

FY 2017 BUDGET OVERVIEW

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CHARTER AUTHORIZATION

Section C-704 defines the budget as:

- A complete financial plan for the budget year
- Containing estimates of anticipated revenues and proposed expenditures for the coming year
- The total of anticipated revenues shall equal or exceed the total of the proposed expenditures

BUDGETS WITHIN BUDGETS

- The Town budget is actually a collection of separate accounting units referred to as “Funds”
- General Fund
- Enterprise Funds
- Internal Service Funds
- Fiduciary Funds

GENERAL FUND

- The General Fund supports Public Safety, Public Works, Solid Waste, Recreation, Tourism and General Government.
- Real Property Tax revenue provides 50% of the funding for the General Fund. Other taxes such as Room Tax, Charges for Services and Funding from Other Agencies provide the other 50%.

ENTERPRISE FUNDS

- Used for services provided to the public on a user charge basis
- The Town operates six Enterprise Funds
- Three funds are self-sufficient:
 - Water
 - Wastewater
 - Golf Course
- Three funds are supplemented by the General Fund:
 - Transportation
 - Airport
 - Convention Center

INTERNAL SERVICE FUNDS

- These funds are used to account for the financing of goods or services provided by one department of a government to other departments on a cost-reimbursement basis
- The Town operates four Internal Service Funds
 - Information Technology
 - Purchasing/Garage
 - Vehicle Trust
 - Risk Management

FIDUCIARY FUNDS

- These funds are used to account for the Town's anticipated future liability for retiree healthcare and pension costs.
- Annual funding is based on actuarial assumptions which are evaluated and determined annually by the Town's Actuary for pension plans and bi-annually for retiree healthcare.



JUST THE FACTS

THE FACTS

- Total Budget for all funds: \$122,401,601
- Total General Fund Budget: \$80,891,982
- Tax Rate for proposed budget is the constant yield rate of .4727. This is a reduction from the FY 16 rate of .478.
- One penny on the tax rate = \$855,473

WATER AND WASTEWATER RATES

- Water Rates:
 - Fixture charges remain at the FY 16 rate of \$1.60
 - Usage rates increase from \$3.70 per 1,000 gallons to \$3.90
- Wastewater Rates:
 - Fixture charges increase from \$8.80 to \$8.95

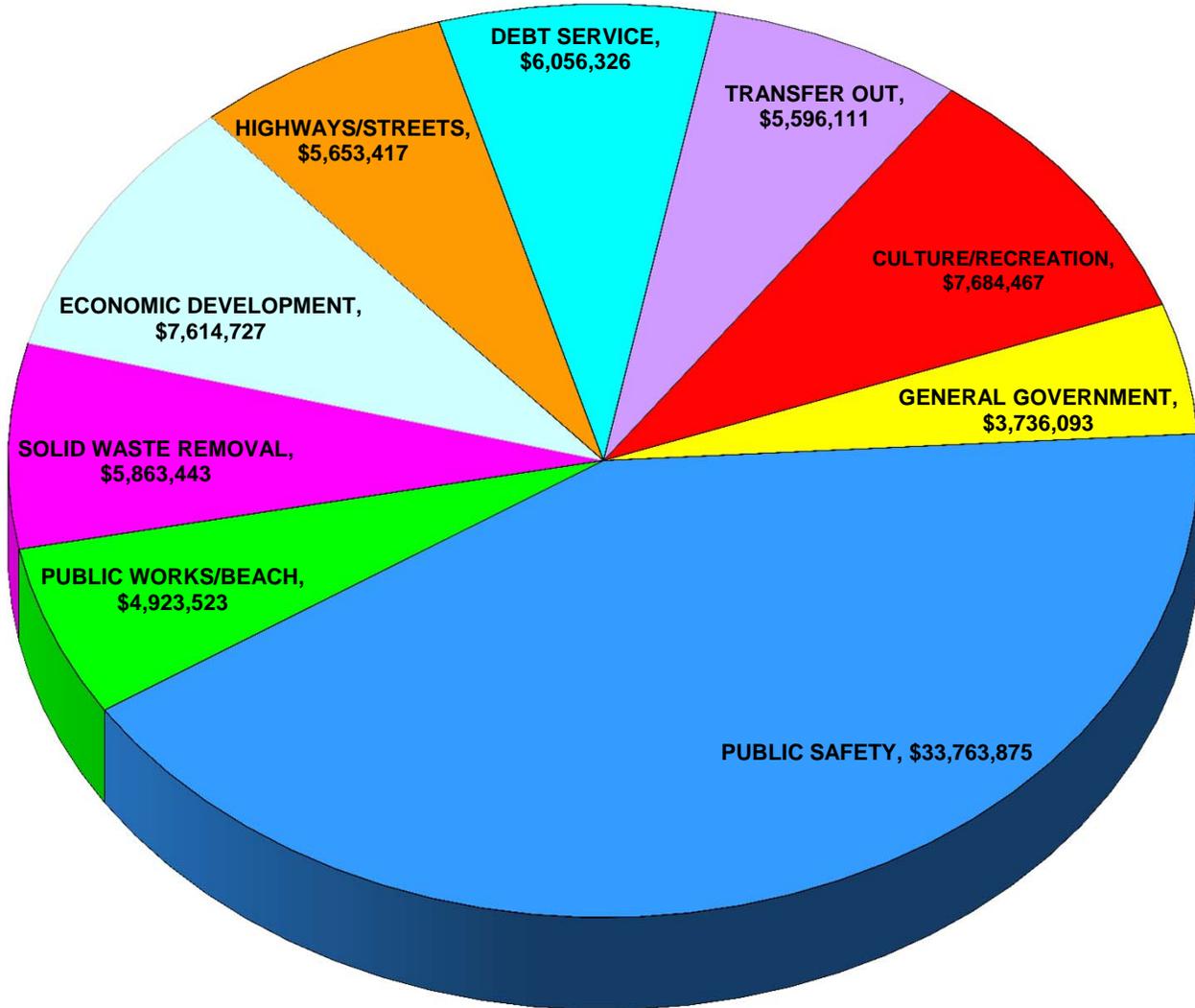
PERSONNEL

- Employee Increments:
 - General Employees: A step increase on January 1, 2017
 - FOP Members:
 - A step increase 12/31/16
 - 2% COLA 1/1/17
 - IAFF Members: No increment in FY 17
- No new Full-time positions have been funded
- Part-time funding has been increased
 - Office Administrative positions in P&Z and Recreation
 - Seasonal 2 person “power units” in EMS
 - Public Works crews for curb painting and boardwalk trash collection
 - Additional hours for seasonal bus drivers
- Increase in Patrol overtime

VEHICLES

- Ambulance
- Trash truck (2)
- Beach Barrel dumper
- Police Caprice PPV (5) and Utility Interceptor
- Golf Course replacement equipment
- Pick up Trucks (8)
- Partial funding for Public Works Bucket Truck

FY 17 General Fund Expenditures



REVENUE HIGHLIGHTS

- The FY '17 General Fund budget is \$ 80,891,982
 - Increase of \$1,172,971 from FY 16
 - 1.5% Increase
- The FY '09 General Fund budget was \$80,470,291.
- The General Fund budget has been set at or below the FY '09 level for the past eight years.

REAL PROPERTY TAXES

- FY 17 is year 2 of a 3-year assessment cycle.
- All property except for commercial property south of 25th street was assessed in year 1.
- Commercial property south of 25th street was assessed this past year.
- Assessments increased 1.1% for FY 17.
- ❖ Revenue from real property taxes in FY 16 was \$40,239,417 based on a .4780 tax rate
- Constant yield tax rate for FY 17 is .4727
- ❖ Revenue from real property taxes in FY 17 is \$40,438,210

REAL PROPERTY TAXES

- Constant Yield rate .4727
 - A reduction of .0053 from FY 16
 - Generates \$40,438,210
- One cent on Real Property Tax rate = \$855,473
- FY 17 General Fund budget funded 50% by Real Property Tax revenue
- FY 09 General Fund budget funded 56.4% by Real Property Tax revenue

PROPERTY TAX CALCULATION

- Two components
 - Assessment
 - Determined by the State of Maryland once every three years as required by State law
 - Based on Fair Market Value
 - Tax rate
 - Rate set by Mayor & Council to support the Adopted budget for the next fiscal year
 - Can be set at constant yield or above or below constant yield
- Tax Bill = $(\text{Assessment}/100) \times \text{tax rate}$

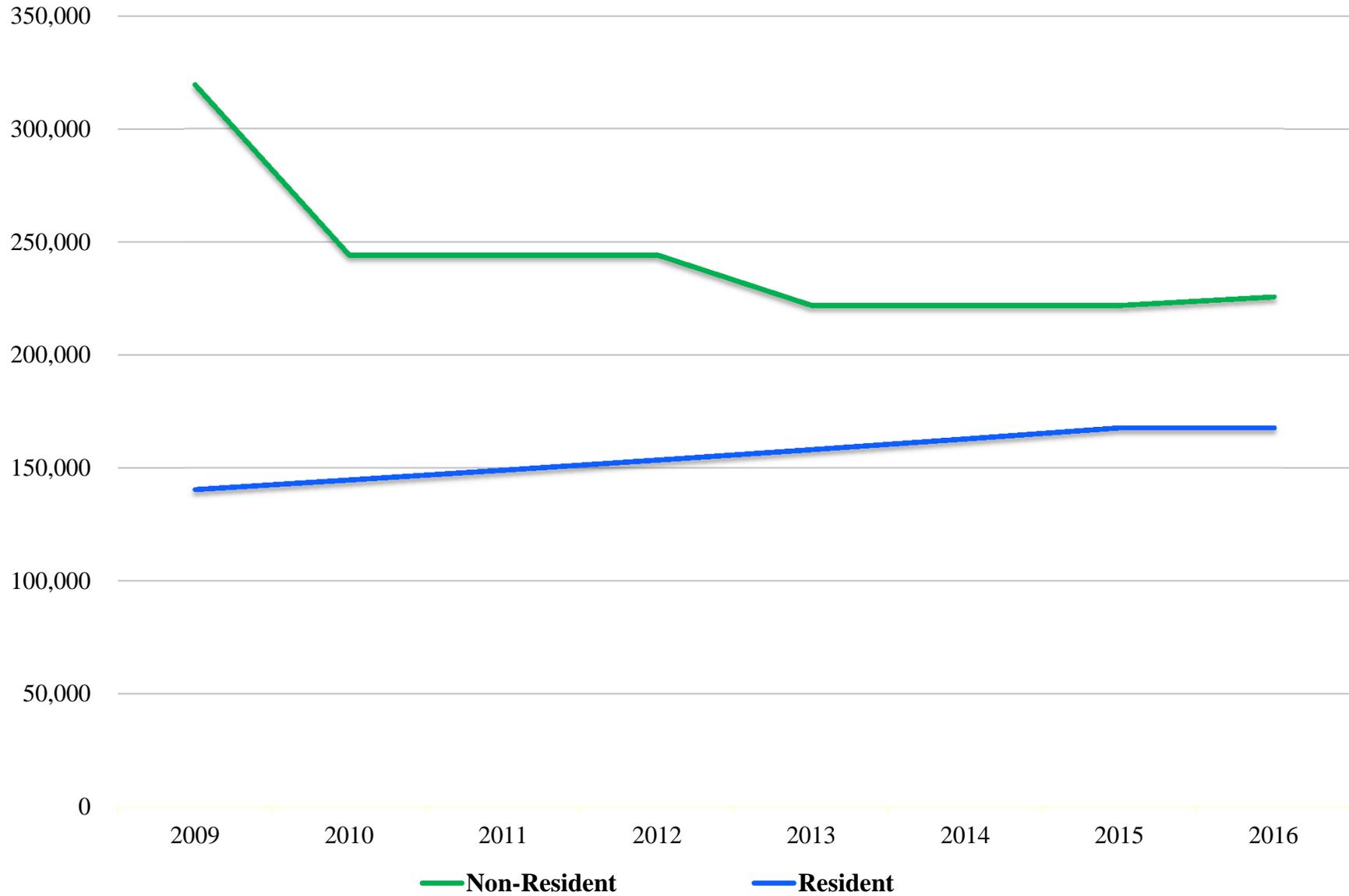
HOMESTEAD PROPERTY TAX CREDIT

- Available for the principal residence of a property owner
- Limits the assessment increase used to calculate the tax bill to a fixed percentage
- The rate of assessment increase can vary from 0% to 10%.
- Ocean City's rate was 3% until November 2014, when the Council reduced the rate to 0%
- For the principal residence of a property owner, the assessment portion of the tax bill calculation will not increase as long as the rate is set at 0%.

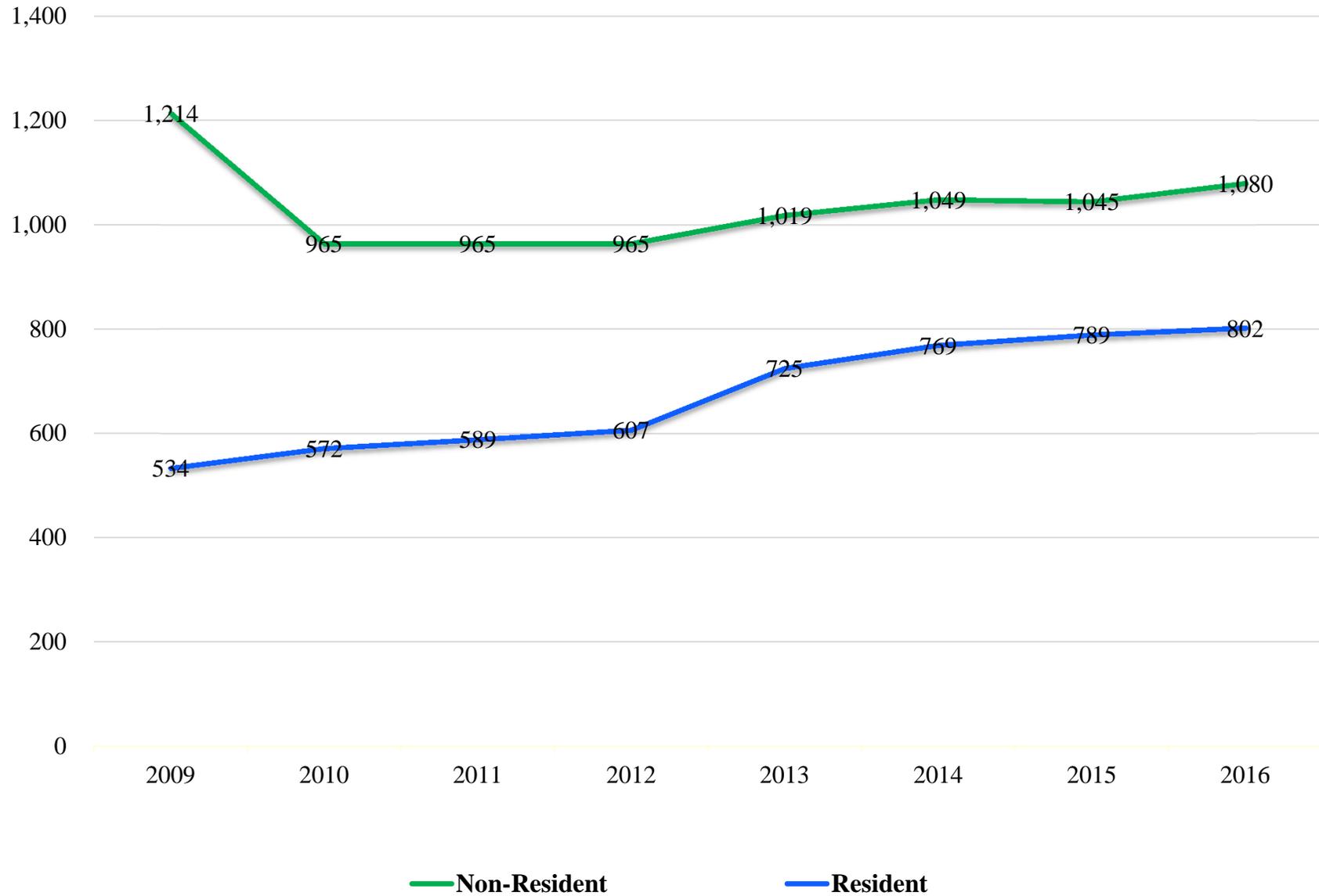
EXAMPLE

- In 2016, for a property whose market value was \$226,000, the tax bill for a non-resident property owner would have been \$1,080.
- For a resident property owner qualifying for Homestead Property Tax, the assessment was \$167,807 resulting in a tax bill of \$802.
- In general, the taxable assessments of resident property owners are lower than the taxable assessments of non-resident property owners because the Homestead Property Tax Credit has limited the increase of the taxable assessment.

Assessed Value Non-Resident vs. Resident



Property tax Non-Resident vs. Resident



OTHER PROPERTY TAXES

- Includes Personal Property, Corporation Tax and Abatements and Additions
- Projected to increase by \$93,000 for FY 17

OTHER TAXES

- Highway User Tax has been budgeted at \$491,045 and has been dedicated to street paving.
 - Admissions Tax is budgeted to increase \$85,000
 - Slots/Casino Revenue is estimated at \$605,000 and has been dedicated to street paving.
 - Room Tax is projected to increase and is budgeted at \$14,600,000
- ❖ **Category increases \$1,316,739**

LICENSES AND PERMITS

- Planning and Zoning fees are largest component of this category and are expected to increase \$100,556
 - Building Permit fees are budgeted at \$770,000, an increase of \$95,000
 - Cable TV franchise fees are budgeted at \$995,000, an increase of \$35,000.
 - Vehicle Franchise is budgeted to decrease \$17,900
- ❖ Category increases \$99,756

REVENUE FROM OTHER AGENCIES

- County Grants are funded at the same level as received from the County in FY16, \$2,915,156.
 - Fire and Ambulance County grants are expected to decrease \$60,440.
 - State Police Aid is anticipated to be fully funded by the State and has been budgeted at \$405,000.
 - Grants to cover the partial salary and benefits of the Emergency Services Director and Emergency Planner have been included at \$117,000
 - Additional grants funded as they are received
- ❖ Category decreases \$48,305 from adopted FY 16 budget

CHARGES FOR SERVICES

- Emergency Medical Fees are budgeted at \$1,066,000, the same level as FY 16
- Beach Stand franchise fees have increased \$37,870
- Parking revenue has been increased \$41,285 from the FY 16 adopted budget.
- Special Event revenue has been increased \$26,100
- Recreation Program revenue has been increased \$20,450
- Tourism web page banner ad sales have been included at \$10,000

❖ **Category increases \$126,722**

FINES AND FORFEITURES AND OTHER REVENUE

- Revenue collected from Police tow fines is expected to increase \$10,000 in FY 17. The towing expense included in the Police budget has also been increased.
- Parking fines have been increased \$10,000 from the FY 16 adopted budget.
- Building rental for the Public Safety Building increases \$5,319.
- ❖ Categories projected to increase \$31,838.

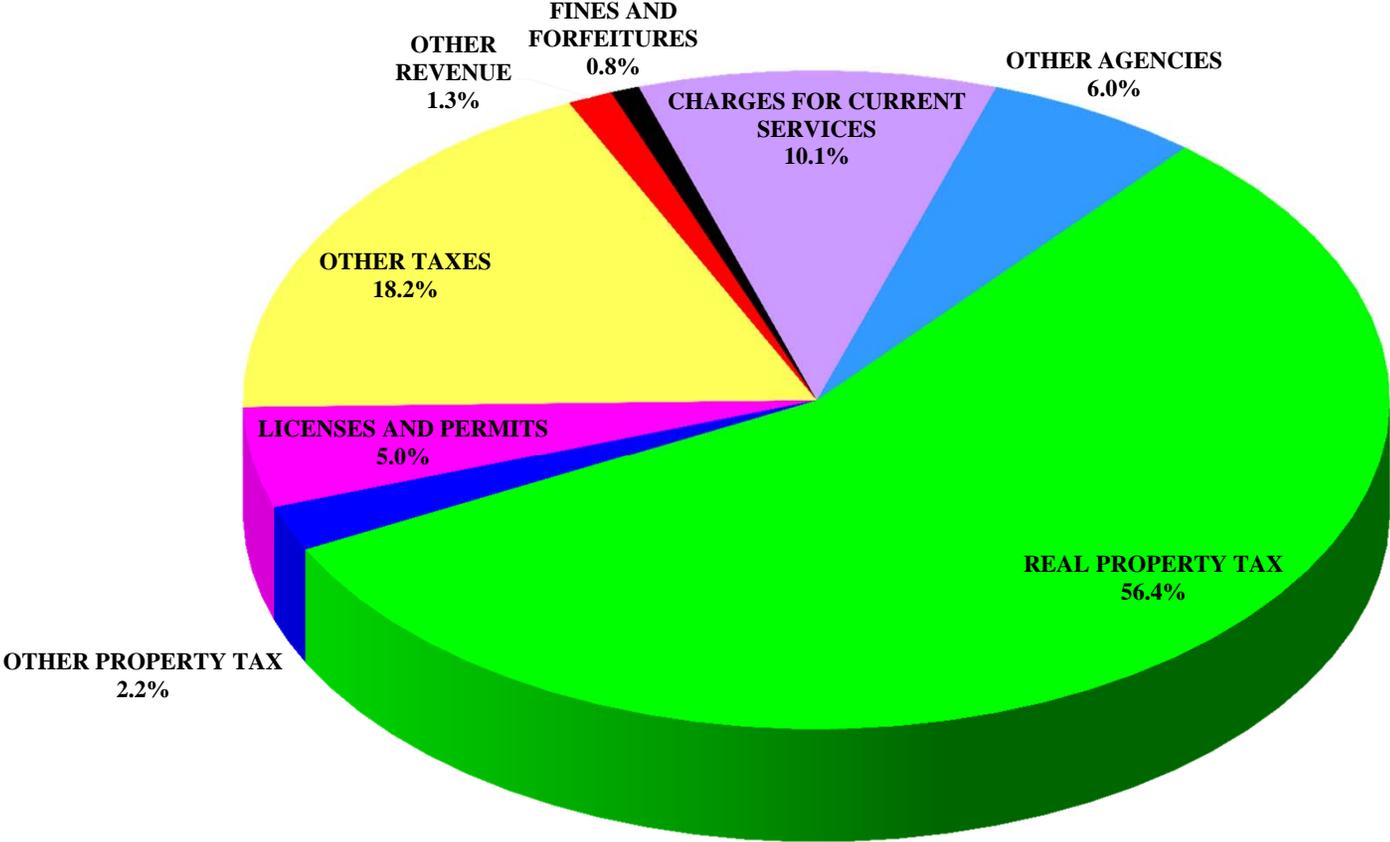
FUND BALANCE

- The FY 16 Adopted budget appropriated \$1,640,027 from fund balance
- The FY 17 proposed budget includes an appropriation of \$989,455 from Fund Balance to fund Canal Dredging, Street paving and Northside Park improvements.
- Fund balance is currently at 17.6% or \$13,318,007
- Approximately \$1,940,000 is available above the 15%
- \$989,453 of the \$1,940,000 has been appropriated for the FY 17 budget as stated above

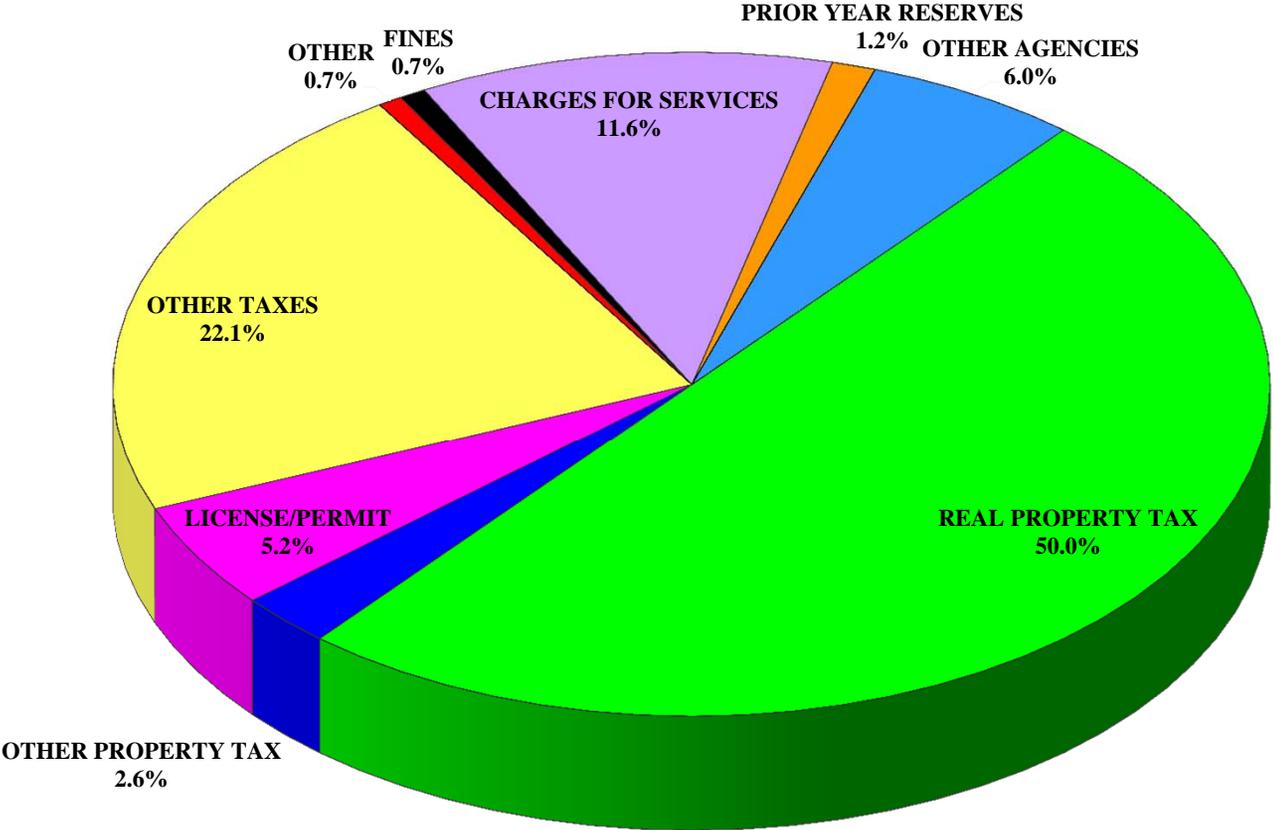
FY 17 SUMMARY OF PROJECTED REVENUE CHANGES

• Property Taxes	\$ 296,793
• Other Taxes	1,316,739
• Licenses and Permits	99,756
• Revenue – Other Agencies	(48,305)
• Charges for Services	126,722
• Fines and Forfeitures	20,500
• Other revenue	11,338
• Fund Balance	<u>(650,572)</u>
❖ Total revenue increase	\$1,172,971

General Fund Revenue FY 09



General Fund Revenue FY 17



General Fund Revenue by Type FY '09 vs. FY '17

Revenue Type	2009	2017
Real Property Tax	45,364,554	40,438,210
Other Property Tax	1,782,378	2,100,000
Other Taxes	14,657,241	17,855,545
Charges for Current Services	8,130,254	9,350,100
Funds from Other Agencies	4,858,498	4,838,102
Licenses and Permits	4,000,340	4,172,882
Other Revenue	1,023,626	545,688
Fines and Forfeitures	653,400	602,000
Fund Balance	0	989,455
	80,470,291	80,891,982

Other Taxes:			
Revenue Type	2009	2017	Change
Income Tax	900,000	815,000	(85,000)
Highway User	906,525	491,045	(415,480)
Admissions Tax	1,265,785	1,335,000	69,215
Slots/Casino	0	605,000	605,000
Room Tax	11,584,931	14,600,000	3,015,069
Excise Tax-Trailer Parks	0	9,500	9,500
	14,657,241	17,855,545	3,198,304

BUDGET AS A PRIORITY SETTING DOCUMENT



GOALS OF THE STRATEGIC PLAN



FIRST CLASS RESORT AND
TOURIST DESTINATION



Investment In Beach And Boardwalk \$1.7 Million



- Phase II of restoration of boardwalk light poles, \$19,460
- Seasonal crew for boardwalk trash collection, \$27,732
- Beach Replenishment funded at \$210,000



Investment In Protecting the Beach \$2.3 Million





Investment In Public Safety \$33.7 Million



- Increase in Patrol Overtime, \$71,000
- 2 person seasonal “power units” for EMS, \$121,065
- Conceptual Design of Fire Station 3, \$30,000
- Phase II AED replacement, \$72,273
- Continuation of Boardwalk surveillance camera project, \$103,750



Investment In Tourism Marketing, \$5.7 Million, an Increase Of \$238,889





Investment In Special Events, \$2.2 Million, Including \$300,000 For Tourism Advisory Board Events





Investment In Transit \$1.3 Million



- Increase in funds for seasonal drivers, \$183,499
- Increased Bus division vehicle maintenance costs, \$175,000
- Funds to extend Tram season beyond Labor Day
- Continued funding of campus plan, \$250,000



Investment In Trash Removal \$5.9 Million





FINANCIALLY SOUND TOWN GOVERNMENT



- Tax rate stable
- Water and sewer rates stable
- Adherence to debt policy
- Adherence to reserve policy



BOND RATINGS

- Fitch Ratings AA-
- Moody's Investor Services Aa2
- Standard & Poors AA



PENSION AND OPEB FUNDS

- General Employees Pension is 83.9% funded
- Public Safety Pension is 83.8% funded
- OPEB (Other Post Employee Benefits) or Retiree health insurance is 48.5% funded. This fund was established in 2009.



RESERVE POLICY

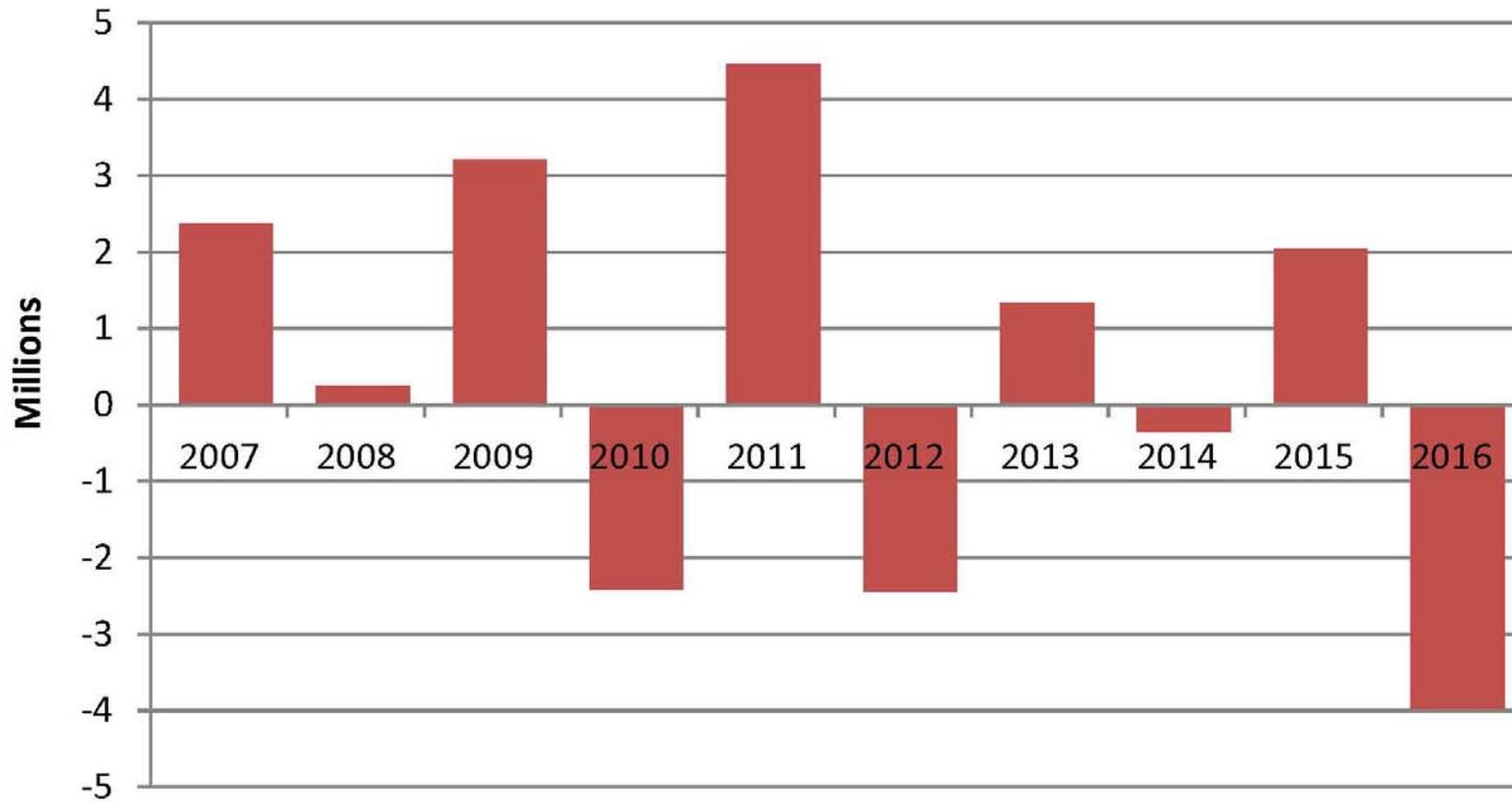
- Fund Balance to be maintained at 15% of the General Fund operating budget
- The Town will utilize surplus in excess of reserve and cash flow requirements to invest in capital assets and/or to retire outstanding debt, if feasible.



BUDGETING PRACTICES

Conservative budgeting has allowed for stable operations and returning surpluses back into needed capital projects per the Town's reserve policy

Change in General Fund Reserves



Pay-As-You-Go Projects:							
(General Fund Contribution Only)							
Project	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Total
Street Paving	1,000,000	889,430	2,000,000	1,900,000	2,108,326	2,524,009	10,421,765
Canal Dredging				500,000	250,000	600,000	1,350,000
Northside Park Repairs						800,000	800,000
Public Safety Building Roof Replacement				740,000			740,000
Art League Building contribution		600,000					600,000
Public Safety Building Exterior wall repair						500,000	500,000
Inlet Lot Parking Controls			400,000				400,000
Transfer Station Floor replacement	400,000						400,000
Northside Park East Gym roof repair	260,000						260,000
4th Street Parking Lot Improvements		248,000					248,000
City Garage roof replacement				157,000			157,000
PW Complex bulkhead replacement					119,000		119,000
Beach Patrol Headquarters contribution					50,000		50,000
Tunnel Avenue bulkhead repair						40,000	40,000
	1,660,000	1,737,430	2,400,000	3,297,000	2,527,326	4,464,009	16,085,765



FY 17 GENERAL FUND COST SAVINGS

- Retiree Health Insurance (\$190,949)
- Health Insurance (\$341,905)

Continues to decline due to the following:

- HMO added as alternative health plan August 2010
- High Deductible health plan added January 2012
- Adopted self-funded arrangement with Carefirst January 2014
- High Deductible only plan offered to new hires January 2015
- Town share of premium for PPO changed from 85%/15% split to 80%/20% split January 2016



FY 17 GENERAL FUND COST SAVINGS

➤ Energy	(\$229,674)
– Performance Energy Audit	
– Energy bid resulting in lower rates	
➤ Vehicle Fuel	(\$181,556)
➤ Transfer to Transportation	(\$ 77,785)
➤ Transfer to Airport	(\$ 1,296)
➤ Transfer to Convention Center	<u>(\$ 81,545)</u>
Total Reductions	(1,104,710)



MORE LIVABLE
COMMUNITY FOR
RESIDENTS



➤ Northside Park Maintenance

– FY 16 \$800,000

– FY 17 \$203,500

➤ Canal Dredging

– FY 14 \$500,000

– FY 15 \$250,000

– FY 16 \$600,000

– FY 17 \$300,000

➤ Christmas parade managed by Special Events division



➤ Street Paving

–FY 11 \$1,000,000

–FY 12 \$ 889,430

–FY 13 \$2,000,000

–FY 14 \$1,900,000

–FY 15 \$2,108,326

–FY 16 \$2,524,009

- Homestead Property Tax Assessment
Increase set at 0% for resident property
owners



EXCELLENT SERVICE
THROUGH HIGH
PERFORMING TOWN
ORGANIZATION



➤ Use of Internal Service Funds

➤ Airport Business Plan

- \$60,000 total cost
- \$45,000 (75%) State funding
- \$15,000 (25%) Local match



➤ Energy cost savings

- Energy Performance Audit
- Energy bid

➤ Changes to health coverage resulting in lower costs to Town and employees



REVITALIZED OCEAN CITY:
DEVELOPMENT AND
REDEVELOPMENT



Continued contribution to Ocean City Development Corporation (OCDC)

- \$100,000 from Town
- \$100,000 from Worcester County



NOTABLE FY 17 CAPITAL PROJECTS

- Street Paving \$2,000,000
- Canal Dredging 300,000
- 65th St Campus Plan 250,000
- Northside Park Improvements 203,500
- Surveillance Camera Project 103,750
- City-Wide Security Improvements 50,000
- Fire Station 3 Design 30,000

BUDGET CALENDAR FROM HERE

UNIQUE BUDGET
PRESSURES FACED BY
OCEAN CITY

FY 17 UNFUNDED REQUESTS

• Personnel	\$560,393
• Contracted Services	72,262
• Supplies	185,272
• Maintenance	91,500
• Vehicles	125,876
• Capital	<u>109,400</u>
Total	\$1,144,703

FY 18 FUNDING NEEDS

- Contract Increments for FOP and IAFF employees
- Pay increments for General employees
- Increased funding for Beach Replenishment, approximately \$300,000
- Increased fuel and energy costs
- Continued funding for street paving
- Continued funding for canal dredging

FY 18-FY 20 PAY AS YOU GO PROJECTS

• Airport projects (local match)	\$ 623,500
• Canal Dredging	500,000
• Street Paving	6,000,000
• Caine Woods St Improvements	2,400,000
• Recreation Projects	1,264,700
• Public Safety Bldg Maintenance	<u>450,000</u>
Total	\$11,238,200

FY18-FY 20 BOND PROJECTS

• Mid-Town Fire Station	\$6,000,000
• 65 th St Public Works Complex	5,000,000
• Downtown Recreation Complex	3,515,000
• Philadelphia Ave Transit Lane	2,000,000
• Chicago Avenue Bulkhead	2,000,000
• Whiteside Facility Replacement	840,000
• Skate Park Renovation/Expansion	820,334
• Lifesaving Museum Improvements	500,000
• Sunset Park Phase II Pier	<u>500,000</u>
Total	\$21,175,334