



Cash Flow Report

PRESENTATION TO INVESTMENT ADVISORY COMMITTEE

Jane Le Clainche, Finance Director
TOWN OF PALM BEACH | JANUARY 31, 2020

To: Investment Advisory Committee
From: Jane Le Clainche, Finance Director
Date: January 31, 2020
Re: Cash Flow Report

At the Investment Advisory Committee meeting held on November 15, 2019, a request was made by Mr. Alan Scheuer for information on cash flow for the Town's funds. This report contains information on historic cash flows for the Town's Surplus Funds, and a cash flow projection for the OPEB Trust.

The Town's surplus funds are made up of the following Town of Palm Beach Funds:

The **General Fund** is used to account for most of the day-to-day operations of the Town, which are financed from property taxes, fees, licenses, permits, fines, intergovernmental and other general revenue. These revenues finance the administration, planning, zoning and building, fire-rescue, police and public works operations. It also includes transfers to the capital, coastal risk insurance OPEB trust, debt service and underground utility funds.

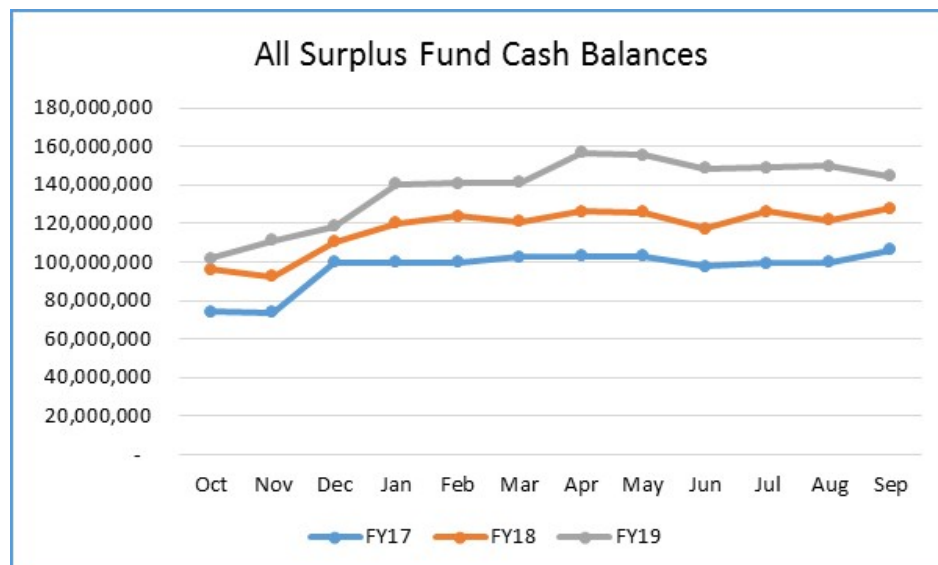
The **Capital Funds** account for all resources used for the acquisition and/or construction of capital infrastructure by the Town except those financed by the Enterprise and Internal Service Funds. These funds include the Capital Improvement Fund, the Coastal Fund, the Worth Avenue Improvement Fund, and the 2013 Accelerated Capital Fund.

The **Internal Service Funds** are used to account for Risk Management, Self Insurance Fund, the Health Insurance, Self-Insurance Fund, and the Equipment Replacement Fund.

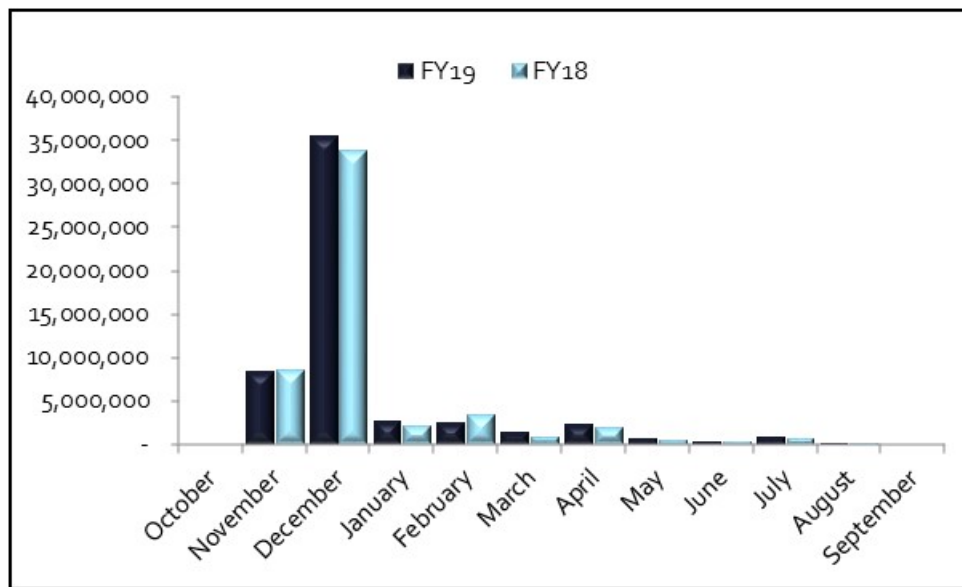
Enterprise Funds are used to account for the operations of the Marina Enterprise Fund and the Par 3 Golf Course Enterprise Fund.

Other Funds include the Town-wide Underground Utility Project Fund.

I prepared tables detailing the monthly surplus funds cash flow for the above funds for the years FY17 – FY19. The details can be found in the appendix of this report. The chart below summarizes the surplus fund balances by month for each year.



Each fiscal year, the cash balances start off low and then increase throughout the year then begin to decline During September - October. The reason for this trend is the timing of the receipt of ad valorem property taxes. The chart below shows the timing of the ad valorem receipts for FY18 and FY19.



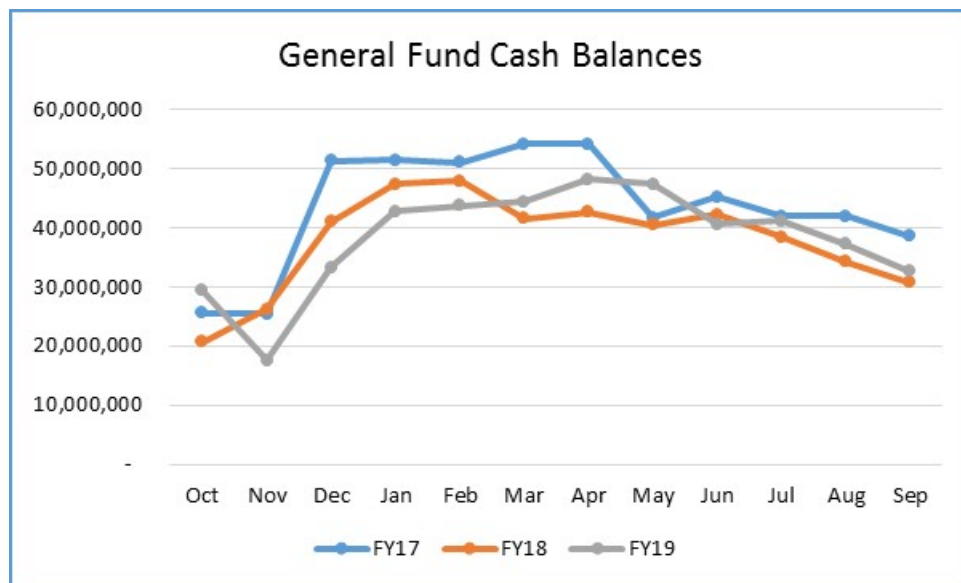
Most of the funds are received in during November and December. The property tax bills go out in early November and a majority of property owners and mortgage companies pay their taxes in these two months to take advantage of the discount. The Town's General Fund budget for ad valorem property taxes for FY20 is \$55,979,439 representing 66.3% of total revenues.

You will also notice that the cash balances have been growing since FY17. This is due to a few factors. The Town's General Fund unassigned reserve has increased since FY17 from \$17.7 million to \$25.4 million, due to higher than expected revenue collections for permits and cost cutting measures, which have resulted in year-end surpluses. In addition, the coastal protection fund and the capital improvement fund, have been building reserves in order to have funding available for future capital and coastal projects.

Separate charts for each fund type have been prepared to show the cash flow throughout the year for each fund type.

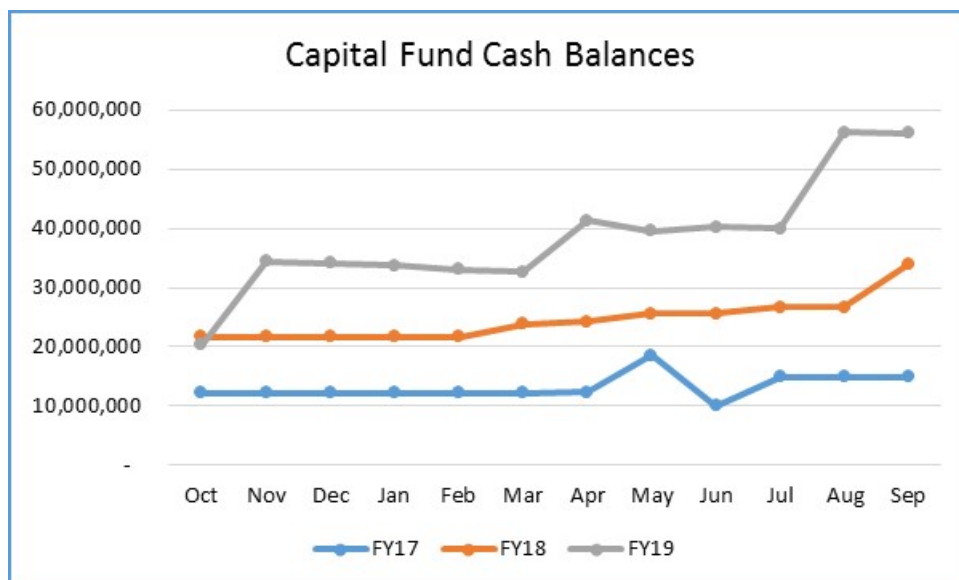
General Fund

As indicated earlier, property taxes are received early in the fiscal year, then are spent down over the remaining course of the year. The chart on the following page shows a fairly consistent trend each of the last 3 years. The decline in FY19 between October and November is due to the payment of the entire contribution to the Retirement fund. We recently began to pay the entire contribution in October to receive an actuarial credit for having the funds invested for the entire year. A portion of these funds can be, and are invested in longer term securities like CDs, the FMIvT investment funds and the PFM 1-5 year fund. The balance is in liquid money market accounts and the short term FMIvT fund.



Capital Funds

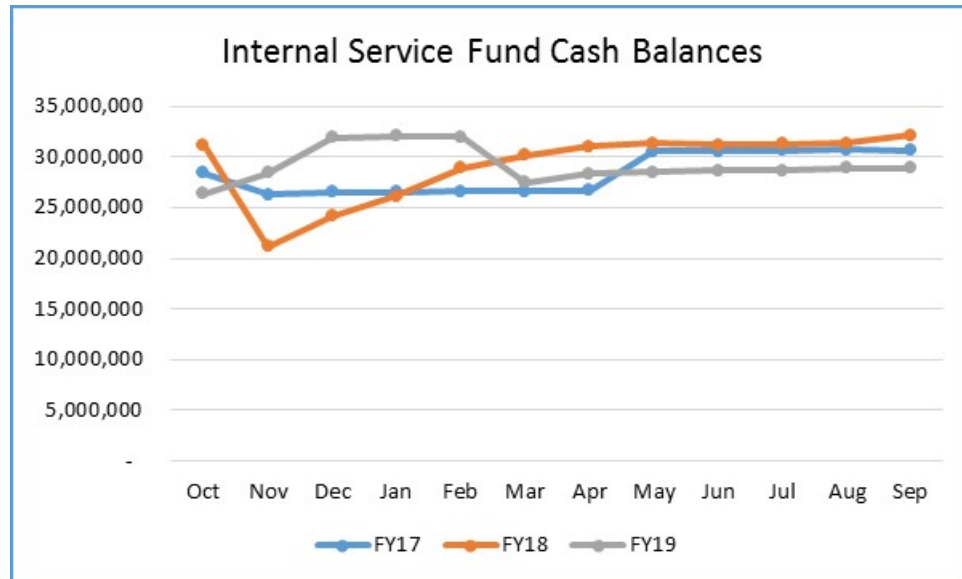
As indicated earlier, the Capital Fund reserves have increased in order to build up reserved for future projects. In FY20 we will be constructing coastal projects and will be spending some of these reserves. The coastal fund reserve is expected to decline by \$5.6 million. The payments to the contractor will cause a steeper decline initially until grant funds are released for reimbursement. The capital fund cash balance may decline by \$3.7 million for a total reduction of \$9.3 million in reserves for these funds. The coastal fund projects occur every 4 years so the fund reserves will increase over the next 4 years until another coastal project is completed. The Capital Fund will have a net decrease each year over the next 4 years as infrastructure projects are completed. These funds should maintain balances of approximately \$30 million until FY24 when the next coastal project is completed.



The ending September FY19 balance included reserves for the construction of the new Mandel Recreation Center that was completed in November. The funds will all be expended in FY20.

Internal Service Funds

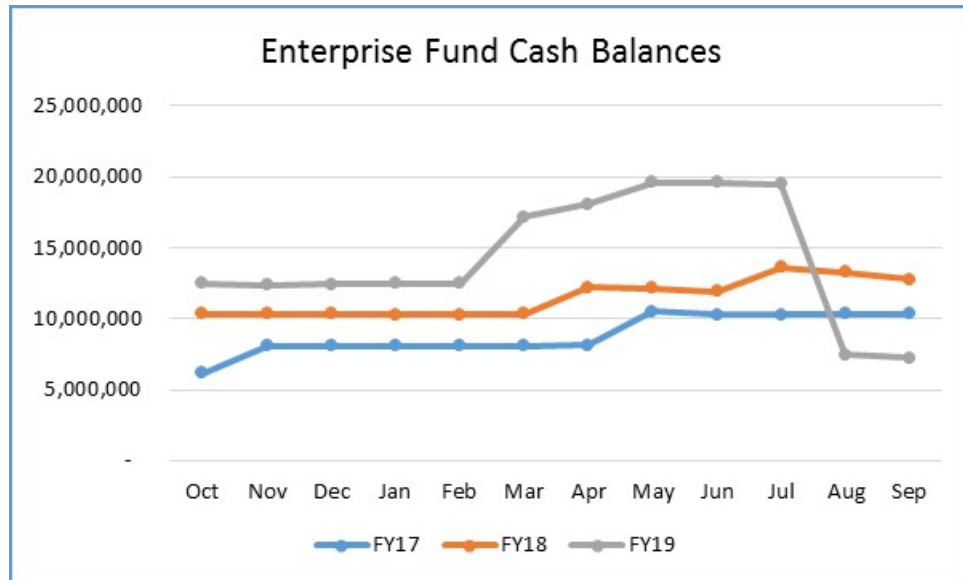
Internal Service Funds include our risk and health insurance reserves as well as our equipment replacement fund. The risk and health insurance reserves are maintained to guard against any deficiencies in the Town's insurance programs. These reserves have increased over the years and excess reserves of \$4.6 million in these funds were used in FY18 for the Town's portion of the construction of the Recreation Center.



The 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. The reserve is funded annually using replacement cost depreciation as the calculation for the transfer. The reserves of this fund total \$15,834,189 at the end of FY19. Based on the FY20 budget for replacement equipment, these reserves are expected to increase by approximately \$1.2 million. A portion of the Internal service reserves are invested in longer term investments due to the stability of these reserves.

Enterprise Funds

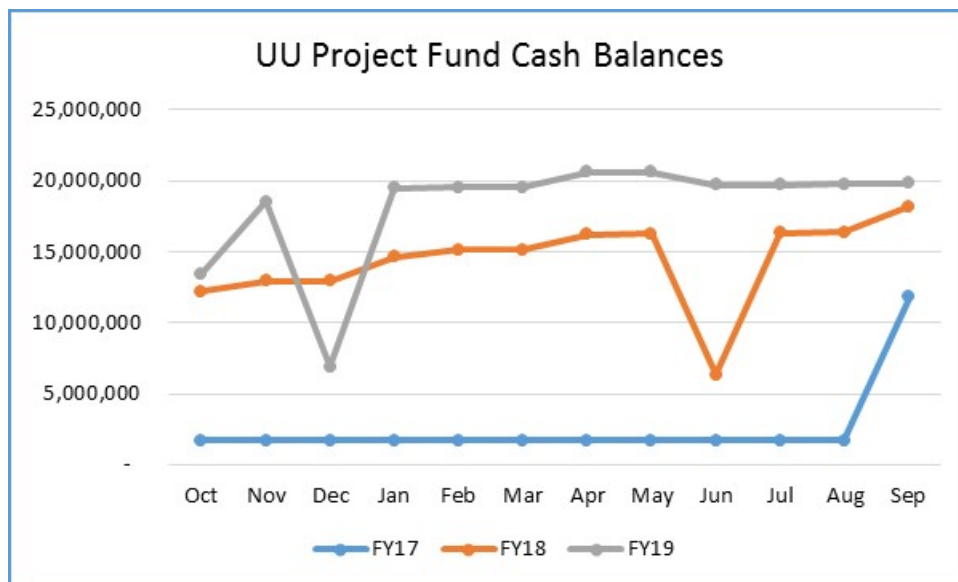
The Enterprise Funds comprise the reserves of the Marina and Par 3 Golf Course. The Marina is expected to close this spring for demolition and reconstruction and open in the fall of 2021. A bank loan and reserves from the marina fund will be used to finance the estimated \$36 million construction project. The Par 3 Golf Course reserves total \$905,140. The trend for these funds are shown on the following page. Most of these reserves will be depleted over the next 2 years until the Marina re-opens. The Marina is expected to generate significantly more revenue with the new mega-yacht configuration and over time, these reserves will increase.



The Enterprise Fund included Recreation activities prior to FY19. These activities were transferred to the General Fund and the Marina and Par 3 Golf Course were split into separate funds. The steep decline in reserve funds in FY19 represent the reallocation of the Recreation Center construction reserves to the Capital Improvement Fund.

Underground Utility Project Fund

The Underground Utility Project is a phased construction project that is expected to last until 2026. Most of the funds represented in the chart below are the result of prepaid assessments and assessments. The bond proceeds from the GO bond issued for this project are separately invested and not shown below. The bond proceeds and the cash reserves will be drawn down over time. The bond proceeds will be used first, then the cash balances below will be used for project expenses.



Surplus Funds Outlook

Due to the nature of the surplus funds, and the limits on the types of investments, longer term investments for most funds, must be fairly liquid. In the past, we used longer term CDs to achieve higher returns than could have been achieved in the low interest rate environment we experienced for many years. When interest rates began to rise last year, the longer term bond funds experienced market losses and we moved a portion of these funds into shorter term, higher yielding investments. Now that rates seem to have stabilized, there may be opportunities to move some reserves to longer term (3-5 year) investments as discussed at the last meeting.

The internal service fund reserves and a portion of the coastal and General Fund reserves could be extended. Currently the following investment funds have longer term (over 1 year) investment balances:

<i>Investment Fund</i>	<i>Balance @ 11/30/2020</i>	<i>% of Total Funds</i>
<i>PFM 1-5 year Fixed Income Fund</i>	\$19,640,499	15.58%
<i>FMIvT 1 – 3 year Fund</i>	\$26,434,199	20.96%
<i>FMIvT Intermediate Fund</i>	\$6,040,260	4.79%
<i>Total longer term investments</i>	\$52,114,958	41.33%

Even though these are longer term investments, the balances are also liquid within a 15 – 30 day period. The current Certificate of Deposit investments have a term of less than one year. Due to the liquidity of these longer term funds, if we need to utilize the cash for a project or an unexpected expense, we can draw upon these funds in a fairly short period of time without penalty.

Town of Palm Beach OPEB Trust

The OPEB (Other Post Employment Benefits) Trust accounts for Retiree Health Care Expenses. GASB has required these expenses be accounted for like retirement benefits with actuarial forecasts and investments set aside in a trust to pay future benefits. As of September 30, 2018, the OPEB trust was 107.4% funded based on an investment return assumption of 6%.

The trust is funded through a Town contribution and retiree contributions for health care. These funds are used to pay retiree health benefits and administration expenses.

The estimated cash flow for the OPEB Trust for FY20 is shown below. FY20 will be the first year since inception in 2007 that a transfer from investments will be needed to fund expenses. Over time the employer transfer has decreased due to the improved funded status of the plan. Now that the fund is over 100% funded, the employer contribution is lower than it had been in the past. This fund will now require transfers from the investments each year to fund expenses. In FY20, we will need to transfer \$1,500,000

Period Ending	Total FY2020	FQ1	FQ2	FQ3	FQ4
Checking Account Balance as of October 1, 2019	(702)	(702)	121,411	211,084	300,757
Estimated Receipts					
Employer Transfer	423,014	423,014	-	-	-
Other Receipts	109,426	109,426			
Transfer from Investments	1,500,000		500,000	500,000	500,000
Estimated Employee Contributions	1,400,000	350,000	350,000	350,000	350,000
Total Estimated Receipts	3,432,440	882,440	850,000	850,000	850,000
Estimated Expenditures					
Estimated Health Benefits	(2,833,600)	(708,400)	(708,400)	(708,400)	(708,400)
Estimated Expenses	(207,708)	(51,927)	(51,927)	(51,927)	(51,927)
Total Estimated Expenditures	(3,041,308)	(760,327)	(760,327)	(760,327)	(760,327)
Estimated Quarter Ending Cash Balance available	390,430	121,411	211,084	300,757	390,430

from investments over the next 3 quarters.

The actuary has provided a forecast of employer contributions and health benefit payments and investment balances for the next 10 years. Internally, we have prepared the forecast for retiree contributions and administrative expenses over the next 10 years to produce a 10 year cash flow projection that is shown on the following page. In each year there will be transfers from the investment accounts of the trust to fund the expenses of the plan.

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Checking Account Balance as of October 1, 2019	(702)	390,430	247,476	103,428	35,836	43,460	13,239	42,350	26,992	52,754	13,896
Estimated Receipts											
Employer Transfer	423,014	397,769	379,474	364,124	339,730	316,624	293,632	260,067	227,463	180,840	153,369
Estimated Retiree Contributions	1,400,000	1,491,000	1,584,188	1,681,140	1,782,008	1,886,612	1,995,092	2,107,216	2,222,903	2,344,940	2,485,636
Transfer from Investments	1,500,000	1,200,000	1,300,000	1,500,000	1,700,000	1,800,000	2,000,000	2,100,000	2,300,000	2,400,000	2,700,000
Excess Health Insurance Reimbursement	109,426										
Total Estimated Receipts	3,432,440	3,088,769	3,281,957	3,560,614	3,846,132	4,026,342	4,311,716	4,500,848	4,782,970	4,972,403	5,366,476
Estimated Expenditures											
Estimated Health Insurance Benefits	(2,833,600)	(3,017,784)	(3,206,396)	(3,402,627)	(3,606,785)	(3,818,503)	(4,038,067)	(4,265,006)	(4,499,155)	(4,746,158)	(5,030,927)
Estimated Expenses	(207,708)	(213,939)	(219,609)	(225,579)	(231,723)	(238,060)	(244,538)	(251,200)	(258,053)	(265,103)	(273,056)
Total Estimated Expenditures	(3,041,308)	(3,231,723)	(3,426,005)	(3,628,206)	(3,838,508)	(4,056,563)	(4,282,605)	(4,516,206)	(4,757,208)	(5,011,261)	(5,303,984)
Estimated Cash Balance available on September 30, 2020	390,430	247,476	103,428	35,836	43,460	13,239	42,350	26,992	52,754	13,896	76,389
Estimated Amount of Transfer from Investment Accounts	1,500,000	1,200,000	1,300,000	1,500,000	1,700,000	1,800,000	2,000,000	2,100,000	2,300,000	2,400,000	2,700,000
Investment Balances Per Actuary	35,254,474	36,569,756	37,889,944	39,311,190	40,745,527	42,160,958	43,541,348	44,894,140	46,158,728	47,296,537	48,328,265

Appendix Cash Flow Tables

FY17

Surplus Funds - Cash Balances by Month FY17							
Month/Year	General Fund	Capital Funds	Internal Service Funds	Enterprise Funds	Other Funds	Ending Period Balance	Investment Earnings
Oct-16	25,657,125	12,248,882	28,395,794	6,151,323	1,700,318	74,153,442	(36,121)
Nov-16	25,482,248	12,229,577	26,317,535	8,075,721	1,699,956	73,805,037	(345,034)
Dec-16	51,368,637	12,190,737	26,494,452	8,075,246	1,693,970	99,823,042	48,997
Jan-17	51,440,728	12,217,351	26,532,679	8,084,002	1,697,722	99,972,482	121,725
Feb-17	51,100,776	12,236,455	26,576,306	8,097,418	1,699,971	99,710,926	136,921
Mar-17	54,137,964	12,240,892	26,584,723	8,099,829	1,700,646	102,764,054	60,334
Apr-17	54,210,540	12,264,000	26,647,410	8,120,455	1,703,156	102,945,561	192,915
May-17	41,766,827	18,544,771	30,580,366	10,519,130	1,705,437	103,116,531	172,177
Jun-17	45,215,070	9,965,852	30,565,161	10,299,523	1,705,841	97,751,447	5,682
Jul-17	41,934,798	14,868,215	30,627,207	10,317,536	1,709,966	99,457,722	182,036
Aug-17	42,027,108	14,901,245	30,713,996	10,346,671	1,713,379	99,702,399	241,995
Sep-17	38,542,221	14,884,493	30,666,180	10,332,065	11,819,036	106,243,995	(98,526)
Total							683,101

FY18

Surplus Funds - Cash Balances by Month FY18							
Month/Year	General Fund	Capital Funds	Internal Service Funds	Enterprise Funds	Other Funds	Ending Period Balance	Investment Earnings
Oct-17	20,759,884	21,728,526	31,181,904	10,334,228	12,182,247	96,186,789	53,301
Nov-17	26,259,469	21,704,933	21,162,859	10,323,180	12,959,354	92,409,795	(44,282)
Dec-17	41,054,814	21,705,866	24,172,394	10,328,613	12,971,989	110,233,676	86,499
Jan-18	47,377,095	21,650,903	26,150,856	10,295,888	14,649,317	120,124,059	(151,467)
Feb-18	47,970,230	21,628,728	28,931,887	10,281,493	15,140,656	123,952,994	(28,474)
Mar-18	41,639,737	23,808,267	30,181,344	10,324,336	15,150,835	121,104,519	210,302
Apr-18	42,730,148	24,193,374	31,044,554	12,186,734	16,197,439	126,352,249	45,484
May-18	40,512,784	25,655,113	31,367,054	12,155,805	16,285,621	125,976,377	295,184
Jun-18	42,233,998	25,594,948	31,161,030	11,948,598	6,327,919	117,266,493	100,218
Jul-18	38,453,758	26,637,063	31,285,375	13,631,435	16,340,867	126,348,498	206,693
Aug-18	34,242,590	26,687,541	31,378,486	13,270,244	16,392,252	121,971,113	291,702
Sep-18	30,773,685	34,044,420	32,168,797	12,762,144	18,173,275	127,922,321	51,494
Total							1,116,654

FY19

Surplus Funds - Cash Balances by Month FY19							
Month/Year	General Fund	Capital Funds	Internal Service Funds	Enterprise Funds	Other Funds	Ending Period Balance	Investment Earnings
Oct-18	29,432,414	20,324,445	26,343,284	12,495,027	13,468,557	102,063,727	155,498
Nov-18	17,588,585	34,344,018	28,458,876	12,388,406	18,546,192	111,326,077	255,267
Dec-18	33,310,493	34,088,486	31,869,032	12,421,378	6,889,752	118,579,141	361,419
Jan-19	42,768,722	33,758,161	32,060,382	12,478,142	19,489,955	140,555,362	455,056
Feb-19	43,720,265	33,116,275	31,960,492	12,504,532	19,531,182	140,832,746	282,426
Mar-19	44,494,943	32,621,084	27,504,137	17,158,794	19,573,887	141,352,845	515,404
Apr-19	48,164,090	41,382,111	28,358,481	18,071,245	20,605,556	156,581,483	288,508
May-19	47,357,646	39,553,337	28,521,768	19,588,413	20,650,258	155,671,422	589,255
Jun-19	40,612,827	40,211,774	28,653,997	19,610,812	19,702,506	148,791,916	495,792
Jul-19	41,130,493	39,939,100	28,659,632	19,474,031	19,744,493	148,947,749	157,713
Aug-19	37,265,608	56,219,164	28,933,628	7,451,439	19,783,576	149,653,415	701,429
Sep-19	32,626,109	56,052,027	28,902,566	7,257,312	19,825,179	144,663,193	51,494
Total							4,309,261

**Town of Palm Beach
Reserve Balances
Fiscal Years 2015 – Est. 2019**

Fund	2015	2016	2017	2018	2019 Est
General Fund	\$ 22,267,051	\$ 21,615,082	\$ 17,716,419	\$ 23,063,128	\$ 25,421,429
Compensated Absence (GF)	\$ 3,168,789	\$ 3,061,180	\$ 3,210,518	\$ 3,129,714	\$ 3,000,000
Equipment Replacement Fund	\$ 13,304,714	\$ 14,918,663	\$ 15,889,600	\$ 16,390,299	\$ 15,944,457
Recreation Enterprise Fund	\$ 179,645	\$ 169,291	\$ 777,250	\$ -	\$ -
Recreation ERF	\$ 584,638	\$ 583,475	\$ 651,225	\$ 638,842	\$ -
Dock Replacement	\$ 2,880,038	\$ 3,356,781	\$ 3,801,256	\$ 2,587,882	\$ 3,647,882
Par 3 M&I Reserve	\$ 351,246	\$ 388,132	\$ 442,910	\$ -	\$ -
Tennis M&I reserve	\$ 46,320	\$ 53,852	\$ 61,142	\$ 71,610	\$ -
Par 3 Clubhouse M&I	\$ 147,602	\$ 327,485	\$ 287,426	\$ 872,468	\$ 905,140
Donation Fund	\$ 564,368	\$ 1,180,331	\$ 3,018,697	\$ 1,666,199	\$ 961,080
Debt Service	\$ 1,567,384	\$ 955,441	\$ 1,569,976	\$ 1,566,248	\$ 1,378,748
Capital Improvement	\$ 5,898,531	\$ 5,506,265	\$ 6,639,003	\$ 7,376,553	\$ 11,911,863
Coastal Protection Fund	\$ 24,072,085	\$ 13,810,648	\$ 19,661,966	\$ 27,916,610	\$ 35,972,025
2013 ACIP Fund	\$ 34,967,926	\$ 20,196,064	\$ 12,095,772	\$ 7,286,574	\$ 2,396,574
Health Fund	\$ 5,740,869	\$ 6,507,339	\$ 6,904,823	\$ 5,441,578	\$ 6,159,625
Risk Fund	\$ 8,071,236	\$ 8,458,781	\$ 7,578,199	\$ 4,807,846	\$ 4,516,996
Health - OPEB Trust	\$ 26,629,096	\$ 28,401,183	\$ 31,275,719	\$ 32,682,812	\$ 33,388,247
Pension Funds	\$190,764,490	\$ 194,010,680	\$ 209,822,728	\$ 219,743,891	\$ 226,859,639
Total	\$341,206,028	\$ 323,500,673	\$ 341,404,629	\$ 355,242,254	\$ 372,463,705