



TOWN OF OCEAN CITY  
301 N. BALTIMORE AVENUE  
OCEAN CITY, MARYLAND 21842

## OCTOBER 1, 2013 ✦ WORK SESSION

In attendance: Mayor Rick Meehan, Council President Lloyd Martin, Council Secretary Mary Knight, Council Members Margaret Pillas, Doug Cymek, Brent Ashley, Dennis Dare and Joe Mitrecic, City Solicitor Guy Ayres, Finance Director Martha Bennett, Budget Analyst Jennie Knapp, City Engineer Terry McGean, Planning and Community Development Director Matt Margotta, City Planner Bob Nelson, Construction Superintendent Dean Dashiell, Deputy Public Works Director Jim Parsons, Purchasing Director Catrice Parsons, Public Works Deputy Director John VanFossen, City Clerk Kelly Allmond, Deputy City Clerk Terrance Murray, Members of the press and interested parties.

### CALL TO ORDER

Council President Lloyd Martin called the meeting to order at 12:00 p.m., in the Council Chambers of City Hall located at 301 North Baltimore Avenue in Ocean City, Maryland; then, **Council Member Joe Mitrecic moved to convene into closed session to consult with counsel to obtain legal advice and discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation or performance evaluation or any matter affecting one or more appointees, employees or officials over whom it has jurisdiction; seconded by Council Secretary Knight. The vote was 5-0 with Council Member Doug Cymek and Council Member Margaret Pillas absent.**

### REPORT ON CLOSED SESSION – OCTOBER 1, 2013 - 12:00 – 1:00 P.M.

Council President Lloyd Martin reopened the meeting at 1:00 p.m. and reported that legal and personnel matters were discussed in the closed session. Persons present were: Mayor Rick Meehan, Council President Lloyd Martin, Council Secretary Mary Knight, Council Members Doug Cymek, Brent Ashley, Dennis Dare, Margaret Pillas and Joe Mitrecic, City Solicitor Guy Ayres, Executive Office Associate Diana Chavis. The vote to end the closed meeting was unanimous.

### COMMENTS FROM THE PUBLIC

None

### NEW BUSINESS

#### A. Bid Openings

##### 1. 94th Street Water Tank Painting (Bid Bond Required)

<u>CONTRACTOR</u>	<u>BASE BID</u>	<u>ALTERNATE #1</u>	<u>ALTERNATE #2</u>
K&K Painting	\$318,000	\$327,000	\$319,000
Maccari Companies	\$204,091	\$214,351	\$216,403
Utility Service	\$198,000	\$216,000	\$206,000

**Council Member Joe Mitrecic moved to accept the apparent lowest bid from Utility Service with remand to staff for review; Council Member Dennis Dare. The vote was unanimous.**

2. **Fire Hydrant Maintenance (Bid Bond Required)**

<u>CONTRACTOR</u>	<u>BASE BID</u>
Utility Service Co.	\$80,410
R&M Service	\$63,640
Mueller Service Co.	\$84,968

**Council Member Margaret Pillas moved to accept the apparent lowest bid from R&M Service with remand to staff for review; seconded by Council Member Ashley. The vote was unanimous.**

3. **Chemicals for Water and Wastewater**

Three late bids were received (all from the same carrier). **Council Member Joe Mitrecic moved to accept the three late bids; seconded by Council Member Pillas. The vote was unanimous.**

VENDORS

Brenntag Northeast	Univar USA, Inc.	American International
Corrosion Control	Polydyne, Inc. Kuehn	Chemical
Aaron Opp	Chemical Co	Greer Industries
Colony Pool Service	JCI Jones Chemicals,	Graymont PA, Inc.
Sal Chemical	Inc.	Intercostal Trading
Carmeuse Lime	Marubeni Specialty	
Tidewater Products	Chemicals	

**Council Member Joe Mitrecic moved to acknowledge the bids with remand to staff for review; seconded by Council Member Pillas. The vote was unanimous.**

- B. Report on Ocean City Center for the Arts presented by Rina Thaler, Executive Director, and Marian Bickerstaff, Board President (see Attachment A)
- C. Pension Plan Actuarial Valuation Report presented by Ed Koebel of Cavanaugh MacDonald Consulting, LLC (see Attachment B)
- D. Bid Award Recommendation for IT Virtual Desktop Clients presented by City Engineer **Council Secretary Mary Knight moved to award the 50 Virtual Desktops to OM Office Supply, in the amount of \$15,900 (Budget Allocation = \$16,000); seconded by Council Member Pillas. The vote was 6-0 with Council Member Ashley out of the room.**
- E. Request to Sole Source Purchase a Beach Cleaner presented by Public Works Deputy Director **Council Member Joe Mitrecic moved to approve the sole source purchase of a beach cleaner from Kassbohrer All Terrain Vehicles, Inc., for the amount of \$56,900 (as budgeted); seconded by Council Secretary Knight. The vote was 6-0 with Council Member Ashley out of the room.**
- F. Update of Hazard Mitigation Plan presented by Planning and Community Development Planner (see Attachment C)

- G. Discussion of Fund Balance and Capital Improvement Projects presented by City Manager and City Engineer (see Attachment D)
- **Council Secretary Mary Knight moved to earmark funds saved from the 2012 Bond Issuance for the recommended Boardwalk Additions, St. Louis Avenue Additions and Fire Headquarters; seconded by Council Member Ashley. The vote was unanimous.**
  - **Council Secretary Mary Knight moved to earmark the 15% surplus in the General Fund Account for the recommended Capital Improvement Projects, Items removed from the FY14 Budget as shown, deferred maintenance projects as shown, vehicle replacement and repairs as shown, and, pedestrian safety enhancements to Baltimore Avenue. Residual Funds shall be held in reserve; seconded by Council Member Pillas. The vote was unanimous.**
  - Fire Chief Chris Larmore requested permission to initiate the bid process for the ambulance purchase immediately so it will be in service by the beginning of the 2014 Summer Season: **Council Member Doug Cymek moved to approve; seconded by Council Member Pillas. The vote was unanimous.**
- H. Follow Up Discussion on Amortization of General Fund Bonds presented by Finance Administrator **Council Member Brent Ashley moved to ask Bond Counsel to amend Bond Ordinance 2013-13 to add the 10 year amortization schedule before second reading; seconded by Council Member Mitrecic. The vote was unanimous.**
- I. Request for Approval of Taxi Medallion Transfers presented by City Clerk **Council Member Margaret Pillas moved to approve the transfer of Taxi Medallion #81 & 82 from Julio Odria (formerly d/b/a AAT Party Cab) to John Persico (currently d/b/a AAT Party Cab); seconded by Council Secretary Knight. The vote was unanimous.**

ADJOURN

**Council Member Joe Mitrecic moved to adjourn at 4:00 p.m.; seconded by Council Member Pillas. The vote was unanimous.**

*mcc approved on  
10/7/13  
Lucy Fullmond*

**Art League of Ocean City**  
**Update of Status of the Ocean City Center for the Arts**  
**to Mayor & City Council**  
**October 1, 2013**

The mission of the Art League of Ocean City is to promote the visual arts in Ocean City through exhibits, education, scholarship and community arts events. Since the opening of the Ocean City Center for the Arts, a state of the art 7500sq ft art center, the organization has been able to exponentially expand its service to the community.

A true public/private partnership was formed when the Art League of Ocean City, the Town of Ocean City, The State of Maryland, Worcester County and many private individuals, local businesses, and civic organizations joined together to commit funds and labor to the construction and furnishing of the building.

The building opened on March 1, 2013 with an opening reception of over 500 people in attendance, many of whom had been waiting over 40 years to see this building become a reality. Since then has served the community in a multitude of ways.

From May through September, over 8,000 people visited the Arts Center. Visitor reactions have been extremely positive, as people are often overwhelmed with the beautiful space that awaits them inside. The center has become an economic engine by providing income for local artists, artisans and art instructors.

Ocean City has reached new heights with the addition of the Ocean City Center for the Arts. We are grateful for the opportunity to fulfill our non profit mission of promoting the arts in Ocean City in a wonderful new building as we celebrate the 50<sup>th</sup> anniversary of the founding of the Art League of Ocean City.

Some of the many programs that we have been able to offer in the new building are:

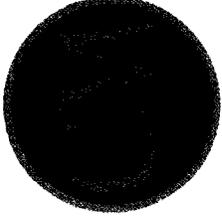
- 1- **Exhibits-** Multiple gallery spaces have allowed us to present a variety of art exhibits featuring local and regional artists who have no other venue to display their work, while simultaneously introducing the community to artists and mediums that they would otherwise not have access to. Our artist in residence studio offers a different artist each month the opportunity to have space to create and exhibit their art, as well as to be able to interact with the public and teach while they are in residence. We have reached out to both UMES and Salisbury University and have featured work by their students and faculty. We have also exhibited the artwork of Worcester County School Children.

This month (October) we are featuring the visual and literary arts as we have invited the OC Library Writers group to interpret the paintings of Pete Cosby and Randy Hofman through poetry and prose. Our First Friday Opening receptions are always free and open to the public and we have hosted over 200 people at each reception.

- 2- **Education-** Since March hundreds of children and adults have taken a variety of art classes. We have hosted a professional development day for the Worcester County Public School art teachers and held a free intergenerational art experience to promote sensitivity to the aged and the issues they face.

- 3- **Performing Arts-** While the focus of our mission is the visual arts; our new space has allowed us to present an intimate theater presentation “The Nina Variations” a thought provoking production by Brown Box Theatre. Based on Chekov’s “The Seagull”, this was the first time a production of this caliber has been offered in the resort. Over 200 people attended the four performances.
- 4- **Scholarship-** Since 1991, the ALOC has offered a yearly scholarship to a Stephen Decatur High School senior. This year, we have raised additional funds expanding the scholarship program to offer multiple scholarships to graduating high school students wishing to study art.
- 5- **Community meeting space-** We have hosted 12 meetings and events so far for numerous community members, groups and condo associations, including Little Salisbury Community Association, The Ocean City Life Saving Museum and the PNC Foundation.
- 6- **Community Outreach-** We ran a tie dye activity for 300 high school seniors in two weekends during “Play it Safe” in June.
- 7- **Art Adventure Camp-** Since 2011, we have offered art camp in partnership with The OC Rec Department. Previously we held one week of camp with 52 campers. This year 175 children attended camp over a 4 week period.
- 8- **Children’s Classes-** In our pottery studio, (the only one of its kind in Worcester County) we are able to offer after school and weekend classes year round.
- 9- **Partnerships with other Non Profits-** On October 26, we will partner with the Mid Atlantic Symphony to present “Artistry in Motion”, a gala event that will include performances by members of the Symphony and artist demonstrations. In January, our “Empty Bowl project” will raise money for Diakonia’s food pantry, through the creation of bowls in our pottery studio.
- 10- **Community Art Events-** This year our “Paint OC” Plein Air competition brought 53 artists from 6 states to paint on location in Ocean City. The event was culminated in a “quick draw” competition sponsored by the OCDC.

**Summary-** More space means more ability to serve the community needs. In our first 7 months of operations, we have far exceeded expectations. All of our programs are open to the public and many of them are free. We are unique in Ocean City as we are an art destination, offering a cultural amenity that was formerly lacking in the resort. We serve children and adults, locals and visitors to the town. We are open 7 days a week, year round. Our beautiful new facility sends the message that Ocean City is a well rounded resort, ready to meet the needs of all who live and play here.



**Cavanaugh Macdonald**  
CONSULTING, LLC

MEMBER OF THE CAVANAUGH GROUP



# Ocean City Valuation Results

## April 1, 2013

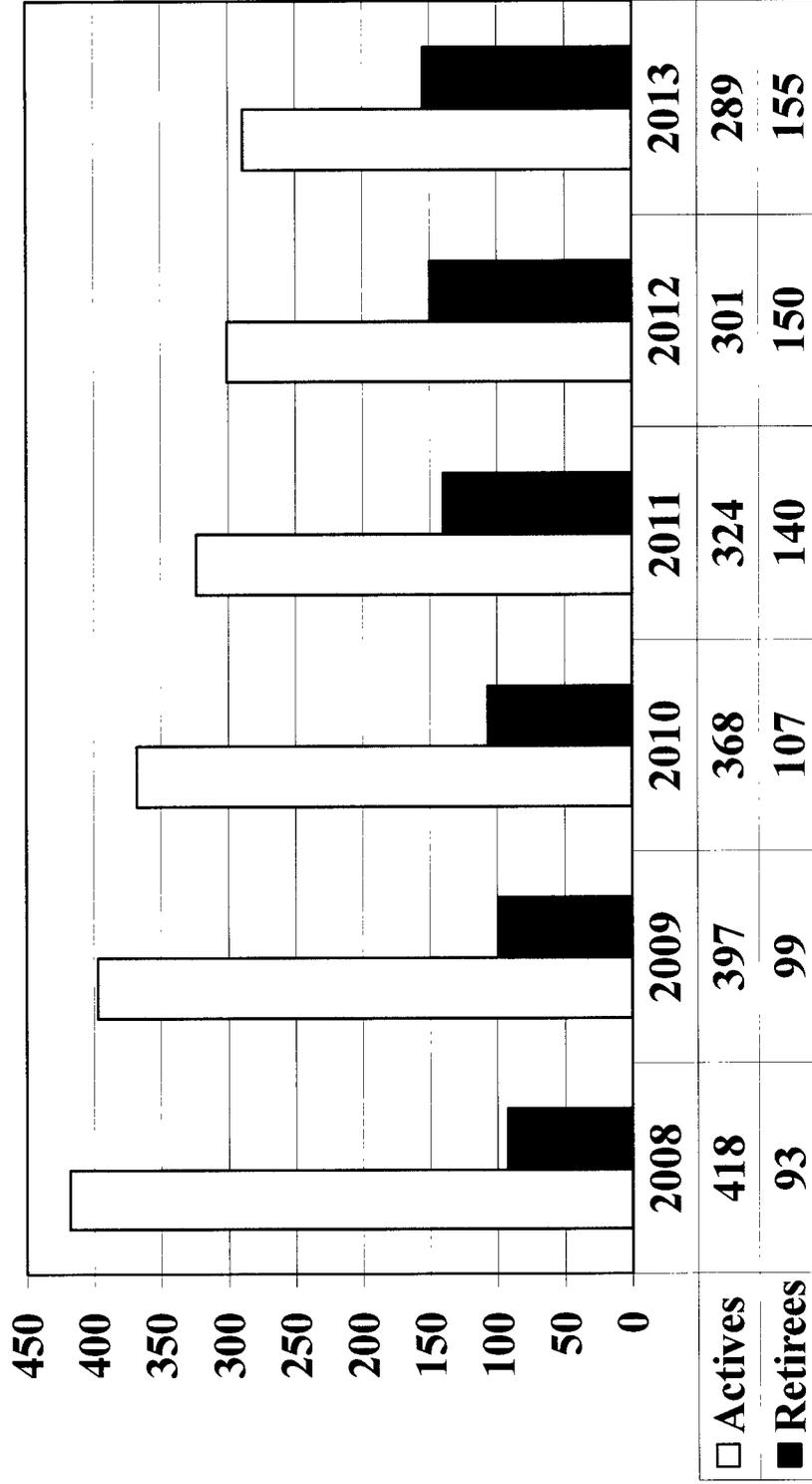
### The Employees of Ocean City, Maryland Pension Plan

Ed Koebel, EA, FCA, MAAA – Principal and Consulting Actuary





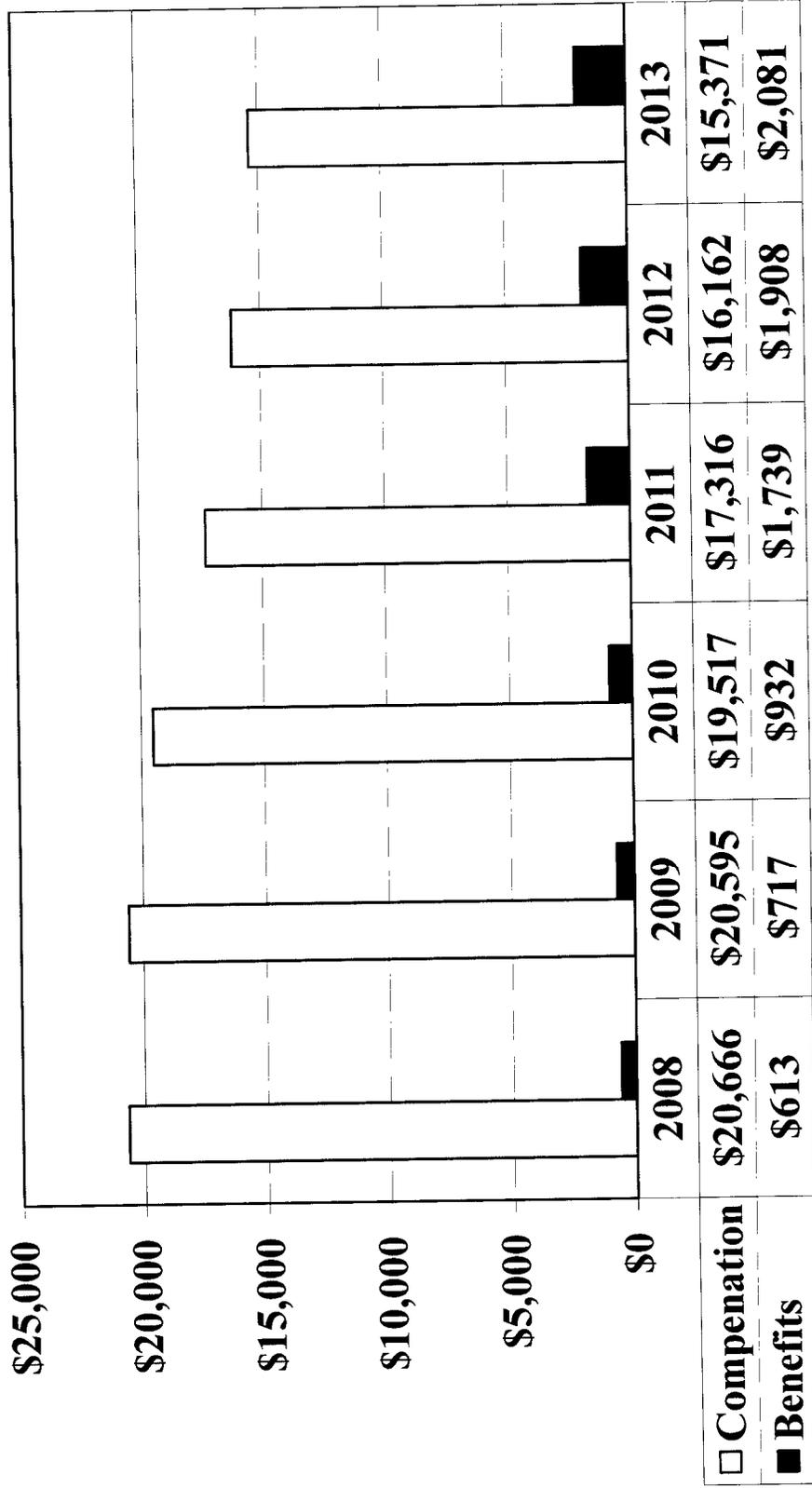
# Plan Census Data – April 1





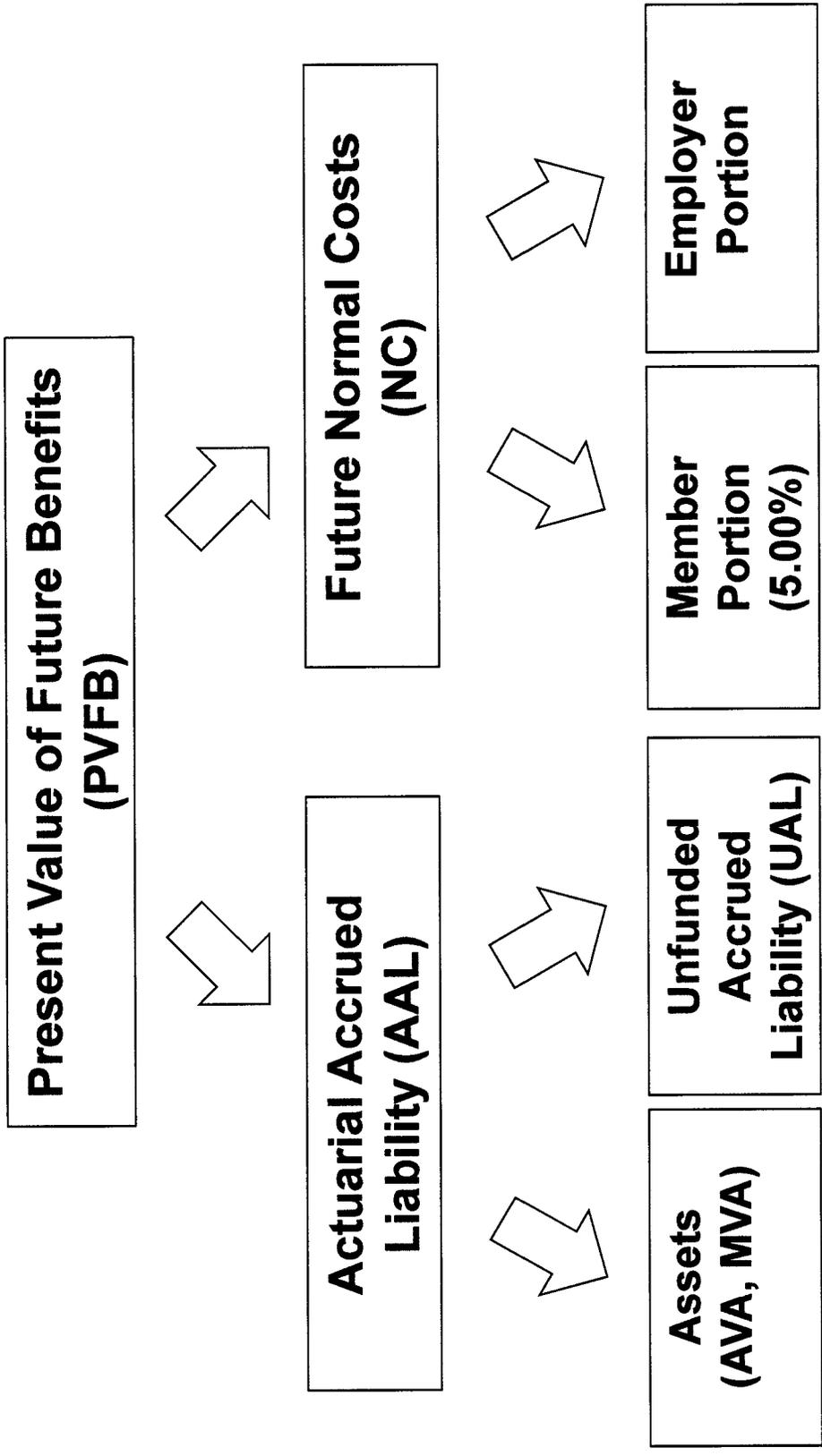
# Annual Compensation & Benefits – April 1

(thousands)



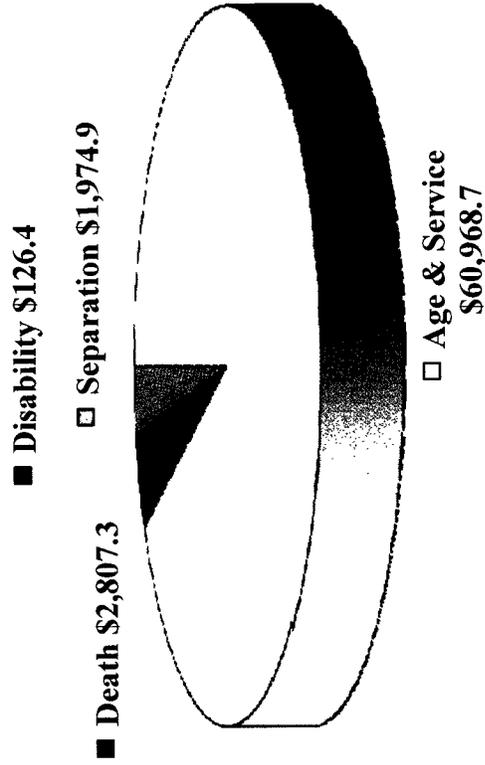


# Funding Valuation Process





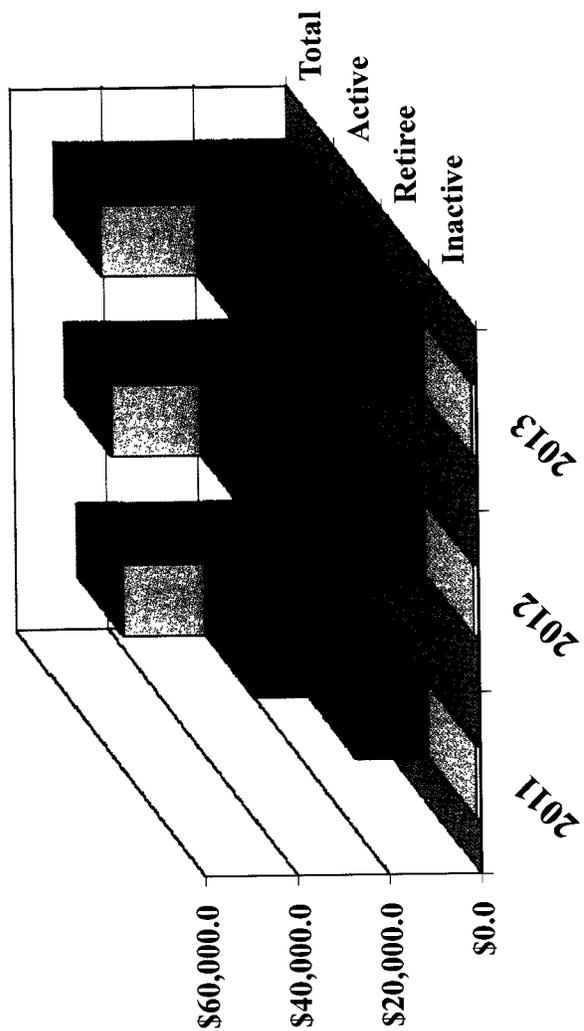
# Present Value of Future Benefits (*\$ thousands*)



Total - \$65,877.3



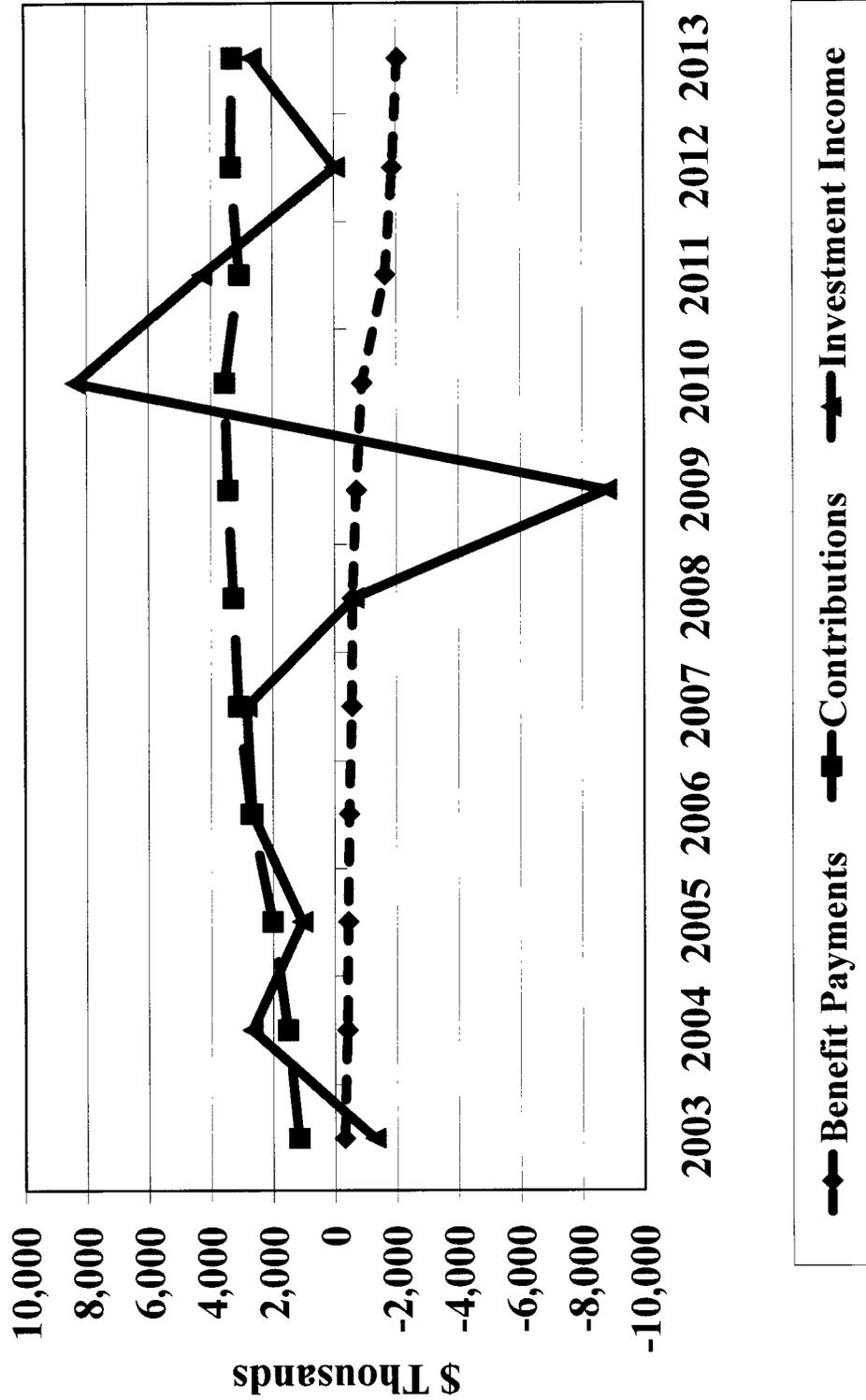
# Plan Total Accrued Liability (\$ thousands)



	4/1/2011	4/1/2012	4/1/2013
□ Inactive	\$912.0	\$1,047.7	\$951.3
■ Retiree	\$16,963.5	\$18,396.4	\$20,046.4
■ Active	\$28,959.5	\$29,455.1	\$29,747.4
□ Total	\$46,835.0	\$48,899.2	\$50,745.1

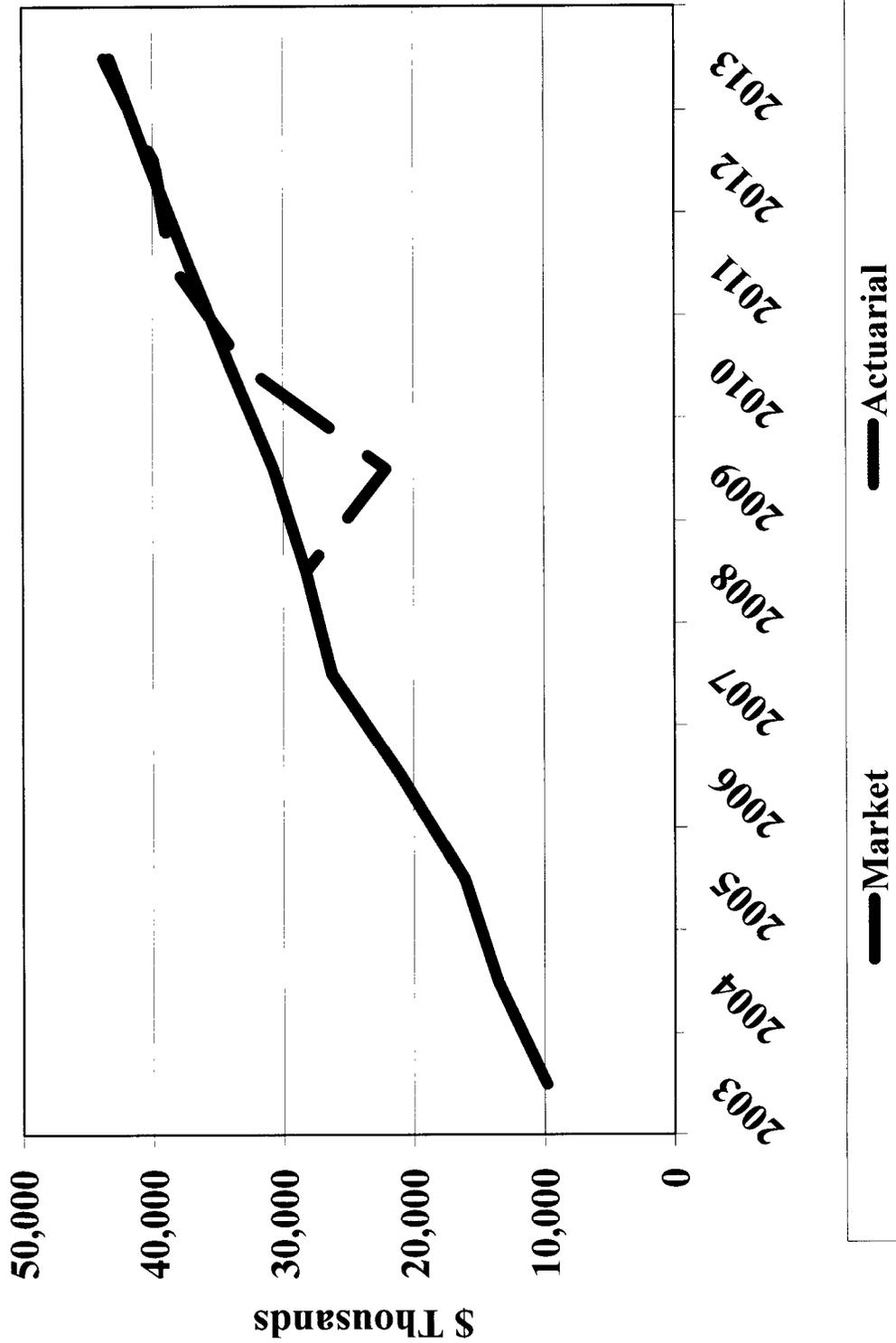


# Plan Cash Flow





# History of Plan Asset Values





# Unfunded Accrued Liability

(\$ thousands)



	<u>April 1, 2013</u>	<u>April 1, 2012</u>
1. Actuarial Accrued Liability	\$50,745.1	\$48,899.2
2. Actuarial Value of Assets	<u>43,230.4</u>	<u>40,299.1</u>
3. Unfunded Accrued Liability (1. - 2.)	\$7,514.7	\$8,600.1
4. Funded Ratio (2. ÷ 1.)	85.2%	82.4%



# Amortization of Unfunded Accrued Liability

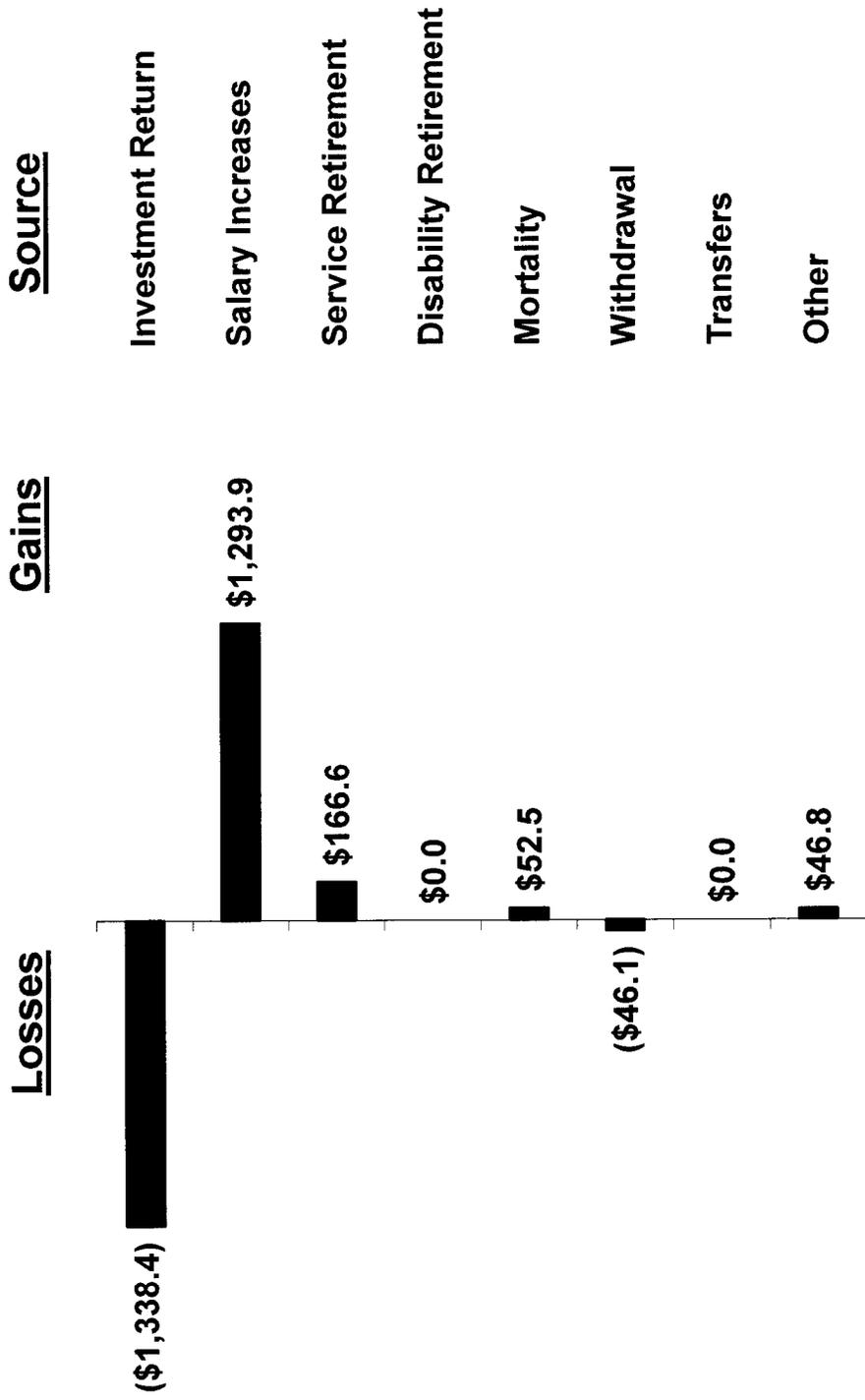


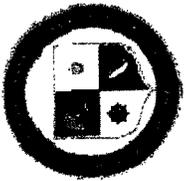
<u>Date Established</u>	<u>Description</u>	<u>Initial Amortization Period</u>	<u>Initial Amount</u>	<u>Remaining Amount on 4/1/2013</u>	<u>Payment/ (Credit)</u>
4/1/2004	Assumption Change	10	\$1,412,107	\$ 214,968	\$ 214,968
4/1/2004	Plan Change	20	6,050,551	5,257,010	649,508
4/1/2007	Assumption Change	10	305,048	159,340	44,255
4/1/2010	Assumption Change	10	(2,482,419)	(1,949,243)	(342,342)
4/1/2011	Assumption Change	10	619,028	528,232	83,892
4/1/2013	Cumulative Actuarial (Gain)/Loss	10	N/A	3,304,353	447,812
				\$ 7,514,660	\$1,098,093



# Plan Actuarial Gain/Loss Analysis

(\$ thousands)



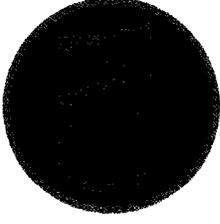


# Plan Contribution Results

(\$ thousands)



	<u>April 1, 2013</u>	<u>April 1, 2012</u>
1. Normal Cost	\$1,911.0	\$1,963.2
2. UAL Contribution	<u>1,098.1</u>	<u>1,196.9</u>
3. Total Required Contribution	3,009.1	3,160.1
4. Interest to Middle of Year	110.8	116.4
5. Participant Contributions	<u>768.5</u>	<u>808.1</u>
6. Employer (ER) Contribution (3. + 4. - 5.)	\$2,351.4	\$2,468.4
7. ER Contribution as Rate of Pay	15.3%	15.3%



**Cavanaugh Macdonald**  
CONSULTING, LLC

*Valuations and Risk Consulting*

 **Ocean City Valuation Results**  
**April 1, 2013**

**Ocean City, Maryland Public Safety Employees  
Pension Plan**

**Ed Koebel, EA, FCA, MAAA – Principal and Consulting Actuary**

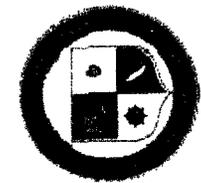




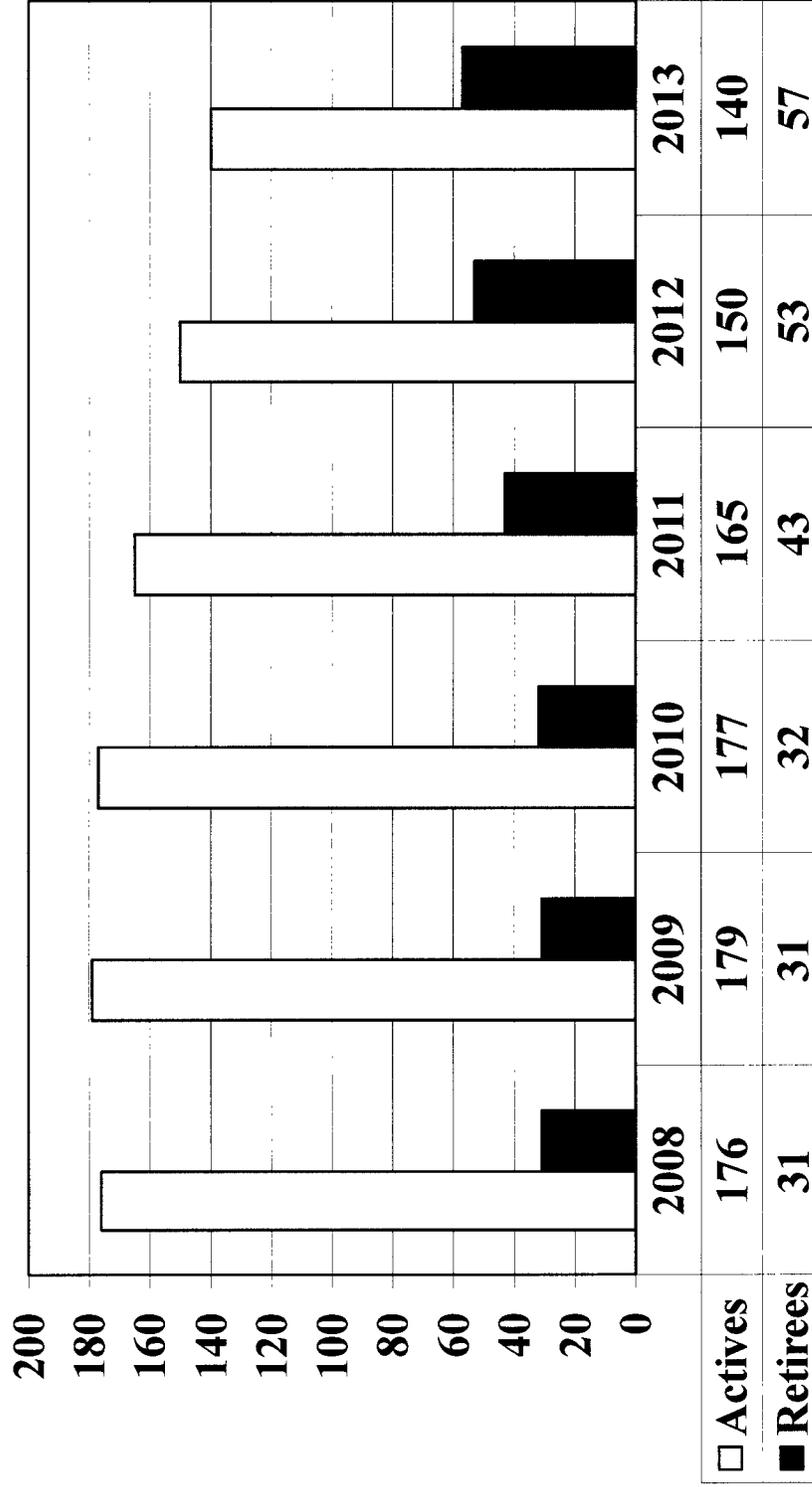
## Changes in Plan



- The Plan was reopened effective July 1, 2013 for new entrants hired on or after April 1, 2011. Will be included in next year's valuation.
- Military and seasonal service was included in the valuation.



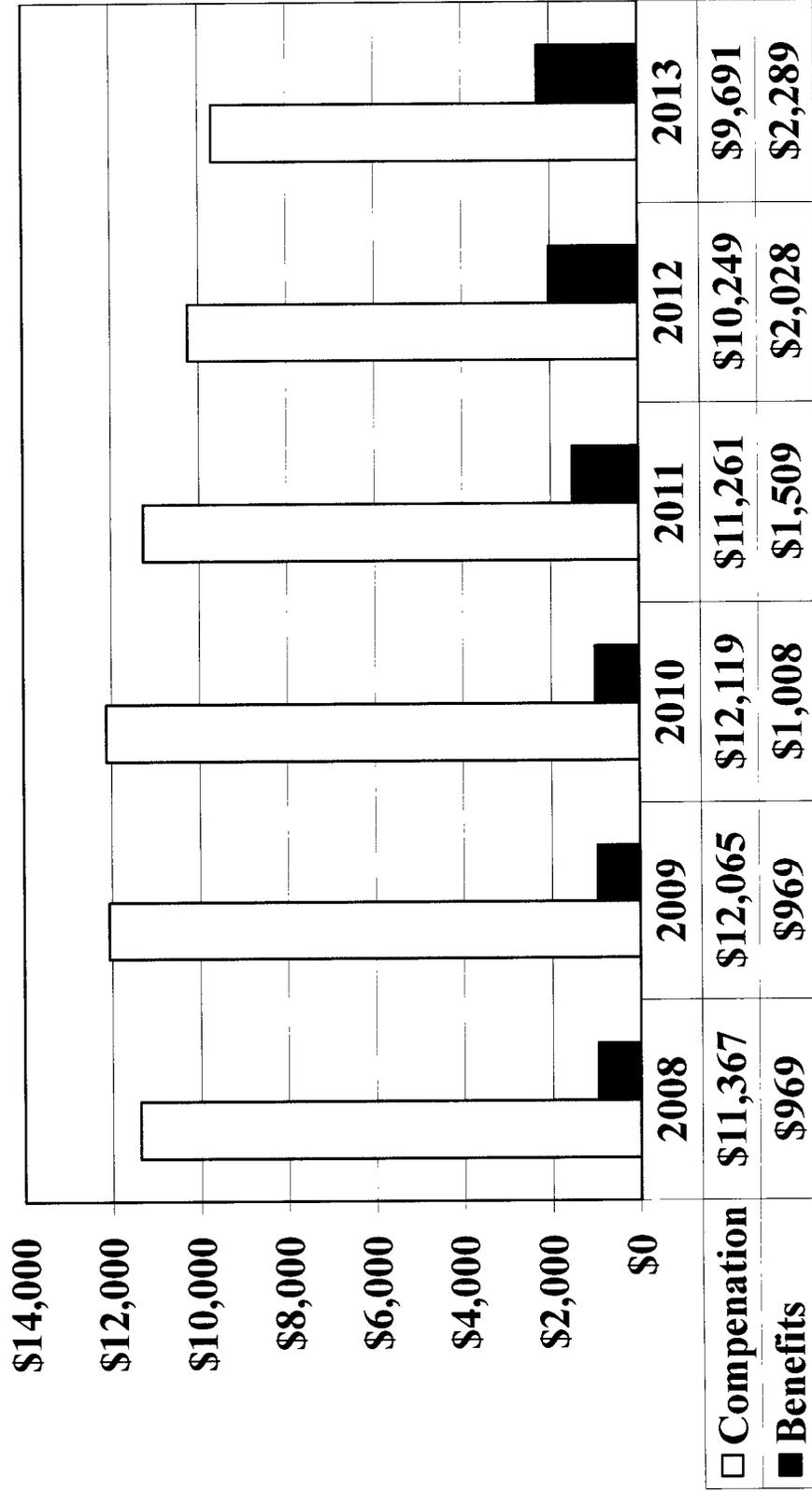
# Plan Census Data – April 1





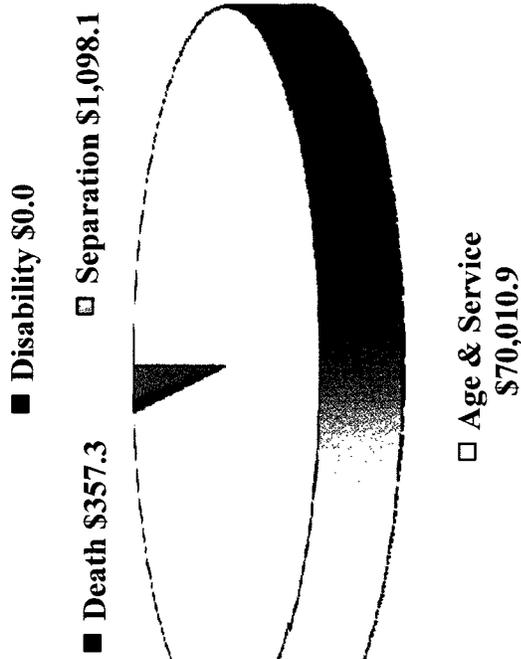
# Annual Compensation & Benefits – April 1

(thousands)





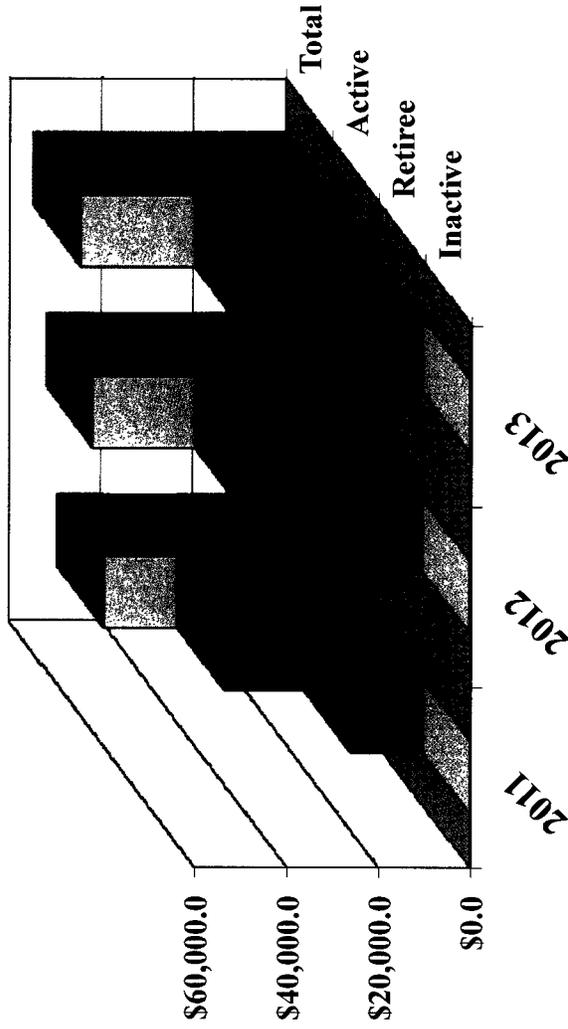
# Present Value of Future Benefits (*\$ thousands*)



Total - \$71,466.3



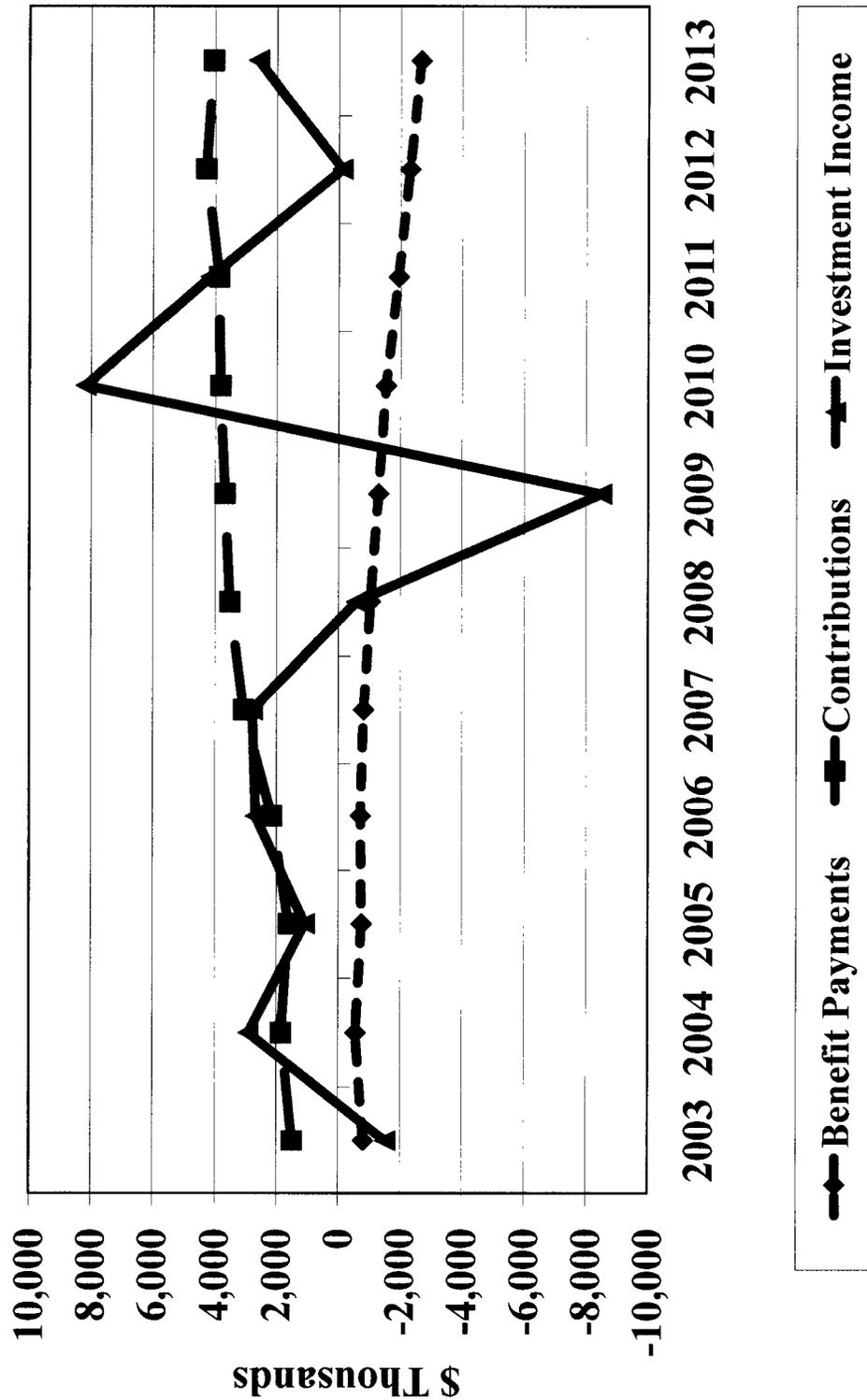
# Plan Total Accrued Liability (\$ thousands)



	4/1/2011	4/1/2012	4/1/2013
□ Inactive	\$53.9	\$250.3	\$226.0
■ Retiree	\$16,039.6	\$22,078.7	\$24,757.8
■ Active	\$33,385.3	\$29,597.4	\$29,733.7
□ Total	\$49,478.8	\$51,926.4	\$54,717.5

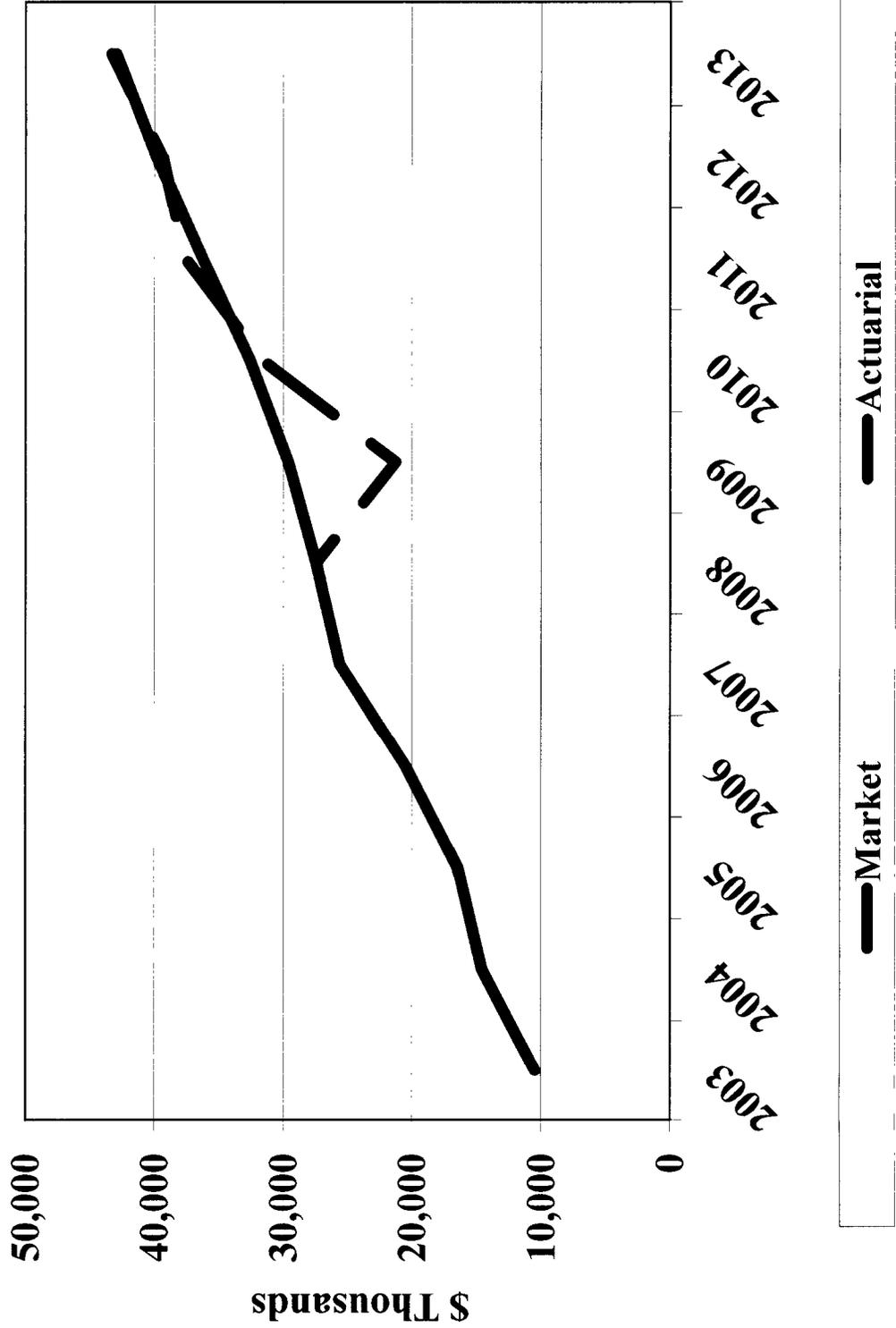


# Plan Cash Flow





# History of Plan Asset Values





# Unfunded Accrued Liability

(\$ thousands)



	<u>April 1, 2013</u>	<u>April 1, 2012</u>
1. Actuarial Accrued Liability	\$54,717.5	\$51,926.4
2. Actuarial Value of Assets	<u>42,873.8</u>	<u>39,797.4</u>
3. Unfunded Accrued Liability (1. - 2.)	\$11,843.7	\$12,129.0
4. Funded Ratio (2. ÷ 1.)	78.4%	76.6%



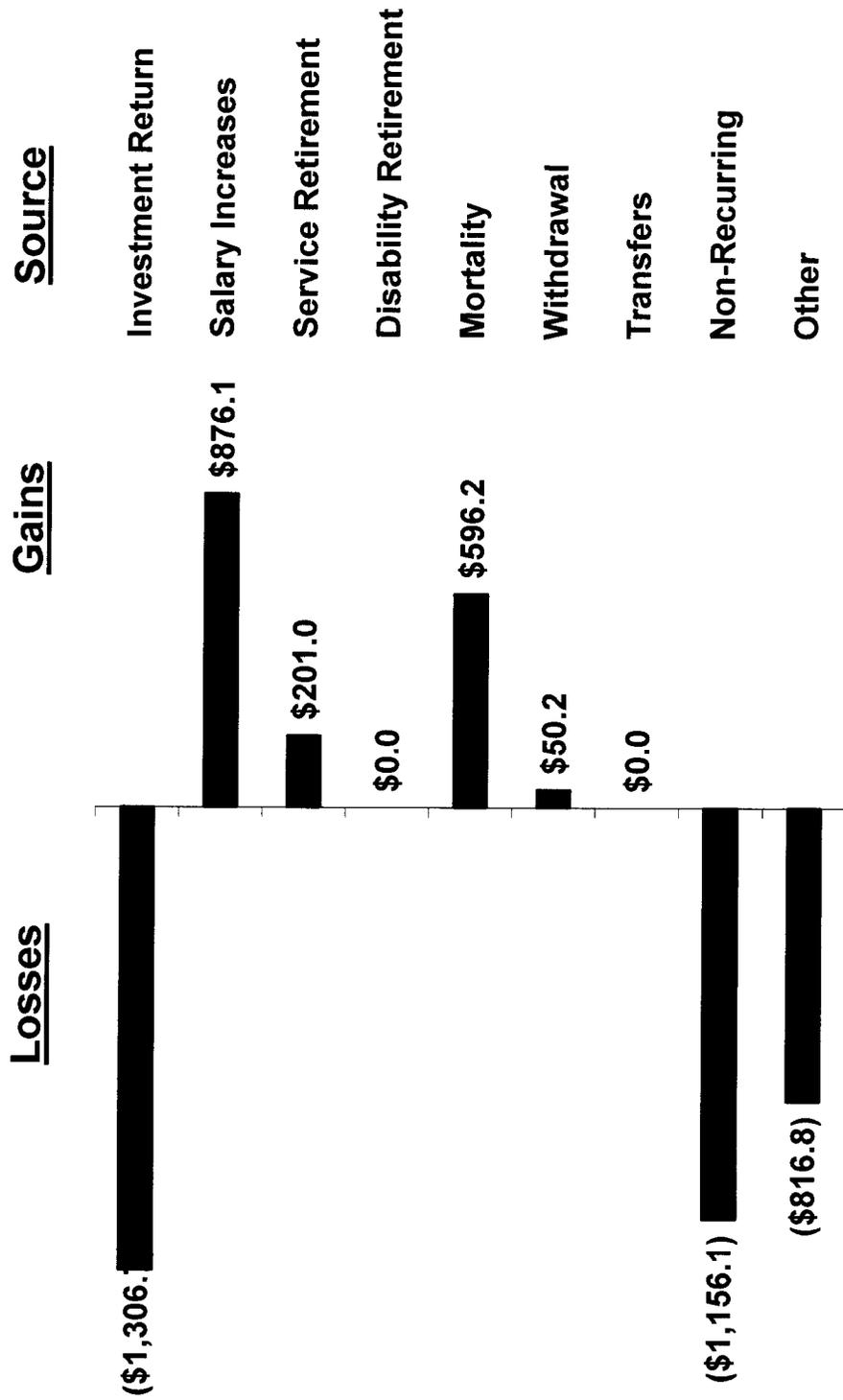
# Amortization of Unfunded Accrued Liability

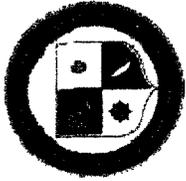
Date Established	Description	Initial Amortization Period	Initial Amount	Remaining Amount on 4/1/2013	Payment/ (Credit)
4/1/2004	Assumption Change	10	\$(439,585)	\$ (66,919)	\$ (66,919)
4/1/2004	Plan Change	10	245,367	49,961	37,905
4/1/2005	Plan Change	10	37,903	10,964	5,680
4/1/2006	Plan Change	10	2,375,659	979,352	350,323
4/1/2006	Assumption Change	10	583,092	240,376	85,985
4/1/2007	Plan Change	10	1,512,279	789,932	219,394
4/1/2007	Assumption Change	10	555,605	290,219	80,605
4/1/2008	Plan Change	10	953,066	591,454	135,987
4/1/2010	Assumption Change	10	(1,091,018)	(856,688)	(150,459)
4/1/2011	Assumption Change	10	473,620	404,153	64,186
4/1/2012	Cumulative Actuarial (Gain)/Loss	10	N/A	<u>9,413,926</u>	<u>1,275,792</u>
				\$11,843,730	\$2,083,479



# Plan Actuarial Gain/Loss Analysis

(\$ thousands)



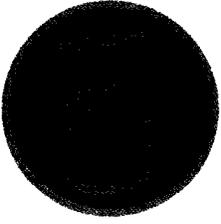


# Plan Contribution Results

(*\$ thousands*)



	<u>April 1, 2013</u>	<u>April 1, 2012</u>
1. Normal Cost	\$1,922.3	\$1,917.2
2. UAL Contribution	<u>2,038.5</u>	<u>1,996.7</u>
3. Total Required Contribution	3,960.8	3,913.9
4. Interest to Middle of Year	145.8	144.1
5. Participant Contributions	<u>775.3</u>	<u>829.5</u>
6. Employer (ER) Contribution (3. + 4. - 5.)	\$3,331.3	\$3,228.5
7. ER Contribution as Rate of Pay	34.4%	31.5%



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*The industry's most trusted consulting firm*



# New GASB Rules

Ed Koebel, EA, FCA, MAAA – Principal and Consulting Actuary





## Why are there GASB standards?

- Ultimately, the Governmental Accounting Standards Board is concerned with how state and local governments present accounting and financial information
- Reasons behind GASB changes
  - Improve consistency and transparency
  - Enhance decision usefulness of pension information
  - Assist users in evaluating accountability and inter-period equity related to pensions
- GASB's authority extends only to accounting and financial reporting, not to funding
- Final Statements issued in August 2012 with effective date for plans for years beginning after June 15, 2013 and for employers for fiscal years beginning after June 15, 2014



# GASB Changes Are Coming

- GASB 67 and 68 are replacing GASB 25 and 27
- Reporting of net pension liability
  - Liabilities stated directly on employer's financial statements
  - Assets marked to market will cause volatility
  - Blended discount rate if employer contributions are not fully funded – **should not apply to City of Ocean City as long as City pays full required contribution**
- Reporting of accrued expenses
  - Pension expense calculation accelerates recognition of unfunded liabilities
  - Expense calculation could be volatile
- Funding policy and accounting policy are separated
- Probably require 2 actuarial reports, one for funding (City contribution) and one for accounting (City financial statements)



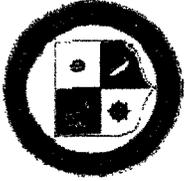
# Review Funding & Accounting Approach

	City Funding	GASB Accounting
Discount (Interest) Rate	7.5%	Blended, but same as Funding if City continues to make required contribution
Actuarial Cost Method	Projected Unit Credit	Entry Age Normal
Amortization Period	10 years (20 years for Plan Changes)	Some expensed immediately (0 years), some over future working lifetimes (about 5 years), market asset investment gains & losses over 5 years
Asset Value	5-year smoothing	Fair market value
Annual Cost	Normal cost + amortization of unfunded over 10 years	Normal cost + interest on pension liability + amortization of unfunded over approximately 5 years



## When Are the GASB Changes Coming?

- New GASB rules effective dates:
  - City Trust financial statements – fiscal years beginning after June 15, 2013
  - City financial statements – fiscal years beginning after June 15, 2014
- GASB standards apply only to financial reporting and not to funding (i.e., City cash contribution)
  - Funding based on amortization periods and actuarial methods adopted by Board of Trustees
  - May require implementing a formal funding policy
  - Funding guidelines being developed by professional organizations
  - For the moment, no changes to annual actuarial valuations to determine City contribution requirement



## Summary

- Changes will not directly impact the required City contribution
- Unfunded liability will be brought into balance sheet of City's financial statements –
  - Unfunded liability will be added to “long-term debt”
- Possible volatility in annual pension expense reported in City financial statements due to shorter amortization periods and use of market assets
- Changes effective for fiscal year 2014 for Trust and for fiscal year 2015 for City

## MEMORANDUM

TO: David L. Recor, ICMA-CM, City Manager

FROM: Matthew Margotta, A.I.C.P., Director of Planning and Community Development

SUBJECT: Community Rating System (CRS) Recertification

DATE: September 24, 2013

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**2012**

- We received approval and financial assistance to purchase a mobile, solar-powered variable message sign with a total cost of \$23,000. The sign will be part of our public notification efforts during severe weather events.
- The *2011 Ocean City, Maryland All Hazard Mitigation Plan* was prepared as a requirement of the Community Rating System Program under FEMA. The Mayor and City Council adopted the current version of the plan on July 16, 2012. A future update to this version is being considered.
- On December 3-4<sup>th</sup>, there was hurricane training on how to function in the Emergency Operations Center during a storm.

**2013**

- The Mayor's Open House was held on January 1<sup>st</sup>. Materials about storm safety and flood awareness were offered to the public during that event.
- Hurricane education was held at the Emergency Management Institute in Emmitsburg, Maryland from February 4-7<sup>th</sup>. Town staff attended exercises to learn how to conduct services following a storm.
- A Preparedness Day was conducted on May 18<sup>th</sup> with Worcester County to educate citizens of storm safety.
- May 22<sup>nd</sup> was Hurricane Awareness Night at City Hall. Presentations about hurricane safety measures, building safety, and purchasing flood insurance.
- Continuity of Operations training were held on August 20-21<sup>st</sup>.
- A Preparedness Day was conducted on September 1st with Worcester County to educate citizens of storm safety.

- Ocean City flood insurance holders continue to receive a 15% discount on their flood insurance premiums as part of our Class 7 status under the Community Rating System.
- The town's website has a link to "Flood Information" that allows viewers to read about many issues associated with flooding, hurricanes, and building safety, as well as viewing elevation certificates.
- A "Flood Hazard Protection" article is distributed to property owners twice each year and can be viewed with the month of September within the *Ocean City, Maryland Community Calendar and Newsletter*. The article covers topics like flood zones, our warning system, evacuation, and purchasing flood insurance.
- Our major effort continues to be addressing elevation of heating, ventilation, and air conditioning units above the base flood elevation. New units must be placed above the flood elevation.



**Excess Fund Balance Recommendations**

Total Available Funds (fund balance in excess of 15% of general fund expenditures)

Available Fund Balance as of end FY13 13,949,931  
Reserve Policy 15% of expenses 11,714,526  
Fund Balance available for appropriation 2,235,405

Recommended application of available funds

Capital Improvement Projects

Street Paving 383,410 brings street paving to full \$3 million  
Canal dredging 500,000 year 1 canals

Items removed from FY 14 Budget

Arrow board replacement 4,550  
Power washer replacement 13,000  
Northside Park East gym locker and shower stall 10,000  
Tennis Center north fence replacement 45,000

Deferred Maintenance

Street light painting 23,280 Baltimore ave poles  
City Hall flooring, painting and power wash 40,000  
Boardwalk dumpster screen painting 25,000 screens installed in 99-00  
Boardwalk Arch painting 40,000  
Boardwalk concrete crack repairs 15,000  
Downtown tram storage facility maintenance 45,000  
Street account funding for maintenance 50,000 adds funds for patching and utility repairs  
Broyhill container replacement 31,500

Public Safety Building transfer switch

16,192 previously approved

Vehicle Replacement and repairs

Replace 1 ambulance 255,000  
Replace boardwalk sweeper 60,000  
Paint 2 each solid waste collection trucks 40,000

Pedestrian safety enhancements to Balt Ave

10,000

Total recommended appropriation

1,606,932