



Budget Message

Town of Palm Beach / FY 2024 Proposed Annual Budget



Town of Palm Beach, Florida

July 13, 2023

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

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

The proposed FY2024 budget is the result of Town Management and department efforts to find efficiencies and apply lean government principles on a Town-wide basis. Once the new budget is adopted, members of staff continue to closely examine each expenditure before it is made, to ensure the following questions are answered: 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 produced a \$513,455 surplus in FY2022. We expect to have another surplus for FY2023 . We are proposing a budget which contains additional staffing to meet operational and service needs of the community as outlined by the Town Council and members of Town staff. Inflation continues to pose challenges to controlling costs, particularly material and labor costs in the South Florida market. The increase in current values of real estate has allowed us to propose a budget that contains a \$0 increase for homesteaded properties. More detail on proposed expenditures and revenues are contained later in the summary.

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

- The IT Department is busy upgrading the Town to Office 365; implementing cybersecurity measures; maintaining and upgrading the IT infrastructure; and supporting the Town staff.
- People and Culture is currently undergoing a major transformation and rebranding process. Over the past three months, it has begun the shift from a highly efficient and technically competent administrative hub to a formally integrated People and Culture business partner that projects the highest quality of standards and cost-efficiencies to the internal and external marketplace. As People and Culture seeks to establish a pandemic resilient and aspirational workplace, it will feature an employee life cycle model that attracts, onboards, develops, supports, rewards, advances and retains its employees throughout their journey with the Town. By optimizing a people-centric and highly engaged culture, its goal is to establish the Town of Palm Beach as the #1 Municipal Employer within the next five years.
- The Procurement and Contract Management Division was the recipient of the National Procurement Institute Achievement of Excellence in Procurement Award in 2022. This prestigious annual award is earned by those organizations that demonstrate excellence by obtaining a high score based on

criteria designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization. The Town was one of one hundred seventy-eight organizations nationwide to achieve this award. In addition, the Division was the recipient of the Florida Association of Public Procurement Officer's Award of Excellence in Public Procurement.

- Planning, Zoning and Building (PZB) Department staff and consultants have continued to work on reviewing code reform opportunities. PZB held a charette engaging the public on the possibilities of code reform.
- PZB along with Public Works, Police, Finance and IT are implementing a new permitting software system that will help streamline the building permit process and integrate data between departments.
- Town Council has accepted the recommendations from the Strategic Planning Committee on the Town's strategic plan initiatives. Departments have started to incorporate this into their own operations and budgets moving forward.
- The Town-wide undergrounding project is expected to finish construction of Phases 3 and 4 South, Phases 5 North and South and Phase 6 North. During FY24 work will continue on Phase 6 South, and begin Phases 7 North and South. The entire project is expected to be completed in 2027.
- The Town is in the implementation phase of ongoing resiliency efforts.
- The Town is in negotiations with West Palm Beach and Lake Worth Beach on who will be the Town's next water provider.
- We are expanding the number of police officers as high visibility community contacts to increase interaction with residents, businesses, schools, and religious institutions in Town.
- Police are leading the efforts for the first phase of the Town's comprehensive parking plan.
- The North Fire-Rescue station will start construction later this Summer.
- The Mandel Recreation Center is on pace for another record year in revenues.
- Seaview Park and Phipps Ocean Tennis centers are close to last year's record pace in revenues.
- Marina revenues have exceeded expectations in the second year of operations.
- Golf revenues continue to set records.

General Fund

FY24 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.

Each Department prepared a memorandum that are included in each department section of this document that highlights the major changes for each program.

FY24 General Fund Revenues

Property Taxes

FY23 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 FY2023 was 17.4%. This means for every \$100 paid in taxes only \$17.38 stays in the Town.

Below are the taxing districts and the adopted millage rates for FY2023 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 72.7% of all taxes paid in the Town followed by the Town of Palm Beach at 17.4% with the other taxing districts making up the balance of 9.9%.

Taxing Authority	FY23 Adopted Millage Rates	Taxes Per \$1 Million Value	% of Total Tax Bill	Total Taxes Paid by Palm Beach Property Owners
Palm Beach County School District	6.5190	\$ 6,519	42.07%	\$ 158,184,117
Palm Beach County	4.7439	\$ 4,744	30.62%	\$ 115,111,157
Palm Beach	2.6932	\$ 2,693	17.38%	\$ 65,350,738
Health Care District	0.7261	\$ 726	4.69%	\$ 17,618,881
Children Services	0.5508	\$ 551	3.55%	\$ 13,365,211
South Florida Water Mgmt	0.1974	\$ 197	1.27%	\$ 4,789,929
Everglades Construction	0.0327	\$ 33	0.21%	\$ 793,468
Florida Inland Navigation	0.0320	\$ 32	0.21%	\$ 776,483
Grand Total	15.4951	\$ 15,495	100.00%	\$ 375,989,984

The total taxes paid per million of taxable value in the Town in FY23 was \$15,495 a decrease of \$730 from FY22. Of that amount, \$2,693 stayed in the Town to pay for services and the remaining \$12,802 went to other taxing districts. A breakdown by taxing district for a \$1 million homesteaded property using the FY23 tax rates is shown below.



FY24 Millage Rate

Below is a millage rate table that shows the FY24 proposed rate, the \$0 increase for homestead properties rate, both versus the FY23 millage. The proposed FY24 millage rate of 2.6110 represents a 3.05% reduction from FY23 and a \$0 increase in taxes per million for homesteaded properties and a \$179 increase for non-homestead properties based on the 10% cap, as defined by State law, for these properties. If there are any projects or additions to the budget that the Town Council would like to consider, we can make the millage rate calculations at the Town Council meeting.

	FY2023 Millage Rate	FY2024 Millage Rate \$0 Increase for Homestead	FY2024 Requested Millage Rate
Millage Rate	2.6932	2.6110	2.6110
Tax Revenue	\$ 65,419,605	\$ 71,741,527	\$ 71,741,527
Revenue Increase over FY23	n/a	\$ 6,321,922	\$ 6,321,922
Millage % Increase/Decrease vs. FY23	n/a	(3.05%)	(3.05%)
Homestead Value Increased by 3.0%	\$ 1,000,000	\$ 1,030,000	\$ 1,030,000
Town Taxes	\$ 2,559	\$ 2,559	\$ 2,559
Increase/(Decrease) over FY23	n/a	\$ ⁽⁰⁾	\$ ⁽⁰⁾
Non-Homestead Tax Increase (Decrease) Max 10%	n/a	\$ 179	\$ 179

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 2.3736. This millage would represent a 11.9% decrease from the FY23 millage and would provide the homestead property owner a \$233 per million reduction in taxes. The rolled-back rate is required to be announced at the public hearings in September.

Revenues

The FY23 revenue budget estimates were conservative. For FY23 to date, many of the revenue sources are exceeding budget expectations. The FY24 proposed revenues represent a conservative increase over FY23. The revenue budget by type for the General Fund for FY24 compared to FY23 is shown on the table on the following page:

Revenue	FY2023	FY2024	FY23 vs. FY24 Difference	% Change
Ad Valorem Taxes	\$ 65,419,700	\$ 72,130,510	\$ 6,710,810	10.26%
Non Ad Valorem Taxes	6,672,100	6,678,000	5,900	0.09%
Licenses & Permits	5,054,400	5,331,000	276,600	5.47%
Intergovernmental	1,181,000	1,240,200	59,200	5.01%
Charges for Services	7,823,200	8,175,638	352,438	4.51%
Fines and Forfeitures	943,200	1,128,000	184,800	19.59%
Investment Earnings	213,217	685,386	472,169	221.45%
Miscellaneous	290,700	595,200	304,500	104.75%
Transfers from the Enterprise Funds	6,164,921	7,748,997	1,584,076	25.69%
Transfers from unassigned fund balance for Contingency and Compensated Absences	3,429,500	1,100,000	(2,329,500)	(67.93%)
Total Revenues	\$ 97,191,938	\$ 104,812,931	\$ 7,620,993	7.84%

Significant highlights for General Fund FY24 revenues include:

- The Property Appraiser's Preliminary Certification issued June 28, 2023, showed existing property taxable values in the Town have risen 13.35% over the prior year. The total taxable value is \$29,079,603,728.
- The amount included for property tax represents the taxes generated from millage rate of 2.6110 that represents a \$0 increase per million for homestead property owners.
- The Non Ad Valorem tax revenue has increased slightly based on current trends.
- The increase in Licenses and Permits is due to the high volume of current activity expected to continue into FY24. \$100,000 of the increase is due to the start of a residential parking sticker program for Town residents.
- The Intergovernmental revenue increase is due to improvements in State sales tax receipts.
- Charges for services increased due to recreation fees anticipated to increase with historically high levels of usage and the proposed additional paid parking associated with the Town's comprehensive parking plan. Resolutions to approve the Recreation fee increases are included later in the document. These increases are being proposed due to additional contractual, labor and maintenance costs.
- Fines and forfeiture revenue increased based on current trends.
- Investment earnings have increased based on the current interest rate environment.
- The transfers from the Enterprise Funds represent a transfer of \$25,000 from the Par 3 Golf Course enterprise fund, a transfer of \$1,096,000 from the Marina Fund which represents General Fund allocated costs of services such as Finance, People and Culture, Town Manager and Public Works. The transfer from the Building Enterprise Fund of \$6,627,997 represents allocated costs of General Fund services provided for the building permit process. This amount was originally estimated conservatively when the fund was established. The allocated costs have been much higher than originally anticipated.
- Transfers from fund balance represent transfers for Contingency and the compensated absence payouts for the year.

General Fund Expenditures

General Fund expenditures have increase by 7.84% from FY23. The details by expenditure category are shown in the table below.

Expenditure Category	FY2023	FY2024	FY23 vs. FY24 Difference	% Change
Salary and Wages	\$ 31,365,775	\$ 33,335,046	\$ 1,969,271	6.28%
Pension Benefits	11,437,661	12,591,685	1,154,024	10.09%
Other Employee Benefits	7,564,885	8,760,748	1,195,863	15.81%
Contractual	13,205,563	15,090,034	1,884,471	14.27%
Commodities	1,932,622	2,102,506	169,884	8.79%
Depreciation/Capital Outlay	2,509,665	2,419,403	(90,262)	(3.60%)
Subtotal Operating Expenditures	68,016,171	74,299,423	6,283,252	9.24%
Library	374,127	385,351	11,224	3.00%
Transfer to the Risk Insurance Fund	2,274,106	2,329,817	55,711	2.45%
Transfer to Capital Improvement Program	9,371,020	10,308,122	937,102	10.00%
Transfer to Underground Utility Fund	191,116	-	(191,116)	(100.00%)
Transfer to the Debt Service Fund	5,680,666	5,679,013	(1,653)	(0.03%)
Transfer to Coastal Management Fund	5,264,732	5,791,205	526,473	10.00%
Extraordinary Transfer to Retirement Fund	5,420,000	5,420,000	-	-%
Contingency	600,000	600,000	-	-%
Subtotal Transfers and Contingency	29,175,767	30,513,508	1,337,741	4.59%
Total General Fund	\$ 97,191,938	\$ 104,812,931	\$ 7,620,993	7.84%
FTE Totals	362.586	365.669	3.08	0.84%

Highlights for General Fund expenditures are as follows:

Total operating expenditures increased \$6,283,252 or 9.24% from FY23. Total transfers and other expenses increased \$1,337,741 or 4.59%. Details of the changes are as follows:

Operating Expenditures:

- Tentatively, \$1,969,271 has been earmarked to pay for increased salary and wages, and the increase in FTEs allocated to the General Fund of 6.333 (see full description later in the document). The increase also includes merit and step increases and a cost-of-living increase (COLA). Previously, the Town Council approved during the Compensation study, lowering merit increases to 1.5% - 6%, from 3% - 7.5% in FY22 and providing for an annual COLA. In 2022, the Town adopted a policy using the Social Security COLA calculation as the method to determine our annual COLA rather than focusing on a one-month snapshot, which could result in abnormal spikes. We use the average of the CPI index for the Miami-Ft. Lauderdale-West Palm Beach area for the last three reporting periods. (This CPI index is reported every other month).
 - Using this methodology the COLA for FY24 would be 9.0%. Included in this proposed budget is a 2% increase to employee wages and a 7% non-pensionable lump sum payment. Paying out 7% as a non-pensionable lump sum would help curb any impacts to the pension fund and assist in keeping salaries in line with the assumptions in the actuarial forecasts. For FY25 and beyond, it is our recommendation to have the full COLA amount paid as a lump sum to help minimize the effects of the COLA on the pension liability.
- We are also including market adjustments for Police and Fire-Rescue personnel to ensure they remain at the 75th percentile and a 3% market adjustment for General Employee ranges to maintain internal

equity and market competitiveness. Additional information regarding compensation changes can be found later in this message under “Compensation Update”.

- The total annual required contribution for the defined benefit plan (DB) and defined contribution (DC) pension benefits increased in the general fund by a total of \$1,154,024 due to investment losses in FY22.
- Other employee benefit costs increased by \$1,195,863 or 15.81%. Total Town funding for health insurance increased by \$442,748 with \$406,034 of the increase allocated to the General Fund. Health Insurance costs are calculated and then allocated throughout the budget on a per Full-Time Equivalent (FTE) basis. The health costs per FTE for FY24 are \$13,343.
- FICA tax increased by \$351,626 due to the increase in the salary budget. The Longevity/Bonus program decreased by \$8,293 due to retirements. New employees are not eligible for bonus until they have worked for the Town for 5 years.
- Included in Other Employee Benefits is the Transfer to the OPEB trust. The transfer to the OPEB trust fund increased by \$457,911. The increase was due to the investment losses in FY22.
- The increase in contractual costs (\$1,884,471) is mainly due to increases associated with anticipated CPI increases for contract renewals. The largest increase is in the sewage treatment and disposal program of \$287,828. Other large increases include Information Technology, \$220,489, Planning and Zoning, \$162,500 and Recreation Programs, \$153,100.
- The increase in commodities of \$169,884 is related to higher fuel costs/usage, \$24,102, vehicle maintenance, \$12,250, cleaning supplies, \$15,250 and other supply budget increases.
- Depreciation/Capital outlay costs decreased \$90,262. The decrease is mainly attributed to fixed assets becoming fully depreciated and either not being replaced or replaced after the scheduled end of life.
- The funding for the Four Arts Library will increase by \$11,224. This funding is now tied to CPI with a cap of 3%.

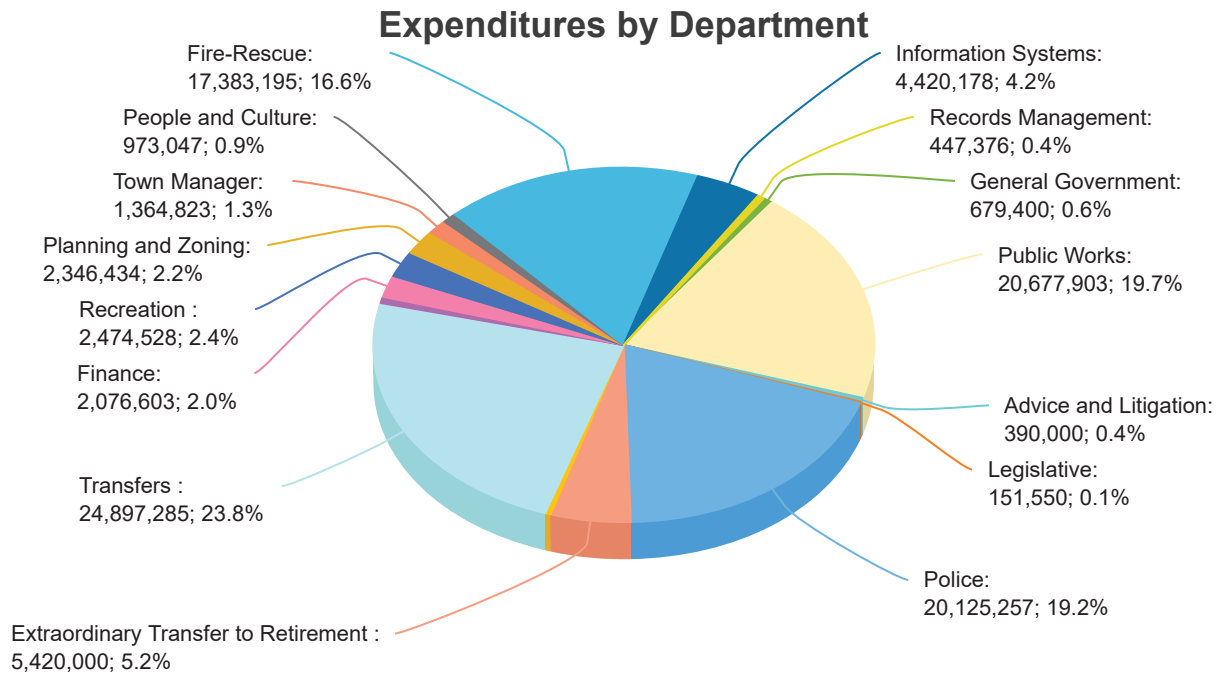
Transfers and Other:

- The transfer to the Risk Fund increased by \$55,711 due to anticipated increases in the insurance market.
- The annual transfer to the Capital Improvement Fund increased by \$937,102 or 10.00% over FY23. The North Fire Station will receive most of the FY24 fund transfer from the General Fund. Also, the A-39, Phipps Park sanitary sewer system will be started in FY24. Other projects funded from prior year transfers will be worked on by Public Works in FY24.
- The transfer to the debt service fund decreased \$1,653.
- Coastal funding increased by 10% or \$526,473. The transfer will provide funding for the annual coastal operations plus future projects such as the Mid-Town seawall replacement and Reach 7/8 renourishment. The revenues reflect what the Town would be reimbursed for through the federal and state agencies. Please see the Coastal Budget section for more information about the budget and forecasted expenditures and revenues.
- The extraordinary transfer to the retirement fund to accelerate improvements to the UAAL remained at \$5,420,000.
- Contingency is funded at the same amount as last year. Absent extraordinary unforeseen circumstances, this amount should be enough to cover unexpected expenditures.

Funding By Department

Departmental Expenditures

The three largest departments, Police, Fire-Rescue and Public Works, account for over 55.6% of the Town budget. The transfers mentioned above account for another 29% for a total of 84.6% of the total Town budget. All other general government and administrative departments make up the balance of 15.4%. The charts below provide a graphic example of expenditures by each department and transfer.



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



Fund Balance

The General Fund Unassigned Fund Balance as of September 30, 2022, was \$30,702,132. This amount was \$11,418,086 above the policy-required minimum. The FY24 budget includes a transfer of \$600,000 from fund balance to fund the contingency. Estimated compensated absence payouts totaling \$500,000

will be paid from the reserve for compensated absences. Total excess reserves in Town's remaining funds as of September 30, 2022, were \$13,657,851.

For FY23, revenues are exceeding the budget estimates and are at 92.4% through May, and expenditures are close to budget estimates at 66.6% to date. We expect another surplus this fiscal year.

Compensation Update

People & Culture is in the process of conducting the regular annual market assessment for public safety to ensure that the Town's pay ranges remain at the 75th percentile. All Sworn and certified positions will be included in this study. Added benefit incentives for sworn and certified are also under review to ensure that the Town can match other municipal competitors.

Thirty-Three (33) percent of all General employee positions have been studied and the majority required some adjustments to the scale and/or incumbent's salaries. It bears emphasizing that the current market for talent in the public sector is highly competitive, and if the Town wishes to attract and retain exceptional employees, such studies and adjustments will be required over the coming months/years. As planned in FY23, another thirty-three (33) percent of positions will be reviewed in the coming year.

People & Culture is also recommending for a second year in a row (and will likely on a yearly basis moving forward should inflation continue to dominate market forces) that the general employee salary scales be adjusted upwards by 3% to avoid pay crowding at the top of each scale.

Personnel Complement

Total FTE includes full time employees and part time no benefits employees (PTNB). The total personnel complement (for all funds Townwide) for FY24 is 370.919 full-time equivalent personnel (FTE), which is a net increase of 8.333 FTE from the adopted FY23 budget. The additional FTE's included in the FY24 budget do not include the FTE's approved by Council to support the additional needs of Phipps Ocean Park once the construction is complete. These positions will be added into the FY25 budget in conjunction with the agreement with the Preservation Foundation of Palm Beach. The increase of 8.333 FTEs in FY24 is made up of the following changes in full time and part time positions:

Department	Roles	# FTEs	Comments
Planning, Zoning & Building	Design and Preservation Manager	1.000	Costs absorbed by increased revenues
Planning, Zoning & Building	Zoning Technician	1.000	Increased Demand
Information Technology	GIS Tech	1.000	Increased Demand with new softwares
Information Technology	IT Solutions Analyst	1.000	Aid in the advancement of Sharepoint/Microsoft 365
Engineering	Engineering Support Coordinator	0.250	PT to Full Time
Par 3 Golf Course	Pro-Shop Assistant	0.250	PT to Full Time
Par 3 Golf Course	Pro-Shop Assistant	1.000	Decrease contracted workers
Police Department	Police Officer	2.000	Increased security
Police Department	Digital Crime Scene Technician	1.000	Assistance with Digital Public Records Request
Recreation	Part Time FTE's	(0.167)	Change annually based on needs
Total FTE additions		8.333	

Other Funds

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

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

The Town-wide Underground Utility Project fund accounts for the project costs and associated assessments and borrowings for the project. During FY24, we expect to finish construction of Phases 3 and 4 South, Phases 5 North and South and Phase 6 North. During FY24 work will continue on Phase 6 South, and begin Phases 7 North and South. The entire project is expected to be completed in 2027.

In the FY23 budget a \$2.6 million transfer of Marina surplus funds was approved to offset prior project deficits. This transfer has been increased to \$4.1 million in the FY24 budget.

Debt Service Funds (205, 206)

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

The 2013, 2016A and 2019 Series Revenue Bond debt service is funded from non-ad valorem revenues. A portion of the debt service payment is funded through the Par 3 Enterprise Fund for the Town's portion of the golf course and clubhouse renovation (\$188,207), and a portion is funded through the Coastal Management Fund (\$508,463). The non-ad valorem revenue transfer from the General Fund for FY24 is \$5,679,013.

The 2016B Series Revenue Bonds debt service appropriation of \$727,038 is funded through non ad valorem assessments on the property owners within the Worth Avenue Assessment District.

The Town has issued General Obligation bonds for the Underground Utility Project. These bonds shall be payable first from the Underground Utility Project special assessments and, to the extent the assessments are insufficient to pay debt service or not assessed, ad valorem taxes will be levied and collected on all taxable property in the Town to pay principal and interest on the bonds as they become due and payable. Total debt service for FY24 on these bonds will be \$3,847,355 and is included in the Town wide Underground Utility project fund.

In 2020, the Town issued non ad valorem debt totaling \$31,000,000 through a bank loan for the Marina construction project at an interest rate of 2.25%. The debt service for FY24 will be \$1,992,463 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, 2023, is shown on the table on below:

Year Issued	Outstanding Principal Balance September 30, 2023	Purpose
2016A	\$ 35,550,000	First Phase of the ACIP and Refund Outstanding Debt
2016B	\$ 9,160,000	Worth Avenue Commercial District Project
2013	\$ 2,870,000	Remaining Balance on Second Phase of ACIP
2018	\$ 51,075,000	General Obligation Bonds for Townwide Undergrounding Project
2019	\$ 47,425,000	Taxable Refunding Revenue Bonds for Second Phase of the ACIP
2019	\$ 4,095,000	Refunding of Remaining Balance of First Phase of ACIP Debt
2020	28,350,000	Marina Loan
2021	8,140,000	General Obligation Bonds for Townwide Undergrounding Project
Total	\$ 186,665,000	

As of September 30, 2023, the Town's net bonded debt will amount to 12.9% of the legal limit of \$1,446,139,340 (5% of preliminary FY24 taxable value of \$29,079,603,728).

Capital Improvement Funds (307, 309, 311)

For FY24, the following items totaling \$14,143,604 are included in the Capital Improvement Fund (307):

- Drainage Improvements – \$350,000
- Sanitary Sewage System Improvements – \$1,235,000
- Town Facility Improvements (including N. Fire Station) – \$11,558,604
- Water main improvements (WPB) – \$1,000,000 (Funded by West Palm Beach)
- General Engineering Services – \$100,000

The transfer from the General Fund to the Capital Improvement Fund is \$10,308,122 and increased by \$937,102 from FY23.

Coastal Management

The Coastal Management Fund (309) is used to fund the construction costs of the coastal projects. The details of the FY24 budget for Coastal Management can be found in the Proposed Budget Document. This plan has been updated by Public Works to include estimates for future projects based upon current costs. The plan includes annual operating costs, as well as planned projects, including Phipps Ocean Park Beach Renourishment in FY25. The cost estimate is \$23,350,000 for this project. Also included in this budget is annual funding of \$1,000,000 per year for the next ten years for seawall or bulkhead repair or replacement. We are proposing an increase in the annual funding for the coastal program of \$526,473 or 10% to begin to offset the Mid-Town seawall costs. The additional funding from the FY24 budget should lead to less reliance on transfers from reserves.

Enterprise Funds (401, 402, 405)

Town Marina

Town Marina reopened for new vessels on November 1, 2021. FY23 has been a very successful year. The success is due in part to improvements in branding, marketing, and financial planning. Through May, revenues are at 89.2% of budget estimates. The FY24 revenue budget is projected to be 27% or \$3,352,800 higher than FY23 budget. The expenditure budget has an increase of 24.5%, \$714,169 due to increases in the submerged land lease, which is based on revenues, increases in salaries, employee benefits and electricity.

Par 3 Golf Course

Pending the Town Council approval of the recommended fees, Par 3 revenues are projected to increase over end of year estimates during FY24. The various FY24 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 \$1,184,757 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 \$227,110. Additional deductions from the operating profit include transfers for debt service (\$188,207), contingency (\$142,022) and the general fund transfer (\$25,000).

To date, for FY23, the Par 3 revenues are above estimates at 93.6% of budget and will end the year over the budget estimates. The Par 3 should end the year with a surplus. The LTFP forecast shows improvement to the net assets of the fund.

A memorandum and resolution are included in the backup for the proposed fee increases.

Building Enterprise Fund

The Building Enterprise Fund was created in FY21 to account for all building permit revenue and expenses and allow for greater transparency as required by the State of Florida. During FY20, a cost allocation study was performed to confirm the appropriate permit fee multiplier to stay consistent with Florida Statutes and to provide the basis for implementing reduced permit fees for owners and contractors that choose to use private providers on their construction projects. FY23 revenues are expected to be higher than budget and will provide for a higher surplus than anticipated. Total revenues for FY24 are conservatively estimated to be \$10,009,500 and total operating expenses are \$11,160,952, which includes a transfer to the General Fund of \$6,627,997, which is for the allocated costs that the General Fund provides to the building permit process. Building permit related revenues have increased by \$53,215 due to the anticipated stabilization of building activity. After depreciation of \$86,897 and a 5% operating expense contingency of \$217,708 there is a projected reduction in reserves of \$1,456,057.

Internal Service Funds (501, 502, 320)

The transfer to the Risk Fund (501) has increased by \$55,711 due to expected increases in the insurance market.

The transfer from all funds to the Health Insurance Fund (502) has increased \$442,748 or 10% due to recent higher than normal claims experience. During FY21 the fund had a deficit of \$601,379. This was the first deficit since 2008. In FY22 the fund had another deficit of \$1,494,302, and another deficit is expected for FY23. These 3 past years may be an anomaly influenced or caused by the pandemic and individual catastrophic events..

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

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

Trust Funds (600 & 610)

Retirement (600)

The FY24 actuarially determined contribution to the Defined Benefit (DB) plan totals \$12,650,878. The contribution increased \$1,193,635 due to the weak investment returns for FY22. The return assumption will decrease from 6.4% in FY23 to 6.2% in FY24.

The budget also contains the \$5,420,000 extraordinary contribution to the retirement plan. The funded ratio decreased from 76.1% to 75.2% and the unfunded liability increased from \$85,333,977 to \$91,096,064. Assuming all assumptions are realized the total Town contributions to the retirement system, including the extra Town contributions of \$5.42 million per year are expected to be in the range of \$18 to 21.2 million over the next 9 years and are then projected to decline to around \$15.6 million in FY34.

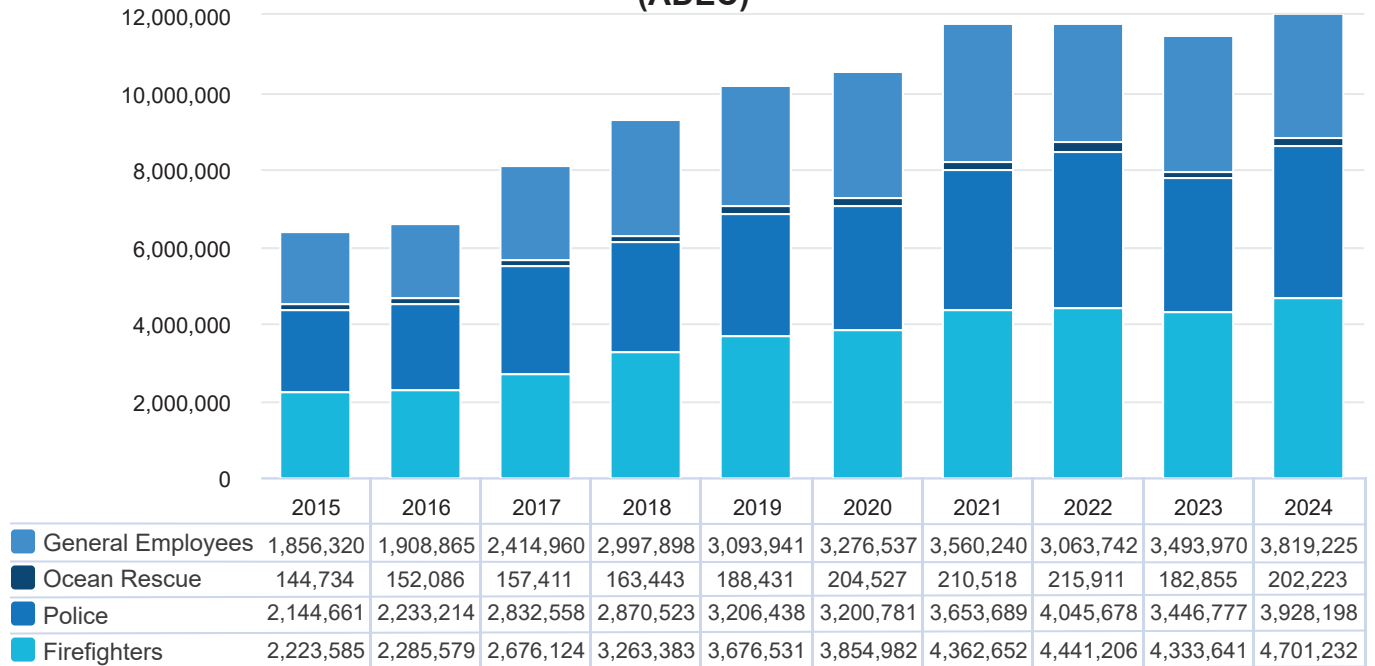
The Town contribution amounts by employee group are shown below versus the FY23 contribution. Legacy plan costs represent \$8,792,743 (69.5%) of the total and the costs for the ongoing plan are \$3,858,135 (30.5%).

Town DB and DC Retirement Contributions

Town Retirement Contributions	FY2023	FY2024	\$ Change	% Change
General Employee DB	\$ 3,493,970	\$ 3,819,225	\$ 325,255	9.31%
Lifeguards DB	182,855	202,223	19,368	10.59%
Police DB	3,446,777	3,928,198	481,421	13.97%
Fire-Rescue DB	4,333,641	4,701,232	367,591	8.48%
Total DB Contribution	\$ 11,457,243	\$ 12,650,878	\$ 1,193,635	10.42%
Total DC Contribution	\$ 750,267	\$ 820,322	\$ 70,055	9.34%
Total Town DB and DC Contribution	\$ 12,207,510	\$ 13,471,200	\$ 1,263,690	10.35%

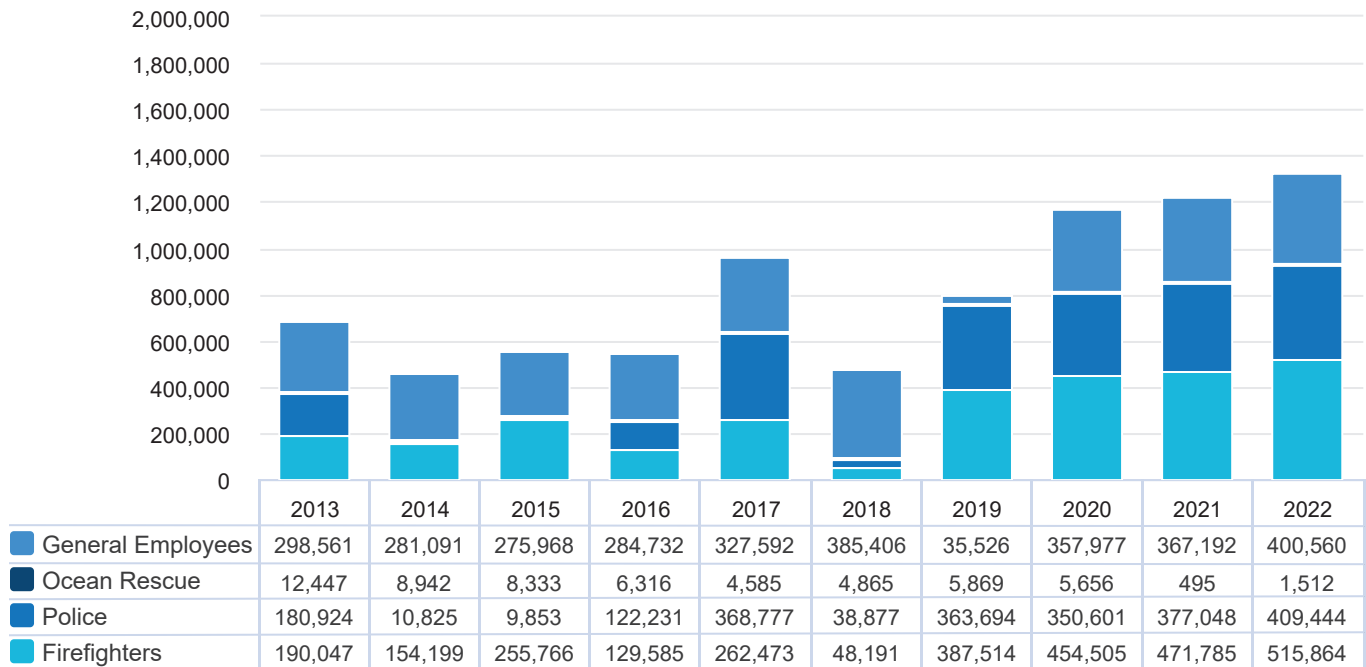
The historical 10-year trend in Town actuarially determined employer contributions (ADEC) for the defined benefit pensions are shown on the chart below.

Employer Contribution (ADEC)



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

Employee Contributions



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

Employer Defined Contribution Funding

DC Contributions		FY2020 Actual		FY2021 Actual		FY2022 Actual		FY2023 Budget		FY2024 Budget
General	\$	450,148	\$	469,444	\$	504,896	\$	738,462	\$	805,508
Lifeguards		2,356		424		1,393		11,805		9,097
Total	\$	452,504	\$	469,868	\$	638,746	\$	750,267	\$	814,605

Health Insurance (OPEB) Trust (610)

The actuarially determined transfer to the OPEB trust from the General Fund in the FY24 budget is \$789,128. This amount is \$457,911 more than FY23, and is due to poor investment returns in FY22. The funded ratio in the September 30, 2022, actuarial report was 110.8% at the 5% rate of return.

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

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.

Tentative Millage Rate

Resolution No. 086-2023 adopts a tentative millage rate of 2.6932. This rate is set at the same rate as last year in case changed circumstances and/or Town Council decision later this summer require the final millage rate to be set higher than the proposed rate under consideration. Florida law requires a first class mailing to all taxpayers if the millage rate is increased above the tentative millage rate adopted by the Town Council prior to the September public hearings. The final millage rate will be set at the public hearings in September.

Long-Term Financial Plan

The Long-Term Financial Plan (LTFP) will be updated with the FY24 adopted budget and will be finalized in September.

Upcoming Meeting Schedule

The State mandated schedule requires that two public hearings be held in September to provide for the final adoption of the Town's FY24 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.

- First Public Hearing – September 12, 2023, at 5:01pm
- Second Public Hearing – September 21, 2023, at 5:01pm

Conclusion

This concludes the executive summary portion of the FY24 proposed budget. Please see the documents that follow this summary for detailed information about the FY24 budget. Staff will be prepared to answer any questions you may have.

Respectfully Submitted,



Kirk Blouin
Town Manager

cc: Department Directors