

February 1, 2011  
Work Session  
Mayor and Council  
Town of Ocean City

In attendance: Mayor Rick Meehan, Council President James S. Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Mary Knight, Doug Cymek, Joe Hall and Brent Ashley, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias, Budget Analyst Jennie Knapp, City Engineer Terry McGean, Finance Administrator Martha Lucey, Members of the Press and Interested Parties.

Council President Jim Hall called this work session to order at 11:00 p.m., in the Council Chambers of City Hall, 301 Baltimore Avenue, Ocean City, Maryland 21842; then, **Council Member Ashley moved to convene into closed session to: (1) consult with counsel to obtain legal advice, (2) consider the acquisition of real property for a public purpose and matters directly related thereto; (3) discuss a matter directly related to a negotiation strategy or the contents of a bid or proposal if public discussion or disclosure adversely impacts the public body's ability to competitively bid or make proposals; seconded by Council Member Knight. The vote was unanimous.**

1. Council President Hall reopened the meeting and reported that legal, contractual and real property matters were discussed in the closed session. Persons present were Mayor Rick Meehan, Council President James S. Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Mary Knight, Doug Cymek, Joe Hall and Brent Ashley, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias, Risk Management Director Eric Lagstrom, Associate Risk Manager Christine Parks, Chief Deputy Public Works Director James Parsons and Public Works Director Hal Adkins. **Council Member Ashley moved to close the meeting; seconded by Council Member Pillas. The vote was unanimous.**
2. In accordance with the Town's Employee Appreciation Program, Special Events Director John Sullivan introduced Special Events Employees David Rohman and Brenda Moore.
3. Bid Openings:

A. **24" Sewer Force Main and Raw Water Main \*Bid Bond required  
(Staff Estimate: \$2,800,000.00)**

| Contractor        | Base Bid for Sewer Force Main and Raw Water Main |
|-------------------|--|
| Bunting & Murray  | \$2,630,807.67                                   |
| Teal Construction | \$3,488,566.00                                   |
| American Paving   | \$3,372,954.60                                   |
| George & Lynch    | \$3,227,631.00                                   |

**Council Member Cymek moved to acknowledge the apparent lowest bid from Bunting & Murray with remand to Staff for review ; seconded by Council Member Knight. The vote was unanimous.**

**B. 15<sup>th</sup> Street Wastewater Pumping Station Improvements \*Bid Bond Required  
(Staff Estimate: \$1,200,000.00)**

| Contractor           | Total Bid      |
|----------------------|----------------|
| Harkins Contracting  | \$1,158,200.00 |
| Bearing Construction | \$1,237,458.00 |
| Johnson Construction | \$1,577,744.00 |
| George & Lynch       | \$1,247,195.00 |
| American Paving      | \$1,735,419.29 |

**Council Member Cymek moved to acknowledge the apparent lowest bid from Harkins Contracting with remand to Staff for review; seconded by Council Member Knight. The vote was unanimous.**

**C. 32<sup>nd</sup> Street Wastewater Pumping Station Improvements \*Bid Bond Required  
(Staff Estimate: \$425,000.00)**

| Contractor           | Total Bid    |
|----------------------|--------------|
| Bearing Construction | \$649,450.00 |
| George & Lynch       | \$515,764.00 |
| Harkins Contracting  | \$518,200.00 |
| Johnson Construction | \$629,286.00 |
| American Paving      | \$718,272.02 |

**Council Member Knight moved to acknowledge the apparent lowest bid from George & Lynch with remand to Staff for review; seconded by Council Member Pillas. The vote was unanimous.**

**D. Vehicle Vending Franchise**

| Annual Bid Amount  | Annual Bid  | Total Bid (4 Years) |
|--------------------|-------------|---------------------|
| Scott Dauer        | \$65,300.00 | \$261,200.00        |
| Patrick McLaughlin | \$57,877.17 | \$231,508.68        |

**Council Member Cymek moved to acknowledge the apparent highest bid from Scott Dauer with remand to Staff for review; seconded by Council Member Knight. The vote was unanimous.**

4. **Review of Budget Amendment #1 for FY 2011 – presented by: Jennie Knapp, Budget Manager**  
See Attachment A

5. **Presentation of Capital Improvements Plan - presented by: Dennis W. Dare, City Manager**  
See Attachment B

City Manager Dare reported that, as a result of the August 2009 hiring freeze and other workforce reductions, the undesignated general fund balance increased to 17.7% over last year (Goal set at 12%). He requested permission to allocate 50% of the funds over 12% (approximately \$2,000,000.00) for (1) preventative street paving; (2) reparations to the tipping floor at the Transfer Station - which is in critical condition, and; (3) reparations to the leaking roof over the east gym at Northside Park. He estimated a total cost of \$1,700,000.00. **Council Secretary Martin moved to approve the allocation with a \$2,000,000.00 cap; seconded by Council Member Knight. The vote was 6-0 with Council Member Pillas abstaining.**

6. **Discussion of Business License Fees - presented by: Martha Lucey, Finance Administrator**  
See Attachment C

**Council Member Cymek moved to proceed with a resolution establishing business license fees , as presented, in the next regular session; seconded by Council Secretary Martin. The vote was unanimous.** [Note: Finance Administrator Martha Lucey placed an "x" next to business categories recommended for deletion but the Council voted to retain them for the time being.]

7. **Recommendation of Bid Award for Beach Equipment Franchise - presented by: Kathleen Mathias, City Clerk** See Attachment D

**Council Member Joe Hall moved to accept City Clerk Mathias' recommendation to award the south-end Beach Equipment Parcels as presented; seconded by Council Member Pillas. The vote was 6-0 with Council Secretary Martin out of the room.**

**Council Member Knight moved to approve the rental of cabanas as long as the larger cabanas (87" wide, 58" high and 48" deep) are fifty feet west of the western edge of the lifeguard stand; seconded by Council Member Joe Hall.** [Vote not taken.]

8. **Report on Post Employment Medical Benefits Actuarial Valuation - presented by: Kay Moran, Bolton Partners** See Attachment E

The Council asked Kay Moran to return with the following:

- ❖ A cost analysis with the retirement eligibility raised to age 67.
- ❖ Cost scenarios for alternative contribution levels for new hires
- ❖ A cost analysis for defined contribution options (i.e. Health Savings Accounts)
- ❖ A thirty-year projection per person

9. **Defined Benefit Plans Freeze Analysis and Retirement Program Administration - presented by: Mary Jo Gary and Doug Rowe, Mercer, Inc.** See Attachment F

10. **Closed Session – Legal and Contractual Matters**

**Council Member Cymek moved to convene into closed session to: (1) consult with counsel to obtain legal advice, and; (2) conduct collective bargaining negotiations or consider matters that relate to the negotiations; seconded by Council Member Knight. The vote was unanimous.**

11. **Report on Closed Session – Legal and Contractual Matters**

Council President Hall re-opened the meeting and reported that legal and collective bargaining matters were discussed in the closed session. Persons present were: Mayor Rick Meehan, Council President James S. Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Mary Knight, Doug Cymek, Joe Hall and Brent Ashley, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias and Stephen Silvestri of Miles & Stockbridge PC. **Council Member Knight moved to close the closed session; seconded by Council Member Ashley. The vote was unanimous.**

**Council Member Knight moved to adjourn; seconded by Council Secretary Martin. The vote was 5-0 with Council Members Joe Hall and Doug Cymek absent.**

Minutes prepared by Deputy City Clerk Kelly Allmond

Minutes certified by City Clerk Kathleen Mathias

Meetings approved by the Mayor and Council on:

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## ORDINANCE 2011-

TOWN OF OCEAN CITY  
OPERATING BUDGET  
FISCAL YEAR 2011

| SOURCE                         | ADOPTED<br>FY-2011   | AMENDMENT # 1<br>FIRST READING | CHANGE           |
|--------------------------------|----------------------|--------------------------------|------------------|
| Section I, General Fund:       |                      |                                |                  |
| A. Anticipated Revenue:        |                      |                                |                  |
| Property Taxes                 | \$ 42,553,244        | \$ 42,553,244                  | 0                |
| Other Taxes                    | 12,940,514           | 13,382,514                     | 442,000          |
| Licenses and Permits           | 3,937,350            | 3,884,627                      | (52,723)         |
| Revenue From Other Agencies    | 4,292,025            | 4,970,104                      | 678,079          |
| Charges For Services           | 8,039,328            | 7,711,328                      | (328,000)        |
| Fines and Forfeitures          | 661,190              | 687,190                        | 26,000           |
| Other Revenue                  | 914,721              | 1,104,115                      | 189,394          |
| Prior Year Reserves            | 0                    | 755,359                        | 755,359          |
|                                | <u>0</u>             | <u>755,359</u>                 | <u>755,359</u>   |
| Total Revenue                  | \$ <u>73,338,372</u> | \$ <u>75,048,481</u>           | <u>1,710,109</u> |
| B. Anticipated Expenditures:   |                      |                                |                  |
| General Government             | \$ 3,597,431         | \$ 3,470,531                   | (126,900)        |
| Public Safety                  | 31,972,727           | 33,152,312                     | 1,179,585        |
| Public Works/Beach Maintenance | 5,075,686            | 5,139,538                      | 63,852           |
| Sanitation and Waste Removal   | 5,753,328            | 5,647,140                      | (106,188)        |
| Highways and Streets           | 5,042,286            | 5,160,019                      | 117,733          |
| Economic Development -Tourism  | 5,975,961            | 6,356,627                      | 380,666          |
| Culture and Recreation         | 7,490,350            | 7,728,211                      | 237,861          |
| Debt Service                   | 4,527,781            | 4,527,781                      | 0                |
|                                | <u>4,527,781</u>     | <u>4,527,781</u>               | <u>0</u>         |
| Sub Total                      | \$ 69,435,550        | \$ 71,182,159                  | 1,746,609        |
| To Transportation Fund         | 1,952,210            | 1,915,710                      | (36,500)         |
| To Airport Fund                | 390,711              | 390,711                        | 0                |
| To Convention Center Fund      | 1,559,901            | 1,559,901                      | 0                |
| To Capital Projects            | 0                    | 0                              | 0                |
|                                | <u>0</u>             | <u>0</u>                       | <u>0</u>         |
| Total Expenditures             | \$ <u>73,338,372</u> | \$ <u>75,048,481</u>           | <u>1,710,109</u> |

| SOURCE                       | ADOPTED<br>FY-2011  | AMENDMENT # 1<br>FIRST READING | CHANGE   |
|------------------------------|---------------------|--------------------------------|----------|
| Section II, Water Fund:      |                     |                                |          |
| A. Anticipated Revenue:      |                     |                                |          |
| Water Sales                  | \$ 3,287,344        | \$ 3,287,344                   | 0        |
| Water Fixture Charge         | 3,739,366           | 3,709,366                      | (30,000) |
| Service Charges              | 349,686             | 344,686                        | (5,000)  |
| Capacity/Impact Fees         | 83,160              | 83,160                         | 0        |
| Prior Year Reserves          | 66,305              | 101,844                        | 35,539   |
| Total Revenue                | \$ <u>7,525,861</u> | \$ <u>7,526,400</u>            | 539      |
| B. Anticipated Expenditures: |                     |                                |          |
| Personal Services            | \$ 2,091,910        | \$ 2,058,185                   | (33,725) |
| Non-Personal Services        | 3,627,445           | 3,659,994                      | 32,549   |
| Debt Service                 | 1,397,153           | 1,397,153                      | 0        |
| Capital Outlay               | 409,353             | 411,068                        | 1,715    |
| Total Expenditures           | \$ <u>7,525,861</u> | \$ <u>7,526,400</u>            | 539      |

Section III, Transportation Fund:

|                               |                     |                     |           |
|-------------------------------|---------------------|---------------------|-----------|
| A. Anticipated Revenue:       |                     |                     |           |
| Bus Revenue                   | \$ 2,696,510        | \$ 2,716,510        | 20,000    |
| Train Revenue                 | 1,002,000           | 1,040,400           | 38,400    |
| Federal and State Grants      | 1,606,982           | 1,836,547           | 229,565   |
| Transfer-In From General Fund | 1,952,210           | 1,915,710           | (36,500)  |
| Prior Year Reserves           | 0                   | 37,626              | 37,626    |
| Total Revenue                 | \$ <u>7,257,702</u> | \$ <u>7,546,793</u> | 289,091   |
| B. Anticipated Expenditures:  |                     |                     |           |
| Personal Services             | \$ 3,538,578        | \$ 3,418,978        | (119,600) |
| Non-Personal Services         | 3,151,124           | 3,321,787           | 170,663   |
| Capital Outlay                | 568,000             | 806,028             | 238,028   |
| Total Expenditures            | \$ <u>7,257,702</u> | \$ <u>7,546,793</u> | 289,091   |

| SOURCE                        | ADOPTED<br>FY-2011       | AMENDMENT # 1<br>FIRST READING | CHANGE               |
|-------------------------------|--------------------------|--------------------------------|----------------------|
| Section IV, Wastewater Fund:  |                          |                                |                      |
| A. Anticipated Revenue:       |                          |                                |                      |
| Wastewater Treatment Charges  | \$ 10,190,293            | \$ 10,204,473                  | 14,180               |
| Service Charges               | 887,414                  | 971,475                        | 84,061               |
| Capacity/Impact Fees          | 145,530                  | 145,530                        | 0                    |
| Bond Proceeds                 | 0                        | 7,174,995                      | 7,174,995            |
| Prior Year Reserves           | 0                        | 59,186                         | 59,186               |
|                               | <u>0</u>                 | <u>59,186</u>                  | <u>59,186</u>        |
| <br>Total Revenue             | <br>\$ <u>11,223,237</u> | <br>\$ <u>18,555,659</u>       | <br><u>7,332,422</u> |
| B. Anticipated Expenditures:  |                          |                                |                      |
| Personal Services             | \$ 4,080,779             | \$ 4,099,662                   | 18,883               |
| Non-Personal Services         | 3,581,579                | 3,470,586                      | (110,993)            |
| Debt Service                  | 3,069,879                | 3,069,879                      | 0                    |
| Capital Outlay                | 491,000                  | 7,915,532                      | 7,424,532            |
|                               | <u>491,000</u>           | <u>7,915,532</u>               | <u>7,424,532</u>     |
| <br>Total Expenditures        | <br>\$ <u>11,223,237</u> | <br>\$ <u>18,555,659</u>       | <br><u>7,332,422</u> |
| Section V, Airport Fund:      |                          |                                |                      |
| A. Anticipated Revenue:       |                          |                                |                      |
| Fuel Sales                    | \$ 528,434               | \$ 578,434                     | 50,000               |
| Rents and Other Revenue       | 326,604                  | 313,174                        | (13,430)             |
| State and Federal Grants      | 390,000                  | 390,000                        | 0                    |
| Service Charges               | 56,700                   | 56,700                         | 0                    |
| Transfer-In From General Fund | 390,711                  | 390,711                        | 0                    |
| Prior Year Reserves           | 0                        | 1,311                          | 1,311                |
|                               | <u>0</u>                 | <u>1,311</u>                   | <u>1,311</u>         |
| <br>Total Revenue             | <br>\$ <u>1,692,449</u>  | <br>\$ <u>1,730,330</u>        | <br><u>37,881</u>    |
| B. Anticipated Expenditures:  |                          |                                |                      |
| Personal Services             | \$ 347,941               | \$ 341,711                     | (6,230)              |
| Non-Personal Services         | 768,901                  | 813,012                        | 44,111               |
| Debt Service                  | 145,607                  | 145,607                        | 0                    |
| Capital Outlay                | 430,000                  | 430,000                        | 0                    |
|                               | <u>430,000</u>           | <u>430,000</u>                 | <u>0</u>             |
| <br>Total Expenditures        | <br>\$ <u>1,692,449</u>  | <br>\$ <u>1,730,330</u>        | <br><u>37,881</u>    |

| SOURCE                                  | ADOPTED<br>FY-2011  | AMENDMENT # 1<br>FIRST READING | CHANGE           |
|---|---------------------|--------------------------------|------------------|
| Section VI, Municipal Golf Course Fund: |                     |                                |                  |
| A. Anticipated Revenue:                 |                     |                                |                  |
| Service Charges                         | \$ 1,571,051        | \$ 1,571,051                   | 0                |
| Sales and Concessions                   | 415,000             | 415,000                        | 0                |
| Other Revenue                           | 66,700              | 66,700                         | 0                |
| Prior Year Reserves                     | 0                   | 3,635                          | 3,635            |
| Total Revenue                           | \$ <u>2,052,751</u> | \$ <u>2,056,386</u>            | <u>3,635</u>     |
| B. Anticipated Expenditures:            |                     |                                |                  |
| Personal Services                       | \$ 1,018,573        | \$ 1,018,573                   | 0                |
| Non-Personal Services                   | 1,034,178           | 1,037,813                      | 3,635            |
| Debt Service                            | 0                   | 0                              | 0                |
| Capital Outlay                          | 0                   | 0                              | 0                |
| Total Expenditures                      | \$ <u>2,052,751</u> | \$ <u>2,056,386</u>            | <u>3,635</u>     |
| Section VII, Convention Center Fund:    |                     |                                |                  |
| A. Anticipated Revenue:                 |                     |                                |                  |
| Service Charges                         | \$ 1,796,500        | \$ 1,781,362                   | (15,138)         |
| State and County Grants                 | 1,595,367           | 1,595,367                      | 0                |
| Food & Beverage Tax                     | 1,100,713           | 1,100,713                      | 0                |
| Bond Issuance                           | 0                   | 4,780,234                      | 4,780,234        |
| Transfer-In From General Fund           | 1,559,901           | 1,559,901                      | 0                |
| Prior Year Reserves                     | 0                   | 101,362                        | 101,362          |
| Total Revenue                           | \$ <u>6,052,481</u> | \$ <u>10,918,939</u>           | <u>4,866,458</u> |
| B. Anticipated Expenditures:            |                     |                                |                  |
| Personal Services                       | \$ 3,006,543        | \$ 2,978,905                   | (27,638)         |
| Non-Personal Services                   | 1,710,695           | 1,734,033                      | 23,338           |
| Debt Service                            | 1,235,243           | 1,235,243                      | 0                |
| Transfer to Debt Service Reserves       | 100,000             | 100,000                        | 0                |
| Capital Outlay                          | 0                   | 4,870,758                      | 4,870,758        |
| Total Expenditures                      | \$ <u>6,052,481</u> | \$ <u>10,918,939</u>           | <u>4,866,458</u> |

| SOURCE                                     | ADOPTED<br>FY-2011  | AMENDMENT # 1<br>FIRST READING | CHANGE       |
|--|---------------------|--------------------------------|--------------|
| Section VIII, Information Technology Fund: |                     |                                |              |
| A. Anticipated Revenue:                    |                     |                                |              |
| Service Charges To Other Funds             | \$ 1,781,405        | \$ 1,781,405                   | 0            |
| Prior Year Reserves                        | 0                   | 8,328                          | 8,328        |
| Total Revenue                              | <u>\$ 1,781,405</u> | <u>\$ 1,789,733</u>            | <u>8,328</u> |
| B. Anticipated Expenditures:               |                     |                                |              |
| Personal Services                          | \$ 905,399          | \$ 898,211                     | (7,188)      |
| Non-Personal Services                      | 876,006             | 888,984                        | 12,978       |
| Capital Outlay                             | <u>0</u>            | <u>2,538</u>                   | <u>2,538</u> |
| Total Expenditures                         | <u>\$ 1,781,405</u> | <u>\$ 1,789,733</u>            | <u>8,328</u> |

Section IX, Service Center Fund:

|                                |                     |                     |                  |
|--------------------------------|---------------------|---------------------|------------------|
| A. Anticipated Revenue:        |                     |                     |                  |
| Service Charges To Other Funds | \$ 5,395,291        | \$ 4,845,291        | (550,000)        |
| Prior Year Reserves            | 0                   | 20,499              | 20,499           |
| Total Revenue                  | <u>\$ 5,395,291</u> | <u>\$ 4,865,790</u> | <u>(529,501)</u> |
| B. Anticipated Expenditures:   |                     |                     |                  |
| Personal Services              | \$ 1,712,674        | \$ 1,687,574        | (25,100)         |
| Non-Personal Services          | 3,682,617           | 3,148,616           | (534,001)        |
| Debt Service                   | 0                   | 0                   | 0                |
| Capital Outlay                 | <u>0</u>            | <u>29,600</u>       | <u>29,600</u>    |
| Total Expenditures             | <u>\$ 5,395,291</u> | <u>\$ 4,865,790</u> | <u>(529,501)</u> |

| SOURCE                                     | ADOPTED<br>FY-2011 | AMENDMENT # 1<br>FIRST READING | CHANGE    |
|--|--------------------|--------------------------------|-----------|
| Section X, Vehicle & Equipment Trust Fund: |                    |                                |           |
| A. Anticipated Revenue:                    |                    |                                |           |
| Service Charges To Other Funds             | \$ 1,954,496       | \$ 1,954,496                   | 0         |
| State and Federal Grants                   | 2,259,900          | 7,022,151                      | 4,762,251 |
| Sale of Assets                             | 240,000            | 240,000                        | 0         |
| Prior Year Reserves                        | 400,000            | 579,766                        | 179,766   |
| Total Revenue                              | \$ 4,854,396       | \$ 9,796,413                   | 4,942,017 |

B. Anticipated Expenditures:

|                       |              |              |           |
|-----------------------|--------------|--------------|-----------|
| Non-Personal Services | \$ 798,185   | \$ 816,291   | 18,106    |
| Debt Service          | 94,156       | 94,156       | 0         |
| Transfers Out         | 31,851       | 31,851       | 0         |
| Capital Outlay        | 3,930,204    | 8,854,115    | 4,923,911 |
| Total Expenditures    | \$ 4,854,396 | \$ 9,796,413 | 4,942,017 |

Section XI, Risk Management Fund:

A. Anticipated Revenue:

|                                |              |              |       |
|--------------------------------|--------------|--------------|-------|
| Service Charges To Other Funds | \$ 2,045,442 | \$ 2,045,442 | 0     |
| Interest Earned                | 97,271       | 97,271       | 0     |
| Prior Year Reserves            | 0            | 1,083        | 1,083 |
| Total Revenue                  | \$ 2,142,713 | \$ 2,143,796 | 1,083 |

B. Anticipated Expenditures:

|                              |              |              |       |
|------------------------------|--------------|--------------|-------|
| Personal Services            | \$ 223,070   | \$ 223,070   | 0     |
| Non-Personal Services/Claims | 1,919,643    | 1,920,726    | 1,083 |
| Capital Outlay               | 0            | 0            | 0     |
| Total Expenditures           | \$ 2,142,713 | \$ 2,143,796 | 1,083 |

| SOURCE                            | ADOPTED<br>FY-2011   | AMENDMENT # 1<br>FIRST READING | CHANGE    |
|-----------------------------------|----------------------|--------------------------------|-----------|
| Section XII, Pension Trust Funds: |                      |                                |           |
| A. Anticipated Revenue:           |                      |                                |           |
| Employer Contributions            | \$ 5,241,713         | \$ 5,052,748                   | (188,965) |
| Employee Contributions            | 2,100,880            | 2,100,880                      | 0         |
| Investment Earnings               | <u>3,410,000</u>     | <u>3,410,000</u>               | 0         |
| Total Revenue                     | <u>\$ 10,752,593</u> | <u>\$ 10,563,628</u>           | (188,965) |
| B. Anticipated Expenditures:      |                      |                                |           |
| Benefit Payments                  | \$ 2,650,000         | \$ 2,650,000                   | 0         |
| Non-Personal Services             | 450,000              | 450,000                        | 0         |
| Reserve for Employee's Retirement | <u>7,652,593</u>     | <u>7,463,628</u>               | (188,965) |
| Total Expenditures                | <u>\$ 10,752,593</u> | <u>\$ 10,563,628</u>           | (188,965) |
| Section XIII, OPEB Trust Funds:   |                      |                                |           |
| A. Anticipated Revenue:           |                      |                                |           |
| Employer Contributions            | \$ 3,031,120         | \$ 3,104,000                   | 72,880    |
| Employee Contributions            | 85,000               | 85,000                         | 0         |
| Investment Earnings               | <u>250,000</u>       | <u>250,000</u>                 | 0         |
| Total Revenue                     | <u>\$ 3,366,120</u>  | <u>\$ 3,439,000</u>            | 72,880    |
| B. Anticipated Expenditures:      |                      |                                |           |
| Benefit Payments                  | \$ 800,000           | \$ 800,000                     | 0         |
| Non-Personal Services             | 50,000               | 50,000                         | 0         |
| Reserve for Retiree Health        | <u>2,516,120</u>     | <u>2,589,000</u>               | 72,880    |
| Total Expenditures                | <u>\$ 3,366,120</u>  | <u>\$ 3,439,000</u>            | 72,880    |

| Section XIV, General Capital Projects Fund: | ADOPTED<br>FY-2011 | AMENDMENT # 1<br>FIRST READING | CHANGE         |
|---|--------------------|--------------------------------|----------------|
| A. Anticipated Revenue:                     |                    |                                |                |
| Bond Proceeds                               | 0                  | 870,990                        | 870,990        |
| Inlet Lot Parking Revenue                   | <u>290,000</u>     | <u>290,000</u>                 | <u>0</u>       |
| Total Revenue                               | \$ <u>290,000</u>  | \$ <u>1,160,990</u>            | <u>870,990</u> |
| B. Anticipated Expenditures:                |                    |                                |                |
| 4th Street Recreation Complex               | 0                  | (3,583)                        | (3,583)        |
| Northside Park Restroom                     | 0                  | (10,569)                       | (10,569)       |
| Public Safety Building Expansion            | 0                  | (23,267)                       | (23,267)       |
| St. Louis Avenue Reconstruction             | 0                  | (96,302)                       | (96,302)       |
| Street Paving                               | 0                  | 133,721                        | 133,721        |
| Land Improvements - 64th Street             | 0                  | 108,465                        | 108,465        |
| 64th Street Boat Ramp                       | 0                  | 762,525                        | 762,525        |
| Reserve for Future Capital Projects         | <u>290,000</u>     | <u>290,000</u>                 | <u>0</u>       |
| Total Expenditures                          | \$ <u>290,000</u>  | \$ <u>1,160,990</u>            | <u>870,990</u> |

Section XIV, All Funds Expenditure Summary:

|                                      |                       |                       |                   |
|--------------------------------------|-----------------------|-----------------------|-------------------|
| General Fund                         | \$ 73,338,372         | \$ 75,048,481         | 1,710,109         |
| Water Fund                           | 7,525,861             | 7,526,400             | 539               |
| Transportation Fund                  | 7,257,702             | 7,546,793             | 289,091           |
| Wastewater Fund                      | 11,223,237            | 18,555,659            | 7,332,422         |
| Airport Fund                         | 1,692,449             | 1,730,330             | 37,881            |
| Municipal Golf Course Fund           | 2,052,751             | 2,056,386             | 3,635             |
| Convention Center Fund               | 6,052,481             | 10,918,939            | 4,866,458         |
| Management Information Services Fund | 1,781,405             | 1,789,733             | 8,328             |
| Service Center Fund                  | 5,395,291             | 4,865,790             | (529,501)         |
| Vehicle & Equipment Trust Fund       | 4,854,396             | 9,796,413             | 4,942,017         |
| Risk Management Fund                 | 2,142,713             | 2,143,796             | 1,083             |
| Pension Trust Funds                  | <u>10,752,593</u>     | <u>10,563,628</u>     | <u>(188,965)</u>  |
| Sub Total                            | \$ 134,069,251        | \$ 152,542,348        | 18,473,097        |
| LESS: Interfund Transfers            | <u>(23,352,289)</u>   | <u>(22,649,704)</u>   | <u>702,585</u>    |
| Total Expenditures                   | \$ 110,716,962        | \$ 129,892,644        | 19,175,682        |
| Capital Projects Fund - General      | <u>290,000</u>        | <u>1,160,990</u>      | <u>870,990</u>    |
| Grand Total                          | \$ <u>111,006,962</u> | \$ <u>131,053,634</u> | <u>20,046,672</u> |

Section XV, Special Authorization - Budget Manager:

The Budget Manager shall be authorized to reallocate departmental appropriations among the various objects of expenditures as she deems necessary. Such changes shall be approved by the Finance Administrator & City Manager.

Section XVI, Restrictions - City Manager:

- A. The utilization of any contingency appropriation shall be accomplished only with prior authorization from the Mayor and Council.
- B. Utilization of appropriations established in the Capital Improvement Fund may be accomplished only with the express approval of the Mayor and Council.

Section XVII, Tax Rate:

An Ad Valorem Tax Rate of \$0.395 per \$100 of assessed valuation of real property and a rate of \$1.29 per \$100 of assessed valuation of corporate and personal property tax is required to fund this budget.

INTRODUCED at a meeting of the City Council of Ocean City, Maryland held on February 7, 2011.

ADOPTED AND PASSED, by the required vote of the elected membership of the City Council and approved by the Mayor at its meeting held on February 22, 2011.

\_\_\_\_\_  
DENNIS W. DARE, CITY MANAGER

\_\_\_\_\_  
RICHARD W. MEEHAN, MAYOR

\_\_\_\_\_  
KATHLEEN A.P. MATHIAS, CITY CLERK

\_\_\_\_\_  
JAMES S. HALL, PRESIDENT

\_\_\_\_\_  
LLOYD MARTIN, SECRETARY

ADOPTED:  
Date

MOTION TO ADOPT BY:

MOTION SECONDED BY:

VOTE:                    FOR:                    AGAINST:



## **MEMORANDUM**

**ATTACHMENT B**

TO: Mayor and City Council

FROM: Dennis Dare, City Manager

DATE: January 25, 2011

RE: Draft of Governmental Capital Improvement Projects

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During 2010, the Council approved future capital projects for water, wastewater, convention center, and airport with funding from the 2010 General Obligation Bonds, user fees, and state and federal grants. The projects presented by staff for consideration and public discussion at the February 1 work session for inclusion in the 2012 – 2016 Capital Improvement Plan are general government projects for public works, streets, public safety and recreation and parks.

Town of Ocean City, Maryland  
*Capital Improvement Plan*

**Administrative Summary**

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**Visions and Goals**

The capital improvement plan (CIP) is a five-year infrastructure plan which matches the Town's highest priority capital needs with financing and a construction schedule developed in accordance with planning studies.

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**Policies**

Guidelines for CIP project:

Relatively high monetary value

long life

results in creation of an asset or revitalization of an asset

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**Process**

1) Recommendations for projects submitted to City Manager from departments, community organizations, and citizens.

2) Projects reviewed by City Manager and City engineer

3) Projects presented to Mayor and Council for input and prioritizing

4) Projects formally approved through budget process or ordinance

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**Process Calendar**

October - submission of projects

November - December - Project review by staff

January - March - Mayor & City Council review and prioritize

April - Presented to public and printing of CIP

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**Capital Improvement Plan  
Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works

**Contact** Terence McGean

**Type** Improvement

**Useful Life** On Going

**Category** Unassigned

**Priority** 2 Very Important

**Project #** 08-EV-001

**Project Name** Canal Dredging

**City Project Code**

**Description**

**Total Project Cost:** \$1,500,000

This project consists of an on going program to maintenance dredge Canals within the city limits of Ocean City to an average depth of 4' below mean low water. The project would dredge approximately 6,000 cubic yards of material per year from canals. The priority for canal dredging will be determined based on average existing depths as shown on surveys performed by the Maryland Department of Natural Resources in 2005 and 2006.

**Justification**

Historically maintaining a navigable depth within the Ocean City canal system was left to the property owners along the canal through a process outlined in the City code. The combination of a complex State and Federal dredging permit combined with the high cost of dredging has left the canal system in increasingly poor condition. This project would shift the burden of canal maintenance from the property owner to the City. The State Department of Natural Resources has collected survey data for the depths of all Ocean City canals. This data was then used to formulate an annual dredging program, prioritize dredging needs, and establish a regular canal maintenance program administered by the City.

| <b>Expenditures</b>      | <b>2012</b> | <b>2013</b>    | <b>2014</b>    | <b>2015</b>    | <b>2016</b> | <b>Total</b>     |
|--------------------------|-------------|----------------|----------------|----------------|-------------|------------------|
| Construction/Maintenance | 0           | 500,000        | 500,000        | 500,000        |             | 1,500,000        |
| <b>Total</b>             | <b>0</b>    | <b>500,000</b> | <b>500,000</b> | <b>500,000</b> |             | <b>1,500,000</b> |

| <b>Funding Sources</b> | <b>2012</b> | <b>2013</b>    | <b>2014</b>    | <b>2015</b>    | <b>2016</b> | <b>Total</b>     |
|------------------------|-------------|----------------|----------------|----------------|-------------|------------------|
| General Fund           | 0           | 500,000        | 500,000        | 500,000        |             | 1,500,000        |
| <b>Total</b>           | <b>0</b>    | <b>500,000</b> | <b>500,000</b> | <b>500,000</b> |             | <b>1,500,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works

**Contact** Terence McGean

**Type** Improvement

**Useful Life**

**Category** Buildings

**Priority** 3 Important

**Project #** 11-PW-001

**Project Name** Caroline Street Comfort Station and Stage

**City Project Code**

**Description**

**Total Project Cost:** \$1,000,000

Demolition of existing Caroline Street Comfort Station. Construction of new ADA compliant comfort station and stage area.

**Justification**

Existing building is no longer functional. There is a need for a permanent stage area along the boardwalk.

| <b>Expenditures</b>      | <b>2012</b> | <b>2013</b>      | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>Total</b>     |
|--------------------------|-------------|------------------|-------------|-------------|-------------|------------------|
| Construction/Maintenance |             | 1,000,000        |             |             |             | 1,000,000        |
| <b>Total</b>             |             | <b>1,000,000</b> |             |             |             | <b>1,000,000</b> |

| <b>Funding Sources</b> | <b>2012</b> | <b>2013</b>      | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>Total</b>     |
|------------------------|-------------|------------------|-------------|-------------|-------------|------------------|
| Bond Financing         |             | 1,000,000        |             |             |             | 1,000,000        |
| <b>Total</b>           |             | <b>1,000,000</b> |             |             |             | <b>1,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works  
**Contact** Terence McGean  
**Type** Unassigned  
**Useful Life** On Going  
**Category** Land acquisition & improve  
**Priority** 2 Very Important

**Project #** 12-PW-001  
**Project Name** Land - New Parking Lot 1

City Project Code

**Description** **Total Project Cost: \$1,950,000**  
 Land aquisition in South Ocean City.

**Justification**  
 Needed to provide additional downtown parking .

| Expenditures             | 2012             | 2013 | 2014 | 2015 | 2016 | Total            |
|--------------------------|------------------|------|------|------|------|------------------|
| Land Acquisition         | 1,900,000        |      |      |      |      | 1,900,000        |
| Construction/Maintenance | 50,000           |      |      |      |      | 50,000           |
| <b>Total</b>             | <b>1,950,000</b> |      |      |      |      | <b>1,950,000</b> |

| Funding Sources | 2012             | 2013 | 2014 | 2015 | 2016 | Total            |
|-----------------|------------------|------|------|------|------|------------------|
| General Fund    | 1,950,000        |      |      |      |      | 1,950,000        |
| <b>Total</b>    | <b>1,950,000</b> |      |      |      |      | <b>1,950,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works  
**Contact** Terence McGean  
**Type** Unassigned  
**Useful Life** On Going  
**Category** Land acquisition & improve  
**Priority** 2 Very Important

**Project #** 12-PW-002  
**Project Name** Land - New Parking Lot 2

City Project Code

**Description** **Total Project Cost: \$1,350,000**  
 Parking lot in south Ocean City

**Justification**  
 Additional parking off boardwalk in conjunction with improving traffic patterns in south Ocean City.

| Expenditures             | 2012             | 2013 | 2014 | 2015 | 2016 | Total            |
|--------------------------|------------------|------|------|------|------|------------------|
| Land Acquisition         | 1,300,000        |      |      |      |      | 1,300,000        |
| Construction/Maintenance | 50,000           |      |      |      |      | 50,000           |
| <b>Total</b>             | <b>1,350,000</b> |      |      |      |      | <b>1,350,000</b> |

| Funding Sources | 2012             | 2013 | 2014 | 2015 | 2016 | Total            |
|-----------------|------------------|------|------|------|------|------------------|
| General Fund    | 1,350,000        |      |      |      |      | 1,350,000        |
| <b>Total</b>    | <b>1,350,000</b> |      |      |      |      | <b>1,350,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works  
**Contact** Richard Malone  
**Type** Maintenance  
**Useful Life** 5-7 Years  
**Category** Infrastructure Maintenance  
**Priority** 1 Critical

**Project #** 12-PW-003  
**Project Name** Transfer Station - Tipping Room Floor Resurfacing

City Project Code

**Description** **Total Project Cost:** \$500,000  
 Replace the "wear layer" of the tipping room floor. The existing floor has multiple deep surface cracks and the entire working area is showing signs of advanced deterioration. Ponding of water is occurring due to loss of concrete thickness in several areas.

**Justification**  
 When the tipping room floor was installed in the winter of 2004-2005, we knew the life expectancy of the floor was 5 to 7 years. As expected, it is now time to "resurface" the floor.

| Expenditures             | 2012           | 2013 | 2014 | 2015 | 2016 | Total          |
|--------------------------|----------------|------|------|------|------|----------------|
| Construction/Maintenance | 500,000        |      |      |      |      | 500,000        |
| <b>Total</b>             | <b>500,000</b> |      |      |      |      | <b>500,000</b> |

| Funding Sources | 2012           | 2013 | 2014 | 2015 | 2016 | Total          |
|-----------------|----------------|------|------|------|------|----------------|
| General Fund    | 500,000        |      |      |      |      | 500,000        |
| <b>Total</b>    | <b>500,000</b> |      |      |      |      | <b>500,000</b> |

**Budget Impact/Other**  
 During resurfacing, we will have to send our waste to the Worcester County Landfill because we will not have transfer capabilities. This will be for a period of approximately two weeks. This will cost approximately \$20,000 more than our normal disposal cost due to the higher tipping fees at the County Landfill.

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** General Public Works  
**Contact** Terence McGean  
**Type** Maintenance  
**Useful Life** 10 Years  
**Category** Unassigned  
**Priority** 1 Critical

**Project #** 13-PW-001  
**Project Name** Boardwalk Reconstruction

City Project Code

**Description** **Total Project Cost:** \$6,000,000  
 Reconstruct the boardwalk including structure from inlet to 27th Streets; to include road base, stringers, and surface.

**Justification**  
 Boardwalk structure is over 40 years old, components are beginning to fail

| Expenditures             | 2012             | 2013             | 2014     | 2015     | 2016 | Total            |
|--------------------------|------------------|------------------|----------|----------|------|------------------|
| Construction/Maintenance | 3,000,000        | 3,000,000        | 0        | 0        |      | 6,000,000        |
| <b>Total</b>             | <b>3,000,000</b> | <b>3,000,000</b> | <b>0</b> | <b>0</b> |      | <b>6,000,000</b> |

| Funding Sources | 2012             | 2013     | 2014     | 2015     | 2016 | Total            |
|-----------------|------------------|----------|----------|----------|------|------------------|
| Bond Financing  | 6,000,000        | 0        |          |          |      | 6,000,000        |
| General Fund    |                  |          | 0        | 0        |      | 0                |
| <b>Total</b>    | <b>6,000,000</b> | <b>0</b> | <b>0</b> | <b>0</b> |      | <b>6,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Highways and Streets

**Contact** Terence McGean

**Type** Improvement

**Useful Life** 20 Years

**Category** Unassigned

**Priority** 4 Less Important

**Project #** 08-HS-002  
**Project Name** 94th Street Landscape Strips

City Project Code

**Description**

**Total Project Cost:** \$55,000

Replace gravel in existing landscape strips on 94th street with brick pavers.

**Justification**

The landscape strips on the east half of 94th Street were originally designed to be sodded. Due to concerns from the recreation and parks department that grass would not grow in these areas because they were too narrow, decorative stone was substituted. This has also proven to be a maintenance problem due to weeds and stone blowing into the street.

| <b>Expenditures</b>      | <b>2012</b> | <b>2013</b> | <b>2014</b>   | <b>2015</b> | <b>2016</b> | <b>Total</b>  |
|--------------------------|-------------|-------------|---------------|-------------|-------------|---------------|
| Construction/Maintenance |             |             | 55,000        |             |             | 55,000        |
| <b>Total</b>             |             |             | <b>55,000</b> |             |             | <b>55,000</b> |

| <b>Funding Sources</b> | <b>2012</b> | <b>2013</b> | <b>2014</b>   | <b>2015</b> | <b>2016</b> | <b>Total</b>  |
|------------------------|-------------|-------------|---------------|-------------|-------------|---------------|
| General Fund           |             |             | 55,000        |             |             | 55,000        |
| <b>Total</b>           |             |             | <b>55,000</b> |             |             | <b>55,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Highways and Streets  
**Contact** Hal Adkins  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Street Construction  
**Priority** 3 Important

**Project #** 08-HS-003  
**Project Name** Caine Woods Street Improvements

City Project Code

**Total Project Cost: \$3,000,000**

**Description**  
 In the early 90's, the City installed landscaped medians on the wider streets north of 142nd in an effort to narrow the travel ways. The proposed project, would extend this concept south of 142nd street, but use landscape strips on the north and south sides of the streets in place of the median. This will reduce vehicle speeds and provide a wider, more pedestrian friendly route.

**Justification**  
 Caine Woods is a large residential neighborhood on the bayside between 136th and 146th Streets. When originally constructed, 5' sidewalks were installed on each side of the platted right-of-way and the rest of the street width was paved using thin thickness of asphalt. Because many of the streets have a right-of-way in excess of 50 feet wide, paved widths are too wide for a residential collector street. This has caused excessive speeding and traffic volumes within the neighborhood.

| Expenditures             | 2012           | 2013           | 2014           | 2015           | 2016           | Total            |
|--------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Construction/Maintenance | 600,000        | 600,000        | 600,000        | 600,000        | 600,000        | 3,000,000        |
| <b>Total</b>             | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>3,000,000</b> |

| Funding Sources | 2012           | 2013           | 2014           | 2015           | 2016           | Total            |
|-----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| General Fund    | 600,000        | 600,000        | 600,000        | 600,000        | 600,000        | 3,000,000        |
| <b>Total</b>    | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>600,000</b> | <b>3,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Highways and Streets  
**Contact** Hal Adkins  
**Type** Maintenance  
**Useful Life** 20 Years  
**Category** Street Construction  
**Priority** 1 Critical

**Project #** 08-HS-010  
**Project Name** Street Improvements & Overlays

City Project Code

**Total Project Cost:** \$14,000,000

**Description**  
 Annual allocation for milling, regrading, storm drains, pavement, sidewalks for any streets that fall below "acceptable" condition

**Justification**  
 Over 15,000 tons of hot mix must be placed annually to maintain Town streets

| Expenditures             | 2012             | 2013             | 2014             | 2015             | 2016             | Total            |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Construction/Maintenance | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 5,000,000        |
| <b>Total</b>             | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>5,000,000</b> |

| Funding Sources | 2012             | 2013             | 2014             | 2015             | 2016             | Total            |
|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund    | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 5,000,000        |
| <b>Total</b>    | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>5,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Highways and Streets

**Contact** Hal Adkins

**Type** Improvement

**Useful Life** 25 Years

**Category** Street Construction

**Priority** 3 Important

**Project #** 09-HS-002  
**Project Name** St. Louis Ave Redevelopment Design

City Project Code

**Description** **Total Project Cost:** \$9,000,000  
 Demolition of roadway. Upgrade of water, sewer, storm drains. Undergrounding of utilities and streetscaping.

**Justification**  
 Portion of St. Louis Ave from N. Division Street to 17th Street is in severe state of decay. The entire roadway system needs to be demolished and reconstructed.

| Expenditures             | 2012     | 2013             | 2014             | 2015             | 2016 | Total            |
|--------------------------|----------|------------------|------------------|------------------|------|------------------|
| Construction/Maintenance | 0        | 3,000,000        | 3,000,000        | 3,000,000        |      | 9,000,000        |
| <b>Total</b>             | <b>0</b> | <b>3,000,000</b> | <b>3,000,000</b> | <b>3,000,000</b> |      | <b>9,000,000</b> |

| Funding Sources | 2012     | 2013             | 2014             | 2015             | 2016 | Total            |
|-----------------|----------|------------------|------------------|------------------|------|------------------|
| Bond Financing  | 0        | 3,000,000        | 3,000,000        | 3,000,000        |      | 9,000,000        |
| <b>Total</b>    | <b>0</b> | <b>3,000,000</b> | <b>3,000,000</b> | <b>3,000,000</b> |      | <b>9,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

Department Highways and Streets

Contact Hal Adkins

Type Improvement

Useful Life 30 Years

Category Street Construction

Priority 3 Important

Project # 09-HS-012

Project Name Philadelphia Ave Transit Lane

City Project Code

**Description**

Total Project Cost: \$2,000,000

Dedication of a transit lane on Philadelphia Ave from 17th Street to Worcester Street. Partial demolition and reconfiguring of center islands, removal of parking on wester side of road, sidewalk and curbing modifications, new overhead mast poles and signs, and road resurfacing.

**Justification**

Transit lane on Coastal Highway ends at 17th Street. From there south, buses are forced to comingle with general traffic circulation.

| Expenditures             | 2012           | 2013             | 2014 | 2015 | 2016 | Total            |
|--------------------------|----------------|------------------|------|------|------|------------------|
| Planning/Design          | 400,000        |                  |      |      |      | 400,000          |
| Construction/Maintenance |                | 1,600,000        |      |      |      | 1,600,000        |
| <b>Total</b>             | <b>400,000</b> | <b>1,600,000</b> |      |      |      | <b>2,000,000</b> |

| Funding Sources | 2012           | 2013             | 2014 | 2015 | 2016 | Total            |
|-----------------|----------------|------------------|------|------|------|------------------|
| Federal Grants  |                | 1,900,000        |      |      |      | 1,900,000        |
| General Fund    | 100,000        |                  |      |      |      | 100,000          |
| <b>Total</b>    | <b>100,000</b> | <b>1,900,000</b> |      |      |      | <b>2,000,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Public Safety  
**Contact** Terence McGean  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Buildings  
**Priority** 3 Important

**Project #** 01-PS-001  
**Project Name** Fire Department Station 4 Reconstruction

**City Project Code** FIRE15

**Description**

**Total Project Cost:** \$3,700,000

The department has outgrown the existing fire headquarters structure; additional room is needed for personnel and equipment. In addition, the structure's ventilation system does not meet current code requirements and there are cosmetic and structural repairs needed to the facility. The Fire Department Location Study recommended renovation and expansion of this building.

**Justification**

As the building development within the City has grown, the number of structures requiring protection in the North end of Town has increased along with shift in the population distribution. Studies by the City Planning Department show that 50% of the Town's population is located North of 94th Street. Currently the Ocean City Fire Company has a Headquarters building located at 15th street with satellite stations at Dorchester Street, 75th Street and 130th Street and on Keyser Point Road in West Ocean City. These stations house both the Ocean City Volunteer Fire Department (OCVFD) and Ocean City Emergency Medical Technicians and associated equipment. Due to concerns over the condition and capacity of the existing stations, in 2002, the City and the OCVFD commissioned a Fire Station Location Study. The expansion and renovation of the 130th Street Fire Department Building was one of the improvements recommended in the study.

| <b>Expenditures</b>      | <b>2012</b> | <b>2013</b> | <b>2014</b>      | <b>2015</b> | <b>2016</b> | <b>Total</b>     |
|--------------------------|-------------|-------------|------------------|-------------|-------------|------------------|
| Construction/Maintenance |             |             | 3,700,000        |             |             | 3,700,000        |
| <b>Total</b>             |             |             | <b>3,700,000</b> |             |             | <b>3,700,000</b> |

| <b>Funding Sources</b> | <b>2012</b> | <b>2013</b> | <b>2014</b>      | <b>2015</b> | <b>2016</b> | <b>Total</b>     |
|------------------------|-------------|-------------|------------------|-------------|-------------|------------------|
| Bond Financing         |             |             | 3,700,000        |             |             | 3,700,000        |
| Federal Grants         |             | 0           |                  |             |             | 0                |
| <b>Total</b>           |             | <b>0</b>    | <b>3,700,000</b> |             |             | <b>3,700,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Tom Shuster  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Park Improvements  
**Priority** 2 Very Important

**Project #** 08-RP-006  
**Project Name** Skate Park Renovations & Expansion

City Project Code

**Description** **Total Project Cost:** \$753,000  
 Renovation of existing Ocean Bowl Skate Park and expansion of new skate park facilities in the 3rd Street area based on designs developed by the skate park design consultant in FY 2006/2007.

**Justification**  
 The Town has retained a design consultant in FY2006/2007 to develop a new design and cost estimate for the renovation and expansion of the skate park located at 3rd Street and St. Louis Avenue. The skate park was last re-built in 1998. The design firm of Wally Hollyday Design has been contracted by the Town to prepare plans for a 17,000 square foot expansion at a cost of \$615,650 and \$54,350 for additional equipment and furnishings. Safety considerations require renovations to certain portions of the existing skate parks including replacement of the ramp and resurfacing of the pool base for \$83,000.

| Expenditures               | 2012 | 2013 | 2014 | 2015           | 2016 | Total          |
|----------------------------|------|------|------|----------------|------|----------------|
| Construction/Maintenance   |      |      |      | 698,650        |      | 698,650        |
| Equip/Vehicles/Furnishings |      |      |      | 54,350         |      | 54,350         |
| <b>Total</b>               |      |      |      | <b>753,000</b> |      | <b>753,000</b> |

| Funding Sources | 2012 | 2013 | 2014 | 2015           | 2016 | Total          |
|-----------------|------|------|------|----------------|------|----------------|
| Bond Financing  |      |      |      | 753,000        |      | 753,000        |
| <b>Total</b>    |      |      |      | <b>753,000</b> |      | <b>753,000</b> |

**Budget Impact/Other**  
 The expansion of the skate park will have minimal impact on operational expenses as the requirements for staffing will not substantially change. However, revenue from service fees will increase substantially as a result of new participants drawn by the park improvements.

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture

**Contact** Tom Shuster

**Type** Improvement

**Useful Life** 20 Years

**Category** Park Improvements

**Priority** 2 Very Important

**Project #** 08-RP-008  
**Project Name** Downtown Recreation Complex Improvements

City Project Code

**Description** **Total Project Cost:** \$2,523,966  
 Renovation of the Downtown Recreation Complex with improvements recommended by Master Plan Consultant.

**Justification**  
 The Town has retained a planning consultant in FY 2006/2007 to develop a new master plan for the Downtown Recreation Complex from Philadelphia Avenue to Chicago Avenue between 3rd Street and Fourth Street. The improvements will be divided into two phases of re-development and improvements beginning with the 3rd Street area around the skate park. The second phase will focus on improvement to the block between St. Louis Avenue and the Chicago Avenue boardwalk. The compiled project will be known as Bayside Park.

| Expenditures             | 2012 | 2013 | 2014 | 2015             | 2016 | Total            |
|--------------------------|------|------|------|------------------|------|------------------|
| Construction/Maintenance |      |      |      | 2,523,966        |      | 2,523,966        |
| <b>Total</b>             |      |      |      | <b>2,523,966</b> |      | <b>2,523,966</b> |

| Funding Sources | 2012 | 2013 | 2014 | 2015             | 2016 | Total            |
|-----------------|------|------|------|------------------|------|------------------|
| Bond Financing  |      |      |      | 2,523,966        |      | 2,523,966        |
| <b>Total</b>    |      |      |      | <b>2,523,966</b> |      | <b>2,523,966</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

Department Recreation and culture

Contact Tom Shuster

Type Maintenance

Useful Life 20 Years

Category Park Improvements

Priority 4 Less Important

Project # 09-RP-003  
 Project Name NSP - Soccer Field Light Renovation

City Project Code

**Description** **Total Project Cost: \$96,000**

The existing lights at the soccer field (s) at Northside Park are in need of replacement with a more energy efficient light system.

**Justification**

The existing soccer field lights are not as energy efficient and safe for play because of their age and style. A new light system would be safer and more cost efficient.

| Expenditures             | 2012 | 2013 | 2014          | 2015 | 2016 | Total         |
|--------------------------|------|------|---------------|------|------|---------------|
| Construction/Maintenance |      |      | 96,000        |      |      | 96,000        |
| <b>Total</b>             |      |      | <b>96,000</b> |      |      | <b>96,000</b> |

| Funding Sources | 2012 | 2013 | 2014          | 2015 | 2016 | Total         |
|-----------------|------|------|---------------|------|------|---------------|
| State Loan      |      |      | 96,000        |      |      | 96,000        |
| <b>Total</b>    |      |      | <b>96,000</b> |      |      | <b>96,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Hal Adkins  
**Type** Improvement  
**Useful Life**  
**Category** Buildings  
**Priority** 3 Important

**Project #** 11-PW-002  
**Project Name** Art League Building

City Project Code

**Description** **Total Project Cost:** \$330,000  
 Construction of new Art League Building

**Justification**  
 Art League has outgrown its current building and has citizen support for a new building to provide instruction, display, and cultural events.

| Expenditures             | 2012          | 2013           | 2014 | 2015 | 2016 | Total          |
|--------------------------|---------------|----------------|------|------|------|----------------|
| Planning/Design          | 30,000        |                |      |      |      | 30,000         |
| Construction/Maintenance |               | 300,000        |      |      |      | 300,000        |
| <b>Total</b>             | <b>30,000</b> | <b>300,000</b> |      |      |      | <b>330,000</b> |

| Funding Sources | 2012           | 2013           | 2014           | 2015 | 2016 | Total          |
|-----------------|----------------|----------------|----------------|------|------|----------------|
| Donation        | 130,000        | 100,000        | 100,000        |      |      | 330,000        |
| <b>Total</b>    | <b>130,000</b> | <b>100,000</b> | <b>100,000</b> |      |      | <b>330,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Tom Shuster  
**Type** Improvement  
**Useful Life** 30 Years  
**Category** Buildings  
**Priority** 4 Less Important

**Project #** 11-RP-002  
**Project Name** Parks Garage Storage Expan Design/Construction

City Project Code

**Description** **Total Project Cost: \$290,000**  
 The expansion of the existing Parks Division maintenance/storage building in Northside Park to accommodate vehicle, equipment and supplies storage.

**Justification**  
 The existing Parks Division maintenance building is reaching capacity and will be in need of expansion to accommodate growth in vehicles and staff. A design consultant will need to be retained to plan the expansion prior to construction.

| Expenditures             | 2012 | 2013 | 2014          | 2015           | 2016 | Total          |
|--------------------------|------|------|---------------|----------------|------|----------------|
| Planning/Design          |      |      | 15,000        |                |      | 15,000         |
| Construction/Maintenance |      |      |               | 275,000        |      | 275,000        |
| <b>Total</b>             |      |      | <b>15,000</b> | <b>275,000</b> |      | <b>290,000</b> |

| Funding Sources | 2012 | 2013 | 2014          | 2015           | 2016 | Total          |
|-----------------|------|------|---------------|----------------|------|----------------|
| General Fund    |      |      | 15,000        | 275,000        |      | 290,000        |
| <b>Total</b>    |      |      | <b>15,000</b> | <b>275,000</b> |      | <b>290,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Tom Shuster  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Park Improvements  
**Priority** 4 Less Important

**Project #** 12-RP-001  
**Project Name** NSP - Bio-Retention Improvements: North Boundary

City Project Code

**Total Project Cost:** \$180,000

**Description**  
 Regrade and reshape landscape west of the Parks Maintenance yard and north of the pathway in Northside Park to re-direct and improve storm water drainage and enhance area for public access.

**Justification**  
 The existing swale system north of the pathway and west of the Parks Maintenance yard is inefficient in handling storm water management and the current swale configuration blocks public access and impedes expansion of Parks Maintenance yard.

| Expenditures             | 2012 | 2013 | 2014 | 2015           | 2016 | Total          |
|--------------------------|------|------|------|----------------|------|----------------|
| Construction/Maintenance |      |      |      | 180,000        |      | 180,000        |
| <b>Total</b>             |      |      |      | <b>180,000</b> |      | <b>180,000</b> |

| Funding Sources | 2012 | 2013 | 2014 | 2015           | 2016 | Total          |
|-----------------|------|------|------|----------------|------|----------------|
| General Fund    |      |      |      | 180,000        |      | 180,000        |
| <b>Total</b>    |      |      |      | <b>180,000</b> |      | <b>180,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Tom Shuster  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Park Improvements  
**Priority** 3 Important

**Project #** 12-RP-002  
**Project Name** NSP Exercise and Fitness Area

City Project Code

**Description** **Total Project Cost:** \$115,000  
 Installation of eleven (11) fixed location exercise stations and 20'X20' warm-up and instructional area

**Justification**  
 Outdoor exercise area would allow individuals and small groups to exercise and build fitness in public setting complementing cardio activity on walking paths

| Expenditures             | 2012 | 2013           | 2014 | 2015 | 2016 | Total          |
|--------------------------|------|----------------|------|------|------|----------------|
| Construction/Maintenance |      | 115,000        |      |      |      | 115,000        |
| <b>Total</b>             |      | <b>115,000</b> |      |      |      | <b>115,000</b> |

| Funding Sources | 2012 | 2013           | 2014 | 2015 | 2016 | Total          |
|-----------------|------|----------------|------|------|------|----------------|
| State Grants    |      | 115,000        |      |      |      | 115,000        |
| <b>Total</b>    |      | <b>115,000</b> |      |      |      | <b>115,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture

**Contact** Tom Shuster

**Type** Improvement

**Useful Life** 20 Years

**Category** Park Improvements

**Priority** 3 Important

**Project #** 12-RP-003  
**Project Name** NSP Community Ctr Prkng Lot Overlay: Phase 2

City Project Code

**Description** **Total Project Cost: \$60,000**  
 Asphalt overlay of Community Center parking lot at NSP at 125th Street.

**Justification**  
 The current lot is over 25 years old and in need of resurfacing. Improvements will improve safety and enhance use of lot when substantial vehicle and pedestrian traffic is in parking lot

| Expenditures             | 2012 | 2013 | 2014          | 2015 | 2016 | Total         |
|--------------------------|------|------|---------------|------|------|---------------|
| Construction/Maintenance |      |      | 60,000        |      |      | 60,000        |
| <b>Total</b>             |      |      | <b>60,000</b> |      |      | <b>60,000</b> |

| Funding Sources | 2012 | 2013 | 2014          | 2015 | 2016 | Total         |
|-----------------|------|------|---------------|------|------|---------------|
| General Fund    |      |      | 60,000        |      |      | 60,000        |
| <b>Total</b>    |      |      | <b>60,000</b> |      |      | <b>60,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Terence McGean  
**Type** Maintenance  
**Useful Life** 30 Years  
**Category** Buildings  
**Priority** 1 Critical

**Project #** 12-RP-004  
**Project Name** East Gym Roof

City Project Code

**Description** **Total Project Cost:** \$235,000  
 New overframed metal roof over east gym at Nothside Park

**Justification**  
 Existing roof leaks badly due to failing sealant beneath the seams of the existing metal roof. Gym cannot be used during heavy rain storms.

| Expenditures             | 2012           | 2013 | 2014 | 2015 | 2016 | Total          |
|--------------------------|----------------|------|------|------|------|----------------|
| Construction/Maintenance | 235,000        |      |      |      |      | 235,000        |
| <b>Total</b>             | <b>235,000</b> |      |      |      |      | <b>235,000</b> |

| Funding Sources | 2012           | 2013 | 2014 | 2015 | 2016 | Total          |
|-----------------|----------------|------|------|------|------|----------------|
| General Fund    | 235,000        |      |      |      |      | 235,000        |
| <b>Total</b>    | <b>235,000</b> |      |      |      |      | <b>235,000</b> |

**Budget Impact/Other**



Client: Town of Ocean City

Facility: 123 rd Street Gym Roof

Inspection Date: 12/22/2010

System Type: Metal

Core Data?:  Yes  No

Leakage:  Yes  No

Inspected By: Todd Holtzner

|                        |  |                           |             |
|------------------------|--|---------------------------|-------------|
| <b>Field:</b>          | <b>Fair</b>  | <b>Perimeter:</b>         | <b>Poor</b> |
| <b>Drains/Gutters:</b> | <b>Poor</b>  | <b>Overall Condition:</b> | <b>Fair</b> |
| <b>Rating Notes:</b>   | <p>This roof system was restored a couple years ago with a urethane coating. All of the horizontal seams have been reinforced with mesh and urethane, all fasteners that have backed out were replaced with larger fasteners and reinforced as indicated by the roof system manufacture. Unfortunately, this roof system is still been a source of roof leaks. All of the active leaks seem to be noticed on driving rains, and heavy rains which, as we know, are prevalent in the Ocean City area. These aged standing seam roofs have caulking underneath the overlapping joints of the metal panels, this caulk only responsibility is to keep the moisture out of the building. Unfortunately, when this caulking ages and becomes brittle it allows an open source of water entry especially in driving rains. This caulk underneath the panel is usually in constant contact with the roof clip and metal panel which is designed to move. The only option to eliminate all the roof leaks throughout the entire building is to completely replace the existing gym roof with a retrofit lightweight framing system and new metal standing seam. This new metal standing seam roof system has no exposed horizontal seams and no exposed fasteners. All caulking is completed in the manufacturing plant and the caulking never comes in touch with the moving clip and /or other metal panel. Therefore, never has an opportunity to deteriorate and stays pliable throughout the life of the metal panel. The system design must be specified to handle all of the stresses that occur, this roof system is Hydrostatic system seam, which is 100% water tight roof system and are recommended in this environment. The roof system manufacture will provide the owner a complete engineering package that includes negative wind up lift pressure testing, complete specifications, drawings and dew point calculations all to ensure the proper roof system is installed to protect the building for the next 40 years.</p> |                           |             |

|   |
|---|
| <b>Solution:</b>  |
| <p>New lightweight framing system and new metal standing seam roof system will be installed over the existing metal roof system. The new framing system will be engineered and secured to the existing purlins and a new standing seam roof system will be secured to the framing system as per Factory Mutual I-120 minimum standards and frequency. All the standard negative wind up-lift pressures will be completed to meet the Maryland and International Building Codes meeting the hurricane prone standards required for the Ocean City area. This will be complete at no additional charge to the owner.</p> <p>The new metal standing seam roof system will meet and exceed all industry standards, this panel is an Hydrostatic roof system (100% water tight roof seam and panel roof system), one piece clip, complete with a four layer "clip channel" that protects the sealant and keeps you watertight. 2 3/8 leg height provides a stronger system strength, better wind uplift pressure testing and provides a stronger leg for non penetrating snow guards. This roof system provides you with unlimited thermal movement throughout the entire metal panel.</p> <p>\$235,000 - 30 Year Warranty</p> |

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Recreation and culture  
**Contact** Tom Shuster  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Park Improvements  
**Priority** 3 Important

**Project #** 13-RP-001  
**Project Name** NSP Jamaica Ave Prkng Lot Overlay & Drainage

City Project Code

**Description** **Total Project Cost:** \$95,000  
 Asphalt overlay of Jamaica Avenue parking lot at NSP including regrading and drainage improvements.

**Justification**  
 The current lot is over 25 years old and in need of resurfacing. Additional drainage repairs are needed to improve lot. Improvements will improve safety and enhance use of the lot during Winterfest when substantial pedestrian traffic is in the parking lot.

| Expenditures             | 2012 | 2013          | 2014 | 2015 | 2016 | Total         |
|--------------------------|------|---------------|------|------|------|---------------|
| Construction/Maintenance |      | 95,000        |      |      |      | 95,000        |
| <b>Total</b>             |      | <b>95,000</b> |      |      |      | <b>95,000</b> |

| Funding Sources | 2012 | 2013          | 2014 | 2015 | 2016 | Total         |
|-----------------|------|---------------|------|------|------|---------------|
| General Fund    |      | 95,000        |      |      |      | 95,000        |
| <b>Total</b>    |      | <b>95,000</b> |      |      |      | <b>95,000</b> |

**Budget Impact/Other**

**Capital Improvement Plan**  
**Town of Ocean City, Maryland**

2012 thru 2016

**Department** Transportation  
**Contact** Terence McGean  
**Type** Improvement  
**Useful Life** 20 Years  
**Category** Buildings  
**Priority** 2 Very Important

**Project #** 06-TR-001  
**Project Name** Worcester Street Parking Garage

**City Project Code** WORGAR

**Description** **Total Project Cost: \$13,300,000**  
 Construction of public parking garage to be located at the existing city surface parking lot at Worcester Street. The facility will have approximately 590 parking spaces, incorporate the existing South Transit Center, and conform with OCDC design guidelines

**Justification**  
 The in house 1998 Downtown Parking study and the 2004 Downtown Transportation study both identified the need for additional parking in the Downtown area.

| Expenditures             | 2012 | 2013 | 2014 | 2015 | 2016              | Total             |
|--------------------------|------|------|------|------|-------------------|-------------------|
| Construction/Maintenance |      |      |      |      | 13,300,000        | 13,300,000        |
| <b>Total</b>             |      |      |      |      | <b>13,300,000</b> | <b>13,300,000</b> |

| Funding Sources | 2012 | 2013 | 2014 | 2015 | 2016              | Total             |
|-----------------|------|------|------|------|-------------------|-------------------|
| Bond Financing  |      |      |      |      | 7,550,000         | 7,550,000         |
| County Grant    |      |      |      |      | 4,000,000         | 4,000,000         |
| Property Sale   |      |      |      |      | 750,000           | 750,000           |
| User fees       |      |      |      |      | 1,000,000         | 1,000,000         |
| <b>Total</b>    |      |      |      |      | <b>13,300,000</b> | <b>13,300,000</b> |

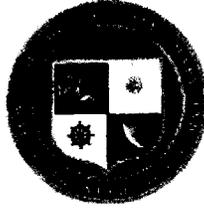
**Budget Impact/Other**

Town of Ocean City, Maryland  
*Capital Improvement Plan*  
 2012 thru 2016

**PROJECTS & FUNDING SOURCES BY DEPARTMENT**

| Department  | Project#  | Priority | 2012             | 2013             | 2014             | 2015             | 2016             | Total             |
|---|-----------|----------|------------------|------------------|------------------|------------------|------------------|-------------------|
| <b>General Public Works</b>                       |           |          |                  |                  |                  |                  |                  |                   |
| Canal Dredging                                    | 08-EV-001 | 2        | 0                | 500,000          | 500,000          | 500,000          |                  | 1,500,000         |
| Caroline Street Comfort Station and Stage         | 11-PW-001 | 3        |                  | 1,000,000        |                  |                  |                  | 1,000,000         |
| Land - New Parking Lot 1                          | 12-PW-001 | 2        | 1,950,000        |                  |                  |                  |                  | 1,950,000         |
| Land - New Parking Lot 2                          | 12-PW-002 | 2        | 1,350,000        |                  |                  |                  |                  | 1,350,000         |
| Transfer Station - Tipping Room Floor Resurfacing | 12-PW-003 | 1        | 500,000          |                  |                  |                  |                  | 500,000           |
| Boardwalk Reconstruction                          | 13-PW-001 | 1        | 3,000,000        | 3,000,000        | 0                | 0                |                  | 6,000,000         |
| <b>General Public Works Total</b>                 |           |          | <b>6,800,000</b> | <b>4,500,000</b> | <b>500,000</b>   | <b>500,000</b>   |                  | <b>12,300,000</b> |
|   |           |          | <b>6,000,000</b> | <b>1,000,000</b> |                  |                  |                  | <b>7,000,000</b>  |
| <b>Bond Financing</b>                             |           |          | <b>3,800,000</b> | <b>500,000</b>   | <b>500,000</b>   | <b>500,000</b>   |                  | <b>5,300,000</b>  |
| <b>General Fund</b>                               |           |          |                  |                  |                  |                  |                  |                   |
| <b>General Public Works Total</b>                 |           |          | <b>9,800,000</b> | <b>1,500,000</b> | <b>500,000</b>   | <b>500,000</b>   |                  | <b>12,300,000</b> |
| <b>Highways and Streets</b>                       |           |          |                  |                  |                  |                  |                  |                   |
| 94th Street Landscape Strips                      | 08-HS-002 | 4        |                  |                  | 55,000           |                  |                  | 55,000            |
| Caine Woods Street Improvements                   | 08-HS-003 | 3        | 600,000          | 600,000          | 600,000          | 600,000          | 600,000          | 3,000,000         |
| Street Improvements & Overlays                    | 08-HS-010 | 1        | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        | 5,000,000         |
| St. Louis Ave Redevelopment Design                | 09-HS-002 | 3        | 0                | 3,000,000        | 3,000,000        | 3,000,000        |                  | 9,000,000         |
| Philadelphia Ave Transit Lane                     | 09-HS-012 | 3        | 400,000          | 1,600,000        |                  |                  |                  | 2,000,000         |
| <b>Highways and Streets Total</b>                 |           |          | <b>2,000,000</b> | <b>6,200,000</b> | <b>4,655,000</b> | <b>4,600,000</b> | <b>1,600,000</b> | <b>19,055,000</b> |
|   |           |          | <b>0</b>         | <b>3,000,000</b> | <b>3,000,000</b> | <b>3,000,000</b> |                  | <b>9,000,000</b>  |
| <b>Bond Financing</b>                             |           |          |                  | <b>1,900,000</b> |                  |                  |                  | <b>1,900,000</b>  |
| <b>Federal Grants</b>                             |           |          | <b>1,700,000</b> | <b>1,600,000</b> | <b>1,655,000</b> | <b>1,600,000</b> | <b>1,600,000</b> | <b>8,155,000</b>  |
| <b>General Fund</b>                               |           |          |                  |                  |                  |                  |                  |                   |
| <b>Highways and Streets Total</b>                 |           |          | <b>1,700,000</b> | <b>6,500,000</b> | <b>4,655,000</b> | <b>4,600,000</b> | <b>1,600,000</b> | <b>19,055,000</b> |
| <b>Public Safety</b>                              |           |          |                  |                  |                  |                  |                  |                   |
| Fire Department Station 4 Reconstruction          | 01-PS-001 | 3        |                  |                  | 3,700,000        |                  |                  | 3,700,000         |
| <b>Public Safety Total</b>                        |           |          |                  |                  | <b>3,700,000</b> |                  |                  | <b>3,700,000</b>  |
|   |           |          |                  |                  | <b>3,700,000</b> |                  |                  | <b>3,700,000</b>  |
| <b>Bond Financing</b>                             |           |          |                  |                  |                  |                  |                  |                   |
| <b>Federal Grants</b>                             |           |          |                  | <b>0</b>         |                  |                  |                  | <b>0</b>          |

| Department                                       | Project#  | Priority | 2012      | 2013       | 2014      | 2015       | 2016       | Total      |
|--|-----------|----------|-----------|------------|-----------|------------|------------|------------|
| <b>Public Safety Total</b>                       |           |          |           | 0          | 3,700,000 |            |            | 3,700,000  |
| <b>Recreation and culture</b>                    |           |          |           |            |           |            |            |            |
| Skate Park Renovations & Expansion               | 08-RP-006 | 2        |           |            |           | 753,000    |            | 753,000    |
| Downtown Recreation Complex Improvements         | 08-RP-008 | 2        |           |            |           | 2,523,966  |            | 2,523,966  |
| NSP - Soccer Field Light Renovation              | 09-RP-003 | 4        |           |            | 96,000    |            |            | 96,000     |
| Art League Building                              | 11-PW-002 | 3        | 30,000    | 300,000    |           |            |            | 330,000    |
| Parks Garage Storage Expan Design/Construction   | 11-RP-002 | 4        |           |            | 15,000    | 275,000    |            | 290,000    |
| NSP - Bio-Retention Improvements: North Boundary | 12-RP-001 | 4        |           |            |           | 180,000    |            | 180,000    |
| NSP Exercise and Fitness Area                    | 12-RP-002 | 3        |           | 115,000    |           |            |            | 115,000    |
| NSP Community Ctr Prkng Lot Overlay: Phase 2     | 12-RP-003 | 3        |           |            | 60,000    |            |            | 60,000     |
| East Gym Roof                                    | 12-RP-004 | 1        | 235,000   |            |           |            |            | 235,000    |
| NSP Jamaica Ave Prkng Lot Overlay & Drainage     | 13-RP-001 | 3        |           | 95,000     |           |            |            | 95,000     |
| <b>Recreation and culture Total</b>              |           |          | 265,000   | 510,000    | 171,000   | 3,731,966  |            | 4,677,966  |
| <b>Bond Financing</b>                            |           |          |           |            |           | 3,276,966  |            | 3,276,966  |
| <b>Donation</b>                                  |           |          | 130,000   | 100,000    | 100,000   |            |            | 330,000    |
| <b>General Fund</b>                              |           |          | 235,000   | 95,000     | 75,000    | 455,000    |            | 860,000    |
| <b>State Grants</b>                              |           |          |           | 115,000    |           |            |            | 115,000    |
| <b>State Loan</b>                                |           |          |           |            | 96,000    |            |            | 96,000     |
| <b>Recreation and culture Total</b>              |           |          | 365,000   | 310,000    | 271,000   | 3,731,966  |            | 4,677,966  |
| <b>Transportation</b>                            |           |          |           |            |           |            |            |            |
| Worcester Street Parking Garage                  | 06-TR-001 | 2        |           |            |           | 13,300,000 |            | 13,300,000 |
| <b>Transportation Total</b>                      |           |          |           |            |           | 13,300,000 |            | 13,300,000 |
| <b>Bond Financing</b>                            |           |          |           |            |           | 7,550,000  |            | 7,550,000  |
| <b>County Grant</b>                              |           |          |           |            |           | 4,000,000  |            | 4,000,000  |
| <b>Property Sale</b>                             |           |          |           |            |           | 750,000    |            | 750,000    |
| <b>User fees</b>                                 |           |          |           |            |           | 1,000,000  |            | 1,000,000  |
| <b>Transportation Total</b>                      |           |          |           |            |           | 13,300,000 |            | 13,300,000 |
| <b>Grand Total</b>                               |           |          | 9,065,000 | 11,210,000 | 9,026,000 | 8,831,966  | 14,900,000 | 53,032,966 |



## MEMORANDUM

TO: Mayor and City Council

DATE: January 27, 2011

FROM: Kathleen Mathias, City Clerk

SUBJECT: Beach Equipment Franchises

On Wednesday, December 1, 2010 the Beach Mediation Board conducted an auction for 17 Beach Equipment parcels in the south end of Ocean City. One of those parcels, 20<sup>th</sup> Street was auctioned in error, as the current franchise holder had submitted a letter requesting to extend the contract for an additional three years at a 10% increase.

Each of the 16 parcels auctioned sold for more than the previous bids in 2007. The total annual revenue for these parcels is \$262,200. This is an increase of \$68,110 annually for these parcels.

All the financial information has been submitted by the successful bidders and all deposits and payments have been made as required for these.

I recommend award of the following:

| PARCEL                  | ANNUAL BID AMOUNT   | Three- year Contract | SUCCESSFUL BIDDER  |
|-------------------------|---------------------|----------------------|--------------------|
| Inlet                   | \$ 31,100.00        | \$ 93,300.00         | Will Edmunds       |
| 1 <sup>st</sup> Street  | \$ 14,100.00        | \$ 42,300.00         | Drew Haugh         |
| 2 <sup>nd</sup> Street  | \$ 23,750.00        | \$ 71,250.00         | Matthew McLaughlin |
| 3 <sup>rd</sup> Street  | \$ 23,100.00        | \$ 69,300.00         | Patrick McLaughlin |
| 4 <sup>th</sup> Street  | \$ 16,000.00        | \$ 48,000.00         | Jacques Rosensweig |
| 7 <sup>th</sup> Street  | \$ 13,200.00        | \$ 39,600.00         | Drew Haugh         |
| 9 <sup>th</sup> Street  | \$ 14,300.00        | \$ 42,900.00         | Patrick McLaughlin |
| 10 <sup>th</sup> Street | \$ 8,500.00         | \$ 25,500.00         | Matthew McLaughlin |
| 12 <sup>th</sup> Street | \$ 15,000.00        | \$ 45,000.00         | Patrick McLaughlin |
| 13 <sup>th</sup> Street | \$ 14,400.00        | \$ 43,200.00         | Charlotte Edmunds  |
| 18 <sup>th</sup> Street | \$ 10,900.00        | \$ 32,700.00         | Matthew McLaughlin |
| 19 <sup>th</sup> Street | \$ 13,000.00        | \$ 39,000.00         | Trudy Stock        |
| 21 <sup>st</sup> Street | \$ 20,000.00        | \$ 60,000.00         | Patrick McLaughlin |
| 22 <sup>nd</sup> Street | \$ 22,950.00        | \$ 68,850.00         | Drew Haugh         |
| 25 <sup>th</sup> Street | \$ 9,200.00         | \$ 27,600.00         | Patrick McLaughlin |
| 26 <sup>th</sup> Street | \$ 12,700.00        | \$ 38,100.00         | Charlotte Edmunds  |
| <b>TOTAL</b>            | <b>\$262,200.00</b> | <b>\$786,600.00</b>  |                    |

A RESOLUTION ESTABLISHING  
BUSINESS LICENSE FEES

**ATTACHMENT E**

WHEREAS, pursuant to the authority set forth in Section 14-34 of the Code of the Town of Ocean City, Maryland, the Mayor and City Council of Ocean City is empowered to set business license fees by Resolution.

NOW, THEREFORE, BE IT RESOLVED BY MAYOR AND CITY COUNCIL OF OCEAN CITY that the following business license fees be and the same are hereby adopted:

Sec. 14-34. Payment of license fees, term of license, fee schedule.

(b) The license fees to be paid annually as above provided to the Mayor and City Council of Ocean City for conducting the businesses and engaging in occupations and activities herein named, at the place designated in the license certificate issued therefore shall be as from time to time passed by Resolution of the Mayor and City Council of Ocean City provided, however, that no single license for a single designated place shall exceed ~~\$2805~~ \$2861 per annum; further provided, however, that any such license not timely obtained shall be subject to a late charge of ten percent after 15 days and two percent each month every 30 days thereafter:

(1) Arcade:

a.) A business establishment offering for public use five or more of any form of game, machine, instrument or apparatus operated by coin, slug or similar medium, but not including automatic machines for vending food, soft drinks or tobacco (per machine) ..... ~~30.00~~ 31.00

b.) In addition, subject to the conditions of subsection (b)(80):

- 1. Each cigarette machine ..... ~~57.00~~ 58.00
- 2. Cracker and candy machine ..... ~~13.00~~ 14.00
- 3. Other permitted food and drink machines ..... ~~30.00~~ 31.00
- 4. Dispensing machines other than those listed  
in subsection (b)(2)b.1, 2 or 3 ..... ~~13.00~~ 14.00

(2) Art dealer and gallery:

a.) Arts and crafts dealer's license ..... ~~114.00~~ 116.00  
A license issued to an individual which permits the individual to sell arts and crafts owned by him or consigned to him in any building or the covered porch thereof, provided that the building or covered porch thereof is properly zoned for such business. The written permission of the property owner must be displayed at all times.

Note: 2% rate increase rounded to the nearest dollar.

\* Business category recommended to be eliminated. Businesses, if any, will be combined with (59) Shop Stores and Stands or (70) Any Other Business.

|  |                   |          |
|--|-------------------|----------|
| b.) Arts and crafts gallery license .....  | <del>287.00</del> | 293.00 * |
| A license issued to a specific business location in a building, in the name of the business operator or property owner, or both. Written permission of the property owner must be furnished in order to obtain the license. The products or creations of any artist or craftsman may be displayed and sold within the building or covered porch thereof. |                   |          |
| (3) Auction store .....  | <del>287.00</del> | 293.00   |
| (4) Automatic pinball or other similar machine on which a game may be played by depositing money or tokens valued at not less than \$0.05 in a slot, slide or opening and which is kept, maintained or exhibited for the use or amusement .....  | <del>30.00</del>  | 31.00    |
| (5) Automobile rental agency:  |                   |          |
| a.) One to ten cars .....  | <del>228.00</del> | 233.00 * |
| b.) Ten or more cars .....   | <del>344.00</del> | 351.00   |
| (6) Bail bondsman .....  | <del>287.00</del> | 293.00   |
| (7) Bakeshop .....   | <del>114.00</del> | 116.00 * |
| (8) Bank or other financial or lending associations, institutions or corporation (per office branch or separate electronic terminal) .....   | <del>228.00</del> | 233.00   |
| (9) Barbershop and beauty parlor or establishment, including the privilege of selling supplies in connection therewith .....   | <del>114.00</del> | 116.00   |
| (10) Bathhouse: business open to general public and not solely reserved for business's overnight guests .....  | <del>114.00</del> | 116.00 * |
| (11) Bicycle rental or repair center, which license shall include the right to sell bicycles or bicycle supplies (including the right to sell non-food items at retail) in connection therewith:   |                   |          |
| a.) Inventory of one to 25 bicycles .....  | <del>228.00</del> | 233.00   |
| b.) Each additional bicycle over 25 .....  | <del>8.00</del>   | 9.00     |
| (12) Bowling alley (each alley) .....  | <del>30.00</del>  | 31.00    |

|  |   |        |          |
|--|---|--------|----------|
|  | (13) Bus terminal .....   | 344.00 | 351.00 * |
|  | Convention center shuttle bus service .....   | 57.00  | 58.00 *  |
|  | (14) Cable television .....   | 228.00 | 233.00   |
|  | (15) Candy manufacturing  |        |          |
|  | a.) Where any portion of the manufactured candy is sold or intended to be sold<br>at retail off the premises where manufactured ..... | 401.00 | 409.00   |
|  | b.) Where all of the candy is sold at retail on the premises where<br>manufactured.....   | 114.00 | 116.00 * |
|  | (16) Carwash:   |        |          |
|  | a.) Self-serve carwash (per bay) .....  | 57.00  | 58.00    |
|  | b.) Mechanical carwash (per bay) .....  | 228.00 | 233.00   |
|  | (17) Charter boat, head boat or sightseeing boat .....  | 57.00  | 58.00    |
|  | (18) Check cashing services .....   | 114.00 | 116.00   |
|  | (19) Child care:  |        |          |
|  | a.) Family day care .....   | 57.00  | 58.00 *  |
|  | b.) Day care center .....   | 114.00 | 116.00 * |
|  | (20) Circus or carnival; provided, however, that no license shall be issued hereunder<br>between June 15 and September 15 .....       | 228.00 | 233.00 * |
|  | (21) Concessions or seasonal amusements not in arcades and under permanent roof (per<br>game or amusement) .....                      | 171.00 | 174.00   |
|  | (22) Day spa facility .....   | 114.00 | 116.00   |
|  | a.) Provided that the facility is managed or supervised by an aesthetician,<br>licensed by the State of Maryland; and                 |        |          |
|  | b.) Provided that any deep massage is only to be performed by a massage<br>practitioner, licensed by the State of Maryland            |        |          |
|  | (23) Detective and security agencies .....  | 114.00 | 116.00   |

|   |                   |          |
|---|-------------------|----------|
| (24) Docks or wharves for public use:   |                   |          |
| a.) Docks, wharves or boat basins for public use with slips of a size large enough to accommodate a boat in excess of 24 feet, each such slip .....   | <del>32.00</del>  | 33.00    |
| b.) Boat basins renting slips for boats up to 24 feet, each such slip .....   | <del>17.00</del>  | 18.00    |
| c.) Marine railway .....  | <del>114.00</del> | 116.00   |
| d.) Permanent boat basins, marinas, docks or wharves renting sailboats, motorboats, rowboats, paddleboats, or jet skis or any other vessel .....  | <del>114.00</del> | 116.00   |
| Plus additional, per vehicle .....  | <del>8.00</del>   | 9.00     |
| e.) Temporary facilities constructed for the rental of sailboats, motorboats, rowboats, paddleboats, or jet skis or any other vessel .....  | <del>287.00</del> | 293.00   |
| Plus additional, per vehicle .....  | <del>8.00</del>   | 9.00     |
| f.) Any other maritime business done on or from the premises .....  | <del>114.00</del> | 116.00   |
| (25) Dry cleaning, laundry or pressing establishments .....   | <del>171.00</del> | 174.00   |
| (26) Electrical inspections .....   | <del>114.00</del> | 116.00   |
| (27) Employment agency with office in Ocean City .....  | <del>172.00</del> | 175.00 * |
| (28) Exterminators .....  | <del>172.00</del> | 175.00   |
| (29) Flea markets. Each stall or stand operator, or any operator connected with any flea market or similar business, shall purchase a license prior to erecting said stall. Daily or annual licenses are available. All promoters of flea markets shall provide access to their records to municipal License Inspectors upon request. |                   |          |
| a.) Daily .....   | <del>9.00</del>   | 10.00    |
| b.) Annually .....  | <del>114.00</del> | 116.00   |
| (30) Furniture leasing .....  | <del>114.00</del> | 116.00   |
| (31) Garage for commercial storage or parking of vehicles .....   | <del>171.00</del> | 174.00 * |

|  |        |          |
|--|--------|----------|
| (32) Gasoline and oil service stations:  |        |          |
| a.) Gasoline and oil .....   | 171.00 | 174.00   |
| b. Gasoline and oil service stations connected with a store or garage:   |        |          |
| 1. No alcoholic beverage license .....   | 193.00 | 197.00   |
| 2. With alcoholic beverage license .....   | 193.00 | 197.00   |
| Plus five percent of alcoholic beverage license.   |        |          |
| (33) General contractors with the following number of employees:   |        |          |
| a.) One to five .....  | 114.00 | 116.00   |
| b.) Six to ten .....   | 228.00 | 233.00   |
| c.) Eleven to 20 .....   | 344.00 | 351.00   |
| d.) Twenty-one to 40 .....   | 458.00 | 467.00   |
| e.) Forty-one and over .....   | 572.00 | 583.00   |
| (34) Golf courses (obstacle, midget or miniature) .....  | 287.00 | 293.00   |
| (35) Hawkers and peddlers, if permitted. Note: No licenses will be issued for hawking and peddling on any Ocean City street or public way, boardwalk, beach or any parking lot ..... | 114.00 | 116.00   |
| (36) Ice storage boxes and/or dispensers located on exteriors of buildings per unit) .....   | 30.00  | 31.00    |
| (37) Insurance agency with office in Ocean City (each agent) ...   | 114.00 | 116.00   |
| (38) Jukebox .....   | 30.00  | 31.00    |
| (39) Laundromats (per machine) .....   | 19.00  | 19.00    |
| (40) Locksmiths .....  | 114.00 | 116.00   |
| (41) Management consultants .....  | 114.00 | 116.00   |
| (42) Merry-go-round, carousel or other ride (each ride) .....  | 114.00 | 116.00   |
| (43) Mobile home trailer sales .....   | 287.00 | 293.00 * |
| (44) Noise control ordinance .....   | 24.00  | 25.00    |

|  |   |                   |          |
|--|---|-------------------|----------|
|  | (45) Office – Business or In-Home .....   | <del>171.00</del> | 174.00   |
|  | (46) Parking lots, commercial, not within an enclosed building<br>(per parking space) .....   | 4.00              | 5.00     |
|  | (47) Pawnbroker or petty loan establishment .....   | <del>572.00</del> | 583.00   |
|  | (48) Photograph gallery or studio, or any commercial<br>photography .....   | <del>171.00</del> | 174.00   |
|  | (49) Places of entertainment, including but not limited to dancehalls, barrooms,<br>cabarets, taverns and the like:   |                   |          |
|  | a.) No alcoholic beverage license .....   | <del>344.00</del> | 351.00   |
|  | b.) With alcoholic beverage license .....   | <del>156.00</del> | 159.00   |
|  | Plus five percent of alcoholic beverage license fee.  |                   |          |
|  | (50) Pool or billiard tables, commercial, except those owned by civic, charitable or<br>fraternal organizations (each table) .....  | <del>30.00</del>  | 31.00    |
|  | (51) Portrait studio .....  | <del>171.00</del> | 174.00   |
|  | (52) Premises for habitation:   |                   |          |
|  | a.) Condominium units, cooperatives, and townhouses, whether rented<br>individually or by a rental pool agreement, per unit ..  | <del>114.00</del> | 116.00   |
|  | b.) Apartments, cottages, cabins, motor courts, hotels, motels, inns, or other<br>similar establishments offering accommodations on the premises for public<br>rental ..... | <del>114.00</del> | 116.00   |
|  | Each additional sleeping room or bedroom over one ..  | <del>7.00</del>   | 8.00     |
|  | c.) Owner-occupied rooming houses, boarding houses or private houses offering<br>rooms for public rental<br>(per room, with a minimum of \$25.00) .....                     | <del>7.00</del>   | 8.00     |
|  | (53) Private clubs .....  | <del>114.00</del> | 116.00 * |
|  | (54) Promotional advertising .....  | <del>114.00</del> | 116.00   |
|  | (55) Public utilities with a retail outlet .....  | <del>287.00</del> | 293.00 * |
|  | (56) Radio broadcasting station .....   | <del>230.00</del> | 235.00   |

(57) Real estate offices:

|  |                   |        |
|--|-------------------|--------|
| a.) Real estate offices engaged in the sale of real estate..   | <del>171.00</del> | 174.00 |
| b.) Real estate offices engaged in the rental of real estate<br>not covered by subsection (b) (65) a above ..... | <del>171.00</del> | 174.00 |

(58) Restaurant or hotel dining room:

|  |                   |        |
|--|-------------------|--------|
| a.) Seating capacity of one to 25:               |                   |        |
| 1. No alcoholic beverage license .....           | <del>114.00</del> | 116.00 |
| 2. With alcoholic beverage license .....         | <del>114.00</del> | 116.00 |
| Plus five percent of alcoholic beverage license. |                   |        |
| b.) Seating capacity of 26 to 50:                |                   |        |
| 1. No alcoholic beverage license .....           | <del>171.00</del> | 174.00 |
| 2. With alcoholic beverage license .....         | <del>171.00</del> | 174.00 |
| Plus five percent of alcoholic beverage license. |                   |        |
| c.) Seating capacity of 51 to 100:               |                   |        |
| 1. No alcoholic beverage license .....           | <del>228.00</del> | 233.00 |
| 2. With alcoholic beverage license .....         | <del>228.00</del> | 233.00 |
| Plus five percent of alcoholic beverage license. |                   |        |
| d.) Seating capacity of over 100:                |                   |        |
| 1. No alcoholic beverage license .....           | <del>228.00</del> | 233.00 |
| Per seat over 100 .....                          | 1.00              | 1.00   |
| e.) With alcoholic beverage license .....        | <del>228.00</del> | 233.00 |
| Plus five percent of alcoholic beverage license. |                   |        |
| Per seat over 100 .....                          | 1.00              | 1.00   |

|   |                    |          |
|---|--------------------|----------|
| (59) Shops, stores or stands:   |                    |          |
| a.) Selling groceries and/or general merchandise without an alcoholic beverage license where the store contains under 5,000 square feet . .             | <del>228.00</del>  | 233.00   |
| With an alcoholic beverage license .....  | <del>312.00</del>  | 318.00   |
| Plus five percent of alcoholic beverage license   |                    |          |
| b.) Selling groceries and/or general merchandise without an alcoholic beverage license where the store contains 5,000 to 20,000 or more square ft ..... | <del>572.00</del>  | 583.00   |
| With an alcoholic beverage license .....  | <del>520.00</del>  | 530.00   |
| Plus five percent of alcoholic beverage license   |                    |          |
| c.) Selling groceries and/or general merchandise without an alcoholic beverage license where the store contains 20,000 or more square feet .....        | <del>1144.00</del> | 1167.00  |
| With an alcoholic beverage license .....  | <del>1144.00</del> | 1167.00  |
| Plus five percent of alcoholic beverage license   |                    |          |
| (60) Sign painters, self-employed .....   | <del>114.00</del>  | 116.00   |
| (61) Sign painting and erecting companies .....   | <del>287.00</del>  | 293.00   |
| (62) Skating rink:  |                    |          |
| a.) Ice .....   | <del>171.00</del>  | 174.00   |
| b.) Roller .....  | <del>171.00</del>  | 174.00 * |
| (63) Taxidermists .....   | <del>114.00</del>  | 116.00 * |
| (64) Telephone answering services .....   | <del>114.00</del>  | 116.00 * |
| (65) Television rentals; crib and cot rentals; stroller and wheelchair rentals .....  | <del>114.00</del>  | 116.00   |
| (66) Tennis clubs .....   | <del>114.00</del>  | 116.00 * |

(67) Theaters showing film or having live entertainment, provided that no license fee shall be charged for a license issued to any charitable organization, public service institution, association, club or body not organized or conducted for public gain, and with vending machines up to ten in number:

a.) Live ..... 114.00 116.00 \*

b.) Film ..... 228.00 233.00

(68) Trailer or recreational vehicle park operators ..... 114.00 116.00  
 Plus additional, per space ..... 12.00 13.00

(69) Vending machines, subject to the following conditions:  
 All vending machines must be binding and touching on a building or within a building.

a.) Each cigarette machine ..... 57.00 58.00

b.) Each drink or food machine ..... 30.00 31.00

c.) Each cracker and candy machine ..... 13.00 14.00

(70) Any other business not herein classified or enumerated and not prohibited herein or by other provisions of this Code and approved by the Mayor and City Council ..... 171.00 174.00

BE IT FURTHER RESOLVED that the effective date of these business license fees is May 1, 2011.

RESOLVED this \_\_\_\_\_ day of \_\_\_\_\_, 2011 by the required vote of Mayor and City Council of Ocean City.

ATTEST:

\_\_\_\_\_  
 KATHLEEN A.P. MATHIAS, Clerk

\_\_\_\_\_  
 RICHARD W. MEEHAN, Mayor

Approved as to form:

\_\_\_\_\_  
 JAMES S. HALL, President

\_\_\_\_\_  
 GUY R. AYRES III, City Solicitor

\_\_\_\_\_  
 LLOYD MARTIN, Secretary



Maryland

## Why an Actuarial Valuation & GASB 45?

- Accounting Standard for Post-Retirement Medical Benefits
- Tier 2 Governments like the Town of Ocean City were required to implement the new standard in FY2009
- Requires Accrual Accounting instead of PAYGO Accounting
- No change in cash expenditures but creates “incentives” to do so

ATTACHMENT E



Town of Ocean City,  
Maryland

Prepared by Bolton Partners, Inc.

February 1, 2011



Maryland

## **Why is Accrual Accounting Generally More Expensive Than PAYGO?**

Accrual accounting includes a cost for employees and retirees so the benefit is funded over an employee's career, PAYGO only includes a cost for retirees



## What is the Town's Benefit?

- Retirees pay 20% of cost
- Spouses are not covered
- Eligibility – hired before July 1, 2005
  - General – age 55/30 years or age 65/15 years
  - Public Safety – Any age/25 years or age 55/15 years
- Eligibility – hired July 1, 2005 or later
  - General – age 55/30 years or age 65/25 years
  - Public Safety – Any age/25 years
- Wastewater closed group retained more generous benefits



STATE OF MARYLAND  
Maryland

## The Real Cost

- The total liability is the present value of the estimated post-retirement cash flow
- Actuarial assumptions will not change the actual cash flow (only the estimates)
- Since there is a trust fund with investment earnings, the future costs are offset by trust fund earnings



Maryland

## The Discount Rate

### *The “Incentive to Prefund”*

- The Town’s pre-funded discount rate is same as used for its pension funds of 7.5%
- The present value of \$100 paid in 2022 using:
  - 4% rate is \$62.46
  - 7.5% rate is \$41.99
- If trust fund earns 7.5%, the actual cost will be lower



## The Bottom Line – FYE 2011

|   | Open Plan <sup>(1)</sup> | Closed Plan <sup>(2)</sup> |
|---|--------------------------|----------------------------|
| Discount Rate                                     | 7.50%                    | 7.50%                      |
| Accrued Liability                                 | \$37,010,000             | \$37,010,000               |
| Assets  | \$5,209,649              | \$5,209,649                |
| Annual Required Contribution – ARC                |                          |                            |
| Amortization of<br>Accrued Liability <sup>1</sup> | \$1,842,000              | \$2,748,000                |
| Normal Cost                                       | \$1,674,000              | \$1,674,000                |
| Total   | \$3,516,000              | \$4,422,000                |

(1) Accrued Liability amortized over 28 years as a level percent of pay, increasing 4% per year – amortization factor of 17.26

(2) Accrued Liability amortized over 28 years as a level dollar – amortization factor of 11.57



Maryland

## FY 2011 Funding for General Employees

|                                      | Closed to<br>New Hires    | Open to New<br>Hires      |
|--------------------------------------|---------------------------|---------------------------|
| Number of Employees                  | 324 active<br>58 retirees | 324 active<br>58 retirees |
| Actuarial Liability                  | \$18,244,000              | \$18,244,000              |
| Assets                               | 2,568,085                 | 2,568,085                 |
| Unfunded Accrued Liability           | 15,675,915                | 15,675,915                |
| Expense ARC                          | 2,308,000                 | 1,862,000                 |
| Estimated PAYGO                      | 316,000                   | 316,000                   |
| <b>Additional Trust Contribution</b> | <b>1,992,000</b>          | <b>1,546,000</b>          |
| Estimated Net OPEB Obligation        | 0                         | 0                         |



Maryland

## FY 2011 Funding for Public Safety Employees

|                                      | Closed to<br>New Hires    | Open to New<br>Hires      |
|--------------------------------------|---------------------------|---------------------------|
| Number of Employees                  | 160 active<br>38 retirees | 160 active<br>38 retirees |
| Actuarial Liability                  | \$13,804,000              | \$13,804,000              |
| Assets                               | 1,943,096                 | 1,943,096                 |
| Unfunded Accrued Liability           | 11,860,904                | 11,860,904                |
| Expense ARC                          | 1,604,000                 | 1,266,000                 |
| Estimated PAYGO                      | 324,000                   | 324,000                   |
| <b>Additional Trust Contribution</b> | <b>1,280,000</b>          | <b>942,000</b>            |
| Estimated Net OPEB Obligation        | 0                         | 0                         |

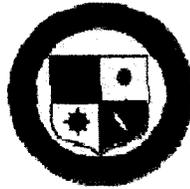


State of Maryland  
Maryland

## FY 2011 Funding For Wastewater Employees *(Transferred in 1994)*

|                                      | Closed to New Hires      | Open to New Hires        |
|--------------------------------------|--------------------------|--------------------------|
| Number of Employees                  | 17 active<br>11 retirees | 17 active<br>11 retirees |
| Actuarial Liability                  | \$4,962,000              | \$4,962,000              |
| Assets                               | 698,468                  | 698,468                  |
| Unfunded Accrued Liability           | 4,263,532                | 4,263,532                |
| Expense ARC                          | 510,000                  | 388,000                  |
| Estimated PAYGO                      | 117,000                  | 117,000                  |
| <b>Additional Trust Contribution</b> | <b>393,000</b>           | <b>271,000</b>           |
| Estimated Net OPEB Obligation        | 0                        | 0                        |

**Town of Ocean City, Maryland  
Post-Employment Medical Benefits  
Actuarial Valuation  
As Required by GASB 45**



**Fiscal Year:** July 1, 2010 - June 30, 2011

July 1, 2011 - June 30, 2012

**Date of Report:** January 18, 2011

**Prepared By:** Bolton Partners, Inc.  
575 South Charles Street  
Suite 500  
Baltimore, MD 21201

# BOLTON PARTNERS

January 18, 2011

Ms. Martha Bennett Lucey, CPA  
Finance Administrator  
Town of Ocean City, Maryland  
301 Baltimore Avenue  
Ocean City, MD 21842

Dear Martha:

The following sets forth GASB 45 Annual Expense for the Town of Ocean City for the fiscal years ending June 30, 2011 and June 30, 2012. The appendices of the report provide information for the Town's CAFR disclosure.

The report is based on November 1, 2010 census data, which is less than 24 months before the first day of fiscal year 2011. Accordingly, provided that there are no significant changes in plan design or employee demographics, these results could be relied upon to comply with GASB 45 in FYE 2011 and FYE 2012.

The report is based on data submitted by the Town and medical claims reported by the carriers. We have not performed an audit of the data and have relied on this information for purposes of preparing this report.

The report set forth information that will be required in accordance with the Governmental Accounting Standards Board No. 45.

These values have been computed in accordance with generally accepted actuarial principles and practices. The various actuarial assumptions and methods are, in our opinion, appropriate for the purposes of this report.

Respectfully submitted,



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## 1. Executive Summary

### Background

In June 2004 the Government Accounting Standards Board (GASB) released Statement 45 which revised the GAAP accounting standards for post employment benefits other than pensions (OPEB). This standard will be applied to post employment medical benefits that are provided to the Town of Ocean City retirees. Prior to the new standard these benefits were accounted for on a pay as you go basis. The new standard requires that these benefits be accounted for on an accrual basis.

This is the second report under the new standard. The initial report prepared for FYE 2009 was completed on March 31, 2009.

### OPEB Trust Arrangement and Funding Policy

As of June 30, 2010 the Market Value of Assets was \$5,209,649. It is our understanding that the Town will continue to fully fund the plan in the future.

### The Net OPEB Obligation (NOO)

The NOO is the cumulative difference between the Town's OPEB expense and cash payments made for OPEB expenditures and is a liability in the Town's Statement of Net Financial Position. It was set to zero as of the GASB July 1, 2008 implementation date. The Net NOO as of July 1, 2010 is \$0.

### The Annual OPEB Cost (AOC)

The annual cost of OPEB benefits under GASB 45 is called the annual OPEB cost or AOC. These amounts are for disclosure purposes only. The AOC is equal to the Annual Required Contribution (ARC) plus interest on the NOO minus the NOO divided by the amortization factor. The Town of Ocean City's AOC for FYE 2011 and FYE 2012 is shown in Section 2. The AOC is \$4,422,000 for FYE 2011 and \$4,419,000 for FYE 2012.

### Comparison with Previous Valuation

The initial valuation was based on January 1, 2009 data and completed March 31, 2009. The disclosure expense has increased from \$3,104,000 for FYE 2009 to \$4,422,000 for FYE 2011. An increase due to the passage of time and updated claims was offset by a decrease due to updated data. There is an increase of \$906,000 due to the Plan closing. Since the plan has been closed to new hires, the GASB standard requires more rapid amortization of the unfunded liability increasing the cost under the standard.

## 1. Executive Summary (cont.)

### Comparison with Previous Valuation (cont.)

The following table compares the data and reconciles the expense.

| Comparison of Current and Previous Valuations     |                    |                     |
|---|--------------------|---------------------|
|   | January 1,<br>2009 | November 1,<br>2010 |
| <b>Demographic Data</b>                           |                    |                     |
| Employees With Medical Coverage                   | 597                | 501                 |
| Retirees  | 62                 | 107                 |
| <b>Reconciliation of Expense (AOC)</b>            |                    |                     |
| FYE 2009 AOC                                      |                    | \$ 3,104,000        |
| Expected Increase from FYE 2009 to FYE 2011       |                    | \$ 310,000          |
| Increase (Decrease) due to other Demographic Data |                    | (\$ 179,000)        |
| Increase (Decrease) due to Baseline Claims        |                    | \$ 425,000          |
| Increase (Decrease) due to Changes in Assumptions |                    | (\$ 144,000)        |
| Increase due to Closing Plan to New Hires         |                    | \$ 906,000          |
| FYE 2011 AOC                                      |                    | \$ 4,422,000        |

### Plan Provisions

Any full-time eligible employee of the Town of Ocean City is eligible to participate in the plan.

A closed group of Wastewater Fund employees who transferred from the Town of Worcester County in 1994 receive postretirement health benefits for retirees and their dependents.

The Town subsidizes a portion of the premiums. For Wastewater Fund employees, the subsidy is 90%. Employees who have retired after January 1, 1998 with 15 years of service receive an 80% subsidy. Employees who have a date of hire after July 1, 2006 have a 25 year service requirement to receive the 80% subsidy.

On January 3, 2011, the Plan was closed to New Hires.

### Demographic Data

Demographic data as of November 1, 2010 was provided to us by the Town of Ocean City, Maryland. This data included current medical coverage for current employees and retirees. Because the census data is less than 24 months before the first day of fiscal year 2011, it can be relied on to comply with GASB 45 for FYE 2011.

Although we have not audited this data we have no reason to believe that it is inaccurate.

## 1. Executive Summary (cont.)

### Claims Data

The Town's retirees under age 65 pay a higher rate based on the retiree's actual experience that is higher than the premium for employees. In addition there is a separate rate for retirees over age 65.

We have relied on these retiree rates for the valuation. Although we have not made an independent estimate of the per capita cost for Ocean City retirees we believe that the premium rates are reasonable.

### Implicit Subsidy

Because the Town of Ocean City charges a premium for retirees under age 65 based on the Town's retiree's experience there is no implicit subsidy.

### Demographic Assumptions

We received an OPEB study dated February 8, 2007 prepared by Milliman Consultants and Company. It is our understanding that the demographic assumptions used for the Milliman Study mirror those used by Mercer Consulting for the Town's pension plan's actuarial valuation. In general we based our demographic assumptions on the Milliman study. We have noted where they vary.

### Economic Assumptions

The discount rate assumption is the same assumption as the pension plan's discount rate assumption and is 7.5 percent.

Our medical trend assumption is the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007, and was thus not available for use by Milliman when they performed their study. The following baseline assumptions were used as input variables into this model:

|   |       |
|---|-------|
| Rate of Inflation                               | 3.2%  |
| Rate of Growth in Real Income / GDP per capita  | 1.9%  |
| Income Multiplier for Health Spending           | 1.4   |
| Extra Trend due to Technology and other factors | 1.2%  |
| Health Share of GDP Resistance Point            | 25.0% |
| Year for Limiting Cost Growth to GDP Growth     | 2075  |

## 1. Executive Summary (cont.)

### Economic Assumptions (cont.)

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

### Actuarial Certification

In preparing the valuation we relied on demographic and claims data provided by the Town of Ocean City, Maryland. We reviewed the data for reasonableness, but did not audit the data. The actuarial methods and assumptions used in this report comply with GASB 45 and the actuarial standards of practice promulgated by the American Academy of Actuaries.

The healthcare cost trend rate selected is consistent with prevalent practices. As discussed above, increases of this magnitude cannot be sustained indefinitely. Accordingly, standard actuarial practice (and GASB 43 Paragraph 34.g.) is to assume an “ultimate trend” which is consistent with the best estimate of GNP growth. However, the number of years until the ultimate trend is attained and the rate of decrease are not known. There is a significant probability that between now and the next actuarial valuation we will not observe the anticipated amelioration of medical trend. If this is the case, the typical practice is to reset the initial trend and to defer the year that the ultimate trend rate is attained. If this occurs annual actuarial losses of 5% to 15% of liabilities due to the revised trend rate can be expected.

Kevin Binder is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

**Town of Ocean City  
 GASB 45 – Accounting for Post-Employment  
 Benefits Other Than Pension**

**2. Plan Expense FYE 2011**

Below is a summary of the calculation of the Plan's Expense under the current provisions the Town of Ocean City elects to adopt GASB45 for FYE 2011. Amounts are shown prior to the Plan Closing and after the January 3<sup>rd</sup> Plan Change closing the plan to new hires. These amounts are calculated as of the end of the year.

|  | OPEN TO<br>NEW HIRES | CLOSED TO<br>NEW HIRES |
|--|----------------------|------------------------|
| 1) Discount Rate   | 7.50%                | 7.50%                  |
| 2) Actuarial Accrued Liability   |                      |                        |
| a. Actives   | 24,865,000           | 24,865,000             |
| b. Retirees in Pay Status  | 12,145,000           | 12,145,000             |
| c. Total   | 37,010,000           | 37,010,000             |
| 3) Assets  | 5,209,649            | 5,209,649              |
| 4) Amortization of Unfunded Accrued Liability                                |                      |                        |
| a. Unfunded Accrued Liability  | \$31,800,351         | \$31,800,351           |
| b. Amortization Period   | 28                   | 28                     |
| c. Amortization Factor (Rounded)   | 17.26                | 11.57                  |
| d. Amortization Amount   | \$ 1,842,000         | \$ 2,748,000           |
| 5) Annual Required Contribution of Employer (ARC) – As of End of Fiscal Year |                      |                        |
| a. Normal Cost   | \$ 1,674,000         | \$ 1,674,000           |
| b. Amortization of Unfunded Accrued Liability                                | \$ 1,842,000         | \$ 2,748,000           |
| c. Total ARC   | \$ 3,516,000         | \$ 4,422,000           |
| 6) Annual OPEB Cost (AOC)  |                      |                        |
| a. ARC   | \$ 3,516,000         | \$ 4,422,000           |
| b. Less NOO Amortization   | \$ 0                 | \$ 0                   |
| c. Plus Interest on NOO  | \$ 0                 | \$ 0                   |
| d. Total Cost  | \$ 3,516,000         | \$ 4,422,000           |
| 7) Net OPEB Obligation (NOO)   |                      |                        |
| a. Beginning of Year NOO   | \$ 0                 | \$ 0                   |
| b. Current AOC   | \$ 3,516,000         | \$ 4,422,000           |
| c. Net Expected Pay-go Benefits  | \$ 757,000           | \$ 757,000             |
| d. Net Expected Trust Contribution   | \$ 2,759,000         | \$ 3,665,000           |
| e. Projected End of Year NOO (a + b – c – d)                                 | \$ 0                 | \$ 0                   |

**Town of Ocean City**  
**GASB 45 – Accounting for Post-Employment**  
**Benefits Other Than Pension**

**2. Plan Expense FYE 2012**

Below is a summary of the calculation of the Plan's Expense under the current provisions the Town of Ocean City elects to adopt GASB45 for FYE 2012. Amounts are shown before and after the plan change. These amounts are calculated as of the end of the year.

|  | <b>OPEN TO<br/>NEW HIRES</b> | <b>CLOSED TO<br/>NEW HIRES</b> |
|--|------------------------------|--------------------------------|
| 1) Discount Rate   | 7.50%                        | 7.50%                          |
| 2) Actuarial Accrued Liability   |                              |                                |
| a. Actives   | 27,545,000                   | 27,545,000                     |
| b. Retirees in Pay Status  | 13,129,000                   | 13,129,000                     |
| c. Total   | 40,674,000                   | 40,674,000                     |
| 3) Assets  | 8,359,000                    | 9,265,000                      |
| 4) Amortization of Unfunded Accrued Liability                                |                              |                                |
| a. Unfunded Accrued Liability  | \$ 32,315,000                | \$ 31,409,000                  |
| b. Amortization Period   | 27                           | 27                             |
| c. Amortization Factor (Rounded)   | 16.88                        | 11.44                          |
| d. Amortization Amount   | \$ 1,914,000                 | \$ 2,745,000                   |
| 5) Annual Required Contribution of Employer (ARC) – As of End of Fiscal Year |                              |                                |
| a. Normal Cost   | \$ 1,761,000                 | \$ 1,674,000                   |
| b. Amortization of Unfunded Accrued Liability                                | \$ 1,914,000                 | \$ 2,745,000                   |
| c. Total ARC   | \$ 3,675,000                 | \$ 4,419,000                   |
| 6) Annual OPEB Cost (AOC)  |                              |                                |
| a. ARC   | \$ 3,675,000                 | \$ 4,419,000                   |
| b. Less NOO Amortization   | \$ 0                         | \$ 0                           |
| c. Plus Interest on NOO  | \$ 0                         | \$ 0                           |
| d. Total Cost  | \$ 3,675,000                 | \$ 4,419,000                   |
| 7) Net OPEB Obligation ( NOO)  |                              |                                |
| a. Beginning of Year NOO   | \$ 0                         | \$ 0                           |
| b. Current AOC   | \$ 3,675,000                 | \$ 4,419,000                   |
| c. Net Expected Pay-go Benefits  | \$ 886,000                   | \$ 886,000                     |
| d. Net Expected Trust Contribution   | \$ 2,789,000                 | \$ 3,533,000                   |
| e. Projected End of Year NOO (a + b – c – d)                                 | \$ 0                         | \$ 0                           |

## 2. Plan Expense

### FYE 2011 Funded Expense Allocated by Division

Below is a summary of the calculation of the Plan's Expense under the current provisions for the year ending June 30, 2011. The amounts are shown with the Plan closed to new hires. These amounts are calculated as of the end of the year.

|  | General      | Public Safety | Wastewater  |
|--|--------------|---------------|-------------|
| (1) Interest Rate                                      | 7.50%        | 7.50%         | 7.50%       |
| (2) Liabilities as of July 1, 2010                     | \$18,244,000 | \$13,804,000  | \$4,962,000 |
| (3) Assets as of July 1, 2010 <sup>1</sup>             | \$2,568,085  | \$1,943,096   | \$698,468   |
| (4) Amortization of Unfunded Accrued Liability         |              |               |             |
| (a) Unfunded Accrued Liability                         | \$15,675,915 | \$11,860,904  | \$4,263,532 |
| (b) 28 Year Amortization Factor (Rounded)              | 11.57        | 11.57         | 11.57       |
| (c) Amortization Amount                                | \$1,354,000  | \$1,025,000   | \$369,000   |
| (5) Annual Required Contribution of Employer (ARC)     |              |               |             |
| (a) Normal Cost  | \$954,000    | \$579,000     | \$141,000   |
| (b) 28 Year Amortization of Unfunded Accrued Liability | \$1,354,000  | \$1,025,000   | \$369,000   |
| (c) Total ARC  | \$2,308,000  | \$1,604,000   | \$510,000   |
| (6) Annual OPEB Cost (AOC)                             |              |               |             |
| (a) ARC  | \$2,308,000  | \$1,604,000   | \$510,000   |
| (b) Less Amortization of NOO                           | \$0          | \$0           | \$0         |
| (c) Plus Interest on NOO                               | \$0          | \$0           | \$0         |
| (d) Total Cost   | \$2,308,000  | \$1,604,000   | \$510,000   |
| (7) 1% Sensitivity (AOC)                               | \$2,818,000  | \$1,976,000   | \$604,000   |
| (8) Net OPEB Obligation (NOO)                          |              |               |             |
| (a) Beginning of Year NOO                              | \$0          | \$0           | \$0         |
| (b) Current Expense                                    | \$2,308,000  | \$1,604,000   | \$510,000   |
| (c) Expected Cash Payment to Retirees                  | \$316,000    | \$324,000     | \$117,000   |
| (d) Trust Contribution                                 | \$1,992,000  | \$1,280,000   | \$393,000   |
| (e) Projected End of Year NOO (a + b- c- d)            | \$0          | \$0           | \$0         |

1/ allocated pro-rata based on the Accrued Liability.

## 2. Plan Expense

### FYE 2012 Funded Expense Allocated by Division

Below is a summary of the calculation of the Plan's Expense under the current provisions for the year ending June 30, 2012. These amounts are shown with the Plan closed to new hires. These amounts are calculated as of the end of the year.

|  | General      | Public Safety | Wastewater  |
|--|--------------|---------------|-------------|
| (1) Interest Rate                                      | 7.50%        | 7.50%         | 7.50%       |
| (2) Liabilities as of July 1, 2011                     | \$20,238,000 | \$15,083,000  | \$5,353,000 |
| (3) Assets as of July 1, 2011                          | \$4,753,000  | \$3,369,000   | \$1,143,000 |
| (4) Amortization of Unfunded Accrued Liability         |              |               |             |
| (a) Unfunded Accrued Liability                         | \$15,485,000 | \$11,714,000  | 4,210,000   |
| (b) 27 Year Amortization Factor (Rounded)              | 11.44        | 11.44         | 11.44       |
| (c) Amortization Amount                                | \$1,353,000  | \$1,024,000   | \$368,000   |
| (5) Annual Required Contribution of Employer (ARC)     |              |               |             |
| (a) Normal Cost  | \$954,000    | \$579,000     | \$141,000   |
| (b) 27 Year Amortization of Unfunded Accrued Liability | \$1,353,000  | \$1,024,000   | \$368,000   |
| (c) Total ARC  | \$2,307,000  | \$1,603,000   | \$509,000   |
| (6) Annual OPEB Cost (AOC)                             |              |               |             |
| (a) ARC  | \$2,307,000  | \$1,603,000   | \$509,000   |
| (b) Less Amortization of NOO                           | \$0          | \$0           | \$0         |
| (c) Plus Interest on NOO                               | \$0          | \$0           | \$0         |
| (d) Total Cost   | \$2,307,000  | \$1,603,000   | \$509,000   |
| (7) 1% Sensitivity (AOC)                               | \$2,872,000  | \$2,014,000   | \$615,000   |
| (8) Net OPEB Obligation ( NOO)                         |              |               |             |
| (a) Beginning of Year NOO                              | \$0          | \$0           | \$0         |
| (b) Current Expense                                    | \$2,307,000  | \$1,603,000   | \$509,000   |
| (c) Expected Cash Payment to Retirees                  | \$359,000    | \$380,000     | \$147,000   |
| (d) Trust Contribution                                 | \$1,948,000  | \$1,223,000   | \$362,000   |
| (e) Projected End of Year NOO (a + b- c- d)            | \$0          | \$0           | \$0         |

### 3. Liabilities

#### FYE 2011 Funded Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of the beginning of the fiscal year.

|                                 | General            | Public Safety      | Wastewater         |
|---------------------------------|--------------------|--------------------|--------------------|
| (1) Discount Rate               | 7.50%              | 7.50%              | 7.50%              |
| (2) Actuarial Accrued Liability |                    |                    |                    |
| (a) Actives                     | \$13,440,000       | \$8,957,000        | \$2,468,000        |
| (b) Retirees in Pay Status      | <u>\$4,804,000</u> | <u>\$4,847,000</u> | <u>\$2,494,000</u> |
| (c) Totals                      | \$18,244,000       | \$13,804,000       | \$4,962,000        |
| (3) Normal Cost for Benefits    | \$954,000          | \$579,000          | \$141,000          |

#### FYE 2012 Funded Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of the beginning of the fiscal year.

|                                 | General            | Public Safety      | Wastewater         |
|---------------------------------|--------------------|--------------------|--------------------|
| (1) Discount Rate               | 7.50%              | 7.50%              | 7.50%              |
| (2) Actuarial Accrued Liability |                    |                    |                    |
| (a) Actives                     | \$15,140,000       | \$9,808,000        | \$2,597,000        |
| (b) Retirees in Pay Status      | <u>\$5,098,000</u> | <u>\$5,275,000</u> | <u>\$2,756,000</u> |
| (c) Totals                      | \$20,238,000       | \$15,083,000       | \$5,353,000        |
| (3) Normal Cost for Benefits    | \$1,003,000        | \$610,000          | \$148,000          |

## **4. Summary of Principal Plan Provisions**

### **General Eligibility Rules**

To receive an OPEB subsidy, employees must be eligible to receive a pension benefit. There is also a 15 years of service requirement for employees who retired after 1997. For employees hired after July 1, 2006 there is a 25 year service requirement.

The Plan is closed to employees hired after January 3, 2011.

### **Eligibility to Receive Pension Benefits**

#### **General and Waste Water Employees**

Employees can retire at age 55 with reduced pension benefits. Pension benefits are unreduced at age 60 with 30 years of service or at age 65 with 15 years of service.

#### **Public Safety Employees**

Employees can retire with unreduced pension benefits with 25 years of service.

### **Deferred Retirements**

Employers who defer commencement of pension benefits are not eligible to receive health care coverage in retirement.

### **Plan Description**

A PPO and an HMO plan are available for participants along with prescription and dental insurance. Once a retiree is Medicare eligible a Medicare Supplemental Plan is available.

### **Employer Subsidy**

The employer subsidizes a portion of the benefit. General and Public Safety Employees receive an 80% subsidy.

Wastewater Fund employees who transferred to the Town from Worcester County in 1994 receive a 90% subsidy for retirees and dependents.

General and Public Safety employees do not receive a subsidy for dependent coverage.

## 5. Valuation Data

### Counts

The following table summarizes the counts, ages and, coverage as of 11/1/2010, for those currently enrolled in Medical/Drug coverage.

|                            | General   | Public Safety | Wastewater | Total      |
|----------------------------|-----------|---------------|------------|------------|
| (1) Number of Participants |           |               |            |            |
| (a) Active Employees       | 324       | 160           | 17         | 501        |
| (b) Retirees               | <u>58</u> | <u>38</u>     | <u>11</u>  | <u>107</u> |
| (c) Total                  | 382       | 198           | 28         | 608        |

## 5. Valuation Data (cont.)

### Active Age - Service Distribution

Shown below is the distribution of active participants with medical coverage based on age and service as of the valuation date.

| Age      | Years of Service as of 11/01/2010 |       |       |       |       |       |       |     | Total |
|----------|-----------------------------------|-------|-------|-------|-------|-------|-------|-----|-------|
|          | Under 1                           | 01-04 | 05-09 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ |       |
| Under 25 | 5                                 | 3     | 2     | 0     | 0     | 0     | 0     | 0   | 10    |
| 25 - 29  | 0                                 | 24    | 21    | 1     | 0     | 0     | 0     | 0   | 46    |
| 30 - 34  | 1                                 | 5     | 23    | 8     | 0     | 0     | 0     | 0   | 37    |
| 35 - 39  | 0                                 | 5     | 18    | 11    | 1     | 0     | 0     | 0   | 35    |
| 40 - 44  | 0                                 | 3     | 14    | 22    | 20    | 9     | 0     | 0   | 68    |
| 45 - 49  | 1                                 | 9     | 10    | 15    | 7     | 21    | 9     | 0   | 72    |
| 50 - 54  | 0                                 | 6     | 12    | 12    | 4     | 13    | 25    | 8   | 80    |
| 55 - 59  | 0                                 | 5     | 15    | 9     | 5     | 11    | 13    | 15  | 73    |
| 60 - 64  | 0                                 | 9     | 7     | 17    | 6     | 10    | 9     | 14  | 72    |
| 65 +     | 0                                 | 1     | 0     | 5     | 2     | 0     | 0     | 0   | 8     |
| Totals   | 7                                 | 70    | 122   | 100   | 45    | 64    | 56    | 37  | 501   |

The following table shows averages in total for Active participants in this valuation.

| Averages | Amount |
|----------|--------|
| Age:     | 46.88  |
| Service: | 14.15  |

## 6. Valuation Methods and Assumptions

### Cost Method

This valuation uses the Projected Unit Credit method with linear pro-ration to assumed benefit commencement.

### Amortization

Liabilities are amortized over a closed 28 year period as a level dollar amount for FYE 2011.

Liabilities are amortized over a closed 27 year period as a level dollar amount for FYE 2012.

### Coverage Status and Age of Spouse

Actual coverage status is used; females assumed 3 years younger than male spouse.

100 Percent of employees with individual coverage are assumed to elect individual coverage in retirement.

A closed group of Wastewater Fund employees who transferred to the Town from Worcester County in 1994 receive postretirement health benefits for retirees and their dependents. 67 Percent of WasteWater employees were assumed to have spouse coverage in retirement.

Employees currently waiving coverage are assumed to continue to waive coverage in retirement.

### Trend Assumptions

| Medical and Prescription Drug | Base  | Sensitivity |
|-------------------------------|-------|-------------|
| 2010                          | 8.00% | 9.00%       |
| 2011                          | 7.50% | 8.50%       |
| 2012 – 2013                   | 7.20% | 8.20%       |
| 2014 – 2019                   | 7.10% | 8.20%       |
| 2020 – 2024                   | 6.90% | 8.10%       |
| 2025 – 2029                   | 6.80% | 7.90%       |
| 2030 – 2039                   | 6.70% | 7.70%       |
| 2040 – 2049                   | 6.20% | 7.20%       |
| 2050 – 2059                   | 5.90% | 6.90%       |
| 2060 – 2069                   | 5.80% | 6.80%       |
| 2070 – 2079                   | 5.70% | 6.70%       |
| 2080 – 2089                   | 5.20% | 6.20%       |
| 2090 +                        | 5.20% | 6.20%       |

## 6. Valuation Methods and Assumptions (cont.)

### Interest Assumptions

|                      |       |
|----------------------|-------|
| Funded Discount Rate | 7.50% |
| Payroll Growth       | N/A   |

### Decrement Assumptions

Below is a summary of decrements used in this valuation. Sample Retirement, Disability, and Termination rates are illustrated in the tables below.

| Mortality Decrements | Description                        |
|----------------------|------------------------------------|
| Healthy              | 1994 Group Annuity Mortality Table |
| Disabled             | N/A                                |

### Termination Rates

For all employees prior to 5 years of service:

| Years of Service | Rate |
|------------------|------|
| 1                | 15%  |
| 2                | 15%  |
| 3                | 10%  |
| 4                | 10%  |

5 years of service and after Table T-3 of the *Actuary's Pension Handbook*:

| Sample Rates |       |
|--------------|-------|
| Age          | Rate  |
| 25           | 5.27% |
| 35           | 4.47% |
| 45           | 3.21% |
| 50           | 1.52% |
| 55           | 0.33% |
| 60           | 0%    |

## 6. Valuation Methods and Assumptions (cont.)

### Decrement Assumptions (cont.)

#### Retirement

##### General Employees

25% of employees are assumed to retire when first eligible.

| <u>Age</u>   | <u>Rate</u> |
|--------------|-------------|
| Less than 60 | 0%          |
| 60           | 0%          |
| 61           | 10%         |
| 62           | 50%         |
| 63           | 10%         |
| 64           | 10%         |
| 65 & over    | 100%        |

##### Public Safety Employees

50% of employees are assumed to retire when first eligible.

| <u>Age</u>   | <u>Rate</u> |
|--------------|-------------|
| Less than 60 | 10%         |
| 60           | 50%         |
| 61           | 50%         |
| 62           | 100%        |
| 63           | 100%        |
| 64           | 100%        |
| 65 & over    | 100%        |

##### Wastewater Employees

All employees are assumed to retire at age 63. The Milliman Study assumes retirement at age 65.

## 6. Valuation Methods and Assumptions (cont.)

### Claims Assumption

The Chart below shows the premiums currently charged retirees. These rates are based on the actual cost of Ocean City retirees, the comparable premium for individual coverage for a Town of Ocean City employee only coverage is \$5,902 for PPO plan and 4,603 for the HMO Plan.

| <b>Total Costs</b>                              | <b>Single</b> | <b>Family</b> |
|---|---------------|---------------|
| 1. PPO Total Premium<br>(Employee and Employer) |               |               |
| a. Pre-Medicare                                 | 10,045        | 26,023        |
| b. Post-Medicare                                | 7,177         | 14,447        |
| 2. HMO Total Premium<br>(Employee and Employer) |               |               |
| a. Pre-Medicare                                 | 7,777         | 20,121        |
| b. Post-Medicare                                | 7,177         | 14,447        |

## 7. Glossary

|  |   |
|--|---|
| <b>Annual OPEB Cost (AOC):</b>                                 | An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.  |
| <b>Annual Required Contributions of the Employer(s) (ARC):</b> | The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.  |
| <b>Covered Group:</b>  | Plan members included in an actuarial valuation.  |
| <b>Defined Benefit OPEB Plan:</b>                              | An OPEB plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).   |
| <b>Employer's Contributions:</b>                               | Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. |
| <b>Funded Ratio:</b>   | The actuarial value of assets expressed as a percentage of the actuarial accrued liability.   |
| <b>Healthcare Cost Trend Rate:</b>                             | The rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.  |
| <b>Investment Return Assumption (Discount Rate):</b>           | The rate used to adjust a series of future payments to reflect the time value of money.   |

## 7. Glossary (cont.)

**Level Percentage of Projected  
Payroll Amortization Method:**

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level. This method can not be used if the plan is closed to new entrants.

**Net OPEB Obligation:**

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

**Normal Cost or Normal Actuarial  
Cost:**

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

**Other Post-employment Benefits:**

Post-employment benefits other than pension benefits. Other post-employment benefits (OPEB) include post-employment healthcare benefits, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

**Pay-as-you-go (PAYG):**

A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

**Payroll Growth Rate:**

An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

**Plan Liabilities:**

Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

## **7. Glossary (cont.)**

|   |   |
|---|---|
| <b>Plan Members:</b>                        | The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.  |
| <b>Post-employment:</b>                     | The period between termination of employment and retirement as well as the period after retirement.   |
| <b>Post-employment Healthcare Benefits:</b> | Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.  |
| <b>Select and Ultimate Rates:</b>           | Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8 percent for year 2000, 7.5 percent for 2001, and 7 percent for 2002 and thereafter, then 8 percent and 7.5 percent are select rates, and 7 percent is the ultimate rate. |

## Appendix 1

### CAFR Disclosures Assuming No Change in Plan

#### Schedules of Employer Contributions

| <i>Year<br/>Ended<br/>June 30</i> | <i>Annual<br/>OPEB<br/>Cost</i> | <i>Actual<br/>Contribution<sup>1</sup></i> | <i>Percentage<br/>Contributed</i> | <i>Net<br/>OPEB<br/>Obligation</i> |
|-----------------------------------|---------------------------------|--|-----------------------------------|------------------------------------|
| 2009                              | \$3,104,000                     | \$3,104,000                                | 100.0%                            | \$0                                |
| 2010                              | 3,104,000                       | 3,104,000                                  | 100.0%                            | 0                                  |
| 2011                              | 4,422,000                       | 4,422,000                                  | 100.0%                            | 0                                  |
| 2012                              | 4,419,000                       | 4,419,000                                  | 100.0%                            | 0                                  |

<sup>1</sup>/ sum of estimated retiree medical payments plus scheduled trust contributions

#### Schedule of Funding Progress

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b)-(a)</b> | <b>Funded<br/>Ratio<br/>(a)/(b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>% of<br/>Covered<br/>Payroll<br/>[(b)-(a)]/(c)</b> |
|---|--|--|--|-------------------------------------|------------------------------------|---|
| 7/1/2009                                | 2,751,277  | 28,958,000   | 26,206,723                                     | 9.5%                                | 34,660,410                         | 75.6%   |
| 7/1/2010                                | 5,209,649  | 37,010,000   | 31,800,351                                     | 14.1%                               |                                    |   |
| 7/1/2011                                | 9,265,000  | 40,674,000   | 31,409,000                                     | 22.8%                               |                                    |   |

The schedule of funding progress presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

The Town's annual contribution is based on an annual actuarial valuations.

|                         |   |
|-------------------------|---|
| Actuarial Cost Method:  | Projected Unit Credit   |
| Amortization Method:    | Closed – Level Dollar   |
| Amortization Period     | 30 (as of July 1, 2008)   |
| Asset Valuation Method: | Market Value of Assets  |
| Actuarial Assumptions   |   |
| Discount Rate:          | 7.50%   |
| Payroll Increase        | 4.00%   |
| Medical Trend           | Based on Society of Actuaries Long Term Medical Trend Model, the initial rate is 9.50% decreasing gradually. The rate in 2050 is 5.90%. |

## Appendix 2

### The Actuarial Valuation Process

#### Step 1 – Determining the Present Value of Benefits

The first step of the actuarial valuation process is to determine the Present Value of Benefits (PVB). The PVB represents the estimated amount needed to provide all future OPEB benefits.

For a retiree it is based on the following assumptions:

- The current cost of medical benefits
- How fast medical costs will increase (medical trend)
- Mortality

For an employee it *also* considers the following assumptions:

- How many employees will leave before becoming eligible for the benefit
- At what age will employees retire
- What percentage of eligible retirees will elect coverage
- What percent of eligible retirees will have spouse coverage

Based on these assumptions, the actuary estimates a payment stream for each year in the future.

The streams of payments are discounted to the valuation date using a discount rate. The discount rate is similar to the rate of return you would expect to earn on funds in a bank or other investment vehicle. The sum of the discounted payment stream is the PVB.

#### Step 2 – The Actuarial Funding Method

If the entire present value of benefits was deposited into a trust when every new employee was hired, there would be (in the absence of actuarial losses caused by experience different than that assumed) no cost after the first year. The goal of an actuarial funding method is to spread the present value of benefits throughout the employee's career.

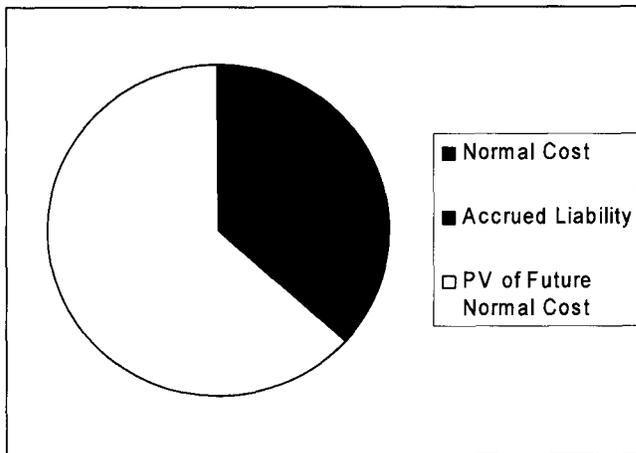
Accordingly, the second step of an actuarial valuation is to divide the Present Value of Benefits into three components:

- The normal cost (the liability accrual for the year)
- The accrued liability (the liability amount allocated for past service)
- The present value of future normal costs (the liability amount allocated to the future)

## Appendix 2 (cont.)

### The Actuarial Valuation Process (cont.)

The following chart illustrates the 3 components of the Present Value of Benefits:



For a retired employee, the present value of benefits equals the accrued liability.

#### Step 3 – Determining the Annual Required Contribution (ARC)

Under the GASB standard, the Annual required contribution is equal to the sum of the:

- Normal Cost and
- An Amortization Payment of the Unfunded Accrued Liability

The unfunded accrued liability is equal to the accrued liability minus the assets (if any).

The amortization payment is not a straight line amortization payment. It is more like a mortgage payment on a house. It includes interest on the unfunded liability and a principal payment, and is designed to be a level payment. This could mean level as in a dollar payment, or as a level percentage of payroll. If it is a level percentage of payroll, the payment amount will increase as payroll increases.

Under the GASB standard, this payment period could be up to 30 years.

Also under the GASB standard, the payment period could be “closed” or “open”. A “Closed” payment period decreases each year. The unfunded amount will be zero at the end of the payment period. An “Open” payment period is reset each year to 30 years. The effect of resetting the payment period each year is similar to refinancing a loan every year. The loan will never be repaid.

January 2011

ATTACHMENT F

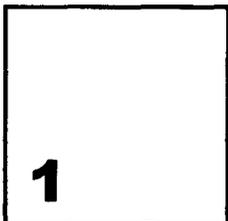
**Defined Benefit Plans Freeze  
Analysis and Retirement  
Program Considerations**  
Town of Ocean City

**MERCER**

Consulting. Outsourcing. Investments.

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## **Introduction**

The Town of Ocean City is considering a "soft freeze" of its two defined benefit pension plans. Under a soft freeze, no additional participants enter a plan, but those who are already participants continue to accrue benefits. A defined contribution ("DC") plan would be put in place for those who are not eligible to participate in the defined benefit ("DB") plan.

Mercer has been asked to report on the following aspects of the proposed freeze:

- Cost of the current DB plans and of a potential DC plan now and at 5, 10, 15, and 20 years out, and the savings or cost versus the plan continuing as is
- Ultimate savings or cost for new hires
- Effect on sample new employees of being in a new DC plan rather than the current DB, under two DC scenarios
  - 5% employer contribution and 5% employee contribution for general employees, and 8% employer contribution and 8% employee contribution for public safety employees
  - Employer contribution at the level necessary to provide a DC benefit comparable to the current DB benefit
- Changes to funding assumptions or methods for the DB plans over the next 10 to 20 years
- General issues, such as vesting schedules and cost trends

### ***Important Notices***

Mercer has prepared this report exclusively for The Town of Ocean City; Mercer is not responsible for reliance upon this report by any other party.

The purposes of this report are to present Mercer's actuarial estimates of the Plan's liabilities and expenses and of benefit levels both with and without a soft freeze of the defined benefit plans and implementation of a defined contribution plan for new hires and

to provide commentary on related issues. This report may not be used for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of this report, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The pension trustees of the Town of Ocean City are solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the trustees or the Town.

An actuarial report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare this study, actuarial assumptions, as described in the April 1, 2010 funding valuations dated August 2010, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At Ocean City's request, Mercer is available to perform such a sensitivity analysis.

Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely "correct" level of contributions for any given year.

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year's valuation.

Assumptions used in this report are based on the last experience study, as adopted by the pension trustees and put in place for the 2010 valuations. The pension trustees are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the April 1, 2010 valuations dated August 2010. The Town and pension trustees are solely responsible for communicating to Mercer any changes required thereto.

To prepare this report Mercer has used and relied on financial and participant data supplied by The Town of Ocean City and summarized in the valuation reports dated August 2010. The Town is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of April 1, 2010 that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the plan documents, including amendments, and interpretations of plan provisions, supplied by The Town of Ocean City as summarized in the April 1, 2010 valuation reports dated August 2010. We have assumed for purposes of this report that copies of any official plan document including all amendments and collective bargaining agreements as well as any interpretations of any such document have been provided to Mercer along with a written summary of any other substantive commitments. The Town of Ocean City is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results

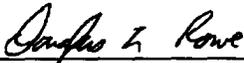
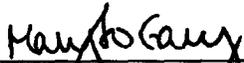
that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

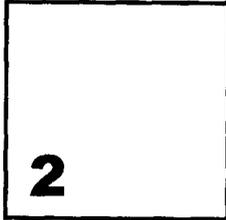
The Town of Ocean City should notify Mercer promptly after receipt of the report if the Town or its pension trustees disagree with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Mercer or incorporated therein. The report will be deemed final and acceptable to the Town and pension trustees unless the Town or pension trustees promptly provide such notice to Mercer.

### **Professional qualifications**

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

|   |                                   |
|---|-----------------------------------|
| <br>_____<br>Douglas L. Rowe, FSA, MAAA, EA<br>Principal | January 25, 2011<br>_____<br>Date |
| <br>_____<br>Mary Jo Gary, EA, MAAA<br>Principal         | January 25, 2011<br>_____<br>Date |
| Mercer (US) Inc.<br>One South Street<br>Suite 1001<br>Baltimore, MD 21202<br><br>410 727 3345<br>800 833 7766                               |                                   |



## **Financial Projections and Ultimate Cost or Savings**

Under the Town's funding policy, the contribution to the DB plans is the "normal cost" plus 10-year amortization of the unfunded accrued liability ("UAL"). Normal cost is the value of benefits expected to accrue in the coming year. The UAL arose over the years from plan and assumption changes and experience gains or losses. Amortization is on a 10-year, open gain/loss, level percentage of pay basis. (Plan changes that are primarily employee-funded are amortized over 20 years. At the moment, the General Employees plan has one such change being amortized.) An "open gain/loss" amortization method combines all past gains and losses into one value each year, then makes a 10-year payment toward that value.

The cost of the DC plans is approximately the percentage of payroll contribution called for under the terms of the plan.

The first column in the table below displays the projected cost of the current plan, if it had been soft frozen at April 1, 2010, in both dollars and as a percentage of projected pay for the covered group. The second shows the projected employer cost of a replacement 401(a) plan that offers a 5% (for general employees) or 8% (for public safety employees) contribution.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

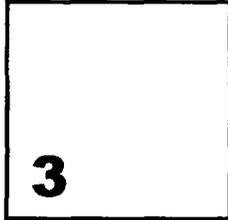
| <b>General Employees</b>                       |                                  |  |                                      |                                 |
|--|----------------------------------|--|--------------------------------------|---------------------------------|
|  | <b>Current DB plan continues</b> | <b>Current DB plan for current employees</b> | <b>5% / 5% DC plan for new hires</b> | <b>Potential Cost (Savings)</b> |
| 2010 actual cost Percentage of covered payroll | Not applicable                   | \$2,135,538<br>10.9%                         | Not applicable                       | Not applicable                  |
| 2015 estimated                                 | \$2,090,000<br>8.8%              | \$1,960,000<br>10.0%                         | \$220,000<br>5.0%                    | \$90,000                        |
| 2020 estimated                                 | \$2,530,000<br>8.8%              | \$2,190,000<br>11.9%                         | \$530,000<br>5.0%                    | \$190,000                       |
| 2025 estimated                                 | \$1,900,000<br>5.4%              | \$1,160,000<br>7.0%                          | \$940,000<br>5.0%                    | \$200,000                       |
| 2030 estimated                                 | \$2,090,000<br>4.9%              | \$1,090,000<br>7.3%                          | \$1,400,000<br>5.0%                  | \$400,000                       |

| <b>Public Safety</b>                         |                                  |  |                                      |                                 |
|--|----------------------------------|--|--------------------------------------|---------------------------------|
|  | <b>Current DB plan continues</b> | <b>Current DB Plan for current employees</b> | <b>8% / 8% DC plan for new hires</b> | <b>Potential Cost (Savings)</b> |
| 2010 actual cost Percentage of cover payroll | Not applicable                   | \$2,917,210<br>24.1%                         | Not Applicable                       | Not applicable                  |
| 2015 estimated                               | \$2,840,000<br>19.2%             | \$2,740,000<br>22.4%                         | \$210,000<br>8.0%                    | \$110,000                       |
| 2020 estimated                               | \$1,990,000<br>11.0%             | \$1,660,000<br>14.0%                         | \$490,000<br>8.0%                    | \$160,000                       |
| 2025 estimated                               | \$2,020,000<br>9.2%              | \$1,360,000<br>12.1%                         | \$850,000<br>8.0%                    | \$190,000                       |
| 2030 estimated                               | \$2,150,000<br>8.1%              | \$1,090,000<br>10.3%                         | \$1,290,000<br>8.0%                  | \$230,000                       |

- Due to the asset smoothing method used, the actuarial value of assets (AVA) used to determine the employer contribution rates in the 2010 valuations exceeds the market value of assets (MVA). Absent future gains to offset the investment losses being smoothed, future employer contributions would increase as past investment losses become recognized. Our estimated contributions for future years recognize this increase until such time as all gains and losses not fully recognized as of April 1, 2010 have been recognized.
- Because gains and losses are being amortized by an open amortization period (with re-amortization of the cumulative gain/loss in each valuation), the amortization

amounts will never fully eliminate the UAL. On the other hand, UAL arising from plan or assumption changes will be eliminated in 10 years (20 for primarily employee-funded plan improvements, such as occurred in 2004 for the General Employees plan).

- These calculations illustrate the cost of one potential defined contribution design: a plan that sets employer contributions equal to those mandated for the two groups of employees under the current defined benefit design. The figures are only the employer cost; employees would pay the same amount.
- The cost to the Town of soft freezing the current plans and replacing them with this defined contribution design for new hires is more than the cost of maintaining the current plans. There are other replacement plan designs that would be projected to produce savings. Those savings would arise from reductions in the level of benefit provided to covered employees.
- The defined contribution plan costs ignore any potential forfeitures. Forfeitures are produced when employees terminate before becoming vested in their employer-provided benefit. The estimated value cannot be determined until the vesting schedule is set.



### **Benefit Illustrations**

The graphs on the following pages show the benefit accrual patterns under various combinations of the current plans vs. possible new defined contribution plans for sample hypothetical new employees at the given ages and salary levels.

Varying assumptions with regard to salary increases and return on investments have been used in these charts.

Because the defined benefit plans provide annuity payments and defined contribution plans often provide lump sums, we have converted the accrued annuity payments to lump sum values using approximately the current lump sum assumptions in common use for private sector defined benefit plans, which include 4% interest and 2010 PPA mortality.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations**

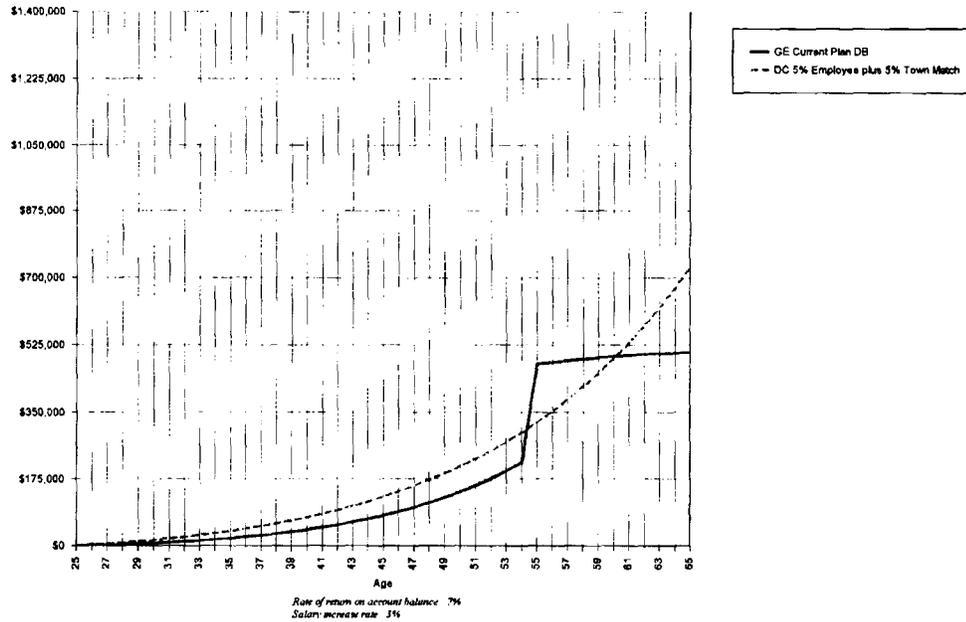
Town of Ocean City

| <b>Age and annual pay at hire</b> | <b>DB Plan</b> | <b>DC Plan</b>           | <b>Salary Scale</b> | <b>Pre-Retirement Investment Return</b> |
|-----------------------------------|----------------|--------------------------|---------------------|---|
| Chart 1: age 25, \$25,000         | GE             | 5% employee, 5% employer | 3%                  | 7%                                      |
| Chart 2: age 25, \$25,000         | GE             | 5% employee, 5% employer | 3%                  | 4%                                      |
| Chart 3: age 35, \$25,000         | GE             | 5% employee, 5% employer | 3%                  | 7%                                      |
| Chart 4: age 35, \$25,000         | GE             | 5% employee, 5% employer | 3%                  | 4%                                      |
| Chart 5: age 25, \$30,000         | PS             | 8% employee, 8% employer | 3%                  | 7%                                      |
| Chart 6: age 25, \$30,000         | PS             | 8% employee, 8% employer | 3%                  | 4%                                      |

The structure of the benefit formulas is such that pay variations change the benefit level, but not the relationship between pay and benefit. There tends to be little variation in age at hire for Public Safety employees.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

Chart 1: Present Value of Benefit Payable as a Lump Sum  
 General Employee 1 Data at 2010 Age = 25, Service = 0, Salary = \$25,000

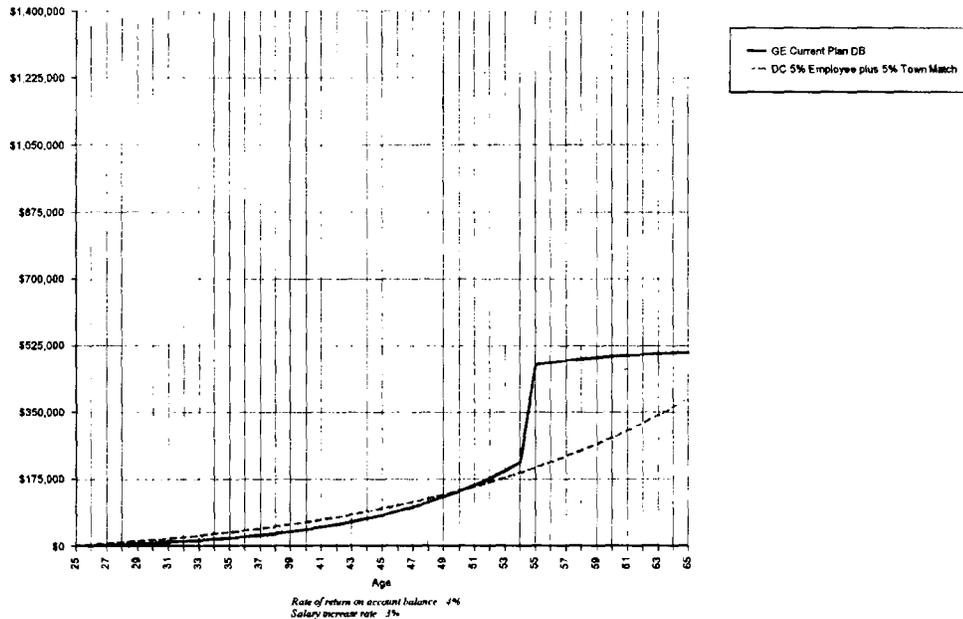


The value of the defined contribution plan is greater than the value of the defined benefit plan until age 55. At age 55, the defined benefit plan becomes a great deal more valuable because the participant is eligible for unreduced retirement. Because the participant has then reached the service cap under the defined benefit plan, the lump sum value does not increase as rapidly thereafter. As the chart shows, under this set of assumptions the defined contribution plan again becomes more valuable than the defined benefit plan if the participant waits to receive benefits until age 61 or later.

This chart, and the others, illustrate one effect of a change from defined benefit design to a defined contribution one: a potential redistribution of benefits from retirees to terminating employees.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

Chart 2: Present Value of Benefit Payable as a Lump Sum  
 General Employee 1 Data at 2010 Age = 25, Service = 0, Salary = \$25,000



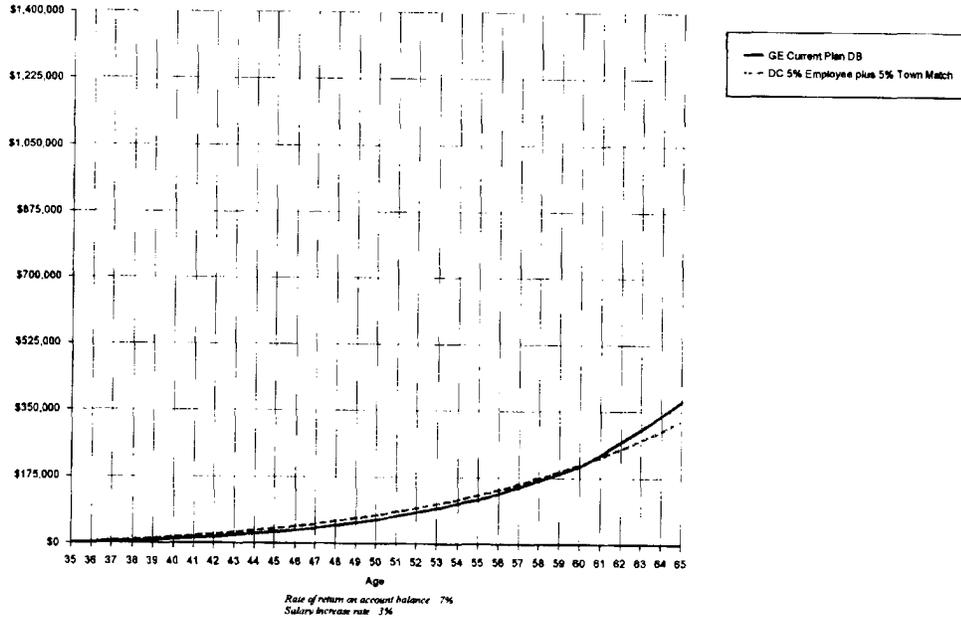
Comparing this chart to the prior one, we see that changing the investment return assumption from 7% to 4% results in the present value of the defined benefit plan becoming more valuable than that of the defined contribution plan at age 51 rather than age 55. Again, we see that the present value of the defined benefit plan increases significantly at age 55 when the participant becomes eligible for unreduced benefits. Once the defined benefit plan becomes more valuable, it remains so for all years until normal retirement age.

Of course, if the DB plan only earns 4%, it will require much higher contributions than the Town currently makes. However, DB plans often can earn higher returns than individuals in DC plans because DB plans can:

- Always have a long-term investment horizon rather than focusing on individual retirement dates
- Obtain and use better investment advice

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

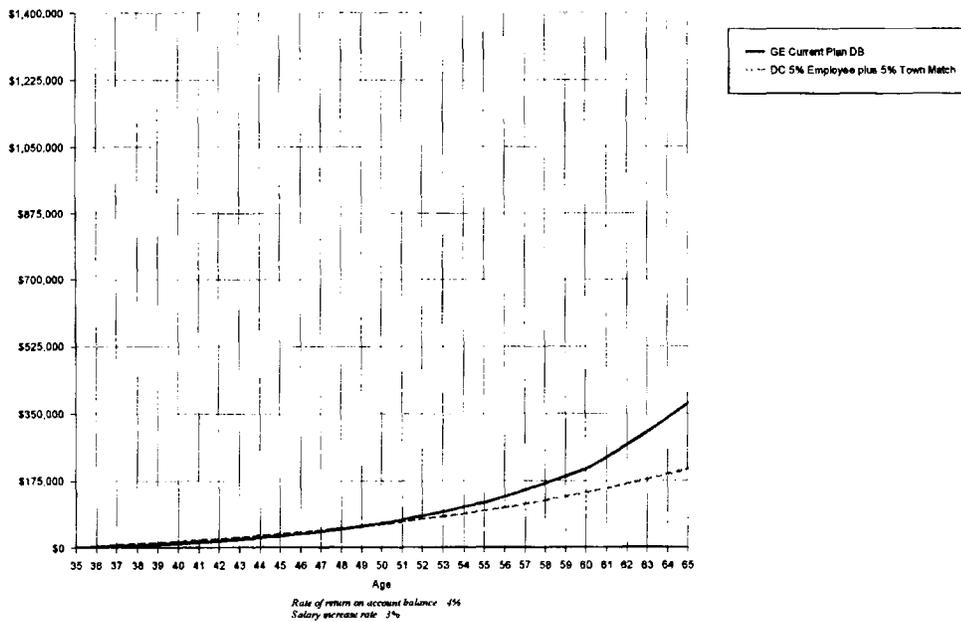
Chart 3: Present Value of Benefit Payable as a Lump Sum  
 General Employee 2 Data at 2010 Age = 35, Service = 0, Salary = \$25,000



If the participant's age at hire increases from 25 to 35, we see that the value of the defined contribution plan is greater than that of the defined benefit plan from hire until age 61. The difference between this scenario and that of charts 1 and 2 is that the participant never becomes eligible for unreduced early retirement. The defined benefit plan value grows more quickly than that of the defined contribution plan starting at age 55 because the defined benefit plan offers subsidized early retirement factors while the defined contribution plan does not.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

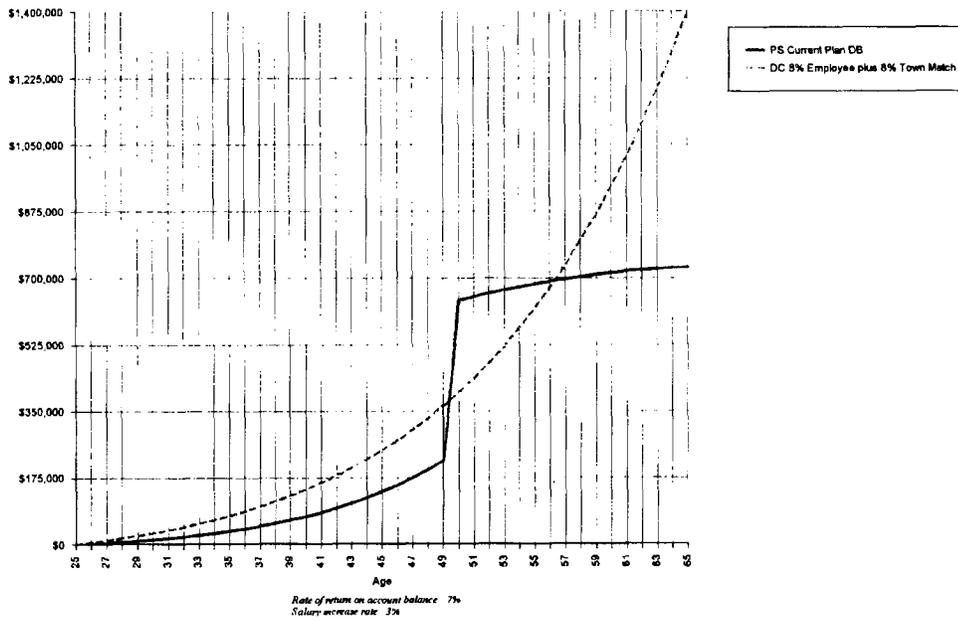
Chart 4: Present Value of Benefit Payable as a Lump Sum  
 General Employee 2 Data as of 2010 Age = 35, Service = 0, Salary = \$25,000



As with the comparisons between charts 1 and 2, when we change the investment return assumption from 7% to 4% the present value of the defined benefit plan becomes more valuable than that of the defined contribution plan at age 49. Again, we see that the present value of the defined benefit plan increases more rapidly from ages 55 to 60 and then even more rapidly from ages 60 to 65 due to the subsidized early retirement factors. The defined benefit plan remains the more valuable benefit here from age 49 on.

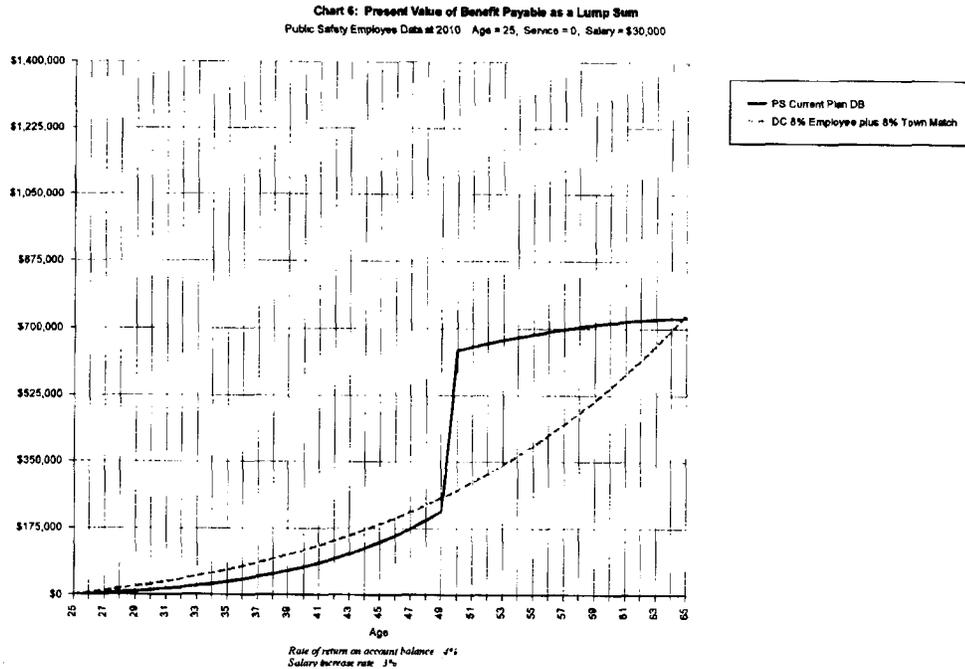
**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City

Chart 5: Present Value of Benefit Payable as a Lump Sum  
Public Safety Employee Data at 2010 Age = 25, Service = 0, Salary = \$30,000

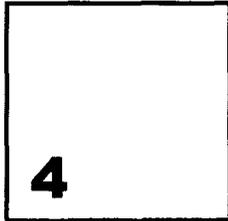


The value of the defined contribution plan is greater than that of the defined benefit plan except between ages 50 (when the participant becomes retirement eligible) and 56. The defined benefit plan sees a large increase in lump sum value at age 50 because the participant is eligible for unreduced benefits after 25 years of service. However, if the participant does not then retire, the defined contribution balance catches up at age 56.

**Defined Benefit Plans Freeze Analysis and Retirement Program Considerations** Town of Ocean City



In this graph we see that changing the investment return assumption from 7% to 4% results in a higher present value of the defined benefit plan at age 50. Because this participant has hit the service cap at age 50, the present value of the defined benefit plan levels off and only increases due to salary scale thereafter. Eventually, the defined contribution plan becomes more valuable if the participant defers retirement until age 62 or later.



## **Defined Benefit Plans' Assumptions and Methods**

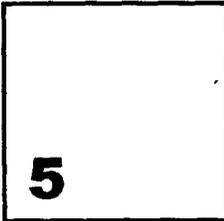
The defined benefit plans' methods and assumptions are summarized in the April 1, 2010 valuation reports dated August 2010. These were set for an ongoing, open plan. Should the plans become soft frozen, over time the covered group will change. Among the changes will be a reduced number of participants; increasing age and service; and a different relationship between the number of participants still earning benefits and the number receiving them.

Generally speaking, a plan should undergo an experience study every three to five years. As described elsewhere in this report, an experience study compares the actual experience of the plan's assets and population to what would have been expected under the actuarial assumptions. Regardless of whether the plans soft freeze now, we will continue to recommend periodic studies.

Over time, most frozen plans change their investment policies. This first occurs because benefit payments exceed contributions by increasing amounts, thus requiring greater liquidity. Later, because the investment time horizon shortens, particularly when all participants are retired. Any investment policy changes may result in investment return assumption changes.

One benchmark of when the assumptions may require closer or more frequent study is the active participant counts. As of April 1, 2010, there were 368 actives in the General Employees plan and 177 in the Public Safety plan. Under the current set of actuarial assumptions, we'd expect these to drop by half in 5 to 10 years for General Employees and 10 to 15 years for Public Safety. Whether these decreases would necessarily lead to investment or demographic assumption changes might depend on whether the participants who are no longer active have entered pay status.

Finally, changing retirement patterns could affect the Town's post-retirement medical plans. A review of that is beyond the scope of this report.



## **General Issues**

There are a number of considerations when contemplating a change in retirement program model from primarily defined benefit to primarily defined contribution. Neither design is necessarily better or worse. Instead, the appropriate model will depend on the employer's philosophy and objectives for the retirement program.

Cost issues often are the primary objective, be it reducing cost, maintaining a certain level, or limiting volatility. It's important to remember that for any plan, the following equation must hold:

$$\text{Contributions} + \text{investment income} = \text{benefits} + \text{expenses}$$

Reducing employer cost thus might mean reducing benefits, or increasing the share of the cost paid by employees rather than the employer.

Although either type of design can be used to provide benefits, there are some common features of one type or the other that should be taken into account. For example, "vesting" defines when a participant becomes eligible to receive a benefit even if he or she leaves the employer. The current Ocean City defined benefit plans have graded vesting, beginning at 25% with five years of service and grading up to 100% after 15 years. A participant thus is not entitled to his or her entire accrued benefit until reaching 15 years of service. While Ocean City could maintain this vesting schedule, it's far more common for a defined contribution plan to provide faster vesting, such as 100% at three or five years. Vesting is important not only from the participant perspective, by providing the date on which a benefit cannot be lost, but also from the employer perspective, as the value of the nonvested benefit for a participant leaving the employer remains in the plan assets, thus reducing contribution requirements.

Identifying the vesting schedule is only one of the features to be set during the plan design phase of a shift in retirement program. Some others are:

**Level of benefit to provide**

- Core benefit, full replacement, or something else
- Cost sharing between employer and employee

**Capital accumulation vs. retirement income**

**Employee attraction and retention**

**Structure of plan(s)**

- Application of various benefit limits
- One plan, or more; perhaps one for employer money and another for employee

**Administration concerns**

- Employer responsibilities
- Communications

**Employee education**

- Encourage savings
- Support investment choices

**Payment options**

- Form of benefit
- Timing of benefit

**Transition strategies and costs**

**Investment options**