

FY2018 – FY2027

Town of Palm Beach Long Term Financial Plan



Prepared by the Finance Department
360 South County Road,
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Presentation at the April 9, 2018, Budget Workshop

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EXECUTIVE SUMMARY

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
- General Fund Revenue and Expense Trend Analysis
- Forecast Details
- Recreation Enterprise Fund Trend Analysis
- Recreation Enterprise 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 updated FY17 year-end data and the FY18 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 FY18 can be found in the monthly report that is routinely provided to the Mayor and Town Council and posted on the Town's website. To date General Fund revenues are on track to exceed budget estimates in most categories and expenditures are on track to finish the year well under the budget target, unless we experience a hurricane or other unexpected event.

EXECUTIVE SUMMARY

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

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 FY09– FY18. 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:

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

EXECUTIVE SUMMARY

- FY17 – The budget included a transfer of fund balance of \$960,300 to fund the contingency reserve. In addition, the budget included a transfer of fund balance of \$2,500,000 to fund an extraordinary transfer to the Retirement Fund to begin to lower the Unfunded Liability.
- FY18 – The budget included a transfer of fund balance of \$655,877 to fund the contingency reserve. In addition, the budget included 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.

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. The following assumptions were used to create the forecast. Property tax revenue has been forecasted to increase at 3.25% per year. On the expenditure side, all recommended and approved cost reductions from the Comprehensive Review of Town Operations have been included in the forecast. Many of the pay and benefit changes being considered are still pending so we used the forecasted increases from the FY17 LTFP to calculate these expenditures. We projected funding for the coastal protection program based upon the FY18 budgeted amount increased at 3% per year throughout the 10-year period. Overall, expenditure increases range from a decrease of 1.72% for FY19 to annual increases of between 2.76% and 3.27% throughout the forecast period.

Most revenue increases were based on historical trends. For property tax revenue we used a 3.25% increase per year in revenue. The Revenue forecast reflects only the revenue increases that were approved through the Comprehensive Review of Town Operations. Any other fee increases still under consideration will be incorporated into the plan upon approval.

The General Fund forecast summary shows deficits in FY19, FY20 and FY21 and surpluses from FY22 through FY28. The FY19 forecast shows a deficit of \$983,428, which we believe will be eliminated as staff continues to work through the budget process. Once the FY19 deficit is eliminated, the forecasted deficits in FY20 and FY21 will be eliminated and the out year surpluses will increase due to the new baseline that will be set with the FY19 budget.

Recreation Enterprise Fund

The Recreation Enterprise Fund Trend and Forecast details can be found later in this document under the Recreation Enterprise Fund tab. A summary of the forecasted revenues and expenditures can be found on pages 7 - 9. The summary identifies a reduction in revenues for the Recreation Center in FY19 due to the anticipated reconstruction of the recreation center and related reduction in program revenue. In 2020, growth in revenues increases due to the reopening of the Recreation Center. The Town Docks forecast reflects the status quo and will be updated once the master plan has been presented and approved.

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Recreation Enterprise Fund expenses decrease in 2019 due to the closing of the Recreation Center and then increase in 2020 once the center reopens and then show a growth rate of 2.5% per year.

The Recreation Center reconstruction cost is to be funded as follows: One-third from the Mandel Foundation, one-third from the Friends of Recreation, and one-third from the Town. Staff is recommending the use of the Risk Fund and Health Fund excess reserves to fund the Town's portion of the costs.

During FY18, a master plan is expected to be completed for the replacement of the Town Docks. The master plan is to be designed to maximize revenues at the docks. The draft Master Plan alternatives show additional revenues ranging from \$13.5 million to \$16.4 million compared to the \$3.8 million under current conditions. Construction costs are estimated to be between \$26.3 million and \$31.8 million. A Dock Replacement Fund was established in 2002 and has been funded with an amount equal to the annual depreciation on the docks. The current amount in the Dock Replacement Reserve is \$3,801,256. This reserve will not be sufficient to completely finance the anticipated costs of the dock replacement and a loan will be required for the balance. The estimated increased revenue from the docks after the reconstruction will be more than enough to service the debt. The Marina forecast does not include any costs associated with the reconstruction nor any additional revenues or expenses based on the new plan. Once the master plan is reviewed and a final design plan is approved, the numbers in the forecast will be updated to reflect the final plan.

Other Funds

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

The Risk Fund 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 a 7% increase in health insurance costs in FY19 and then 6.5% in FY20, 6% in FY21, 5.5% in FY22 then 5% thereafter. The Debt Service fund identifies future debt service on the 2013 and 2016 ACIP bonds and does not anticipate any additional revenue bond debt.

Reserve Status

The final section of this document contains an update of the status of Town Reserves as of September 30, 2017. The September 30, 2017, amounts have been derived from the draft financial statements prepared by the Town auditors. The financial statements will be presented at the April 10, 2018, Town Council meeting. The reserve balances exceed all of the policy minimums that have been established. The General Fund unassigned fund balance exceeds the required minimum by \$1,165,947.

**Town of Palm Beach
Revenue and Expenditure History
FY2009 - FY2018**

	<i>FY09 Actual</i>	<i>FY10 Actual</i>	<i>FY11 Actual</i>	<i>FY12 Actual</i>	<i>FY13 Actual</i>	<i>FY14 Actual</i>	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Actual</i>	<i>FY18 Budget</i>
Revenues										
Ad Valorem Taxes	42,887,216	41,508,570	36,635,343	36,662,916	37,473,108	39,110,926	43,869,888	47,890,700	50,195,981	51,470,500
Non Ad Valorem Taxes	7,386,397	7,371,330	7,189,368	7,315,317	7,533,859	7,946,097	8,056,312	8,061,358	8,188,599	8,425,000
Licenses & Permits	5,543,034	4,777,557	6,382,545	6,498,207	7,572,518	8,053,581	10,657,676	10,096,673	7,677,953	7,672,975
Intergovernmental	1,485,128	1,101,206	1,319,119	1,051,432	990,715	1,071,413	1,102,689	1,122,465	1,028,493	1,185,450
Charges for Services	3,278,180	3,215,943	3,461,766	4,081,259	3,576,156	3,741,183	3,957,603	4,123,243	3,681,626	3,943,650
Fines and Forfeitures	1,152,807	594,473	1,297,226	1,106,435	1,253,760	1,924,182	1,099,525	1,016,089	938,624	1,138,800
Investment Earnings	1,923,224	1,168,997	495,649	495,311	32,425	383,726	597,585	490,102	424,365	581,858
Miscellaneous and Transfers	801,901	1,930,162	2,774,498	1,534,738	1,871,043	1,584,625	1,098,106	1,117,897	1,209,878	1,005,000
Total Operating Revenues	64,457,887	61,668,238	59,555,514	58,745,615	60,303,584	63,815,733	70,439,384	73,918,527	73,345,519	75,423,233
Transfers from Fund Balance							-	-	-	5,065,996
Total Revenues	64,457,887	61,668,238	59,555,514	58,745,615	60,303,584	63,815,733	70,439,384	73,918,527	73,345,519	80,489,229
Expenditures										
Salaries and Wages	27,346,557	26,359,064	24,396,538	23,627,363	22,943,974	23,152,224	23,478,697	23,581,853	24,128,637	26,001,862
Pension Benefits	6,621,068	7,303,519	8,771,681	3,180,126	3,831,588	4,977,617	5,454,327	6,180,062	7,819,957	8,971,687
DC Plan Benefits	-	-	-	222,307	537,532	1,088,013	1,132,126	1,132,836	671,355	543,995
Other Employee Benefits	7,285,058	6,913,472	6,601,573	6,616,971	6,736,760	6,741,912	6,680,817	6,627,932	6,763,691	6,896,505
Contractual	8,709,551	7,070,741	6,963,078	7,139,390	7,224,092	7,602,595	8,191,690	8,876,307	9,649,474	9,617,449
Commodities	1,748,218	1,627,774	1,484,765	1,547,738	1,554,104	1,642,397	1,517,617	1,438,222	1,774,332	1,949,093
Equipment Replacement	2,723,701	2,518,060	2,547,679	1,881,319	2,033,744	2,097,896	1,893,244	2,858,676	3,053,651	2,459,607
Library Services	272,400	272,400	272,400	272,400	288,989	297,659	306,580	315,777	350,250	335,008
Other	55	(2,075)	9,172	12,932	29,863	4,251	-	-	70,455	-
Transfer to Capital Improvement	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200	2,118,024
Transfer to Coastal Protection	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000	7,410,300
Transfer to the Underground Utility Fund	-	-	-	-	-	-	-	2,530,250	-	-
Transfer to Retirement Fund	-	-	-	-	-	-	-	-	2,800,000	4,759,016
Debt Service	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728	5,982,331
Retiree Health	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000	960,000
Transfer to Risk Insurance Fund	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037	1,828,475
Contingency	-	-	-	-	-	-	-	-	-	655,877
Total Expenditures	65,880,608	65,315,275	61,566,112	56,245,053	58,107,525	65,286,564	70,634,460	72,000,082	75,902,767	80,489,229
Surplus/(Deficit)	(1,422,721)	(3,647,037)	(2,010,598)	2,500,562	2,196,059	(1,470,831)	(195,076)	1,918,445	(2,557,248)	-

**Town of Palm Beach
Revenue and Expenditure Forecast
LTFP FY2018 - FY2027**

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Revenues										
Ad Valorem Taxes	51,470,500	53,143,291	54,870,448	56,653,738	58,494,984	60,396,071	62,358,944	64,385,609	66,478,142	68,638,681
Non Ad Valorem Taxes	8,425,000	8,650,890	8,906,991	9,170,706	9,442,263	9,721,895	10,009,843	10,306,356	10,611,688	10,926,104
Licenses & Permits	7,672,975	7,856,200	7,888,680	7,901,640	7,952,033	7,965,782	8,018,840	8,033,427	8,089,292	8,147,650
Intergovernmental	1,185,450	1,058,900	1,082,766	1,107,205	1,132,231	1,157,859	1,184,105	1,210,983	1,238,509	1,266,700
Charges for Services	3,943,650	4,030,193	4,101,561	4,169,093	4,238,541	4,309,961	4,383,411	4,458,948	4,536,633	4,616,528
Fines and Forfeitures	1,138,800	1,186,000	1,189,550	1,209,720	1,215,131	1,220,704	1,226,444	1,232,355	1,238,444	1,244,715
Investment Earnings	581,858	870,000	1,275,000	1,575,000	1,850,000	1,950,000	2,125,000	2,200,000	2,300,000	2,300,000
Miscellaneous and Transfers	1,005,000	892,080	810,692	811,838	813,018	814,234	815,486	816,775	818,104	819,472
Total Operating Revenues	75,423,233	77,687,554	80,125,688	82,598,940	85,138,201	87,536,506	90,122,073	92,644,453	95,310,812	97,959,850
Transfers from Fund Balance	5,065,996	1,414,513	1,425,496	1,221,327	1,233,164	1,246,234	1,260,416	1,275,148	1,289,799	1,302,904
Total Revenues	80,489,229	79,102,067	81,551,184	83,820,267	86,371,365	88,782,740	91,382,489	93,919,601	96,600,611	99,262,754
Expenditures										
Salaries and Wages	26,001,862	25,930,767	25,888,780	26,361,742	26,892,839	27,780,964	28,745,983	29,742,836	30,776,041	31,846,018
Pension Benefits	8,971,687	8,963,736	9,251,694	9,455,952	9,377,990	9,026,106	8,681,520	8,299,419	7,860,349	7,350,325
DC Plan Benefits	543,995	549,269	563,303	576,118	590,334	607,790	627,841	648,407	669,657	691,606
Other Employee Benefits	6,896,505	6,937,708	7,104,150	7,343,244	7,615,235	7,907,205	8,212,016	8,553,952	8,911,066	9,284,064
Contractual	9,617,449	9,580,306	9,818,878	10,043,930	10,274,164	10,509,698	10,750,656	10,997,162	11,249,346	11,507,339
Commodities	1,949,093	1,980,280	2,026,622	2,074,048	2,122,584	2,172,257	2,223,091	2,275,116	2,328,357	2,382,845
Equipment Replacement	2,459,607	2,346,966	2,399,325	2,452,910	2,507,748	2,563,868	2,621,302	2,680,080	2,740,062	2,739,710
Library Services	335,008	345,058	355,409	366,072	377,054	388,366	400,016	412,017	424,377	437,109
Transfer to Capital Improvement	2,118,024	2,329,826	2,562,809	2,819,090	2,100,999	3,256,049	3,418,851	3,589,794	3,769,284	3,957,748
Transfer to Coastal Protection	7,410,300	7,632,609	7,861,587	8,097,435	8,340,358	8,590,569	8,848,286	9,113,734	9,387,146	9,668,761
Debt Service	5,982,331	5,802,306	5,794,481	5,756,731	5,754,481	5,756,481	5,757,356	5,766,606	5,759,106	5,947,232
Retiree Health	960,000	546,800	525,000	542,798	563,044	584,777	607,467	632,920	659,502	687,267
Transfer to Risk Insurance Fund	1,828,475	1,901,614	1,977,679	2,056,786	2,139,057	2,224,619	2,313,604	2,406,148	2,502,394	2,602,490
Extraordinary Transfer to Retirement Fund	4,759,016	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000
Transfer from the ERF		(649,751)								
Contingency	655,877	648,002	658,985	670,077	681,914	694,984	709,166	723,898	738,549	751,654
Total Expenditures	80,489,229	80,085,496	82,028,702	83,856,933	84,577,801	87,303,733	89,157,155	91,082,089	93,015,236	95,094,168
Surplus/(Deficit)	-	(983,429)	(477,518)	(36,666)	1,793,564	1,479,007	2,225,334	2,837,512	3,585,375	4,168,586

Recreation Enterprise Fund
Long-term Financial Plan

Summary of Operating Revenue

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Revenues										
Youth Program Fees	306,000	147,367	425,824	434,340	443,027	451,888	460,926	470,144	479,547	489,138
Adult Program Fees	26,000	22,909	46,564	47,495	48,445	49,414	50,402	51,410	52,439	53,487
Facility Rental Fees	500	0	15,480	15,944	16,423	16,915	17,423	17,946	18,484	19,038
Seaview Park Concession	1,000	0	4,724	4,866	5,012	5,162	5,317	5,476	5,641	5,810
Promotional Merchandise	1,000	0	1,974	2,033	2,094	2,157	2,222	2,288	2,357	2,428
Tennis Mixers	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219
Tennis Program Fee	1,200	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Tennis 12 Play Pass	42,000	43,260	44,558	45,895	47,271	48,690	50,150	51,655	53,204	54,800
Tennis Daily Court Fees	27,500	28,325	29,175	30,050	30,951	31,880	32,836	33,822	34,836	35,881
Tennis Annual Pass Fees	49,000	50,470	51,984	53,544	55,150	56,804	58,509	60,264	62,072	63,934
Tennis Pro Admin Fees	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Tennis Maintenance & Imp Fee	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267
Tennis Facility Rentals	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
Tennis Merchandise	15,300	15,759	16,232	16,719	17,220	17,737	18,269	18,817	19,382	19,963
Tennis Teaching Services	77,000	79,310	81,689	84,140	86,664	89,264	91,942	94,700	97,541	100,468
Annual Leases	2,955,000	3,243,779	3,341,092	3,441,325	3,544,565	3,650,902	3,760,429	3,873,242	3,989,439	4,109,122
Transient	500,000	515,000	530,450	546,364	562,754	579,637	597,026	614,937	633,385	652,387
Electricity	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	100,000	100,000
Waiting List Fee	3,200	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Dock Maintenance & Imp		75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241	95,008
Ice Sales	1,400	1,442	1,485	1,530	1,576	1,623	1,672	1,722	1,773	1,827
Replacement Reserve	0	0	0	0	0	0	0	0	0	0
Sales Tax Commissions -Other	300	309	318	328	338	348	358	369	380	391
Misc Revenue Docks	500	515	530	546	563	580	597	615	633	652
Golf Pro Administrative Fee	15,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Golf Resident Pass Fees	19,300	19,879	20,475	21,090	21,722	22,374	23,045	23,737	24,449	25,182
Golf Non-Res. Pass Fees	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438
Golf 12 Play Passes	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657
Greens Fees	830,000	846,600	863,532	880,803	898,419	916,387	934,715	953,409	972,477	991,927
Golf Riding Cart Rental	308,500	317,755	327,288	337,106	347,219	357,636	368,365	379,416	390,799	402,523
Golf Pull Cart Rental	41,500	42,745	44,027	45,348	46,709	48,110	49,553	51,040	52,571	54,148
Golf Driving Range	92,000	94,760	97,603	100,531	103,547	106,653	109,853	113,148	116,543	120,039
Golf Maint & Improve Fee	90,000	92,700	95,481	98,345	101,296	104,335	107,465	110,689	114,009	117,430
Club Rentals	57,000	58,710	60,471	62,285	64,154	66,079	68,061	70,103	72,206	74,372
Golf Teaching Services	35,000	35,700	36,414	37,142	37,885	38,643	39,416	40,204	41,008	41,828
Golf Merchandise	167,000	170,340	173,747	177,222	180,766	184,381	188,069	191,831	195,667	199,580
Golf F&B Revenue (Restaurant)	467,000	471,670	476,387	481,151	485,962	490,822	495,730	500,687	505,694	510,751
Programs & Events	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Golf Outings	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810

Recreation Enterprise Fund
Long-term Financial Plan

Gift Certificates	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Interest Earnings	14,400	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Electricity Sales - Golf	4,200	5,200	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Vending Machine Comm Golf	0	0	0	0	0	0	0	0	0	0
Sales Tax Commissions - Golf	300	309	318	328	338	348	358	369	380	391
Misc Revenue - Golf	500	525	551	579	608	638	670	704	739	776
TOTAL REVENUES	6,641,400	6,730,188	7,224,630	7,409,385	7,599,278	7,794,456	7,995,070	8,201,275	8,348,232	8,566,106
	7.0%	1.3%	7.3%	2.6%	2.6%	2.6%	2.6%	2.6%	1.8%	2.6%

Recreation Enterprise Fund
Long-term Financial Plan

Summary of Operating Expenses

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Expenses										
Salaries/Wages	1,392,733	1,408,009	1,625,098	1,664,100	1,711,860	1,760,134	1,816,987	1,875,130	1,935,134	1,997,059
Pension Benefits - DB	260,386	255,126	264,353	272,759	272,023	262,529	254,128	244,878	234,275	222,046
Pension Benefits - DC	54,250	55,335	56,672	58,032	59,698	61,381	63,364	65,392	67,484	69,644
Other Employee Benefits	341,866	346,857	356,199	368,274	382,011	396,757	412,151	429,420	447,455	466,293
Contractual	1,523,980	1,401,426	1,683,329	1,722,719	1,763,031	1,804,286	1,846,506	1,889,714	1,933,933	1,979,187
Commodities	363,970	354,462	394,061	403,282	412,719	422,376	432,260	442,375	452,726	463,320
Capital Outlay	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	3,937,185	3,821,215	4,379,712	4,489,167	4,601,341	4,707,463	4,825,395	4,946,909	5,071,009	5,197,549
	-3.8%	-2.9%	14.6%	2.5%	2.5%	2.3%	2.5%	2.5%	2.5%	2.5%
Operating Revenues										
over/(under) Expenses	2,704,215	2,908,973	2,844,918	2,920,218	2,997,938	3,086,993	3,169,674	3,254,367	3,277,224	3,368,557
Transfer from Town Reserves	3,263,868									
Donations	6,571,154									
Capital Expenses	(10,291,511)	(293,500)	(172,000)	(215,500)	(81,000)	(81,000)	(120,000)	(51,000)	(78,000)	(78,000)
Depreciation*	(1,049,626)	(1,171,668)	(1,296,273)	(1,323,495)	(1,351,288)	(1,379,665)	(1,408,638)	(1,438,220)	(1,468,422)	(1,499,259)
Depreciation (Credited to show cash)	1,049,626	1,171,668	1,296,273	1,323,495	1,351,288	1,379,665	1,408,638	1,438,220	1,468,422	1,499,259
Transfer to General Fund	(585,000)	(485,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)
Debt Service	(198,263)	(199,338)	(199,813)	(194,813)	(194,688)	(194,313)	(193,688)	(187,938)	(191,938)	(191,938)
Contingency (5% operating expenses)	(168,303)	(191,061)	(218,986)	(224,458)	(230,067)	(235,373)	(241,270)	(247,345)	(253,550)	(259,877)
TOTAL REVENUES										
OVER/(UNDER) EXPENSES	1,296,160	1,740,074	1,869,119	1,900,447	2,107,183	2,191,307	2,229,717	2,383,083	2,368,735	2,453,742

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

GENERAL FUND TREND ANALYSIS

General Fund Trend Analysis

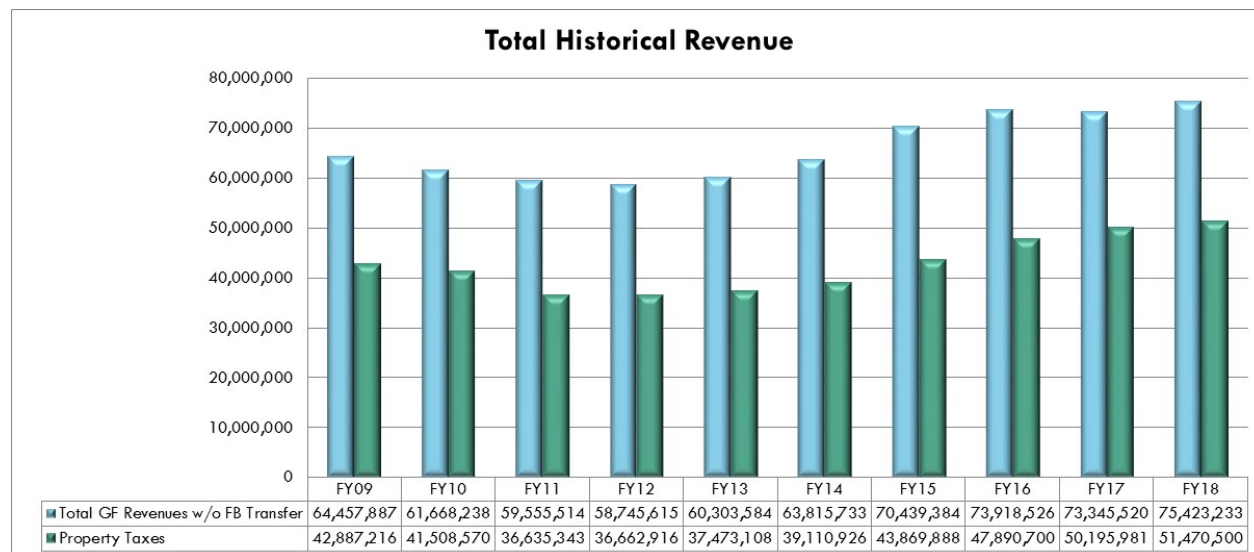
Financial trend analysis assists the Town in evaluating its financial condition. The trend analysis describes the fluctuations in the major categories of General Fund revenues and categories of expenditures. The financial trends present a picture of the Town's financial strengths and weaknesses and allow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

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

The amounts in this section represent actual expenditures for the years FY09 through FY17 and budgeted amounts for FY18.

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.

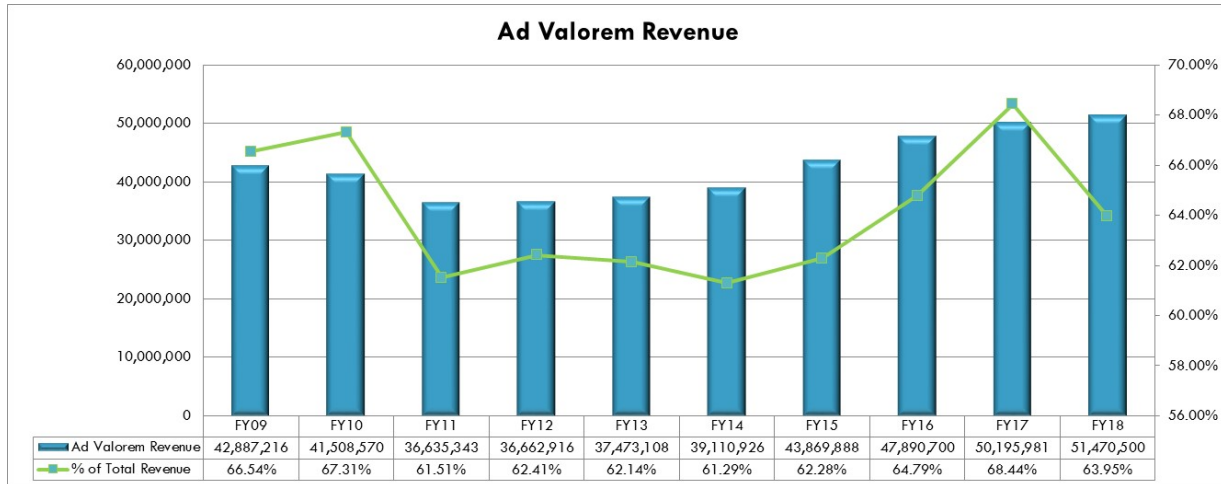


General Fund Revenues are 17% higher in FY18 than they were in FY09. The major causes of recent increases are the FY15 and FY16 property tax revenue increases for coastal protection projects and increased revenue from parking meter, permit revenues, and utility tax revenues.

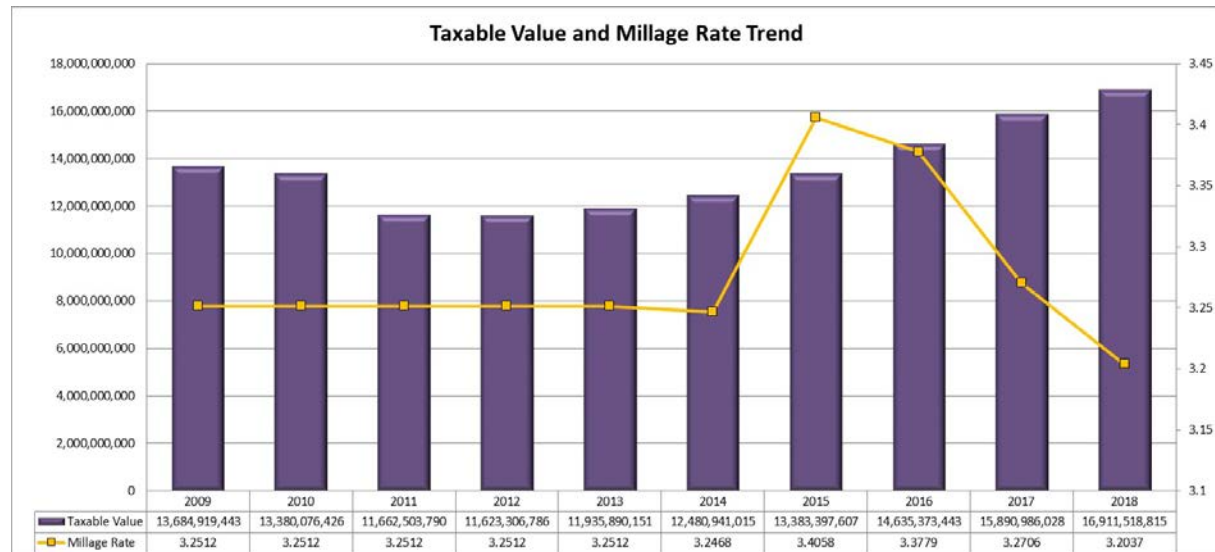
GENERAL FUND TREND ANALYSIS

Ad Valorem Revenue

Ad valorem taxes are the Town's largest revenue source. Municipalities in Florida are not permitted to levy property taxes at a rate of more than 10 mills for the operating millage. From 2009-2012 ad valorem revenue declined due to property tax reform measures adopted by the State of Florida in FY08 and also due to a decline in taxable value in FY10, FY11 and FY12. In FY15, ad valorem revenue increased by 11%, with the entire increase allocated to coastal protection funding, and in FY16 another increase of 9.71% was approved to increase funding for coastal protection. The FY18 increase was 2.54%. Currently, ad valorem revenue accounts for 63.95% of total revenue.



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

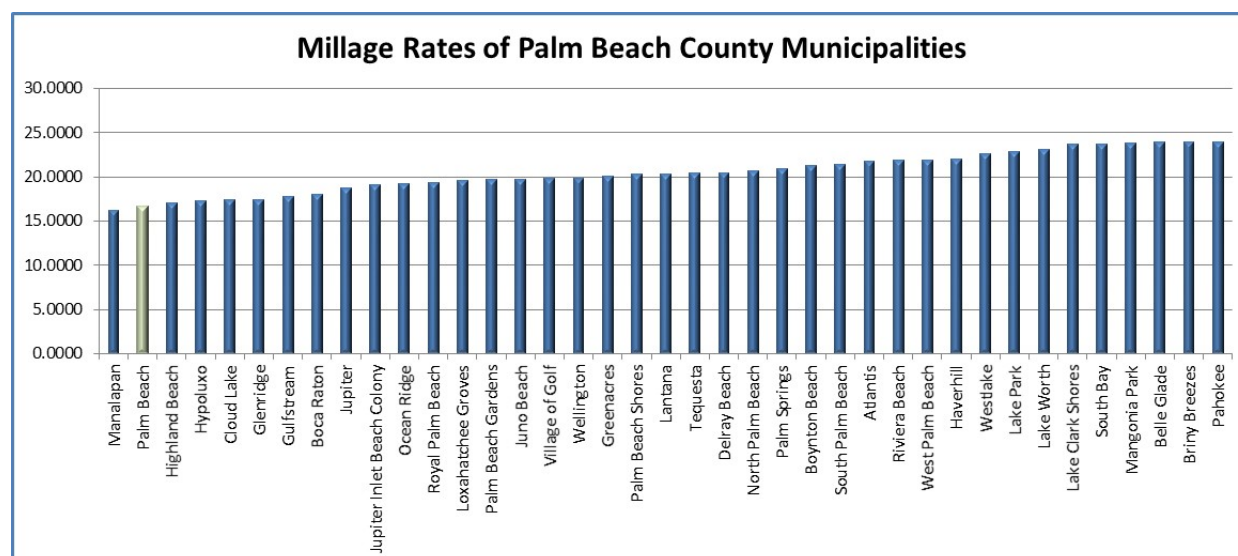


GENERAL FUND TREND ANALYSIS

State law limits millage rate increases to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments are allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. The total millage, for Palm Beach taxpayers, which includes all other applicable taxing districts, decreased 3.16% from 17.2001 to 16.6568. The Town's portion of the total millage is 19.23% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY17 to FY18 had on a taxpayer with a \$1 million value (assumes no change in taxable value from year to year). The total change was a reduction of \$543.30 per million.

Taxing Authority	FY17 Millage Rate	FY18 Millage Rate	FY18 Tax \$1 Million Value	Change Per \$1 million Value	% Change	% of Total Tax Bill
Palm Beach	3.2706	3.2037	\$3,204	-\$66.90	-2.05%	19.23%
Palm Beach County	4.9142	4.9023	\$4,902	-\$11.90	-0.24%	29.43%
Palm Beach County School District	7.0700	6.7690	\$6,769	-\$301.00	-4.26%	40.64%
South Florida Water Mgmt	0.2836	0.2659	\$266	-\$17.70	-6.24%	1.60%
Children Services	0.6833	0.6590	\$659	-\$24.30	-3.56%	3.96%
Florida Inland Navigation	0.0320	0.0320	\$32	\$0.00	0.00%	0.19%
Health Care District	0.8993	0.7808	\$781	-\$118.50	-13.18%	4.69%
Everglades Construction	0.0471	0.0441	\$44	-\$3.00	-6.37%	0.26%
Grand Total	17.2001	16.6568	\$16,657	-\$543.30	-3.16%	100.00%

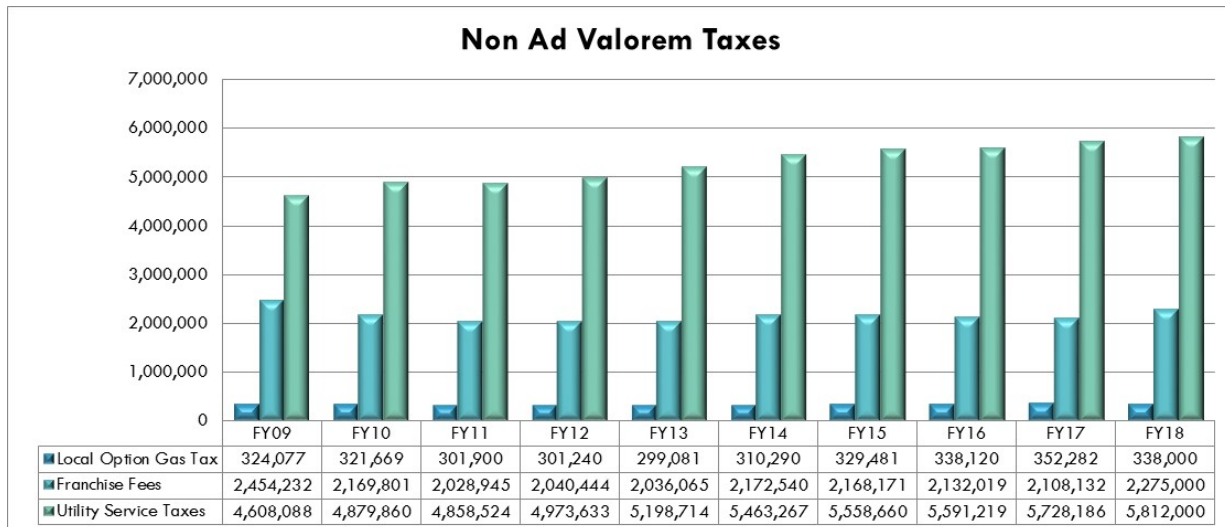
The Town of Palm Beach's total millage rate is the second lowest in Palm Beach County. The owner of a home with a taxable value of \$1 million pays \$16,657 in total taxes in Palm Beach versus \$18,047 in Boca Raton, \$19,710 in Palm Beach Gardens and \$21,948 in West Palm Beach.



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

GENERAL FUND TREND ANALYSIS

Non Ad Valorem Tax Revenue

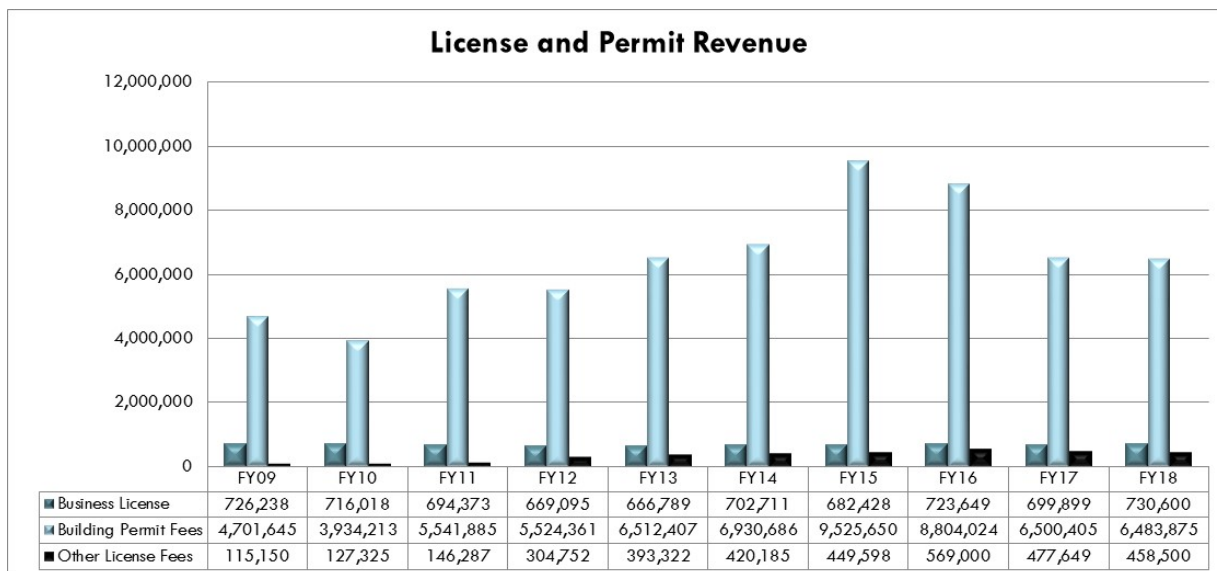


Non Ad Valorem tax revenue includes local option gas taxes, franchise fees and utility service taxes.

Local Option Gas Tax and Franchise fee revenue declined from FY10 through FY13 and have increased in recent years. Utility service taxes have increased throughout the 10-year period. The budget estimates for FY18 were conservatively based upon prior year trend.

License and Permit Revenue

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

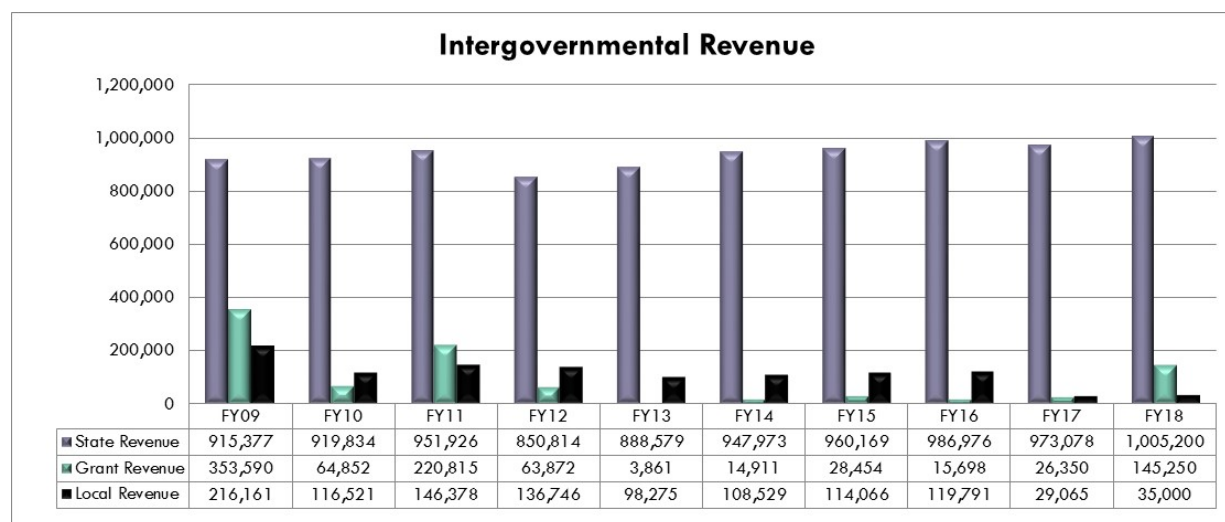


GENERAL FUND TREND ANALYSIS

Building permit revenue makes up the majority of these revenues. Building permit revenues dropped significantly in FY09 and FY10. The recession and downturn in housing caused the decline. Since FY10, revenues have improved due to increases in building activity. FY15 and FY16 were record years for permit activity. In FY17, a decline in permit activity occurred. The FY18 budget reflects a conservative estimate for building permit revenues due to a slow-down from the historic highs. The number of business licenses have declined from FY09 through FY15. A change in state law exempting real estate brokers from the business tax caused a further decline in FY15. Other licenses and fees have increased since FY12 due to increases in right-of-way permit and parking permit revenues.

Intergovernmental Revenue

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



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

Charges for Services

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

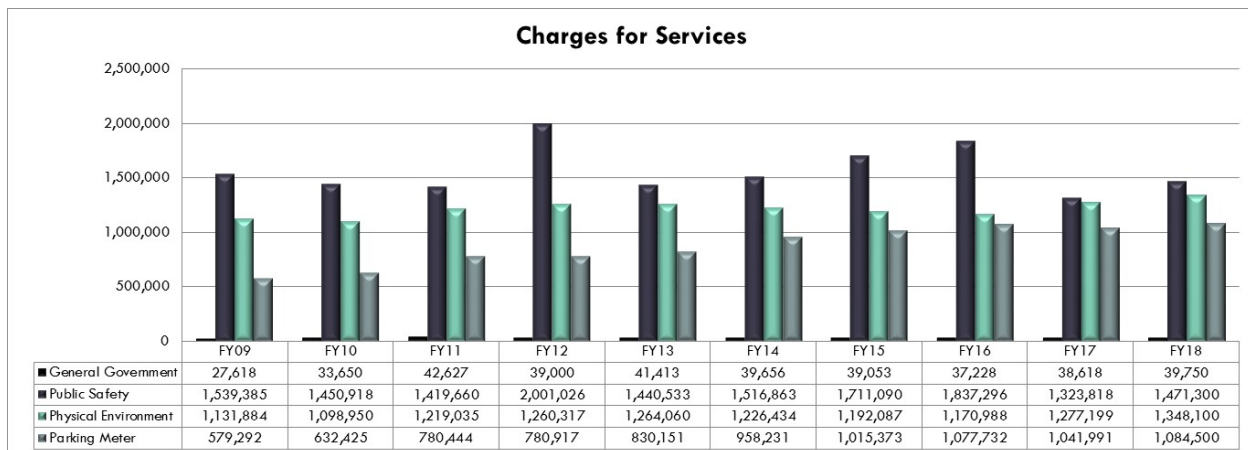
Public safety fees have increased in the past due to increases in the EMS transport fees in FY12, and increases in revenues for police special detail. Revenues for police special detail have dropped off in FY17. Revenue for FY18 was conservatively estimated.

Physical environment fees include solid waste fees and beach cleaning fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage

GENERAL FUND TREND ANALYSIS

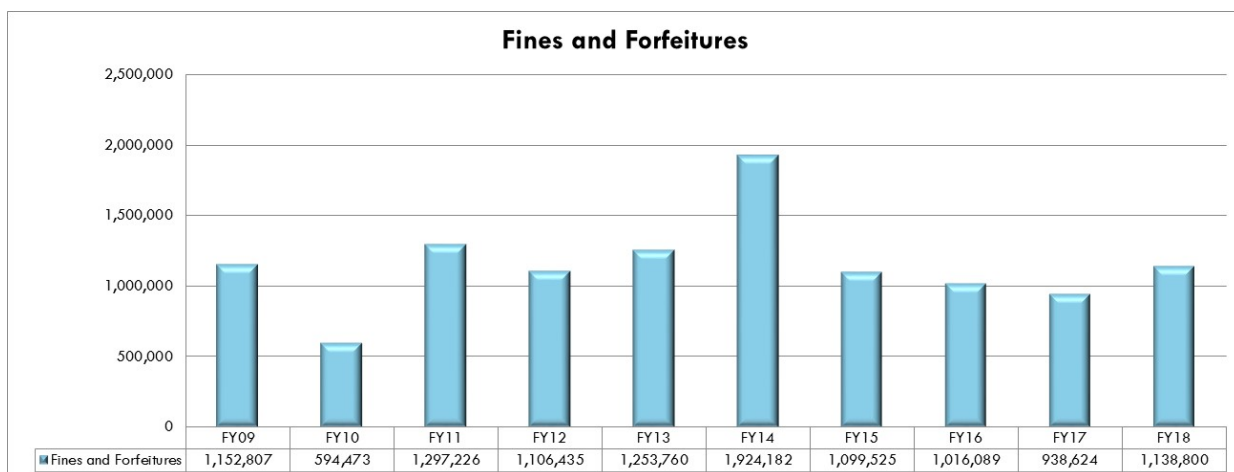
fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service. Beach cleaning fees were collected until FY10 when the program was discontinued.

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.

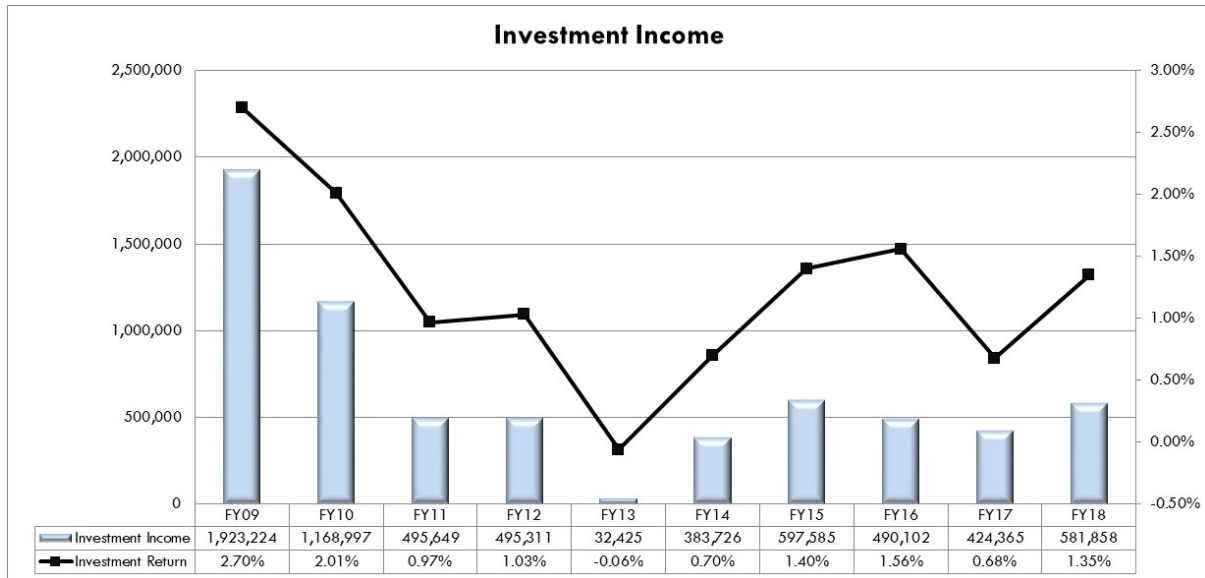


In FY09, FY11 and FY14 large code enforcement fines were collected causing spikes in revenues. In FY13 revenues from parking tickets increased due to an increase in parking fines. In recent years, parking fines have declined due to improved compliance. The FY18 budget was based on the trend at the end of FY17 showing improved revenues.

GENERAL FUND TREND ANALYSIS

Investment Income

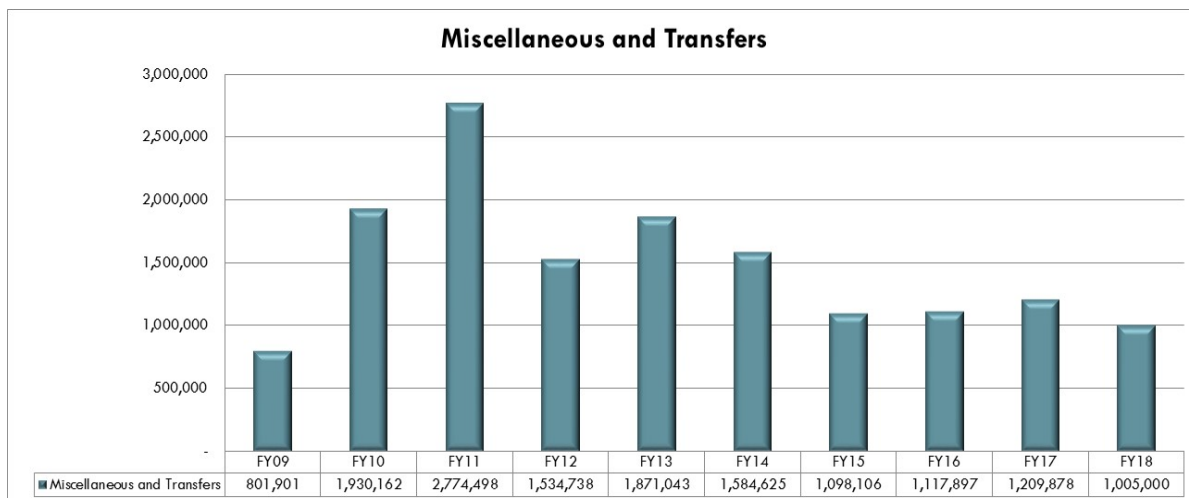
The Town's Investment Advisory Committee oversees the investment of the Town's surplus funds as well as the investments in the Town's OPEB trust. The Town's surplus funds are invested in fixed income securities, money market accounts, two bond funds with the Florida League of Cities Investment Trust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



Since 2009, historically low interest rates have caused investment revenue to decline.

Miscellaneous and Transfers

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



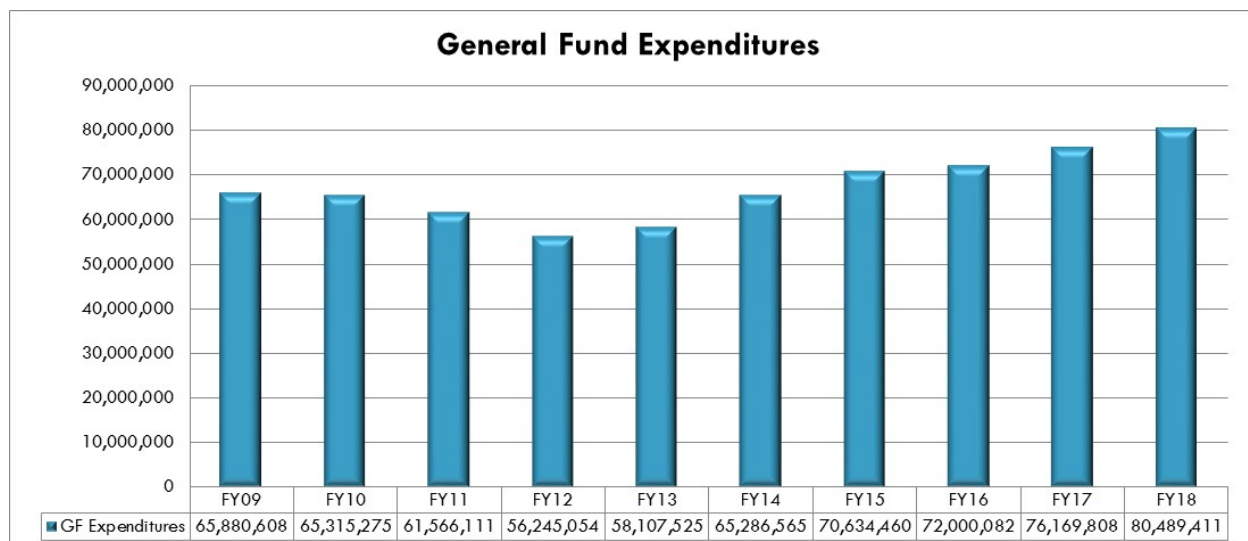
GENERAL FUND TREND ANALYSIS

In FY10, FDOT took by eminent domain, Town property located just east of the Flagler Bridge. FY11 revenues included a transfer from the Capital Improvement Fund and an increase in the Recreation Enterprise Fund transfer. The Town had transferred \$2.6 million in FY10 to the Capital Improvement Program to begin to fund the 20 year CIP program. Bonds were issued in FY10 to fund the program, so most of the funds were no longer needed in the CIP program and \$1.4 million was transferred back to the General Fund. FY12 includes a transfer of \$800,000 from the Recreation Enterprise Fund and insurance proceeds from a large claim. Revenues in FY13 and FY14 include a transfer of \$885,000 from the Recreation Enterprise Fund and the proceeds from the sale of property. In FY16, 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.

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 FY09, the General Fund budget has increased a total of 22%. A significant portion (87%) 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 only increased 3.78% during the 10-year period. The increases are described in greater detail later in this section. The total General Fund budget increased by 4.73% in FY18 from the FY17 budget. The 3 additional firefighters were added to the budget and contractual pay increases were added due to the negotiated firefighter union contract. Pension costs increased due to the smoothing of the lower returns in FY15 and the changes in the mortality tables. In addition the Town Council approved a policy to transfer an additional \$5,420,000 per year to the retirement fund to reduce the unfunded liability.



The major changes in the General Fund budget for FY09 – FY18 are detailed in the chart on the following pages by fiscal year. Large expenditures for capital and coastal projects and other non-recurring expenditures are noted in bold face type. Personnel cost changes are noted in italics.

GENERAL FUND TREND ANALYSIS

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

GENERAL FUND TREND ANALYSIS

	<ul style="list-style-type: none"> • 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)
FY2012 Budget Decrease 8.2%	<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
FY2013 Budget Increase 2.01%	<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
FY2014 Budget Increase 9.54%	<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
FY2015	<ul style="list-style-type: none"> • Total General Fund Budget - \$67,295,344

GENERAL FUND TREND ANALYSIS

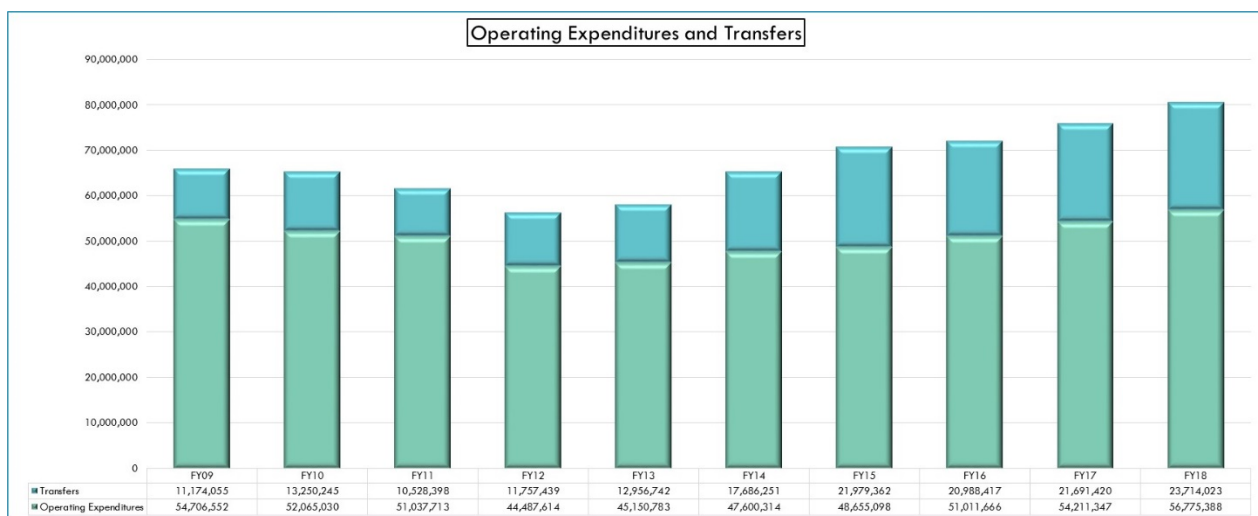
Budget Increase 2.89%	<ul style="list-style-type: none"> Increased millage rate to 3.4058, taxable value increased by 7.53% Increase in property tax revenue - \$4,777,000 <i>Addition of 2.58 positions</i> <i>Provided for merit pay raises and an increase in the employee pay ranges.</i> <i>Increase in DB pension costs - \$509,600</i> <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% Increase 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% Increase 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>

GENERAL FUND TREND ANALYSIS

- *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

General Fund Operating Expenditures

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



Since FY09, operating expenditures have increased a total of \$2,068,836 or 3.78% over the 10-year period. Most of the increase coming from pension benefits and contractual expenditures. Of the total budget increase over the same time period, \$14,608,803 or 22.17%, the balance of \$12,539,968 is 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 by 43% with one half coming from operating expenditures and the other half of the increase coming from transfers. A more detailed analysis of the expenditures by category follows.

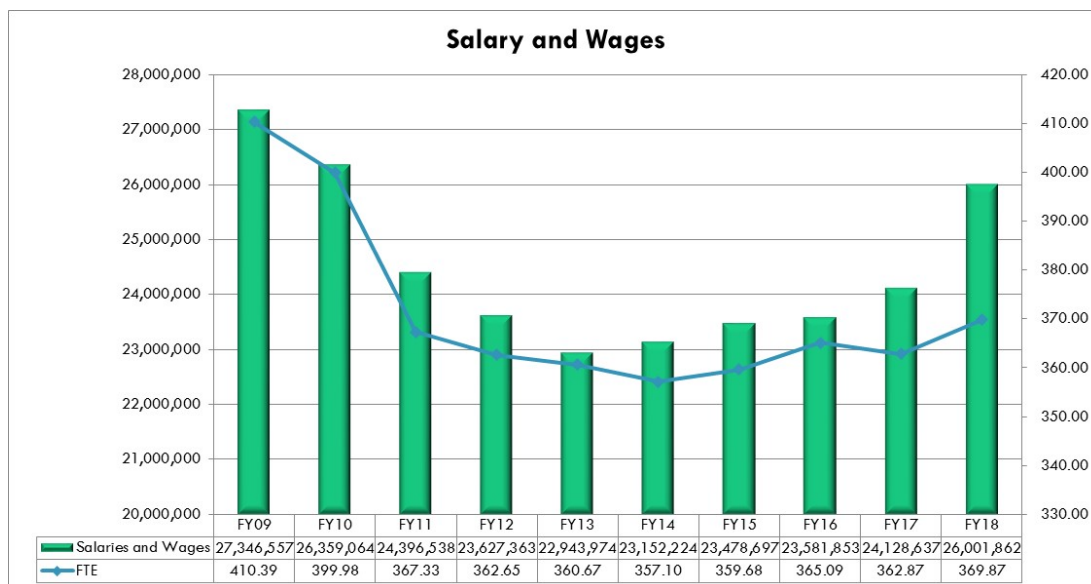
Expenditure by Category Trend Analysis

Salaries and Wages

The salary and wage trend is shown on the graph below. FY18 salaries are 4.92% less than they were in FY09. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09 these costs were added to the budget. The final payout for the buyout was in FY11. In FY09, special competitive pay increases were granted for all firefighters and police officers. A wage freeze was in effect for FY10 and FY11 for all employees. For FY12, merit and step increases were included the budget and in FY13 through

GENERAL FUND TREND ANALYSIS

FY18 merit and step increases were included, along with an increase in employee pay ranges. The FY16 actual salary amount reflected the retirement of 13 employees. The FY18 budget increased over the FY17 budget due to the additional positions, merit pay and an increase in the ranges. The increase over the actual FY17 amount is due to a reduction in expenses paid out in FY17 due to the retirements and vacancies that occurred during the year.

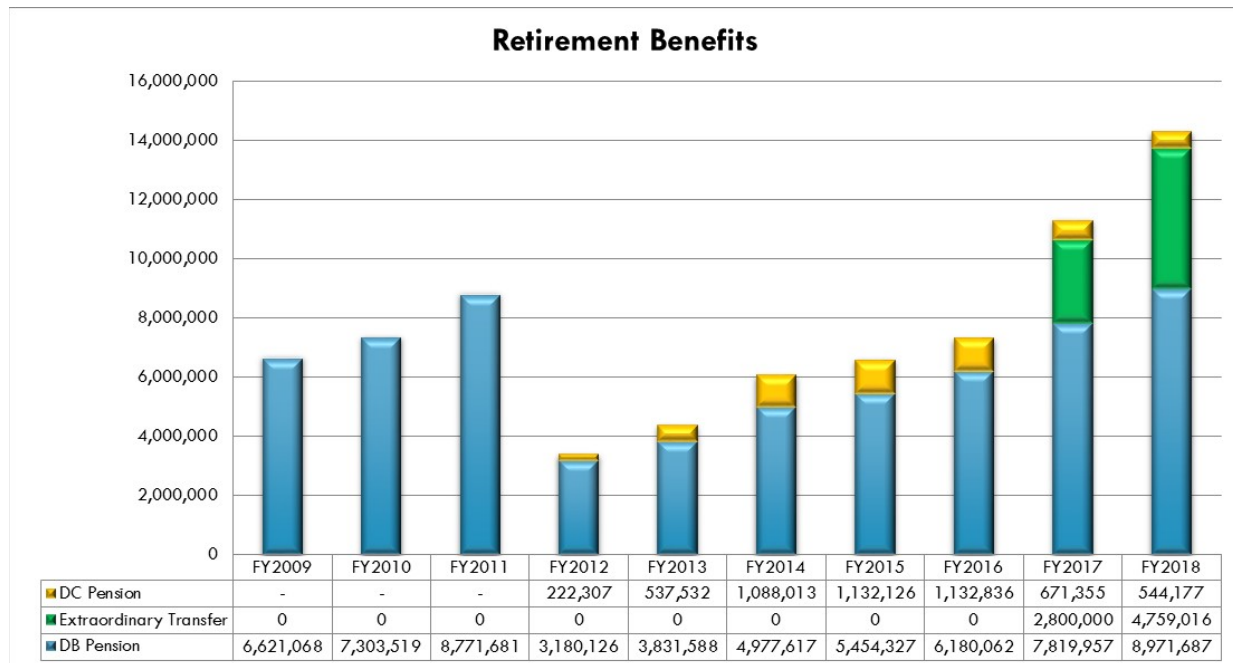


Since FY09, 40.52 positions have been eliminated from the budget through attrition. Since FY15 10.19 positions were added to the budget.

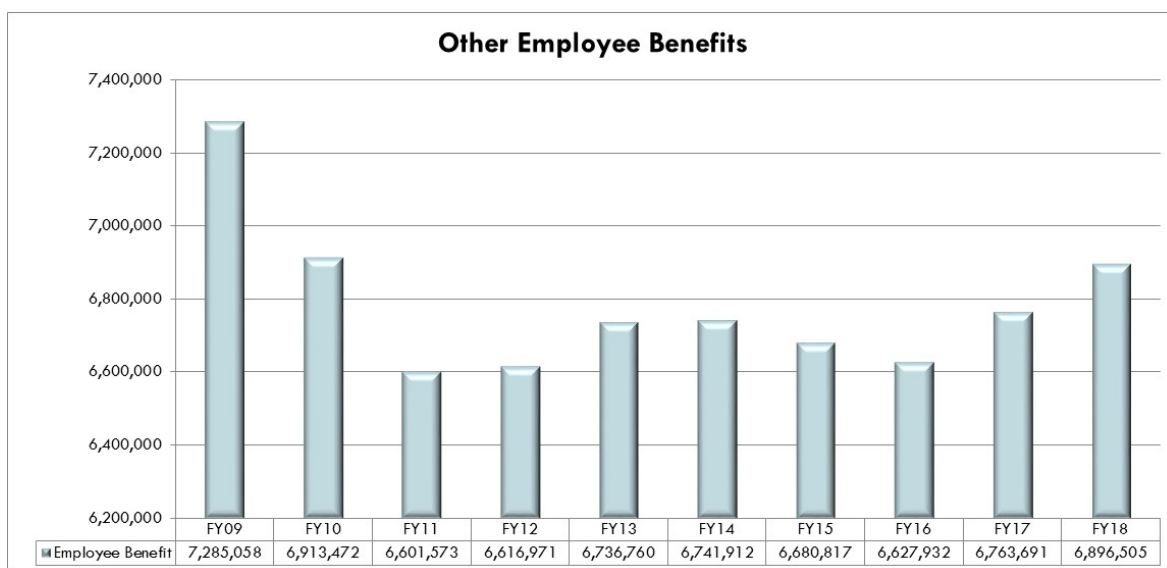
Employee Benefits

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 is a hybrid plan with a defined benefit and defined contribution component. Increases in FY13 and FY14 were due to modifications to the plan and more retirements than anticipated. The actuarial assumptions for investment returns and wage inflation were reduced and 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 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 and in FY18 the town transferred \$4,759,016 for this funding.

GENERAL FUND TREND ANALYSIS



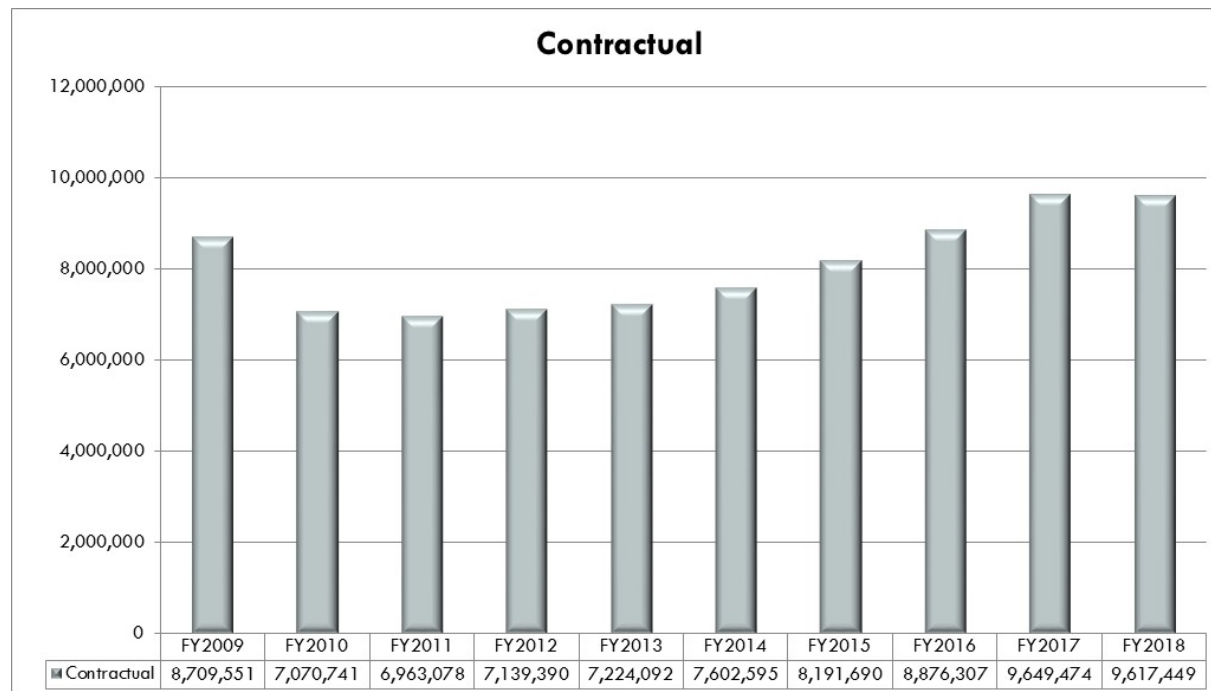
Other employee benefits include health insurance, FICA, bonuses, allowances, incentives, and uniform maintenance. Since FY09, Other employee benefits have decreased 5.33% over the 10-year period. Since FY13, health insurance costs have been maintained through changes in the program, cost shifting to employees, and having fewer employees in the plan due to the reduction in full time staff positions and wellness programs. In FY18, health insurance costs increased but the increase was funded from the Health Insurance reserves. The majority of the increase in FY18 was due to an increase in FICA expense because of the increase in salaries.



GENERAL FUND TREND ANALYSIS

Contractual Services

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

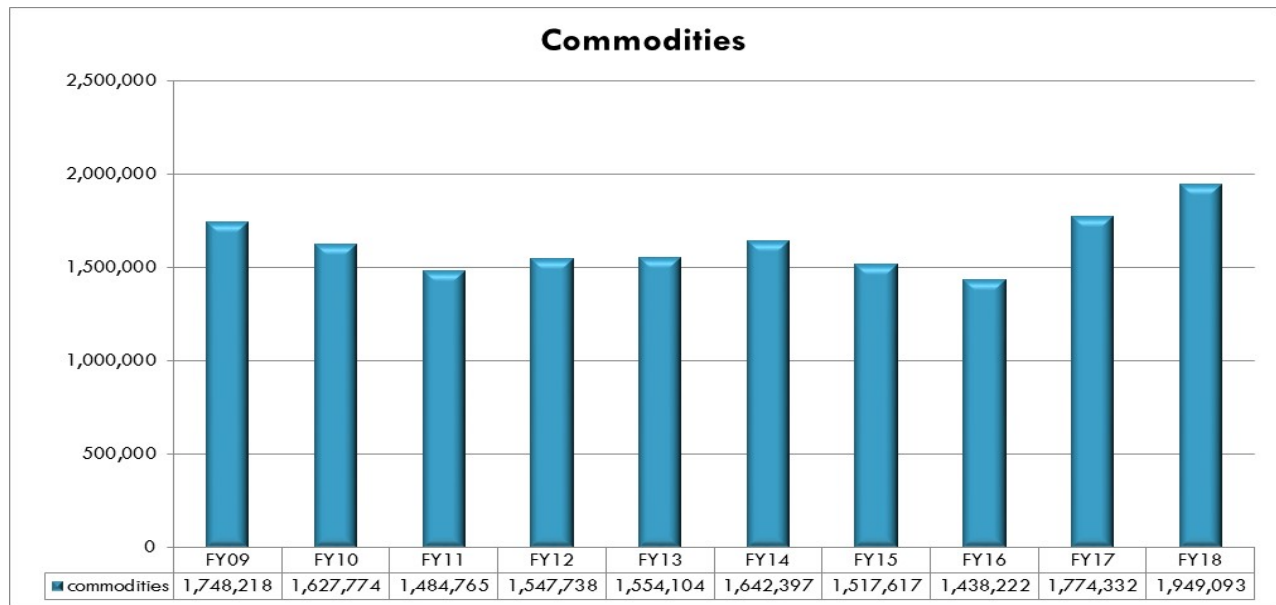


Contractual services have increased 10.42% since FY09. The increases in FY09 were due to increases in lobbying costs, software licensing and support, pension reform study, legal advertising, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town beach renourishment post construction monitoring, and risk insurance funding. In FY09, funds also were set aside to repay FEMA for an overpayment in reimbursement of hurricane debris removal costs. 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.

Commodities

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

GENERAL FUND TREND ANALYSIS



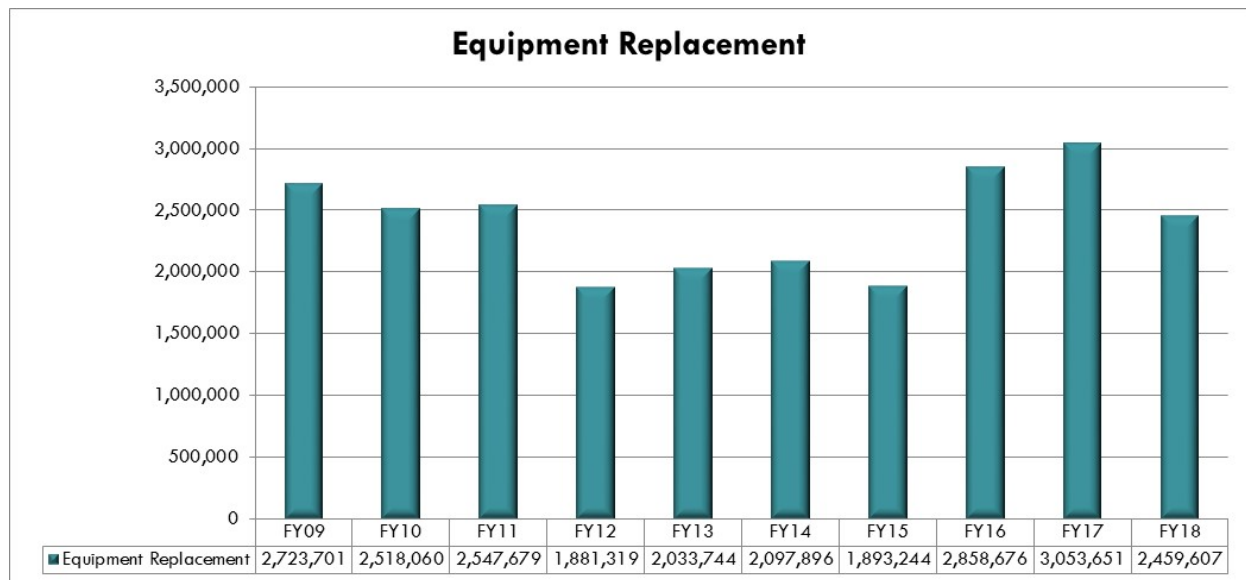
The total cost of commodities in FY18 is 11.49% higher than it was in FY09. Decreases from FY09 through FY11 were due to the implementation of cost containment measures throughout all Town departments. The increase for FY12 related to anticipated increases in fuel costs. The decreases since FY15 are due to decreases in fuel costs and supplies. FY16 actual amounts reflect lower fuel expenditures during the year than the amounts budgeted and other savings during the year amounting to total savings of \$336,017 versus the budgeted amount. The FY17 costs increases were due to increased costs for fuel and other operational supplies. The FY18 budget increase was due to 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.

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.

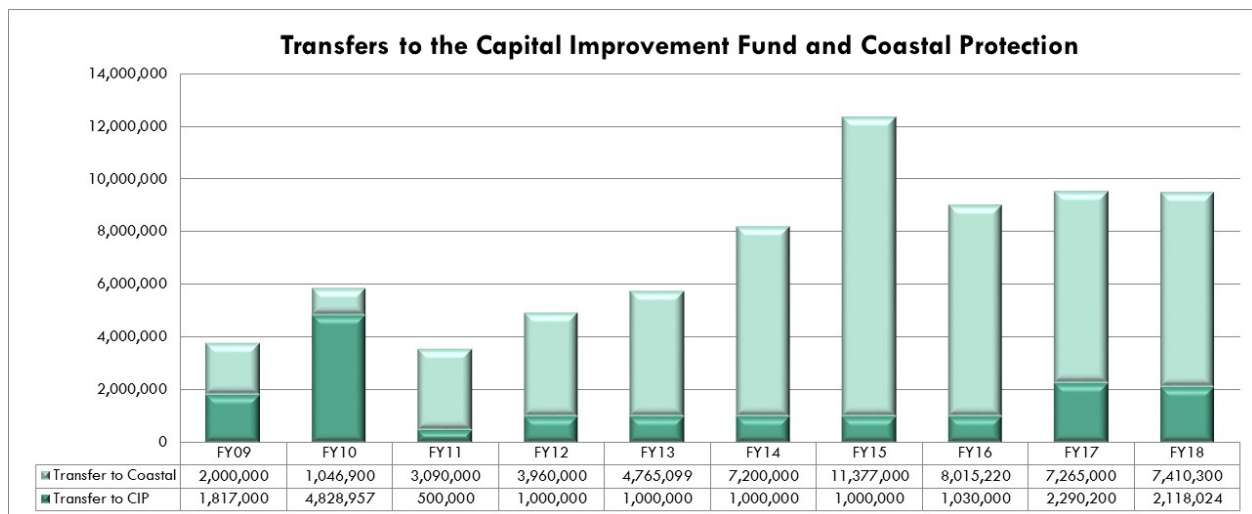
The total cost of capital equipment in FY18 is 9.7% lower than it was in FY09. The Town has established the Equipment Replacement Fund (ERF). Transfers are made to the ERF based on the annual depreciation based on the replacement cost of each asset. In FY12, the depreciation transfer decreased by \$344,271. 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.

GENERAL FUND TREND ANALYSIS



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.

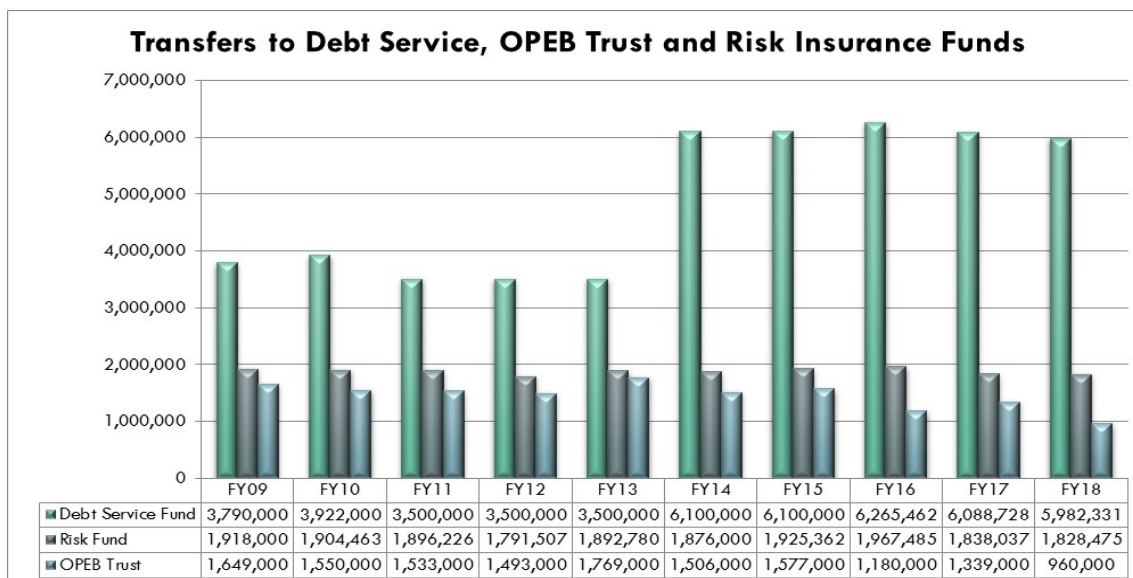


The coastal transfer since FY09 has increased \$5,410,300, and the CIP transfer has increased \$301,024. In FY09, \$2 million was transferred to the Coastal Protection Fund for pending litigation regarding Lake Worth Inlet. In FY10, a one-time transfer of \$2.6 million was included to begin to fund the 20-year Capital Improvement Program and \$1,046,000 was transferred from the unassigned net assets to the Coastal Protection Fund for a sand search study and groin analysis. In FY11, a total of \$3,090,000 was transferred to the Coastal Protection Fund for projects and \$500,000 was budgeted for the pay-as-you-go portion of the Capital Improvement Program. In FY12, \$3,960,000

GENERAL FUND TREND ANALYSIS

was transferred to the Coastal Protection Fund and the transfer to the Capital Improvement Program was increased to \$1,000,000. In FY13, \$4,765,099 was transferred to the Coastal Protection Fund and in FY14 an additional \$7,200,000 was transferred to build reserves for the Mid-Town and Phipps beach renourishment projects. In FY15, \$6,600,000 was transferred to the coastal fund from various town reserves, in addition, a property tax increase of \$4,777,000 was established to begin to fund the coastal protection fund through property taxes. In FY16 the transfer to coastal was increased to \$8,015,220 due to higher than expected costs of the Mid-Town and Phipps beach 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, a 3% increase was appropriated to the Coastal Protection transfer and the CIP transfer was decreased by \$172,176 due to the transfer of projects to the ACIP fund.

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



Debt Service

Debt service costs have increased 57.8% since FY09. 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 FY17 and FY18 budgets.

GENERAL FUND TREND ANALYSIS

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, 2017 was calculated to be \$27,963,573. The actuarial value of assets in the trust at that time was \$31,275,719. The OPEB asset is \$3,312,146. The OPEB asset is projected to be \$3,865,440 at September 30, 2018. The funded ratio for the plan is 111.8% for FY17 and projected to be 113.2% for FY18. The annual budgeted contribution for FY18 is \$960,000 which is \$379,000 less than FY17.

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 FY09, the transfer to the Risk Fund has declined by 4.7%. Overall the Town's risk insurance costs have declined over the past decade, due to the changes in carriers and cost-saving measures in the overall insurance program.

Trend Summary

Significant changes in the budget have been made over the past 10 years. Operating costs have only increased 3.78% during the 10-year period. A bulk of the increase since FY09 has been due to coastal protection, debt service costs and the new policy to annually transfer \$5,420,000 to the retirement fund. The following two pages contain tables showing the year by year actual changes in the main revenue and expenditure categories since FY09.

**Town of Palm Beach
Revenue Trend Analysis
FY09 - FY18**

Analysis of Revenues by Category Revenue Sources	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Budget
Ad Valorem Revenues	42,887,216	41,508,570	36,635,343	36,662,916	37,473,108	39,110,926	43,869,888	47,890,700	50,195,981	51,470,500
% Increase	3.45%	-3.21%	-11.74%	0.08%	2.21%	4.37%	12.17%	9.17%	4.81%	2.54%
\$ Increase	1,429,967	-1,378,646	-4,873,227	27,573	810,191	1,637,818	4,758,962	4,020,812	2,305,281	1,274,519
Non Ad Valorem Taxes	7,386,397	7,371,330	7,189,368	7,315,317	7,533,859	7,946,097	8,056,312	8,061,358	8,188,599	8,425,000
% Increase	1.44%	-0.20%	-2.47%	1.75%	2.99%	5.47%	1.39%	0.06%	1.58%	2.89%
\$ Increase	104,561	-15,068	-181,961	125,948	218,543	412,238	110,215	5,046	127,241	236,401
Licenses and Permits	5,543,034	4,777,557	6,382,545	6,498,207	7,572,518	8,053,581	10,657,676	10,096,673	7,677,953	7,672,975
% Increase	-28.69%	-13.81%	33.59%	1.81%	16.53%	6.35%	32.33%	-5.26%	-23.96%	-0.06%
\$ Increase	-2,230,210	-765,477	1,604,988	115,662	1,074,311	481,064	2,604,095	-561,003	-2,418,719	-4,978
Intergovernmental Revenue	1,485,128	1,101,206	1,319,119	1,051,432	990,715	1,071,413	1,102,689	1,122,465	1,028,493	1,185,450
% Increase	18.97%	-25.85%	19.79%	-20.29%	-5.77%	8.15%	2.92%	1.79%	-8.37%	15.26%
\$ Increase	236,812	-383,922	217,913	-267,687	-60,716	80,697	31,276	19,776	-93,972	156,957
Charges for Services	3,278,180	3,215,943	3,461,766	4,081,259	3,576,156	3,741,183	3,957,603	4,123,243	3,681,626	3,943,650
% Increase	16.74%	-1.90%	7.64%	17.90%	-12.38%	4.61%	5.78%	4.19%	-10.71%	7.12%
\$ Increase	470,013	-62,236	245,822	619,493	-505,103	165,027	216,420	165,640	-441,616	262,024
Fines and Forefeitures	1,152,807	594,473	1,297,226	1,106,435	1,253,760	1,924,182	1,099,525	1,016,089	938,624	1,138,800
% Increase	-2.58%	-48.43%	118.21%	-14.71%	13.32%	53.47%	-42.86%	-7.59%	-7.62%	21.33%
\$ Increase	-30,511	-558,334	702,753	-190,790	147,325	670,422	-824,657	-83,436	-77,465	200,176
Interest Income	1,923,224	1,168,997	495,649	495,311	32,425	383,726	597,585	490,102	424,365	581,858
% Increase	40.51%	-39.22%	-57.60%	-0.07%	-93.45%	1083.43%	55.73%	-17.99%	-13.41%	37.11%
\$ Increase	554,473	-754,227	-673,348	-338	-462,886	351,301	213,859	-107,483	-65,737	157,493
Miscellaneous and Transfers	801,901	1,930,162	2,774,498	1,534,738	1,871,043	1,584,625	1,098,106	1,117,897	1,209,878	1,005,000
% Increase	-13.24%	140.70%	43.74%	-44.68%	21.91%	-15.31%	-30.70%	1.80%	8.23%	-16.93%
\$ Increase	-122,386	1,128,261	844,336	-1,239,760	336,305	-286,418	-486,519	19,791	91,981	-204,878
Transfers from Fund Balance	0	0	0	0	0	0	0	0	2,557,247	5,065,996
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%
\$ Increase	0	0	0	0	0	0	0	0	2,557,247	2,508,749
Total Revenues	64,457,887	61,668,238	59,555,514	58,745,615	60,303,584	63,815,733	70,439,384	73,918,526	75,902,767	80,489,229
% Increase	0.64%	-4.33%	-3.43%	-1.36%	2.65%	5.82%	10.38%	4.94%	2.68%	6.04%
\$ Increase	412,720	-2,789,649	-2,112,725	-809,898	1,557,969	3,512,149	6,623,651	3,479,142	1,984,241	4,586,462

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

Analysis of Expenses by Category Expenditure Categories	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget
Salaries/Wages	27,346,557	26,359,064	24,396,538	23,627,363	22,943,974	23,152,224	23,478,697	23,581,853	24,128,637	26,001,862
% Increase	8.17%	-3.61%	-7.45%	-3.15%	-2.89%	0.91%	1.41%	0.44%	2.32%	7.76%
\$ Increase	2,065,900	-987,493	-1,962,526	-769,175	-683,389	208,251	326,473	103,155	546,784	1,873,225
Pension Benefits	6,621,068	7,303,519	8,771,681	3,180,126	3,831,588	4,977,617	5,454,327	6,180,062	7,819,957	8,971,687
% Increase	-8.28%	10.31%	20.10%	-63.75%	20.49%	29.91%	9.58%	13.31%	26.54%	14.73%
\$ Increase	-597,483	682,451	1,468,162	-5,591,555	651,462	1,146,029	476,710	725,735	1,639,895	1,151,730
DC Plan	-	-	-	222,307	537,532	1,088,013	1,132,126	1,132,836	671,355	544,177
% Increase	0.00%	0.00%	0.00%	0.00%	141.80%	102.41%	4.05%	0.06%	-40.74%	-18.94%
\$ Increase	-	-	-	222,307	315,226	550,480	44,113	711	-461,481	-127,178
Other Employee Benefits	7,285,058	6,913,472	6,601,573	6,616,971	6,736,760	6,741,912	6,680,817	6,627,932	6,763,691	6,896,505
% Increase	15.21%	-5.10%	-4.51%	0.23%	1.81%	0.08%	-0.91%	-0.79%	2.05%	1.96%
\$ Increase	961,690	-371,586	-311,900	15,398	119,788	5,152	-61,095	-52,885	135,759	132,814
Contractual	8,709,551	7,070,741	6,963,078	7,139,390	7,224,092	7,602,595	8,191,690	8,876,307	9,649,474	9,617,449
% Increase	7.25%	-18.82%	-1.52%	2.53%	1.19%	5.24%	7.75%	8.36%	8.71%	-0.33%
\$ Increase	588,889	-1,638,810	-107,663	176,312	84,702	378,503	589,094	684,618	773,167	-32,025
Commodities	1,748,218	1,627,774	1,484,765	1,547,738	1,554,104	1,642,397	1,517,617	1,438,222	1,774,332	1,949,093
% Increase	-14.79%	-6.89%	-8.79%	4.24%	0.41%	5.68%	-7.60%	-5.23%	23.37%	9.85%
\$ Increase	-303,493	-120,444	-143,009	62,973	6,366	88,293	-124,781	-79,394	336,110	174,761
Equipment Replacement	2,723,701	2,518,060	2,547,679	1,881,319	2,033,744	2,097,896	1,893,244	2,858,676	3,053,651	2,459,607
% Increase	-17.01%	-7.55%	1.18%	-26.16%	8.10%	3.15%	-9.76%	50.99%	6.82%	-19.45%
\$ Increase	-558,421	-205,640	29,618	-666,360	152,425	64,152	-204,652	965,432	194,975	-594,044
Library Services	272,400	272,400	272,400	272,400	288,989	297,659	306,580	315,777	350,250	335,008
% Increase	5.03%	0.00%	0.00%	0.00%	6.09%	3.00%	3.00%	3.00%	10.92%	-4.35%
\$ Increase	13,050	0	0	0	16,589	8,670	8,921	9,197	34,473	-15,242
Other	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	54,706,552	52,065,030	51,037,713	44,487,614	45,150,783	47,600,314	48,655,098	51,011,666	54,211,347	56,775,388
% Increase	3.95%	-4.83%	-1.97%	-12.83%	1.49%	5.43%	2.22%	4.84%	6.27%	4.73%
\$ Increase	2,076,730	-2,641,522	-1,027,317	-6,550,099	663,168	2,449,531	1,054,784	2,356,568	3,199,681	2,564,041
TRANSFER TO OTHER FUNDS AND OTHER EXPENSES										
Capital Improvement Fund (307)	1,817,000	4,828,957	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,000	2,290,200	2,118,024
Coastal Protection Fund (309)	2,000,000	1,046,900	3,090,000	3,960,000	4,765,099	7,200,000	11,377,000	8,015,220	7,265,000	7,410,300
Transfer to Underground Utility fund	0	0	0	0	0	0	0	2,530,250	0	0
Transfer to Retirement Fund	0	0	0	0	0	0	0	0	2,800,000	4,759,016
Debt Service Fund (205)	3,790,000	3,922,000	3,500,000	3,500,000	3,500,000	6,100,000	6,100,000	6,265,462	6,088,728	5,982,331
Retiree Health Insurance (OPEB Trust)	1,649,000	1,550,000	1,533,000	1,493,000	1,769,000	1,506,000	1,577,000	1,180,000	1,339,000	960,000
Risk Fund (502)	1,918,000	1,904,463	1,896,226	1,791,507	1,892,780	1,876,000	1,925,362	1,967,485	1,838,037	1,828,475
Contingency	0	0	0	0	0	0	0	0	0	655,877
Inventory Adjustments	55	-2,075	9,172	12,932	29,863	4,251	0	0	70,455	0
Total Transfers and Other	11,174,055	13,250,245	10,528,398	11,757,439	12,956,742	17,686,251	21,979,362	20,988,417	21,691,420	23,714,023
% Increase	16.05%	18.58%	-20.54%	11.67%	10.20%	36.50%	24.27%	-4.51%	3.35%	9.32%
\$ Increase	1,545,066	2,076,190	-2,721,847	1,229,042	1,199,303	4,729,509	4,293,111	-990,945	703,003	2,022,603
										75,730,395
Total Expenditures	65,880,608	65,315,275	61,566,111	56,245,054	58,107,525	65,286,565	70,634,460	72,000,082	75,902,767	80,489,411
% Increase	5.82%	-0.86%	-5.74%	-8.64%	3.31%	12.35%	8.19%	1.93%	5.42%	6.04%
\$ Increase	3,621,796	-565,333	-3,749,164	-5,321,058	1,862,471	7,179,040	5,347,895	1,365,623	3,902,685	4,586,644

FORECAST SUMMARY

General Fund Long Term Financial Plan Forecast

Financial forecasts are the foundation of a long term financial plan. These forecasts provide the Mayor, Town Council and staff with information they need to more effectively determine future levels of service and methods of funding. This forecast of General Fund revenues and expenditures includes the FY17 budget and a 9 year forecast through FY26.

Assumptions

The forecast for the first 2 - 4 years is based upon recent trends and specific expectations. The forecast for the remaining years is less tactical and more mathematical, and is based primarily upon estimates by actuaries and long term inflation expectations.

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

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Ad Valorem Tax Increase	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
General Inflation	2.2%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%
Salaries & Wages	2.6%	2.1%	2.1%	2.3%	3.2%	3.5%	3.5%	3.5%	3.5%
Health Insurance	7.0%	6.5%	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Pension (ADEC)	-0.2%	3.27%	2.26%	-0.8%	-3.7%	-3.8%	-4.4%	-5.2%	-6.4%
Other Employee Benefits	1.4%	3.2%	3.4%	3.7%	3.9%	3.9%	4.2%	4.2%	4.2%
Property Insurance	5.0%	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%	2.0%
W/C Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

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

The assumption for inflation of 2.2% for FY19 and 2.34% for the remainder of the forecast period is based upon the forecast in the *Livingston Survey* issued by the Federal Reserve Bank of Philadelphia, this estimate has inched up this past year. The salary and wage assumption is based upon the average annual increases for all employee groups and forecasted retirements. Since no change for modifying merit pay was approved, we kept the same assumptions as in FY17. The health insurance forecast assumption is based upon input from our health consultant's actuary. The pension forecast assumption was updated by the Town's pension actuary and the FY19 estimate is based on the actual contribution in the September 30, 2017 actuarial report. The other employee benefit assumptions have been calculated based upon anticipated retirements and other inflation factors and does not include health insurance. Property, Liability and Workmen's Compensation insurance assumptions are based upon information received from our brokers regarding potential increases.

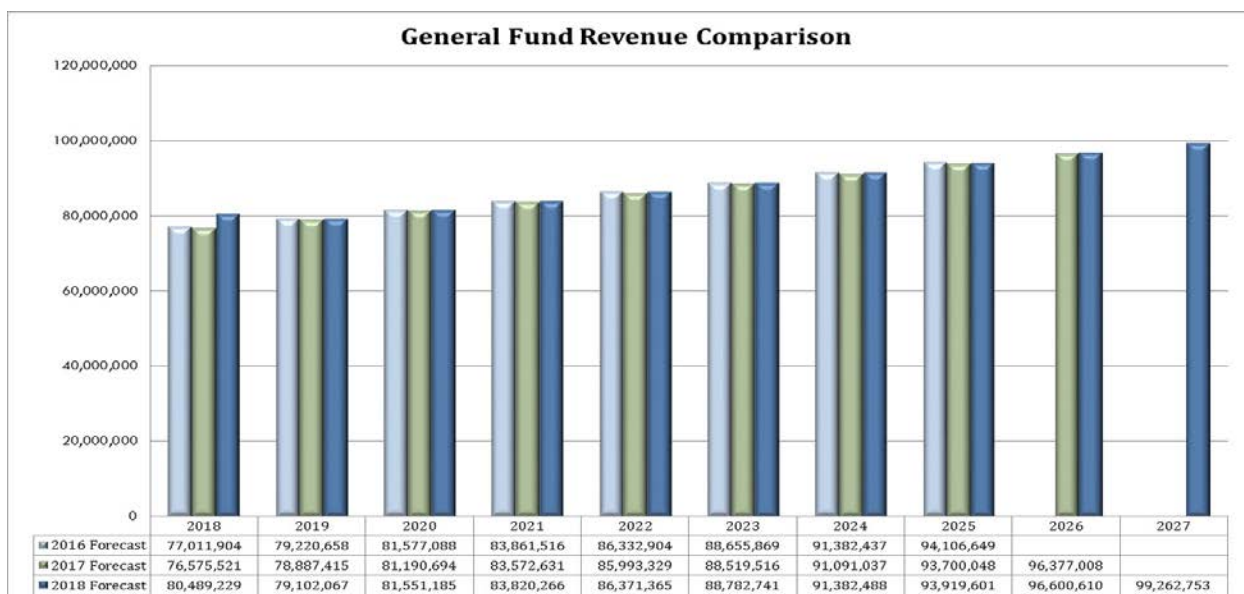
GENERAL FUND FORECAST

2018 Forecast

The forecast charts shown on the following pages include a comparison the forecasts prepared in 2016 and 2017 to the current 2018 forecast. In some cases the forecast for 2016 and 2017 are identical. In 2016, only an internal working copy of the LTFP was produced after the 2016 budget was final. The 2016 numbers were used as the starting point for the 2017 forecast and the amounts were updated for 2017 where applicable. During FY18, staff and the Town Council have been able to make major reductions in expenditures and to slow future growth to sustainable levels. The 2018 forecast shows steady progress with meeting the Town's needs for funding the additional contribution for the retirement program and maintaining service levels.

General Fund Revenue Forecast

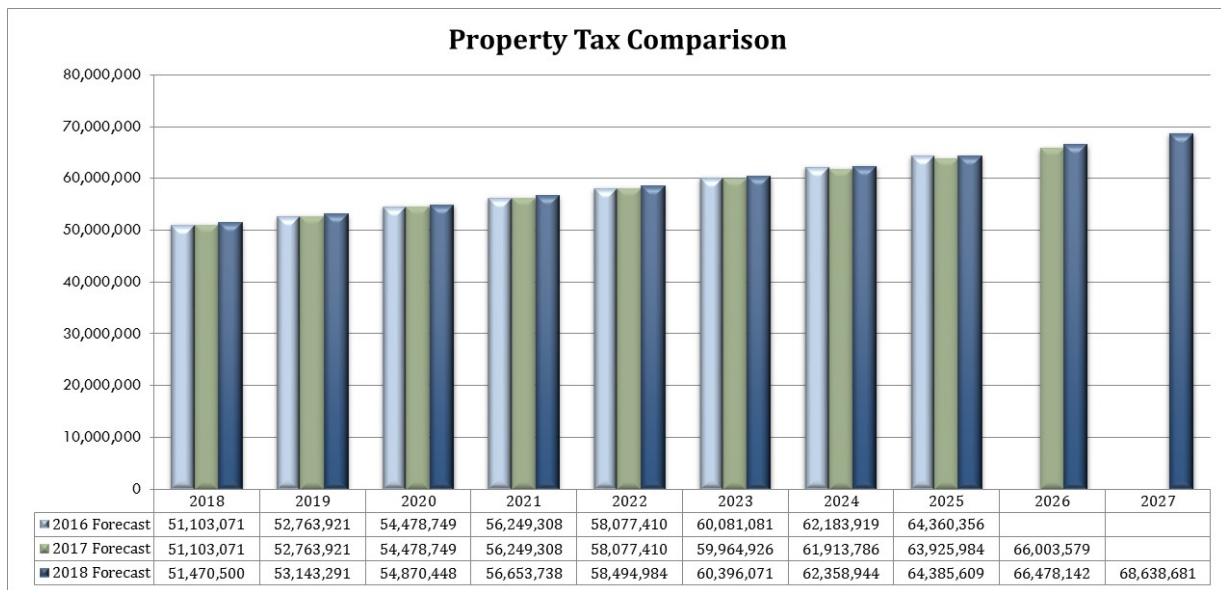
The forecast for revenues is conservative and should allow for minor fluctuations in various revenue sources. The forecast contains revenue estimates for revenue increases approved by the Town Council in the Comprehensive Review of Town Operations. The forecast details for each major revenue category are included in this analysis.



Property Tax Revenue

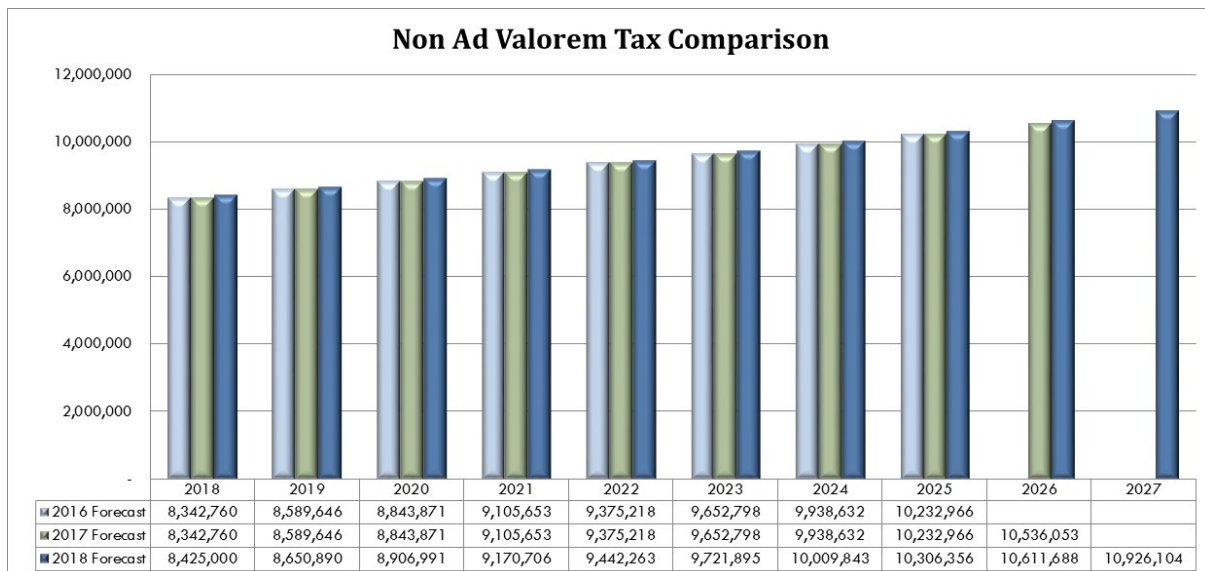
Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. The 2018 forecast includes the FY18 budget plus a 9 year forecast. Property tax revenues in FY18 increased by 3.99%. Over the past 5 years, taxable value has increased by 35% an average of 7.1% per year. We increased the forecast slightly since FY16, due to the recent trends in taxable value increases.

FORECAST SUMMARY



Non Ad Valorem Taxes

Non ad valorem taxes include local option gas taxes, franchise fees and utility service taxes. The forecast for 2018 has increased because recent revenue collections have improved over the 2017 forecasts. The forecast trend chart is shown below:

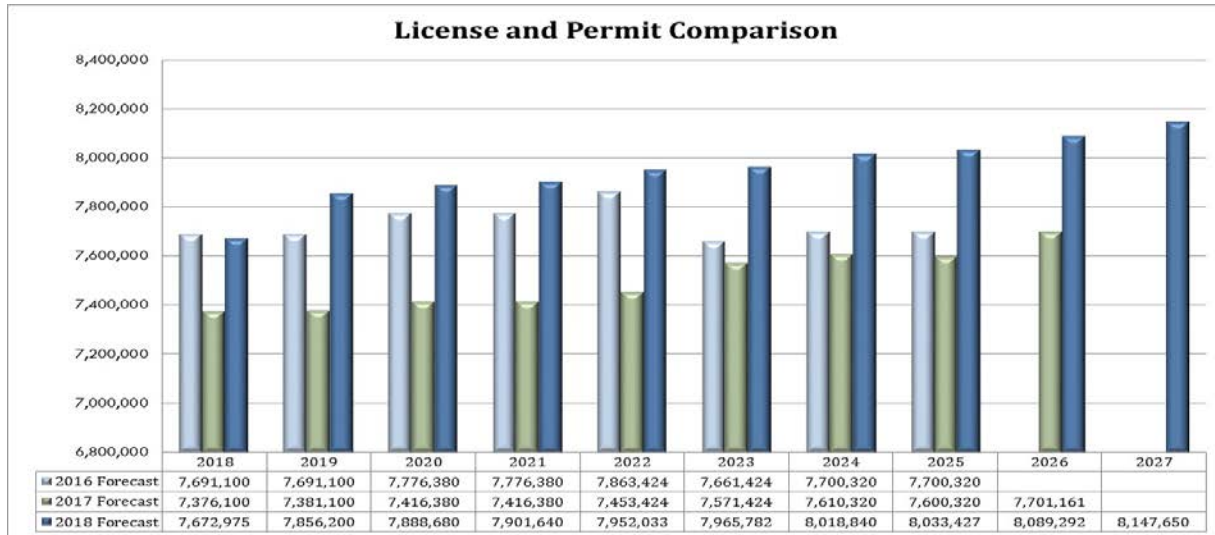


License and Permit Revenue

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

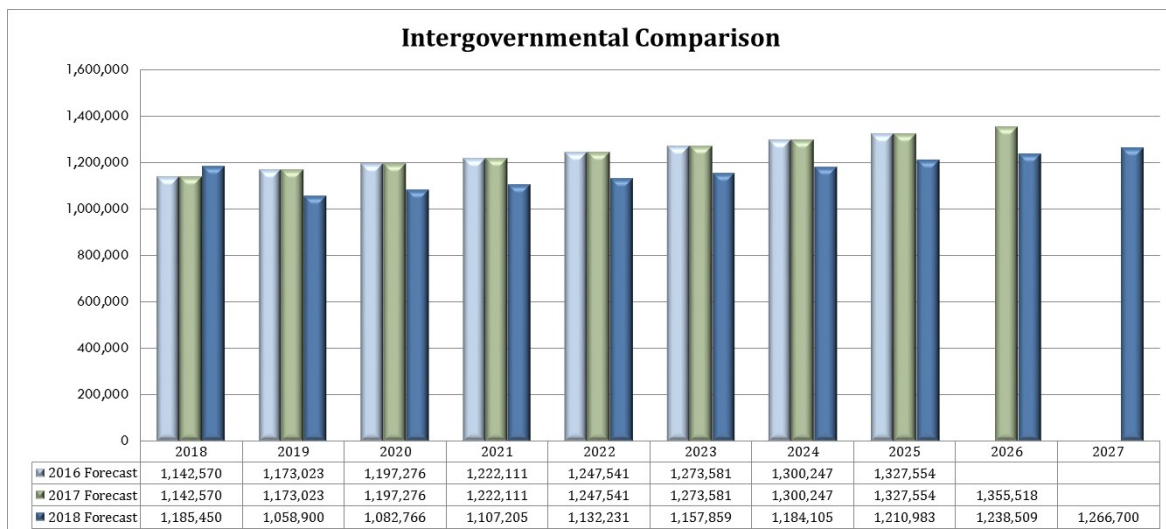
GENERAL FUND FORECAST

The FY17 forecast was adjusted downward after a sharp decline in revenues early in FY17. After the FY17 forecast was prepared, the permit revenues rebounded back to trend. FY18 revenue forecast has been adjusted for anticipated increases in right of way permits and taxi permits. In addition, FY18 revenue has improved and the forecast reflects the improvement in certain permit revenue sources.



Intergovernmental Revenue

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

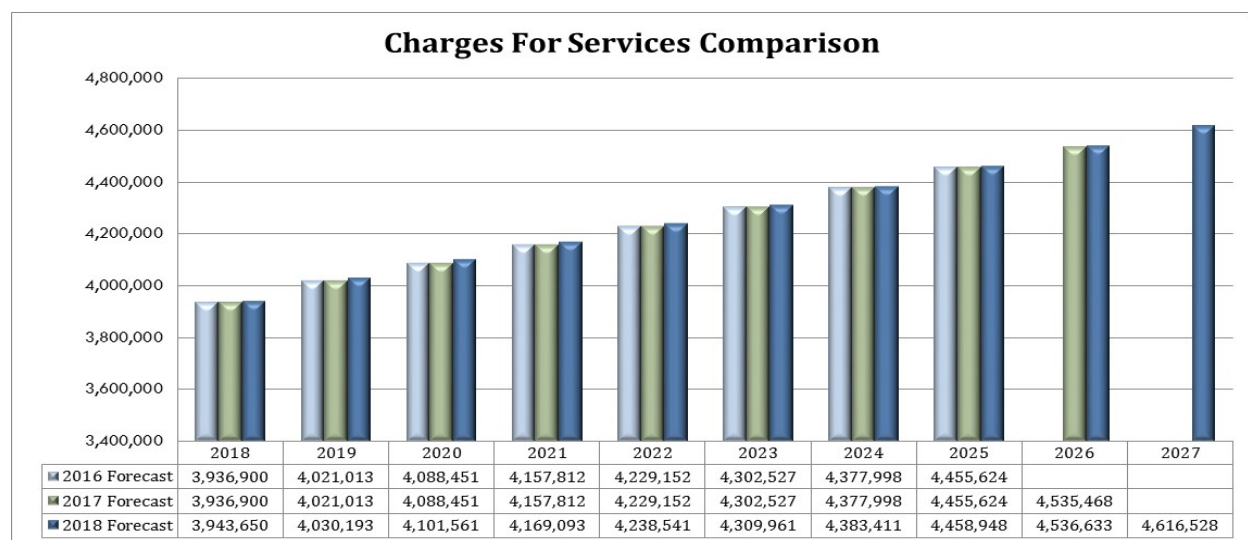


FORECAST SUMMARY

The forecast for intergovernmental revenues has remained flat based on revenues received from the State of Florida for sales tax and revenue sharing. The FY18 budget and forecast contained anticipated grant funds, but the forecast does not plan for any grant revenue. The FY18 forecast decline is due to a reduction in 911 funding from Palm Beach County. The forecast anticipates a small inflationary increase per year in the State revenues.

Charges for Services

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The forecast for 2018 reflects the current trend in these revenue sources and an anticipated increase in the lien search fee, ID cards, special solid waste pickups and the new proposed fees for lateral locates and cap off fees.

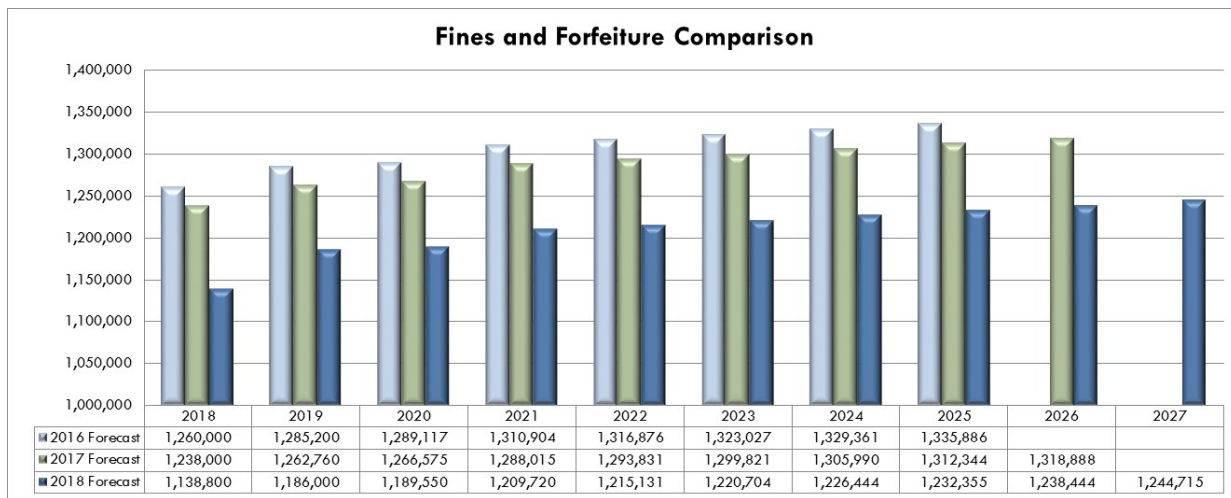


Fines and Forfeitures

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

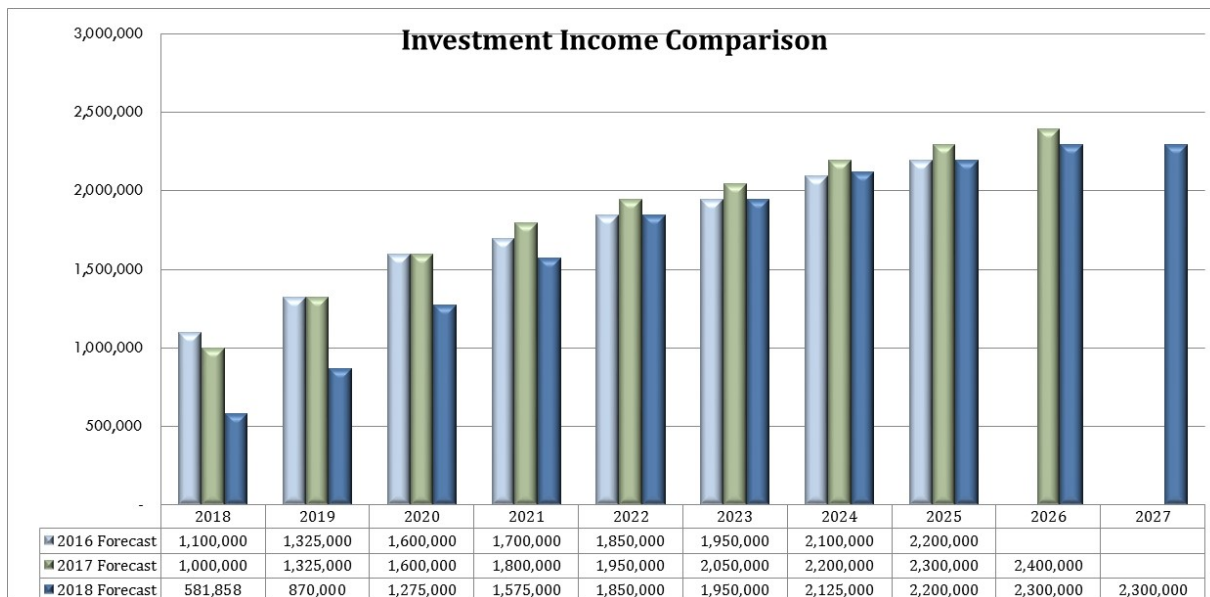
Revenues from these sources have decreased since the 2016 forecast. Parking ticket fines and moving violation revenue have decreased and the 2018 forecast has been adjusted to reflect the recent actual activity. The downward trend in these revenues reflect improved parking compliance.

GENERAL FUND FORECAST



Investment Income

We are forecasting investment returns will decrease from the FY17 forecast due to the rising interest rate environment. Recent increases in rates over the long term should have a positive impact on revenues. In the short term certain bond funds may experience market losses. The Investment Advisory Committee and our investment consultants are monitoring the situation closely and will adjust the duration of the portfolios as required to mitigate the losses.

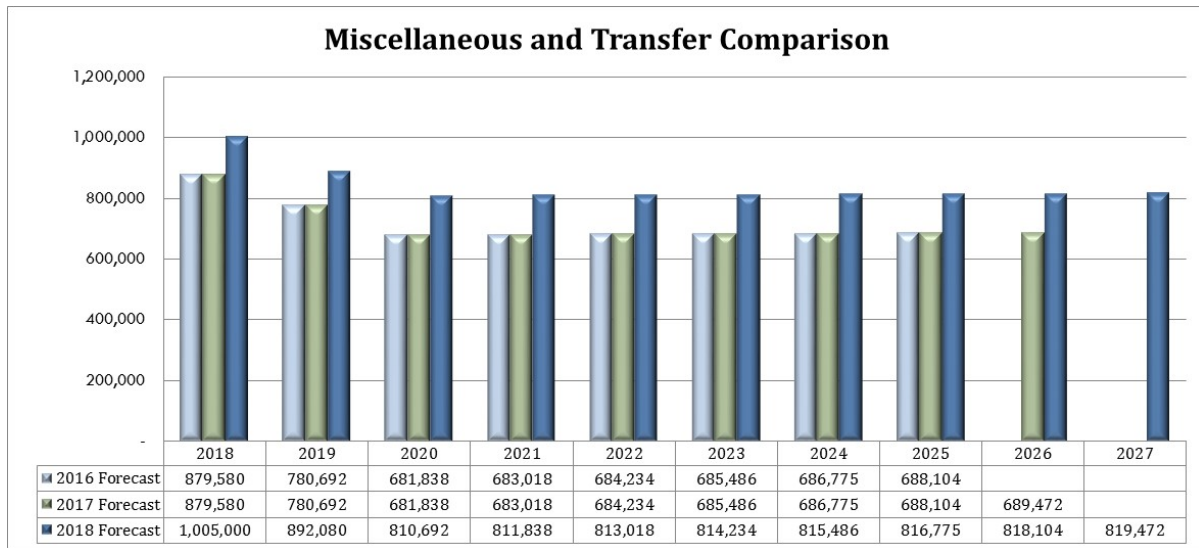


Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, the sale of fixed assets and other revenue. Transfers include transfers from the Recreation Enterprise Fund. The increase in the 2018 forecast is due to new revenue from the p-card rebate program, and higher than anticipated DC forfeiture funds. The forecast decreases due to the reductions in the transfer from the Recreation Enterprise

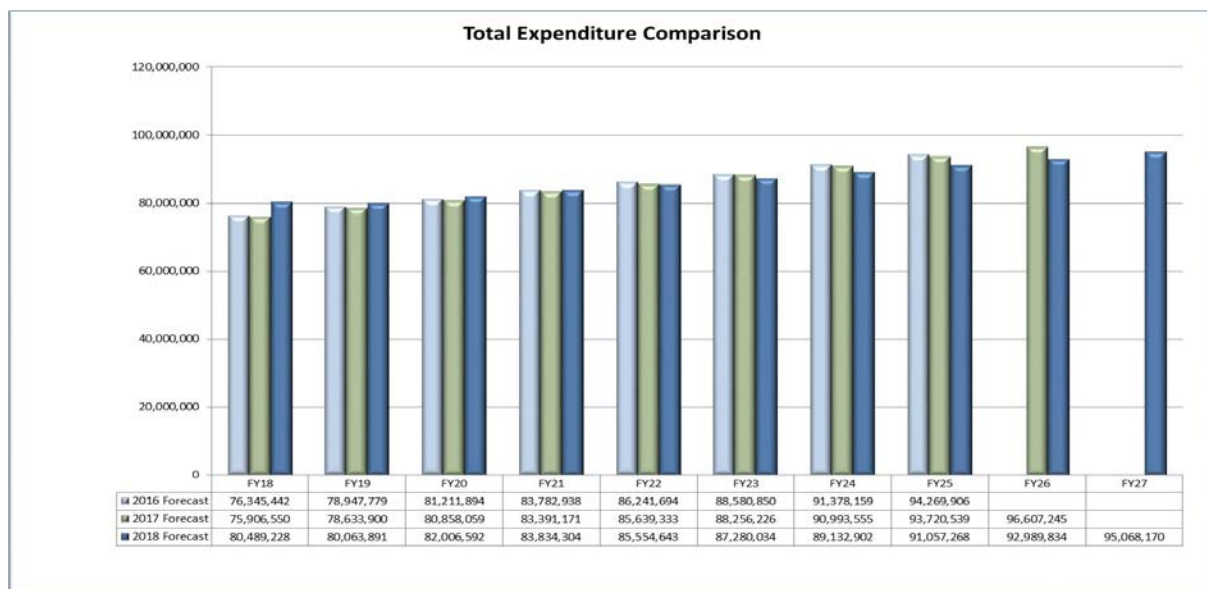
FORECAST SUMMARY

Fund. The Recreation Enterprise Fund transfer to the General Fund will decrease through 2020 and instead the funds will be directed to the Dock Replacement Fund to reduce the amount of borrowing for this project.



Total General Fund Expenditures

The 2018 forecast contains additional funding of \$5,420,000 annually for the pension fund, in addition, the forecast reflects the expenditure reductions from the Comprehensive Review of Town Operations (CROTO) to offset the additional pension funding. Changes in the forecast by category are described in the balance of this section.

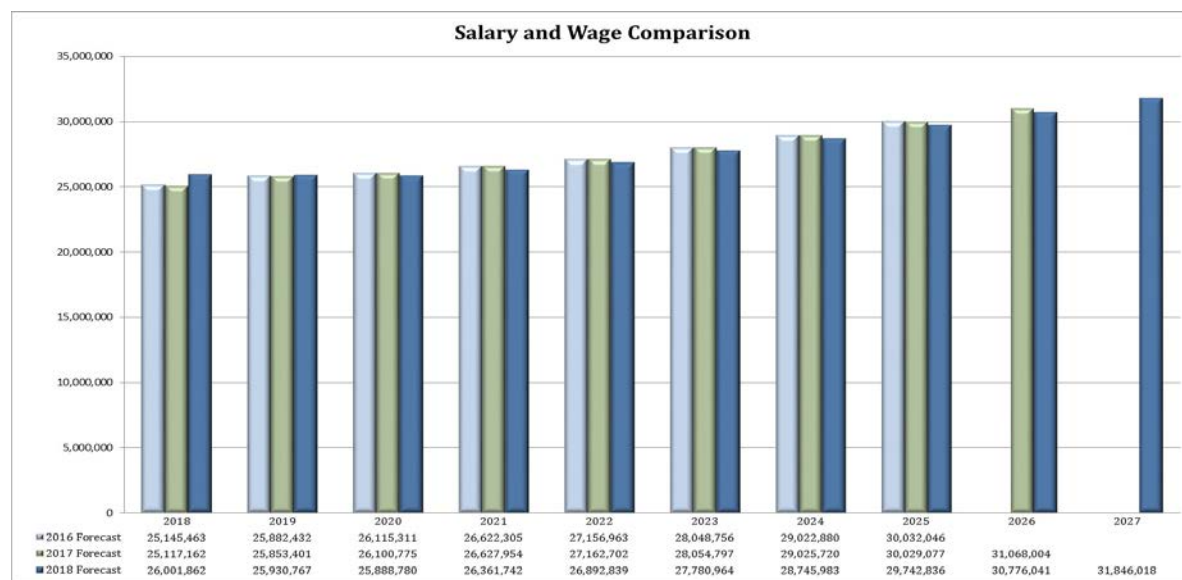


GENERAL FUND FORECAST

Salary and Wages

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

A combination of actions (changing pay policies, reducing staffing, etc.) has improved the salary forecast significantly over recent years. The 2018 forecast contains the personnel cuts outlined in the CROTO to take effect immediately and the reductions planned through attrition in future years. Since no change was approved in the merit pay system, the forecast reflects the current program.



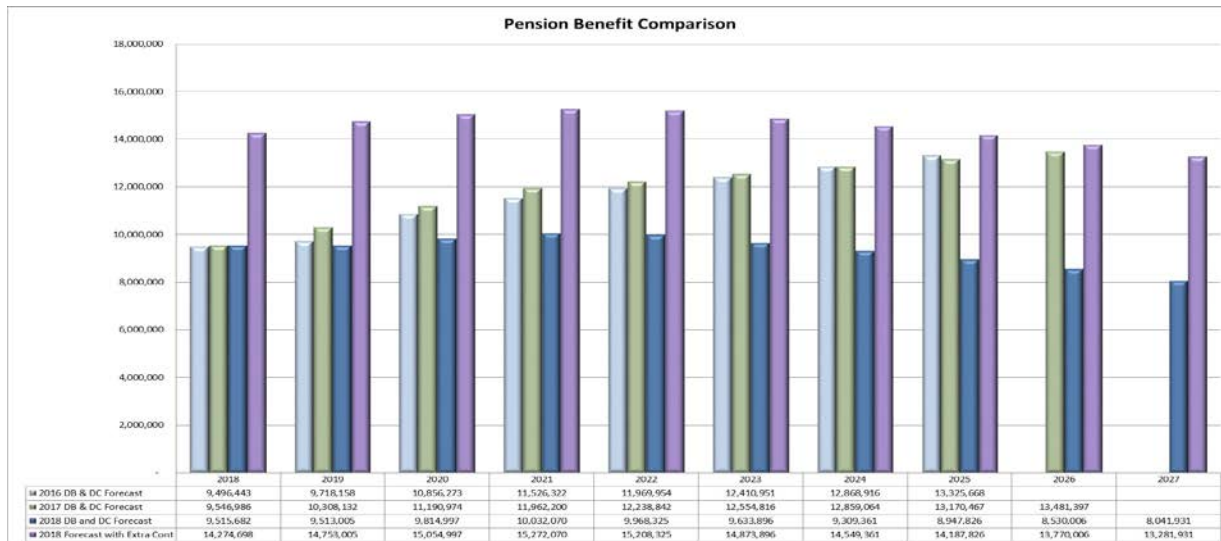
Pension Benefits

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 is represented in the chart below with the navy blue bar. The actuary forecasts the costs to decline over the 10 year period which is an improvement from the forecast presented last year. The purple bar on the chart represents the annual required contribution plus the newly adopted annual additional contribution of \$5,420,000 to reduce the UAAL.

The forecast reflects the Town's Retirement Board recommended a change in the investment assumption from 7.5% to 7.0% over a 5-year period, the change in the wage assumption and the new mortality tables.

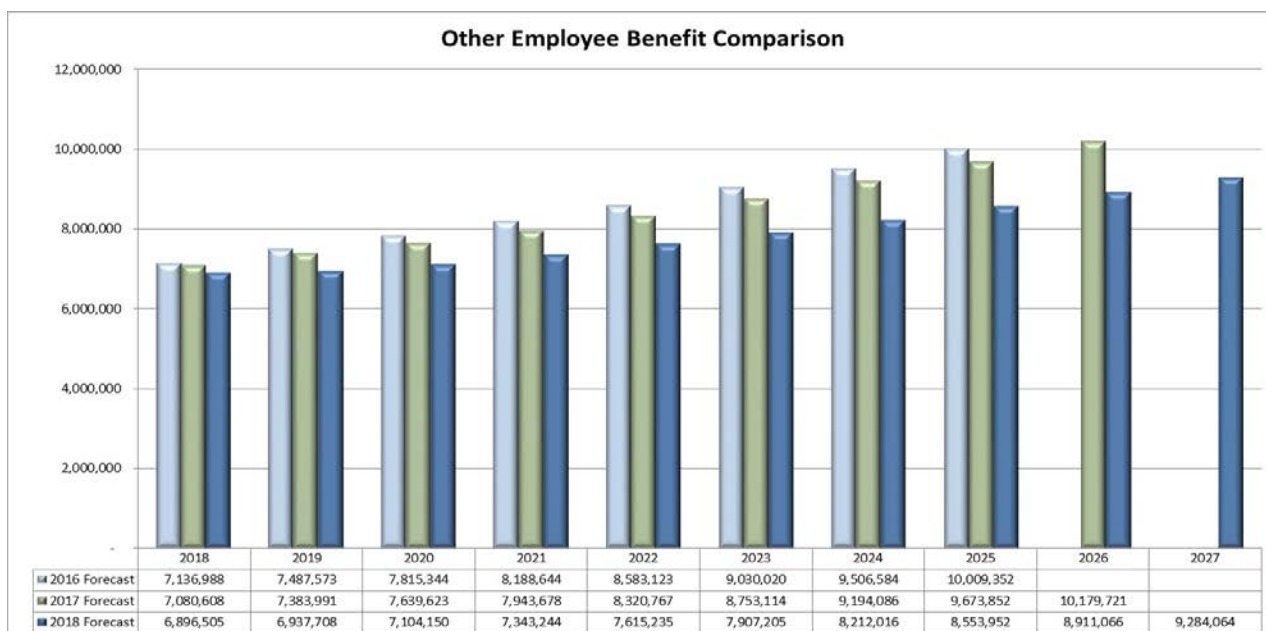
The forecast includes the updated lower DC contribution amounts for General Employees throughout the 9-year period. The new benefit changes eliminated the DC contributions for public safety employees.

FORECAST SUMMARY



Other Employee Benefits

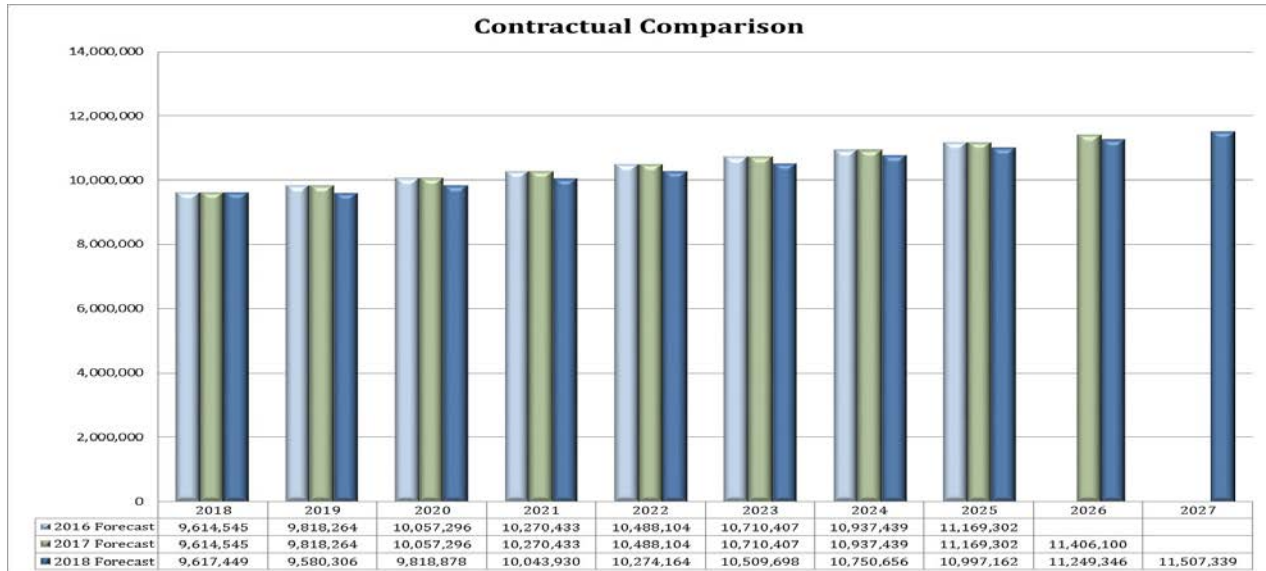
Other Employee Benefits includes all other benefits including health insurance. Health insurance costs have remained flat for four years. To be conservative, the health insurance forecast reflects an increase of 7% for FY19, then 6.5% for FY20 and .5% reductions until 5% increases are reflected thereafter. Other employee benefits (including FICA, longevity, incentives, and allowances) are expected to increase at a much lower rate. The forecast decreased since 2016 due to the freeze in the longevity program and reduced FICA costs due to recent retirements and turnover.



GENERAL FUND FORECAST

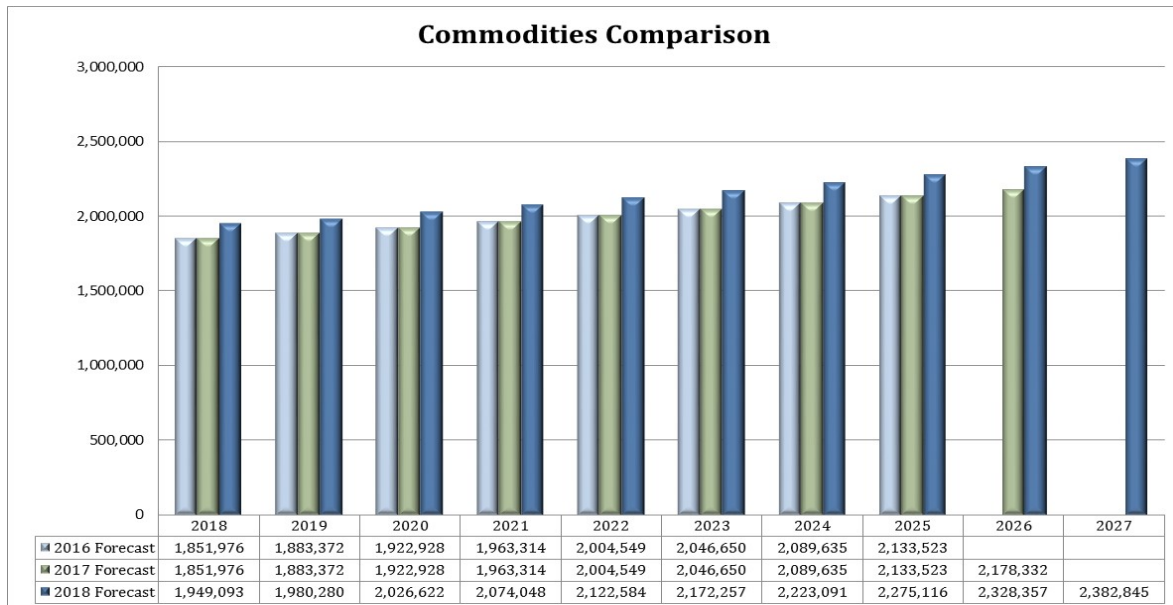
Contractual

The contractual forecast since 2017 has decreased due to cuts in training, street sweeping, security monitoring, hedge trimming and air conditioning maintenance identified in the CROTO. Contractual expenditures are forecasted to increase by the rate of inflation.



Commodities

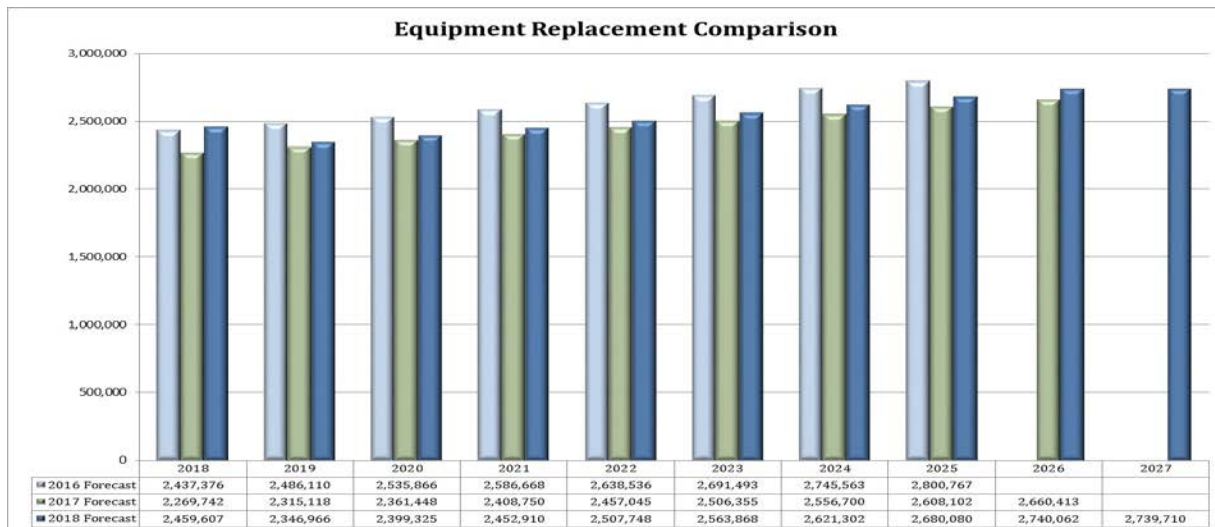
The commodity forecast is based upon the assumed rate of inflation. Commodity budgets include fuel, supplies, dues, software, some computer hardware and vehicle maintenance and uniforms.



FORECAST SUMMARY

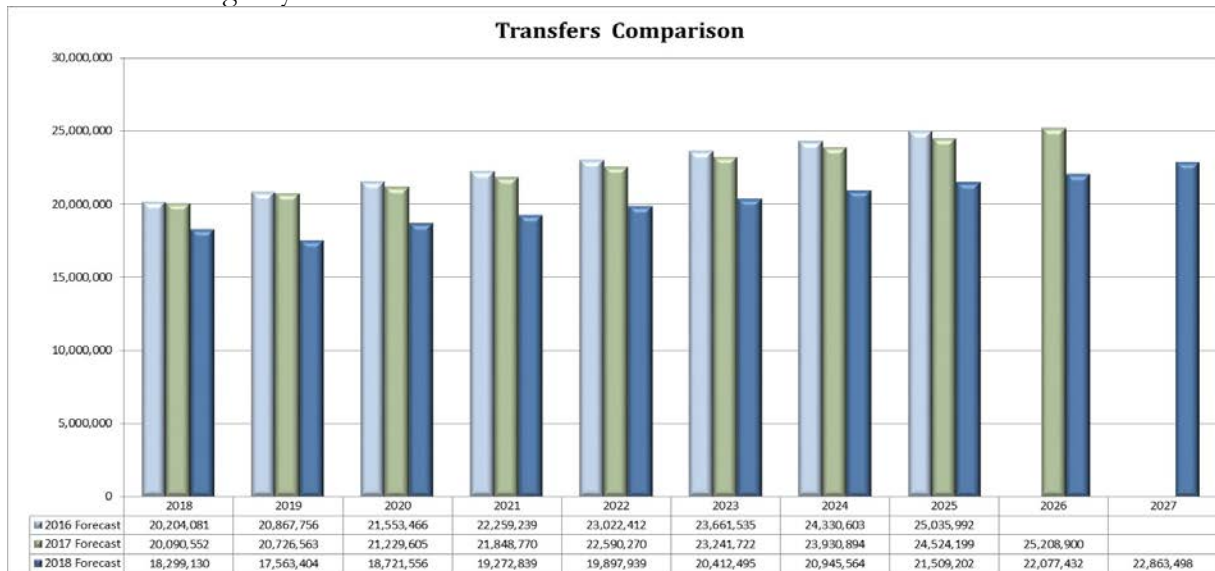
Equipment Replacement/Capital Outlay

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. It also includes purchases of new equipment that is not replacement equipment. The 2016 forecast contained a specific increase in the estimated replacement value of 3 fire-rescue pumpers due to higher than anticipated increases in the cost of these vehicles. The 2018 forecast is slightly higher than the 2017 forecast due to replacements made during the 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.



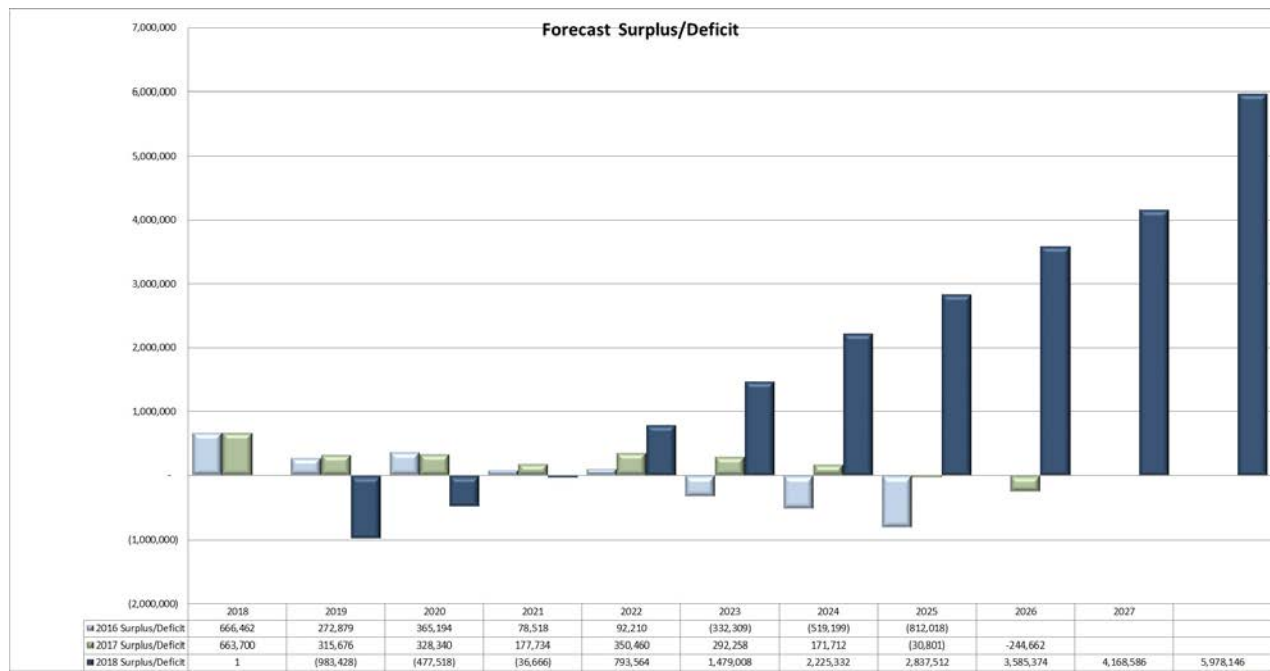
GENERAL FUND FORECAST

- The FY18 budget includes a transfer to the Capital Improvement Program of \$2,118,024 for Capital projects. This transfer is intended to begin to build reserves for capital projects once the ACIP bond funds have been spent. In subsequent years the forecast assumes a 10% increase per year until 2023 then a 5% increase thereafter. The increases are in anticipation of the expenditure of all of the bond proceeds in 2019 and the need to increase funding in the Capital Improvement fund going forward to move toward pay-as-you-go funding for capital improvement projects.
- The Town Council approved a 10 year \$84 million Coastal Protection program in 2013. The first year funding in FY15 was approved at \$4,777,000. The transfer increased to \$8,015,220 due to increased beach renourishment project costs. In FY17, the transfer was lowered to \$7,265,000 due to the reduction in scope of some projects. The forecast for FY18 forward assumes a 3% increase per year in funding.
- Debt service decreased in FY17 due to the refunding of the 2010A bonds at a lower interest rate. The forecast includes the debt service on both the 2013 and 2016 bonds.
- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 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 from \$960,000 in FY18. The amount included in the forecast is \$546,800 which represents the amount needed to keep the plan 100% funded if the investment return assumption is set at 6.25%.
- 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 3% per year.

Projected Surplus/ Deficit

The deficit prior to the completion of the Comprehensive Review of Town Operations was a little over \$4 million for FY19. Through the comprehensive review we have reduced the deficit to \$983,428. We expect that during the budget process, we will be able to reduce this deficit even further through a combination of additional expenditure reductions and increases in revenues. The FY19 budget will be presented in July and will contain the results of a deeper review into all expenditure accounts throughout town.

FORECAST SUMMARY



**Town of Palm Beach
Revenue Forecast
FY18 - FY27**

Analysis of Revenues by Category Revenue Sources	2018 Budget	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated	2027 Estimated
Ad Valorem Revenues	51,470,500	53,143,291	54,870,448	56,653,738	58,494,984	60,396,071	62,358,944	64,385,609	66,478,142	68,638,681
% Increase	3.99%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
\$ Increase	1,976,000	1,672,791	1,727,157	1,783,290	1,841,246	1,901,087	1,962,872	2,026,666	2,092,532	2,160,540
Non Ad Valorem Taxes	8,425,000	8,650,890	8,906,991	9,170,706	9,442,263	9,721,895	10,009,843	10,306,356	10,611,688	10,926,104
% Increase	3.97%	2.68%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
	322,000	225,890	256,101	263,715	271,557	279,632	287,948	296,513	305,332	314,415
Licenses and Permits	7,672,975	7,856,200	7,888,680	7,901,640	7,952,033	7,965,782	8,018,840	8,033,427	8,089,292	8,147,650
% Increase	5.06%	2.39%	0.41%	0.16%	0.64%	0.17%	0.67%	0.18%	0.70%	0.72%
\$ Increase	369,475	183,225	32,480	12,960	50,393	13,749	53,058	14,587	55,865	58,358
Intergovernmental Revenue	1,185,450	1,058,900	1,082,766	1,107,205	1,132,231	1,157,859	1,184,105	1,210,983	1,238,509	1,266,700
% Increase	0.59%	-10.68%	2.25%	2.26%	2.26%	2.26%	2.27%	2.27%	2.27%	2.28%
\$ Increase	6,950	-126,550	23,866	24,439	25,026	25,628	26,245	26,878	27,526	28,191
Charges for Services	3,943,650	4,030,193	4,101,561	4,169,093	4,238,541	4,309,961	4,383,411	4,458,948	4,536,633	4,616,528
% Increase	3.33%	2.19%	1.77%	1.65%	1.67%	1.69%	1.70%	1.72%	1.74%	1.76%
\$ Increase	127,100	86,543	71,368	67,531	69,448	71,420	73,449	75,537	77,685	79,895
Fines and Forefeitures	1,138,800	1,186,000	1,189,550	1,209,720	1,215,131	1,220,704	1,226,444	1,232,355	1,238,444	1,244,715
% Increase	-9.26%	4.14%	0.30%	1.70%	0.45%	0.46%	0.47%	0.48%	0.49%	0.51%
\$ Increase	-116,200	47,200	3,550	20,170	5,411	5,573	5,740	5,912	6,088	6,271
Interest Income	581,858	870,000	1,275,000	1,575,000	1,850,000	1,950,000	2,125,000	2,200,000	2,300,000	2,300,000
% Increase	-17.39%	49.52%	46.55%	23.53%	17.46%	5.41%	8.97%	3.53%	4.55%	0.00%
\$ Increase	-122,481	288,142	405,000	300,000	275,000	100,000	175,000	75,000	100,000	0
Miscellaneous and Transfers	1,005,000	892,080	810,692	811,838	813,018	814,234	815,486	816,775	818,104	819,472
% Increase	-2.50%	-11.24%	-9.12%	0.14%	0.15%	0.15%	0.15%	0.16%	0.16%	0.17%
\$ Increase	-25,758	-112,920	-81,388	1,146	1,180	1,216	1,252	1,290	1,328	1,368
Transfers from Fund Balance	5,065,996	1,414,513	1,425,496	1,221,327	1,233,164	1,246,234	1,260,416	1,275,148	1,289,799	1,302,904
% Increase	27.73%	-72.08%	0.78%	-14.32%	0.97%	1.06%	1.14%	1.17%	1.15%	1.02%
\$ Increase	1,099,766	-3,651,483	10,983	-204,169	11,837	13,071	14,182	14,732	14,650	13,105
Total Revenues	80,489,229	79,102,067	81,551,185	83,820,266	86,371,365	88,782,741	91,382,488	93,919,601	96,600,610	99,262,753
% Increase	4.73%	-1.72%	3.10%	2.78%	3.04%	2.79%	2.93%	2.78%	2.85%	2.76%
\$ Increase	3,636,852	-1,387,162	2,449,117	2,269,082	2,551,098	2,411,376	2,599,747	2,537,113	2,681,008	2,662,143

**Town of Palm Beach
Expenditure Forecast
FY18- FY27**

Analysis of Expenses by Category Expenditure Categories	2018 Budget	2019 Estimated	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated	2027 Estimated
Salaries/Wages	26,001,862	25,930,767	25,888,780	26,361,742	26,892,839	27,780,964	28,745,983	29,742,836	30,776,041	31,846,018
% Increase	5.11%	-0.27%	-0.16%	1.83%	2.01%	3.30%	3.47%	3.47%	3.47%	3.48%
\$ Increase	1,264,283	-71,095	-41,986	472,962	531,096	888,126	965,018	996,853	1,033,205	1,069,977
Pension Benefits	8,971,687	8,963,736	9,251,694	9,455,952	9,377,990	9,026,106	8,681,520	8,299,419	7,860,349	7,350,325
% Increase	14.73%	-0.09%	3.21%	2.21%	-0.82%	-3.75%	-3.82%	-4.40%	-5.29%	-6.49%
\$ Increase	1,151,730	-7,951	287,958	204,258	-77,962	-351,885	-344,585	-382,101	-439,071	-510,024
DC Plan	543,995	549,269	563,303	576,118	590,334	607,790	627,841	648,407	669,657	691,606
% Increase	-42.28%	0.97%	2.55%	2.28%	2.47%	2.96%	3.30%	3.28%	3.28%	3.28%
\$ Increase	-398,437	5,274	14,033	12,815	14,216	17,456	20,051	20,566	21,250	21,949
Other Employee Benefits	6,896,505	6,937,708	7,104,150	7,343,244	7,615,235	7,907,205	8,212,016	8,553,952	8,911,066	9,284,064
% Increase	1.30%	0.60%	2.40%	3.37%	3.70%	3.83%	3.85%	4.16%	4.17%	4.19%
\$ Increase	88,346	41,203	166,443	239,093	271,991	291,970	304,811	341,936	357,113	372,998
Contractual	9,617,449	9,580,306	9,818,878	10,043,930	10,274,164	10,509,698	10,750,656	10,997,162	11,249,346	11,507,339
% Increase	1.96%	-0.39%	2.49%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%
\$ Increase	185,240	-37,143	238,572	225,052	230,233	235,534	240,958	246,507	252,184	257,992
Commodities	1,949,093	1,980,280	2,026,622	2,074,048	2,122,584	2,172,257	2,223,091	2,275,116	2,328,357	2,382,845
% Increase	7.63%	1.60%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%	2.34%
\$ Increase	138,249	31,187	46,342	47,426	48,536	49,672	50,835	52,024	53,242	54,488
Equipment Replacement	2,459,607	2,346,966	2,399,325	2,452,910	2,507,748	2,563,868	2,621,302	2,680,080	2,740,062	2,739,710
% Increase	-8.72%	-4.58%	2.23%	2.23%	2.24%	2.24%	2.24%	2.24%	2.24%	-0.01%
\$ Increase	-235,075	-112,641	52,359	53,584	54,838	56,121	57,434	58,777	59,982	-352
Library Services	335,008	345,058	355,409	366,072	377,054	388,366	400,016	412,017	424,377	437,109
% Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
\$ Increase	9,758	10,050	10,352	10,662	10,982	11,312	11,651	12,000	12,361	12,731
Total Operating Expenses	56,775,205	56,634,089	57,408,162	58,674,016	59,757,948	60,956,254	62,262,426	63,608,989	64,959,255	66,239,015
% Increase	4.04%	-0.25%	1.37%	2.21%	1.85%	2.01%	2.14%	2.16%	2.12%	1.97%
\$ Increase	2,204,094	-141,116	774,073	1,265,854	1,083,932	1,198,306	1,306,172	1,346,563	1,350,266	1,279,760
TRANSFER TO OTHER FUNDS										
Capital Improvement Fund (307)	2,118,024	2,329,826	2,562,809	2,819,090	3,100,999	3,256,049	3,418,851	3,589,794	3,769,284	3,957,748
Coastal Protection Fund (309)	7,410,300	7,632,609	7,861,587	8,097,435	8,340,358	8,590,569	8,848,286	9,113,734	9,387,146	9,668,761
Extraordinary transfer to Retirement	4,759,016	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000	5,240,000
Debt Service Fund (205)	5,982,331	5,802,306	5,794,481	5,756,731	5,754,481	5,756,481	5,757,356	5,766,606	5,759,106	5,947,232
OPEB Trust Fund (610)	960,000	546,800	525,000	542,798	563,044	584,777	607,467	632,920	659,502	687,267
Transfer to Risk Fund (502)	1,828,475	1,901,614	1,977,679	2,056,786	2,139,057	2,224,619	2,313,604	2,406,148	2,502,394	2,602,490
Contingency	655,878	648,002	658,985	670,077	681,914	694,984	709,166	723,898	738,549	751,654
Transfer from the ERF		-649,751								
Total Transfers and Other	23,714,024	23,451,406	24,620,541	25,182,916	25,819,853	26,347,480	26,894,730	27,473,101	28,055,981	28,855,151
% Increase	6.43%	-1.11%	4.99%	2.28%	2.53%	2.04%	2.08%	2.15%	2.12%	2.85%
\$ Increase	1,432,759	-262,618	1,169,135	562,375	636,937	527,627	547,250	578,371	582,880	799,170
		-								
Total Expenditures	80,489,230	80,085,496	82,028,703	83,856,932	85,577,801	87,303,733	89,157,156	91,082,089	93,015,236	95,094,166
% Increase	4.73%	-0.50%	2.43%	2.23%	2.05%	2.02%	2.12%	2.16%	2.12%	2.24%
\$ Increase	3,636,854	-403,735	1,943,207	1,828,229	1,720,868	1,725,933	1,853,422	1,924,934	1,933,147	2,078,931

RECREATION ENTERPRISE FUND TREND ANALYSIS

Recreation Enterprise Fund Trends

Marina

Revenues

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

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

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

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

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

2017: Revenue increases due to increases in dockage rates.

2018: Growth in revenue can be attributed to restructuring of dockage rates, institution of Maintenance & Improvement Fee and Utility Fees.

Expenses

2009: Increased expenses were attributed to minor facility improvements.

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

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

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

2013: Increased expenses were due to minor facility improvements.

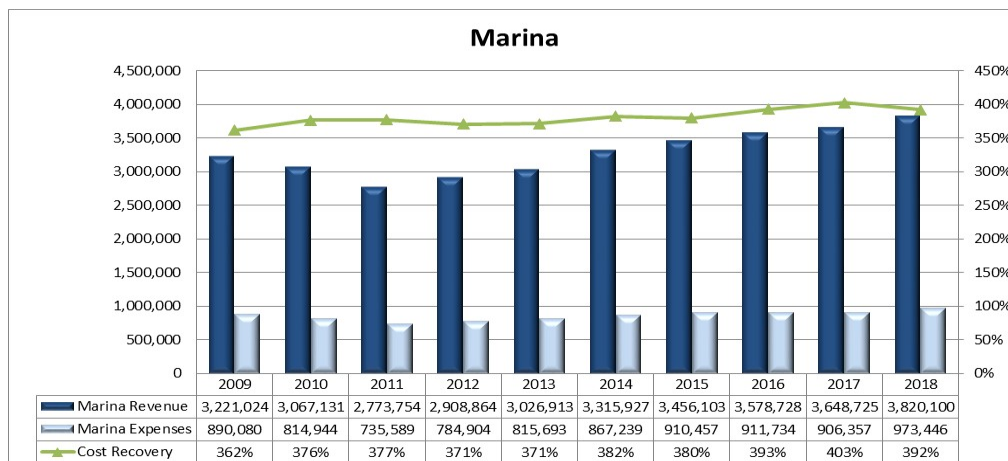
2014: Increased expenses were due to upgraded shore power and minor facility improvements.

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

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

2017: Expenses at the marina exhibited a minor reduction, with a .5% cut from the previous fiscal year.

2018: Increase in expenses is due to utility costs and calculations of submerged land lease based upon revenue.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Par 3 Golf Course

Revenues

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

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

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

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

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

2014: Revenue increased from growth in rounds played and merchandise sales, as well as new revenue associated with the restaurant vendor agreement.

2015: Revenue increased from growth in restaurant business and increased golf cart rental.

2016: Revenue growth can be attributed to expansion of restaurant business and increase in rounds of golf.

2017: Revenue increases are reflected in the restructuring of the fee schedule.

2018: Revenue growth can be attributed to enhanced marketing efforts through the redeveloped website and on-line store, slight modification to season dates and establishment of non-resident cart fees.

Expenses

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

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

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

2014: Increase in expenses attributed to additional staff needed to meet increased play and pro-shop business, as well as operating costs for the new clubhouse.

2015: Increase in expenses due to higher personnel costs and building maintenance costs.

2016: Expenses reflect the addition of a Crew Foreman/Irrigation Specialist position and the additional costs for maintenance projects at the clubhouse and on the golf course.

2017: Expense increases can be attributed to the increase in maintenance projects completed on the Par 3 Clubhouse and Golf Course funded through the Maintenance & Improvement Fund.

2018: Expenses reflect the completion of multiple maintenance projects the previous fiscal year and a minimal equipment replacement schedule.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Tennis Programs & Facilities

Revenues

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

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

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

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

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

2017: Revenue increase can be attributed to the negotiation of an instruction contract with a new tennis professional.

2018: Revenue growth due to restructuring of fee schedule, which included the change in the play pass format and a small increase to the Maintenance & Improvement Fee.

Expenses

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

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

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

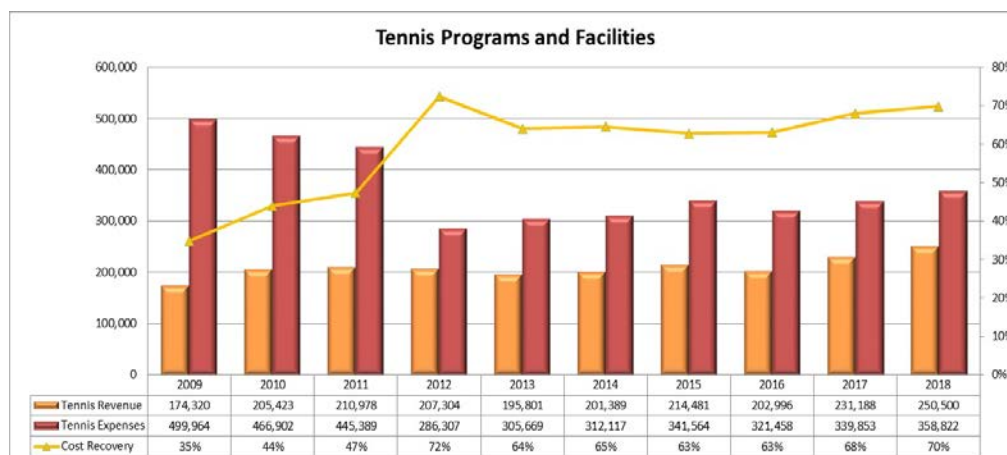
2014: Increase in expenses attributed to increases in contractual items.

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

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

2017: Expense increase can be attributed to an increase in bank service charges and expenses incurred from repair of lighting at Seaview Park Tennis Center

2018: Expense increase is a result of replacement of select light fixtures at Seaview Park Tennis Center.



RECREATION ENTERPRISE FUND TREND ANALYSIS

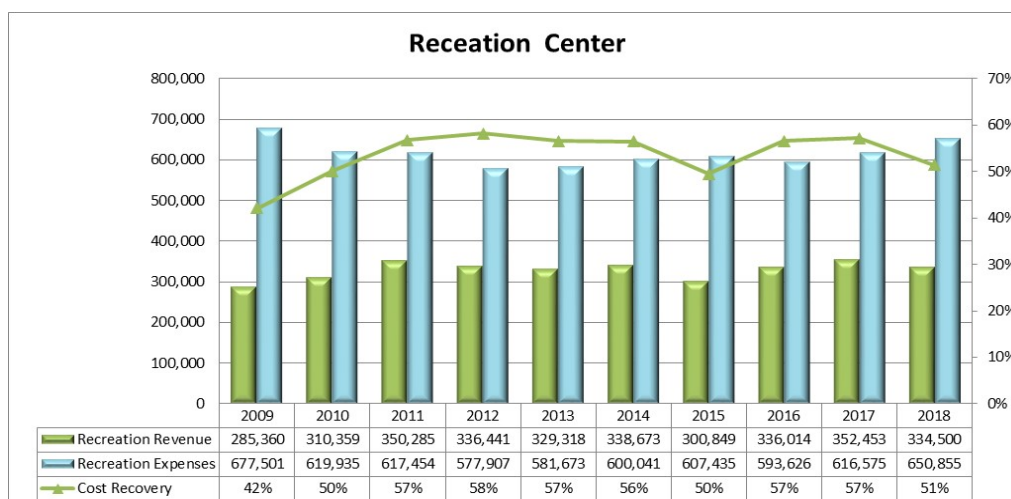
Recreation Center

Revenues

2010 - 2011: Revenues increased due to program growth, price increases, and additional offerings.
 2012 - 2013: Revenues flat due to a leveling off of programming offerings and limited activity space.
 2014: Revenue increase due to participation growth through additional offerings.
 2015: Revenue decrease due to reduction in youth programming opportunities due to instructor unavailability.
 2016: Revenue increase due to expansion of programming offerings.
 2017: Revenue increase is a result of expanded summer camp program.
 2018: Revenue is expected to remain static due to anticipated construction of new Recreation Center.

Expenses

2009: Seaview Park and Recreation Center building maintenance expenses were moved from the Administration program to the newly re-named "Recreation Center" program allowing for a more accurate description (financially and programmatically) of expenses, and few one-time expenses, such as painting of the facility, new air handler installation, and re-finishing of floors.
 2010: Decrease in expenses was attributed to the elimination of one-time expenses from the prior year.
 2012: Decrease attributed to elimination of Maintenance Worker position.
 2013: Increase attributed to the addition of part-time no benefits staff support to perform functions of the Maintenance Worker position eliminated in FY12. Increase also attributed to increased cost of certain employee benefits and minor facility improvements.
 2014: Increase due to anticipated rise in costs of contractual services and commodities in an effort to repair and/or complete minor improvements to the aging Recreation Center.
 2015: Minimal increase in expense due to increased maintenance costs.
 2016: Expense decrease due to extended vacancy of Maintenance Worker position.
 2017: Expense increase due to hiring of full-time Maintenance Worker for the full fiscal year.
 2018: Expense increase due to maintenance and operation costs.



RECREATION ENTERPRISE FUND TREND ANALYSIS

Recreation Administration

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

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

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

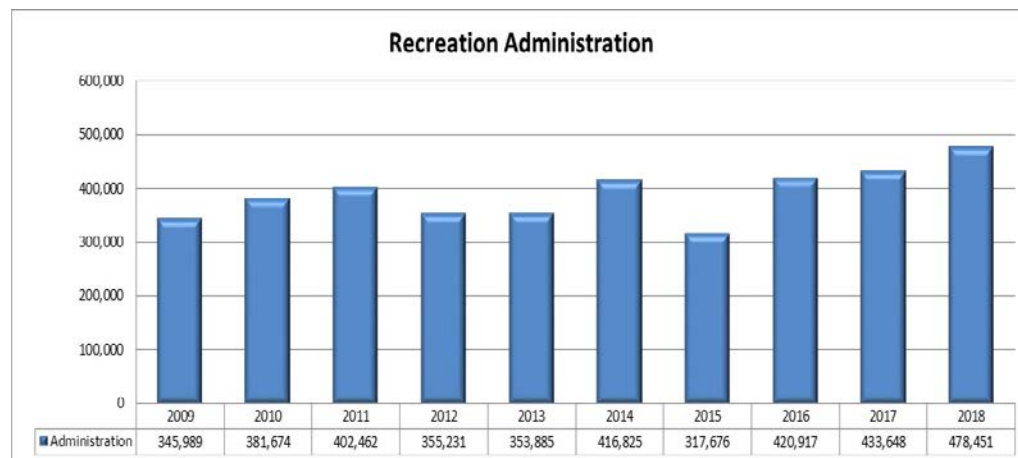
2014: Expenses increased due to addition of a 0.75 FTE Office Assistant II position to provide administrative support.

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

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

2017: Expenses increased due to increase in retirement contributions.

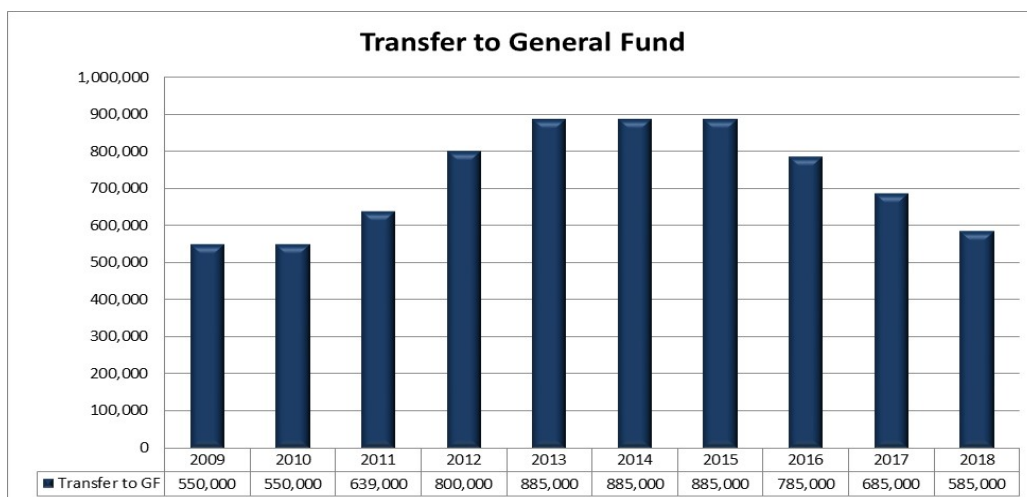
2018: Expense increase due to software maintenance costs being removed from the IT budget and placed in the Recreation budget.



Transfer to General Fund

Due to the cuts and efficiencies found in all areas of the Recreation Department, the transfer to the General fund increased in FY11, FY12 and FY13. In FY16, FY17, and FY18 the transfer was cut by \$100,000 each year and the funds were redirected to the dock replacement reserve to build up funds for the replacement of the docks.

RECREATION ENTERPRISE FUND TREND ANALYSIS



Full Time Positions

2010: Eliminated Equipment Operator position.

2011: Eliminated Assistant Dockmaster position.

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

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

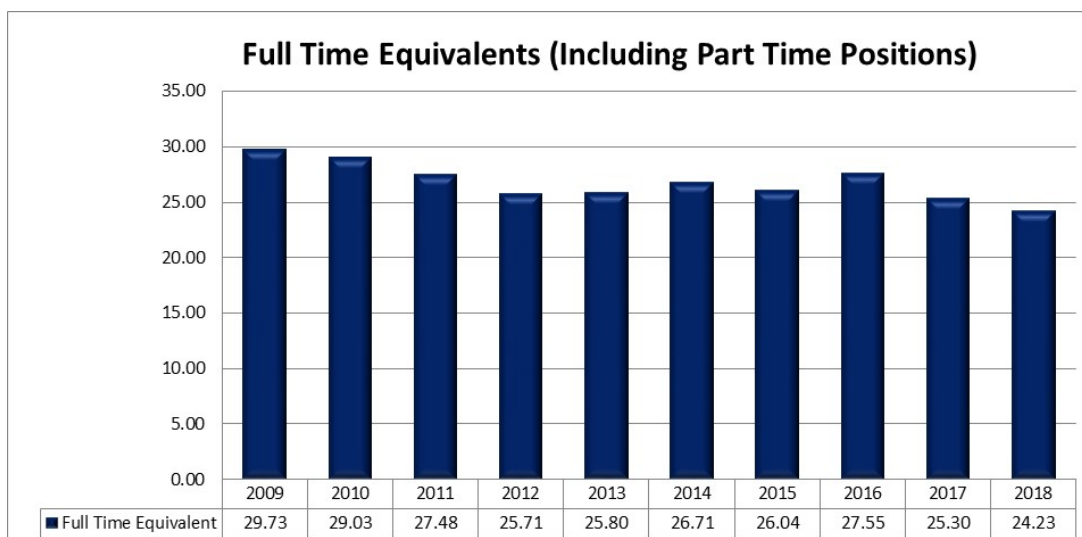
2014: A 0.75 FTE Office Assistant II position was added to provide administrative support for the Department.

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

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

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

2018: The FT Office Assistant II position was reclassified to an Administrative Clerk position, resulting in salary savings.

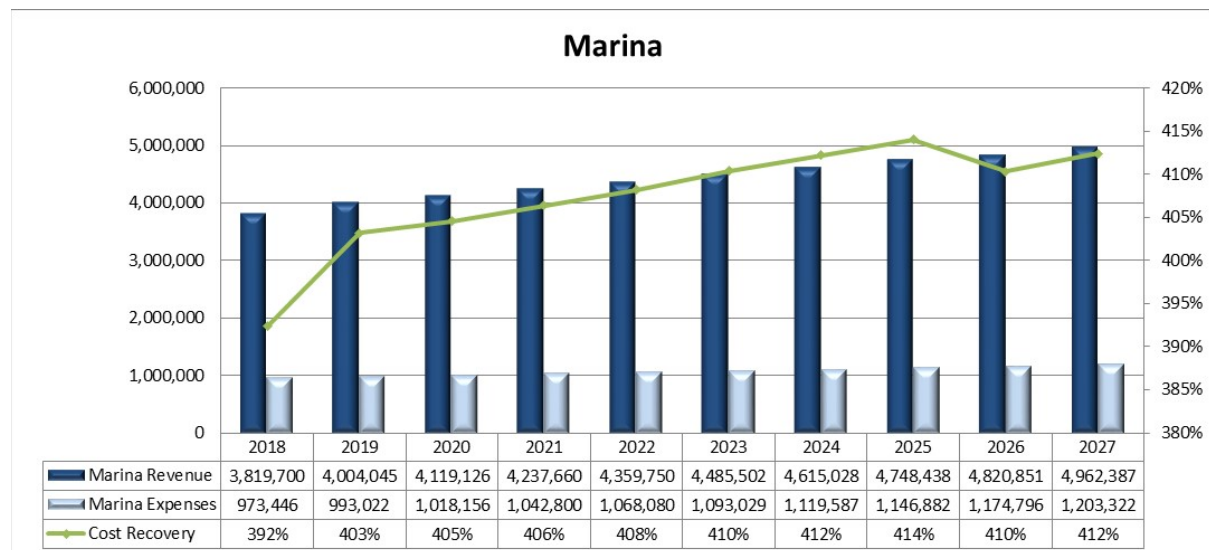


FORECAST SUMMARY

Recreation Enterprise Fund Forecast

Marina

Gradual growth in revenue is based on continued improvement in the local economy, increasing occupancy with long-term leases, strategic price increases for dockage and electrical charges, and growth in transient business. The completion of the Master Plan in May of 2018 and the anticipated commencement of facility design and construction is expected to negatively impact revenue beginning in late 2019, as dock space minimizes. This trend will turnaround as the new facility becomes fully operational. These changes are not reflected in the LTFP at this time and will be included once the Master Plan is finalized. Revenue is forecasted to show considerable growth, upon the completion of this multi-year project. Expenses gradually increase for costs of goods, services, facility improvements, and salaries/benefits.



Par 3 Golf Course

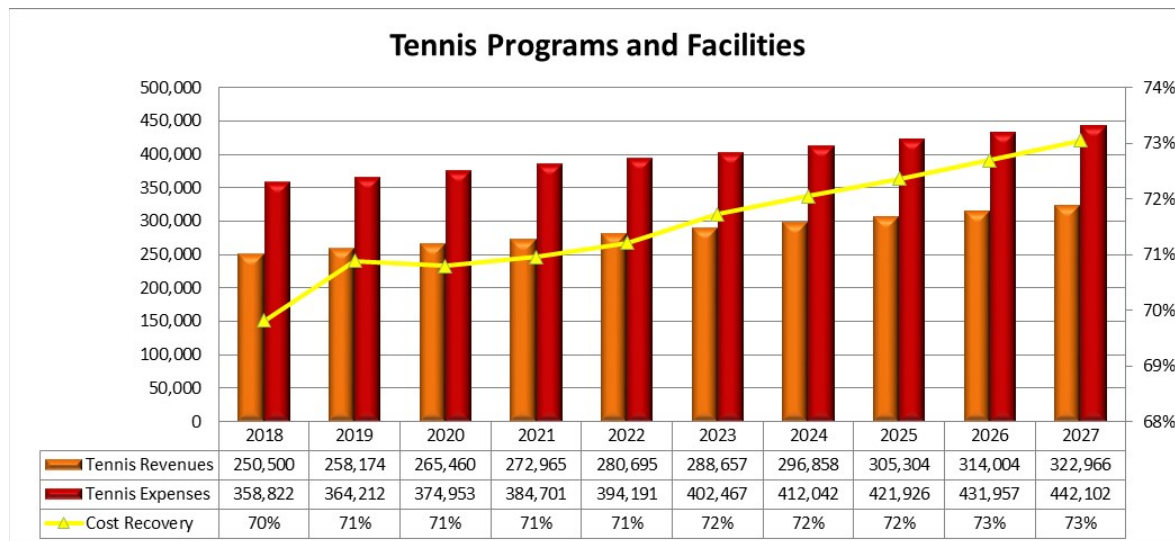
Revenue projections are based on an improved economy, strategic price increases, growth in play and increased merchandise sales all due to the recent success of the new clubhouse and restaurant agreement and course redesign. Expenses increase for additional staff needed to meet increased play and pro-shop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

FORECAST SUMMARY



Tennis Programs & Facilities

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



Recreation Center

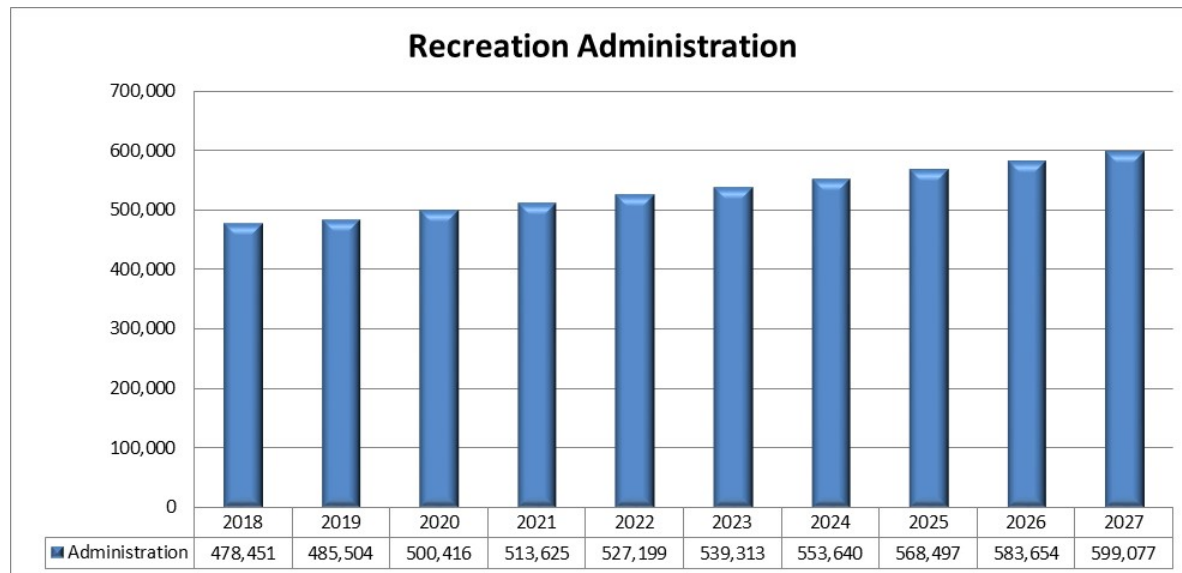
Revenue is expected to decline in fiscal year 2019, due to the projected construction of the new Recreation Center. This is due to the limitation of programming space. This trend will change direction when the building opens and participation growth is experienced due to increased program offerings as a result of expanded program spaces. Revenue from pass sales for the new amenities is expected to create a significant positive impact. Operating expenses will decrease in 2019 due to the closure of the building. These costs will increase due to the expense of goods and services, mostly related to minor facility repair and upkeep, and increase in salaries/benefits.

FORECAST SUMMARY



Recreation Administration

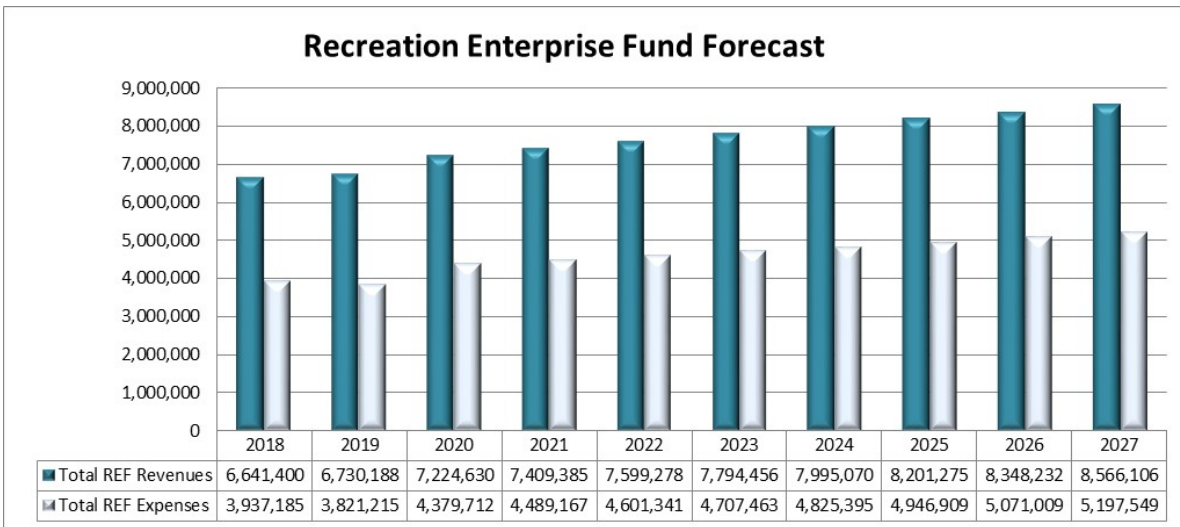
Expenses gradually increase for costs of goods, services, and salaries/benefits.



Total Recreation Enterprise Operating Fund

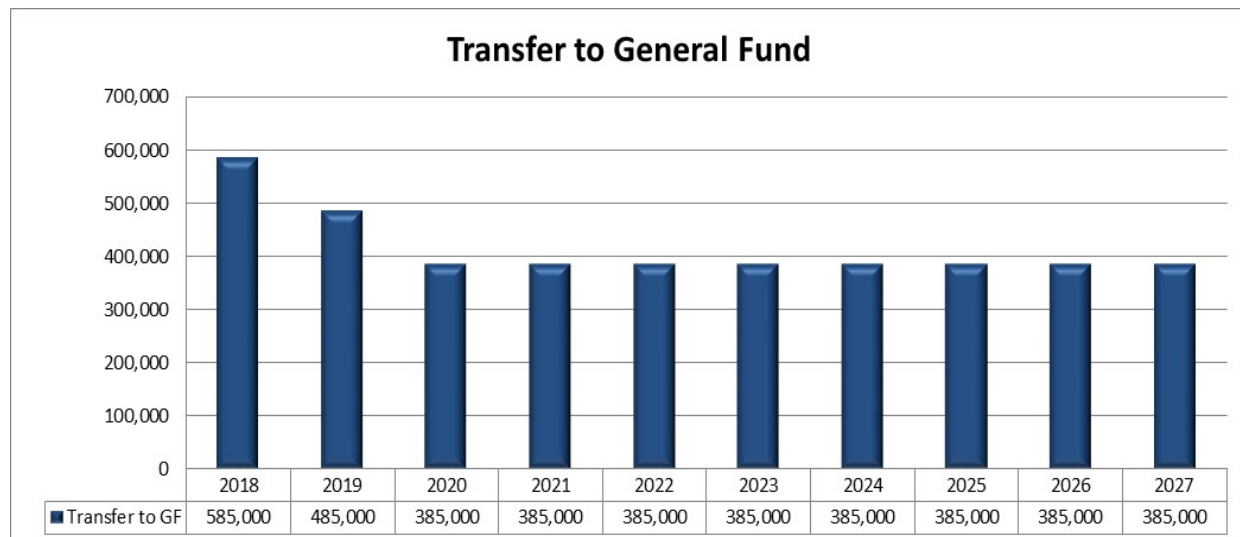
The forecast for the total operating revenues and expenditures for the Recreation Enterprise Fund is shown in the chart below. In 2018 and FY19, revenues and expenditures decline due to the expected closing of the Recreation Center for construction.

FORECAST SUMMARY



Transfer to the General Fund

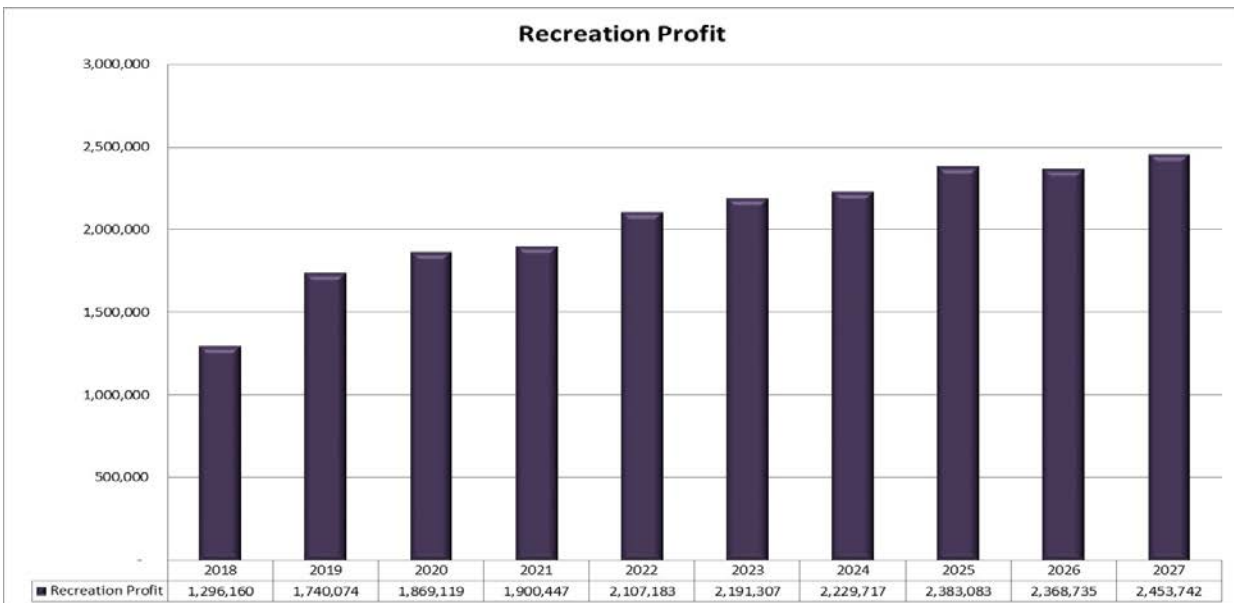
The transfer to the General Fund from the Enterprise Fund is forecasted to decrease from \$585,000 to an annual transfer of \$385,000 from 2020 through 2026. This decreased is based on the plan to add more funding to the dock replacement fund to offset the borrowing needed for this project.



FORECAST SUMMARY

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

The net profits realized after the annual transfer to the General Fund, payments for any capital expenses, and payment for debt service will be used to build the enterprise fund's net asset balance or possibly transferred to the General Fund.

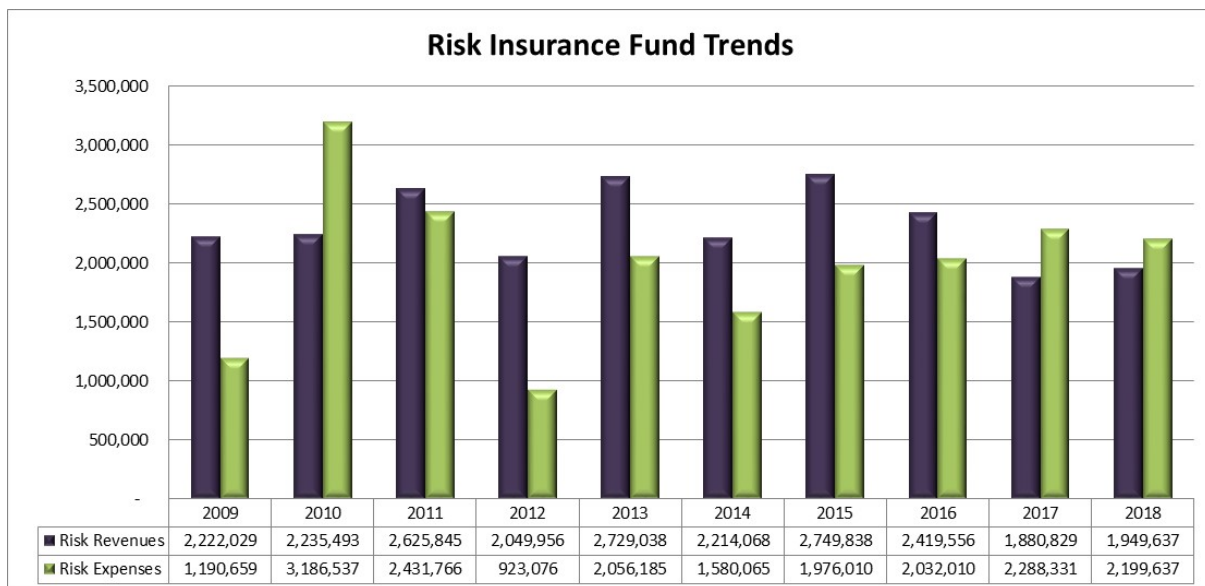


Self-Insurance Fund – Risk Management

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

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

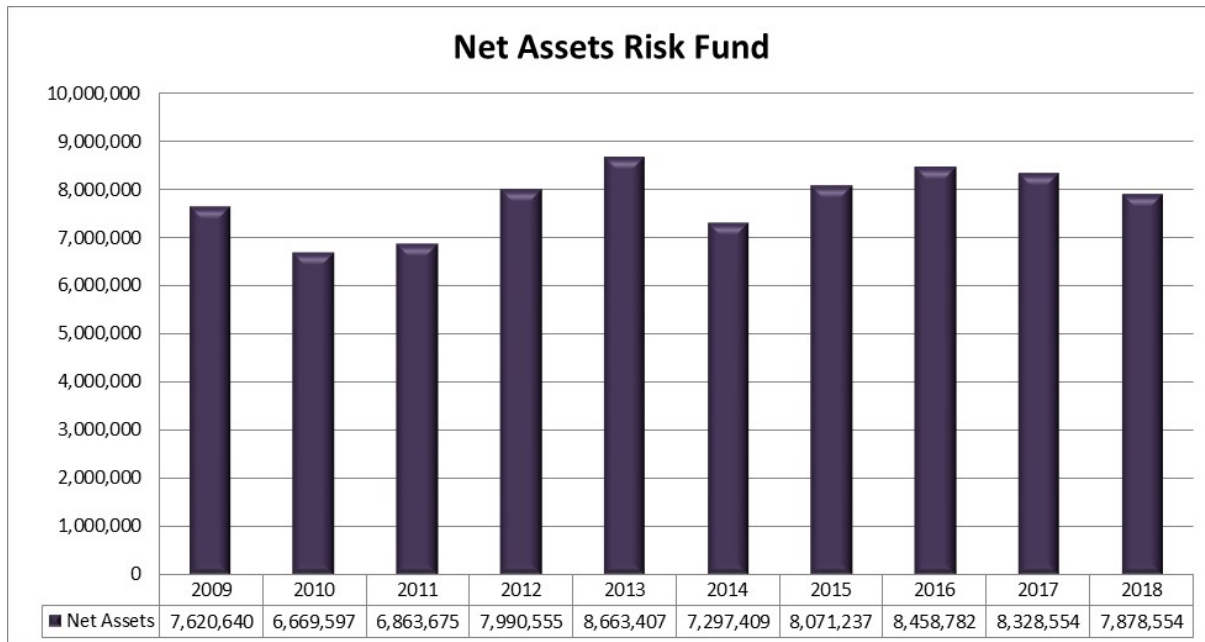
The 10-year trend in revenues and expenditures is shown below.



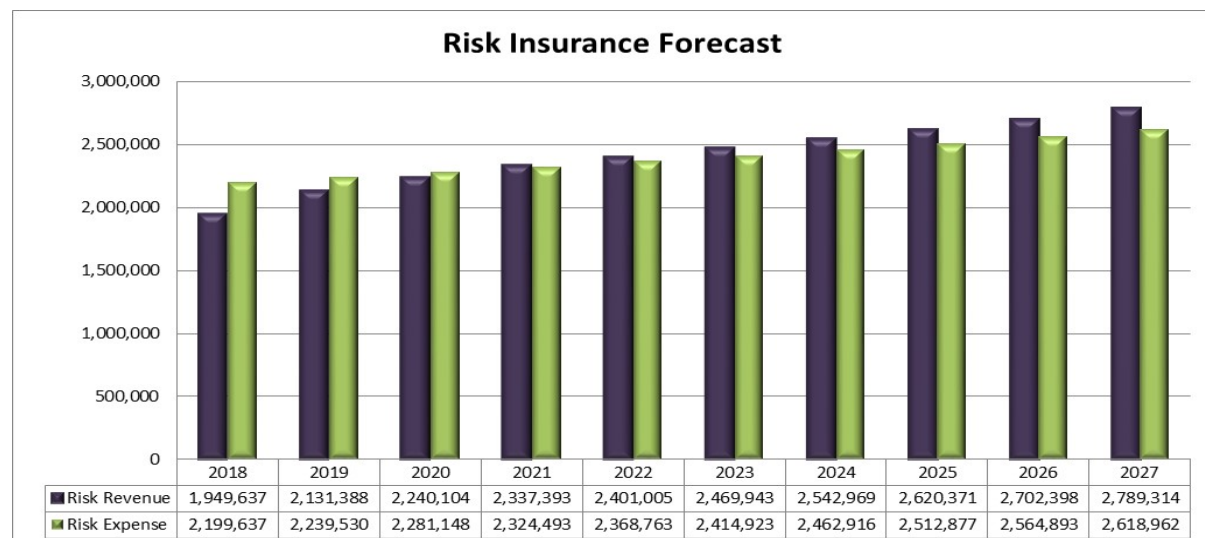
The 2010 expenditures included increases to the retention levels which caused adjustments to the reserves for worker's compensation claims. In 2012, the retention levels were lowered which caused a decrease in expense. The increase in expense in 2013 was due to abnormally high claims for the year. Risk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

OTHER FUNDS

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



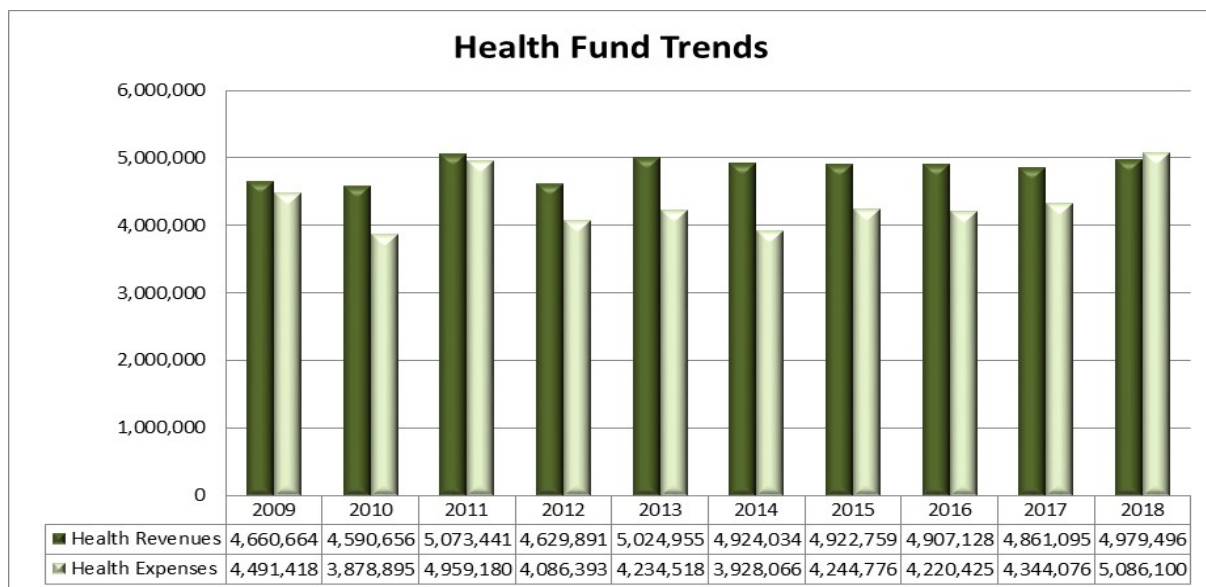
The Risk Insurance Fund forecast assumes annual increases of 5% for property, 2% for liability insurance and 3% for workers' compensation insurance. The stop loss reserves have been increased from \$780,000 in 2014, \$900,000 in 2015 to \$1,100,000 in 2017 based upon the recommendation by our insurance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



Self-Insurance Fund – Health

The Health Insurance program consists of medical, dental, life, long-term disability, accidental death and dismemberment, supplemental life insurance, specific reinsurance, aggregate reinsurance, medical conversion, COBRA, network access fees, utilization review, consulting services, flexible spending program, and claims administration. This program is funded by a transfer from the General Fund as well as interest income earned on the net assets and payroll deductions from Town employees.

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

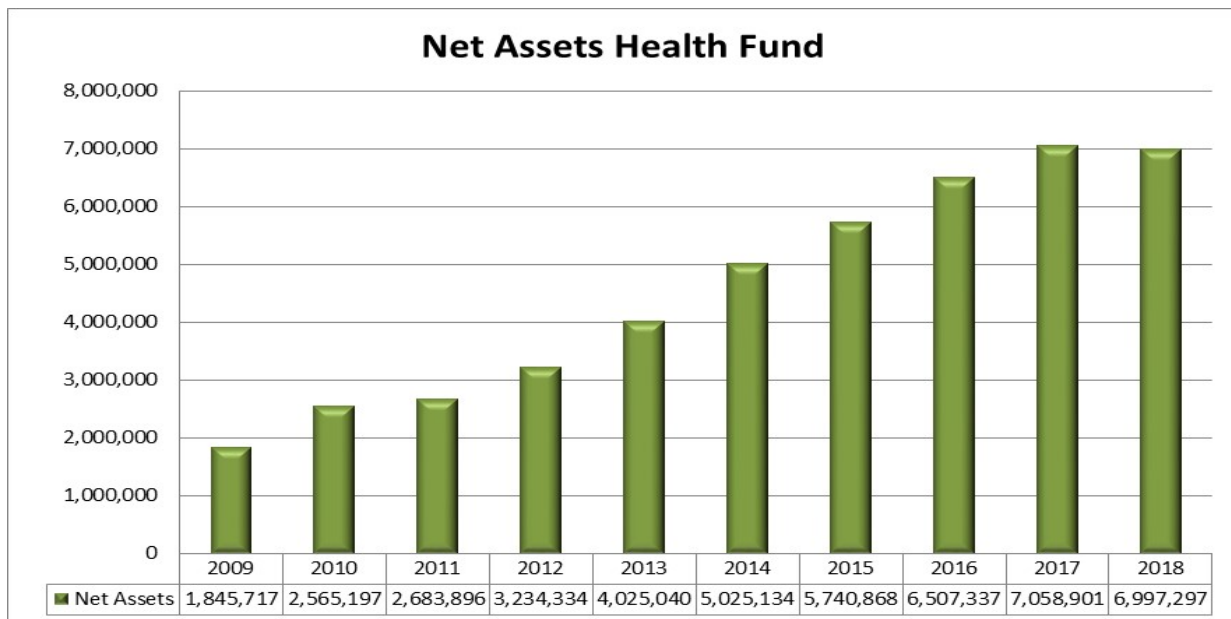


In 2010, a review of the health insurance program was completed and adjustments to employee contributions and insurance coverage produced savings for the fund. Health claims in 2012 through and 2016 were below expectations due to cost containment measures that were implemented.

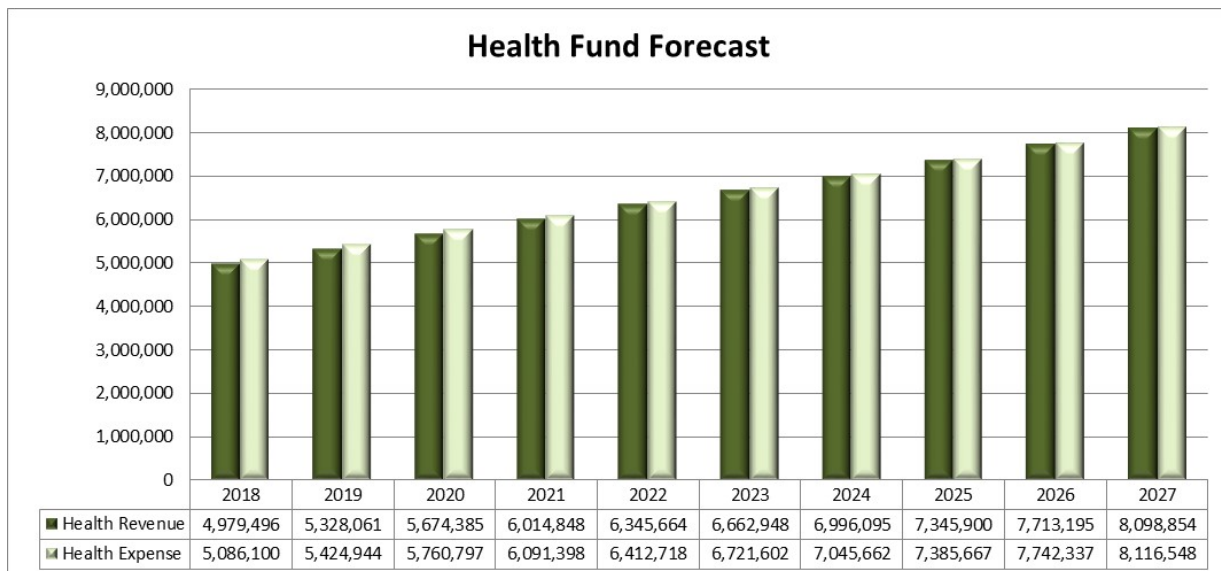
Reserves of the Health Fund Reserves have increased throughout the 10-year period due to favorable claims experience and steps taken to manage the fund throughout the years. These reserves can be used in case of claims in excess of coverage.

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

OTHER FUNDS



The Health Fund forecast assumes an increase in FY18 of 7% and then 6.5% for 2020, then decreasing by .5% each year until the increase reaches 5% in 2023 and for the rest of the forecast period. 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.

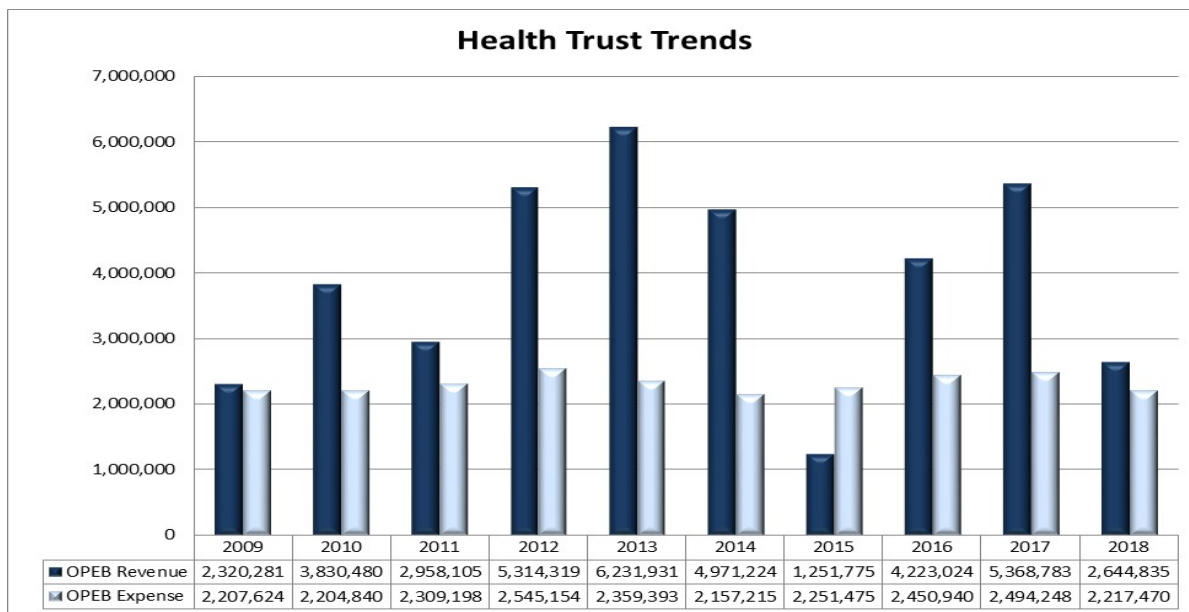


The Health Insurance Trust (OPEB)

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.

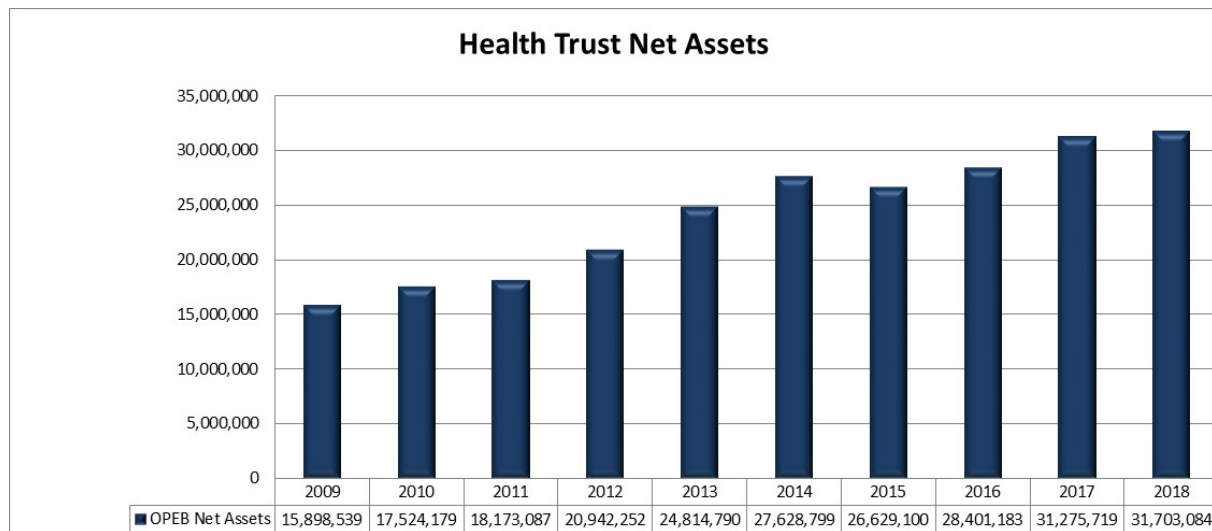
The bi-annual actuarial valuation of the retiree health plan was prepared as of September 30, 2017. The Town's OPEB Liability as of September 30, 2017 was determined to be \$27,963,573. The Plan net assets totaled \$31,275,719 resulting in a funded ratio of 111.8%. The actuary also prepared a forecast for year ending 2018, which resulted in a funded ratio of 113.2%. The annual budgeted contribution for FY18 is \$960,000. Included in the LTFP is a reduced transfer from the General Fund that reflects an amount that would keep the OPEB trust at 100% funded if the investment return assumption was reduced to 6.5% rather than 7% which was used in the actuarial report.

The trend in revenues and expenditures since 2009 is shown below.

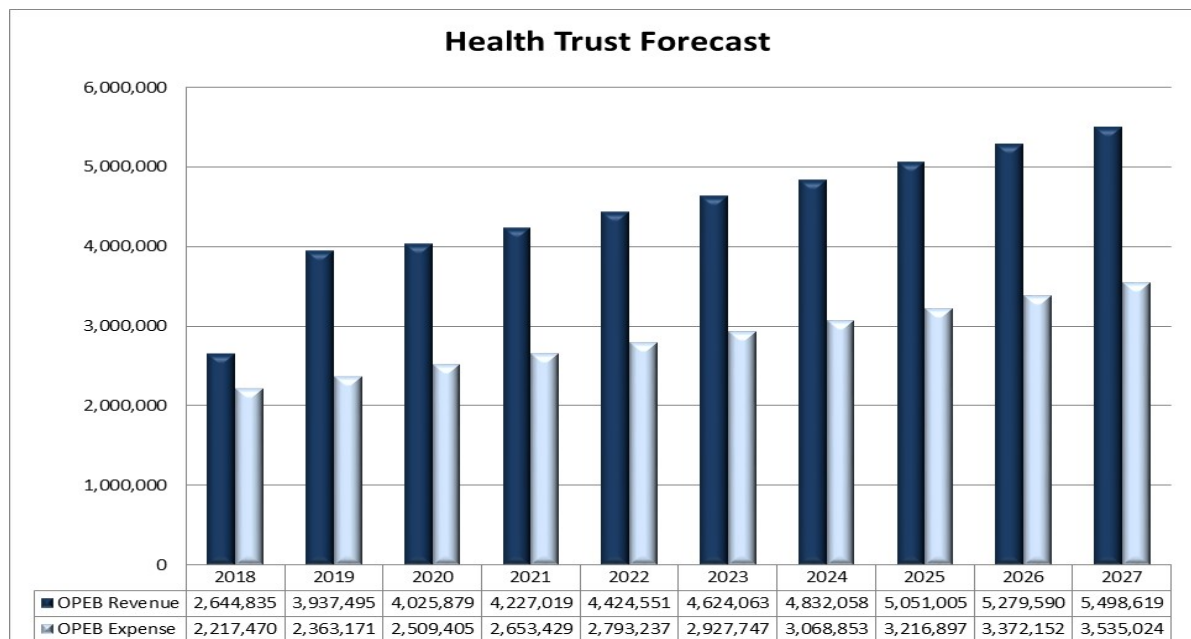


In 2010, modifications were made to the health plan and retiree contributions were increased to stabilize the growth in expenditures. The revenue increase in revenue in 2012, 2013, 2014, 2016 and 2017 was due to investment performance.

OTHER FUNDS



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



OTHER FUNDS

Debt Service Fund

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

The 2010A bonds refunded the 2003B bonds (\$5,310,000), the 2008 Revenue Note (\$10,000,000), and a 2009 Line of Credit (\$600,000) which was issued for the Worth Avenue Project. The balance of the proceeds were to fund a portion of the Town's Accelerated Capital Improvement Program totaling \$41,232,000 and \$1,740,844 was used to reimburse the Town for the Town's portion of the Par 3 Golf Course Project.

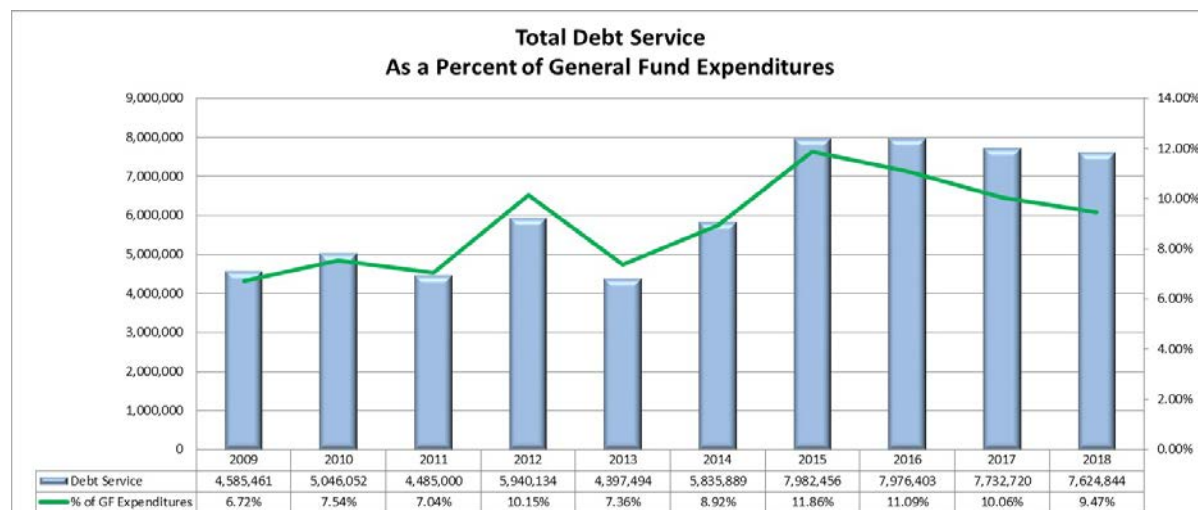
The 2010B bonds were used to fund the Worth Avenue Commercial District streetscape project. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the costs of the Worth Avenue Projects. The assessments will be payable over a thirty year period.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

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

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

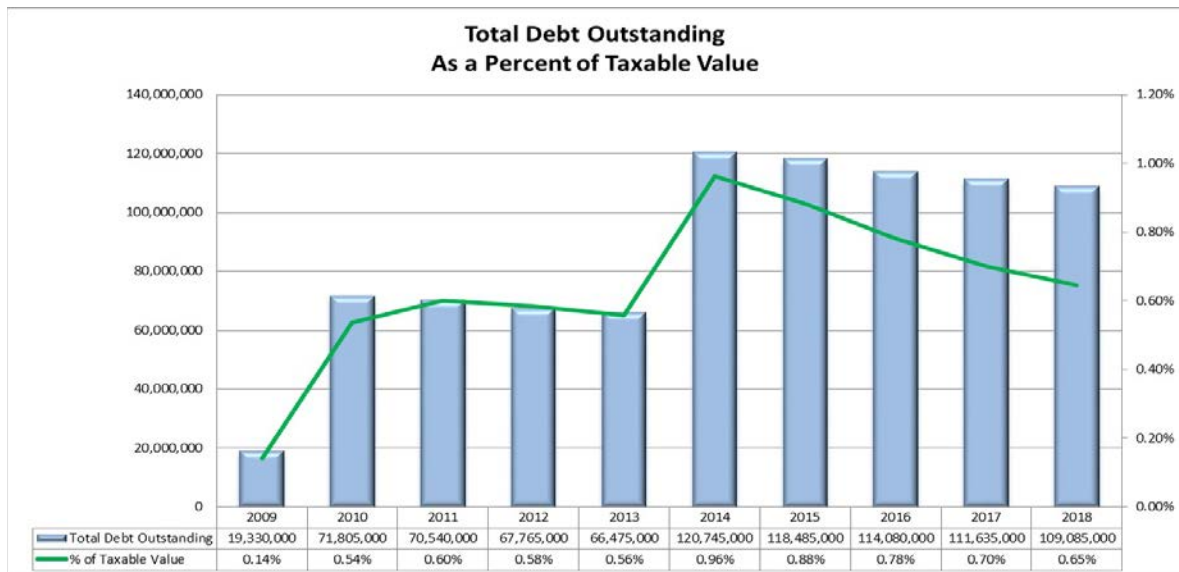
In 2013, the Town issued Public Improvement Revenue Bonds in a par amount of \$55,590,000. The proceeds of the bond will be used for the second phase of the Town's Accelerated Capital Improvement Program (\$44,997,957) groin rehabilitation and seawall replacement (\$11,900,000) and the Town's portion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

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

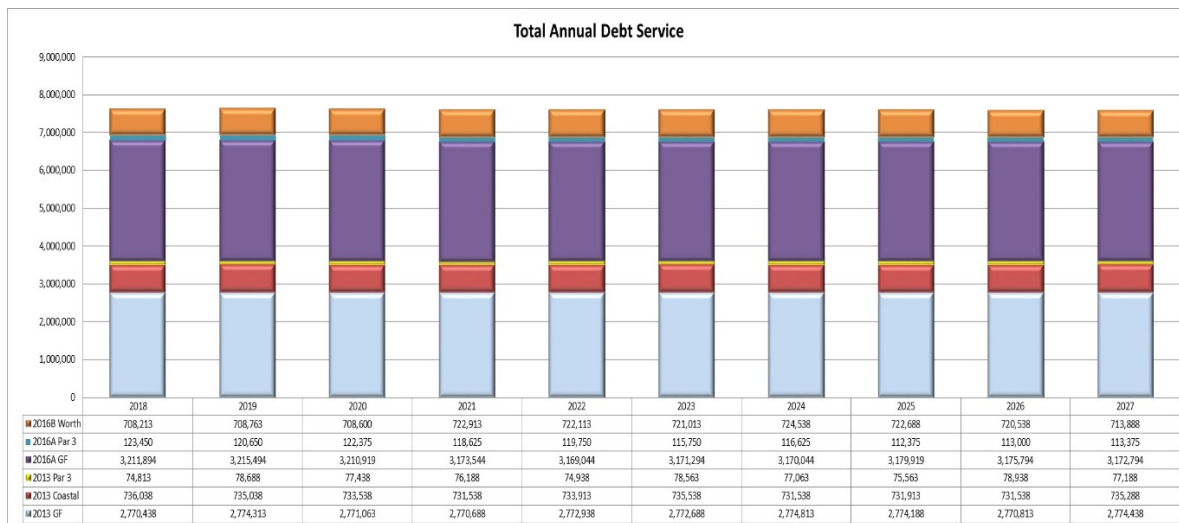


OTHER FUNDS

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

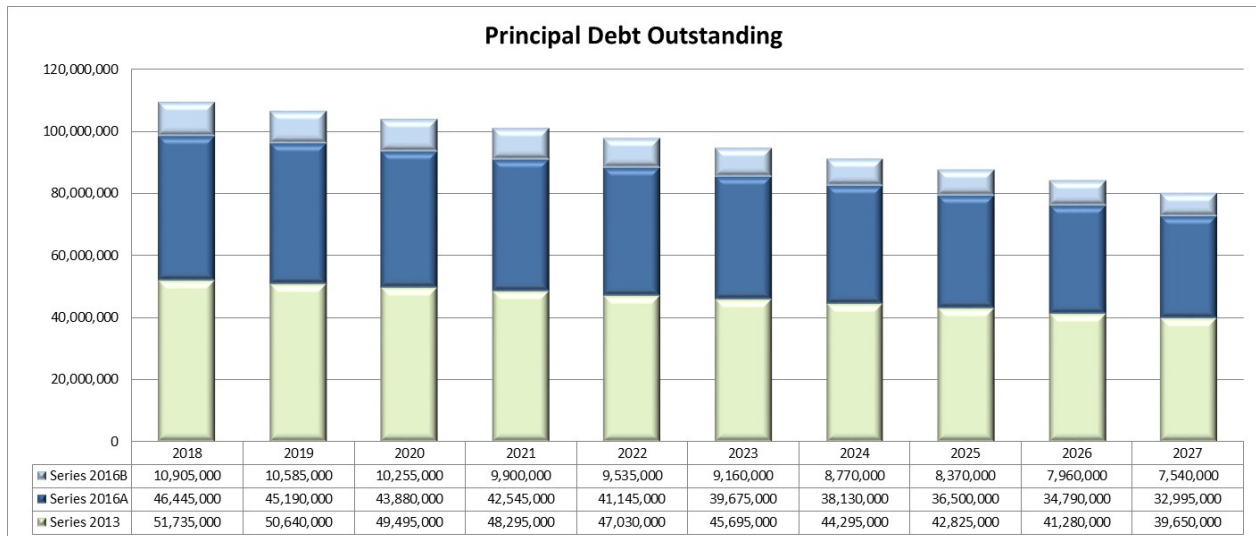


The forecasted total annual debt service for the period of FY18 through FY27 is shown in the chart below:

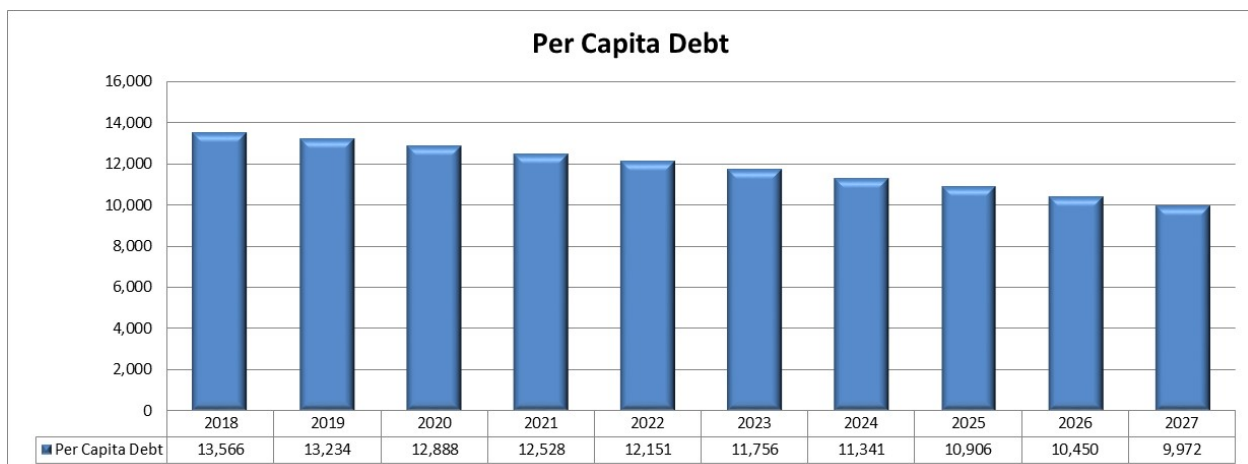


OTHER FUNDS

The total principal debt outstanding for the all debt recorded as of this forecast for FY18 through FY27 is shown in the chart below:



The per capita debt utilizing the current census population of 8,041 for the period of 2018 through 2027 is shown below:



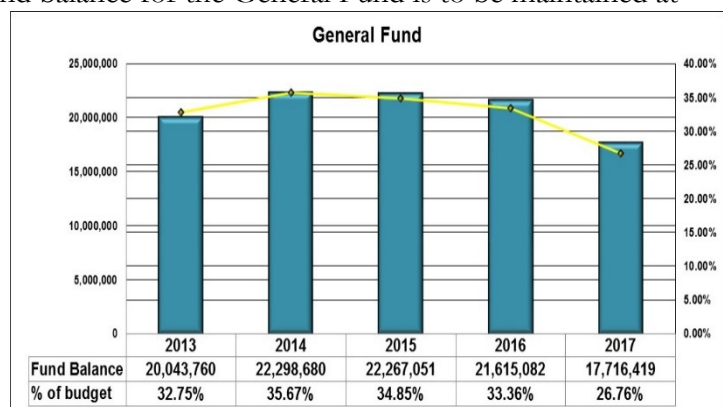
RESERVES

Town of Palm Beach Reserves

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

Unassigned Fund Balance - General Fund

Pursuant to adopted policy, the unassigned fund balance for the General Fund is to be maintained at a minimum level of 25% of current year General Fund budgeted expenditures. This minimum level is to be maintained to protect the Town against economic downturns, temporary revenue shortfalls, unpredicted one-time expenditures, and for tax rate stabilization purposes. Twenty-five percent of the FY18 General Fund operating budget (General Fund budget less CIP, coastal and extraordinary retirement transfer) is \$16,550,472. The FY17 ending fund balance was \$17,716,419. The unassigned fund balance exceeds the minimum requirement by \$1,165,947.

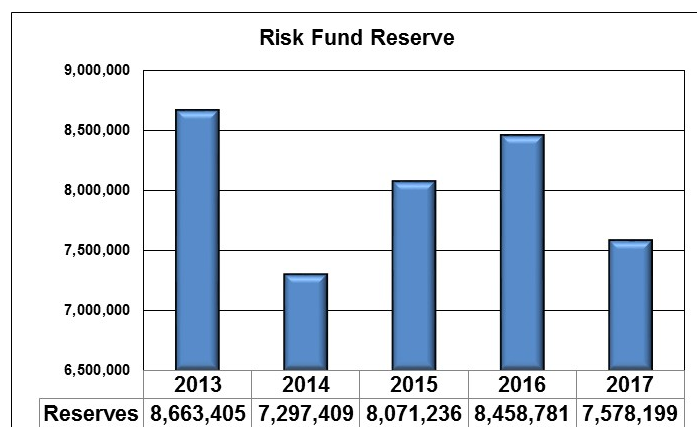


The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart details the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents.

In FY17, the Town Council authorized the transfer of \$2,500,000 to begin to fund the underground utility project. In the FY18 budget a extraordinary transfer of \$3,832,893 to the Retirement Fund to begin to reduce the UAAL was included as part of the new policy to contribute an additional \$5,420,000 each year. The balance was made up of other reductions from the budget. The fund balance amount of \$17,716,419 is net of these two transfers.

Reserves - Risk Fund

The total reserve balance for the Risk Fund was \$7,578,199 as of September 30, 2017. 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



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trend for the Risk Fund Reserve is shown in the table. In 2014 the Town Council approved a transfer of \$2,000,000 from the reserves of the Risk Fund to the Coastal Protection Fund. The fund balance declined due to an increase in the estimate for outstanding losses that is reserved on the balance sheet at a 75% confidence level of \$2,089,235. 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 is \$3,578,199.

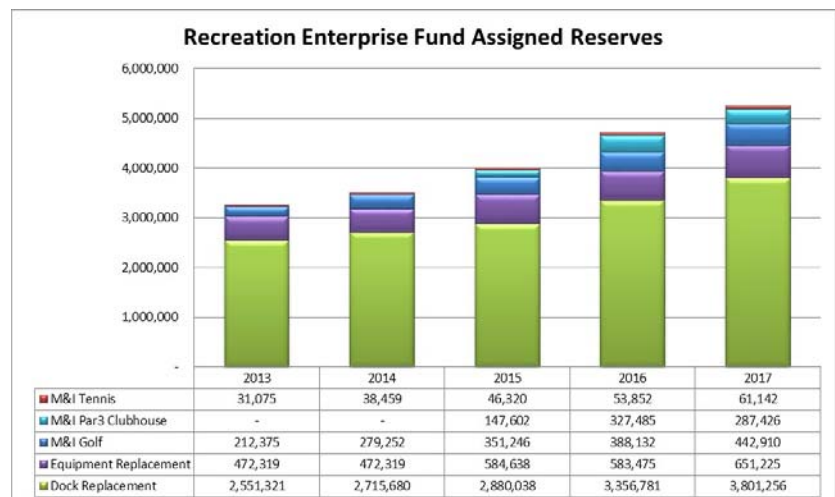
Reserve for Catastrophic Exposures/Emergencies - Risk Fund

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

Recreation Enterprise Fund Reserves

The Recreation Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling \$1,660,350 for FY18. The purpose of the reserve is to provide an adequate level of net assets for unanticipated financial impacts as well as to provide for one-time expenditures to improve the facilities.

The Town's enterprise fund includes the operations of the Town Docks, the Par 3 Golf Course, tennis activities and youth and adult recreation programs.



At the end of FY17, the net asset balance for the Recreation Enterprise Fund (REF) was \$6,167,708. Separate reserves have been set aside from this amount for the dock replacement, Par 3 Improvements, tennis improvements and equipment replacement.

At the end of FY17, \$3,801,256 had been set aside in the Dock Replacement Reserve. The Dock Replacement reserve was created to fund the replacement cost of the construction of the Town's docks whenever it is determined they must be replaced. The replacement reserve is to be maintained at 100% of accumulated depreciation plus accumulated interest earned on the reserve. In FY16, the Town committed to lowering the transfer to the General Fund each year by \$100,000 and add these funds each year to the Dock Replacement Reserve.

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The Par 3 Golf Course charges an additional \$2 per round to fund a maintenance and improvement reserve. At the end of FY17, the balance is \$442,910.

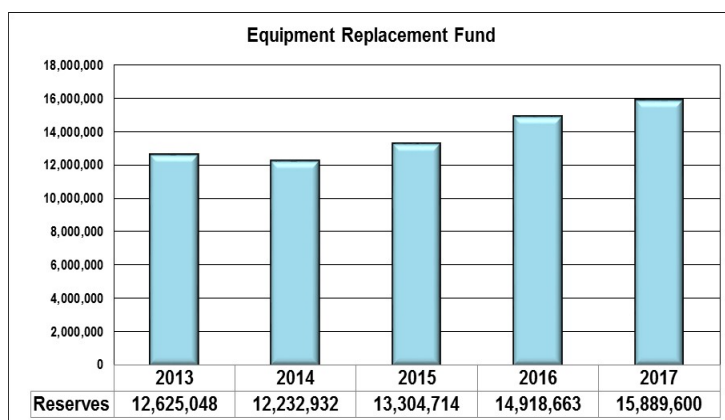
In FY15, the Town established a Maintenance and Improvement fund for the Par 3 Clubhouse. This reserve is funded each year based on 50% of the net income from the operations of the Par 3 Golf Course. At the end of FY17, the balance is \$287,426. This amount is lower than in FY17 due to projects completed for the Clubhouse that were paid from this reserve.

In FY10, a maintenance and improvement fee was implemented for the Tennis program. This reserve at the end of FY17 is \$61,142 and has been set aside for improvements to the tennis centers.

The Recreation Enterprise Fund's equipment replacement reserve allows for the purchase of capital equipment and is funded with accumulated replacement cost depreciation from Recreation Net Assets. The balance in the REF Equipment Replacement Fund for FY17 is \$651,225.

Equipment Replacement Fund

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



The balance in the Equipment Replacement Fund Reserve for year-end FY17 is \$15,889,600. In FY13, the Town Council approved the use of up to \$4,867,019 from this reserve for internal financing for small underground utility projects financed by special assessments. To date, a balance of \$2,238,874 has been used for these projects. In FY14, the Town Council authorized a transfer of \$2,858,913 in excess reserves to the coastal protection fund. Currently the total amount in the fund available for equipment replacement is \$12,253,342. This amount, plus the internal financing balance leaves an excess reserve of \$1,397,384.

For FY18, income including the depreciation transfer will total \$2,276,600 and expenditures for capital equipment are budgeted at \$2,980,896.

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

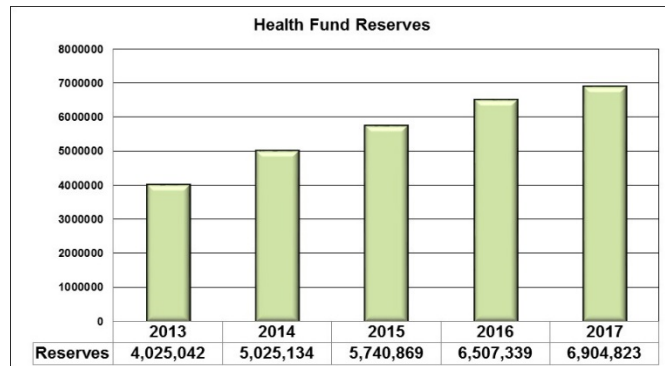
A Reserve for Compensated Absences reduces the budgetary fluctuations due to the payout of accrued leave time to employees when they leave Town service. This reserve is funded at a rate of 100% of the fiscal year end accrued leave balances. Funds are appropriated annually from this

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reserve based upon estimates of pay-outs of eligible accrued vacation, sick and compensatory time and the related payroll tax liability. The balance in the reserve as of September 30, 2017, was \$3,210,518. The FY18 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$577,900.

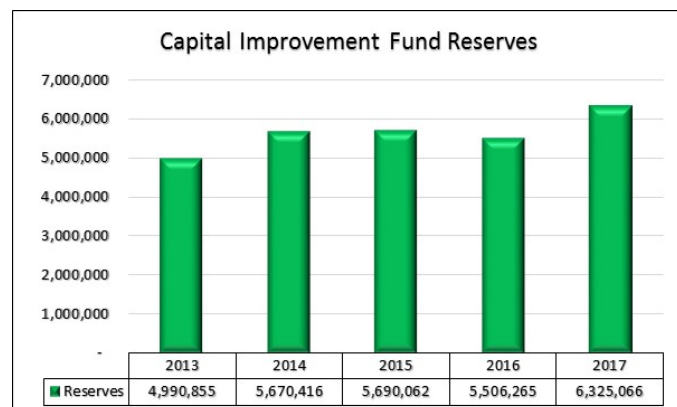
Health Insurance Reserve

The balance of the reserve in the Health Fund at the end FY17 is \$6,904,823. These reserves guard against any deficiencies in the Town's self-insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. Since FY13, the Town has maintained level funding of health insurance benefits due to good claims experience and the wellness program. These reserves have also provided cushion in case claims unexpectedly increase. The actuary recommends a minimum reserve of 6 months of estimated claims as well as the Incurred but not Recorded (IBNR) claims. These amounts total \$1,621,175, leaving a excess reserve amount of \$5,283,648.



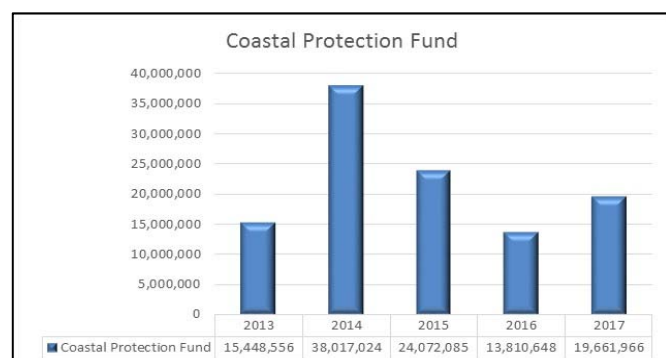
Capital Improvement Fund

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. In 2012, the Capital Improvement Fund transfer from the General Fund was reduced to \$1,000,000. In FY17, the transfer was increased to \$2,290,200 to begin to build up the reserves for projects once the bond proceeds have been spent. Once the bond proceeds have been spent on the remaining projects, it is proposed to return to pay-as-you-go financing. The balance in this reserve is set aside for use for future capital projects.



Coastal Protection Fund

The Coastal Protection Fund reserves are in place to reserve funds 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.

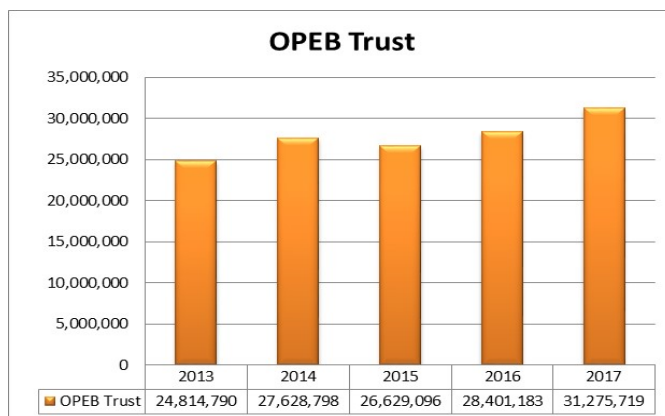


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The FY18 transfer is \$7,410,300 and the FY19 transfer from the General Fund will increase by 3% to \$7,632,609. As of September 30, 2017, the reserve balance in this fund is \$19,661,966. The next planned project is the Mid-Town beach renourishment project in FY21. At that time, sufficient funds will be available for this project.

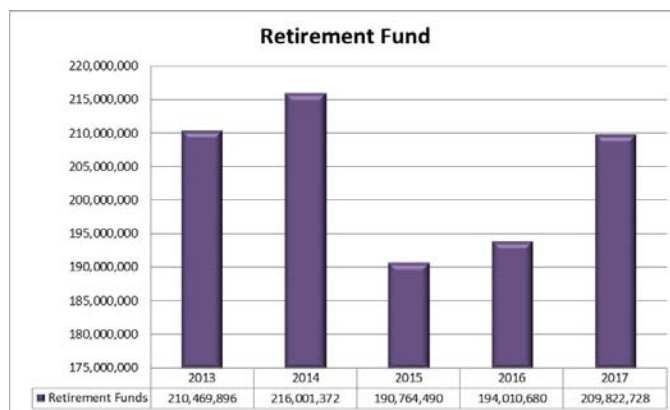
OPEB (Other Post Employment Benefits) Trust

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 \$31,275,719 as of September 30, 2017. The total OPEB liability for 2017 is calculated to be \$27,963,573, resulting in a Net OPEB asset of \$3,312,146. The actuary estimates the OPEB asset at the end of 2018 to be \$3,865,440 resulting in a funded ratio of 113.2%. The actuary used at 7% investment return assumption in the calculation. The actuarially determined transfer from the General Fund for the OPEB liability for FY18 is \$960,000. The Town continues to be well ahead of other government agencies in funding this liability.



Retirement Fund

The Town provides pension benefits for General Employees, Lifeguards, Police Officers, and Firefighters. The funds were separately managed by 3 pension boards until the consolidation on April 1, 2012, into the Employee's Retirement Fund. The Retirement Board oversees all of the Town's pension assets and retirement programs. The net assets of the consolidated retirement fund at the end of FY17 were \$209,822,728. The increase is a result of good investment performance during the year. The decline from FY14 to FY15 was due to investment losses.



Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Recreation Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at 1% of the FY18 operating budget. The Capital Fund Contingency

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

The table below identifies the contingency budgets and actual expenditures for the fiscal years 2014 through YTD 2018.

Contingency Reserves FY2014 – FY2018

Contingency	2014	2015	2016	2017	YTD 2018
General Fund Budget	\$ 860,000	\$ 909,000	\$ 944,686	\$ 960,300	\$ 655,877
General Fund Actual	\$ 356,300	\$ 246,361	\$ 764,145	\$ 759,644	\$ -
CIP Budget	\$ 205,000	\$ 205,000	\$ 208,000	\$ 348,600	\$ 284,500
CIP Actual	\$ -	\$ 205,000	\$ 208,000	\$ -	\$ -
ERF Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
ERF Actual	\$ 136,869	\$ -	\$ 29,111	\$ 10,391	\$ 19,613
Risk Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Risk Actual	\$ -	\$ -	\$ -	\$ -	\$ -
Health Budget	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Health Actual	\$ -	\$ -	\$ -	\$ -	\$ 30,000
Recreation Budget	\$ 249,220	\$ 272,100	\$ 285,300	\$ 321,200	\$ 168,303
Recreation Actual	\$ -	\$ 39,000	\$ 135,030	\$ -	\$ 10,750

Unassigned Net Position

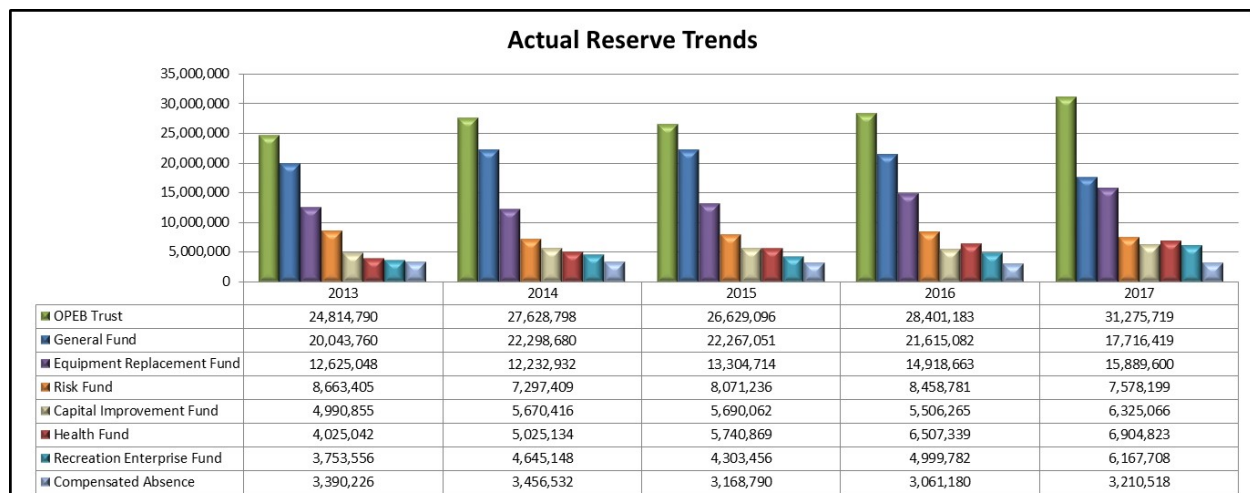
All reserves are at or over the policy established minimum. The financial strength of the Town can be measured by the health of its reserves. Bond rating agencies look closely at the reserve levels and the financial policies in place when rating a municipality. In 2010, 2013, and 2016 the rating agencies reviewed the Town's credit ratings in preparation for the issuance of the 2010, 2013 and 2016 Bonds. They cited the Town's healthy reserves, solid fiscal policies, and conservative management practices as some of the reasons for our exceptional bond ratings. Moody's Investors Service gave the Town an Aa1 for the Revenue Bonds and confirmed the Town's Aaa issuer credit rating. Standard and Poor's has recently upgraded the credit rating on the Revenue bonds to AAA and confirmed the Town's issuer credit rating of AAA. These Revenue Bond ratings and issuer credit ratings are the highest ratings these two services issue and represent the highest quality investment grade debt.

The table and the chart on the following page summarize the trend of the unassigned net position, compensated absence, and replacement reserve balances for fiscal year ending FY13 through FY17.

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Reserve Balances Fiscal Years 2013 – 2017

Fund	2013	2014	2015	2016	2017
General Fund	\$ 20,043,760	\$ 22,298,680	\$ 22,267,051	\$ 21,615,082	\$ 17,716,419
Compensated Absence (GF)	3,390,226	3,456,532	3,168,789	3,061,180	3,210,518
Equipment Replacement Fund	12,625,048	12,232,932	13,304,714	14,918,663	15,889,600
Recreation Enterprise Fund	486,466	1,025,665	179,645	169,291	777,250
Recreation ERF	472,319	472,319	584,638	583,475	651,225
Dock Replacement	2,551,321	2,715,680	2,880,038	3,356,781	3,801,256
Par 3 M&I Reserve	212,375	279,252	351,246	388,132	442,910
Tennis M&I reserve	31,075	38,459	46,320	53,852	61,142
Par 3 Clubhouse M&I	0	0	147,602	327,485	287,426
Donation Fund	526,299	611,943	564,368	1,180,331	3,018,697
Debt Service	263,400	1,745,086	1,567,384	955,441	1,569,976
Capital Improvement	4,990,855	5,670,416	5,898,531	5,506,265	6,325,066
Coastal Protection Fund	15,448,556	38,017,024	24,072,085	13,810,648	19,661,966
2013 ACIP Fund	0	43,347,077	34,967,926	20,196,064	12,095,772
Health Fund	4,025,042	5,025,134	5,740,869	6,507,339	6,904,823
Risk Fund	6,625,018	7,297,409	8,071,236	8,458,781	7,578,199
Health - OPEB Trust	24,814,790	27,628,798	26,629,096	28,401,183	31,275,719
Pension Funds	210,469,896	216,001,372	190,764,490	194,010,680	209,822,728
Total	\$ 306,976,446	\$387,863,778	\$ 341,206,028	\$ 323,500,673	\$ 341,090,692



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Excess Reserves

Many of the Town reserves must be maintained at a minimum level set by policy or based on recommendations of the Town's actuarial firms. 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 FY17 ending balance, minimum reserve amount and excess reserve balances.

Fund	2017 Reserve Balance	Minimum Required Balance	Excess Reserves
General Fund	\$ 17,716,419	\$ 16,550,472	\$ 1,165,947
Compensated Absence (GF)	3,210,518	3,210,518	0
Equipment Replacement Fund	15,889,600	14,492,216	1,397,384
Recreation Enterprise Fund	777,250	777,250	0
Recreation ERF	651,225	651,225	0
Dock Replacement	3,801,256	3,801,256	0
Par 3 M&I Reserve	442,910	442,910	0
Tennis M&I reserve	61,142	61,142	0
Par 3 Clubhouse M&I	287,426	287,426	0
Donation Fund	3,018,697	3,018,697	0
Debt Service	1,569,976	0	1,569,976
Capital Improvement	6,325,066	6,325,066	0
Coastal Protection Fund	19,661,966	19,661,966	0
2013 ACIP Fund	12,095,772	12,095,772	0
Health Fund	6,904,823	1,621,175	5,283,648
Risk Fund	7,578,199	4,000,000	3,578,199
Health - OPEB Trust	31,275,719	27,963,573	3,312,146
Pension Funds	209,822,728	209,822,728	0
Total	\$ 341,090,692	\$324,783,392	\$ 16,307,300