report was 126.3% at the 5% rate of return.

The Town's balance in the OPEB trust fund continues to be well ahead of other government agencies across the country.

Long-Term Financial Plan

The Long-Term Financial Plan (LTFP) will be updated with the FY25 proposed budget and will be finalized in September.

Conclusion

This concludes the executive summary portion of the FY25 budget. Staff will be prepared to answer any questions you may have.

A handwritten signature in black ink, appearing to read "Kirk Blouin", written over a faint horizontal line.

Kirk Blouin
Town Manager

cc: Department Directors