

Town of Ocean City, Maryland  
Report to Citizens  
Fiscal Year 2007



**MAYOR**

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October 12, 2007

To the Citizens of Ocean City, Maryland



We are pleased to present this summarized report on the Town of Ocean City's finances showing what your tax dollars were used for in the fiscal year ending June 30, 2007. We have highlighted several accomplishments for the year and needs that we are still addressing. Our goal is to better communicate the results of financial operations in a report that is straightforward and easy to read.

The information presented in this report was taken from the Town of Ocean City Comprehensive Annual Financial Report for the year ended June 30, 2007, (the CAFR), which was prepared by the Finance Department. The financial statements in the CAFR, audited by Clifton Gunderson, LLP, give much more detail and disclosures and are prepared in a way that is accepted by the Government Accounting Standards Board. We invite you to read the CAFR that is available on the Town's website, [www.town.ocean-city.md.us](http://www.town.ocean-city.md.us), or you may get a copy by contacting the Finance Department at 410-289-8858.

Sincerely,

Dennis Dare  
City Manager

Martha Bennett  
Finance Administrator

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## ***MAJOR INITIATIVES FOR 2007***

### ***Disaster Recovery Planning & Continuity of Operations***

The Town formally adopted an Emergency Operation Plan in September 2002. The plan provides a foundation for the coordination of all City Departments and various support agencies, prior to, during and after any major emergency or disaster. It is periodically reviewed and modified to be current in policies and procedures. This year the Town focused on disaster recovery and established operating procedures to ensure the continuous performance of the Town's essential functions during an emergency.

The Maryland Emergency Management Agency (MEMA), in association with the University of Maryland Center for Health and Homeland Security, has developed a "how-to" manual to assist state and local organizations in enhancing their continuity of operations planning (COOP). In the wake of Hurricane Katrina, Ocean City has taken great strides to acknowledge this responsibility by completing its COOP Plan. The plan addresses response, resumption, recovery and restoration, four key elements to reducing the consequences of a disaster, achieving timely and orderly recovery from an emergency and resuming services to our citizens.

Town government is responsible for providing vital services to over 8,000 permanent residents and eight million visitors each year. It is critical that these infrastructure services be protected and maintained in the event of a crisis, whether large or small, man-made or natural. Ocean City's plan was submitted to MEMA for review and certification. In August 2007, the Town was formally recognized by MEMA as Maryland's first local jurisdiction to obtain this certification.

### ***Bayshore Drive***

Bayshore Drive underwent a massive transformation due to a failing roadway surface and deteriorating underground infrastructure. Renovations encompassed the entire one-mile stretch from its intersection at Philadelphia Avenue west to and including Bayshore Court. Working in conjunction with other Town departments and Eastern Shore Gas Company, the scope of the project included removal and replacement of the asphalt roadway surface, water main infrastructure, sewer lines, storm water drainage system and installation of a new gas service. The project also included new sidewalks, curbing, ornamental light poles and decorative brick paving along both sides of the roadway. The 2005 General Obligation Bonds financed this \$3,109,472 project.



### ***North Transit Center***

The Town, with assistance from the Maryland Transit Administration, completed the construction of this facility for \$1,087,745, paid from state grants of \$1,038,015 and a \$49,730 contribution from the general fund. Located at 144<sup>th</sup> Street, the center provides a formal north terminus to the Town's Coastal Highway fixed route with restroom facilities, office space for transit staff, and shelter, seating areas and bike racks for system users. The project included street parking adjoining the facility to provide the "park and ride" option. The facility also acts as an nterlink location for the Town of Ocean City and the Delaware Area Transit Authority.

### ***Tarry-A-While Guest House***



The Tarry-A-While was built in 1897 and destined for demolition until the Town and the Ocean City Development Corporation (OCDC), a non-profit, economic development organization, decided to purchase this home, move it to a city lot at 108 Dorchester Street and completely renovate this unique rooming house. Having been the first house in Town to have indoor plumbing, the Tarry-A-While proudly welcomed many tourists advertising "Rooms, Running Water, and Bathing From Rooms."

The \$891,059 in renovation work was coordinated by the Town's Public Works Department and the OCDC. The Maryland Department of Housing & Community Development shared the cost by contributing \$140,000 to preserve this historical building.

### ***Public Safety Storage Building***

Heightened security demands since the 9/11 disaster along with residential growth in Ocean City increased the size of the Public Safety Department and the need for emergency vehicles. This additional mobile equipment, such as the mobile command post, bomb disposal units and mass casualty units, were stored outside or scattered in remote facilities throughout the Town. The new 3,000 square foot, heated public safety storage facility is located directly behind the Public Safety Building and cost \$275,719. It will extend the life of this equipment and insure its easy accessibility when needed.

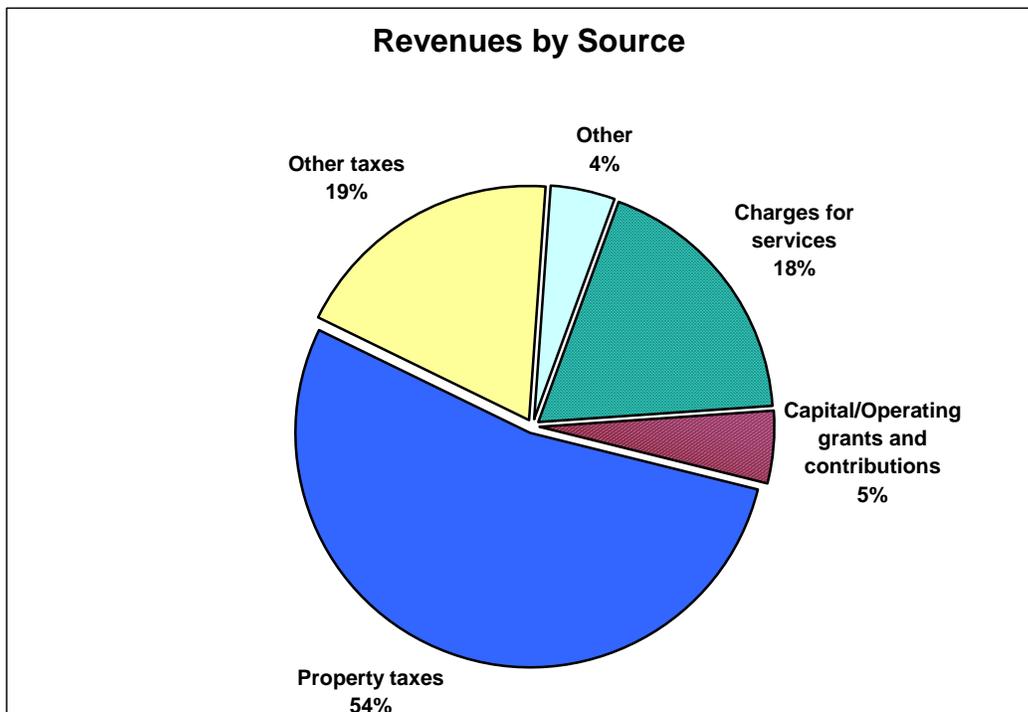
## FINANCIAL INFORMATION

The financial information in this report distinguishes functions of the Town that are principally supported by taxes and intergovernmental revenues, *governmental activities*, from other functions that are intended to cover their costs primarily from user fees and charges and are *utilities and business services*. The governmental activities of the Town include general government, public safety, general public works and beach, sanitation and waste removal, highways and streets, economic development, recreation and culture, and construction of capital assets. The utilities and business services of the Town include water, wastewater, the Roland E. Powell Convention Center, transportation, the Ocean City Municipal Airport and Eagle's Landing Golf Course.

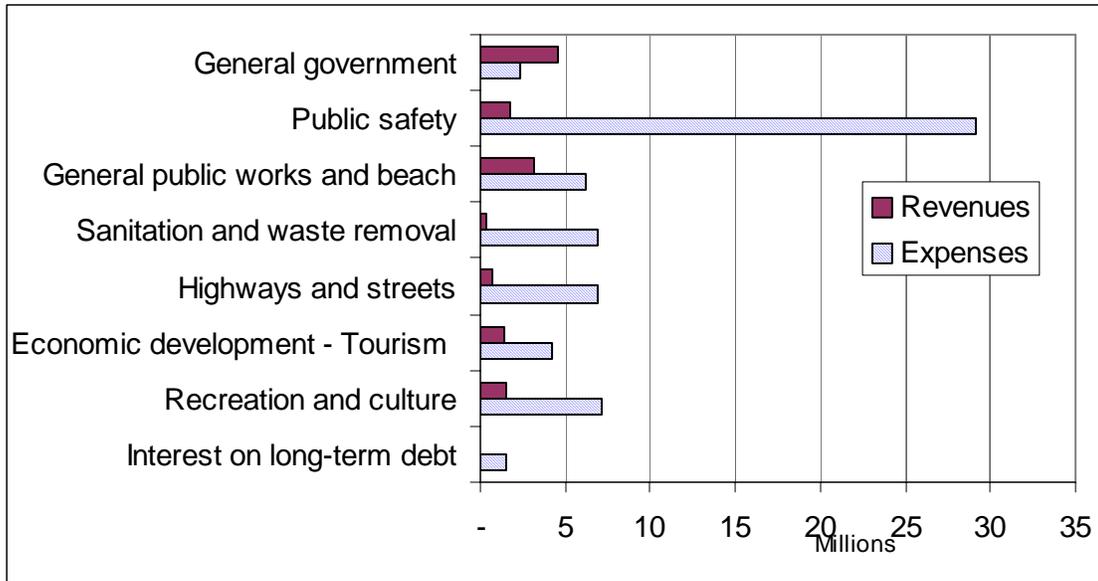
### Governmental Activities

Governmental activities such as police and public safety, solid waste collection, and community services are generally supported by taxes and revenues shared from the federal government, State of Maryland and Worcester County as the fees collected for each activity do not generally cover all expenses.

Where the Money Comes From			Where the Money Goes		
	2007	2006		2007	2006
<b>REVENUES</b>			<b>EXPENSES</b>		
Program Revenues:			General government	2,354,011	2,260,255
Charges for current services	\$ 13,291,280	\$13,323,925	Public safety	29,202,378	25,347,862
Operating grants and contributions	2,794,189	2,429,558	General public works and beach	6,175,410	5,795,271
Capital grants and contributions	787,782	683,127	Sanitation and waste removal	6,849,196	6,195,897
General revenues:			Highways and streets	6,964,317	6,112,945
Property taxes	38,714,874	33,317,113	Economic development - Tourism	4,227,250	4,067,088
Other taxes	13,696,456	12,836,646	Recreation and culture	7,098,691	6,580,404
Grants and contributions not restricted to specific programs	704,624	483,032	Interest on long-term debt	1,538,808	1,638,477
Other revenue	2,413,362	1,729,962	<i>Total expenses</i>	64,410,061	57,998,199
<i>Total revenues</i>	72,402,567	64,803,363	Increase in net assets before transfers	7,992,506	6,805,164
			Transfers	(4,927,374)	(3,363,384)
			<i>Increase in net assets</i>	\$ 3,065,132	\$ 3,441,780

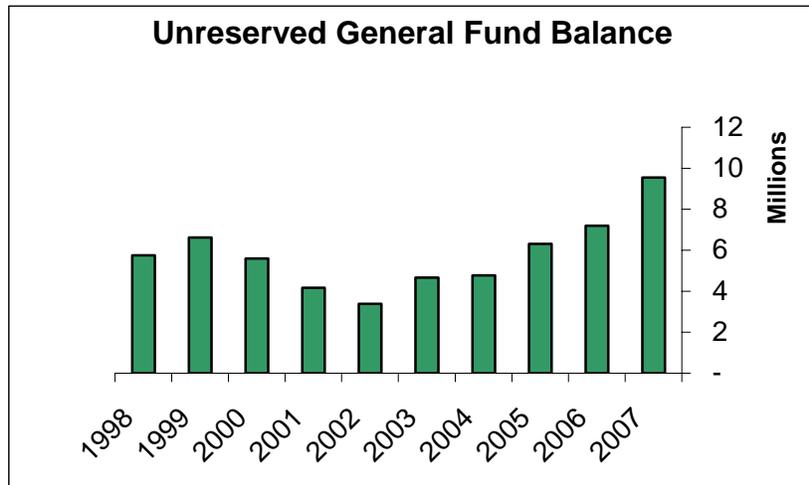


The following graph indicates the service fees and expenses of governmental activities which shows the extent which the governmental functions produce revenues to their program costs. Expenses not covered by direct program revenues and fees are covered primarily by taxes, licenses, and state and county-shared revenues. Program revenues and fees covered 26.2% of governmental expenses in FY-2007 compared to 27.6% in FY-2006.



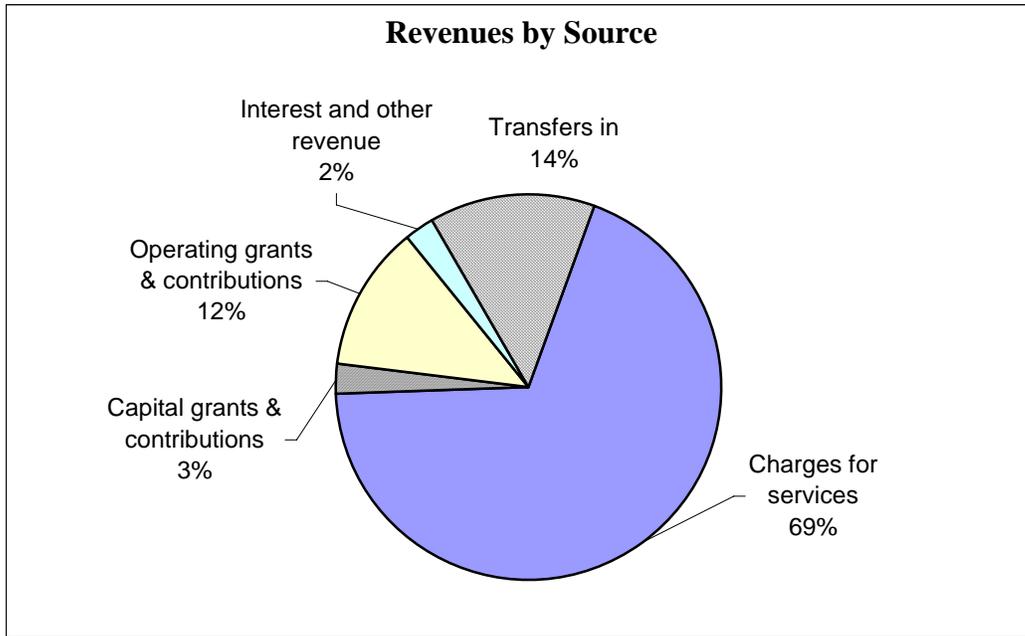
The Town’s overall financial position improved from 2006 to 2007 by \$4,885,386. The increase was primarily from gains from governmental activities of \$7,992,506 before transfers of \$4,927,374 to other funds. Due to increases in assessments and new construction, revenue from property taxes increased \$5,121,574 or 15.5%. Revenue from service charges and other revenues increased \$364,586 from the prior year. Total revenues increased 6.7%, while expenses increased \$8,478,357 or 7%.

**What is Fund Balance?**  
 “Fund balance” is the difference between assets and liabilities for governmental funds and is a key measure of financial health. The Town of Ocean City subdivides fund balance into “reserved” and “unreserved/undesignated” portions. The reserves portion represents set-asides for existing obligations. The unreserved/undesignated portion represents set-asides for future purposes and is available for emergencies. Think of the unreserved/undesignated as the savings account of the fund. It is the Town’s policy to have a minimum of 10% of expenses in unreserved fund balance. At June 30, 2007, the percentage was 14.9%.

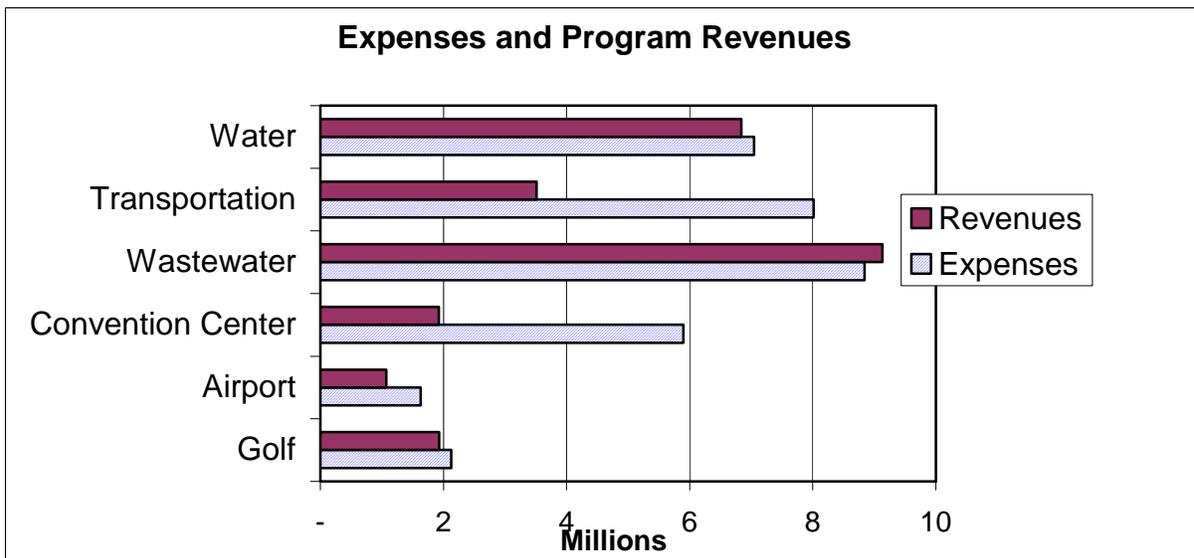


## Utilities and Business Services

The Town operates two utilities and four businesses and accounts for their activities similar to businesses in the private sector. Operating revenues and expenses result from providing services and delivering goods. The Water Fund operates the water treatment plants and distribution system; the Wastewater Fund operates the sewage treatment plant, pumping stations and collection system; the Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center; the Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams; and the Airport Fund and Golf Course Fund account for the operations of the Ocean City Municipal Airport and Eagle's Landing Golf Course. Fees and service charges are 69% of all revenues.



The following graph indicates the portion of expenses that are covered by service charges to customers for business-type activities. Water and wastewater are self-supporting and users or reserves cover all costs. The operations of the transportation, airport, golf course and convention center recovered 48% of expenses from user charges.



## Utilities and Business Services

	2007	2006
<b>Where the Money Comes From:</b>		
Charges for current services	\$ 24,406,802	\$ 24,180,534
Operating grants and contributions	4,309,687	4,195,060
Capital grants and contributions	885,908	2,601,934
Other revenue	839,134	581,545
<i>Total revenues</i>	30,441,531	31,559,073
<b>Where the Money Goes:</b>		
Water	7,045,220	6,994,515
Wastewater	8,839,617	8,499,404
Convention Center	5,896,177	5,038,307
Transportation	8,014,968	7,387,915
Other enterprise operations	3,752,669	3,562,015
<i>Total expenses</i>	33,548,651	31,482,156
Increase (decrease) in net assets before transfers	(3,107,120)	76,917
Transfers	4,927,374	3,363,384
<i>Increase in net assets</i>	1,820,254	3,440,301

## WHAT WE OWE

The Town borrows most of the money that it spends for major capital improvements by selling general obligation bonds or from loans that do not require collateral. The Town's bonds have interest rates from 3.00% to 5.05% and are paid over 20 years. At the end of 2007, the Town owed \$81,858,339 in debt. Over 58% of the debt, \$48,577,696, will be paid from service fees from business-type activities and \$33,280,643 will be paid from general tax revenues.

Why sell bonds? By selling tax exempt bonds, the Town obtains financing at a low interest rate and spreads the cost of the project over many years instead of adding the total cost to your tax bill in one year.

The Town has several pension plans that its employees participate in and has made a commitment to the employees to fund their future pensions. At March 31, 2007, the date of the actuarial valuation of the plans, the plans had assets of \$51,838,873 and an actuarial liability of \$70,244,555. This means that \$18,405,682 still needs to be contributed to the plans. Employees contribute 5-8½% of their pay to the plans and the Town plans to fund its portion of the liability over the next ten years.

## WHERE WE STOOD ON JUNE 30, 2007

The Town's statement of net assets provides a "snapshot" of where we stood financially on June 30<sup>th</sup>, the last day of the fiscal year. Net assets represent the Town's spendable resources and ownership (equity) in the assets that make up the Town's land, infrastructure, and buildings.

	Governmental	Business-type	Total	Change from 2006
Cash and current assets	24,529,916	24,870,569	\$49,400,485	8.37%
Capital assets	77,692,414	101,536,190	179,228,604	1.5
<i>Total assets (Owned)</i>	102,222,330	126,406,759	228,629,089	2.9
Long-term debts outstanding	33,280,643	48,577,696	81,858,339	-4.5
Other liabilities	9,041,311	5,727,049	14,768,360	30.7
<i>Total liabilities (Owed)</i>	42,321,954	56,304,745	98,626,699	1.6
Excess of assets over debts:				
Invested in capital assets, net of debt	44,411,771	52,958,492	97,370,263	7.2
Restricted for capital and to pay debt	1,406,804	7,094,064	8,500,868	-10.9
Unrestricted	14,081,801	10,049,458	24,131,259	-2.5
<i>Total Excess of Assets over Debts</i>	\$59,900,376	\$70,102,014	\$130,002,390	3.9 %



# Town of Ocean City's Report to Citizens

## Operating Information for 2007

Year-round Residents	8,248	<b>General Government</b>	
Registered Voters	5,447	Construction Permits Issued	2,065
Average Summer Population	259,105	Estimated Value of Construction	\$ 164,614,258
<b>Public Safety - Police</b>		<b>Solid Waste</b>	
Total Arrests	3,925	Trash Processed (tons)	33,447
Parking Violations	9,284	Trash Recycled (tons)	3,096
Classified Officers	107	<b>Tourism and Recreation</b>	
Seasonal Officers	110	Seasonal Beach Patrol Personnel	190
<b>Fire and Emergency Services</b>		<b>Water</b>	
Fire Responses	1,460	Daily Average Consumption (gallons)	5,582,958
Ambulance Responses	5,580	Plants Daily Capacity (gallons)	18,000,000
Fire Safety Inspections/Re-Inspections	2,990	<b>Wastewater</b>	
Fire Investigations	171	Daily Average Treatment (gallons)	5,691,945
Classified Fire Personnel	3	Summer Daily Treatment Average (gallons)	9,795,522
Volunteer Firemen, Life Honor, Gold Badge	237	Plants Daily Treatment Capacity (gallons)	14,000,000
Classified Emergency Medical Technicians	42	<b>Airport</b>	
Seasonal Emergency Medical Technicians	34	Based Aircraft	63
<b>Transportation</b>		Aircraft Fueled	7,500
Bus Passengers	3,423,798		

Visit our website to check on your utility and tax account balances  
or to pay your bills online. [www.town.ocean-city.md.us](http://www.town.ocean-city.md.us)



*For additional information  
or questions contact:*

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Finance Department  
City Hall  
301 Baltimore Avenue  
PO Box 158  
Ocean City, MD 21843  
410-289-8858

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