

November 7, 2011
Regular Session #20
Mayor and Council
Town of Ocean City

Mayor Richard W. Meehan
Council President James S. Hall
Council Secretary Lloyd Martin

Council Member Margaret Pillas
Council Member Mary Knight
Council Member Doug Cymek
Council Member Joe Hall
Council Member Brent Ashley

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, Acting City Solicitor Heather Stansbury, City Engineer Terry McGean, Finance Administrator Martha Lucey, Interim City Clerk Wayne Pryor, Deputy City Clerk Kelly Allmond, Members of the Press and Interested Parties.

NOTICE OF CLOSED SESSION

Council President Jim Hall called this Regular Session to order at 5:30 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) 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 5-0 with Council Members Doug Cymek and Margaret Pillas absent.**

REPORT ON CLOSED SESSION

Council President Hall re-opened the meeting at 6:00 p.m. and reported that legal and contractual matters were discussed in the executive session which was attended by: 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, Acting City Solicitor Heather Stansbury, Finance Administrator Martha Lucey, Executive Office Assistant Diana Chavis, Graylin Smith and Chris Lehman of SB & Company. The vote to end the closed session was unanimous.

PRAYER AND PLEDGE

Pastor Ralph Krum of the Ocean City Seventh Day Adventist Church led the prayer and Mayor Rick Meehan led the Pledge of Allegiance.

REPORT FROM CITY MANAGER ON UPCOMING WORK SESSION

Mayor/Interim City Manager Rick Meehan reported on that the following items are scheduled for discussion in the upcoming work session:

1. Bid Opening: Medical Supplies for Fire/EMS/Beach Patrol
2. Update and Recommendation from Tourism Advisory Board
Presented by: Melanie Pursel, Chair
3. Discussion about Hurricane Irene Evacuation Procedures
Presented by: Susan Jones, Executive Director of the Hotel-Motel-Restaurant Association
4. Fire Chief Update
Presented by: Chief Chris Larmore
5. Presentation of Proposed Snow Removal Policy
Presented by: Public Works Director Hal Adkins
6. Discussion Pertaining to Revenue Lease Insurance Levels for Operators at the Ocean City Municipal Airport Presented by: Hal Adkins, Public Works Director and Jaime Giandomenico, Airport Manager
7. Report from Recreation and Parks Department
Presented by: Tom Shuster, Recreation and Parks Director
8. Discussion on Zambelli Fireworks Contract Extension Proposal
Presented by: John Sullivan, Special Events Director
9. Discussion to Move Municipal Election to Date of National Election
Presented by: Wayne Pryor, Interim City Clerk and Kelly Allmond, Deputy City Clerk

APPROVAL OF MINUTES

The following were approved as presented:

- A. Work Session – dated September 27, 2011, as amended
- B. Work Session – dated October 11, 2011
- C. Regular Session #19 – dated October 17, 2011

PUBLIC HEARINGS

Convention Center Director Rick Hamilton gave a presentation on the progress of the Convention Center Expansion Project. Ron Morgan of the Becker Morgan Group, Inc, demonstrated the building design with a video presentation. City Engineer Terry McGean reviewed three goals for perpetuating the expansion process. Michael Frenz, Executive Director and Gary McGuigan, Project Executive of the Maryland Stadium Authority requested approval for those three goals: (1) continue the Maryland Stadium Authority relationship; (2) keep the funding mechanism in place for future capital projects, and, (3) proceed with Phase II – the auditorium.

Citizens John Adkins, Joe Groves, Peck Miller, Gwen Lehman, Edie Brennan, Dr. Leonard Berger, Marlene Ott, Bill Herbst, Thomas Hoffman, India Bandorick, Sean Rox spoke in favor of proceeding with the second phase.

Citizen Ellie Diegelmann asked about the change in the funding split with the Stadium Authority. City Engineer McGean said that, in Phase I, he determined that more exhibit space is needed on the First Floor.

Council Member Cymek moved to: (1) continue the partnership with Maryland Stadium; (2) keep in place funding mechanism for future capital projects by requesting a change to the food tax legislation to limit the total outstanding principal amount of the bonds issued to be \$20 million; (3) proceed with Phase II – the auditorium; seconded by Council Member Knight. The vote was unanimous.

Council Member Pillas asked City Engineer Terry McGean to report on the progress of the boardwalk project. City Engineer Terry McGean advised that the project, although slow to start, is on schedule and should be done in late April/early May 2012.

UNFINISHED BUSINESS

Discussion of Taxi Medallion #166 and #169 transfer – *[cancelled.]*

NEW BUSINESS

- A. SB & Company's Graylin Smith, an Independent Auditor reported the results of their audit of the Town's compliance with Government Auditing Standards (see Attachment A).
- B. Finance Administrator Martha Lucey gave a presentation of the Comprehensive Annual Report (see Attachment B).

ITEMS REFERRED TO AND PRESENTATIONS FROM THE CITY SOLICITOR

Acting City Solicitor Heather Stansbury presented the following for approval:

- A. First Reading of Ordinance 2011-35 to Amend Compensation or Benefits Paid or Provided to Certain Municipal Employees (addresses ICMA match reduction and holiday reduction as outlined in Ordinance 2010-40, passed January 3, 2011 but vetoed by the Mayor because of objections to two other items addressed in the same ordinance). **Council Member Ashley moved to approve the First Reading of Ordinance 2011-35; seconded by Council Member Pillas.** The motion was withdrawn. Mayor Rick Meehan asked for further discussion in the next Work Session.
- B. First Reading of Ordinance 2011-36 to Amend Chapter 46, Entitled Law Enforcement (establishes a volunteer auxiliary officer program). **Council Member Knight moved to ratify Ordinance 2011-35; seconded by Council Secretary Martin. The vote was unanimous.** Council Member Pillas asked for the auxiliary officer job description.

ITEMS REFERRED TO AND PRESENTATIONS FROM THE CITY MANAGER

City Manager Dare presented the following for approval:

- A. Recommendation of Bid Award for Water and Wastewater Chemicals (see Attachment C): **Council Member Joe Hall moved to approve; seconded by Council Member Knight. The vote was unanimous.**
- B. Notification of Upcoming Proposal for Solid Waste Transport and Disposal Contract. **Council Member Knight moved to proceed with the RFP process; seconded by Council Secretary Martin. The vote was unanimous.**
- C. Notification of Upcoming Beach Equipment Franchise Auction **Council Member Joe Hall moved to proceed with the auction process; seconded by Council Member Ashley. The vote was unanimous.**
- D. Approval of Taxi Medallion #148 from One Love Ocean City Taxi to Coastal Cab for the amount of \$3800.00. **Council Member Joe Hall moved to approve; seconded by Council Member Pillas. The vote was unanimous.**

COMMENTS FROM CITIZENS

Joe Groves reminded the Council that employees are the most important asset to consider. Secondly, he said he is very aware that assessments will be falling. He said he is in favor of a separate election. Lastly, he commended the Council on their decision to evacuate during Hurricane Irene.

John Adkins said Ocean City's taxes are still the lowest in the State. He also asked the Council not to take anymore benefits away from the employees.

Thomas Hoffman commended the Council on transitioning in the new Council. He said the Town's "parking passes" are ordinary.

Ellie said the Town should do more to eliminate the skepticism about ending the recycling program.

COMMENTS FROM THE MAYOR AND COUNCIL

Council Member Ashley mentioned that street performers would like to perform in Sunset Park. The Mayor advised that Sunset Park is already established in the Code as a designated location.

Council Member Cymek asked for a status on City Manager Dare's exit agreement.

ADJOURNMENT

Council Secretary Martin moved to adjourn at 8:34 p.m.; seconded by Council Member Cymek. The vote was unanimous.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Major
and City Council of the Town of Ocean City, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of June 30, 2011, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated September 29, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and schedules of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying introductory section, combining and individual nonmajor funds, business-type funds and fiduciary funds statements and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Hunt Valley, Maryland
September 29, 2011

SB & Company, LLC

Town of Ocean City, Maryland

ATTACHMENT B

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2011





Rodney Campaign

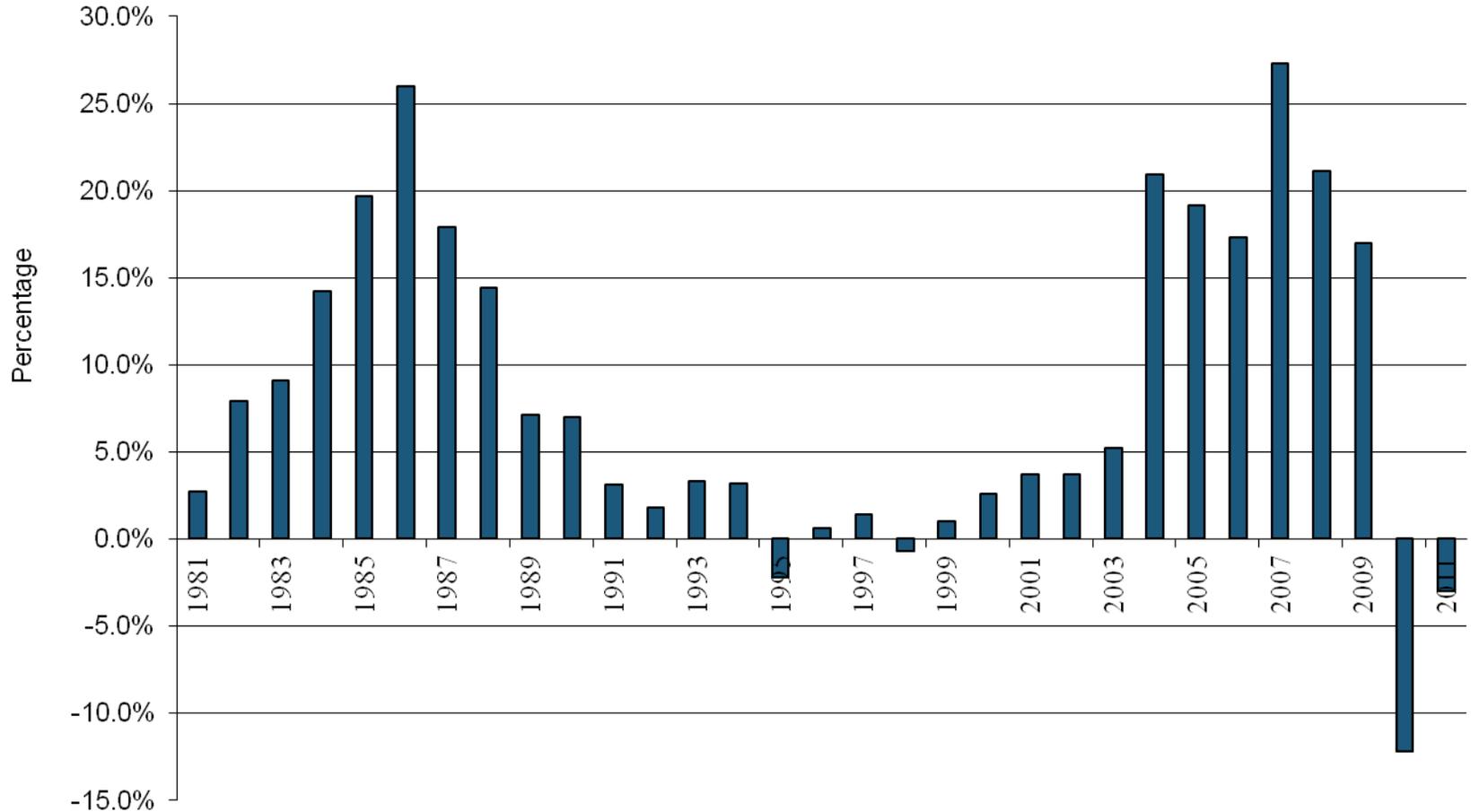


Ocean City
Free-For-All

Major Initiatives for FY- 2011

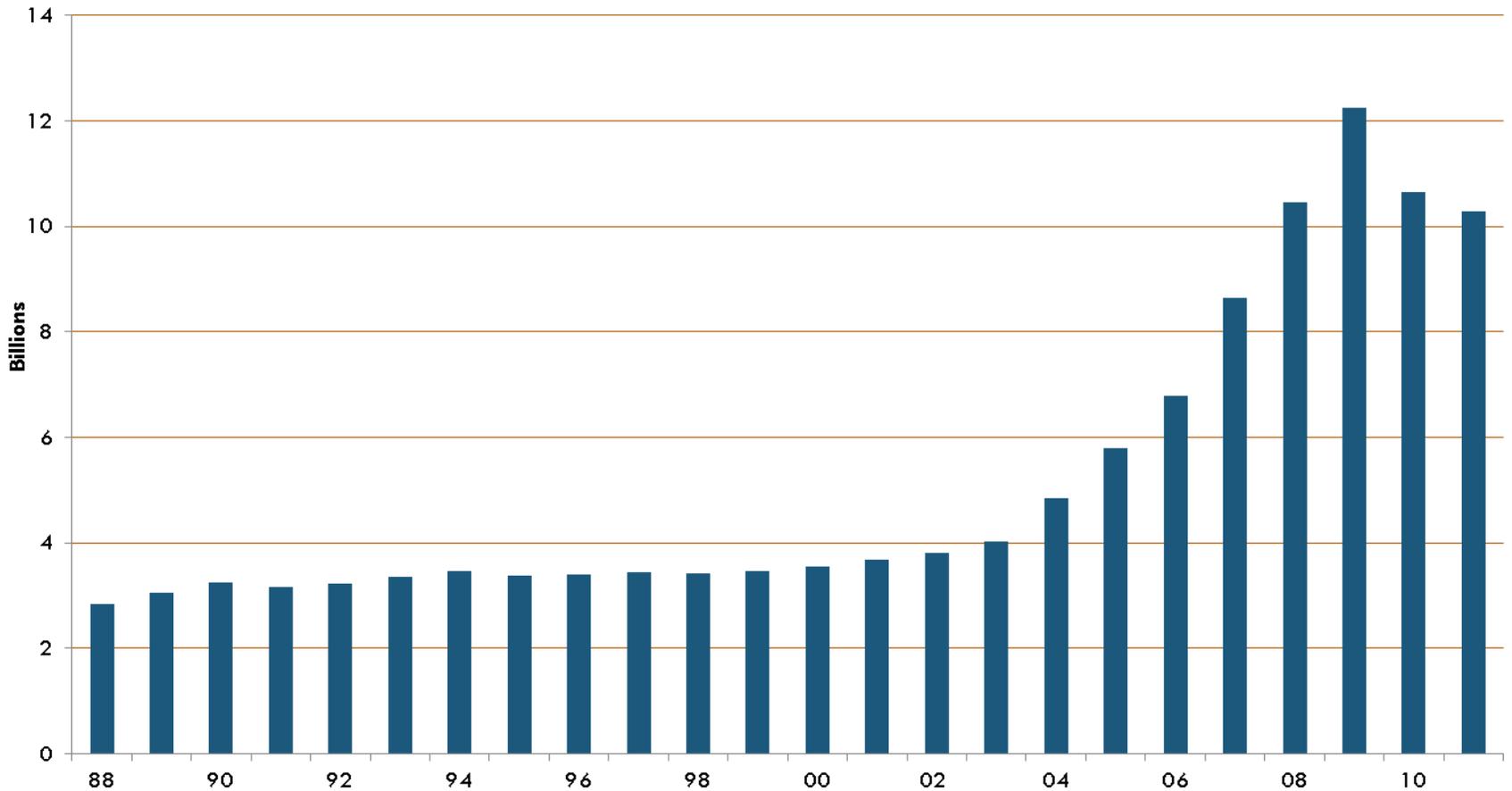
- **General Obligation Build America Bonds of 2010**
- **Closure of Pension Plans and Wage and Benefit Changes for New Employees**

Change in Assessments 1981 - 2011



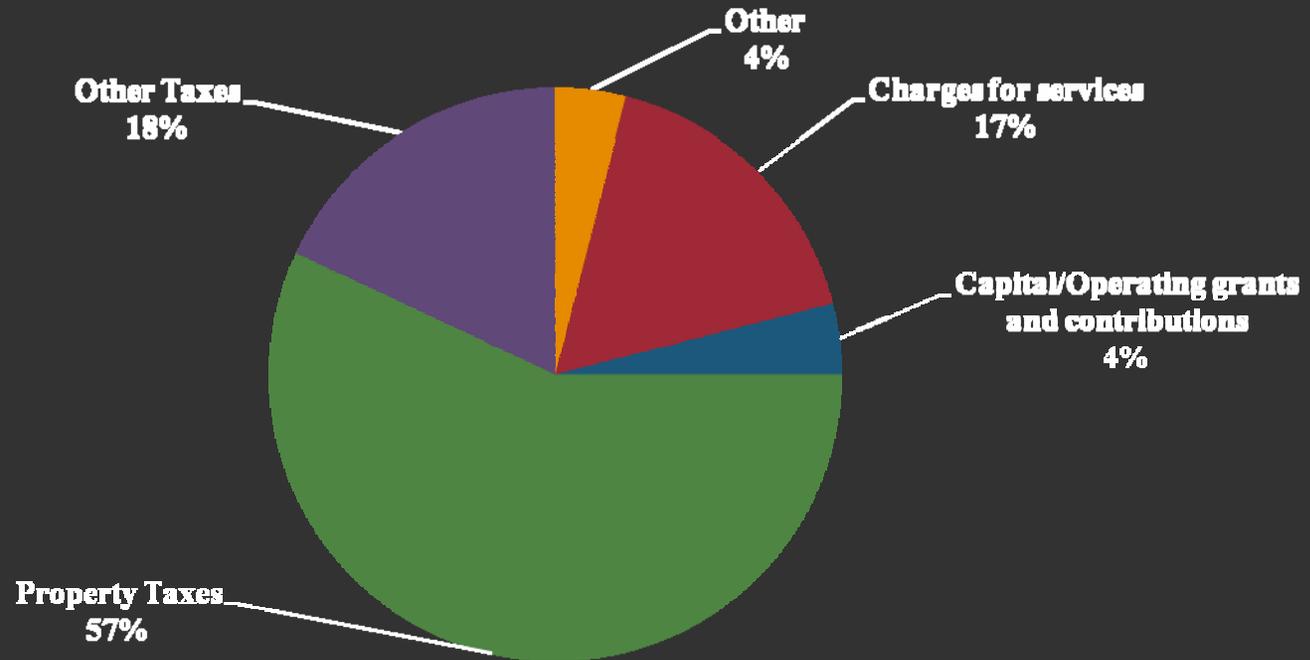
November 7, 2011 Regular Session

Actual Value of Ocean City Properties Still \$2 Billion above 2007



Where the Money Comes From

- Governmental Funds -



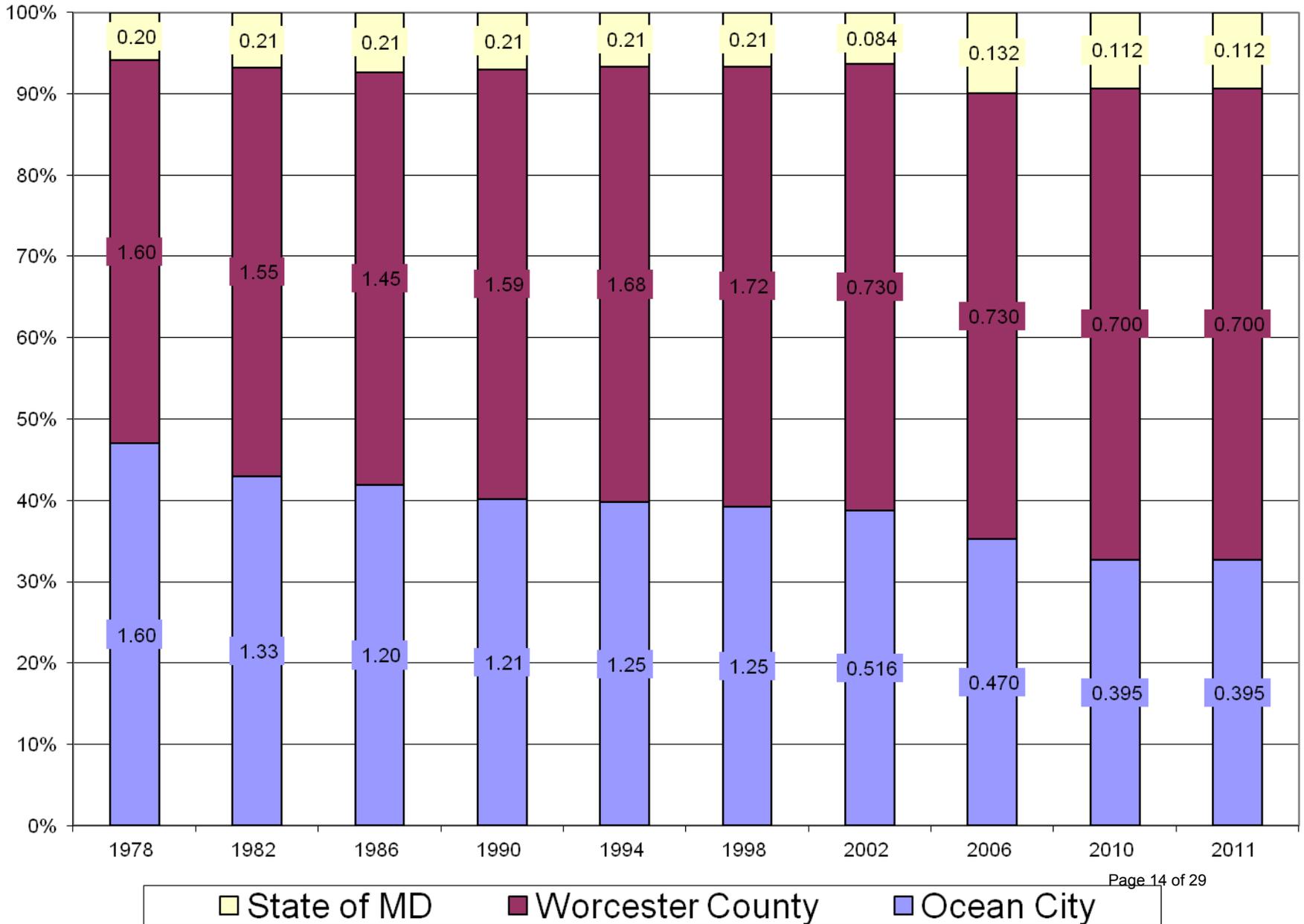
Governmental Funds Revenues 2011 vs 2010

	2010	2011	% Change
REVENUES			
Program Revenues:			
Charges for current services	\$12,592,238	\$13,123,194	4.2 %
Operating grants and contributions	2,705,797	2,807,769	3.8
Capital grants and contributions	80,000	75,000	(6.3)
General revenues:			
Property taxes	43,900,041	42,660,709	(2.8)
Other taxes	13,031,401	13,703,686	5.2
Grants and contributions not restricted to specific programs	2,436,638	2,636,388	8.2
Other revenue	835,277	711,467	(14.8)
<i>Total revenues</i>	<i>\$75,581,392</i>	<i>\$75,718,213</i>	<i>.2 %</i>



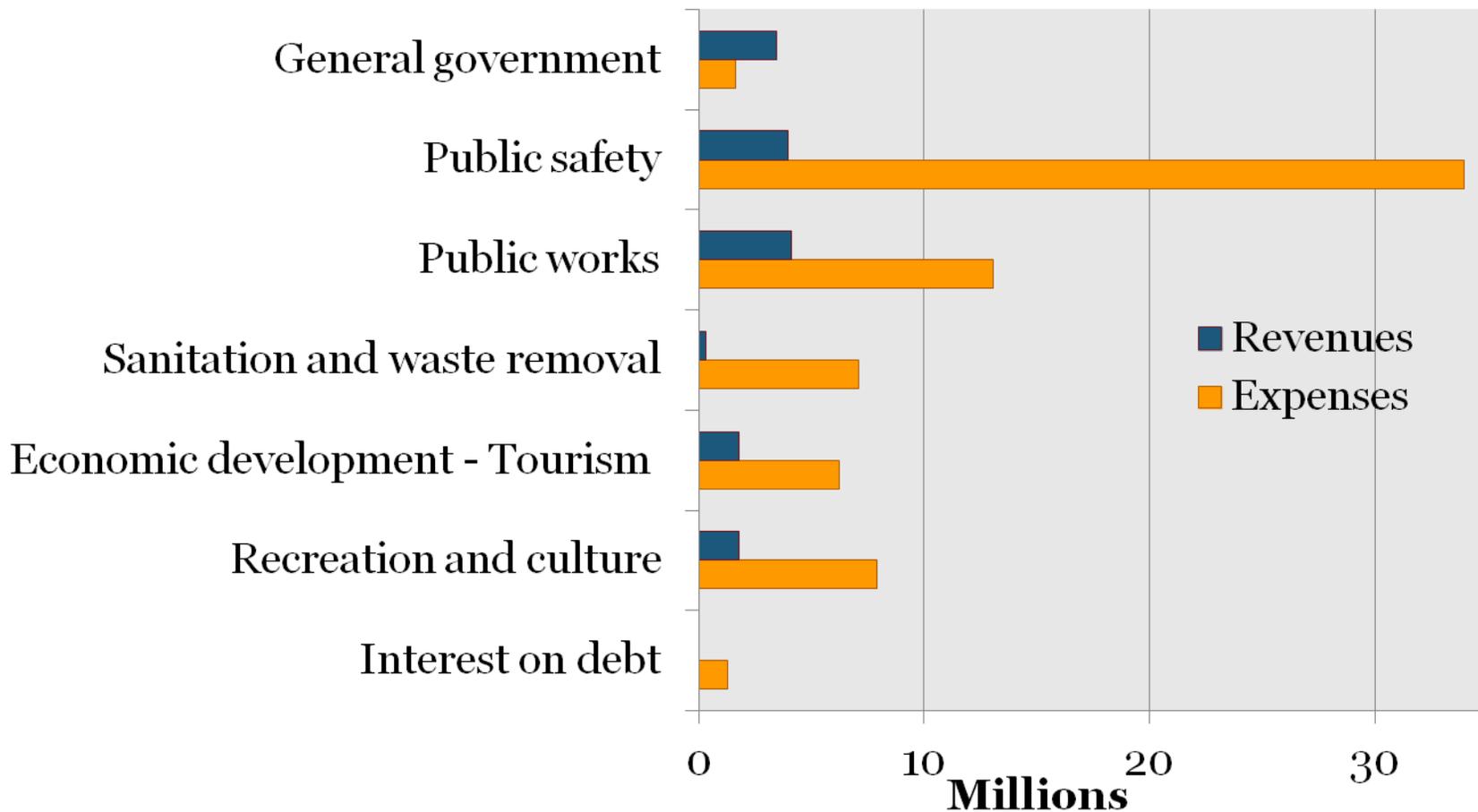
November 7, 2011 Regular Session

Overlapping Tax Rates for Ocean City Properties By Percentage of Total Bill 1978 - 2011



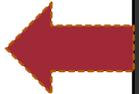
Where the Money Goes

Governmental Activities



FY2011 Governmental Funds Expenditures

	2010	2011	% Change
EXPENSES			
General government	\$ 1,621,071	\$ 751,333	(53.7) %
Public safety	33,961,816	34,297,859	1.0
General public works and beach	6,055,716	6,205,643	2.5
Sanitation and waste removal	7,081,833	6,193,273	(12.5)
Highways and streets	7,036,697	6,763,540	(3.9)
Economic development - Tourism	6,243,797	6,671,972	6.9
Recreation and culture	7,890,492	7,783,123	(1.4)
Interest on long-term debt	1,261,803	1,296,137	2.7
<i>Total expenses</i>	71,153,225	69,962,880	(1.7)
Increase in net assets before transfers	4,428,167	5,755,333	
Transfers	(4,288,477)	(3,795,956)	(16.6)
<i>Increase in net assets</i>	\$ 139,690	\$ 1,959,377	

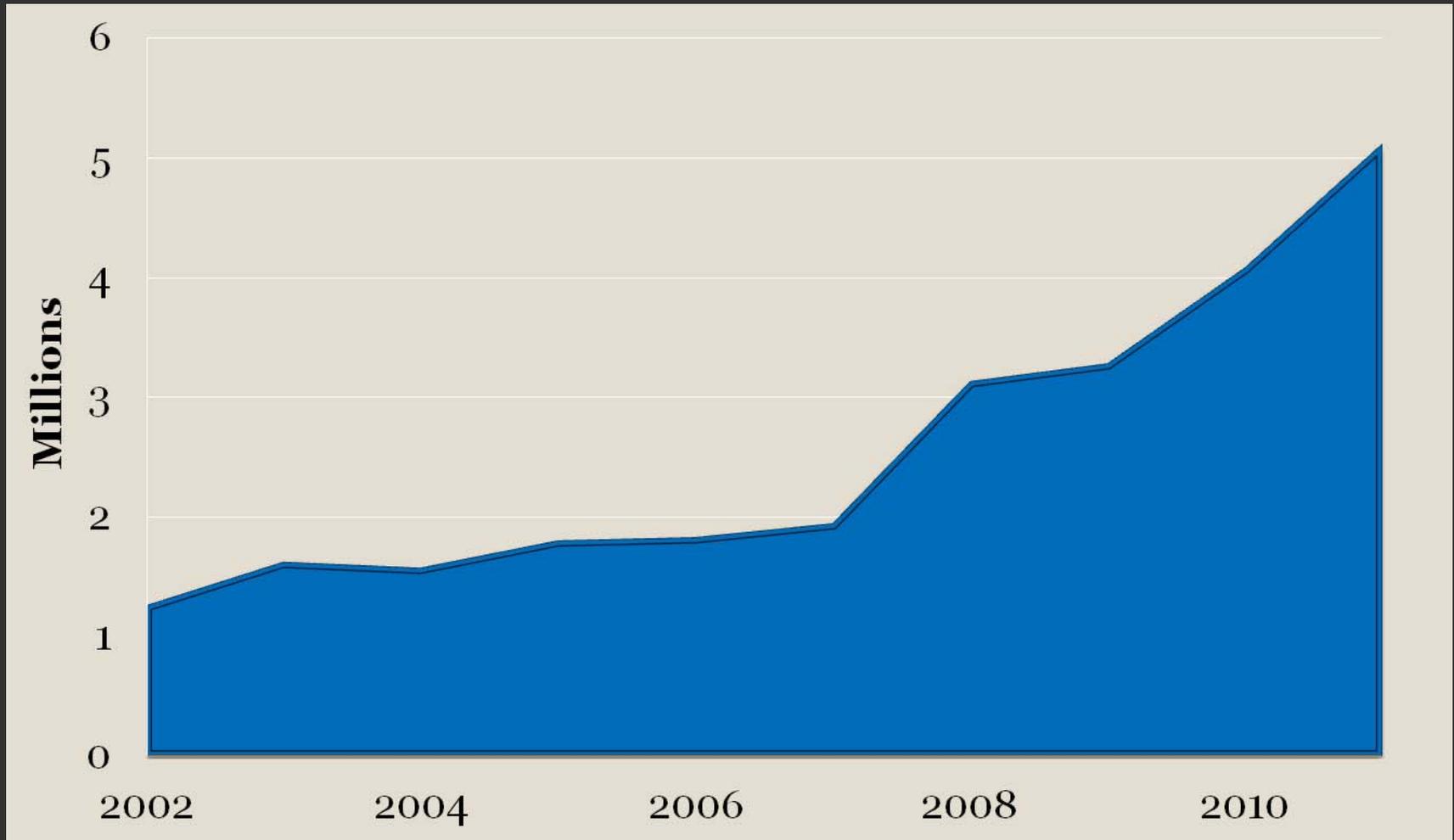


FY2011 Expenditures for Economic Development

- The highest percentage increase in expenses was for Economic Development – Tourism
- Up 6.9% from 2010
- Town increased advertising budget & had wide media exposure
- Utilized social media and apps
- Continued website and email blasts



Increase in Advertising Budget from \$1.3 million to \$5.1 million 2002 – 2011



General Fund Budget to Actual Comparison Includes Encumbrances

	◆ Actual	◆ Variance
◆ Revenues	\$ 75,430,276	44,953
◆ Less expenses including encumbrances	(70,578,451)	(2,175,155)
◆ Other financing uses	<u>(959,029)</u>	
◆ Net Change	\$ 4,891,391	

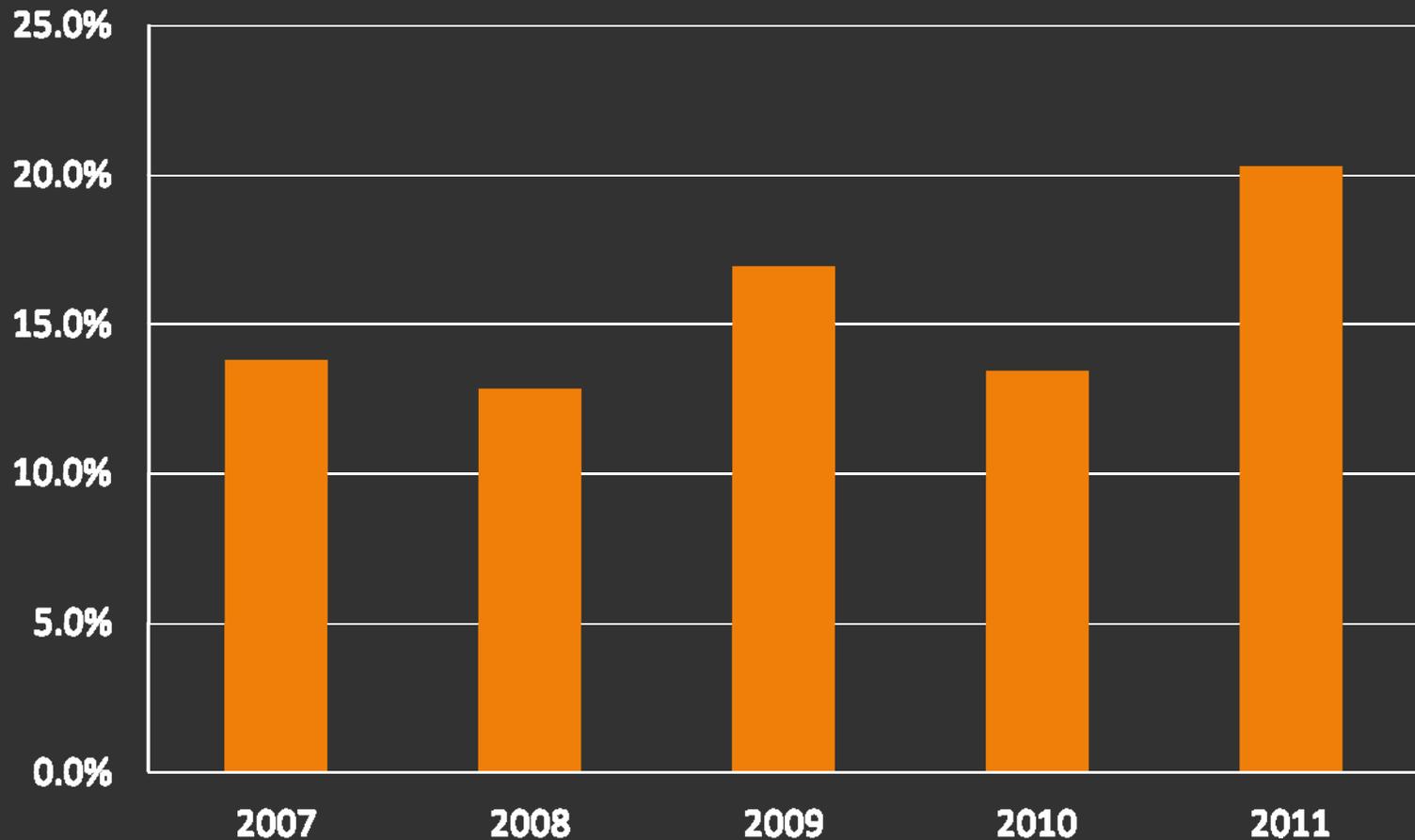
Unassigned Fund Balance

As Percentage of Expenditures

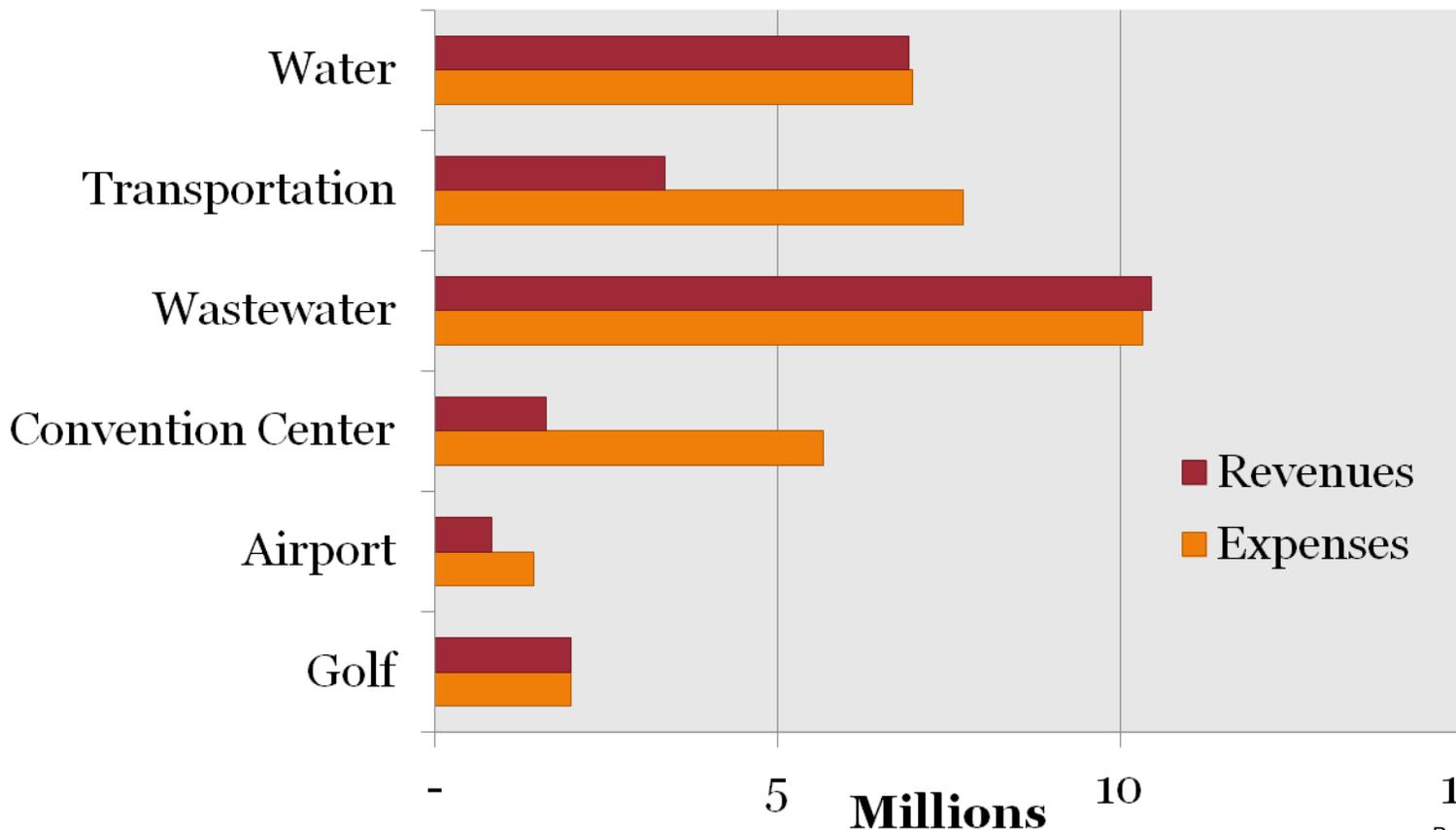
General Fund: 20.2%
\$16,178,073

Strong	>	8%
Adequate		2% - 8%
Low	<	2%

Unassigned General Fund Balance 20.2% at June 30 Compared to be 13.4% for FY-2010



Utilities and Business Services 2011 Revenue and Expenses



Where We Stood at June 30, 2011

Assets and Liabilities

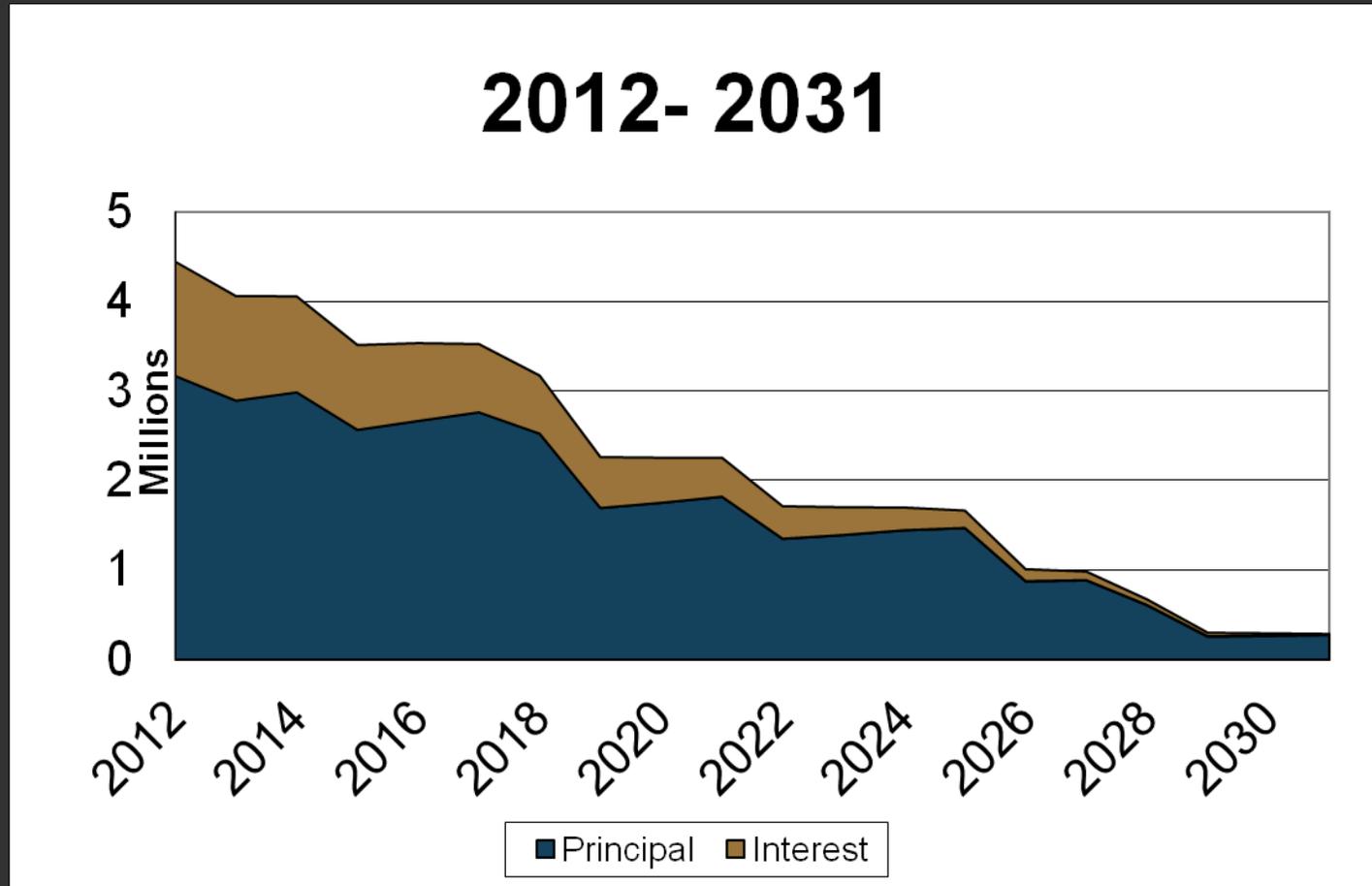
• Cash & current assets	\$ 68,600,183
• Capital assets	<u>177,332,963</u>
Total assets	\$245,933,146
• Bonds and debts	\$ 84,965,236
• Other liabilities	<u>16,543,175</u>
Total liabilities	\$ 101,508,411

Where We Stood at June 30, 2010

Net assets of \$144,424,735

• Invested in capital assets, net of debt	\$105,392,480
• Restricted purpose	11,352,325
• Unrestricted:	
Governmental	16,213,407
Business-type	<u>11,466,523</u>
	\$ 144,424,735

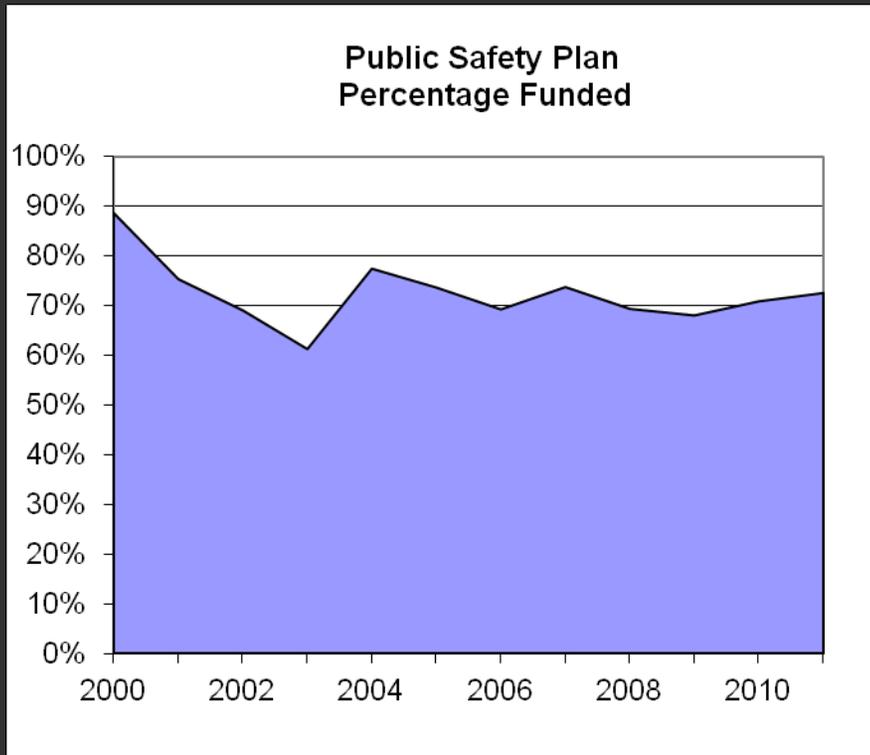
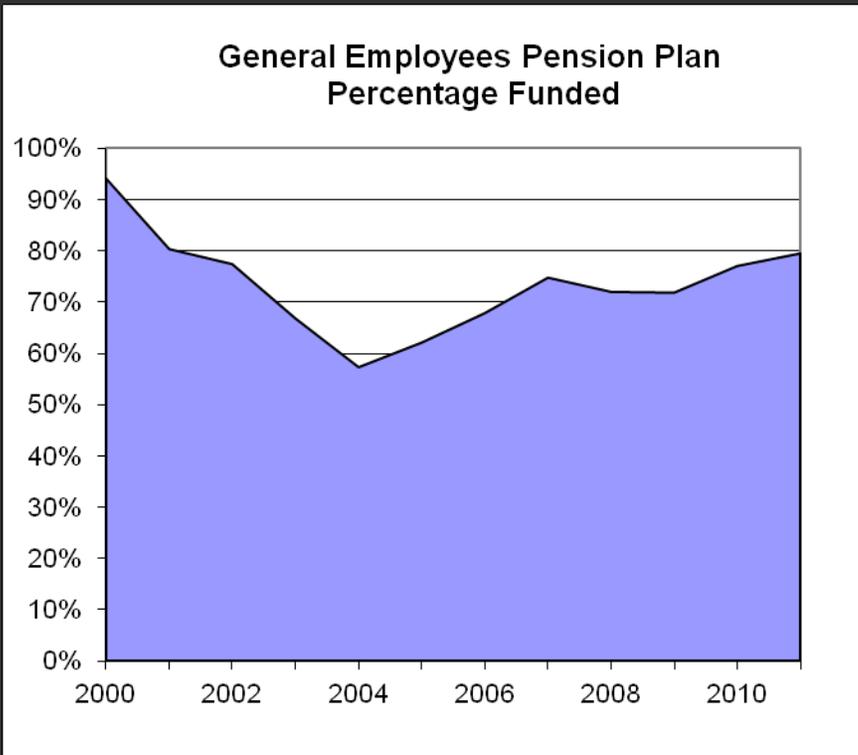
Financial Management Practices Rapid Debt Retirement – General Fund



Financial Management Practices – Pensions

Employees Contribute 1/3 of Pension Cost

Town has funded 100% of required contributions since 1972



Presented by:

Martha Bennett Lucey, CPA

Finance Administrator

Town of Ocean City

Finance Department

Thank-you



MEMORANDUM

DATE: November 1, 2011

TO: Richard W. Meehan, Mayor and Interim City Manager

FROM: Joe Sobczak, General Services Director

SUBJECT: Chemical Bids – Water/Wastewater Departments

I have reviewed the chemical bids that were acknowledged at the October 11th Work Session. The low bidder for all chemicals does meet the bid specifications with the exception of the Polymer for Waste Water. The low bidder Coyne did NOT meet the specifications and is not recommended to receive the bid award. The second lowest bidder, Chemtreat Inc. met the specifications for the Polymer and is recommended to receive the bid by Randy Bradford, Asst. Superintendent of Wastewater and myself. Both the Superintendent of Water, Howard Iman and the Superintendent of Wastewater, Charles Felin are in concurrence with the following recommendations:

Water Department

- A. JCI Jones, Milford, VA**
 - Liquid Caustic Soda 50% @ \$.30/dry lb
- B. American International, Framingham, MA**
 - Potassium Permanganate @ \$2.12/lb
- C. Univar, USA, Middletown, PA**
 - Chlorine (1 Ton Cylinder) @ \$21.90/cwt
- D. JCI Jones, Milford, VA**
 - Chlorine (150 Lb Cylinder) @ \$40.00/cwt
- E. George Coyne, Croydon, PA**
 - Clarifloc N-3300P (55 lb. Bag) @ \$156.70/bag
- F. George Coyne, Croydon, PA**
 - Clarifloc A-3320 (55 lb. Bag) @ \$129.91/bag

Wastewater Department

- A. Univar USA, Middletown, PA**
 - Chlorine (1 Ton Container) @ \$21.90
- B. Chemrite, Buford, GA**
 - HTH (100 Lb Pail) @ \$146.00
- C. JCI Jones, Milford, VA**
 - Sulfur Dioxide (Tons) @ \$39.00/cwt
- D. Carmeuse, Lime, Pittsburgh PA**
 - Lime (Tons) @ \$186.75/ton
- E. Intercoastal Trading, Secretary, MD**
 - Liquid Caustic Soda 50% @ \$4.14/gallon
- F. Intercoastal Trading, Secretary, MD**
 - Sodium Hypochlorite 15% @ \$1.29/gallon
- G. George Coyne, Croydon, PA**
 - Sulfuric Acid 66BE @ \$4.11/gallon
- H. I. Chemtreat, Inc., Glen Allen, VA**
 - Polymer -Chemtreat P838-E @ \$2.42/gallon (275 gallon drum)
 - Polymer -Chemtreat P838-E @ @2.38/gallon (55 gallon drum)

These will be bought within the respective department's annual chemical budgets. The prices were bid on approximate amounts for bidding purposes only.

Thank you.