

## Town of Palm Beach Reserves

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

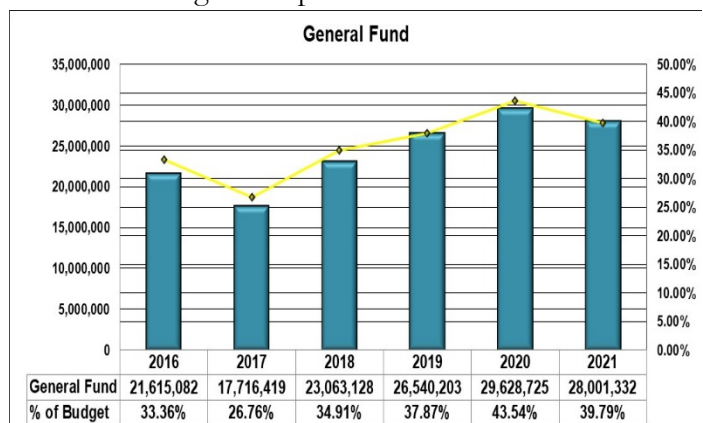
Below is a table showing the projected fund balance through September 30, 2022, based on the ending fund balance at September 30, 2021 plus FY22 budgeted revenues less expenditures for all funds.

### Fund Balance Projections Fiscal Year 2022 Annual Budget

Fund	Fund Balance at 9/30/21	Estimated FY2022 Revenues	Estimated FY2022 Expenditures	Projected Fund Balance at 9/30/22
General Fund	\$ 37,479,326	\$ 89,140,574	\$ 89,140,574	\$ 37,479,326
Townwide Underground Utilities Fund	\$ 64,700,595	\$ 7,620,868	\$ 53,008,854	\$ 19,312,609
2013 and 2016A Bonds Debt Service Fund	\$ 1,479,569	\$ 6,376,777	\$ 6,561,777	\$ 1,294,569
2016B Worth Avenue Bond Debt Service Fund	\$ 173,504	\$ 724,613	\$ 724,613	\$ 173,504
Capital Improvement Fund	\$ 17,688,703	\$ 13,127,290	\$ 21,271,837	\$ 9,544,156
Coastal Management Fund	\$ 32,314,211	\$ 5,666,601	\$ 28,055,508	\$ 9,925,304
Worth Avenue Assessment District Fund	\$ 246,292	\$ 436,727	\$ 486,727	\$ 196,292
Marina Enterprise Fund	\$ 12,006,656	\$ 9,554,961	\$ 9,032,465	\$ 12,529,152
Par 3 Golf Course Enterprise Fund	\$ 11,571,168	\$ 2,730,800	\$ 2,618,422	\$ 11,683,546
Building Fund	\$ 2,646,705	\$ 6,904,119	\$ 7,046,308	\$ 2,504,516
Risk Insurance Fund	\$ 5,485,417	\$ 2,273,487	\$ 5,672,520	\$ 2,086,384
Health Insurance Fund	\$ 7,289,078	\$ 4,604,570	\$ 5,988,795	\$ 5,904,853
Equipment Replacement Fund	\$ 30,258,192	\$ 2,478,287	\$ 2,326,831	\$ 30,409,648
Employee's Retirement Fund	\$288,216,109	\$ 39,955,005	\$ 23,779,478	\$304,391,636
OPEB Trust Fund	\$ 40,330,823	\$ 3,462,340	\$ 2,985,482	\$ 40,807,681
<b>Totals</b>	<b>\$551,886,348</b>	<b>\$195,057,019</b>	<b>\$ 258,700,191</b>	<b>\$ 488,243,176</b>

### 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 FY22 General Fund operating budget (General Fund budget less CIP, coastal and extraordinary retirement transfer) is \$17,593,016. The FY21 ending fund balance was \$28,001,332. The unassigned fund balance exceeded the minimum



requirement by \$10,408,316. The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart shows the trend for the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents. The unassigned fund balance declined due to the \$4 million transfer from reserves to the Capital Improvement Fund for the North Fire-Rescue project. The Town Council also approved the use of a portion of the excess fund balance for the Lake Drive Park project. A preliminary amount of \$1,123,108 has been approved to transfer to the Capital Improvement Fund. The entire amount may not be necessary and once all costs are known any excess will remain in the General Fund reserve. Once the project is closed out, a budget amendment will be needed to transfer the needed funding in FY22.

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

The Reserve for Compensated Absences reduces the budgetary fluctuations due to the payout of accrued leave time to employees when they leave Town service. This reserve is funded at a rate of 100% of the fiscal year end accrued leave balances. Funds are appropriated annually from this reserve based upon estimates of pay-outs of eligible accrued vacation and sick time and the related payroll tax liability. The balance in the reserve as of September 30, 2021, was \$2,645,408. The FY22 appropriation for the pay-out of eligible accrued vacation, sick and compensatory time from this reserve is \$831,464.

**Townwide Underground Utilities Fund**

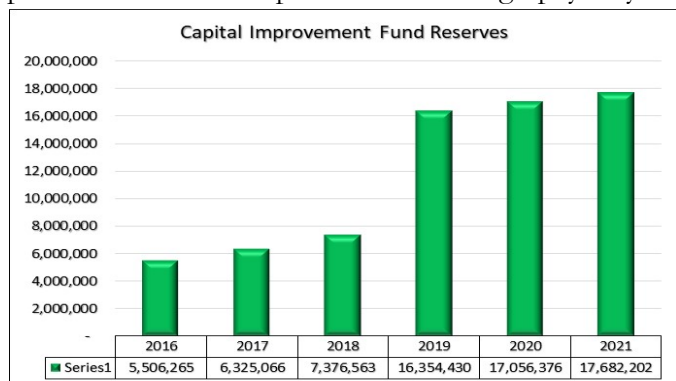
The Town issued General Obligation Bonds in FY19 and FY21 for the Townwide Underground Utilities Project. Phase 1 North was completed in FY19. Phase 1 South and Phase 2 North were completed in FY20. During FY21, Phase 3 North was completed. During FY22, we expect Phase 2 South and Phase 4 North to be completed, and Phase 3 South to be substantially complete. Phase 4 South, Phase 5 North and South are under construction. Engineering and design is underway for Phases 6, 7 and 8 of the project. The completion of these projects will reduce the net assets in this fund during FY22. Current project estimates show a deficit of over \$12 million for the project. This deficit will be funded from excess profits from the new Town Marina.

**Debt Service Funds**

The debt service fund for the 2016A and 2019 bonds has excess reserves of \$1,479,569 that had accrued since the issuance of the 2013 bonds. These excess funds are being used to lower the annual transfer from the General Fund to the debt service fund.

**Capital Improvement Fund**

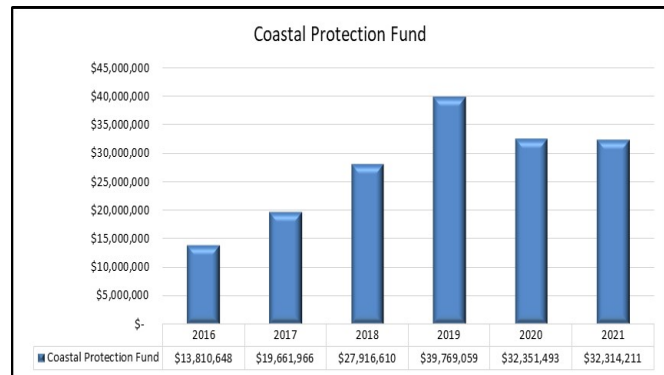
For many years, the Town funded all of the capital infrastructure improvements through pay-as-you-go financing. For FY22, the transfer to Capital Improvement Fund from the General Fund increased to \$8,428,200 to fund future projects and the North Fire-Rescue station renovation. The increase in reserves to the FY19 balance is due to the transfer of the Mandel Recreation Center project to this fund from the Recreation Enterprise Fund and contributions from the Mandel foundation and the Friends of



Recreation. Reserves of \$4,199,743 have been encumbered for current projects. The balance of \$13,482,459 is reserved for future projects.

### Coastal Protection Fund

The Coastal Protection Fund reserves are in place for beach renourishment projects. The Coastal Protection financing plan calls for annual transfers from the General Fund to the Coastal Fund to accumulate funds for renourishment projects and the other costs associated with the plan. The FY22 transfer was \$4,920,310. As of September 30, 2021, the reserve balance in this fund is \$32,314,211. The Mid-Town beach renourishment project occurred in FY20 which lowered the balance of these reserves. Sufficient funds will be available for future projects with Federal, State and County grant funds expected to offset a significant amount of the cost.

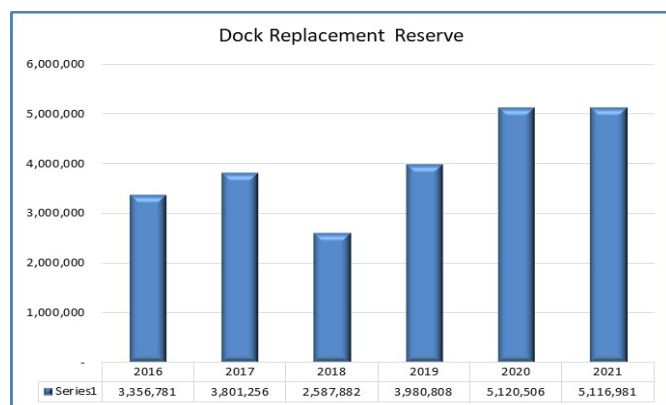


### Worth Avenue Assessment District

The Worth Avenue Assessment District is used to account for the maintenance of the improvements on Worth Avenue. The maintenance and debt service is fully paid through assessments on the property owners in this district. The reserves in this fund of \$246,292 have accumulated since the initial capital project was completed. The reserves in FY22 are being used to offset increased maintenance costs and for valet service during the season.

### Marina Enterprise Fund Reserves

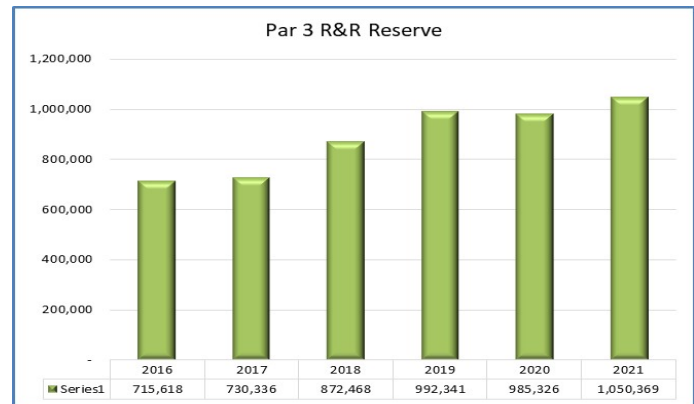
At the end of FY21, \$5,116,981 has been set aside in the Dock Replacement Reserve and at the end of FY21 the unassigned fund balance totalled \$10,361,146. The unassigned fund balance will decline in FY22 once the construction project has been closed out. The Dock Replacement reserve was created to partially fund the replacement cost of the construction of the Town's docks. In FY18, the Town used a portion of these reserves to fund the engineering and permitting costs associated with the dock replacement project. The Marina was closed at the end of the 2020 season to begin construction of the new Marina. A loan was secured for \$31,000,000 to finance a portion of the construction. Construction was finished and the Marina reopened November 1, 2021. Due to funding from the Florida Inland Navigation District, the dock replacement reserve was not used for the Marina Project. The annual depreciation for the new Marina is \$1,246,774. These funds will be set aside for future replacement. The Town Council approved an allocation from these reserves to be used to fund a portion (\$1,133,500) of the Lake Drive Park project that is related to the Marina.



The Town Council also approved the use of future profits in the amount of \$2,600,000 per year for 5 years from the Marina to the Townwide Underground Utility Project.

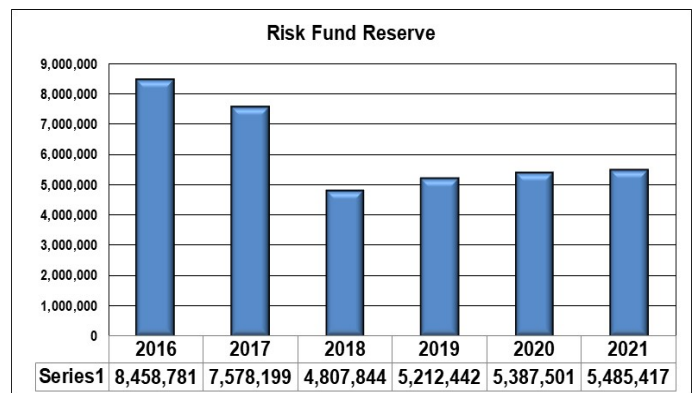
### Par 3 Enterprise Fund Reserves

The Par 3 Golf course repair and replacement reserve is funded with a transfer equal to 1/2 of the annual depreciation on the clubhouse and golf course. The balance in this reserve as of September 30, 2021 is \$1,050,369. The Par 3 Enterprise Fund also has an Equipment Replacement Fund with a reserve balance at the end of FY21 of \$555,779.



### Risk Fund Reserves

The total reserve balance for the Risk Fund was \$5,485,417 as of September 30, 2021. Out of this reserve balance, the Town funds the Reserve for Catastrophic Exposures/Emergencies - Risk Fund in the amount of \$2,500,000 and the Contingency Reserve for \$500,000. The trend for the Risk Fund Reserve is shown in the table. The fund balance declined in FY18 due to a transfer of \$2,300,000 of excess reserves to the Recreation Enterprise Fund to partially fund the Town's portion of the new Recreation Center. The minimum recommended reserve balance is \$4,000,000, which represents the amount of the Reserve for Catastrophic Exposures/Emergencies and the Contingency Reserve plus an equity amount of \$1 million to safeguard the Town's budget from an adverse event recommended by the actuary. The excess reserve for this fund at the end of FY21 is \$1,485,417. The \$3,000,000 appropriated each year for contingency and the Reserve for Catastrophic Exposures/Emergencies are not expected to be spent unless there is an emergency event such as a hurricane that would require the use of these reserves.



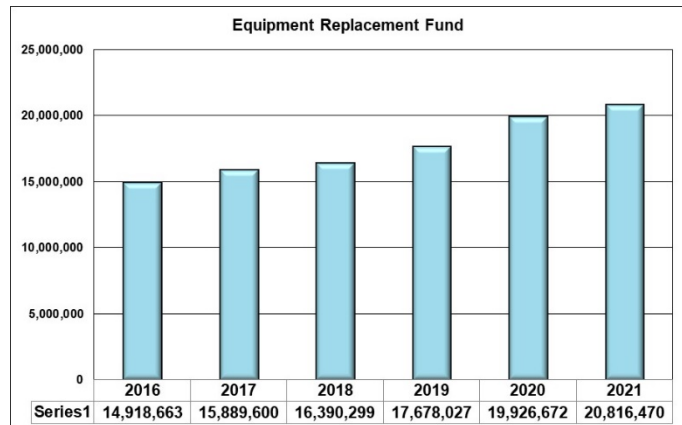
### Reserve for Catastrophic Exposures/Emergencies - Risk Fund

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

### Equipment Replacement Fund

The Town-wide Equipment Replacement Fund is intended to fund the replacement cost of existing equipment, vehicles and computers when they reach the end of their useful life. This reserve significantly reduces the budgetary fluctuations due to purchases of large pieces of equipment.

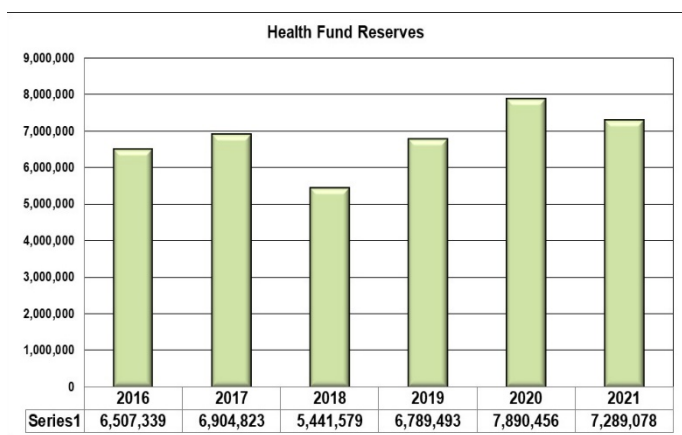
The Unassigned balance in the Equipment Replacement Fund Reserve for year-end FY21 was \$20,816,470. In FY13, the Town Council approved the use of funds from this reserve for internal financing for small neighborhood underground utility projects financed by special assessments. To date, there is a balance of \$812,036 remaining from this allocation. Currently the total amount in the fund for equipment replacement is \$17,389,686 leaving an excess of \$3,426,784.



For FY22, income including the depreciation transfer will total \$2,478,287 and expenditures for capital equipment are budgeted at \$1,986,831 which will cause the net assets of this fund to increase.

### Health Insurance Reserve

The balance of the reserve in the Health Fund at the end FY21 was \$7,289,078. These reserves guard against any deficiencies in the Town's self-insurance health fund for active employees' insurance expenditures. The trend in the reserve balance is shown in the chart. Since FY13, the Town maintained level funding of health insurance benefits due to the wellness program and good claims experience which enabled a reduction in funding for FY19 and FY20 and allowed for maintained level funding in FY21. The reserves of this fund have provided a cushion in case claims unexpectedly increase. In FY18, a transfer of \$2,300,000 from excess reserves to the Recreation Enterprise Fund was made to fund the Town's portion of the new Recreation Center. In FY21, reserves decreased due to higher than expected claims due to COVID. The actuary recommends a minimum reserve of 6 months of estimated claims, plus 60 days of claims, as well as the incurred but not Recorded (IBNR) claims. These amounts at the end of FY21 totaled \$2,835,541, leaving a surplus reserve amount of \$4,453,537. For FY22, the contingency balance is not expected to be spent and the projected fund balance is expected to be stable.



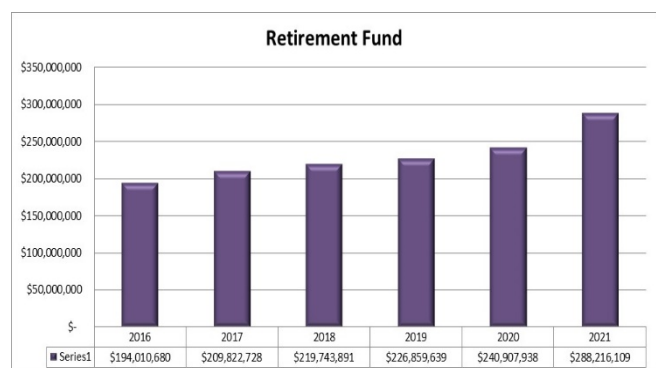
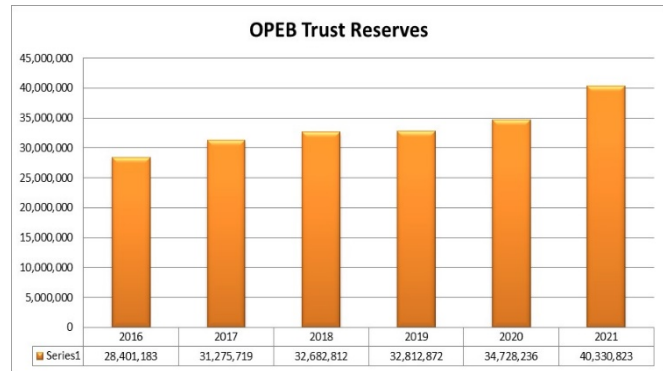
### OPEB (Other Post Employment Benefits) Trust

The Town's OPEB Trust Fund was established in 2007 to comply with GASB Statements 43 and 54, which required the establishment of a liability for actuarially determined costs of retiree health benefits. This fund's investments are overseen by the Town's Investment Advisory Committee. The Committee lowered the investment assumption from 6% to 5% in FY21. The net asset balance in this trust was \$40,330,823 as of September 30, 2021. The total OPEB liability at the end of FY21, was calculated to be \$27,343,375, resulting in a Net OPEB asset of \$13,074,019, and a funded ratio of

147.81% using a 5% return assumption. The actuarially determined transfer from the General Fund for the OPEB liability for FY22 is \$334,215. The Town is exceptionally well funded and continues to be well ahead of other government agencies.

### Retirement Fund

The Town provides pension benefits for General Employees, Lifeguards, Police Officers, and Firefighters. The funds were separately managed by three pension boards until the consolidation on April 1, 2012, into the Employee's Retirement Fund. The Retirement Board oversees all of the Town's pension assets and retirement programs. The net assets of the consolidated retirement fund at the end of FY21 were \$288,216,109. The increase was a result of good investment performance during the year and the extraordinary retirement contribution. The funded ratio improved to 76.1% compared to 72.7% last year. The improvement in the actuarial results resulted in a decrease of \$288,762 in the actuarially determined employer contribution for FY23.



### Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Marina and Par 3 Enterprise Funds, Building Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at 1% of the FY22 operating budget. The Capital Fund Contingency 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 Enterprise Funds maintain a Contingency Reserve at 5% of the operating expenses. All of the contingency reserves are annually appropriated in the budget process from the net asset reserves of each of the funds. Amounts from the contingency are appropriated for expenditures through an affirmative vote of the Town Council.

The table on the following page identifies the contingency budgets and actual expenditures for the fiscal years 2017 through FY2022 budget.

**Contingency Balances**  
2017-2022

Contingency	2017	2018	2019	2020	2021	2022
General Fund Budget	\$ 960,300	\$ 655,877	\$560,000	\$610,000	\$600,000	\$600,000
General Fund Actual	\$ 759,644	\$ 12,000	\$ 79,864	\$160,280	\$105,000	\$ -
CIP Budget	\$ 348,600	\$ 284,500	\$603,750	\$693,500	\$352,000	\$604,000
CIP Actual	\$ -	\$ -	\$ 95,796	\$ -	\$ -	\$ -
ERF Budget	\$ 500,000	\$ 500,000	\$500,000	\$500,000	\$500,000	\$500,000
ERF Actual	\$ 10,391	\$ 105,252	\$ -	\$ -	\$ 30,000	\$ -
Risk Budget	\$ 500,000	\$ 500,000	\$500,000	\$500,000	\$500,000	\$500,000
Risk Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health Budget	\$ 500,000	\$ 500,000	\$500,000	\$500,000	\$500,000	\$500,000
Health Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Par 3 Golf Course Budget	\$ -	\$ -	\$ 89,630	\$ 85,298	\$ 93,223	\$103,477
Par 3 Golf Course Actual	\$ -	\$ -	\$ 55,882	\$ 69,000	\$ -	\$ -
Marina Budget	\$ -	\$ -	\$ 55,679	\$ 54,209	\$ 39,686	\$123,094
Marina Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building Permit Fund	\$ -	\$ -	\$ -	\$ -	\$138,720	\$154,790
Building Permit Fund	\$ -	\$ -	\$ -	\$ -	\$ 74,030	\$ -
Recreation Enterprise Budget	\$ 321,200	\$ 168,303	\$ -	\$ -	\$ -	\$ -
Recreation Enterprise Actual	\$ -	\$ 37,750	\$ -	\$ -	\$ -	\$ -

**Unassigned Net Position**

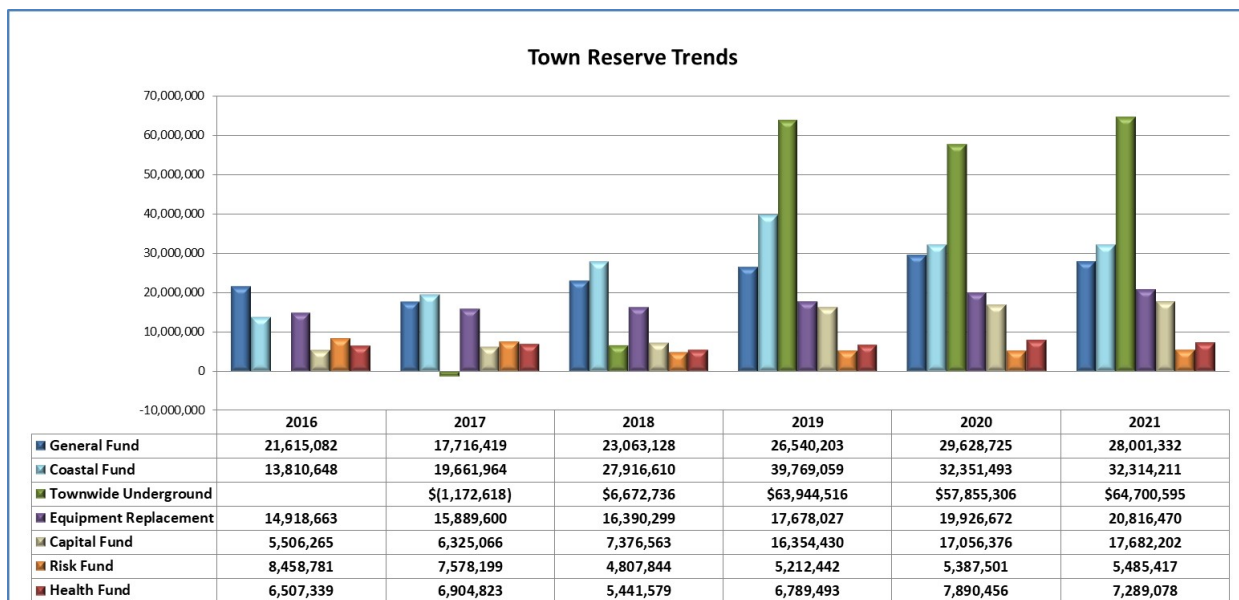
All reserves are at or over the policy established minimum. The financial strength of the Town can be measured by the health of its reserves. Bond rating agencies look closely at the reserve levels and the financial policies in place when rating a municipality. The rating agencies reviewed the Town's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

The table and the chart on the following page summarize the trend of the unassigned net position, compensated absence, and replacement reserve balances for fiscal year ending 2016 through fiscal year end 2021. Total reserves equal \$523,709,914. Reserves less Pension and Retiree Health Trust total \$195,162,982. Total Town reserves have grown over 61.9% since 2016. Total reserves *less* the Pension Fund and Retiree Health OPEB Trust have grown by 93.1% or \$94,074,172 over the same period. The Pension and Retiree Health Funds have grown by \$106,135,069 or 47.7% since 2016. Funding for future capital, coastal and Townwide underground utility projects held in reserves totals \$114,697,008.

Town Reserve Balance History  
2016 – 2021

Fund	2016	2017	2018	2019	2020	2021
General Fund	\$ 21,615,082	\$ 17,716,419	\$ 23,063,128	\$ 26,540,203	\$ 29,628,725	\$ 28,001,332
Compensated Absence (GF)	\$ 3,061,180	\$ 3,210,518	\$ 3,129,714	\$ 3,094,888	\$ 2,703,693	\$ 2,645,408
Equipment Replacement Fund	\$ 14,918,663	\$ 15,889,600	\$ 16,390,299	\$ 17,678,027	\$ 19,926,672	\$ 20,816,470
Recreation Enterprise Fund	\$ 169,291	\$ 777,250	\$ -	\$ -	\$ -	\$ -
Recreation ERF	\$ 583,475	\$ 651,225	\$ -	\$ -	\$ -	\$ -
Town Docks Unassigned Reserve						\$ 4,330,345
Dock Replacement	\$ 3,356,781	\$ 3,801,256	\$ 2,587,882	\$ 3,980,807	\$ 5,141,712	\$ 5,116,981
Tennis M&I reserve	\$ 53,852	\$ 61,142	\$ 71,610	\$ 80,841	\$ 80,962	\$ 80,962
Par 3 R&R Reserve	\$ 715,617	\$ 730,336	\$ 872,468	\$ 992,341	\$ 985,326	\$ 1,050,369
Par 3 Equipment Replacement			\$ 638,842	\$ 524,641	\$ 524,869	\$ 555,779
Building Fund						\$ 2,572,742
Donation Fund	\$ 1,180,331	\$ 3,018,697	\$ 1,666,199	\$ 1,490,547	\$ 1,011,637	\$ 1,041,522
Debt Service	\$ 955,441	\$ 1,569,976	\$ 1,566,248	\$ 1,381,353	\$ 1,659,221	\$ 1,479,569
Capital Improvement	\$ 5,506,265	\$ 6,639,003	\$ 7,376,553	\$ 16,354,430	\$ 17,056,376	\$ 17,682,202
Coastal Protection Fund	\$ 13,810,648	\$ 19,661,966	\$ 27,916,610	\$ 39,769,059	\$ 32,351,493	\$ 32,314,211
Townwide Underground Fund		\$ (1,172,618)	\$ 6,672,736	\$ 63,944,516	\$ 57,855,306	\$ 64,700,595
2013 ACIP Fund	\$ 20,196,064	\$ 12,095,772	\$ 7,286,574	\$ 1,601,603	\$ 864,227	\$ -
Health Fund	\$ 6,507,339	\$ 6,904,823	\$ 5,441,578	\$ 6,789,493	\$ 7,890,456	\$ 7,289,078
Risk Fund	\$ 8,458,781	\$ 7,578,199	\$ 4,807,846	\$ 5,212,442	\$ 5,387,501	\$ 5,485,417
Health - OPEB Trust	\$ 28,401,183	\$ 31,275,719	\$ 32,682,812	\$ 32,812,872	\$ 34,728,236	\$ 40,330,823
Pension Funds	\$ 194,010,680	\$ 209,822,728	\$ 219,743,891	\$ 226,859,639	\$ 240,907,938	\$ 288,216,109
<b>Total</b>	<b>\$ 323,500,673</b>	<b>\$ 340,232,011</b>	<b>\$ 361,914,990</b>	<b>\$ 449,107,701</b>	<b>\$ 458,704,350</b>	<b>\$ 523,709,914</b>

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





**Excess Reserves**

Many of the Town's reserves must be maintained at a minimum level set by policy or based on recommendations of the actuarial firms used by the Town. The various capital fund reserves represent funds that have been accrued for future projects. The chart below shows the FY21 ending balance, minimum reserve amount and excess reserve balances. Total excess reserves are \$25,123,830.

Fund	2021 Reserve Balance	Minimum Required Balance	Excess Reserves
General Fund	\$ 28,001,332	\$ 17,593,016	\$ 10,408,316
Building Enterprise Fund	\$ 2,572,742	\$ 2,572,742	\$ -
Equipment Replacement Fund	\$ 20,816,470	\$ 17,389,686	\$ 3,426,784
Dock Replacement	\$ 5,116,981	\$ 1,246,774	\$ 3,870,207
Debt Service	\$ 1,479,569	\$ -	\$ 1,479,569
Capital Improvement	\$ 17,682,202	\$ 17,682,202	\$ -
Coastal Protection Fund	\$ 32,314,211	\$ 32,314,211	\$ -
Health Fund	\$ 7,289,078	\$ 2,835,541	\$ 4,453,537
Risk Fund	\$ 5,485,417	\$ 4,000,000	\$ 1,485,417
Health - OPEB Trust	\$ 40,330,823	\$ 40,330,823	\$ -
Pension Funds	\$ 288,216,109	\$ 288,216,109	\$ -
<b>Total</b>	<b>\$ 455,394,686</b>	<b>\$ 430,270,856</b>	<b>\$ 25,123,830</b>

