Town of Palm Beach
Long Term Financial Plan
FY2011 – FY2021

Prepared By: Finance Department
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TOWN OF PALM BEACH

Town Manager's Office

**TENTATIVE-
SUBJECT TO
REVISION**

SPECIAL TOWN COUNCIL MEETING

**TOWN HALL
COUNCIL CHAMBERS-SECOND FLOOR**

360 SOUTH COUNTY ROAD

AGENDA

APRIL 6, 2010

9:30 A.M.

I. CALL TO ORDER AND ROLL CALL

Gail L. Coniglio, Mayor
David A. Rosow, Town Council President
Robert N. Wildrick, President Pro Tem
William J. Diamond, Town Council Member
Richard M. Kleid, Town Council Member
Michael J. Pucillo, Town Council Member

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF AGENDA

IV. 2011 LONG TERM FINANCIAL PLAN
[Peter B. Elwell, Town Manager and Jane Struder, Director of Finance]

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V. ANY OTHER MATTERS

VI. ADJOURNMENT

PLEASE TAKE NOTE:

- The progress of this meeting may be monitored by visiting the Town's website (www.townofpalmbeach.com) and selecting "Your Government" and then selecting "Live Meeting Audio". If you have questions regarding that feature, please contact the Office of Information Systems (561) 227-6315. The audio recording of the meeting will appear within 24 hours after the conclusion of the meeting under "Agendas , Minutes, and Audio."

- Disabled persons who need an accommodation in order to participate in the Town Council Meeting are requested to contact the Town Manager's Office at 838-5410 or through the Florida Relay Service by dialing 1-800-955-8770 for voice callers or 1-800-955-8771 for TDD callers, at least two (2) working days before this meeting.

Long Term Financial Plan Overview

The National Advisory Council on State and Local Budgeting (NACSLB) recommends that governments establish a financial planning process that assesses the long-term financial implications of current and proposed policies, programs, and assumptions, and that develops appropriate strategies to achieve its goals.

The Town of Palm Beach has prepared a Long Term Financial Plan every year since 2003 except in 2008, when a more intensive Comprehensive Review of Town Operations (CRTO) was completed. The Long Term Financial Plan (LTFP) is intended to serve as a tool, providing the Mayor, Town Council and staff with the insight required to address issues impacting the Town's financial condition. This plan consists of the following sections:

- Introduction
- Status of the FY11 Budget
- Reserve Analysis
- General Fund Revenue Trend Analysis
- General Fund Expenditure Trend Analysis
- General Fund Forecast Summary
- Recreation Enterprise Fund Trend Analysis
- Recreation Enterprise Fund Forecast Summary
- Forecast Details

Financial planning expands a government's awareness of potential problems and opportunities, and of options for addressing them. The long-term revenue, expenditure and service implications of continuing or ending existing programs or adding new programs, services and debt can be identified. The financial planning process helps shape decisions and permits necessary and corrective action to be taken before problems become more severe.

A financial plan does not state what is certain to happen. Rather, it highlights significant issues or problems that must be addressed if goals are to be achieved and provides forecasts of results expected if certain actions are taken.

The emphasis of this document is on the Town's General Fund. Forecast information on the Recreation Enterprise Fund is also included in this document.

This LTFP will be presented at a special Town Council meeting on April 6, 2011 at 9:30AM in the Town Council Chambers.

Status of the FY11 Budget

The FY11 budget contained a reduction in property tax revenue of $5,080,500. Personnel count was reduced by 32.65 positions, employee salaries were frozen for the second consecutive year, health insurance costs decreased, and debt service cost decreased. Staff has been monitoring the FY11 budget very closely. Monthly updates have been sent to the Mayor and Town Council detailing the status of revenues and expenditures in the General Fund and the Recreation Enterprise Fund.

General Fund Revenues

Several of the budgeted revenues for FY11 are under the budget standard through February. These include building permit fees, state revenues, and investment income. Building permit fees are 19.3% under the budget standard. We are anticipating issuing a few large permits in the upcoming months which should improve the budget condition, but it is very possible that building permit revenue will end the year below the budget standard. State shared revenue is currently 6.8% below the budget standard. Funds will not be received for the 911 equipment reimbursement and alcoholic beverage licenses until later in the year. State shared revenue should finish the year close to the budget. Investment income is 43.9% below budget. Returns on the FMIvT investments have been significantly below the returns at this time last year. Money market rates have been very low year to date and are expected to remain low for the balance of the fiscal year. We will be monitoring these revenue accounts very closely for the remainder of the fiscal year and will update the Mayor and Town Council monthly on any improvements or further declines.

General Fund Expenditures

Through February, expenditures for most departments were below the budget standard. General Government, Information Systems, Library Services, and Fire-Rescue are above the budget standard. General Government is over budget due to the final payments made for the early retirement buyout, payments made for the vacation buy-back program in November and the donation to Palm Beach Island Cats. Information Systems is over budget due to annual payments made for software support. Library Services is over the budget standard due to the first of two installment payments made to the Four Arts Library. Fire-Rescue is slightly over budget due to the purchase of a training tower which was paid for through grant proceeds. With the exception of the Island Cats donation, all of these overages are planned expenditures that present no cause for concern. All other departments are below the budget standard.

We expect to finish the year below the budgeted expenditures due to unfilled positions and additional efforts to achieve reductions in expenditures wherever possible. If we experience a revenue shortfall, it should be offset by reductions in expenditures. Unless the revenue status significantly worsens, or if we experience a major storm event during the summer, we expect to end the year with a small surplus.

Recreation Enterprise Fund

The revenues for all programs except Town Docks and Tennis are under budget due to the seasonal nature of these programs. Town Dock revenue is over budget due to the annual slip lease revenue. Tennis revenue is over the budget standard due to the sale of annual permits.

Expenses are over the budget standard in Tennis and Town Docks due to seasonal maintenance expenses, the vacation buyback program, and the submerged land lease payment. Expenses are over budget for Debt Service due to the semi-annual debt service payment for the Par 3 renovation made in December. These are planned expenditures that present no cause for concern.

Tables summarizing General Fund and Recreation Enterprise Fund Revenues and Expenditures through February 2011, can be found on the following pages.

Town of Palm Beach, Florida
General Fund Revenue and Expenditure Report
As of February 28, 2011

	Budget FY2011	YTD Actual 2011	% Budget vs Actual	Budget FY2010	YTD Actual 2010	% Budget	Actual 2010	% Budget vs Actual
Revenues								
Ad Valorem Taxes	36,245,500.00	30,742,086.00	84.82%	41,326,000.00	35,056,705.58	84.83%	41,508,570.25	100.44%
Sales, Use and Fuel Taxes	327,000.00	125,161.61	38.28%	320,000.00	129,132.20	40.35%	321,668.98	100.52%
Utility Services Taxes	4,967,000.00	2,050,490.91	41.28%	4,458,000.00	2,116,263.28	47.47%	4,879,859.67	109.46%
Business Tax Receipts	721,000.00	648,485.02	89.94%	720,000.00	594,727.52	82.60%	716,018.47	99.45%
Building Permits	5,077,300.00	1,136,437.65	22.38%	4,727,300.00	1,261,253.99	26.68%	3,934,213.29	83.22%
Franchise Fees	2,535,000.00	728,700.00	28.75%	2,480,000.00	879,143.99	35.45%	2,169,800.95	87.49%
Other Licenses, Fees and Permits	367,000.00	95,898.00	26.13%	227,300.00	82,238.03	36.18%	168,665.03	74.20%
Federal Grants	18,000.00	0.00	0.00%	1,200.00	1,608.57	134.05%	9,753.02	812.75%
State Shared Revenues	1,071,000.00	373,372.20	34.86%	1,065,500.00	367,205.10	34.46%	990,130.85	92.93%
Grants From Other Local Units	0.00	0.00		50,000.00	0.00	0.00%	55,098.99	110.20%
Shared Reveneus From Other Local Units	40,000.00	10,148.98	25.37%	40,000.00	11,461.04	28.65%	46,223.32	115.56%
Public Safety	1,417,600.00	582,424.00	41.09%	1,237,600.00	579,300.58	46.81%	1,450,892.90	117.23%
Physical Enviornment	1,123,400.00	844,220.78	75.15%	1,176,900.00	788,955.87	67.04%	1,098,950.13	93.38%
Transportation	774,500.00	259,397.11	33.49%	547,500.00	195,898.92	35.78%	632,424.90	115.51%
Other Charges for Services	36,303.00	20,840.34	57.41%	25,900.00	12,252.80	47.31%	33,650.10	129.92%
Judgments and Fines	726,000.00	277,747.13	38.26%	739,200.00	290,547.71	39.31%	540,531.12	73.12%
Violations of Local Ordinances	115,000.00	357,316.74	310.71%	410,000.00	34,016.92	8.30%	53,941.92	13.16%
Interest and Other Earnings	1,366,000.00	(31,122.08)	-2.28%	1,540,000.00	432,963.99	28.11%	1,168,996.88	75.91%
Rents and Royalties	90,500.00	28,681.41	31.69%	88,100.00	43,768.60	49.68%	102,701.51	116.57%
Disposition of Fixed Assets	0.00	2,216.68		1,046,900.00	0.00	0.00%	1,047,156.40	100.02%
Contributions/Donations from Private Sou	0.00	0.00		10,000.00	0.00	0.00%	0.00	0.00%
Other Miscellaneous Revenues	136,000.00	43,032.37	31.64%	134,000.00	75,929.09	56.66%	188,989.47	141.04%
Interfund Transfer	8,123,097.93	849,585.00	10.46%	6,846,752.98	229,165.00	3.35%	550,000.00	8.03%
Total Revenues	**65,277,200.93**	**39,145,119.85**	**59.97%**	**69,218,152.98**	**43,182,538.78**	**62.39%**	**61,668,238.15**	**89.09%**
Expenditures								
Legislative	82,433.70	27,115.90	32.89%	133,073.40	46,502.40	34.94%	110,692.97	83.18%
General Government	947,246.00	536,669.87	56.66%	1,940,085.67	952,148.82	49.08%	1,861,963.68	95.97%
Adminstrative Management	739,407.00	301,808.44	40.82%	758,797.40	304,965.61	40.19%	725,472.16	95.61%
Advice & Litigation	410,620.00	162,886.69	39.67%	522,500.00	126,332.28	24.18%	478,666.11	91.61%
Information Systems	1,740,978.17	864,603.24	49.66%	1,926,532.88	973,085.52	50.51%	1,832,400.81	95.11%
Human Resources	648,123.92	230,464.19	35.56%	696,924.45	226,451.66	32.49%	602,350.90	86.43%
Finance	1,885,390.00	723,822.75	38.39%	1,877,423.77	750,766.03	39.99%	1,775,137.64	94.55%
Planning/Zoning/Building	3,729,441.82	1,405,896.17	37.70%	4,064,334.75	1,530,685.75	37.66%	3,788,459.47	93.21%
Library Services	272,400.00	136,200.00	50.00%	272,400.00	136,200.00	50.00%	272,400.00	100.00%
Fire-Rescue	13,768,804.81	5,773,805.92	41.93%	12,722,001.94	5,195,442.65	40.84%	12,433,599.95	97.73%
Police	14,690,797.00	6,032,687.88	41.06%	15,631,301.83	6,410,457.20	41.01%	15,215,682.42	97.34%
Public Works	15,000,464.51	5,415,864.57	36.10%	15,056,763.13	5,410,720.17	35.94%	12,959,240.41	86.07%
CIP	3,590,000.00	1,495,835.00	41.67%	5,875,857.00	2,012,065.00	34.24%	5,875,857.00	100.00%
Debt Service Fund (203/204)	3,500,000.00	1,458,335.00	41.67%	3,922,000.00	3,922,000.00	100.00%	3,922,000.00	100.00%
Retiree Health Funding (610)	1,533,000.00	638,750.00	41.67%	1,550,000.00	645,833.00	41.67%	1,550,000.00	100.00%
Risk-WC, Liab. Prop. (501)	1,896,226.00	790,115.81	41.67%	1,904,463.00	792,957.13	41.67%	1,902,387.99	100.00%
Emergency/Disaster Response	48,900.00	1,144.18	2.34%	115,943.76	35,687.56	30.78%	57,901.67	49.94%
Contingent Appropriations	792,968.00	0.00	0.00%	247,750.00	0.00	0.00%	0.00	0.00%
Total Expenditures	**65,277,200.93**	**25,996,005.61**	**39.82%**	**69,218,152.98**	**29,472,300.78**	**42.58%**	**65,364,213.18**	**94.43%**
Revenue over/under Expenditures for General Fund	**0.00**	**13,149,114.24**		**0.00**	**13,710,238.00**		**(3,695,975.03)**	

% of Fiscal Year Completed: 41.67%

Town of Palm Beach, Florida
Recreation Enterprise Fund Revenue and Expenditure Report
28-Feb-11

	Budget FY2011	YTD Actual 2011	% Budget vs Actual	Budget FY2010	YTD Actual 2010	% Budget vs Actual	Actual 2010*	% Budget vs Actual
Revenues								
Town Dock Revenue	3,268,700	2,734,206	83.65%	3,337,500	2,756,928	82.60%	2,973,501	89.09%
Program Fees	295,800	101,606	34.35%	295,500	92,936	31.45%	310,359	105.03%
Tennis Revenues	210,500	143,246	68.05%	202,700	134,074	66.14%	205,423	101.34%
Par 3 Golf Revenue	1,229,376	445,965	36.28%	1,224,000	335,512	27.41%	730,952	59.72%
Investment Earnings	27,000	(3,247)	-12.03%	70,000	10,908	15.58%	26,141	37.34%
Donations	-	-	0.00%	-	800	0.00%	3,500	0.00%
Miscellaneous Revenue	8,300	2,322	27.98%	6,500	1,254	19.29%	36,287	558.26%
Total Revenues	5,039,676	3,424,098	67.94%	5,136,200	3,332,412	64.88%	4,286,162	83.45%
Expenditures								
Administration	392,881	160,917	40.96%	382,200	158,711	41.53%	381,671	99.86%
Tennis	492,310	209,817	42.62%	482,800	195,122	40.41%	466,902	96.71%
Recreation Center	701,508	233,961	33.35%	685,500	233,071	34.00%	619,695	90.40%
Town Docks	841,152	379,504	45.12%	921,300	395,001	42.87%	830,979	90.20%
Par 3	948,347	320,084	33.75%	934,500	452,163	48.39%	947,952	101.44%
Equipment Replacement	51,000	-	0.00%	36,500	27,129	74.33%	27,129	74.33%
Debt Service - Par 3	125,500	90,444	72.07%	160,700	-	0.00%	24,900	15.49%
Depreciation	492,500	-	0.00%	368,100	-	0.00%	-	0.00%
Total Expenditures	4,045,198	1,394,726	34.48%	3,971,600	1,461,196	36.79%	3,299,228	83.07%
Operating Revenue over/(under) Expenditures	994,478	2,029,372		1,164,600	1,871,216		986,934	
Transfers and Contingency	(726,700)	(266,250)		(803,300)	(229,165)		(550,000)	
Total Revenues over/(under) Expenditures	267,778	1,763,122		361,300	1,642,051		436,934	

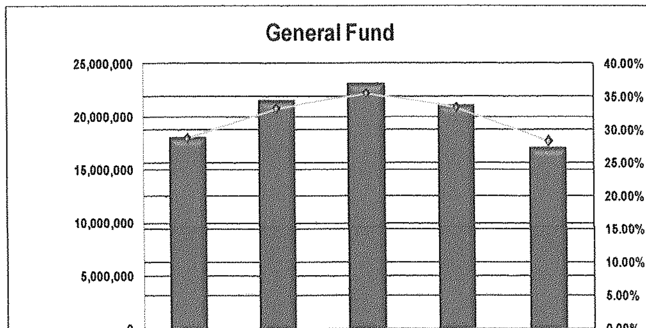
% of Fiscal Year Completed: 41.67%
*** Unaudited Year End**

Town of Palm Beach Reserves

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

Undesignated Fund Balance - General Fund

Pursuant to adopted policy, the undesignated 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 FY11 General Fund operating budget of $60,122,571 is $15,030,643. At the end of FY10, the Undesignated Fund Balance for the General Fund is estimated to be $17,000,000 after the transfers for the FY11 budget. This amount represents 28% of FY11 budgeted operating expenditures or approximately $2,000,000 over the required minimum level of 25%.

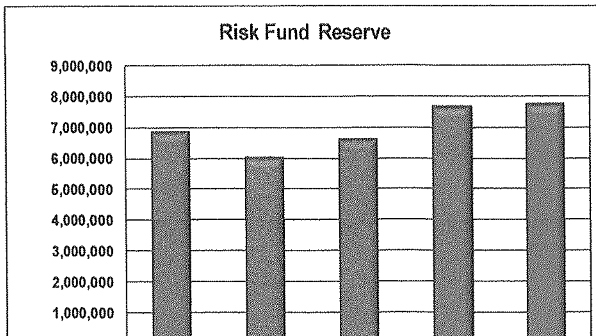


	2006	2007	2008	2009	2010
Fund Balance	17,985,864	21,346,801	23,005,185	20,980,277	17,000,000
% of budget	28.71%	33.18%	35.52%	33.39%	28.28%

The General Fund Undesignated Fund Balance has consistently exceeded the required minimum level of 25%. The chart details the General Fund Undesignated Fund Balance and the percent of budgeted expenditures the balance represents. Transfers that have been reserved from fund balance for the FY11 budget total $4,541,745 and include: the contingency reserve ($929,468), the final funding for the early retirement buyout ($136,000), and partial funding for the transfer to the Coastal Protection Fund ($2,898,277).

Reserves - Risk Fund

The total reserve balance for the risk fund is $7,620,642 as of September 30, 2009. A slight increase to the reserve is estimated for FY10. 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.



	2006	2007	2008	2009	2010
Reserves	6,840,190	6,013,314	6,589,271	7,620,642	7,700,000

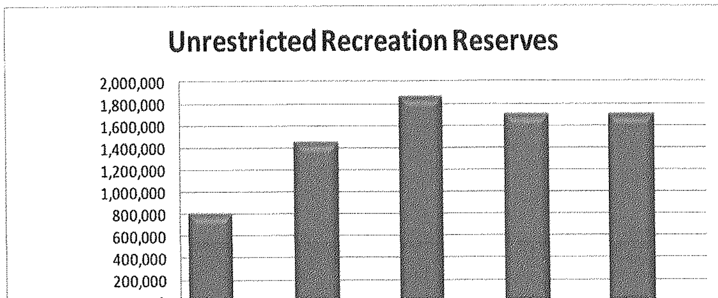
Reserve for Catastrophic Exposures/Emergencies - Risk Fund

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 potentially disastrous financial impacts of response to and recovery from a man-made or natural emergency situation or large judgments in excess of insurance coverage. This reserve is funded from the Net Assets of the Risk Fund.

Enterprise Fund Reserves

The Enterprise Fund reserve is to be maintained at a minimum level of 25% of budgeted revenues totaling $1,259,920 for FY11. The purpose of the reserve is to provide an adequate level of net assets for unanticipated financial impacts as well as to provide for one-time expenditures to improve the facilities.

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



	2006	2007	2008	2009	2010
Reserves	814,569	1,449,420	1,868,076	1,699,063	1,700,000
Percent of Revenue	19.86%	30.39%	38.54%	33.08%	33.73%

At the end of FY09, the net asset balance for the Recreation Enterprise Fund (REF) is $2,955,244. Separate reserves have been set aside from this amount for the dock replacement, Par 3 Improvements, tennis improvements and equipment replacement.

At the end of FY09, $196,718 had been set aside in the Dock Replacement Reserve. Funds totaling $1,740,844 from the Dock Replacement Reserve were used in FY09 to finance the Town's portion of the Par 3 renovation. These funds have been replenished with the 2010A bond issue and the FY10 year-end balance will reflect the replenished reserves. The Dock Replacement reserve was created to fund the replacement cost of the construction of the Town's docks whenever it is determined they must be replaced. The replacement reserve is to be maintained at 100% of accumulated depreciation plus accumulated interest earned on the reserve. At the end of FY10, $2,084,181 had been set aside in the Dock Replacement Reserve.

The Par 3 Golf Course charges an additional $2 per round to fund a maintenance and improvement reserve. At the end of FY08, the balance was $223,752. These funds as well as funds collected in FY09 of $35,402 for a total of $259,156 were used for the Par 3 golf course renovation. In FY10, approximately $51,000 was collected in maintenance and improvement fees and will be set aside in a reserve.

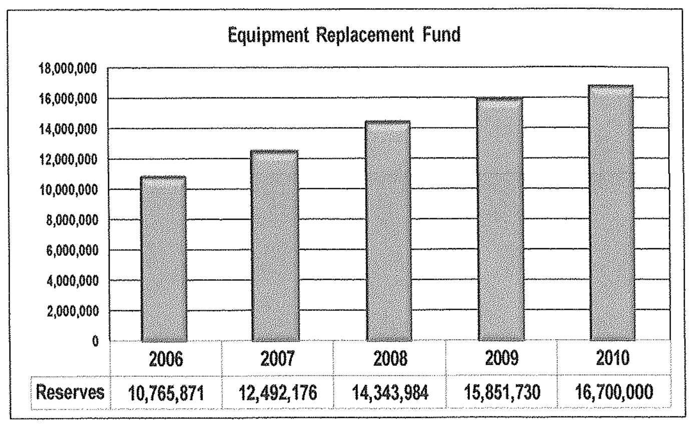
In FY10, a maintenance and improvement fee was implemented for the Tennis program. Revenues generated during the year totaled approximately, $8,500. These funds will be set aside in a reserve for improvements to the tennis centers.

The Recreation Enterprise Fund established an equipment replacement reserve in FY2006. This fund allows for the purchase of capital equipment and is funded with an initial transfer of the total accumulated depreciation from Recreation Net Assets. The annual funding is calculated using replacement cost depreciation and transferred from the REF to a separate equipment replacement fund. The balance in the REF Equipment Replacement Fund is $351,468 as of September 30, 2009. This balance will increase to $401,000 for FY10.

The net reserve balance in the Recreation Enterprise Fund is estimated to be approximately $1,700,000 the end of FY10. This amount represents 33% of FY10 operating revenues or $440,000 over the required minimum level of 25%.

Equipment Replacement Fund

The Townwide Equipment Replacement Fund was established with a transfer of $4,386,910 from the General Fund Undesignated Fund balance in the FY2002 budget. The amount represented the accumulated depreciation of the Town's fixed assets through FY2002. This reserve is intended to fund the replacement cost of existing equipment, vehicles and computers when they reach the end of their useful life. This reserve significantly reduces the budgetary fluctuations due to purchases of large pieces of equipment and ensures compliance with the fixed asset inventory and depreciation schedule required by GASB34.



The Town Council approved a change in FY06 from depreciation based on acquisition cost to depreciation based upon replacement value and authorized an additional $4,205,523 transfer of General Fund balance. Using the replacement value method of depreciation will ensure the Town sets aside sufficient reserves to replace large capital items with long useful lives such as fire-rescue trucks and public works vehicles.

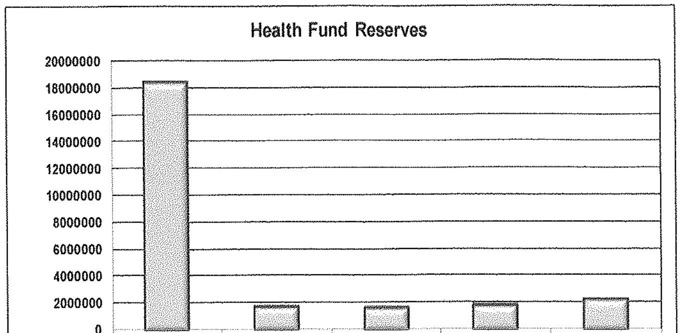
The balance in the equipment replacement fund for year-end FY09 is $15,851,730. For FY10 the fund is expected to increase to approximately $16,700,000. For FY11, the income including the depreciation transfer will total $2,332,039 and expenditures for capital equipment are budgeted at $994,500.

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

The Town Council approved the establishment of a Reserve for Compensated Absences in the FY05 budget. This reserve 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, sick and compensatory time and the related payroll tax liability. The balance in the reserve as of September 30, 2010 is expected to be $3,643,810. The appropriation for the pay-out of eligible accrued vacation, sick and compensatory time for FY11 from this reserve is $578,000.

Health Insurance Reserve

The Health Insurance Fund had a significant reserve balance that was accrued in anticipation of the issuance of a policy from the Government Accounting Standards Board (GASB). GASB has issued statements 43 and 54 relating to accounting standards for post employment benefits, which required the establishment of a liability for actuarially determined costs of retiree health benefits. As of October 1, 2006, a trust fund was created using $16,000,000 from the Health Insurance Fund reserves to provide for post employment benefits (see below). The Town is well ahead of other government agencies in the funding of this liability due to the reserves that had been accumulated in this fund. The balance of the reserve in the Health Fund at the end FY09 is $1,845,717. The reserve is expected to increase in FY10. These reserves guard against any deficiencies in the Town's self insurance health fund for current employees.



	2006	2007	2008	2009	2010
Reserves	18,369,182	1,740,326	1,660,969	1,845,717	2,200,000

OPEB (Other Post Employment Benefits) Trust

As mentioned in the above section, an OPEB trust was established to fund the liability for post employment benefits. The OPEB trust funds are overseen by the Town's Investment Advisory Committee. The balance in this trust is $15,898,539 as of September 30, 2009. The reserve is expected to increase in FY10. The actuarially determined transfer from the General Fund for the OPEB liability for FY11 is $1,533,000.

Contingency Reserves

Contingency reserves were established for the General Fund, Capital Fund, Equipment Replacement Fund, Recreation Enterprise Fund, Risk Insurance Fund and Health Insurance Fund to provide for unanticipated unbudgeted expenditures of a nonrecurring nature. The amount of the General Fund Contingency has been funded at 1.5% of the FY11 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. The Recreation Enterprise Fund Contingency is funded at 5% of the operating expenses as is the Recreation Enterprise Capital Fund Contingency.

The table on the following page identifies the contingency balances appropriated in the FY10 budget and the FY11 budget:

Contingency Reserves
FY2010 and FY2011

Fund	FY2010 Budget	FY2011 Budget
General Fund	$967,000	$929,468
Capital Fund	$432,500	$136,000
Equipment Replacement Fund	$500,000	$500,000
Risk Fund	$500,000	$500,000
Health Fund	$500,000	$500,000
Recreation Enterprise Fund	$253,300	$176,700

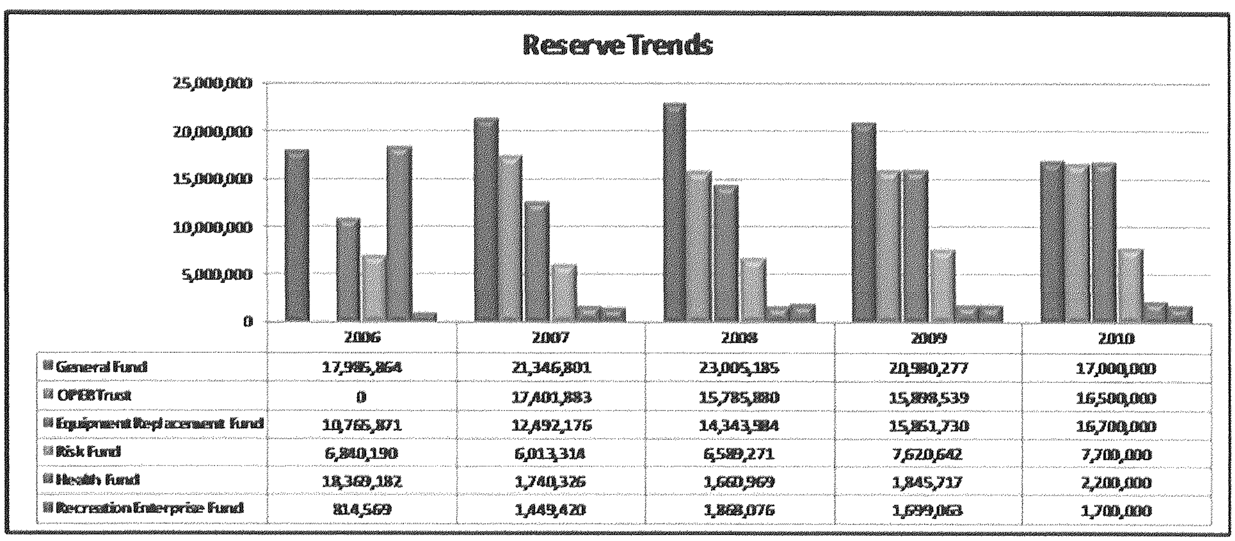
Undesignated Fund Balance/Retained Earnings Summary

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. The rating agencies look closely at the fund balance levels and the financial policies in place when rating a municipality. A year ago, the rating agencies reviewed the Town's credit ratings in preparation for the issuance of the 2010 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 a Aa1 for the 2010 Revenue Bonds and confirmed the Town's Aaa issuer credit rating. Standard and Poor's issued a AA+ credit rating on the 2010 Revenue bonds confirmed the Town's issuer credit rating of AAA. These Revenue Bond ratings and issuer credit ratings are the highest ratings these two services issue and represent the highest quality investment grade debt.

The table and the chart on the following page summarizes the trend of the undesignated fund balance, net asset balances, compensated absence, and replacement reserve balances for FY06 through FY10.

Reserve Balances
Fiscal Years 2006 - 2010

Fund	2006	2007	2008	2009	Est. 2010
General Fund	17,985,964	21,346,801	23,005,185	20,980,277	17,000,000
Compensated Absence (GF)	2,972,258	3,242,924	2,962,197	3,333,242	3,065,800
Equipment Replacement Fund	10,765,871	12,492,176	14,343,984	15,851,730	16,700,000
Recreation Ent Fund	814,569	1,449,420	1,868,076	1,699,063	1,700,000
Recreation ERF	249,553	288,267	321,863	351,468	401,000
Dock Replacement	1,534,824	1,620,173	1,772,062	196,718	2,100,000
Par 3 M&I Reserve	120,488	176,067	223,753	0	51,000
Tennis M&I reserve	0	0	0	0	8,500
Health Fund	18,369,182	1,740,326	1,660,969	1,845,717	2,200,000
Risk Fund	6,840,190	6,013,314	6,589,271	7,620,642	7,700,000
Health - OPEB Trust	0	17,401,883	15,785,880	15,898,539	16,500,000
Pension Funds	172,045,119	198,737,626	167,937,995	163,129,393	167,000,000
Total	231,698,018	264,508,977	236,471,235	230,906,789	234,426,300



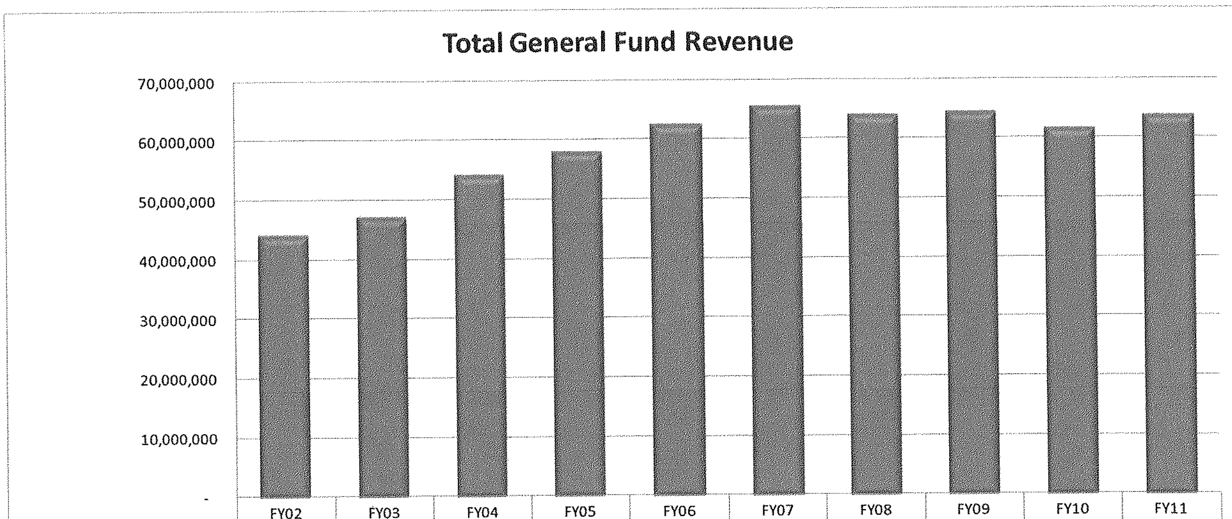
General Fund Revenue Trend Analysis

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

The Town has not been immune to the effects of the recent recession. Property values throughout Florida continue to decline, unemployment remains historically high, commodity costs are rising, and interest rates are historically low. All of these factors are putting pressure on the Town's finances.

General Fund Revenues

Revenues determine the capacity of a municipality to provide services. Important issues to consider when reviewing revenue trends are growth, flexibility, diversity, reliability and administration. Revenues should grow at a rate equal to or greater than the combined effects of inflation and expenditures.

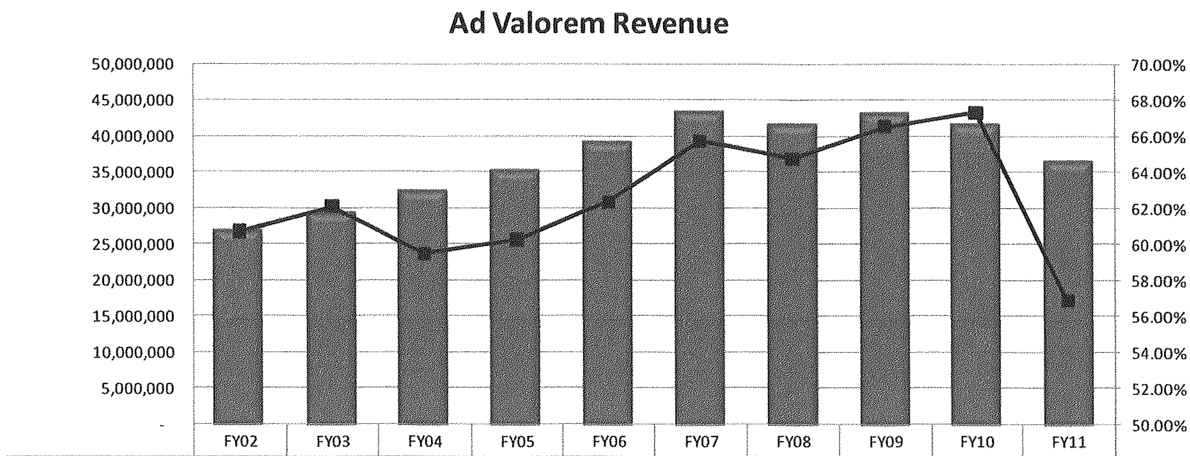


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Total General Fund Revenue	43,971,419	47,044,336	54,081,253	57,985,511	62,589,775	65,582,958	64,045,507	64,457,887	61,668,238	63,734,848

General Fund Revenues have increased 45% since FY02. Between FY02 and FY07, revenues increased 49% (an average annual increase of 6.4%). Between FY07 and FY11, revenues decreased by 2.8%. The FY11 budget increased due to an increase in the transfer from Fund Balance for the Coastal Protection Fund. Without that transfer the budgeted revenue would have declined because of the reduction in property tax revenues.

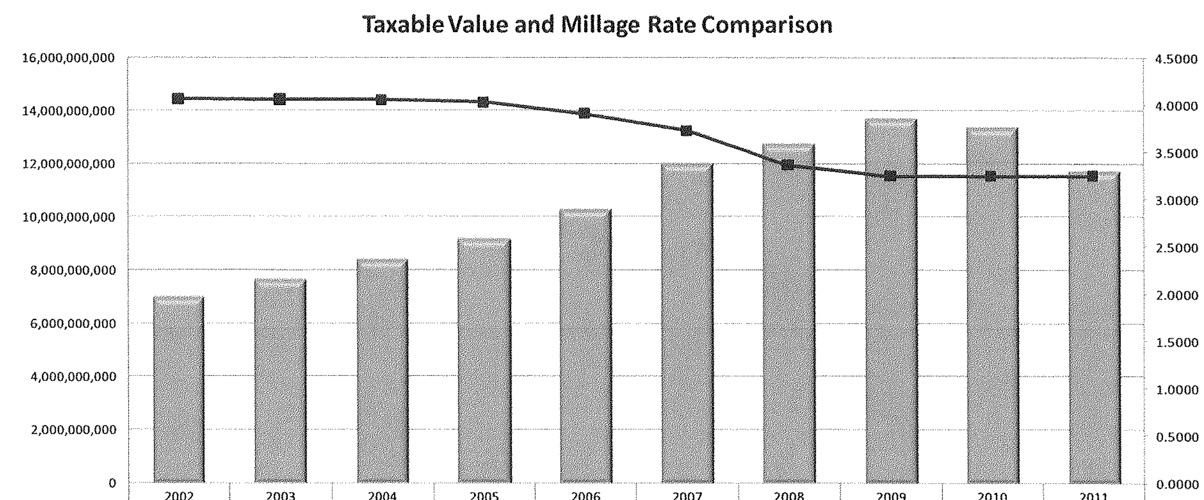
Ad Valorem Revenue

Ad valorem taxes are the Town's largest revenue source. Municipalities in Florida are not permitted to levy property taxes at a rate of more than 10 mills for the operating millage. In recent years, ad valorem revenue has declined due to property tax reform in FY08 and to a decline in taxable value in FY10 and FY11. Ad Valorem Revenue peaked at 67% of total revenues in FY10, but that ratio declined in FY11 to 56.8% of total revenue.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Ad Valorem Taxes	26,688,138	29,201,359	32,162,957	34,928,389	39,008,774	43,096,605	41,457,250	42,887,216	41,508,570	36,245,500
% of Total Revenue	60.69%	62.07%	59.47%	60.24%	62.32%	65.71%	64.73%	66.54%	67.31%	56.87%

Revenue increases from FY02 through FY07 were accomplished with increasing taxable value and declining millage rates. For the past three years, the millage rate has been maintained at 3.2512 which resulted in declining revenue due to the declining taxable values.

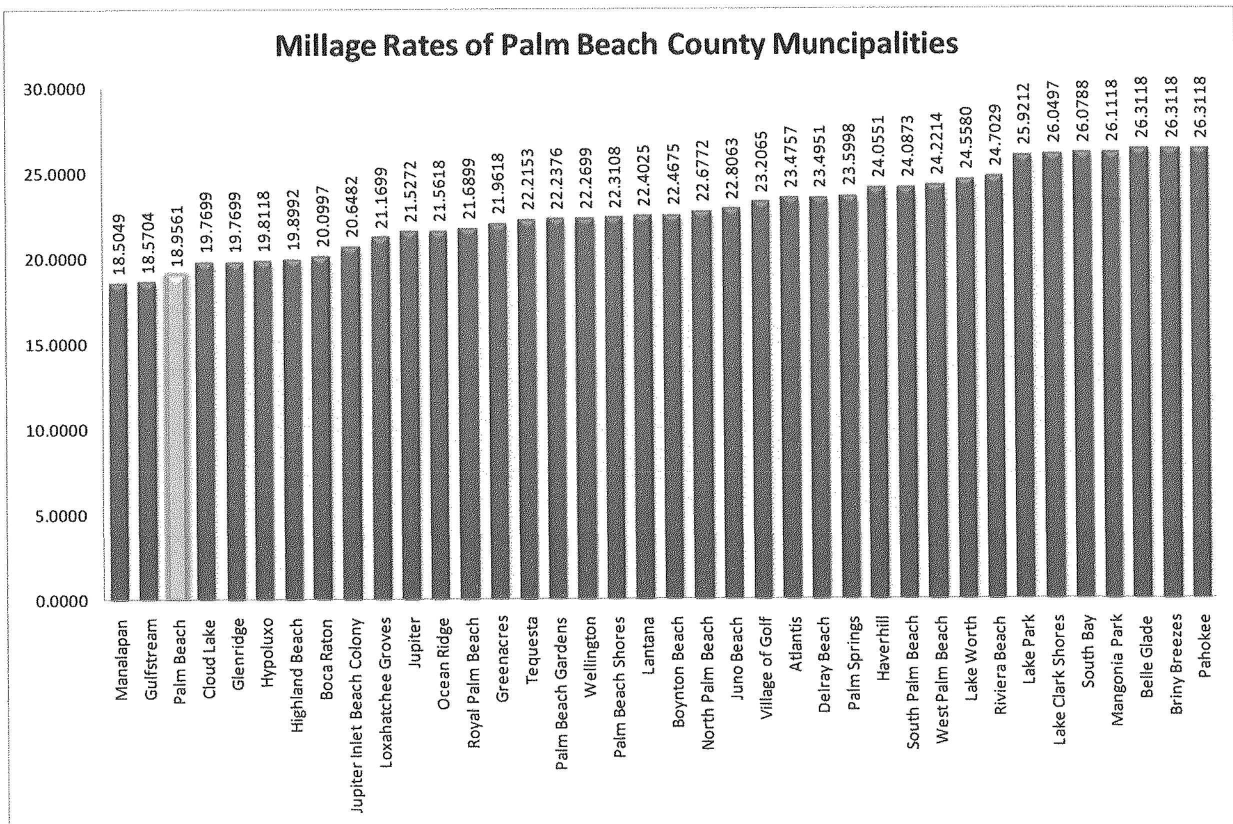


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxable Value	6,986,984,760	7,634,262,235	8,408,734,361	9,168,593,174	10,265,975,059	12,004,001,243	12,748,716,861	13,684,919,443	13,380,076,426	11,735,088,108
Millage Rate	4.0641	4.0541	4.0529	4.0287	3.9080	3.7273	3.3637	3.2512	3.2512	3.2512

State law limits millage rate increases to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments are allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. For FY11, the Town adopted the same millage rate as FY10 which resulted in a decrease in taxes of $4,674,568 due to an 11.42% decrease in taxable value. The total millage, which includes all other applicable taxing districts, increased by 3.65% from 18.2890 to 18.9561. The Town's portion of the total millage decreased to 17.15% of the total tax bill. The chart below identifies the taxing districts and the effect the changes in millage from FY10 to FY11 had on a taxpayer with a $1 million value (assumes no change in taxable value from year to year).

Taxing Authority	FY10 Millage Rate	FY11 Millage Rate	FY11 Tax $1 Million Value	Change Per $1 million Value	% Change	% of Total Tax Bill
Palm Beach	3.2512	3.2512	$3,251	$0	0.00%	17.15%
Palm Beach County	4.5614	4.9960	$4,996	$435	9.53%	26.36%
Palm Beach County School District	7.9830	8.1540	$8,154	$171	2.14%	43.02%
South Florida Water Mgmt	0.5346	0.5346	$535	$0	0.00%	2.82%
Children Services	0.6898	0.7513	$751	$62	8.92%	3.96%
Florida Inland Navigation	0.0345	0.0345	$35	$0	0.00%	0.18%
Health Care District	1.1451	1.1451	$1,145	$0	0.00%	6.04%
Everglades Construction	0.0894	0.0894	$89	$0	0.00%	0.47%
Grand Total	18.2890	18.9561	$18,956	$667	3.65%	100.00%

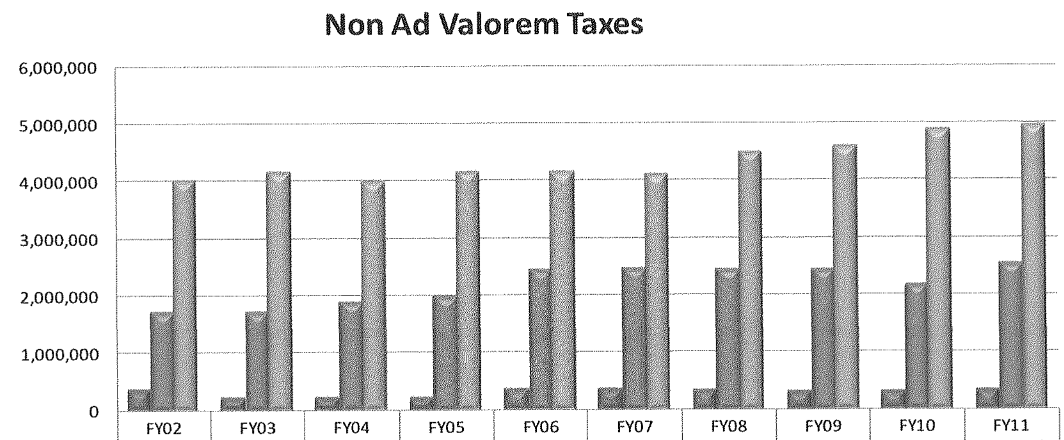
The Town of Palm Beach's total millage rate is the third lowest in Palm Beach County. The owner of a home with a taxable value of $1 million pays $18,956 in total taxes in Palm Beach versus $20,100 in Boca Raton, $22,238 in Palm Beach Gardens and $24,221 in West Palm Beach.



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

Non Ad Valorem Tax Revenue

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

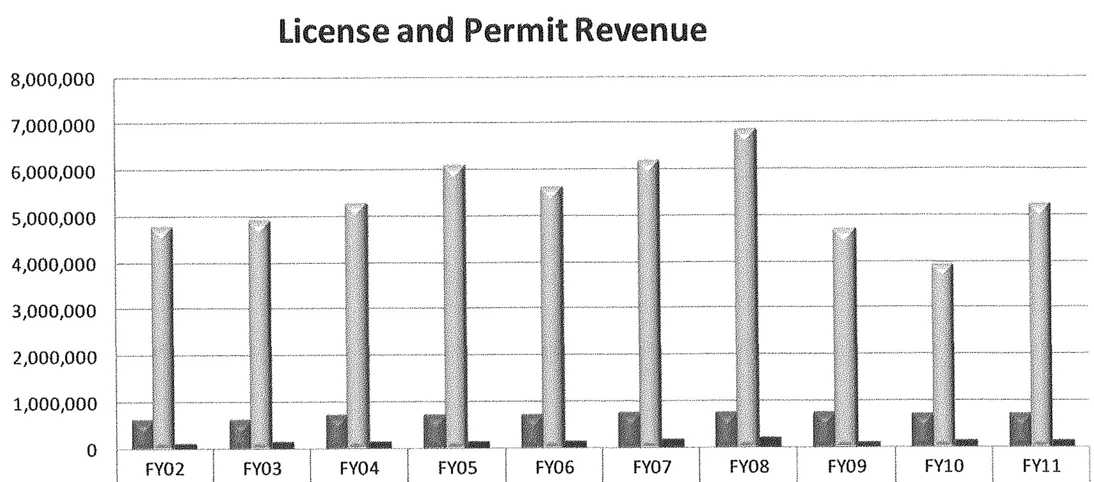


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Local Option Gas Tax	351,349	224,517	219,755	222,226	360,210	360,853	337,785	324,077	321,669	327,000
Franchise Fees	1,716,214	1,726,221	1,881,195	1,989,980	2,433,811	2,478,487	2,447,544	2,454,232	2,169,801	2,535,000
Utility Service Taxes	4,022,212	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,879,860	4,967,000

Utility service tax and franchise fee revenue has experienced stable growth during the past decade.

License and Permit Revenue

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

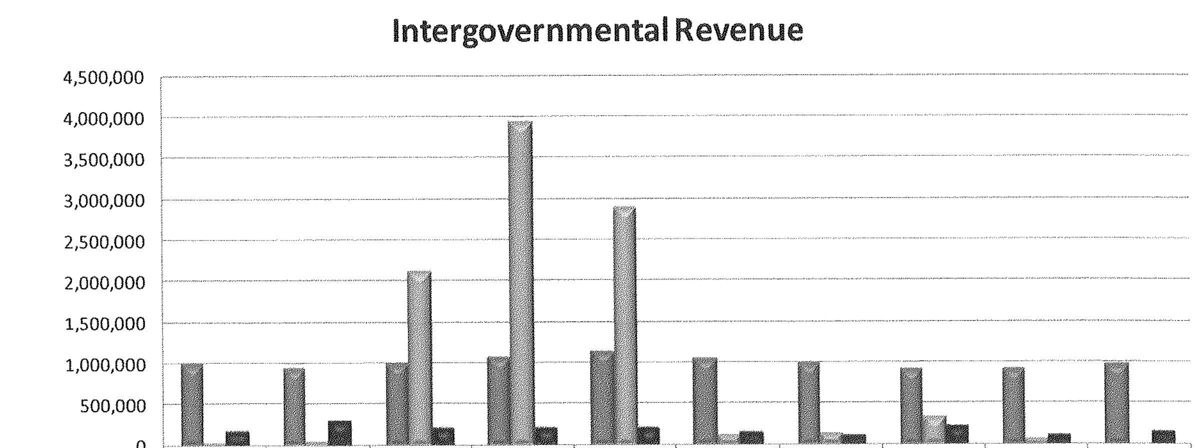


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Business License	605,737	617,974	697,297	695,544	721,659	740,875	741,535	726,238	716,018	721,000
Building Permit Fees	4,781,034	4,906,964	5,273,284	6,073,756	5,628,019	6,201,211	6,844,876	4,701,645	3,934,213	5,257,300
Other License Fees	116,811	129,199	145,907	144,097	124,153	162,442	186,833	115,150	127,325	126,000

Building permit revenue makes up the majority of these revenues. Building permit revenues have dropped significantly from a high of $6.8 million in FY08 to $3.9 million in FY10. The recession and downturn in housing have caused the decline. The number of business licenses issued also declined in FY09 and FY10.

Intergovernmental Revenue

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



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
State Revnue	991,188	934,270	986,287	1,066,046	1,132,308	1,047,091	992,669	915,377	919,834	961,000
Grant Revenue	44,609	52,768	2,112,809	3,938,012	2,885,201	135,131	139,976	353,590	64,852	18,000
Local Revenue	163,872	290,620	196,841	207,581	204,636	147,106	115,670	216,161	116,521	150,000

The spike in grant revenue for FY04, FY05 and FY06 is due to FEMA reimbursements for hurricanes, Frances, Jeanne and Wilma. State revenues have declined in the past few years due to declines in sales tax receipts because of the downturn in the economy.

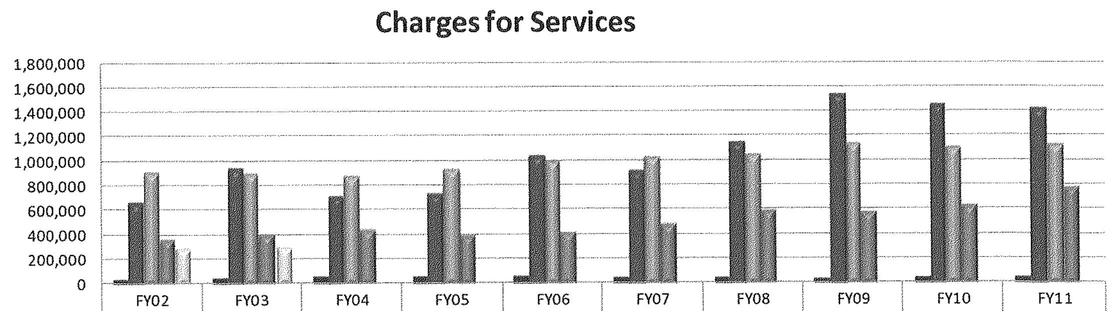
Charges for Services

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. Recreation fees were included in the General Fund through FY03. In FY04, the Recreation Enterprise Fund was established and all fees and expenditures were transferred to the enterprise fund.

Public safety fees have increased over the past 10 years due to the addition of an EMS transport fee in FY03, fire prevention fees in FY06 and increases in revenues for police special detail.

Physical environment fees include solid waste fees and beach cleaning fees. Solid waste fees are billed through the non-ad valorem assessment process on the property tax bill. Compacted garbage fees are billed quarterly by the Town. These fees increase annually based upon the cost of providing the service. Beach cleaning fees were collected until FY10 when the program was discontinued.

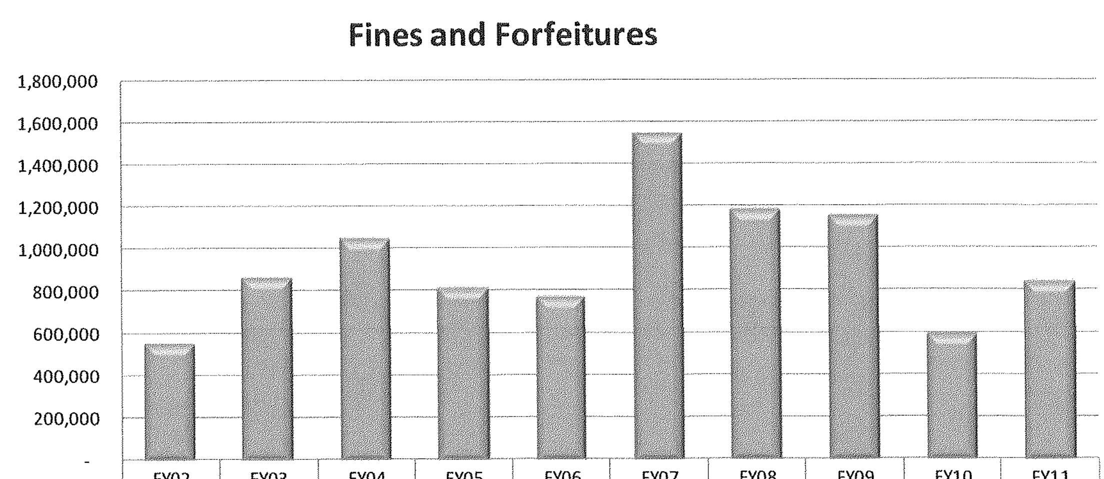
Parking meter rates were increased in FY08 from $1 to $2 per hour. In FY11, meter rates at Mid-Town Beach and Phipps Ocean Park were increased from $2 to $5 per hour.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
General Government	30,709	36,095	46,244	49,565	46,062	41,094	34,413	27,618	33,650	36,300
Public Safety	662,763	940,784	705,442	729,084	1,039,086	908,587	1,147,131	1,539,385	1,450,918	1,417,600
Physical Environment	907,551	892,634	869,451	925,645	991,712	1,022,063	1,041,072	1,131,884	1,098,950	1,123,400
Parking Meter	351,495	398,614	433,054	393,012	410,584	477,295	585,551	579,292	632,425	774,500
Recreation	274,840	292,682	0	0	0	0	0	0	0	0

Fines and Forfeitures

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

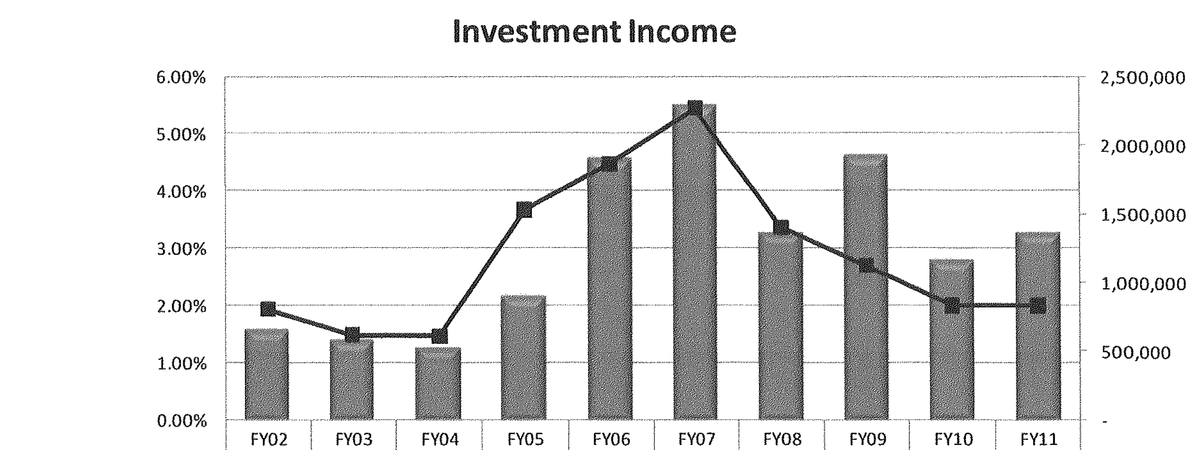


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Fines and Forfeitures	550,322	863,474	1,046,677	811,038	770,067	1,541,448	1,183,318	1,152,807	594,473	841,000

Parking fines and penalties were increased in FY04 and in FY08. In FY07, FY08 and FY09, large code enforcement fines were collected. Revenues from these sources declined in FY10 but are expected to increase for the current fiscal year due to the collection of large code enforcement fines.

Investment Income

In FY03, the Town Council approved the formation of an Investment Advisory Committee. The Committee oversees the investment of the Town's surplus funds as well as the investments in the Town's OPEB trust. The Town's surplus funds are invested in fixed income securities, money market accounts and two bond funds with the Florida League of Cities Investment Trust.

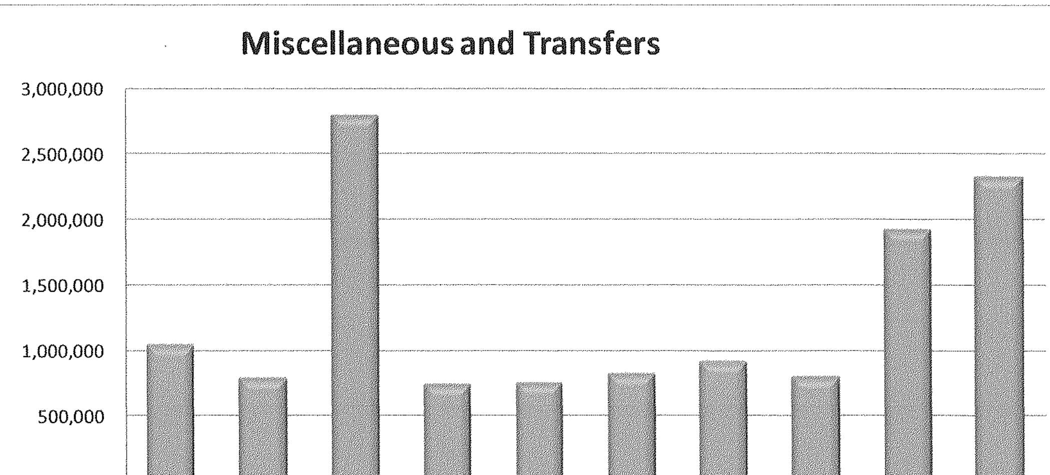


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Investment Income	665,829	583,091	527,686	905,025	1,902,79	2,287,12	1,368,75	1,923,22	1,168,99	1,366,00
Investment Return	1.93%	1.48%	1.47%	3.67%	4.48%	5.44%	3.37%	2.70%	2.00%	2.00%

Interest rates in FY05 andFY06 were higher than the recent historical trend. In recent years, historically low rates have caused investment revenue to decline.

Miscellaneous and Transfers

Miscellaneous revenue includes rents and royalties, sales of fixed assets and other revenue. Transfers include transfers from the enterprise fund and other transfers between funds.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Miscellaneous and Transfers	1,046,746	797,067	2,793,106	746,326	762,856	829,587	924,286	801,901	1,930,162	2,326,500

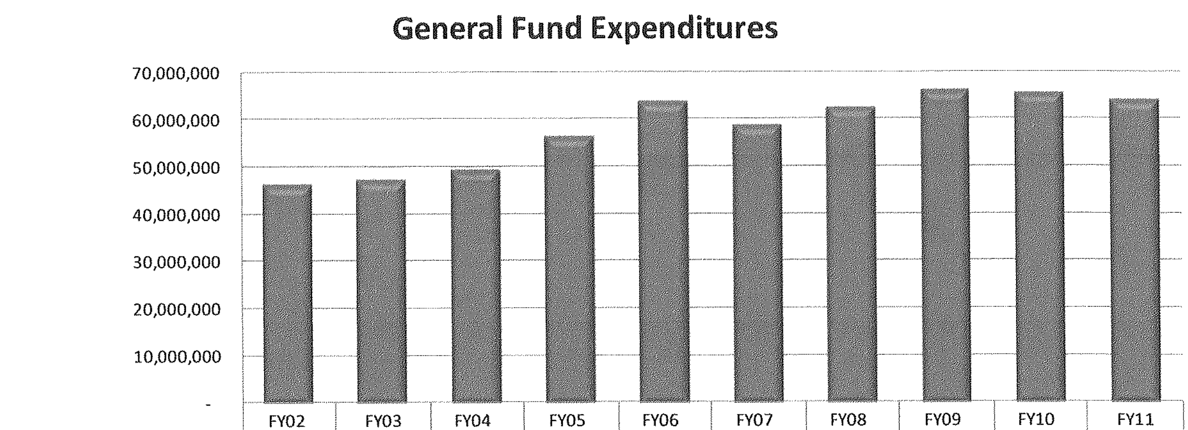
In FY04, the Town sold property located at Pike Road. In FY10, FDOT took by eminent domain Town property located just east of the Flagler Bridge. The FY11 budget included a transfer from the Capital Improvement Fund and an increase in the Recreation Enterprise Fund transfer. The Town had transferred $2.6 million in FY10 to the Capital Improvement Program to begin to fund the 20 year CIP program. Bonds were issued in FY10 to fund the program, so most of the funds were no longer needed in the CIP program and $1.4 million was transferred back to the General Fund.

General Fund Expenditure Trend Analysis

General Fund Expenditures

Expenditures are a measure of a municipality's service output. Ideally, a municipality's expenditure growth should not exceed its revenue growth rate and the government should have maximum flexibility to adjust spending.

For FY11, the total General Fund budget decreased by 4.6% from the FY10 budget and 2.42% from FY10 actual expenditures. Between FY02 and FY09, the average annual increase was 5.5% and the total increase was 43.2%. In both FY10 and FY11, expenditures decreased slightly.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
General Fund Expenditures	45,992,509	46,926,758	49,083,872	56,169,455	63,529,040	58,714,724	62,259,040	65,880,608	65,317,350	63,734,848

Increases in expenditures in FY04, FY05 and FY06, relate to the response to and recovery from Hurricanes Frances, Jeanne and Wilma. A significant portion of the hurricane expenditures have been reimbursed from FEMA and state sources. The major changes in the General Fund budget for FY02 – FY11 are detailed in the chart below. Large expenditures for Capital and Coastal projects and other non-recurring expenditures are noted in bold face type. Personnel cost changes are noted in italics.

Year	Major Areas of Change to General Fund Revenues and Expenditures
FY2002 Budget Increase 5.1%	• Total General Fund Budget - $48,017,466 • Reduced millage rate 9.8% to 4.0641, taxable value increased 15.8% • *Added 4.18 positions to the budget* • *Implementation of a compensation study - $600,000* • Increase in the transfer to the Risk Insurance Fund - $590,531 • Increase in the transfer to the Capital Improvement Fund - $375,291 • Increase in the contribution to the Four Arts Library - $125,000 • *Decrease in the contribution to the retirement fund – ($1,040,305)* • Purchase of 3 pumper trucks for Fire-Rescue - $750,000 • **Creation of the Equipment Replacement Fund - $4,386,910 transferred from the General Fund fund balance.**

FY2003 Budget Increase 1.4%	• Total General Fund Budget - $48,671,671 • Reduced millage rate by .25% to 4.0541, taxable value increased 9.8% • *Added 3.88 positions to the budget* • *Increase in the contribution to the retirement fund - $639,841* • Increase in the transfer to the Risk Insurance Fund - $454,287 • *Increase in the transfer to the Health Insurance Fund - $300,000* • **Increase in the transfer to the Capital Improvement Fund $3,283,709 (North Lake Way Drainage)** • **Depreciation added to the budget for the newly established Equipment Replacement Fund - $892,036.**
FY2004 Budget Decrease 2.5%	• Total General Fund Budget - $47,450,635 • Reduced the millage rate by .03% to 4.0529, taxable value increased 10.1% • *Added 2.84 positions to the budget* • Created Leisure Services Enterprise Fund • Increase in depreciation transfer - $109,596 • Increase in transfer to Risk Insurance Fund - $63,118 • Increase in transfer to Debt Service Fund - $1,268,150 • *Increase in the contribution to the retirement fund by 98% - $1,706,772* • Increase in costs due to overtime related to Hurricanes Frances and Jeanne
FY2005 Budget Increase 10.4%	• Total General Fund Budget - $52,380,731 • Reduced the millage rate by .6% to 4.0287, taxable value increase 9.22% • *Added 5.3 positions to the budget* • *Increase in the contribution to the retirement fund - $746,692* • *Increase in health insurance costs - $347,166* • **Increase in the transfer to the Capital Improvement Fund for the Town Hall renovation project $1,171,000 (transfer from fund balance reserves)** • **Increase in debt service funding - $84,700** • Decrease in transfer to Risk Insurance Fund – ($300,000) • Purchase of tasers for the Police Department - $58,300 • Costs associated with the recovery efforts for Hurricanes Frances and Jeanne
FY2006 Budget Increase 9.9%	• Total General Fund Budget - $57,544,075 • Reduced millage rate by 3% to 3.908, taxable value increased by 12.4% • *Added 5.5 new positions to the budget* • *Implementation of the compensation study - $312,000* • *Increase in the contribution to the retirement fund - $718,274* • *Police and Firefighter retirement multiplier improvement – 3.25% to 3.5% (Estimated cost $555,578)* • *Increase in health insurance costs - $470,071* • Funding for a traffic and parking improvement plan - $150,000 • First year funding of Townwide software upgrade $230,000 • **Purchase of the police radio system $665,000**

	• **Increase in debt service funding - $830,650** • Increase in the transfer to the Capital Improvement Fund - $116,559 • Decrease in the transfer to the Risk Insurance Fund – ($120,033) • **Modification to the ERF for replacement cost funding - $4,205,523 added to the reserve with a transfer from fund balance.** • Costs for response to and recovery from Hurricane Wilma
FY2007 Budget Increase 8.9%	• Total General Fund Budget - $62,642,654 • Reduced millage rate by 4.62% to 3.7273, taxable value increased by 16.13% • *Increase in the contribution to the retirement fund - $1,751,939* • *Added 1.87 positions to the budget* • Increased in the transfer to the Capital Improvement Fund - $762,200 • **Increased funding for coastal permitting, monitoring and legal $1,057,000** • **Town wide software upgrade - $350,000** • Increase in milling and resurfacing funding $275,000
FY2008 Budget Increase 2.7%	• Total General Fund Budget - $64,332,559 • Property Tax Reform was enacted to the State of Florida requiring a reduction in property tax revenue of $1,925,130 and a millage rate reduction of 9.76% to 3.3637 • Increased parking ticket fines and meter rates - $400,000 • Reduced transfer to the Capital Improvement Fund ($1,282,801) • *Eliminated 3.95 positions* • *Increase in the contribution to the retirement fund - $674,018* • *Increase in the transfer to the Health Insurance Trust - $472,300* • **Townwide software upgrade - $350,000** • Decreased contribution for feral cat program – ($50,000) • **Purchase of parking kiosks - $500,000, and electronic chalking devices -$210,000** • **Increase in depreciation due to modification of policy - $669,153** • **Increase in debt service funding - $123,000** • Increase in the transfer to the Risk Insurance Fund - $171,799
FY2009 Budget Increase 4.7%	• Total General Fund Budget - $67,335,600 • Reduced millage rate by 3.34% to 3.2512, taxable value increased 7.73% • *Special competitive pay increases for all firefighters and police officers - $585,984* • *First year cost of the early retirement buyout – $922,800* • *Decrease in the contribution to the retirement fund – ($636,848)* • *Increase in the transfer to the Health Insurance Fund - $900,000* • **Townwide software upgrade - $350,000** • **Transfer to the Coastal Protection Fund for pending litigation - $2,000,000** • **Increase in Debt Service Funding - $138,000** • Decrease in the transfer to the Risk Insurance Fund - ($474,000)

	• Decrease in the transfer to the Capital Improvement Fund - ($279,000) • *Reduced .89 positions*
FY2010 Budget Decrease .7%	• Total General Fund Budget - $66,853,300 • Maintained millage rate at 3.2512, taxable value declined 2.23% • Reduction in property tax revenue of - ($1,217,000) • *Elimination of 9.25 positions (savings of $1,058,100)* • *Salary freeze implemented for all employees* • *Second year cost of early retirement buyout – 858,000* • *Increase in contribution to retirement fund - $655,631* • *Elimination of extraordinary longevity – ($88,700)* • *Decrease in Town contribution for health insurance – ($300,000)* • **Final year of Townwide software upgrade - $160,000** • Decreased contribution for feral cat program – ($50,000) • **Increase in debt service funding - $132,000** • **Increase in transfer to the Capital Improvement Program $3,011,957 (included $2,600,000 from fund balance for one time transfer for 20 year CIP program)** • Contracted with a Pension Consultant - $127,268 • Contracted with an Internal Auditor - $110,710 • Elimination of printing and mailing of Annual Report - ($9,500)
FY2011 Budget Decrease 4.7%	• Total General Fund Budget - $63,734,848 • Maintained millage rate at 3.2512, taxable value declined 11.42% • Reduction in property tax revenue of ($5,080,500) • *Second year of a salary freeze for all employees* • *Elimination of 32.65 positions – (savings of $1,788,439)* • *Increase in contribution to retirement fund $1,568,698* • *Final payment for early retirement buyout - $136,000* • *Decrease in Town contribution for health insurance - ($205,000)* • Reduced funding for lobbying services – ($50,000) • Cut employee events – ($40,000) • Eliminated funding for 4th of July event – ($25,000) • Decrease in debt service funding ($422,000) • Decrease in transfer to the Capital Improvement Program – ($4,328,957) • **Transfer to Coastal Protection Fund $3,090,000 (partially funded with a transfer from fund balance of $2,898,277)**

Expenditure by Category Trend Analysis

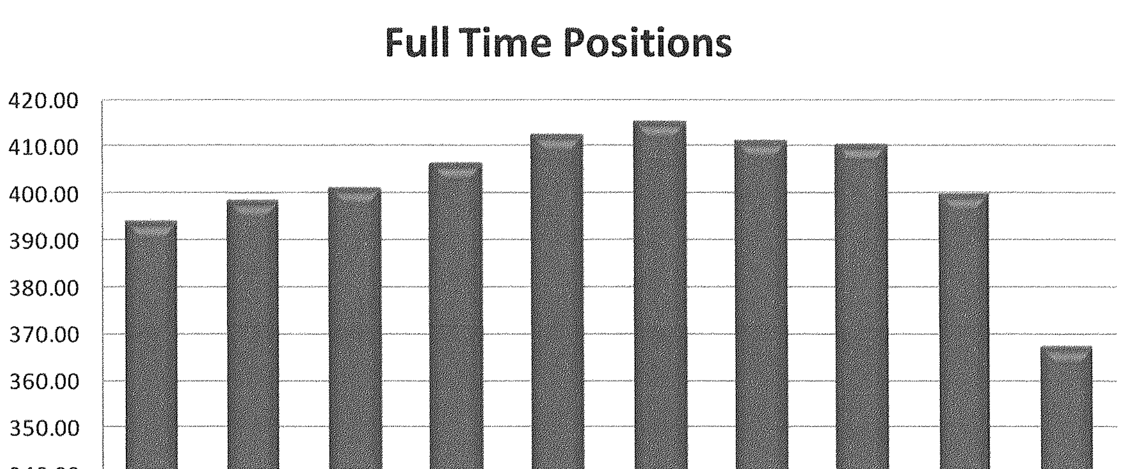
Salaries and Wages

The Salary and wage trend is shown on the graph on the following page. Salary and wage increases from FY02 through FY09 are due to across the board and pay for performance increases. In FY04

– FY06, costs also increased due to overtime related to Hurricanes Frances, Jeanne and Wilma. In FY02 and FY06 compensation studies were performed increasing salaries for certain positions. In FY09, special competitive pay increases were granted for all firefighters and police officers. In FY08 the Town offered an early retirement buyout for employees. A total of 21 employees took advantage of the buyout and beginning in FY09, these costs were added to the budget. The final payout for the buyout will be in FY11. A wage freeze has been in effect for FY10 and FY11 for all employees.

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Salaries and Wages	19,252,132	20,043,712	21,573,100	22,395,643	24,318,537	24,543,973	25,280,657	27,346,557	26,359,064	24,845,261

Another reason for the growth in Salaries and Wages is the addition of personnel from FY02 to FY07. During that time, 21.29 positions were added to the budget. Since FY07, 47.9 positions have been eliminated from the budget through attrition. Town staffing is now at its lowest level since 1991. The trend in Full Time Equivalent Positions (FTEP) is shown below:

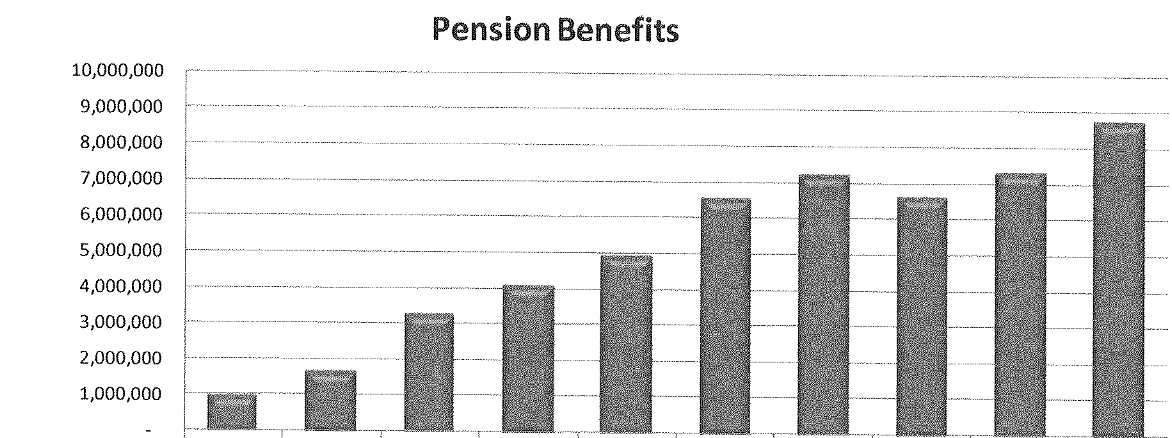


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
FTEP	393.94	398.13	400.97	406.27	412.36	415.23	411.28	410.39	399.98	367.33

Employee Benefits

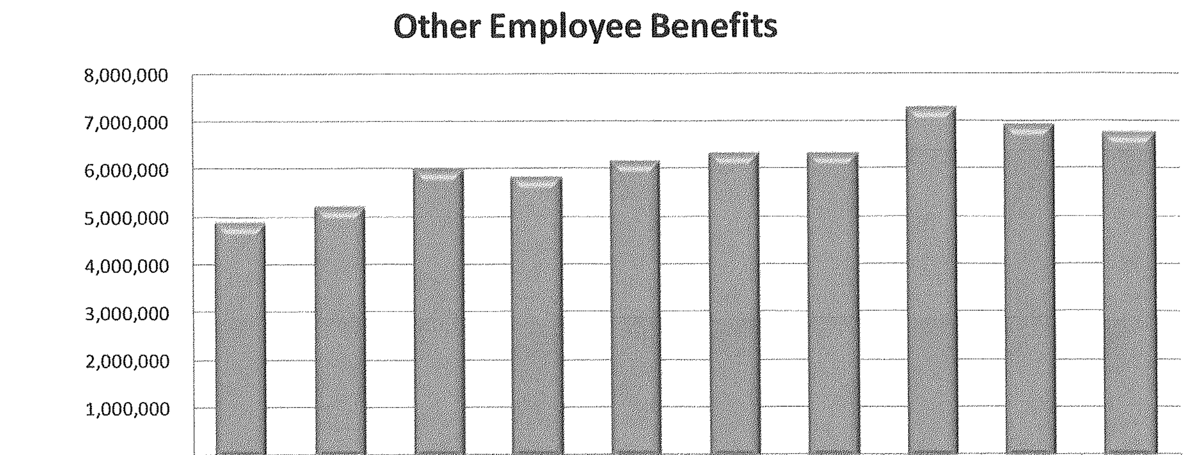
For purposes of this analysis, we have broken employee benefits into pension trends and other employee benefit trends.

Pension benefits have increased 762% since FY02. The increases are due to poor market performance in FY01 and FY08 as well as benefit increases in FY01 and FY05. The Town Manager has presented a plan to the police officer and firefighter unions to decrease the level of benefits and reduce the long term cost of this benefit. A similar reduction for the General Employees will be proposed as the union negotiations come to conclusion.



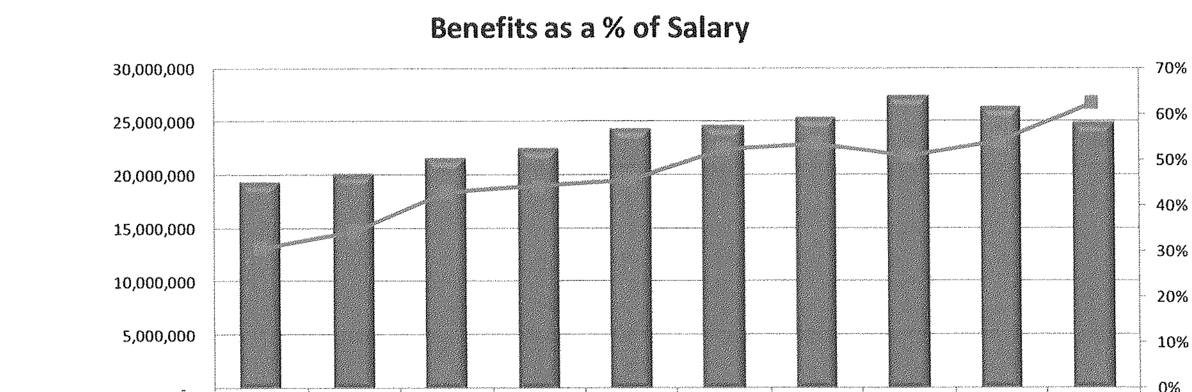
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Pension Benefits	1,015,456	1,668,475	3,263,168	4,083,117	4,921,942	6,535,666	7,218,551	6,621,068	7,303,519	8,752,699

Other employee benefits include health insurance, FICA, longevity, allowances, incentives, and uniform maintenance. The total increase from FY02 to FY11 is 38.5%. Nationally, health insurance increases for the last decade have been over 100%. The Town has taken measures to control the increase in health insurance costs and has offered less expensive plan options to employees.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Employee Benefits	4,872,469	5,208,765	5,979,234	5,829,328	6,168,763	6,303,985	6,323,368	7,285,058	6,913,472	6,741,052

In FY09, the transfer to the Health Insurance Fund increased by $900,000. Since FY09, health insurance costs have decreased due to changes in the program, cost shifting to employees, and fewer employees in the plan due to the reduction in full time staff positions.

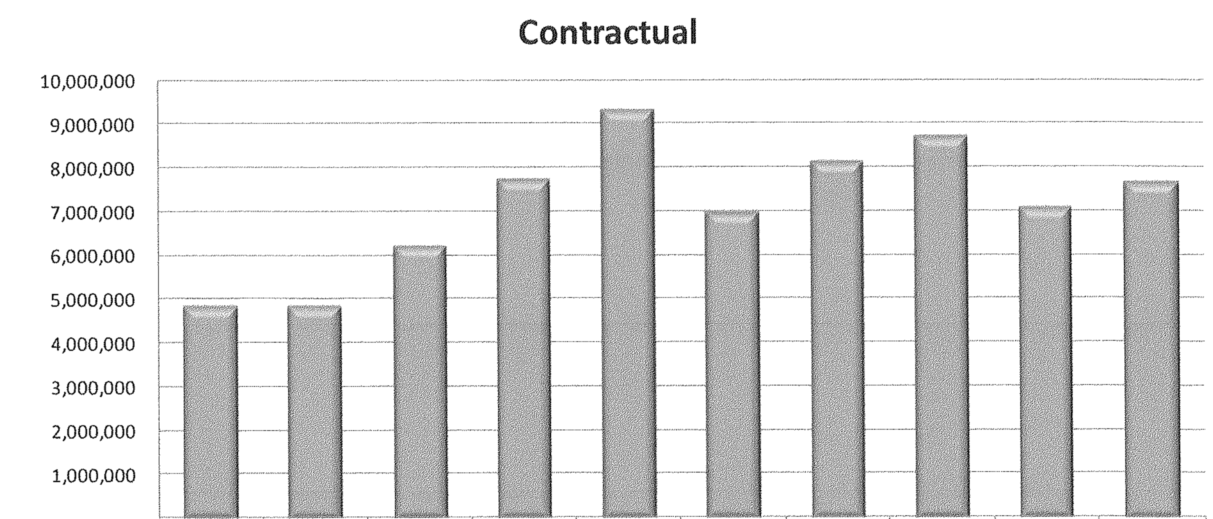


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Salaries and Wages	19,252,132	20,043,712	21,573,100	22,395,643	24,318,537	24,543,973	25,280,657	27,346,557	26,359,064	24,845,261
Benefits as % of Salary	31%	34%	43%	44%	46%	52%	54%	51%	54%	62%

The trend for benefits as a percent of salary has doubled since FY02 due to the significant increase in pension costs. This trend is forecasted to decline significantly in FY12 due to the proposed reduction in costs for funding the Town's pension benefits.

Contractual Services

Contractual services include legal advice, consulting services, sewage treatment, solid waste disposal costs, building maintenance, landscape contracting, software maintenance and the preparation of the comprehensive plan.

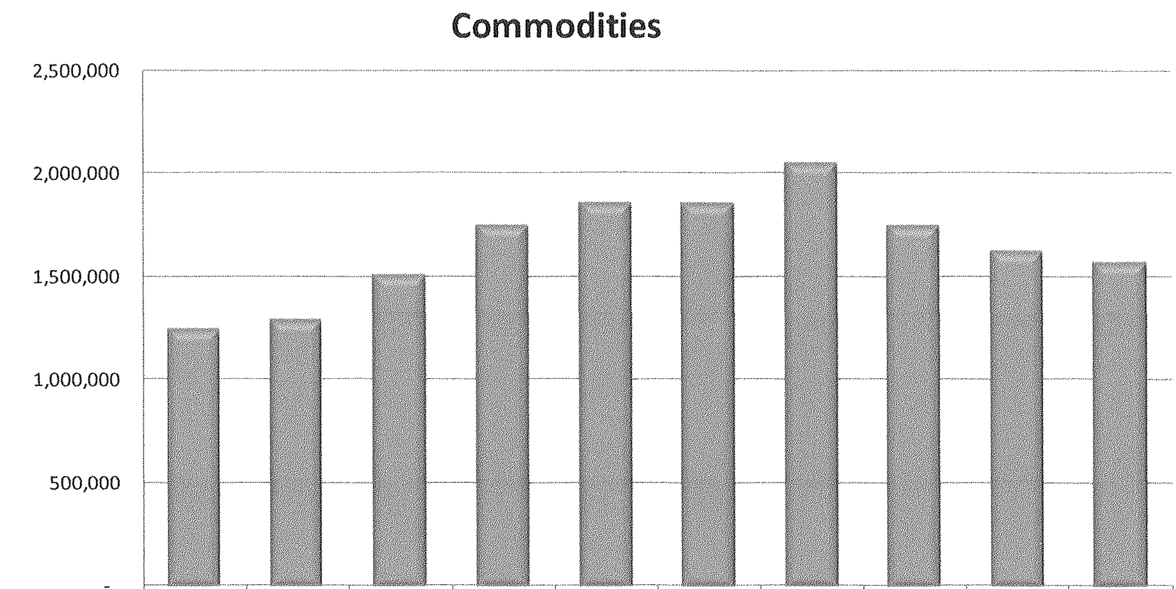


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Contractual	4,841,183	4,850,931	6,208,872	7,747,425	9,329,206	6,966,503	8,120,891	8,709,551	7,070,741	7,666,045

The total increase from FY02 to FY11 is 58.35%. Increases in FY04, FY05 and FY06 are due to the costs associated with hurricane response and recovery. The increases in FY08 and FY09 were due to increases in lobbying costs, software licensing and support, codification updates, legal advertising, the Comprehensive Plan, roadway micro resurfacing program, sewage treatment and disposal costs, landscape contracting, sand transfer plant costs, Phipps Ocean Park and Mid-Town post construction monitoring, and risk insurance funding. In FY09, funds also were set aside to repay FEMA for an overpayment in reimbursement of hurricane debris removal costs.

Commodities

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

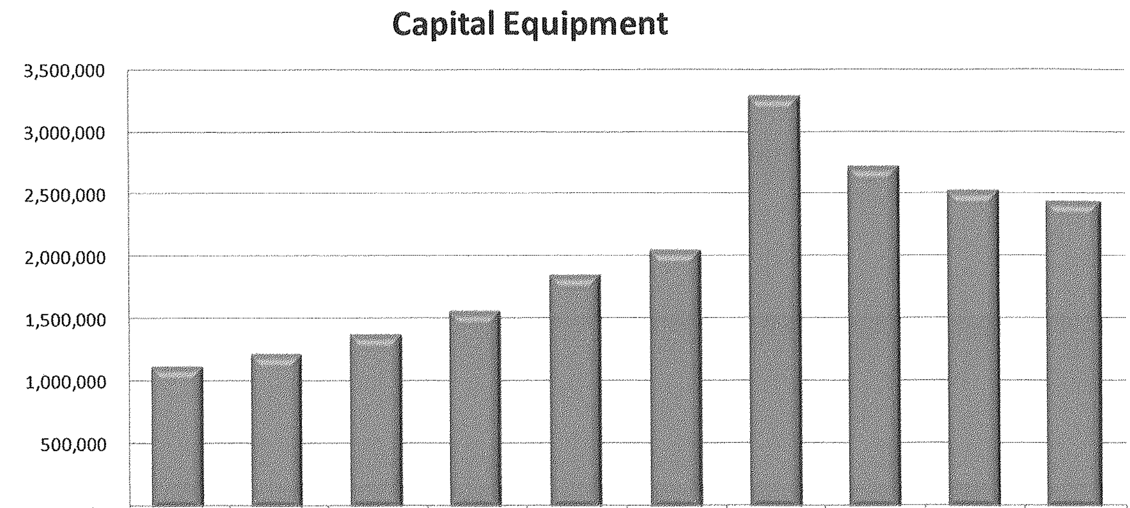


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Commodities	1,244,951	1,290,653	1,510,679	1,747,737	1,853,489	1,860,397	2,051,710	1,748,273	1,627,774	1,569,658

Commodity increases from FY02 to FY11 have totalled 26%. Between FY02 and FY08, the total increase was 64.8% and the average annual increase was 8.7%. Between FY08 and FY11, the total decrease was 23.5% and the average annual decrease was 8.4%. The increases in FY04 and FY05 were due to the hurricane response and recovery. The increase in FY06 was due to computer equipment and software purchases. The increase in FY08 was due to the spike in fuel costs.

Capital Outlay

Capital Outlay expenses include depreciation on the Town's fixed assets, purchases of new equipment that are not purchased through the Equipment Replacement Fund, purchases of equipment through grant funding, and storm and sanitary sewer rehabilitation costs that are not included in the Capital Fund.

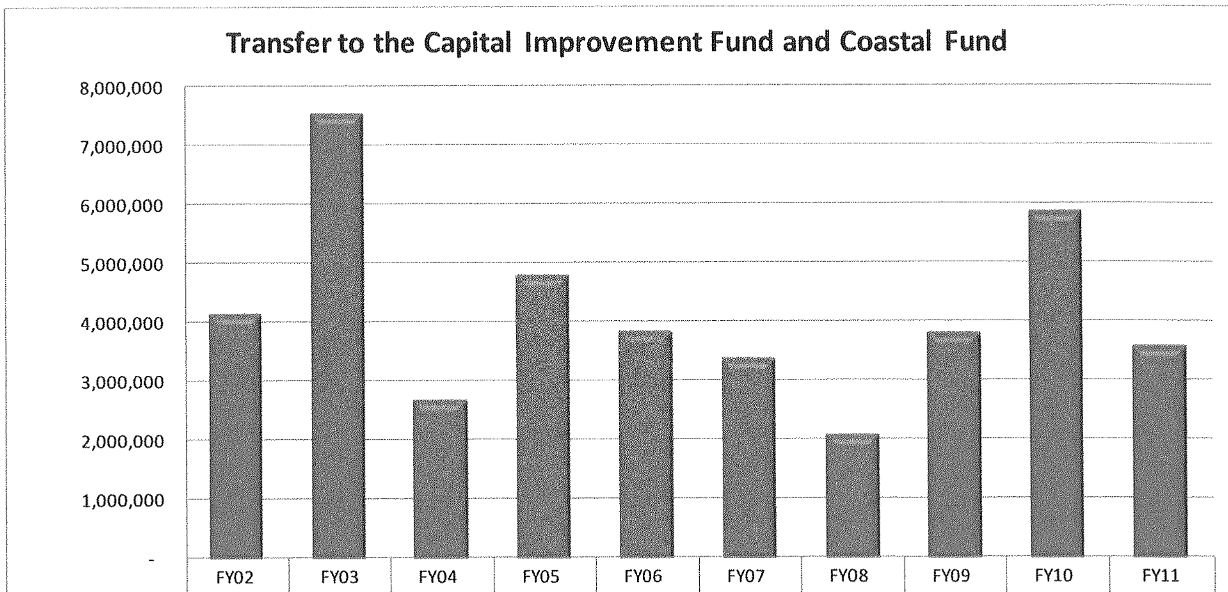


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Capital Equipment	1,120,473	1,210,589	1,378,423	1,562,815	1,852,144	2,040,499	3,282,121	2,723,701	2,518,060	2,439,040

The total increase from FY02 to FY11 is 117%. Between FY02 and FY08, the total increase was 193% and the average annual increase was 17.6%. Between FY08 and FY11, the total decrease was 25.7% and the average annual decrease was 9.2%. In FY02 the Town established the Equipment Replacement Fund (ERF). This fund was originally financed by a transfer from fund balance for the depreciated value of the equipment in FY02. Beginning in FY03, transfers were made to the ERF based on the annual depreciation of the original cost of the fixed assets. In FY07, the policy was modified to increase the transfer based on depreciation calculated on the replacement cost of the asset to ensure funds were available to purchase expensive equipment with long useful lives. The depreciation increase is reflected in the FY08 peak year, which also included new parking kiosks, electronic chalking devices, and surveillance cameras for the Town's bridges.

Transfer to the Capital Fund

Historically, the Town funded capital projects on a pay-as-you-go basis. If additional funding was necessary for larger projects, transfers from fund balance were used to supplement the funding.
In FY10, the Town issued a bond that included approximately $43 million to fund the initial costs of the 20 year Capital Improvement Program. The transfer to the capital fund decreased in FY11 due to the bond funding. The trend in the transfer is shown on the following page.

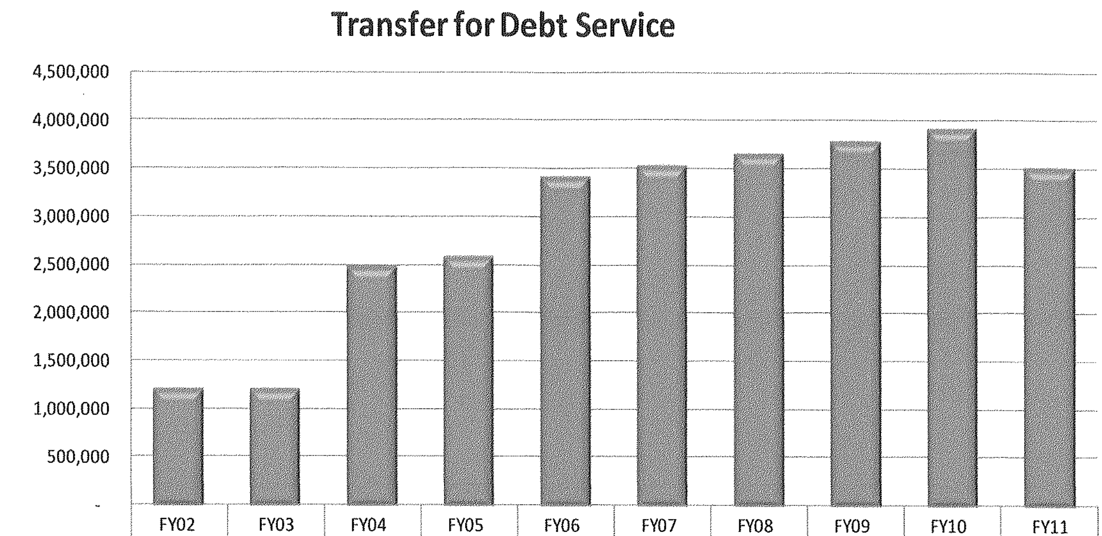


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Transfer to CIP	4,162,125	7,525,700	2,682,000	4,788,000	3,835,063	3,378,801	2,096,000	3,817,000	5,875,857	3,590,000

In FY03, the increase was due to $3.2 million in additional funding for the North Lake Way drainage improvement project. In FY05, $1.2 million was transferred for the Town Hall renovation project. In FY09, $2 million was transferred to the Coastal Protection Fund for pending litigation regarding Lake Worth Inlet. In FY10, a one-time transfer of $2.6 million was included to begin to fund the 20 year Capital Improvement Program and $1,046,000 was transferred from the General Fund fund balance to the Coastal Protection Fund for a sand search study and groin analysis. In FY11, a total of $3,090,000 was transferred to the Coastal Protection Fund for projects and $500,000 was budgeted for the pay-as-you-go portion of the Capital Improvement Program. Of the $2.6 million that was transferred in FY10 for the 20 year Capital Improvement Program $1.4 million was transferred back to the General Fund in FY11 because of the decision to switch to bonding as the primary source of funding for future capital improvement projects.

Transfer to the Debt Service Fund

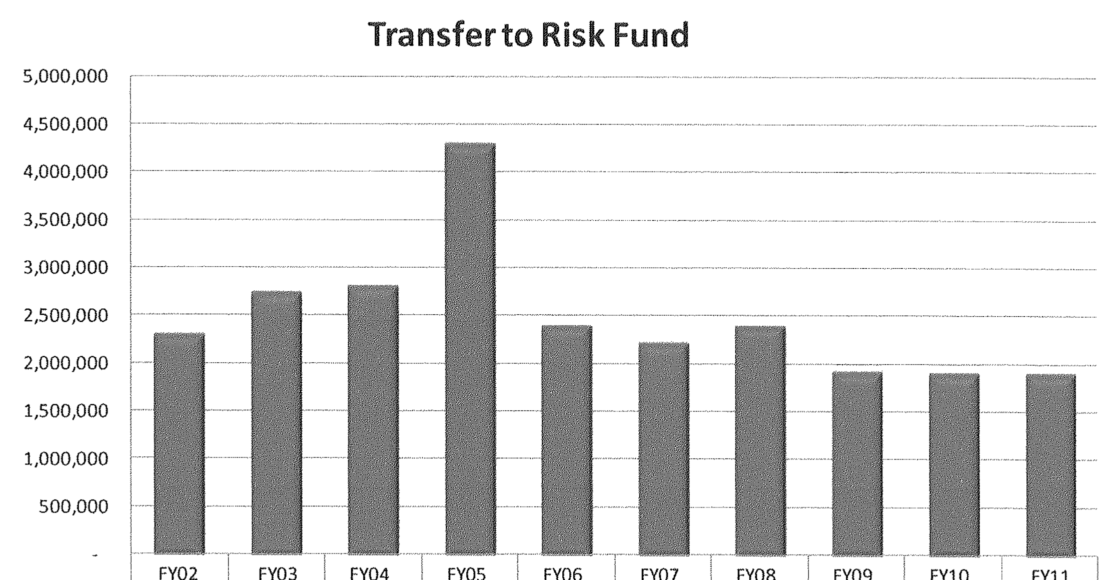
The Town issued Revenue Bonds in 2000 for the Coastal Protection Project. The debt service for the first few years was interest only and then in FY04 principal payments began after the Town's GO debt was paid in full. In FY06, the Town refinanced the 2000 bonds and issued additional debt for the construction of the Central Fire-Rescue station. In 2008 the Town issued a revenue note for the Town Hall renovation project. In 2010, the 2000 revenue bond for coastal projects was paid in full. In addition, the Town issued a bond for the 20 year capital improvement program and refinanced the 2006 bond and the 2008 revenue note. The payoff of the 2000 bond and the issuance of the new bond resulted in lower annual debt service payments for the Town.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Transfer to Debt Service	1,211,858	1,211,858	2,480,000	2,572,810	3,402,060	3,529,000	3,652,000	3,790,000	3,922,000	3,500,000

Transfer to the Risk Insurance Fund

The Town funds the Risk Insurance Program with a transfer from the General Fund. The Risk Insurance program includes insurance for property, liability and worker's compensation insurance.

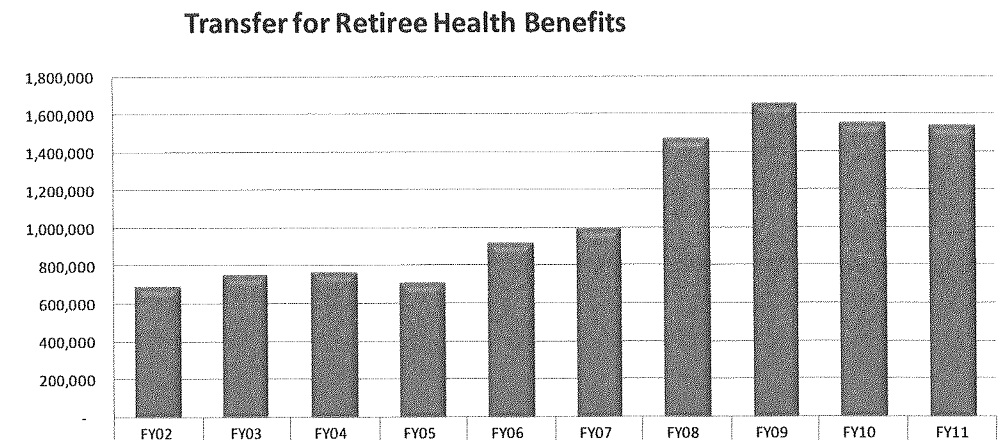


	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Transfer to Risk Fund	2,292,624	2,746,915	2,810,033	4,294,410	2,390,000	2,220,201	2,392,000	1,918,000	1,904,463	1,896,226

From FY02 to FY05, the Risk Transfer increasd by 87%. Since FY05, the cost has declined by 56%. In total, the transfer has decreased by 17% since FY02. In FY05, additional funds were transferred from fund balance to cover uninsured costs for a construction related lawsuit. Overall the Town's risk insurance costs have declined over the past decade, due to the change in carriers and changes in the overall insurance program to reduce costs.

Transfer for Retiree Health Benefits (OPEB Trust)

For many years, the Town accumulated reserves in the Health Insurance Fund in anticipation of the implementation of GASB 43 which required governments to begin to fund their retiree health benefits in the same manner as retirement benefits. In FY07, the Town established the Health Insurance Trust with a transfer of $16 million from the health insurance fund. Prior to the implementation of GASB 43, the Town paid retiree health benefits on as pay-as-you-go basis. The new pronouncement required an actuarial study to determine the amount of the Town's total liability and the amount of the annual contribution. The Town's total Actuarial Accrued Liability as of October 1, 2010 was determined to be $27,769,000. The annual budgeted contribution for FY11 is $1,533,000.



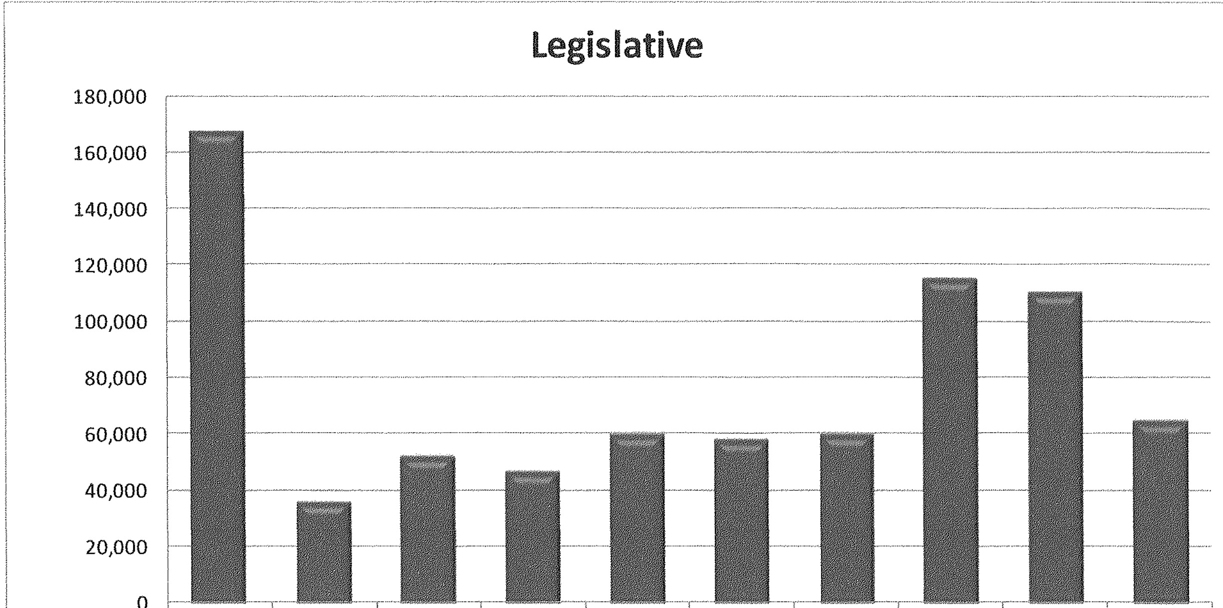
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Retiree Health Benefits	690,000	753,301	763,731	712,256	918,991	993,700	1,466,000	1,649,000	1,550,000	1,533,000

The increase between FY07 and FY08 is a result of the implementation of GASB 43. The FY07 amount represents the pay-as-you-go funding prior to GASB 43 and the FY08 amount represents the actuarially determined contribution based upon the Town's liability and the initial $16 million invested in the trust. Changes in the retiree contribution formula in FY09 (shifting more cost to participating retirees) caused the Town's liability to decline in FY10 and FY11.

Departmental Expenditure Trend Analysis

Legislative

The Legislative program includes funding for the Mayor and Town Council intergovernmental, and lobbying expenses.



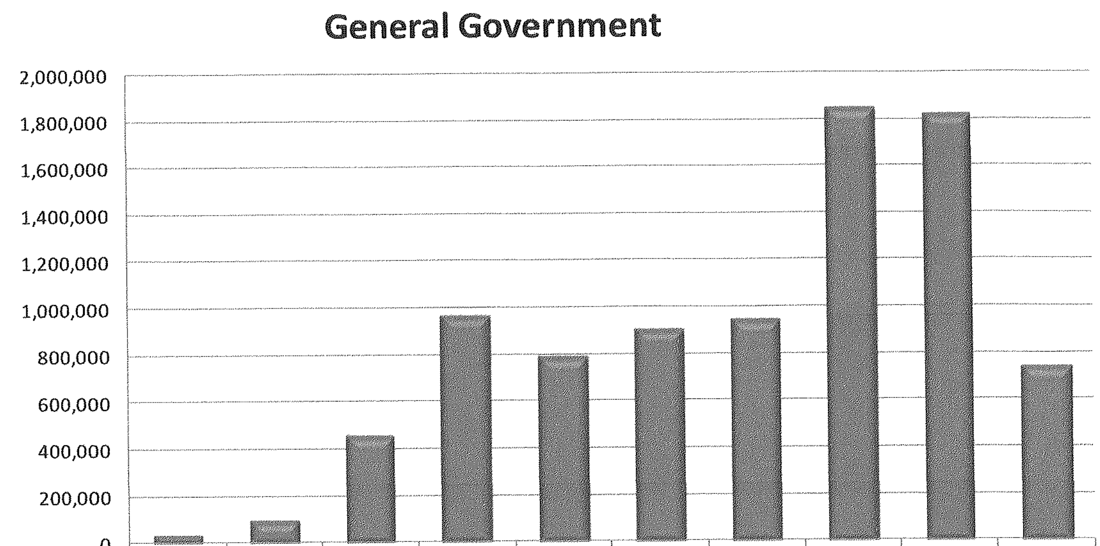
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Legislative	167,414	35,653	51,825	46,420	60,087	57,915	59,843	115,180	110,603	64,700

In FY02, the budget was increased due to costs associated with the formation of a Strategic Planning Committee. The Committee released its report in FY03. In FY09, the budget for lobbying services was increased to include a Washington DC lobbyist on retainer. In FY11, the funding was cut by 50% for lobbying services in both Washington and Tallahassee.

General Government

The General Government budget represents the cost of general government services and activities which are not specifically or reasonably classified elsewhere within the departmental program classifications.

The program was established in FY05 and prior year activity was transferred out of a variety of other programs to the General Government program. The program funds compensated absence pay-outs, the early retirement buy-out program, holiday decorations, annual report and calendar, and July 4th celebration. The program also funds one-time studies, Palm Beach Island Cats donations, and other expenditures that are not related to specific departments.



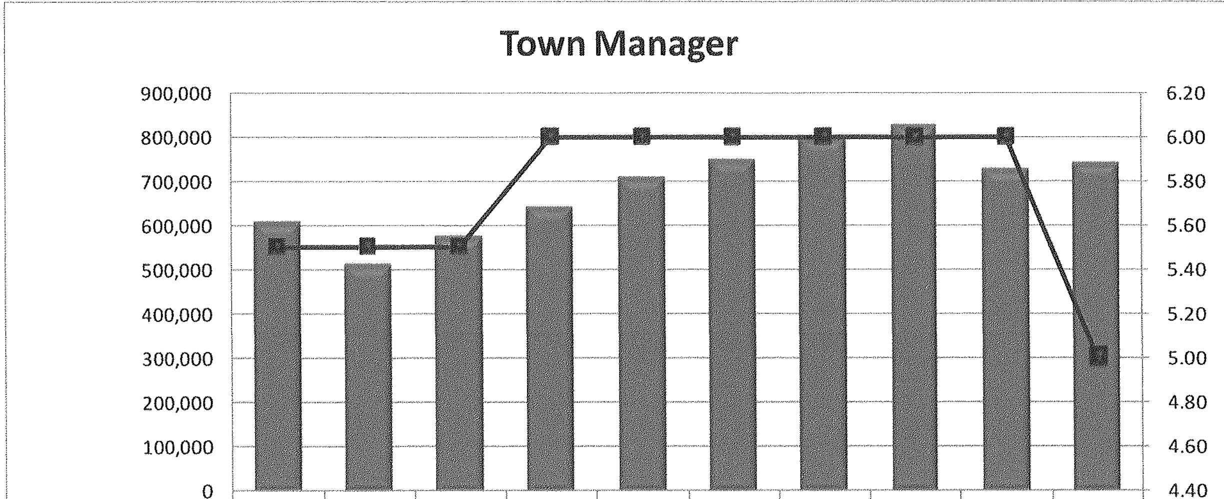
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
General Government	40,215	101,824	462,543	966,100	792,737	907,926	948,797	1,842,778	1,815,356	743,800

In FY05, pay-outs for compensated absences, a compensation study, and a citizen survey were included in the budget. In FY09 and FY10, most of the increase is due to the costs associated with the early retirement program. In addition, in FY09, expenses related to the Shore Protection Board and a study of reverse osmosis potable water was included in the program. In FY10, a pension consultant was hired to conduct an analysis of options for reducing the Town's pension costs and the Town Council hired a contractual internal auditor to review Town operations.

Town Manager

Expenditures for the Town Manager's Office increased by 22% from FY02 to FY11. Most of the increases are due to increased personnel costs. The reduction in FY10 is due to the elimination of the Assistant Town Manager position.

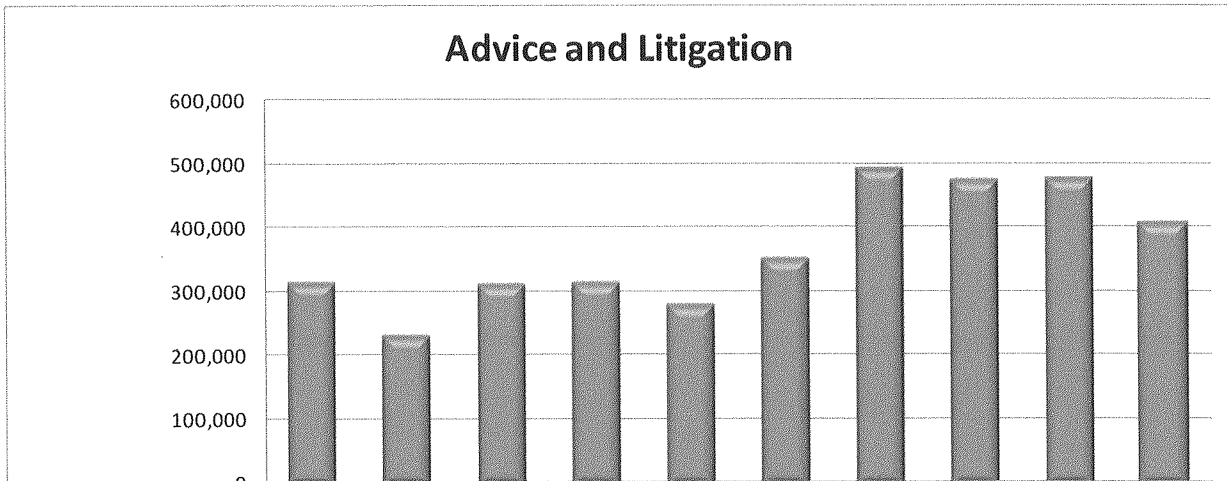
The Town Manager's Office budget represents 1.1% of the total Town budget in FY11. The Town Manager's office currently has 5 full time staff members.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Town Manager	606,017	511,771	574,379	641,850	708,938	749,073	795,228	824,985	725,472	739,407
FTE	5.50	5.50	5.50	6.00	6.00	6.00	6.00	6.00	6.00	5.00

Advice and Litigation

The Advice and Litigation program reflects expenditures related to the Town Attorney and other attorneys, including the labor attorneys who represent the Town in collective bargaining negotiations.



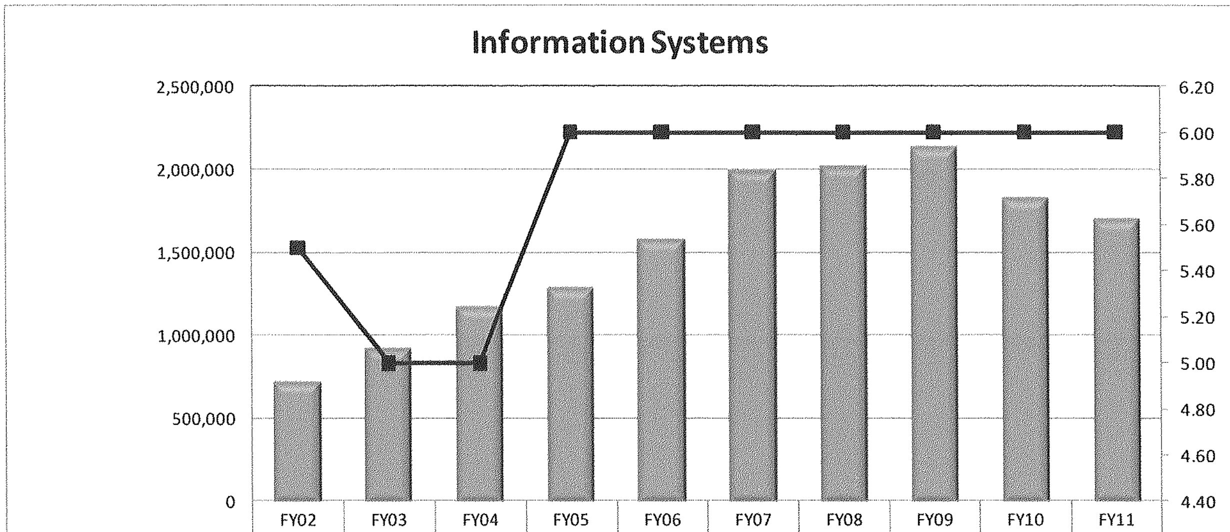
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Advice and Litigation	315,303	233,260	310,828	315,037	280,481	352,247	493,174	475,308	478,666	407,800

The expenditures for advice and litigation have increased by 29% from FY02 to FY11.

The Advice and Litigation budget represents .6% of the total Town budget in FY11.

Information Systems

The Information Systems budget accounts for all computer hardware and software costs, telephone fixed costs and internet costs.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Information Systems	727,766	926,172	1,174,205	1,295,076	1,582,667	1,998,728	2,024,078	2,139,388	1,832,401	1,709,463
FTE	5.50	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

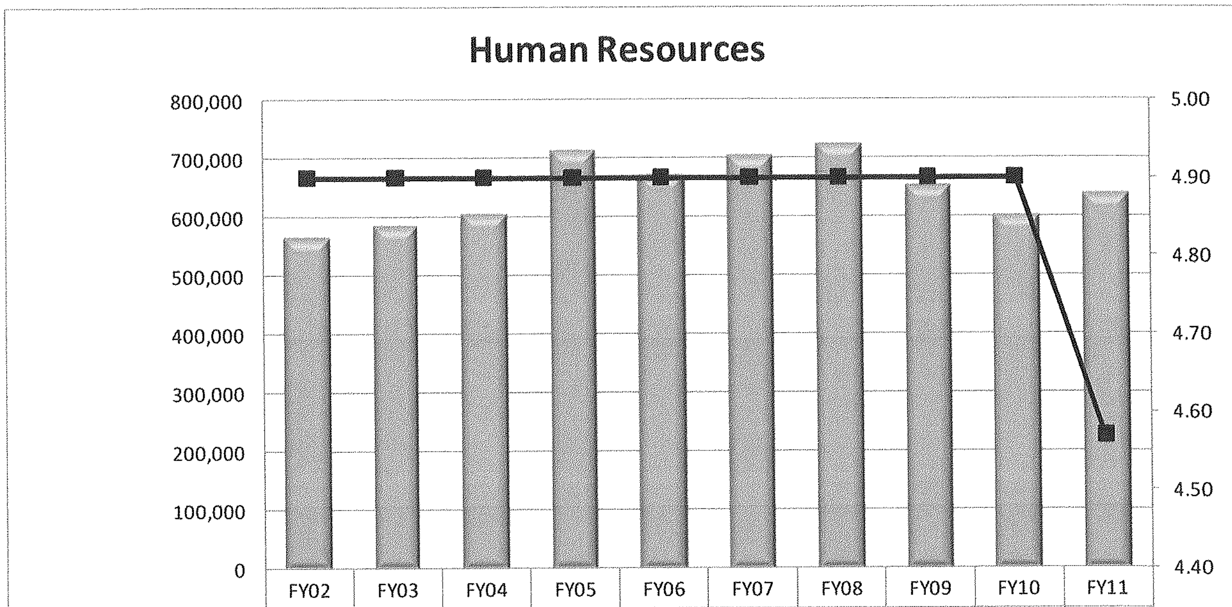
In FY03, all telephone and internet costs were consolidated to the Information Systems program. In FY04, all software maintenance expenditures were moved to the IS program. The centralization of these expenditures has made spending trends easier to monitor and control. In FY06, expenditures increased due to initial funding for the implementation of a new Townwide software system. These expenditures continued through FY10.

The expenditures for the Information Systems program have increased by 135% from FY02 to FY11. Increases are mainly due to the implementation of the Townwide software system upgrades.

The Information Systems budget represents 2.7% of the total Town budget in FY11. Information Systems currently has 6 full time staff members.

Human Resources Department

The Human Resources Department oversees all hiring, compensation and employee benefit administration. The Department also is the plan administrator for the General Employees' pension system.



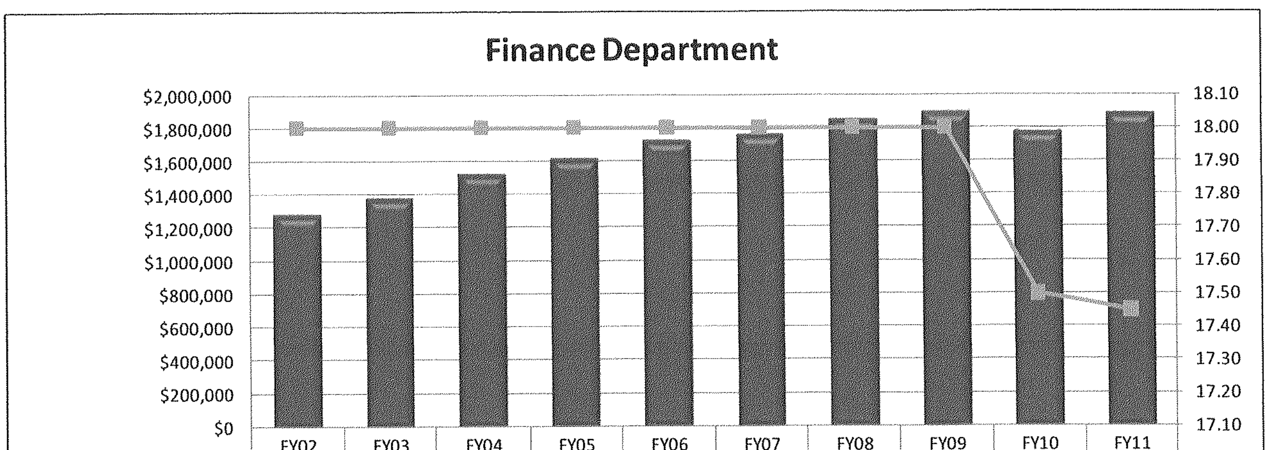
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Human Resources	566,492	586,244	604,668	713,383	671,434	705,074	725,996	655,429	602,351	639,549
FTE	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.57

The expenditures for the Human Resource Department have increased 12.9% from FY02 to FY11.

The Human Resource budget represents 1.0% of the total Town budget in FY11. The Human Resource Department currently has 4.57 full time staff members.

Finance Department

The Finance Department oversees the operations of the Town Clerk, Purchasing and all accounting and finance functions of the Town.



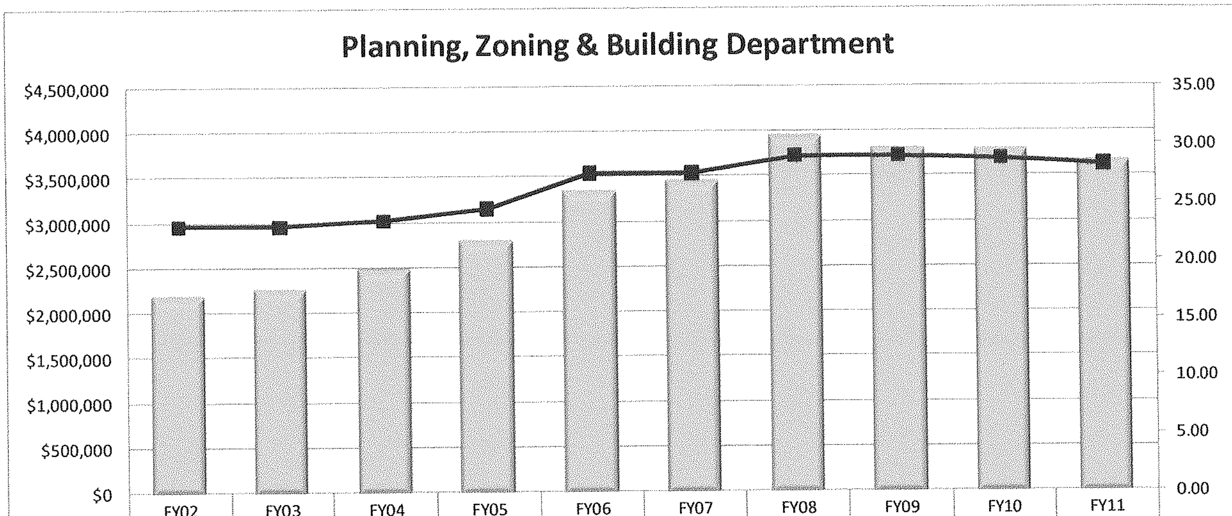
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Finance Department	$1,281,483	1,376,864	$1,520,543	$1,615,460	$1,717,633	$1,760,618	$1,849,942	$1,889,220	$1,774,138	$1,885,390
FTE	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	17.50	17.45

The expenditures for the Finance Department have increased by 47.13% from FY02 to FY11. Most of the increases are due to increases in personnel costs.

The Finance budget represents 2.9% of the total Town budget in FY11. The Finance Department currently has 17.45 full time staff members.

Planning, Zoning and Building Department

The Planning, Zoning and Building Departments implements and recommends the policies relative to the development, redevelopment and use of real property. In addition, this Department includes the budgets code enforcement (which is administered by the Police Department) and fire prevention (which is administered by the Fire-Rescue Department).



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
PZ&B	$2,183,062	2,261,118	$2,478,961	$2,789,795	$3,337,682	$3,440,572	$3,942,322	$3,800,958	$3,788,459	$3,661,090
FTE	23.00	23.00	23.50	24.50	27.50	27.50	29.00	29.00	28.75	28.25

The expenditures for the Planning, Zoning and Building Department have increased by 67.71% from FY02 to FY11. In FY06, expenditures increased due to the expansion of the Fire Prevention program including the addition of 3 additional personnel. In FY08, the code enforcement division was established and personnel from the Police Department were charged to this budget to expand the Town's code enforcement efforts.

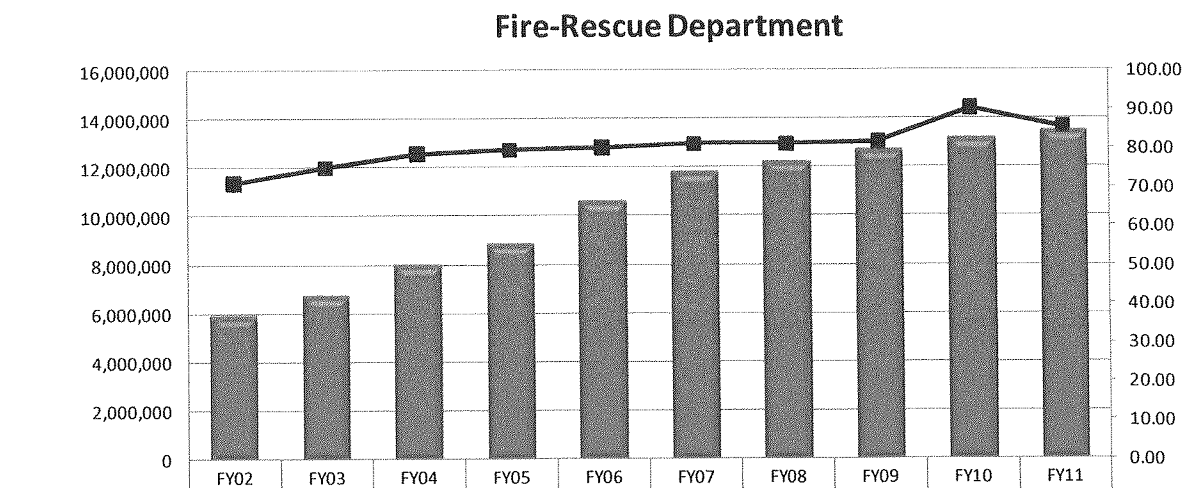
The Planning, Zoning and Building budget represents 5.7% of the total Town budget in FY11. The Department budget currently has 28.25 full time staff members.

Fire-Rescue Department

The Fire-Rescue Department provides for EMS services and fire prevention and response services. The Town has three Fire-Rescue stations.

The expenditures for the Fire-Rescue Department have increased by 128.5% from FY02 to FY11. In FY03, 4 new positions were added to increase the level of service at the North Fire-Rescue station. In FY04, three shift commander positions were added to improve supervision during evenings and weekends. In FY05, the Town began billing for EMS services and added an EMS billing technician. In FY05 and FY06 expenditures increased due to the response to the hurricanes. In FY10, the Ocean Rescue program was moved from the Police Department to be under the operations of the Fire-Rescue Department. The 10 lifeguards were added to the staffing levels of Fire-Rescue. In FY11, 3 firefighters and 1 Administrative Lieutenant were cut from the budget. The majority of the increase in this Department is due to increases in personnel costs. From FY02 through FY11, the Town's retirement contribution for the Firefighter's Pension Plan increased from $233,590 to $3,189,802. This is a 1266% increase.

The Fire-Rescue budget represents 21.23% of the total Town budget in FY11. The Fire-Rescue Department currently has 85.40 full time staff members.



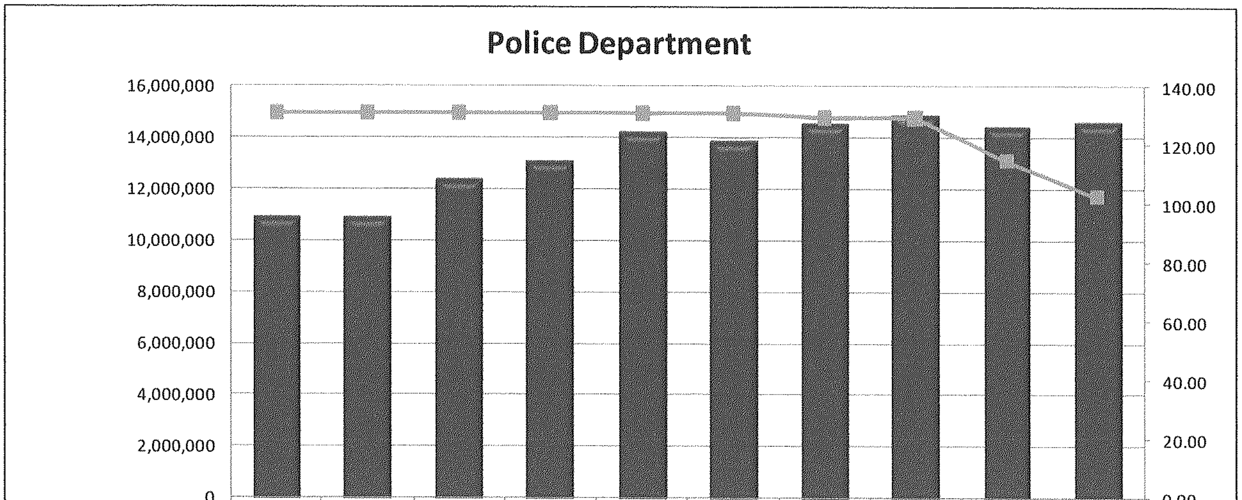
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Fire Department	5,922,008	6,768,743	8,051,344	8,900,253	10,610,092	11,828,195	12,250,370	12,762,225	13,203,327	13,529,929
FTE	71.00	75.00	78.50	79.50	80.00	81.00	81.00	81.50	90.20	85.40

Police Department

The Police Department provides for the prevention of crime and the protection of life and property.

The expenditures for the Police Department have increased by 34% from FY02 to FY11. Increases in FY04, FY05 and FY06 were due to overtime related to the hurricanes. In FY06, a new radio system was purchased. In FY08, the budget included funding for the electronic chalking devices for parking enforcement. The budget for FY11 represented a 7% decrease from FY10. The decrease is the result of the elimination of 12.2 positions. The majority of the increase in this department since FY02 is due to personnel cost increases. For the period of FY02 through FY11, the Town's contribution to the Police Retirement Fund increased from $310,756 to $2,828,758. This is an 810% increase.

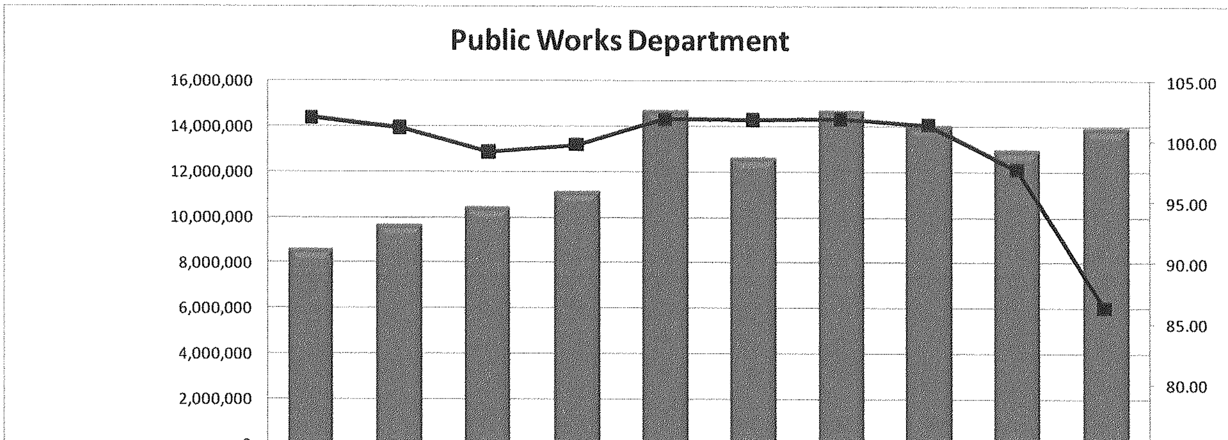
The Police Department budget represents 22.9% of the total Town budget in FY11. The Police Department currently has 102.85 full time staff members.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Police Department	10,911,840	10,946,74	12,377,262	13,078,878	14,188,259	13,878,142	14,560,712	14,899,027	14,445,085	14,630,636
FTE	131.00	131.00	131.00	131.00	131.00	131.00	129.50	129.50	115.05	102.85

Public Works Department

The Public Works Department provides for the maintenance of the Town's parks, buildings equipment and infrastructure, for collection and disposal of residential and commercial garbage, and for storm and sanitary sewer maintenance and treatment.



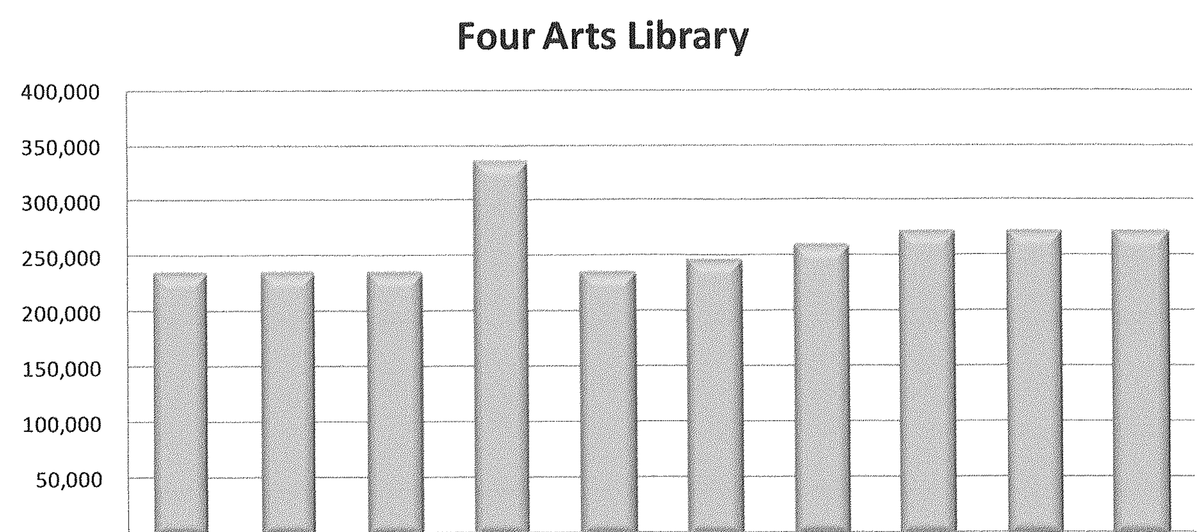
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Public Works Department	8,598,843	9,700,099	10,422,311	11,148,512	14,673,738	12,611,014	14,673,600	14,025,887	12,958,870	13,953,090
FTE	101.97	101.14	99.14	99.74	101.88	101.80	101.91	101.41	97.75	86.35

The expenditures for the Public Works Department have increased by 62.3% from FY02 to FY11. The increase in FY03 is due to the consolidation of all building maintenance accounts into the Public Works budget. In FY04, FY05 and FY06, most of the increase is due to the overtime related to the hurricane efforts for debris removal and repair of Town facilities. In FY05, an Assistant Director position was added and in FY06, a mechanic and an equipment operator position were added. In FY08, expenditures relating to the purchase of a parking kiosk system and contractual costs for coastal projects were included in expenditures. In FY09, costs associated with an accelerated roadway milling and resurfacing project were included in the Department's expenditures. Since FY09, 15.06 positions have been cut from the Department's budget. A portion of the increase in costs for this Department is due to the increase in personnel costs. For the period of FY02 through FY11, the Town's contribution to the General Employee Retirement Fund increased by 466%.

The Public Works budget represents 21.9% of the total Town budget in FY11. The Public Works Department currently has 86.35 full time staff members.

Four Arts Library

The Town contracts with the Society of the Four Arts Library to provide library services to its residents. The annual appropriation takes the place of, and is substantially less than, property taxes that would be levied upon Town residents by the Palm Beach County Library District.



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Library	235,000	235,000	235,000	335,000	235,000	247,000	259,350	272,400	272,400	272,400

The expenditures for the Four Arts Library have increased by 15.9% from FY02 to FY11. In FY05, an additional $100,000 was appropriated to the library for a renovation project. The Four Arts Library budget represents .4% of the total Town budget in FY11.

Long Term Financial Plan Forecast Summary

Financial forecasts are the foundation of a long term financial plan. These forecasts provide the Mayor, Town Council and staff with information they need to more effectively determine future levels of service and methods of funding. This forecast of General Fund revenues and expenditures includes the FY11 budget and forecasts through FY21.

Assumptions

The forecast for the first 2 - 3 years is based upon recent trends and specific expectations. The forecast for the remaining 6 - 7 years is very conservative and based upon estimates by actuaries, long term inflation expectations, and staff's recommendations for future personnel changes.

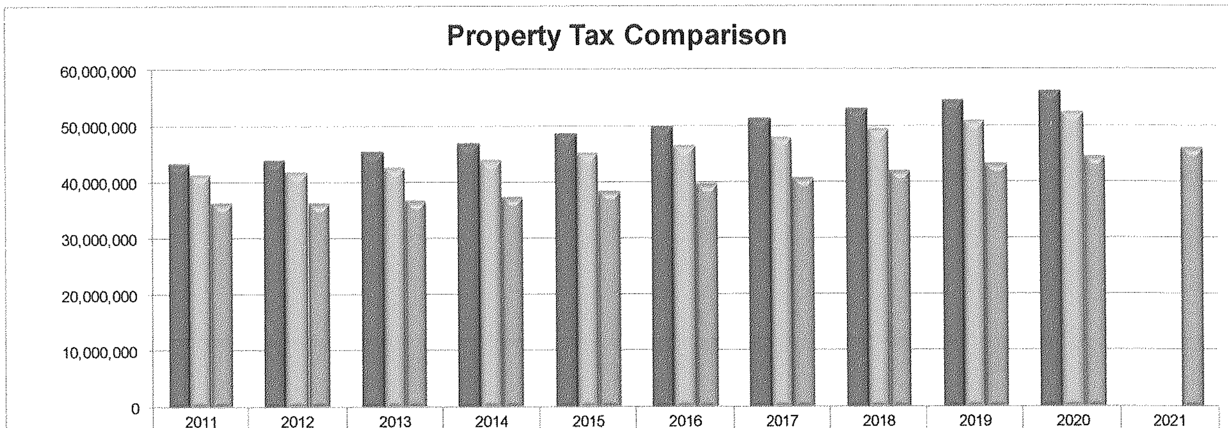
The major assumptions that were used to prepare the forecast are as follows:

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Ad Valorem Tax Increase	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Salaries & Wages	1.5%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Health Insurance	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Pension	-59.8%	23.0%	19.5%	5.7%	7.8%	7.5%	7.8%	14.7%	-28.9%	9.6%
Other Employee Benefits	-8.1%	2.7%	3.2%	2.2%	1.4%	3.1%	3.2%	3.8%	2.2%	.8%
Property Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Liability Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
W/C Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

General Fund Revenue Forecast

Property Tax Revenue

Rather than using a complex formula anticipating taxable value and personal income growth, we forecast the increase in ad valorem revenues based upon a basic percentage increase estimate. For FY12 we maintained ad valorem revenue at FY11 amounts and we increased revenue by 1% for FY13, 2% for FY14, and then 3% for each year thereafter.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	43,256,064	43,982,772	45,339,737	46,875,097	48,462,449	49,916,322	51,413,812	52,956,227	54,544,913	56,181,261	
2010 Forecast	41,326,000	41,739,260	42,574,045	43,851,267	45,166,805	46,521,809	47,917,463	49,354,987	50,835,636	52,360,706	
2011 Forecast	36,245,463	36,245,463	36,607,918	37,340,076	38,460,278	39,614,087	40,802,509	42,026,584	43,287,382	44,586,003	45,923,584

2009 Forecast   2010 Forecast   2011 Forecast

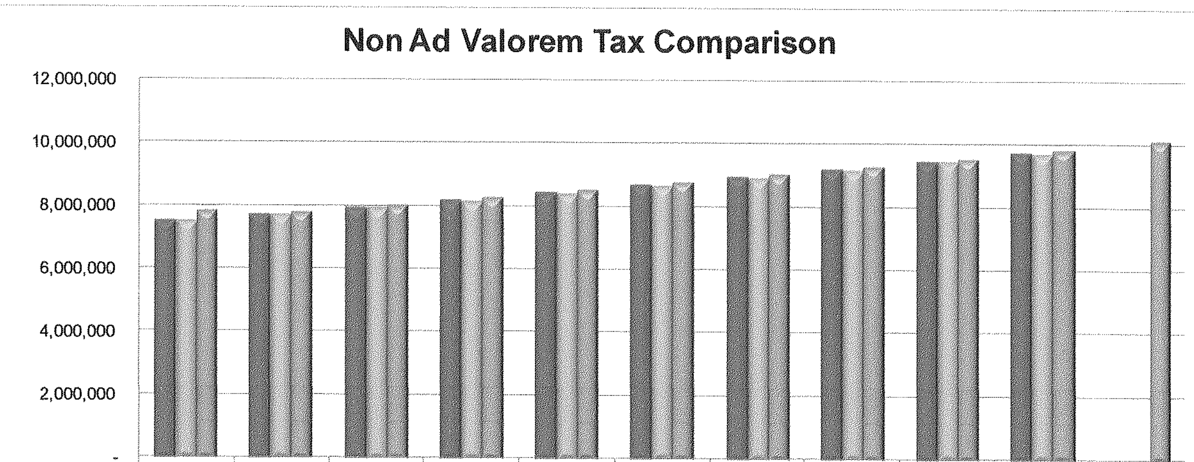
Total Property Tax Revenue Forecast Change for 2011 – 2020

Total 2009 Forecast Revenue	$492,928,654
Total 2010 Forecast Revenue	$461,647,978
Reduction in Revenue 2010 vs. 2009	($31,280,676)
Total 2011 Forecast Revenue	$395,215,764
Reduction in Revenue 2011 vs. 2010	($66,432,214)
Reduction in Revenue 2011 vs. 2009	($97,712,890)

The property tax revenue forecast has declined substantially since prior forecasts. This is due to the reduction of $5,080,500 in property tax revenue in FY11 because of a 11.42% decline in taxable value and the Town Council's decision to maintain the same millage rate. Since the base year decreased, the revenues for the entire forecast period declined.

Non Ad Valorem Taxes

Non ad valorem taxes include local option gas taxes, franchise fees and utility service taxes. There has been little change in the forecast for these revenues since 2009. The slight increases are due to improved collections in utility tax revenue. The increases in non ad valorem revenue are based upon historic trends and inflation estimates. The forecast trend chart is shown below.



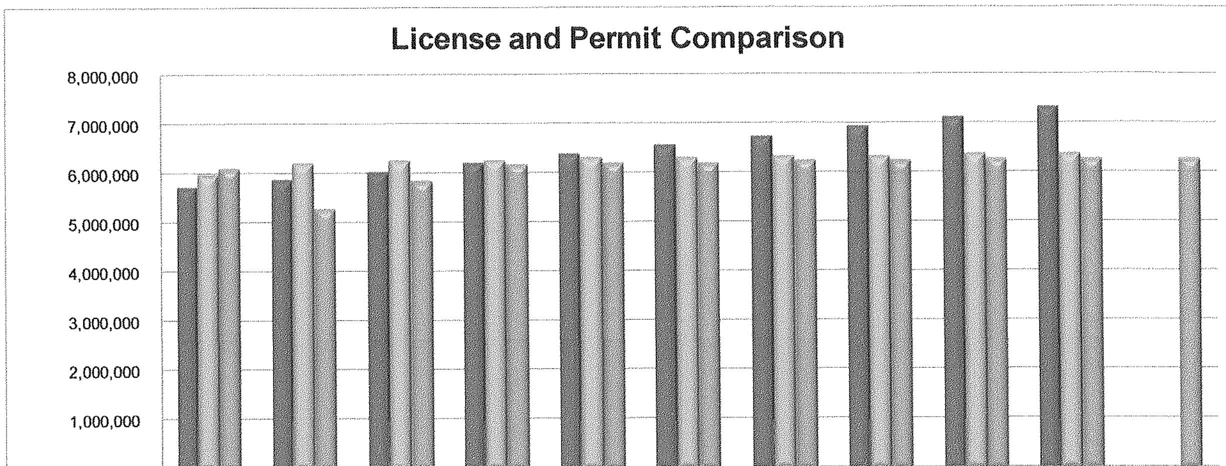
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	7,472,540	7,693,452	7,920,926	8,155,158	8,396,349	8,644,707	8,900,444	9,163,782	9,434,946	9,714,170	
2010 Forecast	7,469,400	7,690,218	7,895,965	8,129,448	8,369,868	8,617,431	8,872,350	9,134,845	9,405,141	9,683,471	
2011 Forecast	7,829,000	7,790,540	7,998,921	8,235,486	8,479,081	8,729,914	8,988,201	9,254,164	9,528,033	9,810,043	10,100,436

Total Non-Ad Valorem Revenue Forecast Change for 2011 – 2020

Total 2009 Forecast Revenue	**$85,496,474**
Total 2010 Forecast Revenue	**$85,268,137**
Reduction in Revenue 2010 vs. 2009	**($228,337)**
Total 2011 Forecast Revenue	**$86,643,382**
Increase in Revenue 2011 vs. 2010	**$1,375,245**
Increase in Revenue 2011 vs. 2009	**$1,146,908**

License and Permit Revenue

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



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	5,724,300	5,869,508	6,035,620	6,205,806	6,381,238	6,562,098	6,748,574	6,940,860	7,139,159	7,343,682	
2010 Forecast	5,982,300	6,193,300	6,257,100	6,257,100	6,296,790	6,296,790	6,338,465	6,338,465	6,382,223	6,382,223	
2011 Forecast	6,104,300	5,270,300	5,841,300	6,176,300	6,213,050	6,213,050	6,251,638	6,251,638	6,292,154	6,292,154	6,292,154

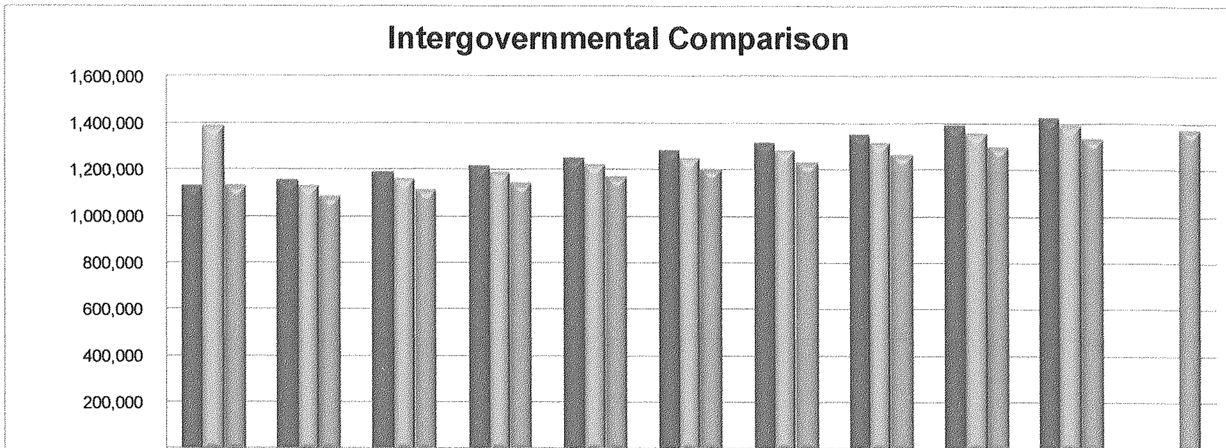
Total License and Permit Revenue Forecast Change for 2011 – 2020

Total 2009 Forecast Revenue	**$64,950,845**
Total 2010 Forecast Revenue	**$62,724,756**
Reduction in Revenue 2010 vs. 2009	**($2,226,089)**
Total 2011 Forecast Revenue	**$60,905,884**
Reduction in Revenue 2011 vs. 2010	**($1,818,872)**
Reduction in Revenue 2011 vs. 2009	**($4,044,961)**

The forecast has been reduced for these revenues since 2009 based upon current market conditions. Building permit revenue has not met budget expectations in FY11 and there is the potential for the trend to continue into FY12. To be conservative, the forecast does not anticipate much of an increase in the license and permit revenue sources through most of the forecast period.

Intergovernmental Revenue

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



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	1,131,225	1,155,812	1,186,286	1,217,675	1,250,005	1,283,305	1,317,604	1,352,932	1,389,320	1,426,800	
2010 Forecast	1,384,105	1,127,878	1,157,514	1,188,040	1,219,491	1,251,866	1,285,222	1,319,578	1,354,966	1,391,414	
2011 Forecast	1,129,000	1,086,000	1,114,080	1,143,002	1,172,792	1,203,476	1,235,081	1,267,633	1,301,162	1,335,697	1,371,268

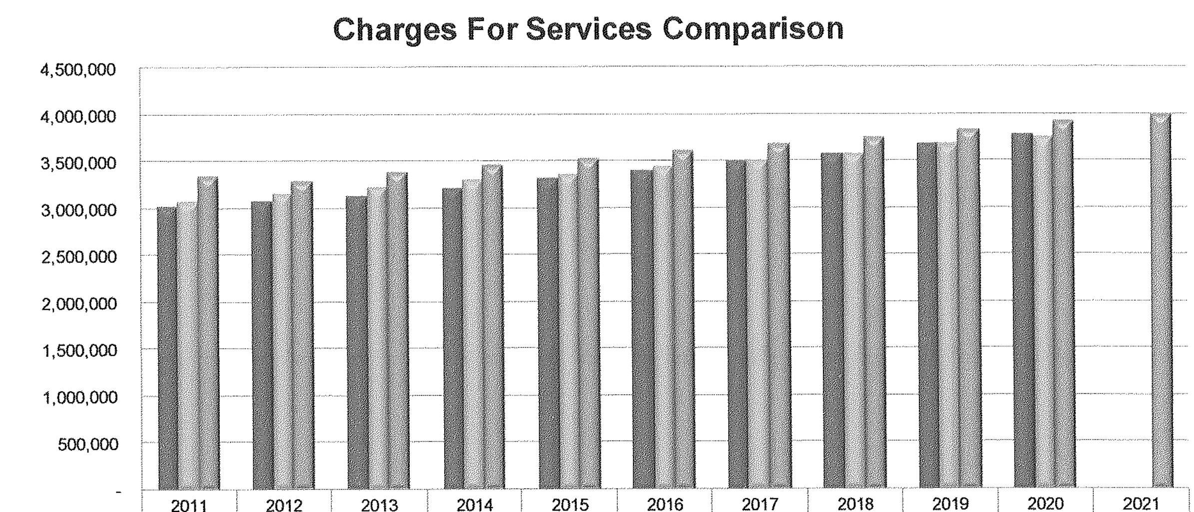
Total Intergovernmental Revenue Forecast Change for 2011 - 2020

Total 2009 Forecast Revenue	**$12,710,964**
Total 2010 Forecast Revenue	**$12,680,074**
Reduction in Revenue 2010 vs. 2009	($30,890)
Total 2011 Forecast Revenue	**$11,987,923**
Reduction in Revenue 2011 vs. 2010	($692,151)
Reduction in Revenue 2011 vs. 2009	($723,041)

The forecast for these revenues has declined due to declines in revenues received from the State of Florida for sales tax and revenue sharing. In FY10, the forecast included grant revenue for the north Fire-Rescue station traffic light. The forecast anticipates a small inflationary increase per year in the State revenues.

Charges for Services

Charges for services include public safety fees, solid waste fees, parking meter collections and other small fees such as copy charges and lien searches. The forecast for these revenues has increased since 2009. The FY11 budget contained an increase in oceanfront parking meter rates that resulted in increased budgeted revenue of $363,900.



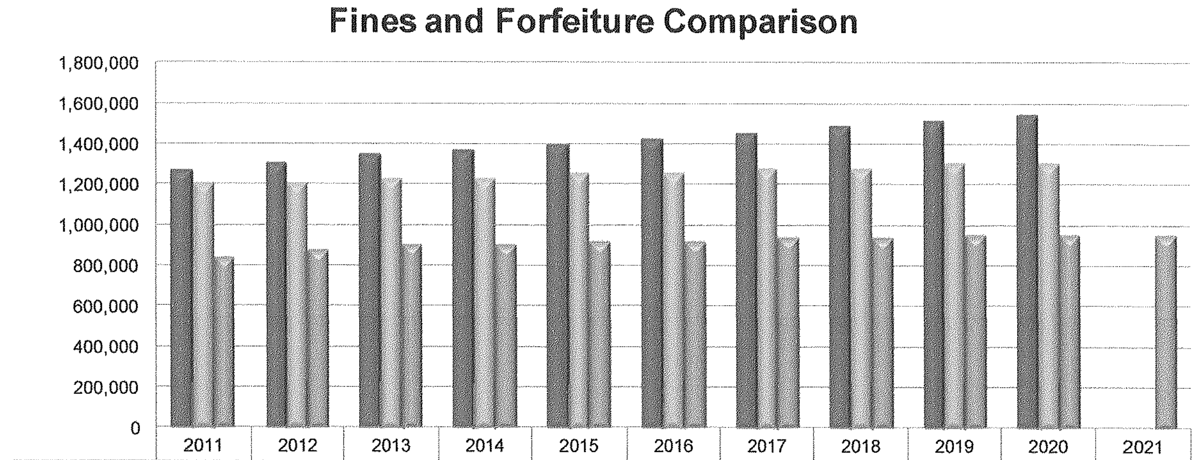
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	3,016,767	3,077,061	3,139,134	3,224,224	3,311,351	3,401,291	3,493,400	3,588,471	3,685,851	3,786,350	
2010 Forecast	3,073,017	3,155,510	3,231,473	3,296,762	3,364,009	3,445,082	3,516,425	3,589,908	3,677,639	3,755,598	
2011 Forecast	3,351,800	3,286,300	3,388,197	3,463,947	3,530,296	3,612,975	3,683,619	3,755,011	3,842,182	3,919,263	3,998,637

Total Charges for Services Forecast Revenue Change for 2011 - 2020

Total 2009 Forecast Revenue	**$33,723,900**
Total 2010 Forecast Revenue	**$34,105,423**
Increase in Revenue 2010 vs. 2009	**$381,523**
Total 2011 Forecast Revenue	**$35,833,591**
Increase in Revenue 2011 vs. 2010	**$1,728,168**
Increase in Revenue 2011 vs. 2009	**$2,109,691**

Fines and Forfeitures

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



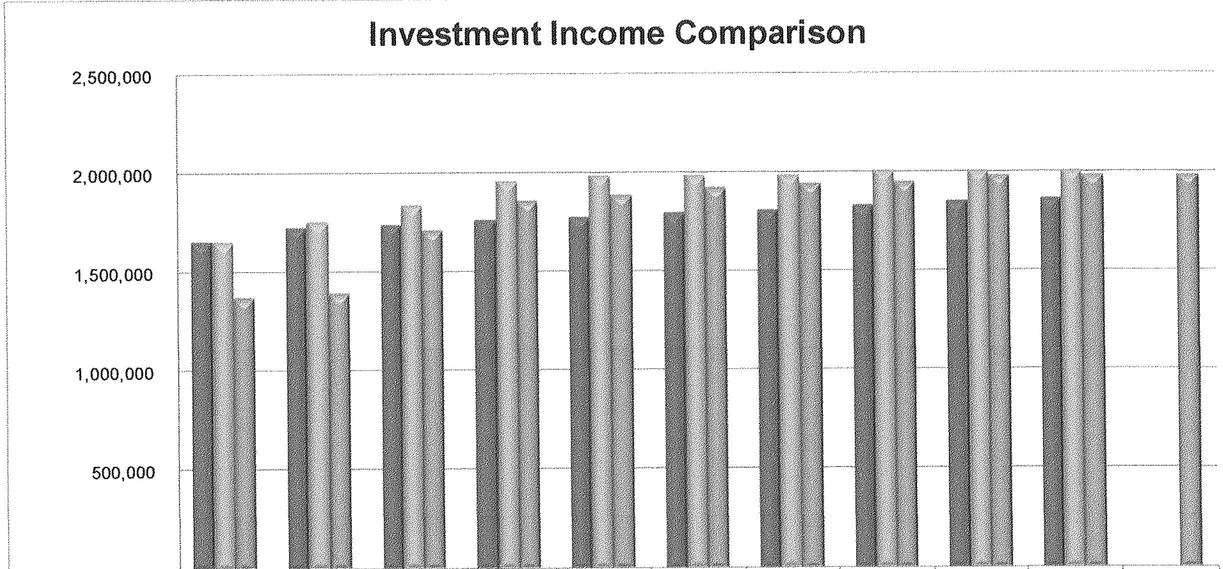
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	1,271,000	1,306,000	1,346,000	1,372,920	1,400,378	1,428,386	1,456,954	1,486,093	1,515,815	1,546,131	
2010 Forecast	1,206,000	1,206,000	1,230,120	1,230,120	1,254,722	1,254,722	1,279,817	1,279,817	1,305,413	1,305,413	
2011 Forecast	841,000	876,000	900,520	900,520	918,530	918,530	936,901	936,901	955,639	955,639	955,639

Total Fines and Forfeiture Forecast Revenue Change for 2011 - 2020

Total 2009 Forecast Revenue	$14,129,677
Total 2010 Forecast Revenue	$12,552,144
Reduction in Revenue 2010 vs. 2009	($1,577,533)
Total 2011 Forecast Revenue	$9,140,181
Reduction in Revenue 2011 vs. 2010	($3,411,963)
Reduction in Revenue 2011 vs. 2009	($4,989,496)

Revenues from these sources have decreased substantially since the 2009 forecast. The majority of the decrease is due to the forecast for code enforcement fines. This revenue source is volatile and in recent years collections have declined. In FY11, the Town has collected a few large fines, but the forecast reflects a conservative estimate for collections in the future.

Investment Income



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	1,650,00	1,720,00	1,737,20	1,754,57	1,772,11	1,789,83	1,807,73	1,825,81	1,844,07	1,862,51	
2010 Forecast	1,650,00	1,750,00	1,830,00	1,955,00	1,980,00	1,980,00	1,980,00	2,000,00	2,000,00	2,000,00	
2011 Forecast	1,366,000	1,391,000	1,706,000	1,856,000	1,881,000	1,916,000	1,941,000	1,946,000	1,981,000	1,981,000	1,981,000

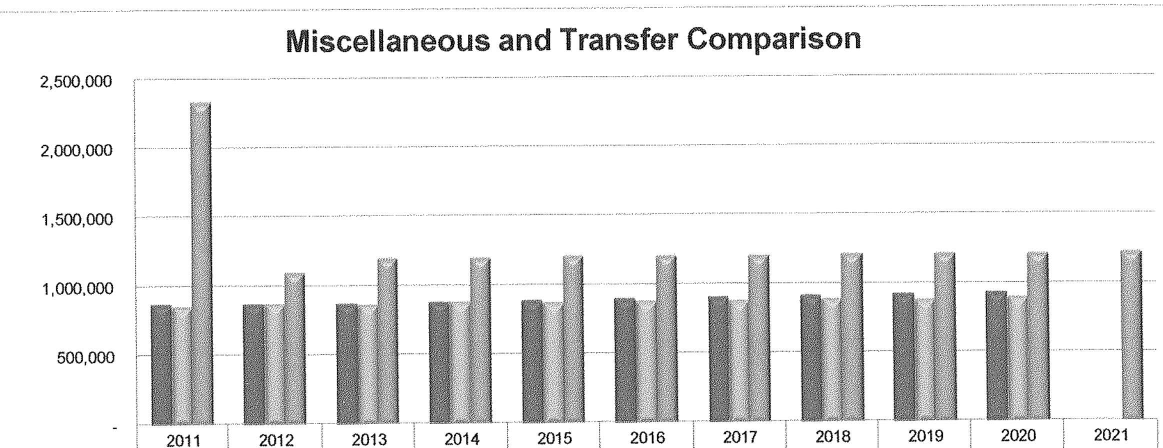
Total Investment Income Forecast Change for 2011 - 2020

Total 2009 Forecast Revenue	**$17,763,868**
Total 2010 Forecast Revenue	**$19,125,000**
Increase in Revenue 2010 vs. 2009	**$1,361,132**
Total 2011 Forecast Revenue	**$17,965,000**
Reduction in Revenue 2011 vs. 2010	**($1,160,000)**
Increase in Revenue 2011 vs. 2009	**$201,132**

The investment income forecast has declined in the early years of the forecast. The prolonged depressed interest rate environment has caused revenues to be suppressed. We are predicting this trend will continue through 2012 with improvement beginning in 2013.

Miscellaneous and Transfers

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



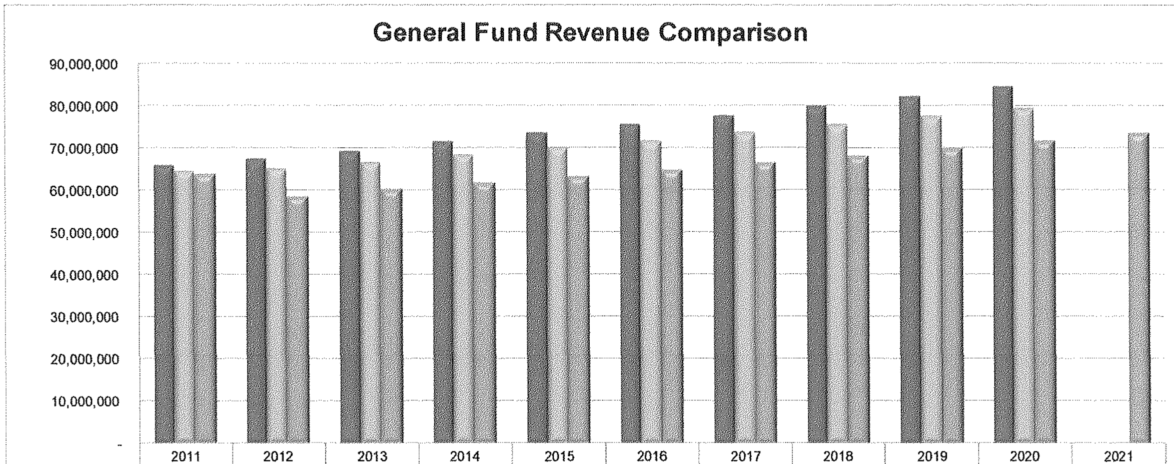
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	858,228	860,935	863,723	871,470	879,424	887,593	895,980	904,594	913,438	922,521	
2010 Forecast	847,228	860,935	853,723	866,595	859,522	872,599	865,737	878,969	872,298	885,727	
2011 Forecast	2,326,500	1,088,200	1,192,981	1,195,845	1,198,796	1,201,835	1,204,965	1,208,189	1,211,509	1,214,930	1,218,452

Total Miscellaneous and Transfer Forecast Change for 2011 - 2020

Total 2009 Forecast Revenue	$8,857,906
Total 2010 Forecast Revenue	$8,663,333
Reduction in Revenue 2010 vs. 2009	($194,573)
Total 2011 Forecast Revenue	13,043,749
Increase in Revenue 2011 vs. 2010	$4,380,416
Increase in Revenue 2011 vs. 2009	$4,185,843

The FY11 budget included a one-time transfer of $1.4 million from the Capital Improvement Fund to the General Fund. The increase in the forecast is due to an increase in the fees associated with the charitable solicitation permits, inflationary increases in the cellular roof-top lease agreements, and an increase in the transfer from the Recreation Enterprise Fund due to the savings generated through the reorganization efforts.

General Fund Revenues



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	65,963,124	67,311,540	69,280,626	71,388,922	73,565,312	75,625,541	77,746,505	79,930,774	82,179,515	84,495,429	
2010 Forecast	64,474,301	65,224,799	66,562,491	68,345,715	70,115,271	71,877,344	73,726,499	75,621,481	77,622,812	79,552,751	
2011 Forecast	63,734,848	58,451,320	60,198,560	61,796,280	63,368,409	64,954,711	66,620,824	68,274,073	70,089,010	71,777,811	73,559,493

Total General Fund Revenue Forecast Change for 2011 – 2020

Total 2009 Forecast Revenue	$747,487,288
Total 2010 Forecast Revenue	$713,123,464
Reduction in Revenue 2010 vs. 2009	($34,363,824)
Total 2011 Forecast Revenue	649,265,846
Reduction in Revenue 2011 vs. 2010	($63,857,618)
Reduction in Revenue 2011 vs. 2009	($98,221,442)

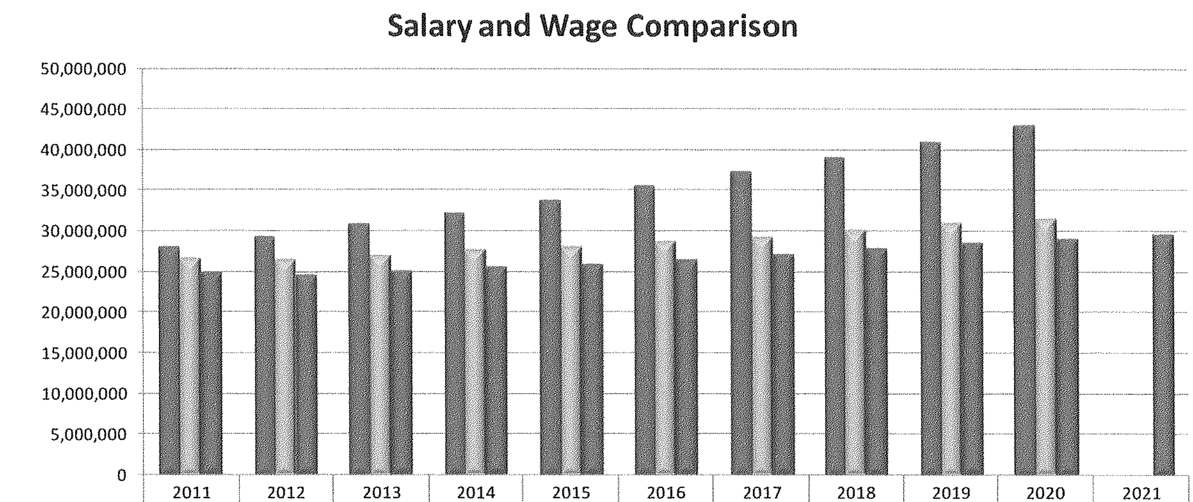
In total, the General Fund revenue forecast has declined since the 2009 forecast, mainly due to the reduction in property tax revenue.

Expenditure Forecast Assumptions

General inflationary increases of 2% per year were used to forecast commodities, contractual and depreciation expenditures. The *Livingston Survey* from the Federal Reserve Bank of Philadelphia forecasts inflation for 2011 at 1.8%. The Federal Reserve forecast for long term inflation indicates that inflation is predicted to average 2.0% over the next 10 years, which is slightly lower than the forecast of 2.4% reported in the prior LTFP documents.

Salary and Wages

Salary and Wage increases are based upon the modifications to the Town's employee pay policies and reductions in personnel through the forecast period. This forecast contains anticipated growth rates of 1.5% - 3%.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	27,941,685	29,308,769	30,744,208	32,251,418	33,833,989	35,495,688	37,240,473	39,072,497	40,996,121	43,015,927	
2010 Forecast	26,628,579	26,475,429	26,993,644	27,619,754	28,022,029	28,635,341	29,298,932	30,105,808	31,006,498	31,480,569	
2011 Forecast	24,845,261	24,520,166	24,993,156	25,562,426	25,901,114	26,447,945	27,046,290	27,784,804	28,613,887	29,024,853	29,495,977

Total Salary and Wage Forecast Change for 2011 - 2020

Total 2009 Forecast Expenditures	$349,900,775
Total 2010 Forecast Expenditures	$286,266,583
Reduction in Expenditures 2010 vs. 2009	($63,634,192)
Total 2011 Forecast Expenditures	$264,739,902
Reduction in Expenditures 2011 vs. 2010	($21,526,681)
Reduction in Expenditures 2011 vs. 2009	($85,160,873)

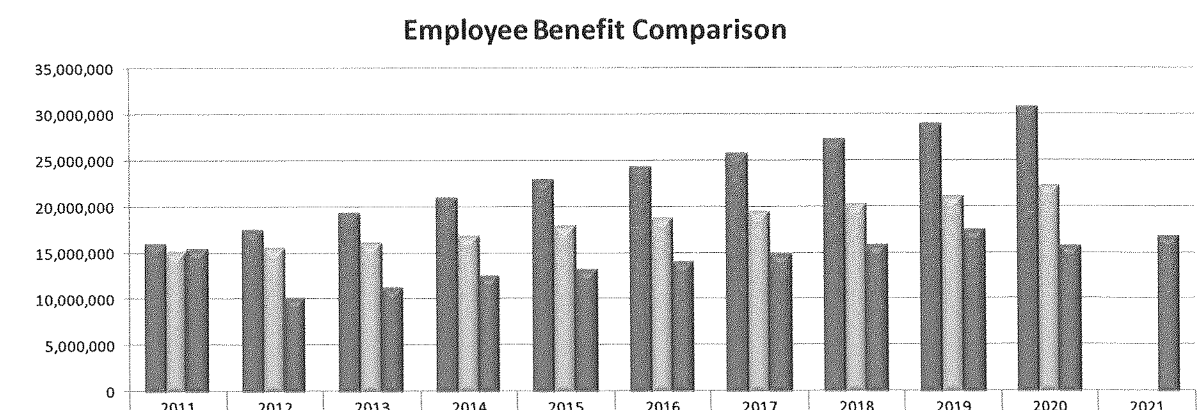
Past assumptions for salary and wage increases had been 5.5%. Between FY01 and FY09, Town salaries increased at an average rate of over 6% per year – more than double the average annual rate of inflation for the same period. Future salary growth had to be reduced to an average of 3% per year or less. The Town implemented a policy to provide pay-for-performance raises or step increases on each employee's anniversary date and the Town will no longer provide an across the board pay increase on October 1. It is anticipated that pay ranges (but not actual pay) will increase on October 1 when the market warrants such increases in the future (thereby increasing employees' long-term earning potential), but we don't expect prevailing market wages to increase for FY12 and they may not increase in FY13 or even beyond that.

The Salary forecast also contains the personnel reductions made to-date and other personnel reductions that are forecasted for the future. The schedule for these reductions anticipates continuation of Town policy to achieve lower personnel costs through attrition, not layoffs.

In total during the 10 year period, the FY11 forecast for salaries and wages is $85.1 million less than the FY09 forecast.

Employee Benefits

The employee benefit forecast is broken down between pension and other employee benefits which include health insurance. We anticipated health insurance increases at 8% per year and other employee benefits, including FICA, longevity, incentives, and allowances to increase at a much lower rate. The pension estimate is based upon the Town Manager's recommendation for a hybrid pension plan which is currently under negotiation with the Police Officer and Firefighter unions. The amounts included in the pension forecast were calculated by the actuary. It is anticipated that the savings from the pension changes will take effect in the FY12 budget.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	15,992,077	17,591,285	19,350,413	21,091,951	22,990,226	24,369,640	25,831,818	27,381,727	29,024,631	30,766,109	
2010 Forecast	15,185,663	15,622,918	16,185,668	16,944,885	18,050,630	18,824,938	19,569,546	20,358,884	21,204,617	22,259,318	
2011 Forecast	15,493,751	10,144,886	11,308,559	12,549,593	13,230,657	14,043,265	14,960,775	15,960,358	17,529,281	15,794,667	16,856,995

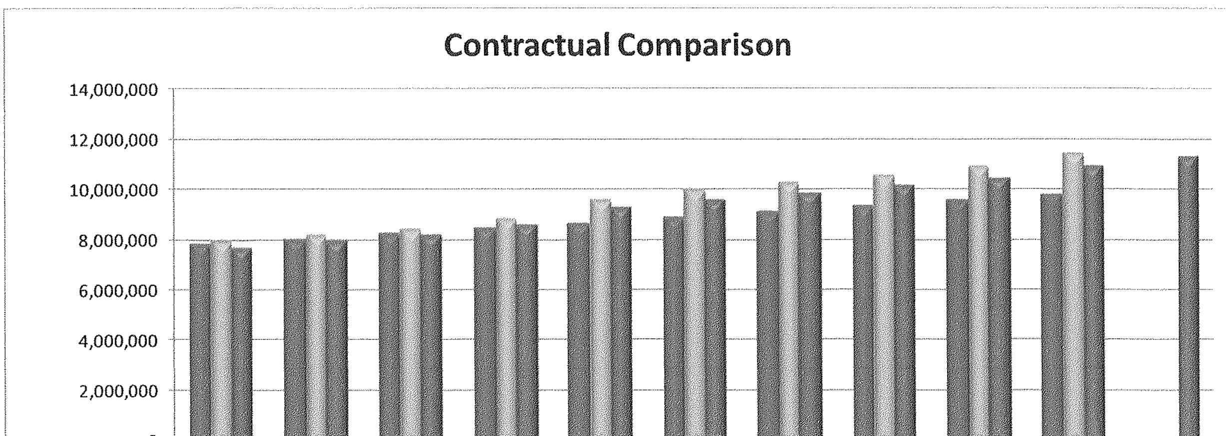
Total Employee Benefit Forecast Change for 2011 - 2020

Total 2009 Forecast Expenditures	$234,389,877
Total 2010 Forecast Expenditures	$184,207,067
Reduction in Expenditures 2010 vs. 2009	($50,182,810)
Total 2011 Forecast Expenditures	$141,015,792
Reduction in Expenditures 2011 vs. 2010	($43,191,275)
Reduction in Expenditures 2011 vs. 2009	($93,374,085)

In total during the 10 year period, the FY11 forecast for employee benefits is $93.4 million less than the FY09 forecast.

Contractual

Contractual expenditures are forecasted to increase by the rate of inflation. In certain years, contractual expenditures increased by more than the rate of inflation, due to the plan for contracting certain services that are currently performed by employees. In these years, the salary and wage amounts contain a corresponding decrease in personnel. In addition, $100,000 per year was added to the forecast for the costs that will be charged to the Town by Palm Beach County for the voter approved Inspector General's Office.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	7,848,924	8,044,644	8,248,858	8,458,177	8,672,729	8,892,644	9,118,058	9,349,107	9,585,932	9,828,678	
2010 Forecast	7,973,993	8,187,192	8,444,032	8,859,457	9,582,397	9,970,358	10,280,433	10,600,895	10,932,140	11,454,581	
2011 Forecast	7,666,045	7,934,006	8,177,969	8,574,480	9,276,724	9,610,955	9,879,961	10,157,592	10,444,181	10,920,080	11,317,451

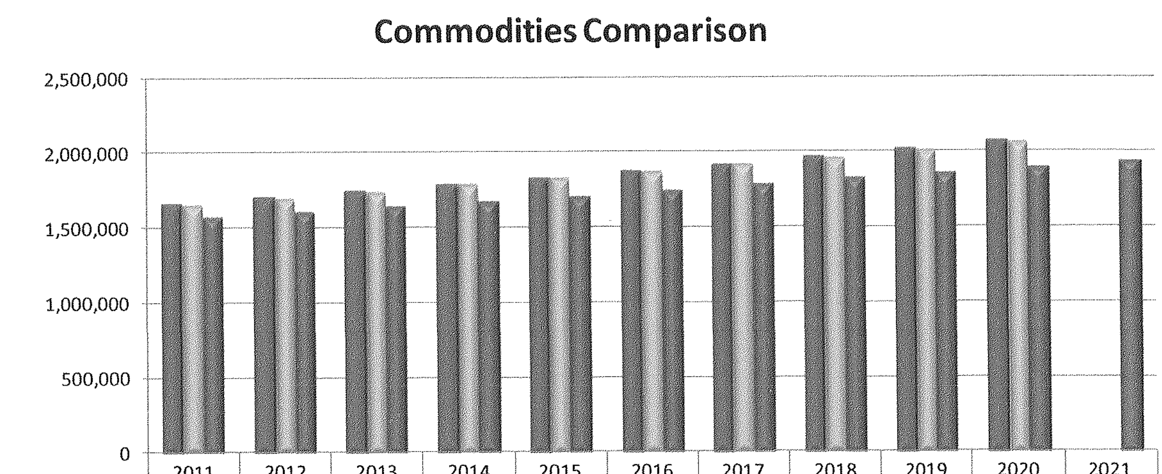
Total Contractual Expenditure Forecast Change for 2011 - 2020

Total 2009 Forecast Expenditures	$88,047,751
Total 2010 Forecast Expenditures	$96,285,478
Increase in Expenditures 2010 vs. 2009	**$8,237,727**
Total 2011 Forecast Expenditures	$92,641,994
Reduction in Expenditures 2011 vs. 2010	**($3,643,484)**
Increase in Expenditures 2011 vs. 2009	**$4,594,243**

In total during the 10 year period, the FY11 forecast for Contractual service is $4.6 million more than the FY09 forecast.

Commodities

The commodity forecast was based upon inflation assumptions. The current forecast shows very little change from the original projection.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	1,654,233	1,695,573	1,737,948	1,781,381	1,825,901	1,871,533	1,918,307	1,966,249	2,015,391	2,065,760	
2010 Forecast	1,651,950	1,692,597	1,734,219	1,776,841	1,820,485	1,865,176	1,910,941	1,957,803	2,005,790	2,054,929	
2011 Forecast	1,569,658	1,602,051	1,635,092	1,668,794	1,703,170	1,742,633	1,782,886	1,827,044	1,857,085	1,895,226	1,934,131

Total Commodity Expenditure Forecast Change for 2011 – 2020

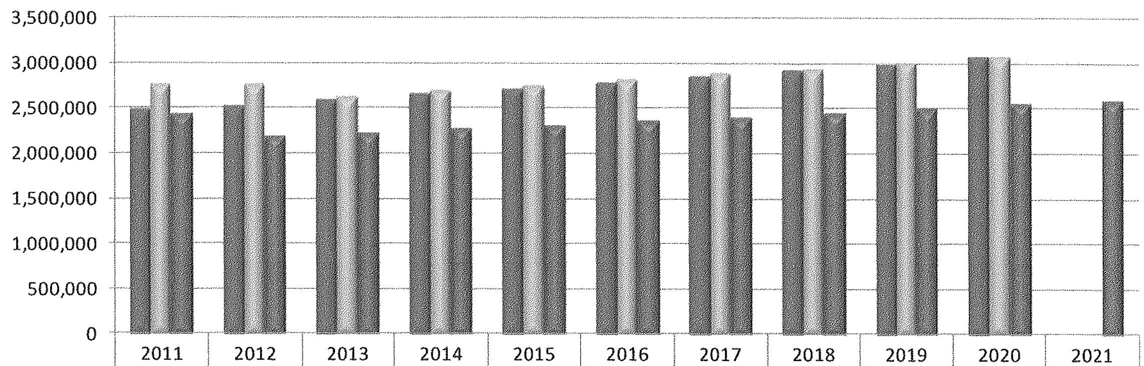
Total 2009 Forecast Expenditures	$18,532,276
Total 2010 Forecast Expenditures	$18,470,731
Reduction in Expenditures 2010 vs. 2009	**($61,545)**
Total 2011 Forecast Expenditures	$17,283,639
Reduction in Expenditures 2011 vs. 2010	**($1,187,092)**
Reduction in Expenditures 2011 vs. 2009	**($1,248,637)**

In total during the 10 year period, the FY11 forecast for Commodities is $1.2 million less than the FY09 forecast.

Equipment Replacement/Capital Outlay

This category includes depreciation on Town vehicles and equipment that is charged to the departments and transferred to the Equipment Replacement Fund. During FY11, staff has reviewed the useful lives of the Town's equipment. In some cases, departments have identified equipment that can be retired instead of replaced. In others departments have extended the expected useful life of equipment before scheduled replacement. Due to this review, savings of $210,846 per year beginning in FY12 have been forecasted.

Equipment Replacement Comparison



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	2,478,823	2,527,621	2,589,939	2,653,815	2,719,287	2,786,397	2,855,185	2,925,692	2,997,961	3,072,038	
2010 Forecast	2,761,439	2,763,597	2,628,085	2,689,320	2,752,026	2,816,236	2,881,987	2,949,316	3,018,261	3,088,860	
2011 Forecast	2,439,642	2,186,125	2,229,274	2,272,286	2,316,159	2,360,908	2,406,553	2,453,111	2,500,600	2,549,038	2,598,446

Total Equipment Replacement Expenditure Forecast Change for 2011 – 2020

Total 2009 Forecast Expenditures	$27,606,758
Total 2010 Forecast Expenditures	$28,349,127
Increase in Expenditures 2010 vs. 2009	$742,369
Total 2011 Forecast Expenditures	$23,713,696
Reduction in Expenditures 2011 vs. 2010	($4,635,431)
Reduction in Expenditures 2011 vs. 2009	($3,893,062)

In total during the 10 year period, the FY11 forecast for equipment replacement expenditures is $3.9 million less than the FY09 forecast.

Transfers

The Transfers category includes transfers to the Capital Improvement Program, Debt Service Fund, Risk Insurance Fund and Retiree Health Insurance Trust. It also includes the annual contingency allocation.

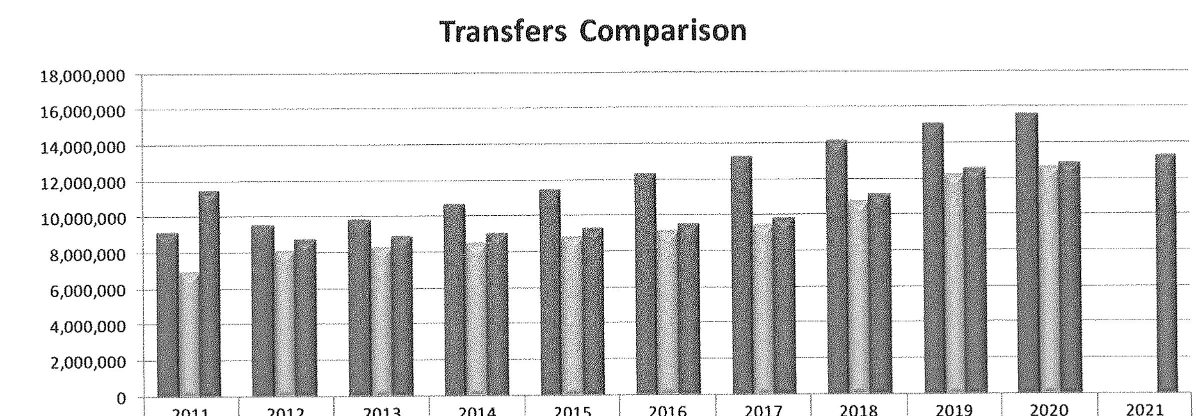
- The forecast includes a transfer to the Capital Improvement Program of $1 million per year for Capital Projects (such as the Town's annual road paving program) that have not been included in the 20 year CIP program.

- Risk insurance premium increases have been estimated as follows: Property Insurance 5% per year, Liability Insurance 5% per year, and Worker's Compensation 3% per year throughout the forecast period. These estimates are reduced from 2010 due to a softening in the insurance market.

- Retiree Health Insurance is based upon a forecast prepared by the Town's actuary. This forecast reflects the changes made in FY10 to the retiree health contribution requirements and the health insurance program.

- The General Fund contingency appropriation has been estimated to be 1.5% of the forecasted expenditures as required by Town policy. The General Fund contingency is funded through a transfer from fund balance rather than through operating revenues.

- The Town's contribution to the Four Arts Library is forecasted to increase by 3% per year. This is reduced from the past practice of 5% per year.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	9,118,641	9,509,711	9,790,117	10,670,252	11,486,404	12,339,058	13,215,686	14,123,903	15,071,413	15,556,191	
2010 Forecast	6,935,548	8,065,854	8,286,724	8,516,615	8,807,831	9,088,714	9,406,868	10,765,106	12,206,973	12,600,304	
2011 Forecast	11,448,694	8,750,824	8,893,858	9,070,777	9,258,656	9,521,226	9,812,986	11,152,844	12,577,944	12,866,460	13,223,624

Total Transfer Expenditure Forecast Change for 2011 - 2020

Total 2009 Forecast Expenditures	$120,881,376
Total 2010 Forecast Expenditures	$94,680,537
Reduction in Expenditures 2010 vs. 2009	($26,200,839)
Total 2011 Forecast Expenditures	$103,354,268
Increase in Expenditures 2011 vs. 2010	**$8,673,731**
Reduction in Expenditures 2011 vs. 2009	($17,527,108)

In total during the 10 year period, the FY11 forecast has been reduced by 17.5 million based on changes made on the financing of the 20 year CIP program, improved Risk Insurance forecasts and changes made to retiree health insurance.

Total General Fund Expenditures

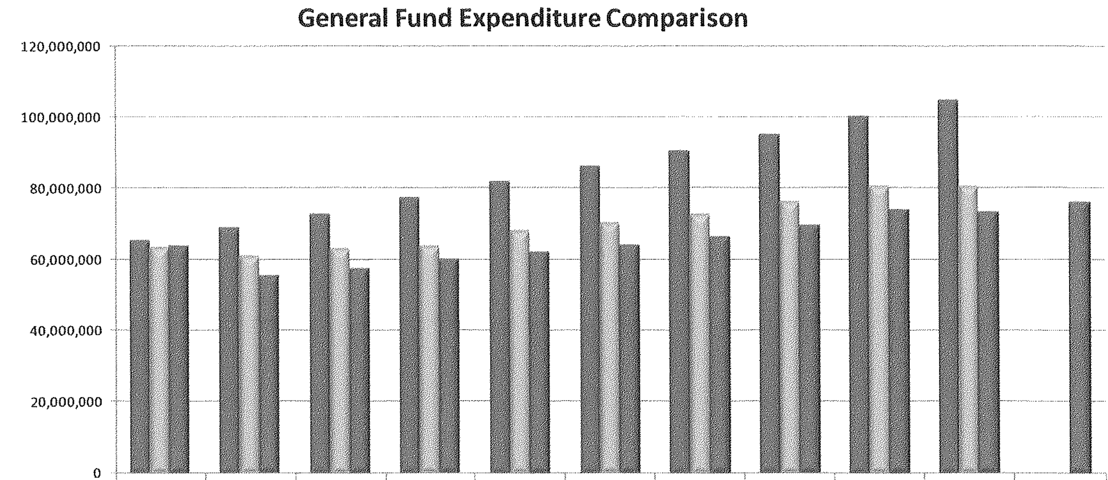
In total, the 2011 forecasted expenditures are significantly below the 2009 forecast. The 2009 forecast peaked at $104,748,413 in 2020. The 2011 forecast for 2020 is $73,405,744 and it has been extended one year to 2021 at total of $75,792,706. A total of $53,392,389 (7.6%) has been cut from the 2011-2020 forecast since the 2010 LTFP. A total of $197,104,893 (23.4%) has been cut from the 2011-2020 forecast since the 2009 LTFP.

Total General Fund Expenditure Forecast Change for 2011 – 2020

Total 2009 Forecast Expenditures	$842,976,343
Total 2010 Forecast Expenditures	$699,263,839
Reduction in Expenditures 2010 vs. 2009	($143,712,504)
Total 2011 Forecast Expenditures	$645,871,450
Reduction in Expenditures 2011 vs. 2010	($53,392,389)
Reduction in Expenditures 2011 vs. 2009	($197,104,893)

As mentioned earlier in this analysis, most of the cuts have been in salary and wage growth reductions, pension reform, other employee benefit modifications, reductions in the equipment replacement fund depreciation transfer, reduction in the transfer for risk insurance, and debt financing for the 20 year CIP rather than the PAYGO program that was included in the original forecast.

The forecast comparison chart can be found on the following page.

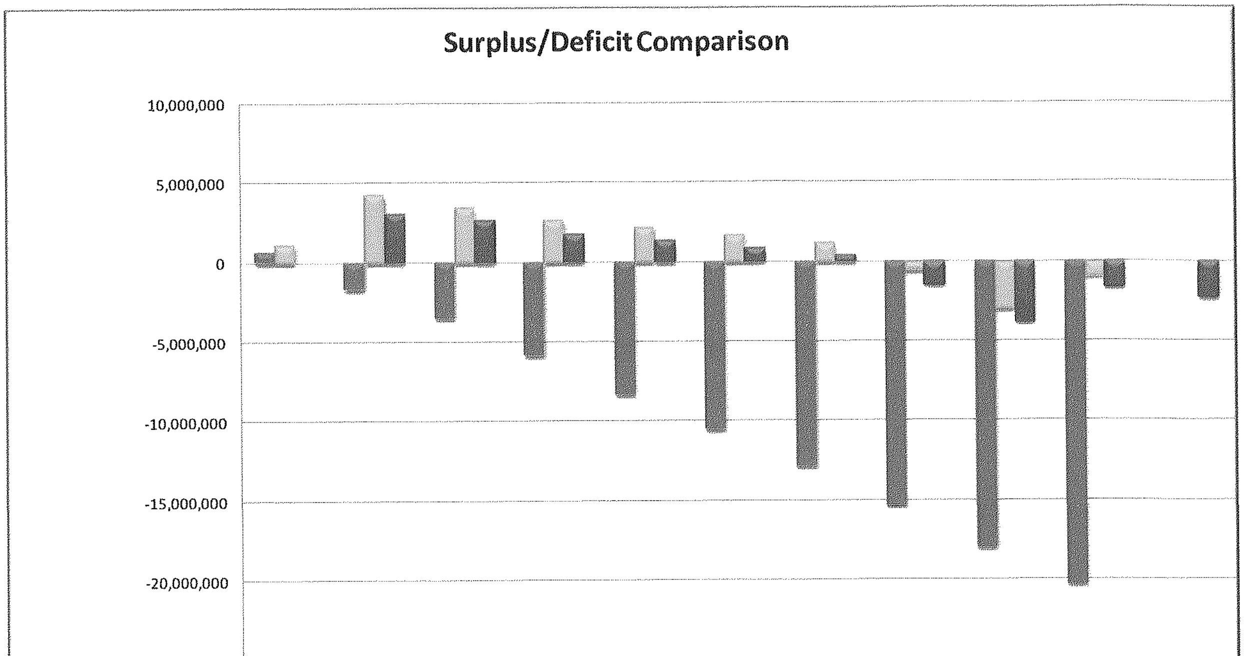


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Forecast	65,320,403	68,977,924	72,776,820	77,238,099	81,876,195	86,140,002	90,562,822	95,221,634	100,114,031	104,748,413	
2010 Forecast	63,352,995	60,992,748	63,121,099	63,756,351	67,966,800	70,218,327	72,557,467	76,215,455	80,596,790	80,485,807	
2011 Forecast	63,735,451	55,418,630	57,526,898	59,996,015	61,993,069	64,042,719	66,214,711	69,670,770	73,868,045	73,405,744	75,792,706

Projected Surplus/ Deficit

Due to the deep cuts in expenditures mentioned in the section above, the projection of annual surpluses/deficits has changed dramatically since the 2009 forecast. Deficits were originally forecast to begin in 2012 and continue throughout the forecast period, peaking at $20.2 million in 2020. Even after the property tax cut for FY11 that reduced baseline property taxes by over $5,000,000, the 2011 forecast shows deficits beginning in 2018. The surplus/deficits forecast was better in the 2010 LTFP than in this 2011 forecast because the property tax baseline was $5 million higher. However, additional cuts made in the FY11 budget and the modification of the original pension reform proposal to a hybrid pension plan offset most of the effect of the $5 million annual reduction of property taxes in the forecast.

The chart on the following page illustrates the differences in the projected surplus/deficit in the three forecasts.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2009 Surplus/Deficit	642,721	-1,666,384	-3,496,194	-5,849,177	-8,310,883	-10,514,46	-12,816,31	-15,290,86	-17,934,51	-20,252,98	
2010 Surplus/Deficit	1,121,306	4,232,051	3,441,392	2,609,022	2,148,471	1,659,017	1,169,032	-593,974	-2,973,978	-933,056	
2011 Surplus/Deficit	0	3,032,690	2,671,662	1,800,266	1,375,340	911,992	406,112	-1,396,697	-3,779,035	-1,627,933	-2,233,213

Coastal Protection

None of the above forecasts include funding for the coastal protection program. The current program, updated to reflect new information obtained since last year, calls for expenditures of between $89 million and $132 million between 2012 and 2021. Staff has offered a "Plan B" proposal to the Shore Protection Board which we believe will adequately protect the Palm Beach coastline for approximately $54 million during that same period.

If these costs are added to the forecast, a cumulative Town property tax increase of 13.3% will be required for the 2012-2021 period in order to avoid worsening the projected annual surplus / deficit amounts. The comparable tax increase required if the current coastal protection program remains unchanged would be between 22.0% and 32.5%. If any of these alternatives are pursued without a corresponding property tax increase, deficits are forecasted to begin in FY12 and rise rapidly in the years that follow.

2011 Action Plan Update

At the August 12, 2010, Town Council meeting, staff presented proposals to cut the FY11 budget and an action plan for 2011. Below are the action items in the 2011 plan and an update:

1. Take final action on reforming employee pension systems.
   Update: We are approaching the final stages of collective bargaining with the police officer and firefighter unions. By the beginning of the new fiscal year on October 1, 2011, we expect to have completed all necessary steps to implement whatever pension reform plan is ultimately approved by the Town Council for police officers, firefighters, and general employees.

2. Continue to review all other aspects of employee compensation (pay and benefits) and initiate additional reforms, as needed.
   Update: We have reviewed all other aspects of employee compensation. Additional reforms are not anticipated at this time, except as they have already been proposed during the collective bargaining process.

3. Address the funding requirements of the Town's Coastal Protection Program.
   Update: Staff has proposed a coastal protection program "Plan B" that would reduce the anticipated 10-year cost of this program by 39% to 59% while still adequately protecting the town. We recommend that Town Council revisit the question of levelized funding vs. as needed funding for this program, and that the projected future costs of the program be included in all future forecasts of Town expenditures and Town property taxes (consistent with whichever funding policy is approved by the Town Council).

4. Review all aspects of Recreation programming, including but not limited to service levels, staffing, fee structures, and the possibility of privatizing either service delivery functions or entire facilities.
   Update: This task was completed by the Recreation Advisory Commission and other appointed citizens, with assistance from Town staff. Their findings and recommendations have been approved by the Town Council. The resulting savings are reflected in the Recreation Enterprise Fund forecast later in this document.

5. Review all aspects of Fire-Rescue operations, including but not limited to service levels, management structure, staffing, equipment, and the applicability of national service standards to local circumstances (particularly as it relates to EMS vs. fire staffing and levels of service), and the possibility of contracting for some of the resources necessary to meet Town approved standards.
   Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.

6. Review staffing and functions in the administrative Town Hall offices (Town Manager's Office, Finance Department, Human Resources Department, and Town Clerk's Office) to determine whether additional teamwork could create cost savings, service improvements, or both.
   Update: This effort is ongoing. Staff will report the results to Town Council during the FY12 budget process.

7. Identify ways to improve the cost effectiveness of Town legal services, with particular emphasis on the question of in-house Town Attorney vs. contracted Town Attorney.
   Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.

8. Review with all advisory boards and commissions the possibility of reducing the frequency of their meetings to quarterly or bi-monthly.
   Update: Staff reviewed this item with each advisory board and commission. Individual meetings have been cancelled, when appropriate, to achieve greater efficiency in the staffing of these meetings and to avoid unnecessary demands on the time of the volunteers who serve. Staff believes additional efficiencies may be achieved in this area. We may offer recommendations regarding this matter either in the FY12 budget process or at an upcoming Town Council meeting.

9. Analyze the Town's fleet and seize all opportunities to downsize both the number and size of Town vehicles.
   Update: A committee of Town employees was formed to review the Town's fleet. A report has been provided to the Town Manager that will achieve both objectives (downsizing both the number and size of Town vehicles). The management team is still reviewing this matter and we will offer a more detailed report during the FY12 budget process.

10. Extend life expectancies for all remaining Town vehicles and equipment within the Equipment Replacement Fund (to require the longest prudent useful life for each item and reduce the annual depreciation expense within the Town's budget).
    Update: Staff determined that out of the 1,142 fixed assets in the General Fund, the useful life of 382 assets could be extended. Annual depreciation savings to the General Fund totaled $152,405. In addition, departments determined that a total of 87 assets will not need to be replaced. The annual depreciation savings on these assets total $58,441. Total projected savings of $210,846 per year is reflected in the LTFP expenditure forecast in this document.

11. Review the Town's recycling program to determine whether it would be cost effective and otherwise advisable to reduce or eliminate this service.
    Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.

12. Review the pros and cons of reducing the frequency of Town residential garbage collection to twice per week.
__Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.__

13. Review various methods of capital improvement funding (operating budget vs. bond fund vs. pay-as-you-go capital fund) to eliminate redundancy, consolidate where appropriate, and streamline both the funding and the management of the Town's CIP.
__Update: Together with the Town's internal and external auditors, staff has determined that some different types of capital expenditures will still need to be categorized differently than each other, even though Town policy for major capital improvements is now to fund them with bonds. Expenditures under the Town's capitalization threshold of $50,000 are required to be paid with operating funds. General repairs also will be paid with operating funds if the repair does not extend the life or capacity of the asset. All repairs will be funded through the General Fund. If a project is to be capitalized, it will be expensed through the Capital Improvement Fund whether the source of funding is the operating budget or the bond fund.__

14. Consider additional opportunities to manage on-street parking as a commodity, including but not limited to adding kiosks in locations where parking is currently free, increasing parking fees differentially based upon differences in demand, and modifying the Town's permit parking program that allows individuals to prepay for parking in certain areas.
__Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.__

15. Recommend other potential sources of non-tax revenue that do not merely shift a Townwide tax to being a Townwide fee.
__Update: Staff has reviewed the potential for fee increases and new fees. We are still considering the results of this review, so we have not included any new fees or proposed fee increases in the LTFP. We will present specific recommendations and related information during the FY12 budget process.__

16. Create a formal program for citizen volunteers to assist in applicable Town functions.
__Update: Staff designed a program and announced via news releases the opportunity for citizens to volunteer. Applications have been received and the Human Resources staff is in the process of placing volunteers into positions in several departments.__

17. Review the Town's yard trash collection and disposal program to determine whether it would be cost effective and otherwise advisable to reduce or privatize this service.
__Update: This effort is ongoing. Staff will make recommendations to Town Council during the FY12 budget process.__

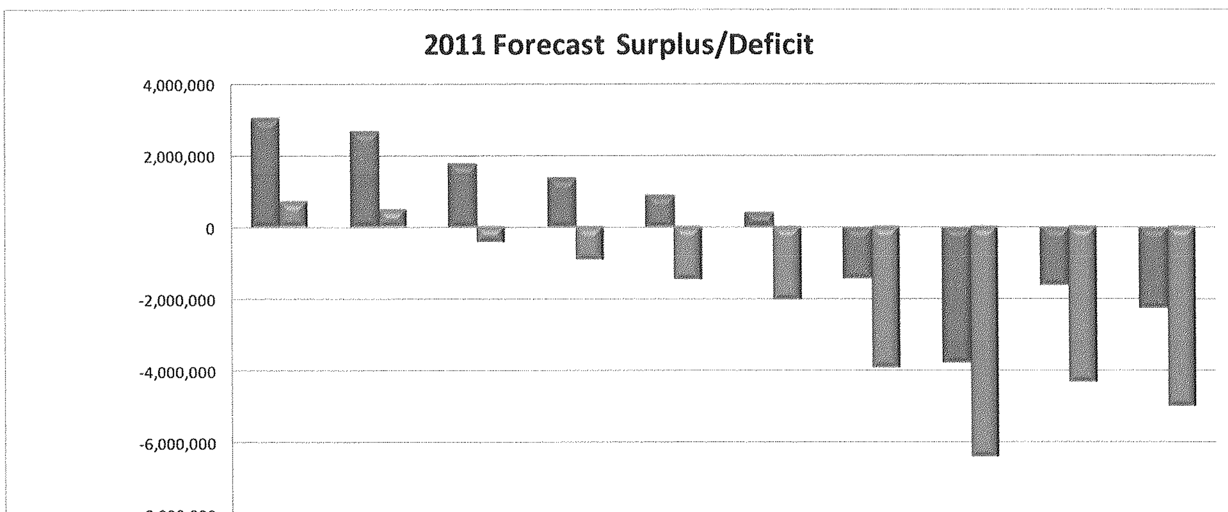
18. Continuously ask ourselves the following questions for all functional areas of Town government:
    What do we do? Why do we do it? Should we keep doing it (or not)?
    If we should keep doing it, is there a better way to do it?
    Update: Ongoing.

Planning for the FY12 Budget

The Long Term Financial Plan is a baseline forecast. It is not a budget. During the next few months, staff will be preparing the FY12 proposed budget to reflect exact needs and specific proposals. The departments have been instructed to submit proposed budgets that are less than the FY12 LTFP amounts.

The FY12 forecast for property tax revenue is equal to the FY11 budgeted amount. The Palm Beach County property appraiser has indicated that property values may decline Countywide by approximately 6%. If this is the case for Palm Beach and the Town Council decides to maintain the same millage rate, Town property tax revenue would decline by $2.1 million. The projected surplus for FY12 would decline from over $3 million to $713,862 and deficits would be projected to begin in 2014 rather than 2018.

These effects are illustrated in the chart below.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2011 Forecast	3,032,690	2,671,663	1,800,264	1,375,339	911,995	406,114	-1,416,698	-3,779,037	-1,627,933	-2,233,214
2011 with 6% Reduction	713,962	475,187	-440,139	-932,277	-1,464,854	-2,042,038	-3,918,293	-6,376,279	-4,303,094	-4,988,629

The FY12 budget shows a surplus in either of the above scenarios. However, as noted above, neither scenario includes funding for the coastal protection program. Staff is continuing to work aggressively to achieve additional efficiencies and reduce costs wherever possible.

General Fund Forecast Details

Town of Palm Beach
Revenue and Expenditure Forecast
LTFP FY2011-FY2021

	FY11	*FY12*	*FY13*	*FY14*	*FY15*	*FY16*	*FY17*	*FY18*	*FY19*	*FY20*	*FY21*
Revenues											
Ad Valorem Taxes	36,245,500	36,245,463	36,607,918	37,340,076	38,460,278	39,614,087	40,802,509	42,026,584	43,287,382	44,586,003	45,923,584
Non Ad Valorem Taxes	7,829,000	7,790,540	7,998,921	8,235,486	8,479,081	8,729,914	8,988,201	9,254,164	9,528,033	9,810,043	10,100,436
Licenses & Permits	6,104,300	5,270,300	5,841,300	6,176,300	6,213,050	6,213,050	6,251,638	6,251,638	6,292,154	6,292,154	6,292,154
Intergovernmental	1,129,000	1,086,000	1,114,080	1,143,002	1,172,792	1,203,476	1,235,081	1,267,633	1,301,162	1,335,697	1,371,268
Charges for Services	3,351,803	3,286,300	3,388,197	3,463,947	3,530,296	3,612,975	3,683,619	3,755,011	3,842,182	3,919,263	3,998,637
Fines and Forefeitures	841,000	876,000	900,520	900,520	918,530	918,530	936,901	936,901	955,639	955,639	955,639
Investment Earnings	1,366,000	1,391,000	1,706,000	1,856,000	1,881,000	1,916,000	1,941,000	1,946,000	1,981,000	1,981,000	1,981,000
Miscellaneous and Transfers	2,326,500	1,088,200	1,192,981	1,195,845	1,198,796	1,201,835	1,204,965	1,208,189	1,211,509	1,214,930	1,218,452
Total Revenues	59,193,103	57,033,803	58,749,917	60,311,176	61,853,823	63,409,867	65,043,914	66,646,120	68,399,061	70,094,729	71,841,170
Transfers from Fund Balance	4,541,745	1,417,517	1,448,644	1,485,103	1,514,585	1,544,844	1,576,911	1,627,953	1,689,948	1,683,082	1,718,323
Expenditures											
Salaries and Wages	24,845,261	24,520,166	24,993,156	25,562,426	25,901,114	26,447,945	27,046,290	27,784,804	28,613,887	29,024,853	29,495,977
Pension Benefits	8,752,699	3,516,397	4,325,520	5,168,996	5,461,044	5,885,094	6,327,948	6,818,997	7,819,071	5,555,997	6,088,262
Other Employee Benefits	6,741,052	6,628,489	6,983,040	7,380,597	7,769,613	8,158,170	8,632,827	9,141,361	9,710,210	10,238,670	10,768,733
Contractual	7,666,045	7,934,006	8,177,969	8,574,480	9,276,724	9,610,955	9,879,961	10,157,592	10,444,181	10,920,080	11,317,451
Commodities	1,569,658	1,602,051	1,635,092	1,668,794	1,703,170	1,742,633	1,782,886	1,827,044	1,857,085	1,895,226	1,934,131
Capital Outlay	2,439,040	2,186,125	2,229,274	2,272,286	2,316,159	2,360,908	2,406,553	2,453,111	2,500,600	2,549,038	2,598,446
Library Services	272,400	280,572	288,989	297,659	306,589	315,786	325,260	355,018	345,068	355,420	366,083
Transfer to Capital Improvement	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfer to Coastal Protection	3,090,000	-	-	-	-	-	-	-	-	-	-
Debt Service	3,500,000	3,497,500	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,601,001	5,595,786	5,597,411
Retiree Health	1,533,000	1,493,000	1,628,000	1,773,000	1,927,000	2,091,000	2,266,000	2,453,000	2,653,000	2,866,000	3,095,000
Transfer to Risk Insurance Fund	1,896,226	1,942,807	1,925,939	1,917,974	1,917,296	1,991,731	2,069,225	2,149,927	2,233,995	2,321,592	2,412,890
Contingency	929,467	817,517	848,644	885,103	914,585	944,844	976,911	1,027,953	1,089,948	1,083,082	1,118,323
Total Expenditures	63,734,848	55,418,630	57,526,898	59,996,015	61,993,069	64,042,716	66,214,711	69,690,771	73,868,046	73,405,744	75,792,707
Surplus/(Deficit)	-	3,032,690	2,671,663	1,800,264	1,375,339	911,995	406,114	(1,416,698)	(3,779,037)	(1,627,933)	(2,233,214)

Town of Palm Beach
Revenue Analysis
FY11 - FY21

Analysis of Revenues by Category Revenue Sources	2011 Estimated	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated
Ad Valorem Revenues	**36,245,463**	**36,245,463**	**36,607,918**	**37,340,076**	**38,460,278**	**39,614,087**	**40,802,509**	**42,026,584**	**43,287,382**	**44,586,003**	**45,923,584**
% Increase	-12.68%	0.00%	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
$ Increase	-5,263,107	0	362,455	732,158	1,120,202	1,153,808	1,188,423	1,224,075	1,260,798	1,298,621	1,337,580
Non Ad Valorem Taxes	**7,829,000**	**7,790,540**	**7,998,921**	**8,235,486**	**8,479,081**	**8,729,914**	**8,988,201**	**9,254,164**	**9,528,033**	**9,810,043**	**10,100,436**
% Increase	6.21%	-0.49%	2.67%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
$ Increase	457,670	-38,460	208,381	236,566	243,594	250,833	258,287	265,963	273,869	282,010	290,393
Licenses and Permits	**6,104,300**	**5,270,300**	**5,841,300**	**6,176,300**	**6,213,050**	**6,213,050**	**6,251,638**	**6,251,638**	**6,292,154**	**6,292,154**	**6,292,154**
% Increase	27.77%	-13.66%	10.83%	5.74%	0.60%	0.00%	0.62%	0.00%	0.65%	0.00%	0.00%
$ Increase	1,326,743	-834,000	571,000	335,000	36,750	0	38,588	0	40,517	0	0
Intergovernmental Revenue	**1,129,000**	**1,086,000**	**1,114,080**	**1,143,002**	**1,172,792**	**1,203,476**	**1,235,081**	**1,267,633**	**1,301,162**	**1,335,697**	**1,371,268**
% Increase	2.52%	-3.81%	2.59%	2.60%	2.61%	2.62%	2.63%	2.64%	2.65%	2.65%	2.66%
$ Increase	27,794	-43,000	28,080	28,922	29,790	30,684	31,604	32,552	33,529	34,535	35,571
Charges for Services	**3,351,800**	**3,286,300**	**3,388,197**	**3,463,947**	**3,530,296**	**3,612,975**	**3,683,619**	**3,755,011**	**3,842,182**	**3,919,263**	**3,998,637**
% Increase	4.22%	-1.95%	3.10%	2.24%	1.92%	2.34%	1.96%	1.94%	2.32%	2.01%	2.03%
$ Increase	135,857	-65,500	101,897	75,750	66,349	82,680	70,644	71,392	87,171	77,081	79,374
Fines and Forefeitures	**841,000**	**876,000**	**900,520**	**900,520**	**918,530**	**918,530**	**936,901**	**936,901**	**955,639**	**955,639**	**955,639**
% Increase	41.47%	4.16%	2.80%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	0.00%
$ Increase	246,527	35,000	24,520	0	18,010	0	18,371	0	18,738	0	0
Interest Income	**1,366,000**	**1,391,000**	**1,706,000**	**1,856,000**	**1,881,000**	**1,916,000**	**1,941,000**	**1,946,000**	**1,981,000**	**1,981,000**	**1,981,000**
% Increase	16.85%	1.83%	22.65%	8.79%	1.35%	1.86%	1.30%	0.26%	1.80%	0.00%	0.00%
$ Increase	197,003	25,000	315,000	150,000	25,000	35,000	25,000	5,000	35,000	0	0
Miscellaneous and Transfers	**2,326,500**	**1,088,200**	**1,192,981**	**1,195,845**	**1,198,796**	**1,201,835**	**1,204,965**	**1,208,189**	**1,211,509**	**1,214,930**	**1,218,452**
% Increase	20.53%	-53.23%	9.63%	0.24%	0.25%	0.25%	0.26%	0.27%	0.27%	0.28%	0.29%
$ Increase	396,338	-1,238,300	104,781	2,864	2,950	3,039	3,130	3,224	3,321	3,420	3,523
Transfers from Fund Balance	**4,541,785**	**1,417,517**	**1,448,644**	**1,485,103**	**1,514,585**	**1,544,844**	**1,576,911**	**1,627,953**	**1,689,948**	**1,683,082**	**1,718,323**
% Increase	100.00%	-68.79%	2.20%	2.52%	1.99%	2.00%	2.08%	3.24%	3.81%	-0.41%	2.09%
$ Increase	4,541,785	-3,124,268	31,127	36,459	29,482	30,259	32,067	51,042	61,995	-6,866	35,241
Total Revenues	***63,734,848***	***58,451,320***	***60,198,560***	***61,796,280***	***63,368,409***	***64,954,711***	***66,620,824***	***68,274,073***	***70,089,010***	***71,777,811***	***73,559,493***
% Increase	3.35%	-8.29%	2.99%	2.65%	2.54%	2.50%	2.57%	2.48%	2.66%	2.41%	2.48%
$ Increase	2,066,610	-5,283,528	1,747,240	1,597,720	1,572,128	1,586,303	1,666,113	1,653,249	1,814,937	1,688,801	1,781,682

Town of Palm Beach
Expenditure Analysis
FY11 - FY21

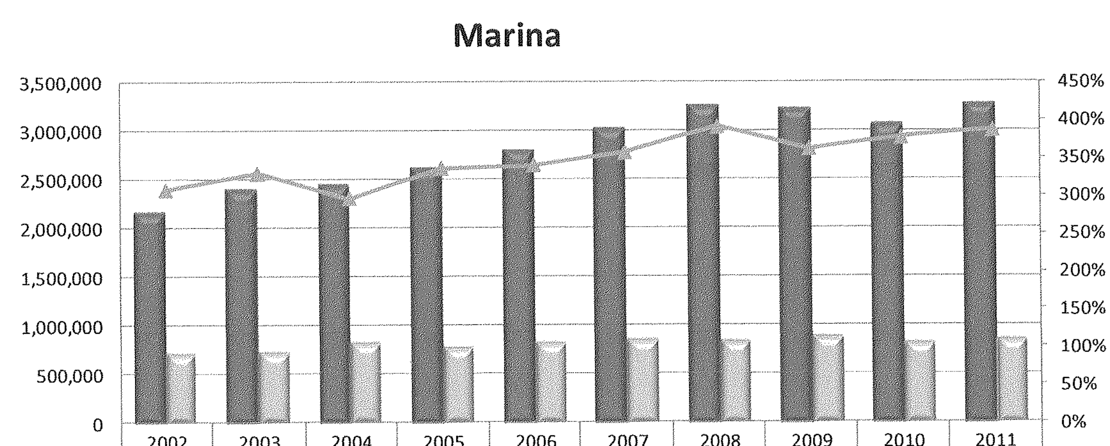
Analysis of Expenses by Category Expenditure Categories	2011 Estimated	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated	2019 Estimated	2020 Estimated	2021 Estimated
Salaries/Wages	**24,845,261**	**24,520,166**	**24,993,156**	**25,562,426**	**25,901,114**	**26,447,945**	**27,046,290**	**27,784,804**	**28,613,887**	**29,024,853**	**29,495,977**
% Increase	-5.74%	-1.31%	1.93%	2.28%	1.32%	2.11%	2.26%	2.73%	2.98%	1.44%	1.62%
$ Increase	-1,513,803	-325,095	472,990	569,270	338,688	546,831	598,345	738,514	829,082	410,966	471,124
Pension Benefits	**8,752,699**	**3,516,397**	**4,325,520**	**5,168,996**	**5,461,044**	**5,885,094**	**6,327,948**	**6,818,997**	**7,819,071**	**5,555,997**	**6,088,262**
% Increase	19.84%	-59.83%	23.01%	19.50%	5.65%	7.77%	7.52%	7.76%	14.67%	-28.94%	9.58%
$ Increase	1,449,180	-5,236,302	809,123	843,476	292,048	424,050	442,853	491,049	1,000,074	-2,263,074	532,265
Other Employee Benefits	**6,741,052**	**6,628,489**	**6,983,040**	**7,380,597**	**7,769,613**	**8,158,170**	**8,632,827**	**9,141,361**	**9,710,210**	**10,238,670**	**10,768,733**
% Increase	-2.49%	-1.67%	5.35%	5.69%	5.27%	5.00%	5.82%	5.89%	6.22%	5.44%	5.18%
$ Increase	-172,420	-112,563	354,550	397,557	389,016	388,558	474,657	508,534	568,849	528,460	530,063
Contractual	**7,666,045**	**7,934,006**	**8,177,969**	**8,574,480**	**9,276,724**	**9,610,955**	**9,879,961**	**10,157,592**	**10,444,181**	**10,920,080**	**11,317,451**
% Increase	8.42%	3.50%	3.07%	4.85%	8.19%	3.60%	2.80%	2.81%	2.82%	4.56%	3.64%
$ Increase	595,304	267,961	243,963	396,511	702,244	334,231	269,006	277,630	286,590	475,898	397,372
Commodities	**1,569,055**	**1,602,051**	**1,635,092**	**1,668,794**	**1,703,170**	**1,742,633**	**1,782,886**	**1,827,044**	**1,857,085**	**1,895,226**	**1,934,131**
% Increase	-3.61%	2.10%	2.06%	2.06%	2.06%	2.32%	2.31%	2.48%	1.64%	2.05%	2.05%
$ Increase	-58,719	32,996	33,041	33,702	34,376	39,463	40,253	44,158	30,041	38,142	38,905
Equipment Replacement	**2,439,642**	**2,186,125**	**2,229,274**	**2,272,286**	**2,316,159**	**2,360,908**	**2,406,553**	**2,453,111**	**2,500,600**	**2,549,038**	**2,598,446**
% Increase	-3.11%	-10.39%	1.97%	1.93%	1.93%	1.93%	1.93%	1.93%	1.94%	1.94%	1.94%
$ Increase	-78,418	-253,517	43,149	43,012	43,872	44,750	45,645	46,558	47,489	48,439	49,407
Library Services	**272,400**	**280,572**	**288,989**	**297,659**	**306,589**	**315,786**	**325,260**	**335,018**	**345,068**	**355,420**	**366,083**
% Increase	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
$ Increase	0	8,172	8,417	8,670	8,930	9,198	9,474	9,758	10,051	10,352	10,663
TRANSFER TO OTHER FUNDS											
CAPITAL IMPROV. FUND (307)	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
COASTAL PROTECTION FUND (309	3,090,000	0	0	0	0	0	0	0	0	0	0
DEBT SERVICE FUND (203)	3,500,000	3,497,500	3,491,275	3,494,700	3,499,775	3,493,650	3,500,850	4,521,964	5,601,001	5,595,786	5,597,411
RETIREE HEALTH INS.(OPEB) (610)	1,533,000	1,493,000	1,628,000	1,773,000	1,927,000	2,091,000	2,266,000	2,453,000	2,653,000	2,866,000	3,095,000
RISK-W/C, LIAB.PROP. (501)	1,896,226	1,942,807	1,925,939	1,917,974	1,917,296	1,991,731	2,069,225	2,149,927	2,233,995	2,321,592	2,412,890
CONTINGENT APPROP.	929,468	817,517	848,644	885,103	914,585	944,844	976,911	1,027,953	1,089,948	1,083,082	1,118,323
Total Transfers and Other	**11,448,694**	**8,750,824**	**8,893,858**	**9,070,777**	**9,258,656**	**9,521,226**	**9,812,986**	**11,152,844**	**12,577,944**	**12,866,460**	**13,223,624**
% Increase	-13.60%	-23.56%	1.63%	1.99%	2.07%	2.84%	3.06%	13.65%	12.78%	2.29%	2.78%
$ Increase	-1,801,551	-2,697,870	143,034	176,919	187,879	262,569	291,760	1,339,858	1,425,100	288,516	357,164
Total Expenditures	**63,734,848**	**55,418,630**	**57,526,898**	**59,996,015**	**61,993,069**	**64,042,719**	**66,214,711**	**69,670,770**	**73,868,045**	**73,405,744**	**75,792,706**
% Increase	-2.42%	-13.05%	3.80%	4.29%	3.33%	3.31%	3.39%	5.22%	6.02%	-0.63%	3.25%
$ Increase	-1,580,427	-8,316,218	2,108,268	2,469,117	1,997,054	2,049,651	2,171,992	3,456,059	4,197,275	-462,301	2,386,962

Recreation Enterprise Fund Trends

Marina

<u>Revenues</u>
2002-2008: Revenue increases reflect strategic increases in rates and growth in transient business.
2010: Decrease in revenue is attributed to continuing slow economy and boating/yacht market, and not achieving 100% occupancy.
2011: Revenues were budgeted at a level higher than 2010 actual receipts. We anticipate the slow economy to continue through 2011 resulting in actual revenues less than budgeted amounts.

<u>Expenses</u>
2009: Increased expenses are attributed to minor facility improvements.
2010: Decreased expenses are due to an unfilled vacancy of the Assistant Dockmaster position for most of the fiscal year.
2011: Expenses were budgeted at a higher level than 2010. We expect expenses to be less than budget due to the elimination of Assistant Dockmaster position and reduction in private security contract costs.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Marina Revenue	2,163,211	2,394,605	2,439,589	2,617,839	2,795,542	3,017,743	3,258,533	3,221,024	3,067,131	3,268,700
Marina Expenses	705,820	728,892	824,222	779,442	822,207	846,075	833,856	890,080	814,944	846,057
Cost Recovery	306%	329%	296%	336%	340%	357%	391%	362%	376%	386%

Par 3 Golf Course

<u>Revenues</u>
2008: Decreased revenue is attributed to downturn in play due to slumping economy.
2009: Par 3 closed for renovation from April 2009 through early December 2009.
2010: Unseasonable weather significantly impacted play in Palm Beach County from December - March. Along with the weather challenges, the overall economic conditions have had a lasting effect on golf play.
2009-2011: Revenue increases reflect re-positioning efforts of the golf course, through enhanced marketing approaches and new price structures.

<u>Expenses</u>
2008: Decrease in expenses can be attributed to the elimination of Registration Clerk II position.
2010: Expenses reflect the use of contract labor to establish and maintain a higher level of maintenance standards which offset the elimination of a full-time Equipment Operator position.
2011: Eliminated the Pro-Manager leadership model, and Golf Manager model was implemented.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Par 3 Revenue	687,212	742,866	794,944	813,566	861,201	870,020	762,641	448,818	732,350	1,229,37
Par 3 Expenses	793,396	799,651	857,774	873,795	893,710	849,810	794,729	840,383	939,029	957,023
Cost Recovery	87%	93%	93%	93%	96%	102%	96%	53%	78%	128%

Tennis Programs & Facilities

Revenues

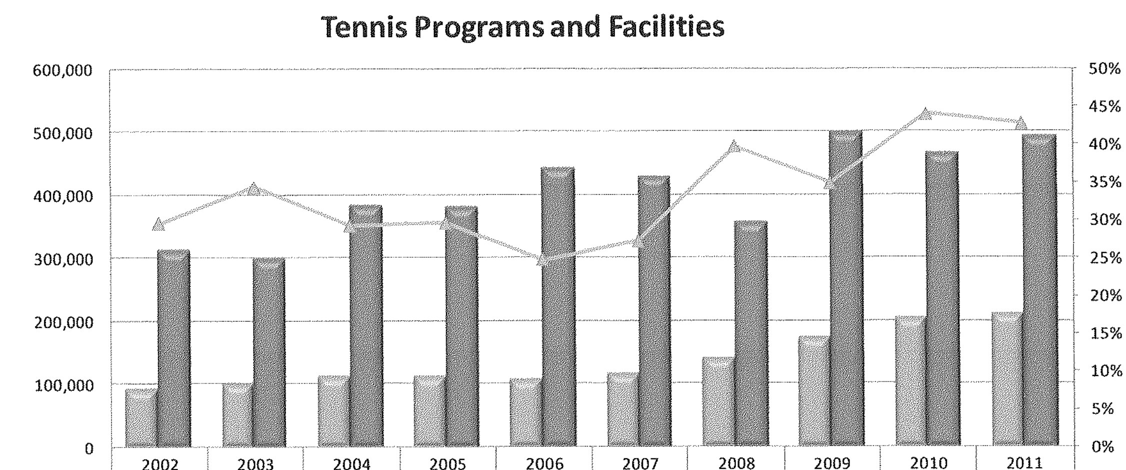
2009: Revenue increase is attributed to pricing increases for annual passes and daily play rates.

2010: Revenue increase is attributed to the growth in income share from the teaching contract.

Expenses

2008: Decrease reflects the elimination of the Pro-Manager position.

2009: Increase can be attributed to the re-allocation of Assistant Director compensation to match responsibilities, equipment purchases to maintain the new courts, and new furniture/fixtures.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tennis Revenue	91,954	102,677	111,862	112,916	109,318	116,400	141,371	174,320	205,423	210,500
Tennis Expenses	311,496	299,368	383,032	381,588	441,612	428,143	355,791	499,964	466,902	492,310
Cost Recovery	30%	34%	29%	30%	25%	27%	40%	35%	44%	43%

Recreation Center

Revenues

2010: Revenues increased due to program growth.

2011: Revenues were budgeted at a level less than the 2010 actual results. Revenues are expected to exceed 2010 revenues based on program growth actions taken during the fiscal year.

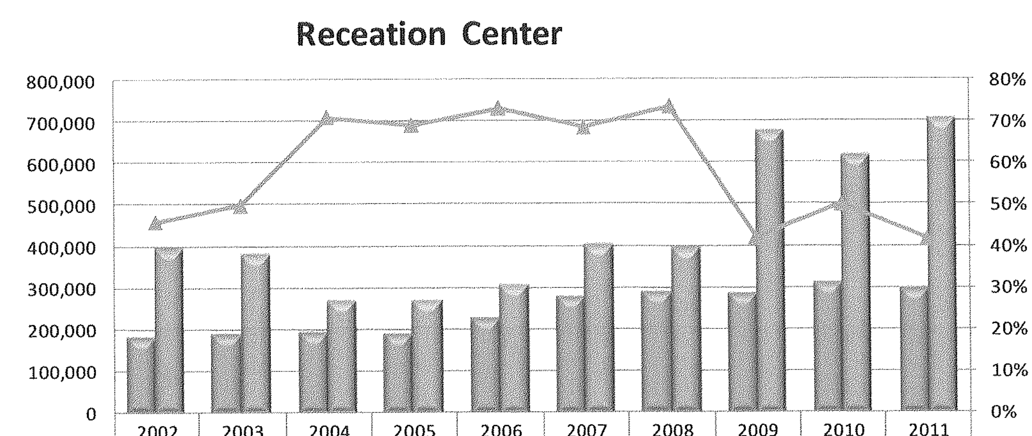
Expenses

2007: Recreation Supervisor position added to meet programming needs, and new furniture/equipment was purchased for the facility.

2009: Seaview Park and Recreation Center building expenses were moved from the Administration program to the newly re-named "Recreation Center" program allowing for a more accurate description (financially and programmatically) of expenses. There were also a few periodic new expenses, such as painting of the facility, new air handler installation, and re-finishing of floors.

2010: Decrease in expenses is attributed to the elimination of periodic expenses from the prior year. There was also room in the FY09 budget to address some anticipated items that would have been completed in FY10, so they were completed in coordination with the capital improvements that were made to Seaview Park (tennis center and field), which resulted in the under spending of certain line items in the FY10 budget.

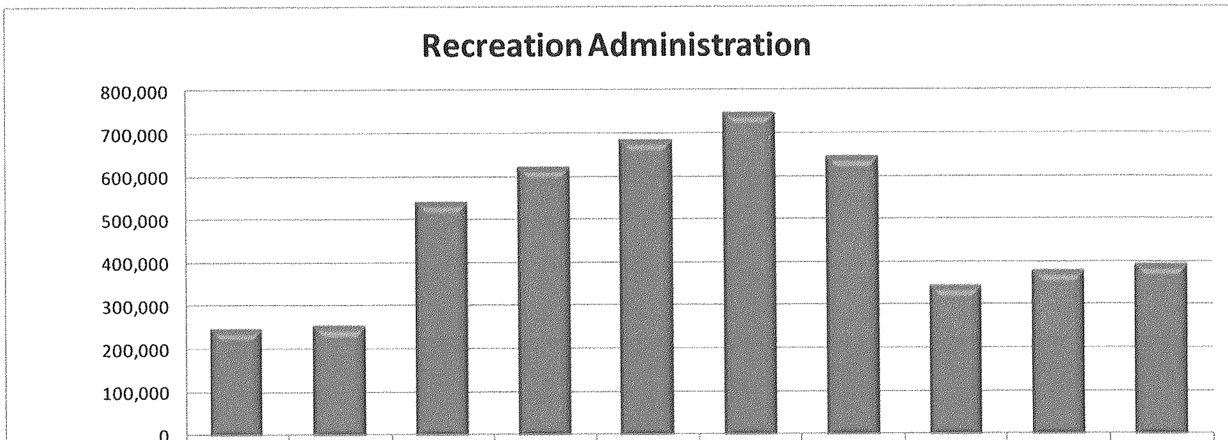
2011: Expenses were budgeted at a level higher than 2010, but expenses are expected finish the year closer to the 2010 levels based on actions taken during the fiscal year.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Youth and Adult Revenue	182,889	190,002	192,498	188,202	226,274	277,743	290,867	285,360	310,359	295,800
Recreation Expenses	398,374	381,720	270,910	272,243	309,076	405,080	395,254	677,501	619,935	709,194
Cost Recovery	46%	50%	71%	69%	73%	69%	74%	42%	50%	42%

Recreation Administration

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

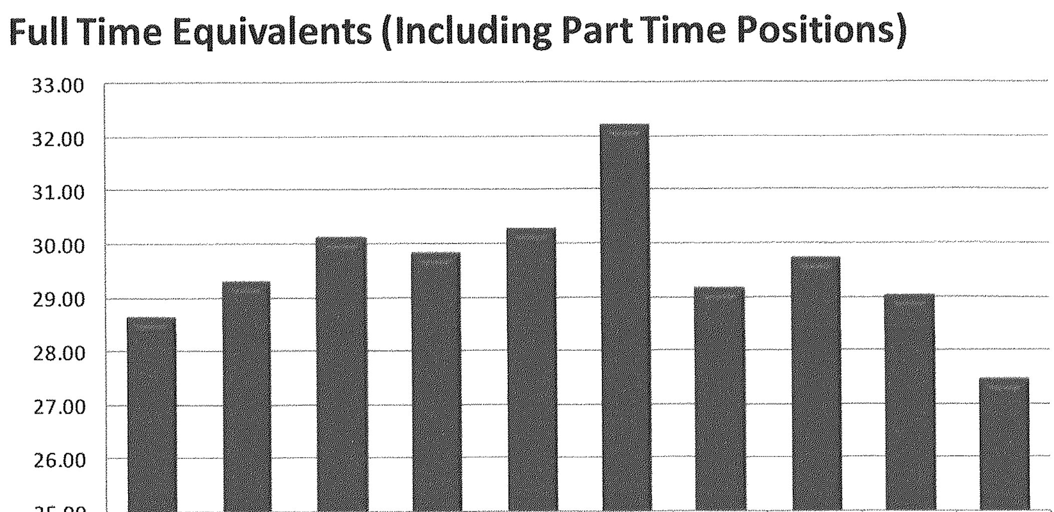


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	245,779	254,631	540,703	621,084	683,272	747,696	647,500	345,989	381,674	393,473

Full Time Positions

2007: Added Recreation Supervisor and increased part-time positions to more adequately respond to programming needs.
2008: Eliminated Tennis Pro-Manager position (duties shifted to Assistant Director and Tennis Facility Supervisors) and Golf Registration Clerk II position. The remaining reduction in total FTE resulted from minor part-time staff reductions across all divisions.
2010: Eliminated Equipment Operator position.
2011: Eliminated Assistant Dockmaster position.
2012: Will eliminate one Tennis Facility Supervisor position and the General Maintenance position.

*Please note that each full-time position eliminated required some part-time supplementation to continue adequate level of service to meet safety, programming and maintenance standards.

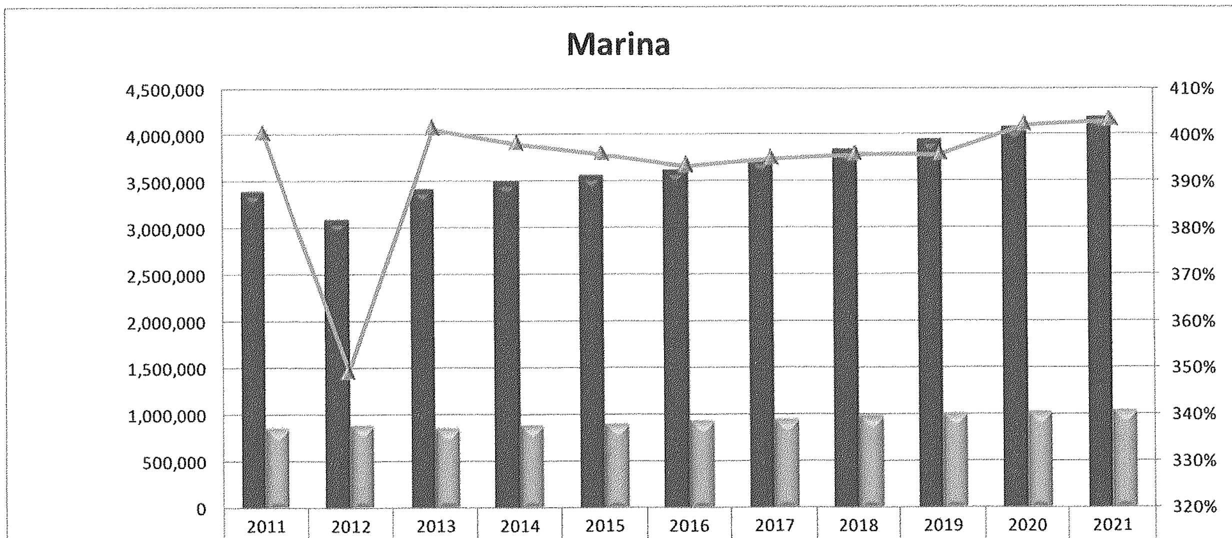


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Full Time Equivalent	28.63	29.29	30.13	29.83	30.28	32.23	29.17	29.73	29.03	27.48

Recreation Enterprise Fund Forecast

Marina

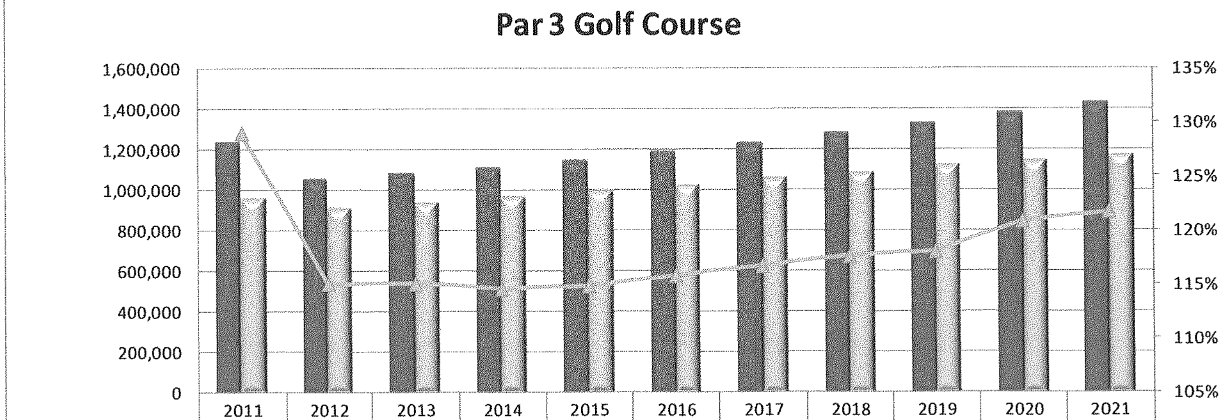
2011: It appears the Marina will not achieve revenue targets or 100% occupancy; and it is projected that this forecast will be the same for FY 2012. It is expected that the Marina will achieve 100% occupancy in 2013 and beyond. (Revenue projected at 94% occupancy for 2012 and full occupancy for 2013 and beyond).
2013: Retirement of an Assistant Director allows partial savings on expenses allocated to the Marina.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Marina Revenue	3,384,661	3,086,000	3,422,853	3,489,610	3,557,702	3,627,156	3,735,421	3,844,874	3,957,610	4,073,728	4,193,330
Marina Expenses	846,057	883,298	853,110	877,058	898,949	922,044	946,359	971,611	1,000,017	1,013,463	1,040,369
Cost Recovery	400%	349%	401%	398%	396%	393%	395%	396%	396%	402%	403%

Par 3 Golf Course

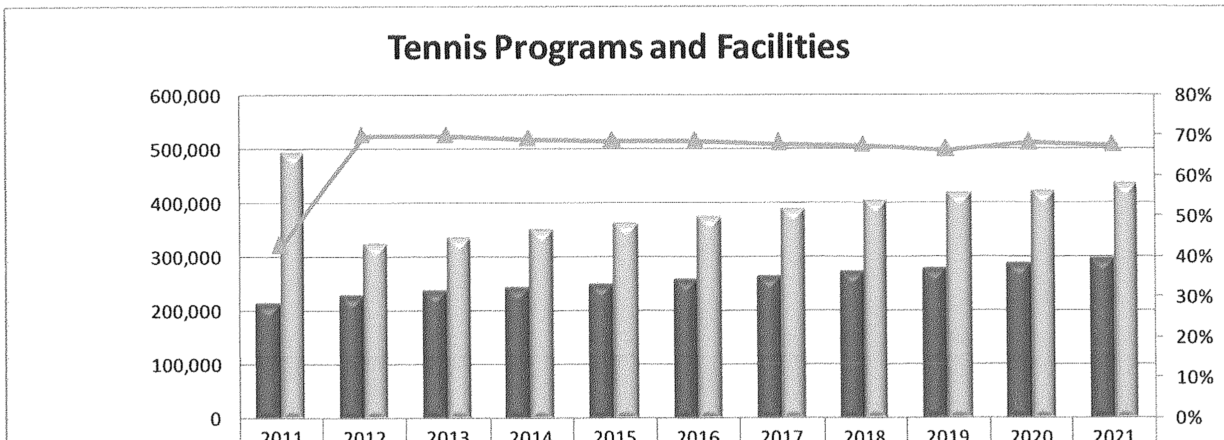
2011: Staff expects to under-spend budget to offset less than projected revenue.
2012: Conservative revenue projections are based on decreased public play due to the continued sluggish economy and decreased play at golf courses in general.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Golf Revenue	1,233,919	1,047,800	1,077,864	1,108,810	1,143,065	1,186,093	1,230,801	1,278,455	1,326,724	1,376,879	1,428,996
Golf Expenses	957,023	910,688	936,708	967,454	995,044	1,024,035	1,054,856	1,087,028	1,123,892	1,139,385	1,173,832
Cost Recovery	129%	115%	115%	115%	115%	116%	117%	118%	118%	121%	122%

Tennis Programs & Facilities

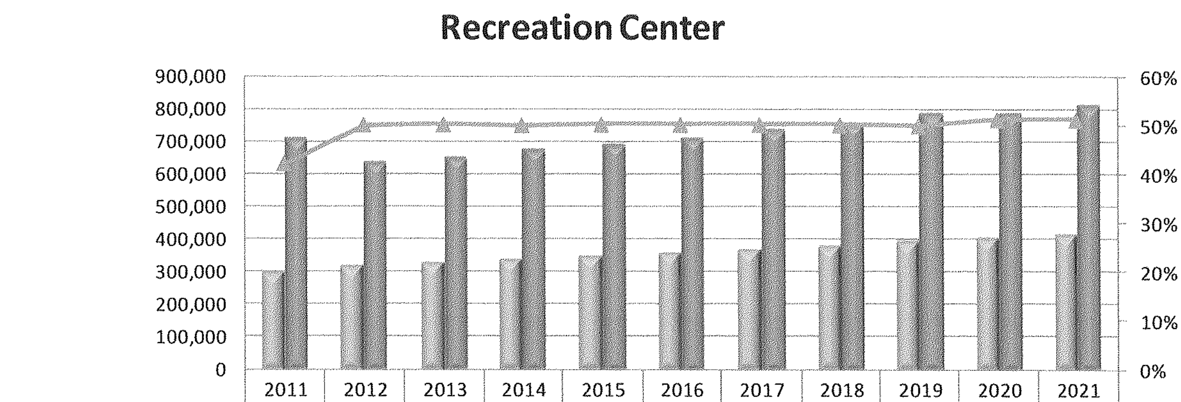
2011: Staff expects to under-spend budget.
2012: Expenses reflect the staffing reductions through the elimination of a Tennis Facility Supervisor and the 20% allocation of the General Maintenance Worker positions, as well as a new allocation of the Tennis Maintenance Worker at 50% to Recreation Center and 50% to Tennis. Additionally, the Assistant Director allocation is reduced to 25%, from 50%.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tennis Revenues	210,500	225,172	233,967	240,554	247,339	255,527	262,725	270,139	277,775	285,640	293,741
Tennis Expenses	492,310	323,717	335,345	349,575	360,949	373,595	387,229	401,600	419,068	420,639	436,048
Cost Recovery	43%	70%	70%	69%	69%	68%	68%	67%	66%	68%	67%

Recreation Center

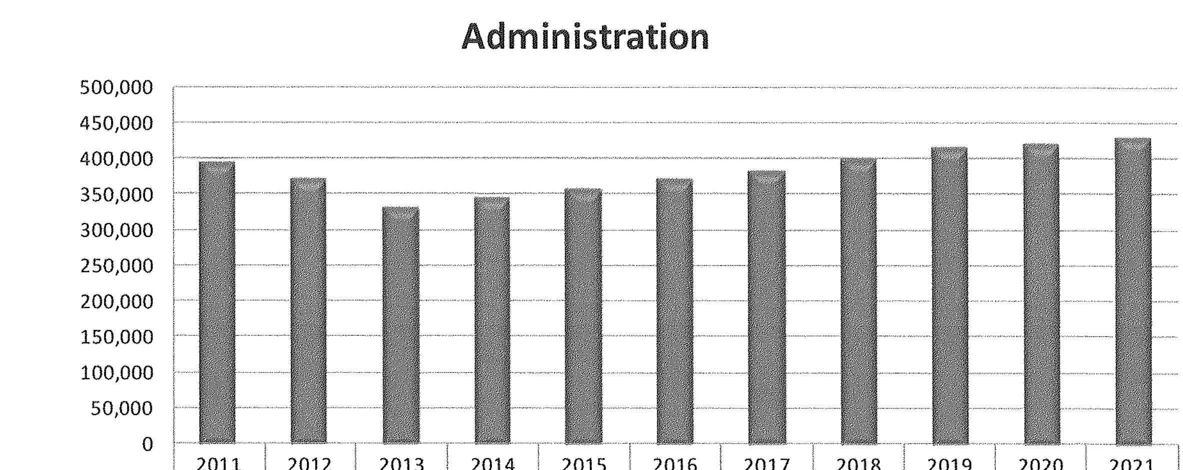
2011: Staff expects to under-spend budget due to the elimination of the General Maintenance Worker position.
2012: Expenses reflect the staffing reductions through the elimination of the General Maintenance Worker position, and a new allocation of the Tennis Maintenance Worker position at 50% to Recreation Center and 50% to Tennis. Additionally, the Assistant Director allocation is reduced to 25%, from 50%.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Recreation Revenues	298,700	317,900	327,437	337,260	347,378	357,799	368,533	379,589	390,977	402,706	414,787
Recreation Expenses	709,194	635,125	653,224	674,939	692,969	713,436	735,129	757,777	783,890	787,059	811,153
Cost Recovery	42%	50%	50%	50%	50%	50%	50%	50%	50%	51%	51%

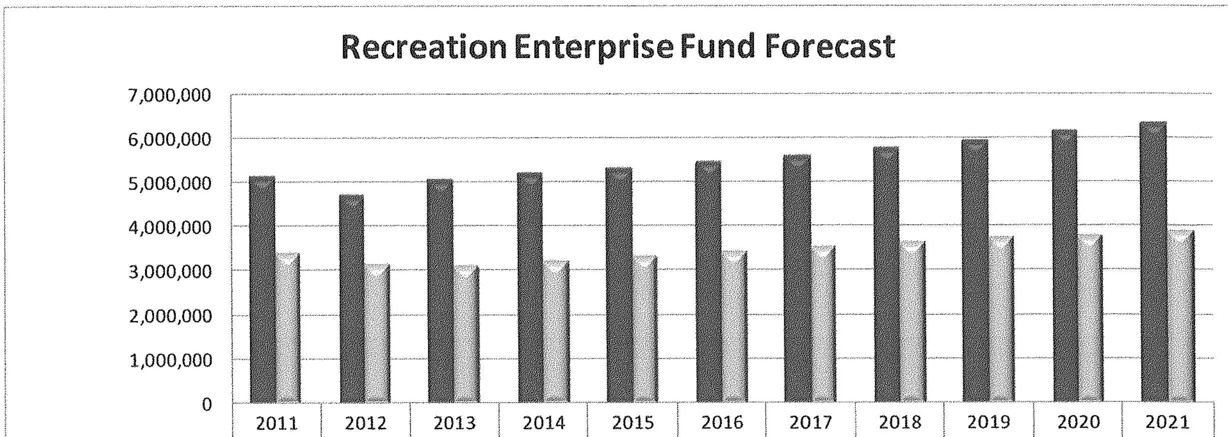
Recreation Administration

2012: Decrease in expenses is related to savings expected from pension changes.
2013: Decrease in expenses is due to the planned retirement of an Assistant Director and planned elimination of that position.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	393,473	370,994	330,670	345,021	357,229	369,787	383,402	397,762	414,382	420,920	429,152

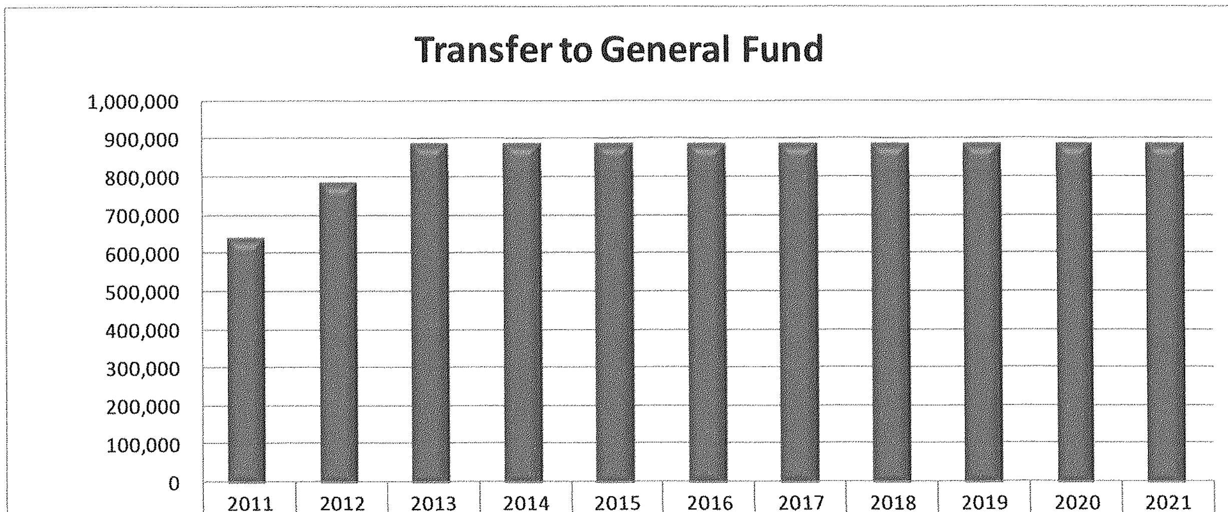
Total Recreation Enterprise Fund Operating Forecast



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total REF Revenues	5,127,780	4,676,872	5,062,121	5,176,234	5,295,484	5,426,575	5,597,480	5,773,057	5,953,086	6,138,953	6,330,854
Total REF Expenses	3,398,057	3,123,822	3,109,057	3,214,047	3,305,140	3,402,897	3,506,975	3,615,778	3,741,249	3,781,466	3,890,554

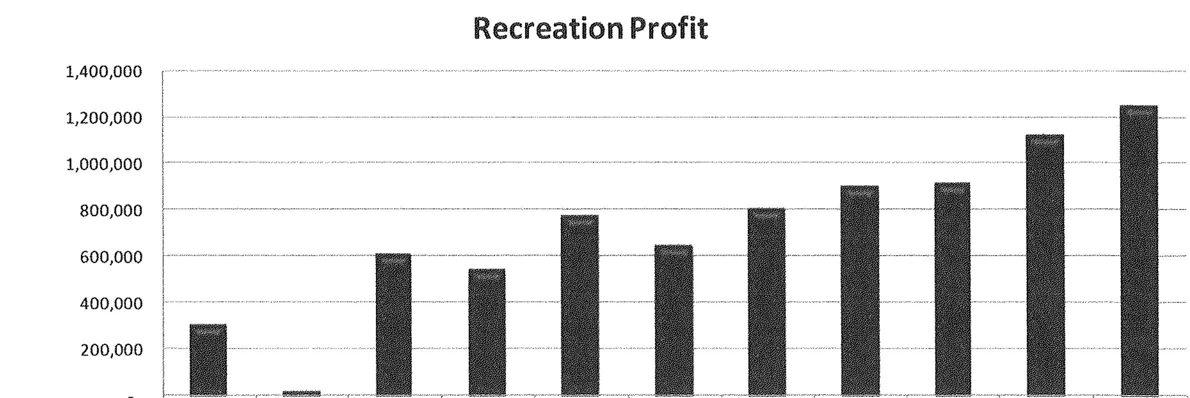
Transfer to General Fund

2011: Due to elimination of Assistant Dockmaster and savings in private security contract, the transfer increased from $550,000 to $639,000.
2012: Due to the elimination of the Tennis Facility Supervisor and General Maintenance Worker positions, the transfer is expected to be $783,000.
2013: Due to the retirement and expected elimination of an Assistant Director position, the transfer is expected to be $885,000. This figure is then carried through 2021.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transfer to GF	639,000	783,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000

Recreation Enterprise Fund Profits after Transfer to General Fund and Capital Expenses



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Recreation Profit	304,620	21,759	610,749	543,135	774,462	646,708	807,369	899,140	912,125	1,120,564	1,245,922

The net profits realized after the scheduled transfer to the General Fund and payments for any capital expenses each year will be used to build the enterprise fund's retained earnings balance. Growth of the fund balance will provide a revenue source for future capital projects. Although fund balance may not be able to cover the entire costs of future projects, having a significant balance to draw from would minimize the Town's borrowing needs. Alternatively, these surpluses could be used to increase the transfer to the General Fund to supplement the funding for coastal projects. Either option would reduce the rate of growth of property taxes during the forecast period. If the surpluses were transferred out of the fund, borrowing may need to be considered for future Recreation capital projects.

Town of Palm Beach
Recreation Enterprise Fund
Revenue and Expense Summary
FY2011 - FY2021

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Revenues											
Town Dock Revenue	3,384,661	3,086,000	3,422,853	3,489,610	3,557,702	3,627,156	3,735,421	3,844,874	3,957,610	4,073,728	4,193,330
Program Fees	298,700	317,900	327,437	337,260	347,378	357,799	368,533	379,589	390,977	402,706	414,787
Tennis Revenues	210,500	225,172	233,967	240,554	247,339	255,527	262,725	270,139	277,775	285,640	293,741
Par 3 Golf Revenue	1,233,919	1,047,800	1,077,864	1,108,810	1,143,065	1,186,093	1,230,801	1,278,455	1,326,724	1,376,879	1,428,996
Total Revenues	5,127,780	4,676,872	5,062,121	5,176,234	5,295,484	5,426,575	5,597,480	5,773,057	5,953,086	6,138,953	6,330,854
Expenses											
Administration	393,473	370,994	330,670	345,021	357,229	369,787	383,402	397,762	414,382	420,920	429,152
Tennis	492,310	323,717	335,345	349,575	360,949	373,595	387,229	401,600	419,068	420,639	436,048
Recreation Center	709,194	635,125	653,224	674,939	692,969	713,436	735,129	757,777	783,890	787,059	811,153
Town Docks	846,057	883,298	853,110	877,058	898,949	922,044	946,359	971,611	1,000,017	1,013,463	1,040,369
Par 3	957,023	910,688	936,708	967,454	995,044	1,024,035	1,054,856	1,087,028	1,123,892	1,139,385	1,173,832
Debt Service - Par 3	117,200	116,100	114,863	113,350	116,625	114,825	117,788	115,350	117,650	114,850	114,850
Capital Expenses	499,000	476,000	187,000	260,000	49,000	207,000	105,000	77,000	110,000	48,000	0
Contingency	169,903	156,191	155,453	160,702	165,257	170,145	175,349	180,789	187,062	189,073	194,528
Total Expenses	4,184,160	3,872,113	3,566,373	3,748,099	3,636,022	3,894,867	3,905,112	3,988,917	4,155,961	4,133,389	4,199,932
Operating Revenue over/(under) Expenses	943,620	804,759	1,495,748	1,428,135	1,659,462	1,531,708	1,692,368	1,784,140	1,797,125	2,005,564	2,130,922
Transfer to the General Fund	639,000	783,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000
Total Revenues over/(under) Expenses	304,620	21,759	610,748	543,135	774,462	646,708	807,368	899,140	912,125	1,120,564	1,245,922