



Town of Palm Beach Executive Summary

PROPOSED BUDGET FOR FISCAL YEAR 2021-2022

Town of Palm Beach
PRESENTATION FOR SEPTEMBER 13, 2021, PUBLIC HEARING

Executive Summary

Town of Palm Beach

FY2022



Town of Palm Beach, Florida

September 13, 2021

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

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

The proposed FY2022 budget is the result of the fourth year of hard work to find efficiencies and apply lean government principles on a Town-wide basis. After the new budget is adopted, members of staff continue to closely examine each expenditure before they are made, to ensure the following; is the resource still needed, can the expense be deferred, can the operational needs be met in a more efficient and/or effective manner (reorganization, technology, etc.) and, is the Town procuring and purchasing its budget allotments in the most cost effective manner.

The Town Team found efficiencies where possible and have produced a \$3 million surplus in FY20, and we expect to have another large surplus for FY21. It is because of the hard work over the past few years, and the current values of real estate that we are able to propose a budget that provides partial funding for the reconstruction of the North Fire-Rescue Station.

General Fund

FY22 Budget Presentation

There are two sets of documents that have been provided to the Town Council and the public. One document contains the program-by-program detail of the General fund and other fund budgets. The other document, which can be found online, contains the budget “flex sheets” which show the budget detail by line item.

In addition, the Departments prepared memorandums that are included in each department section of the proposed budget document that describes in detail the major changes for each program.

To ensure full transparency, relative to the methodology for apportioning health insurance and retirement costs, please note the following:

- Health Insurance costs are calculated and then allocated throughout the budget on a per Full-Time Equivalent (FTE) basis. The Health costs per FTE for FY22 are \$10,788.

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- Retirement costs are actuarially determined and then allocated throughout the budget per FTE for current and legacy plan costs. The Town's actuarially determined contribution is \$11,746,005. Legacy plan costs represent \$8,838,582 of the total and the costs for the ongoing plan are \$2,907,423. The breakdown by active full-time employee group as of the most recent actuarial report dated September 30, 2020, is shown below.

Participants	FTE	Legacy Plan	Ongoing plan	Total Contribution
General	149	2,561,805	1,074,933	3,636,738
Lifeguard	-	187,586	7,793	195,379
Police	55	2,711,577	809,785	3,521,362
Fire-Rescue	64	3,377,614	1,014,912	4,392,526
Total	268	8,838,582	2,907,423	11,746,005
Percent of Total		75.2%	24.8%	100.0%

FY22 General Fund Revenues

Property Taxes

FY21 Final Property Taxes

The General Fund is the only fund to directly use property taxes as a revenue source. Property taxes (ad valorem taxes) represent the largest revenue source. The Town's portion of the total millage rate in FY21 was 18.17%. This means for every \$100 paid in taxes only \$18.17 stays in the Town.

Below are the taxing districts and the adopted millage rates for FY21 with the total amount of taxes paid to each of the districts by Palm Beach Property owners. The biggest beneficiaries of Town of Palm Beach property owners' taxes are Palm Beach County and Palm Beach County School District collecting 71.68% of all taxes paid in the Town followed by the Town of Palm Beach at 18.17% with the other taxing districts making up the balance of 10.15%.

Taxing Authority	Adopted Millage Rate	Taxes Per \$1 Million Value	% of Total Tax Bill	Paid by Palm Owners
Palm Beach County School District	7.0100	\$7,010	42.50%	\$133,672,568
Palm Beach County	4.8124	\$4,812	29.18%	\$91,766,886
Palm Beach	2.9962	\$2,996	18.17%	\$57,134,058
Health Care District	0.7261	\$726	4.40%	\$13,845,885
Children Services	0.6497	\$650	3.94%	\$12,389,025
South Florida Water Mgmt	0.2295	\$230	1.39%	\$4,376,299
Everglades Construction	0.0380	\$38	0.23%	\$724,616
Florida Inland Navigation	0.0320	\$32	0.19%	\$610,203
Grand Total	16.4939	\$16,494	100.00%	\$314,519,540

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The total taxes paid per million of taxable value in the Town in FY21 was \$16,494 a decrease of \$283.50 from FY20. Of that amount, \$2,996 stayed in the Town to pay for services and the remaining \$13,498 went to other taxing districts. A breakdown by taxing district for a \$1 million homesteaded property using the FY21 tax rates is shown below.



FY22 Millage Rate

Appearing on the following page is a millage rate table that provides the FY22 proposed millage rate versus the FY21 millage. An FY22 millage rate of 2.8966 represents a 3.32% reduction from FY21 and a \$54 reduction for homesteaded properties.

The State of Florida requires the Town to calculate a rolled-back millage rate. The rolled-back rate is defined as the millage rate which provides the same property tax revenue for each taxing authority as was levied during the previous year (exclusive of new construction, additions, rehabilitative improvements increasing assessed value by at least 100%, annexations, deletions). The rolled-back millage rate currently is 2.8135 and is 2.95% more than the proposed millage rate.

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	FY21 Millage Rate	FY22 Millage Rate \$0 Increase for Homestead
Millage Rate	2.9962	2.8966
Tax Revenue	\$57,074,145	\$59,663,511
Revenue Increase over FY21	n/a	\$2,589,366
Millage % Increase/Decrease vs. FY21	n/a	(3.32%)
Homestead Value Increased by 1.4%	\$1,000,000	\$1,014,000
Town Taxes	\$2,846	\$2,792
Increase/(Decrease) over FY21	n/a	(\$54)
Non Homestead Tax Increase Ave 6.87%	n/a	\$136

In FY21, we prepared a very conservative revenue budget estimate due to the uncertainty surrounding the pandemic related recession. For FY21 to date, many of our revenue sources have exceeded budget expectations. The FY22 proposed revenues represent a conservative increase over FY21. The revenue budget by type for the General Fund for FY22 compared to FY21 is shown on the table below:

Revenue	FY2021	FY2022	FY21 vs. FY22 Difference	% Change
Ad Valorem Taxes	\$57,134,000	\$59,663,700	\$ 2,529,700	4.43%
Non Ad Valorem Taxes	6,351,000	6,710,500	359,500	5.66%
Licenses & Permits	4,245,100	4,419,233	174,133	4.10%
Intergovernmental	956,000	1,121,700	165,700	17.33%
Charges for Services	5,384,700	6,172,500	787,800	14.63%
Fines and Forfeitures	916,000	1,025,500	109,500	11.95%
Investment Earnings	904,773	359,811	(544,962)	-60.23%
Miscellaneous	494,500	499,500	5,000	1.01%
Transfers from the Enterprise Funds	3,225,000	3,736,665	511,665	15.87%
Transfers from unassigned fund balance for Contingency and Compensated Absences	<u>1,304,500</u>	<u>5,431,464</u>	<u>4,126,964</u>	316.36%
Total Revenues	\$80,915,573	\$89,140,573	\$ 8,225,000	10.16%

Significant highlights for General Fund FY22 revenues include:

- ❖ Based upon the Property Appraiser's Certification issued July 1, 2021, existing property taxable values in the Town have risen 8.13% over the prior year. The total taxable value is \$21,681,912,582.

- ❖ The amount included for property tax represents the taxes generated from millage rate that equals a \$54 decrease per million of taxable value for homestead property owners.
- ❖ The Non Ad Valorem tax revenue is increased based on current trends.
- ❖ The increase in Licenses and Permits is due to the high volume of current activity expected to continue into FY22.
- ❖ The Intergovernmental revenue increase is due to improvements in State revenue sharing and sales tax receipts.
- ❖ Charges for services increased mostly due to the recently adopted increases for parking meter fees and usage. In addition, Recreation fees also increased due to the expectations that usage will continue to improve during the FY22 season and some fee increases.
- ❖ Fines and forfeiture revenue increased based on the additional metered spaces.
- ❖ Investment earnings have decreased based on lower expected interest rates.
- ❖ The transfers from the Enterprise Funds represent a transfer of \$25,000 from the Par 3 Golf Course enterprise fund, a transfer of \$511,665 from the Marina Fund which represents General Fund allocated costs of services such as Finance, Human Resources, Town Manager and a small portion of Public Works and the transfer from the Building Enterprise Fund of \$3,200,000 represents allocated costs of General Fund services provided for the Building permit process.
- ❖ Transfers from fund balance represent transfers for Contingency and the compensated absence payouts for the year these total \$1,431,464. The compensated absence payout increased due to a large amount of expected retirements in FY22. In addition, \$4 million is proposed to be transferred to the Capital Improvement Program from General Fund Unassigned Reserves for the reconstruction of the North Fire-Rescue Station.

General Fund Expenditures

General Fund expenditures have increased by 10.16% from FY21. The details by expenditure category are shown in the table on the following page.

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Expenditure Category	FY2021	FY2022	FY21 vs. FY22	
			Difference	% Change
Salary and Wages	\$26,512,380	\$27,950,544	\$ 1,438,164	5.42%
Pension Benefits	11,590,985	11,646,771	\$ 55,786	0.48%
Other Employee Benefits	6,695,585	6,624,587	\$ (70,998)	-1.06%
Contractual	10,407,395	11,187,512	\$ 780,117	7.50%
Commodities	1,712,155	1,693,282	\$ (18,873)	-1.10%
Depreciation/Capital Outlay	2,318,836	2,279,381	\$ (39,455)	-1.70%
Subtotal Operating Expenditures	59,237,336	61,382,077	\$ 2,144,741	3.62%
Library	352,650	363,230	\$ 10,580	3.00%
Transfer to the Risk Insurance Fund	2,010,439	2,173,487	\$ 163,048	8.11%
Transfer to Capital Improvement Program	2,662,000	8,428,200	\$ 5,766,200	216.61%
Transfer to Underground Utility Fund	165,000	176,550	\$ 11,550	7.00%
Transfer to the Debt Service Fund	5,691,148	5,676,719	\$ (14,429)	-0.25%
Transfer to Coastal Management Fund	4,777,000	4,920,310	\$ 143,310	3.00%
Extraordinary Transfer to Retirement Fund	5,420,000	5,420,000	\$ -	0.00%
Contingency	600,000	600,000	\$ -	0.00%
Subtotal Transfers and Contingency	21,678,237	27,758,496	\$ 6,080,259	28.05%
Total General Fund	\$80,915,573	\$89,140,573	\$ 8,225,000	10.16%

Highlights for General Fund expenditures are as follows:

Total operating expenditures increased \$2,144,741 or 3.62% from FY21. Total transfers and other expenses increased \$6,080,259 or 28.05%. Details of the changes are as follows:

Operating Expenditures:

- ❖ Salary and wages increased \$1,438,164 due to the increase in FTEs in the General Fund of 1.18 (see full description later in the document). The increase also includes merit and step increases totaling \$427,661. As a reminder, the Town Council approved during the Compensation study, lowering merit increases to 1.5% - 6%, from 3% - 7.5% in FY21. The Town Council approved staff's recommendation to adopt the Social Security COLA calculation as the method to determine the annual COLA rather than focusing on a one-month snapshot. The Social Security calculation uses a three-month average of the CPI-W in order to calculate the annual COLA increase for social security recipients. We have taken the average of the CPI index for the Miami-Ft. Lauderdale-West Palm Beach area for the last three reporting periods. (This CPI index is reported every other month). We have included a COLA increase of 2.2% based on this calculation at a cost of \$544,659 in the budget. The Town Council approved an additional 1% COLA since this calculation was not used last year and it would have resulted in a 1% COLA for FY21 at an additional cost of \$189,906. Also included are market adjustments for Police Officers and Fire-Rescue personnel to ensure they remain at the 75th percentile and a 1.1% market adjustment for General Employee ranges to maintain competitiveness. Additional information regarding compensation changes can be found later in this message under "Compensation Update".

- ❖ The total annual required contribution for the defined benefit plan (DB) and defined contribution (DC) pension benefits increased in the general fund by a total of \$55,786 due to FTE allocations between funds and the new positions. In addition, in FY21, the Town used prepaid contributions of \$126,945 to offset the Town Contribution, in FY22 we have proposed to apply the remaining \$484,000 in prepaid contributions directly to reduce the UAAL. Defined Contribution costs increased by \$7,425.
- ❖ Other employee benefit costs decreased by \$70,998 or 1.06%. Health insurance costs were lower by \$23,727. FICA tax increased by \$40,713 due to the increase in the salary budget. The Longevity/Bonus program increased by \$20,362.
- ❖ Included in Other Employee Benefits is the Transfer to the OPEB trust. The transfer to the OPEB trust fund decreased by \$95,643. In the most recent actuarial report, the Town's funding level was 133.9% funded using a 5% return assumption. The Investment Advisory Committee is recommending that the return assumption be lowered from 6% to 5%.
- ❖ The increase in contractual costs (\$780,117) is due to increases for code review of \$50,000, increases in sewage treatment and disposal costs of \$47,931, landscaping contracting \$110,937, additional compacted garbage pickup \$44,210, janitorial costs \$15,300, contractual hiring in recreation \$85,900 and IT \$40,000, IT Maintenance costs \$34,845, a contractual vehicle technician in the Police Department \$30,900, and electricity costs \$16,700. The rental of trailers to house the firefighters during construction of the North Fire-Rescue Station in the amount of \$250,000 has been included. Also, employee events \$20,000, as well as education and conference travel, \$33,100 were added back into the budget after cuts in FY21 due to the pandemic.
- ❖ The decrease in commodities of (\$18,873) is related to numerous small decreases throughout these accounts.
- ❖ Depreciation/Capital outlay costs decreased \$39,455, due reduction in the purchase of equipment versus prior years.
- ❖ The funding for the Four Arts Library will increase by \$10,580. This funding is now tied to CPI with a cap of 3%. The CPI 12-month change through April for the Miami-Fort Lauderdale-West Palm Beach was 4.1%.

Transfers and Other:

- ❖ The transfer to the Risk Fund increased by \$163,048 due to anticipated increases in the insurance market.
- ❖ The transfer to the Capital Improvement Fund increased by (\$5,766,200) or 216.61% over FY21. Funding for the reconstruction of the North Fire-Rescue Station of \$5,500,000 has been added to the transfer. A portion of the funding (\$4,000,000) is from General Fund reserves, or a future bank financing.
- ❖ The transfer to the Underground Utility Fund represents the transfer of funds to pay for the Project Manager's salary and benefits.
- ❖ The transfer to the debt service fund decreased by \$14,429.

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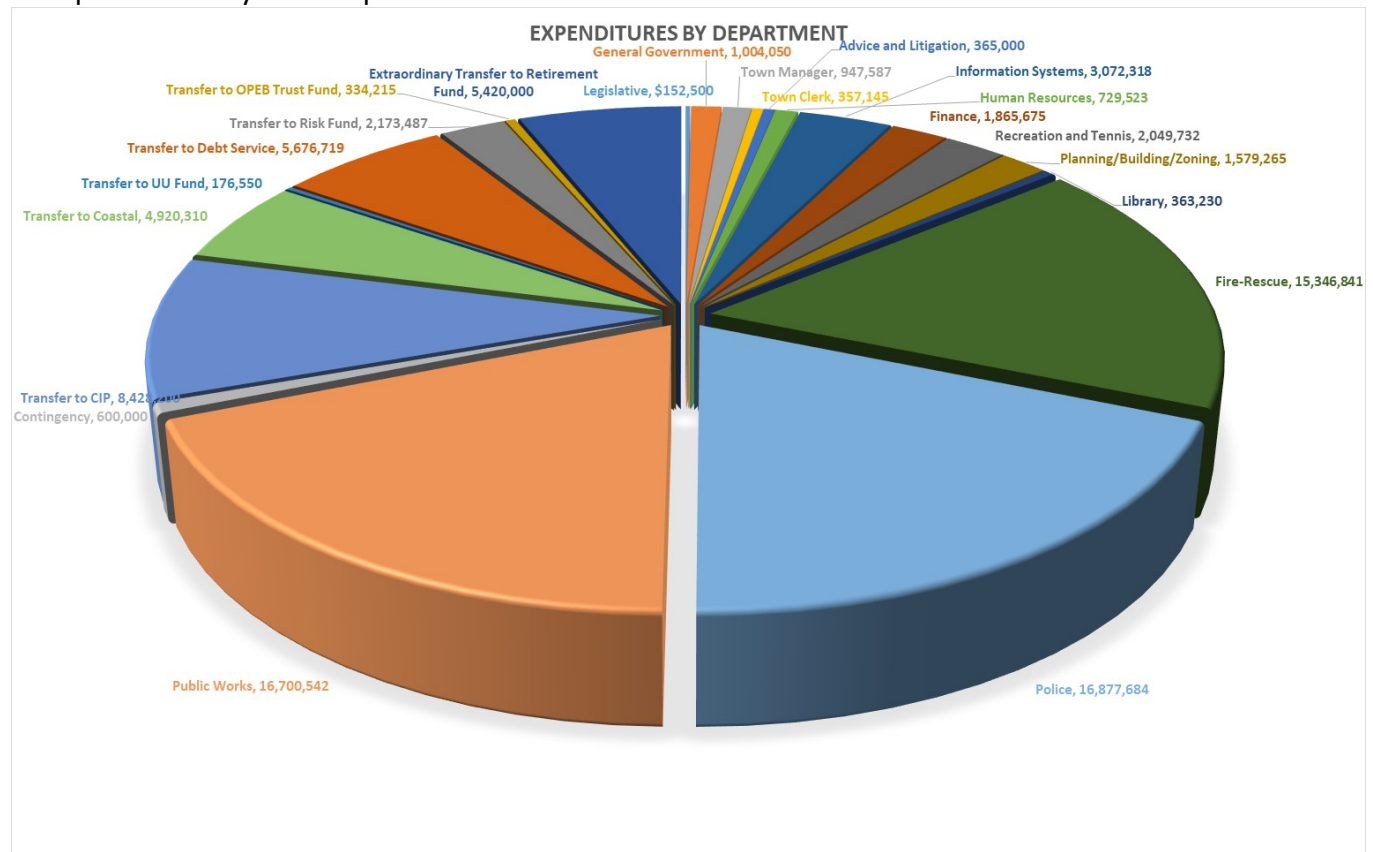
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- ❖ Coastal funding includes a 3% increase of \$143,310. Please see the Coastal Budget section for more information about the budget and forecasted expenditures.
- ❖ The extraordinary transfer to the retirement fund to accelerate improvements to the UAAL remained at \$5,420,000.
- ❖ Contingency is funded at 1% of operating expenditures. Absent extraordinary unforeseen circumstances, this amount should be enough to cover unexpected expenditures.

Funding By Department

Departmental Expenditures

The three largest departments, Police, Fire-Rescue and Public Works, account for over 54.9% of the Town budget. The transfers mentioned above account for another 30.4% for a total of 85.3% of the total Town budget. All other general government and administrative departments make up the balance of 14.7%. The charts below and on the following page provide a graphic example of expenditures by each department and transfer.



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



Fund Balance

The General Fund Unassigned Fund Balance as of September 30, 2020 was \$29,628,725. This amount was \$12,614,582 above the policy-required minimum. The FY22 budget includes a transfer of \$600,000 from fund balance to fund the contingency reserve and \$698,500 from the reserve for compensated absences to fund the compensated absence payouts. After the contingency transfer, the remaining balance in the unassigned fund balances will be \$11,316,082.

Total excess reserves in all Town funds as of September 30, 2020, were \$28,247,248.

For FY21, revenues are exceeding the budget estimates and are at 97.6% through July, and expenditures are close to budget estimates at 83.2% to date. Based on these factors, we are currently estimating a surplus of between \$1.5-2 million at FY21 year-end. If we experience a storm or other unexpected event this amount will decrease.

Compensation Update

Human Resources staff conducted an annual market assessment to ensure the Town's pay ranges remain competitive within the Palm Beach County market and at the 75th percentile for public safety. Twenty (20) percent of all general positions and all sworn and certified positions were studied. The analysis of public safety market pay ranges resulted in increases to the minimum and maximum for all positions on the Fire Rescue step plan in order to bring the minimum and maximum to the 75th percentile. The maximum of the Police step plan will be increased for the Police Officer and the Police Sergeant position. The General employees that were studied this year remain competitive and within policy with two exceptions. Two positions were found to be

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below the 65th percentile of the market and will be re-graded so that the maximum is between the 65th and 75th percentile. In order to remaining competitive for the rest of the positions, we have increased the ranges by 1.1% for all other positions (unless they are at or above the 75th percentile).

Personnel Complement

The total FTE includes full time employees and part time no benefits employees (PTNB). The total personnel complement (for all funds Townwide) for FY22 is 352.68 full-time equivalent personnel (FTE), which is a net increase of 7.11 FTE from the adopted FY21 budget. A chart of the FTE by department is shown below for FY21 and FY22. The chart shows full-time employees which increased by 3.0 FTE and PTNB staffing which increased by 4.11 FTE. The changes in the FTE for both full-time and part-time staffing are described in detail after the table.

Department/Fund	FY21	FY22
Full Time Staffing		
Town Manager	7.00	7.70
Information Systems	8.00	8.00
Human Resources	3.77	4.00
Finance	13.69	13.69
Planning & Zoning	9.10	9.10
Fire-Rescue	78.40	78.40
Police	96.85	96.85
Public Works	79.88	81.00
Recreation	7.90	8.40
Town Docks	1.57	4.55
Par 3 Golf Course	6.65	6.55
Building Fund	17.65	16.65
Underground Utility Fund	1.00	1.00
Coastal Management Fund	1.00	1.00
Risk Fund	1.78	1.20
Health Fund	1.12	0.55
OPEB Trust	0.98	0.50
Retirement Fund	0.66	0.86
Total Full Time Staffing	337.00	340.00
Part Time No Benefit Staffing		
Fire- Rescue (Ocean Rescue)	3.00	3.00
Police	1.35	0.00

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Recreation Center	1.78	1.34
Tennis	1.38	1.03
Town Wide Undergrounding	0.00	0.75
Fire Prevention	0.00	0.38
Building Fund	0.00	4.38
Human Resources	0.00	0.40
Risk Management	0.00	0.20
Health	0.00	0.10
OPEB	0.00	0.05
Par 3 Golf Course	1.06	1.06
Total Part Time No Benefits Staffing	8.57	12.68
Total Town Staffing	345.57	352.68

The increase of 7.11 FTEs in FY22 is made up of the following additions and reductions in part time and full time positions:

Position changes:

- 1 FTE reduction of the Human Resource Director.
- 1 FTE addition of Assistant Town Manager.
- 1 FTE addition of Communications Specialist (TMO/HR)
- 1 FTE addition of Administrative Assistant in Planning Zoning and Building.
- 1 FTE reduction of Electronic Documents Manager (PZB/IT)
- 1 FTE reduction in Police with the elimination of Training Coordinator.
- 1 FTE addition of Project Engineer Public Works
- **3 FTE increase at Marina**
- **4 PTNB increase in Building Enterprise Fund for monitoring and enforcement of construction sites.**
- .75 FTE addition of Administrative Assistant for the Town wide underground program.
- .25 FTE reduction of full time administrative position to part time in HR
- .25 FTE reduction of full time administrative position to part time in PZB
- .35 FTE reduction in Police of part time vehicle technician
- 0.79 FTE reduction in Recreation part time no benefit positions.

Other Funds

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

Special Revenue Fund (122) Townwide Underground Utility Project

The Townwide Underground Utility Project fund accounts for the project costs and associated assessments and borrowings for the project. During FY22, we expect to complete Phase 2 South and Phase 3 South, and continue construction of Phase 4 North and South and begin construction of Phase 5.

In addition to the FY22 budget, a cash flow projection through 2026 using the updated opinion of costs is included in the Townwide Underground Utility section. During 2021, property owners were provided a final opportunity to prepay their assessments. The Town received over \$6.5 million in prepaid assessments reducing the amount available to pay future debt service. The Town issued the final GO bond in the amount of \$8,575,000. The prior forecast had a higher amount estimated for debt service than the amount actually issued. After the issuance of the 2021 General Obligation Bond, the forecast currently shows a projected ending deficit of \$12,657,846 in FY2026. Staff presented an option to fund this deficit by using annual Marina surplus funds in the amount of \$2,600,000 for five years.

Debt Service Funds (205, 206)

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

The 2016A, 2013, 2019 Series Revenue Bond debt service is funded from non-ad valorem revenues. A portion of the debt service payment is funded through the Par 3 Enterprise Fund for the Town's portion of the golf course and clubhouse renovation (\$191,100), and a portion is funded through the Coastal Management Fund (\$508,958). The non-ad valorem revenue transfer from the General Fund for FY22 is \$5,676,719.

The 2016B Series Revenue Bonds debt service appropriation of \$722,113 is funded through non ad valorem assessments on the property owners within the Worth Avenue Assessment District.

The Town has issued General Obligation bonds for the Underground Utility Project. These bonds shall be payable first from the Underground Utility Project special assessments and, to the extent the assessments are insufficient to pay debt service or not assessed, ad valorem taxes will be

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levied and collected on all taxable property in the Town to pay principal and interest on the bonds as they become due and payable. Total debt service for FY22 on these bonds will be \$3,847,805.

In 2020, the Town issued non ad valorem debt totaling \$31,000,000 through a bank loan for the Marina construction project at an interest rate of 2.25%. The debt service for FY22 will be \$1,992,763 and paid through the Marina fund. This loan is structured to include a 1% prepayment premium during the first four years and no prepayment premium thereafter.

The Town's outstanding Revenue Bond debt as of September 30, 2021, is shown on the table below:

<i>Year Issued</i>	<i>Outstanding Principal Balance September 30, 2021</i>	<i>Purpose</i>
2016A	\$38,125,000	First Phase of the ACIP and Refund Outstanding Debt
2016B	\$9,900,000	Worth Avenue Commercial District Project
2013	\$5,470,000	Remaining Balance on Second Phase of ACIP
2018	\$53,320,000	General Obligation Bonds for Townwide Undergrounding Project
2019	\$48,285,000	Taxable Refunding Revenue Bonds for Second Phase of the ACIP
2019	\$4,475,000	Refunding of Remaining Balance of First Phase of ACIP Debt
2020	31,000,000	Marina Loan
2021	8,575,000	General Obligation Bonds for Townwide Undergrounding Project
Total	\$199,150,000	

As of September 30, 2021, the Town's net bonded debt will amount to 18.6% of the legal limit of \$1,084,095,629 (5% of preliminary FY22 taxable value of \$21,681,912,582).

Capital Improvement Funds (307, 309, 311, 314)

For FY22, the following items totaling \$11,040,000 are included in the Capital Improvement Fund (307):

- North Fire-Rescue Station Reconstruction - \$5,500,000
- Pavement Management - \$1,000,000
- Drainage Improvements - \$1,075,000
- Sanitary Sewage System Improvements - \$1,770,000
- Town Building Improvements - \$595,000

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- Water main improvements (WPB) - \$1,000,000 (Funded by West Palm Beach)
- General Engineering Services - \$100,000

The transfer to the Capital Improvement Fund has increased by \$5,766,200.

The American Rescue Plan (ARP) will provide the Town funding for sewer and drainage projects. The Town was recently informed that we will receive \$4,415,526 from this source. The updated 5-year Capital Improvement plan moved the rehabilitation of the North Fire-Rescue Station from FY2025 – 2026 to FY22. This project is expected to cost \$5,500,000. The Town Council approved additional funding of \$1,500,000 from property taxes and \$4,000,000 from Town reserves or possibly bank financing, depending on rates at the time, to fund this project.

Coastal Management

The Coastal Management Fund (309) is used to fund the construction costs of the coastal projects. The details of the FY22 budget for Coastal Management can be found in the Annual Budget Document. This plan has been updated by Public Works to include estimates for future projects based upon current costs. The plan includes resiliency projects such as the Mid-Town seawall funded at \$2.5 million per year for the next five years and annual funding of \$1,000,000 per year for the next ten years for seawall or bulkhead repair or replacement.

Enterprise Funds (401, 402, 405)

Town Marina

Town Marina was closed for construction through most of FY21. The marina is expected to be operational as of November 1, 2021. Staff has prepared a 10-year financial forecast for the marina. Staff proposed to use \$2,600,000 per year of the annual surplus for the next 5 years from the Marina Fund to fund the deficit in the Townwide Underground Project Fund.

In addition, the Town Council adopted 3 new financial policies for the Marina. The policies include a Dock Maintenance and Improvement Reserve, Marina Depreciation Reserve, and the Unrestricted Net Position Policy.

Par 3 Golf Course

Par 3 revenues are projected to increase over end of year estimates during FY22. The various FY22 fee adjustments include strategic increases to green fees and passes which will capitalize on player demand for our unique facility. The Par 3 Golf Course anticipates an operating gross profit of \$683,500 prior to depreciation and other below the line expenses. The transfer to the reserves for the Golf Course and Clubhouse and the Equipment Replacement Fund total \$263,924. Additional deductions from the operating profit include transfers for debt service (\$194,813), contingency (\$92,950) and the general fund (\$25,000).

FY20 ended the year with a small deficit due to the closures related to the pandemic. To date, for FY21, the Par 3 revenues are on track to end the year well over the budget estimates. The Par 3 should end the year with a healthy surplus. The LTFP forecast shows improvement to the net assets of the fund. We will closely monitor this fund to ensure that there is improvement in the reserves.

Building Enterprise Fund

The Building Enterprise Fund was created last year to account for all building permit revenue and expenses and allow for greater transparency as required by the State of Florida. During FY21, a cost allocation study was performed to confirm the appropriate permit fee multiplier to stay consistent with Florida Statutes and to provide the basis for implementing reduced permit fees for owners and contractors that choose to use private providers on their construction projects. FY21 revenues are expected to be higher than budget and will provide for a higher surplus than anticipated. Total revenues for FY22 are conservatively estimated to be \$6,904,119 and total operating expenses are \$6,536,343 which includes a transfer to the General Fund of \$3,200,000, which is for the allocated costs that the General Fund provides to the building permit process. Building permit related revenues have increased by \$642,114 due to the recent increase in building activity. Funding for software implementation, training and annual maintenance of \$319,984 has been included in the budget for new building permit software to improve customer service and efficiency. In addition, funding for additional part time no benefit personnel has been added to monitor construction sites for violations. After depreciation and capital outlay expense of \$343,148 and a 5% operating expense contingency of \$166,817 there is a projected net loss of \$142,189, which will decrease the reserves of this fund.

Internal Service Funds (501, 502, 320)

The transfer to the Risk Fund (501) has increased by \$163,048 due to expected increases in the insurance market.

The Health Insurance Fund (502) transfer from all funds has decreased due to past favorable claims experience.

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

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FY2022

Trust Funds (600 & 610)

Retirement (600)

The FY22 actuarially determined contribution to the DB plan totals \$11,746,005. The contribution decreased \$46,487 due to the updated mortality tables used by FRS, offset by assumption changes, including the investment return which was lowered in FY20 from 7.1% to 6.8% and has decreased to 6.6% in FY21. In FY21 the Town used \$126,945 in prepaid contributions to offset the Town's contribution. The Town has \$484,000 remaining in prepaid contributions that we have proposed to be used to directly lower the UAAL and not use the funds to offset Town Contributions.

The Town contribution amounts by employee group are shown below versus the FY21 contribution. Legacy plan costs represent \$8,838,582 (75.25%) of the total and the costs for the ongoing plan are \$2,907,423 (24.75%).

Town DB and DC Retirement Contributions

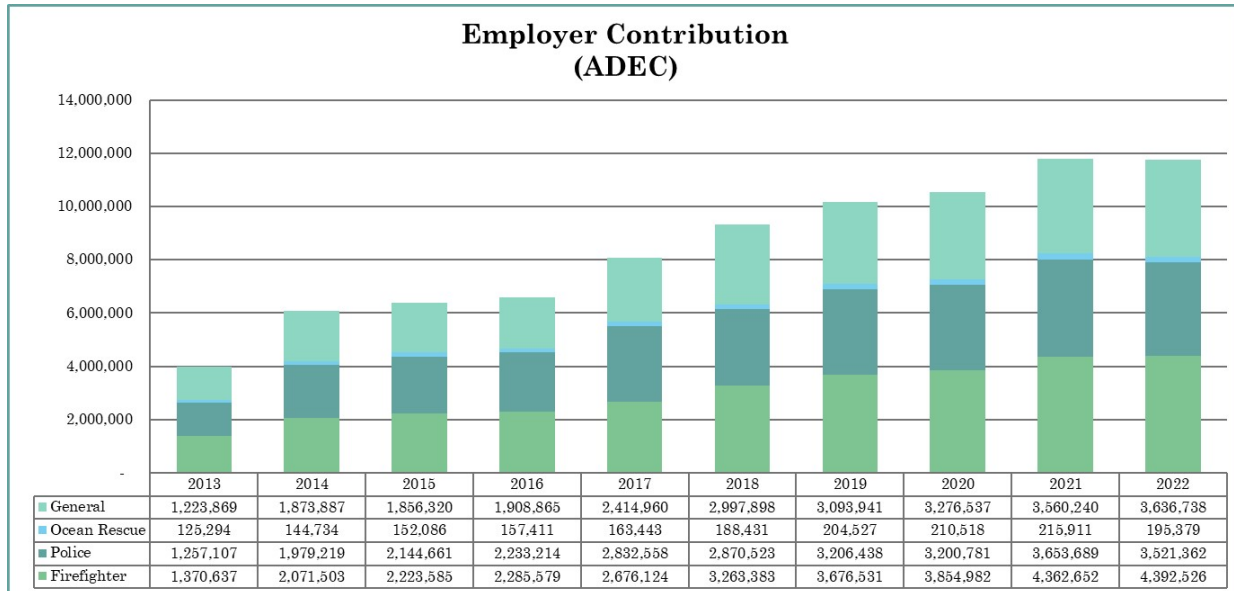
Town Retirement Contributions	FY2021	FY2022	\$ Change	% Change
General Employee DB	\$3,560,240	\$3,636,738	\$76,498	2.15%
Lifeguards DB	215,911	195,379	(\$20,532)	-9.51%
Police DB	3,653,689	3,521,362	(\$132,327)	-3.62%
Fire-Rescue DB	4,362,652	4,392,526	\$29,874	0.68%
Total DB Contribution	\$11,792,492	\$11,746,005	(\$46,487)	-0.39%
Total DC Contribution	\$626,921	\$638,746	\$11,825	1.89%
Total Town DB and DC Contribution	\$12,419,413	\$12,384,751	(\$34,662)	-0.28%

Executive Summary

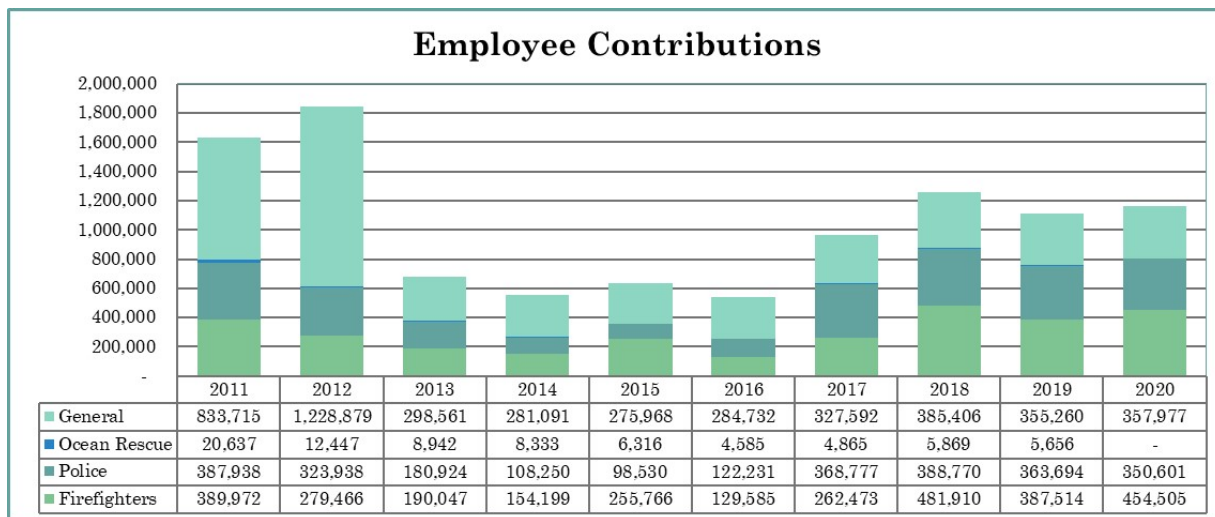
Town of Palm Beach

FY2022

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



The 10-year trend for employee contributions is shown below:



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

Employer Defined Contribution Funding

DC Contributions	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Budget	FY2022 Budget
General	\$467,062	\$445,592	\$450,148	\$620,455	\$631,738
Lifeguards	5,844	5,155	2,356	6,386	7,008
Total	\$472,906	\$450,747	\$452,504	\$626,841	\$638,746

Health Insurance (OPEB) Trust (610)

The actuarially determined transfer to the OPEB trust from the General Fund in the FY22 budget is \$334,215. This amount is \$95,643 less than FY21. The Investment Advisory Committee recommended the investment return assumption be lowered from 6% to 5%. The funded ratio in the September 30, 2020, actuarial report was 133.9% at the 5% rate.

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

Worth Avenue Special Assessment District

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

Proposed Millage Rate

Resolution No. 095-2021 adopts a proposed millage rate of 2.8966. This rate is 2.95% more than the rolled-back rate of 2.8135. The rate provides a tax decrease for homestead property owners of \$54 per million of taxable value.

Long-Term Financial Plan

The Long-Term Financial Plan (LTFP) has been updated with the FY22 proposed budget.

Public Hearing Schedule

The State mandated schedule requires that two public hearings be held in September to provide for the final adoption of the Town's FY22 budget and millage rate. The proposed public hearing meeting dates are as follows: These dates are presented in the Millage Rate Resolution and provided to the Property Appraiser.

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- First Public Hearing – September 13, 2021 at 5:01pm
- Second Public Hearing – September 23, 2021 at 5:01pm

Conclusion

This concludes the executive summary portion of the FY22 proposed budget. Staff will be prepared to answer any questions you may have.

Respectfully Submitted,

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

Kirk Blouin
Town Manager

cc: Department Directors