

Sea Isle City 2006 Budget Review Meeting
3-14-2006 SICTA Questions

1) Salaries (\$7.91M sheets 17a & 35) & Payroll Related Costs (includes Group Insurance, Retirement & Social Security, etc. \$ 2.98M sheets 19, 20 & 36)

- a) Salaries are anticipated to increase an additional 5% (2005 = \$7.53M), on the heels of 5%, 8%, 6% increases for the last three years. Payroll Related Costs are anticipated to increase 13% (2005 = \$2.63M), on the heels of 11%, 9%, 19% increases for the last three years. Taken together, salaries and payroll related costs are now 51% of total appropriations. Does the City have a plan to curtail the growth of these expenditures?
- b) Are the Payroll Related Costs in the budget document on a “pay-as-you-go” basis? If so, what is the estimate for the City’s outstanding liability, even if it is not required in municipal accounting? Alternatively, what is the expected appropriation growth over the next 5-10 years with just our current employees, especially as regards pensions? If this answer is not readily available, could you commit to a date when we can receive a report out?
- c) In year 2002 payroll related costs were 29% of salaries, which is on the high end of an average corporation. In the 2006 budget they are now running roughly 34% of salaries, which we would expect to further increase in the future.. As previously noted our perception is that 20-30% is the norm in the private sector. Has the City performed a benchmark analysis of their payroll and benefit structure, which appears generous from the experience of many of our taxpayers? If so, could you share the results publicly, and if not, could you commit to a date for performing and publishing the results.
- d) SICTA had requested city-wide base salaries and W2’s for 12/31/2004 and 12/31/2005. It appears that this was interpreted as current fund salaries only. We would like to request that a more comprehensive listing be provided, to include water & sewer utility salaries and reconciled to actual budget salary figures for the two years..

2) Number of Employees (122, Revenues and Appropriations Summaries)

- a) How does the City count employees in the 2006 budget? Does the 122 figure represent actual full time employees on the payroll, equivalent heads (total number of hours worked divided by 40 hours), or some other measurement? How are part time employees accounted for in the figure?
- b) SIC’s 2006 budget includes the addition of 6 workers, with salary and payroll costs which approximate \$400,000 of added costs, or roughly 36 % of the \$1,104,845 of increased taxes in the 2006 budget. With the city’s resident population flat or decreasing, the need for these additional workers is questionable. What will the additional workers’ duties be when hired?

3) Capital Surplus (\$100,000 sheet 10) & Utility Capital Surplus (\$410,000 sheet 34)

- a) Do these items represent transfers of balance sheet surplus from the capital fund counterparts to the Current Fund and Utility Funds in the submitted budget document?
- b) If so, please provide a brief explanation as to the operation of these separate Capital Funds.
- c) Are these revenue items similar to the “Surplus Anticipated” (\$1,650,000 sheet 4) and “Operating Surplus Anticipated” (\$450,000 sheet 34), in that they are a reduction to SIC’s buffer for unanticipated costs?

4) Current Fund Remaining Surplus (\$540,149 sheet 39)

- a) Remaining Surplus is now about 4% of appropriations, trending down consistently from 15% four years ago. We understood that 5-10% was New Jersey’s rough rule of thumb in the past. Are we viewing this correctly as a weakened starting position for 2006, and what range should we be targeting?

5) Miscellaneous Local Revenues (\$1,976,000 sheets 4 & 4a)

- a) The following Local Revenues items as a group are budgeted to be down \$128,000 in 2006 from actual 2005 receipts as follows (\$000):
 - i. Licenses (\$15)
 - ii. Interests on Investments and Deposits (\$67)
 - iii. Marina Slips Rentals (\$9)
 - iv. Telephone Cell Tower Rental (\$12)
 - v. Local Franchise Fee - Cable and Beach Vendors (\$14)
 - vi. Parking meters (\$11)

Why would these revenues be less than the amounts received in 2005?

6) Capital Plan (\$6,245,000 sheet 40b)

- a) Please describe more fully, what each of the items listed represents.
- b) Purchase of vehicles and equipment items remained flat at \$0.5M. Can you provide some comfort that :
 - i) Items are being effectively utilized today (e.g. shared between departments) and,
 - ii) Pace of replacement will maintain a fleet in good working order for services?
- c) Streets, parking lots and sidewalks are down from \$1.3M last year to \$0.5M. Can you provide some comfort that this is a reasonable provision?
- d) Capital items that are not apparently included:
 - i) Master Plan initiatives?
 - ii) North End sewers?
 - iii) Town-wide Beach Replenishment?
 - iv) COSPAR site?

- e) Is there a document that details each separate historical Capital Project as to original funding, bonds issued, funds expended to date with details on how they were spent and, reserved amounts? If not, then we would like to request that this be published annually, as Capital Projects should be an ongoing dialogue. Additionally, we would request that a quarterly report be made on the progress of all major Capital projects.

7) Reserve for Uncollected Taxes (\$517,045 sheet 30)

- a) An additional \$132,510 is budgeted in 2006 for an increase in the uncollectible tax reserve. The need for this increase in the reserve is questionable, as the percent of collections of delinquent taxes is above 97.6% and currently there is \$384,536 in the reserve. What is the justification for the additional amount?

8) Local Franchise Fee - Cable and Beach Vendors (\$120,000 sheet 4a)

- a) Why are these revenues decreasing \$14,000? Shouldn't the city be negotiating for an increase in the fee from Comcast?

9) Water & Sewer Rents (\$4,900,000 sheet 34)

- a) SIC's independent auditors pointed out last year that "significant" revenues are being lost due to water meters that are not working. What is the amount of revenues lost (total gallons of water used by the city less the total gallons billed)?
- b) What is the status of the plan to upgrade/replace SIC water meters? Where are the additional expenditures for this work as well as the additional "lost" revenues that will be captured?

10) Emergency Authorizations (\$226,000 sheet 28)

- a) This is a new 2006 expense. What is the purpose of this expense and can it be reduced by 50% for \$113,000 of tax savings?

11) Water & Sewer Insurance (\$1,096,293 sheet 35)

- a) Insurance costs in the Water and Sewer 2006 budget are up \$120,000 or 12%. What is the purpose of this insurance and was the increase the result of negotiation by the City or just accepting a rate increase?

12) Code Enforcement Fees (sheet 11)

- a) Reviewing code enforcement fees of other localities reveals that Avalon collects higher revenue fees (\$20,000 more than SIC) while spending \$124,000 less in operating expenses. The Wildwoods regionalized their four departments into one department resulting in significant expense savings. Would the City undertake a study to determine why Avalon operates with less cost and determine if a regionalized approach to collecting code enforcement fees would be more cost efficient?

13) Strategic Discussions

- a) We have been on an upward trajectory with ratables as a result of the boom in real estate values, and this has helped to keep tax rates down in the past. However, with the flattening or even declining real estate values possible in the future, it would seem that there will be more pressure for increased tax rates, reduced services and/or greater efficiencies. What are your thoughts on this?
- b) While not currently a part of the town's budget, there would seem to be the potential for taxpayer savings, if the town were to modify its participation in the county library system. We estimate that taxpayers are paying roughly \$1,000,000 annually in library taxes, based on our ratables rather than our population or usage. Our perception is that this is not commensurate with the services of either the town branch or our usage of other branches, especially in this day of internet availability. We request that a comparison of possible alternatives be conducted during 2006, to determine if a better utilization, or reduction of taxpayer funding is feasible. SICTA is willing to work with the city in developing a comparison of possible alternatives.

14) Clarification Discussions

a) **BANS – Bond Anticipation Notes (\$0 sheets 10 & 27)**

- i) What was the nature of the \$1,058,000 revenue and appropriation that was in 2005, but not in 2006 budget? We also noted that there were no BANS entries in previous years. Do we anticipate this activity to recur anytime in the future?

b) **Municipal Taxes (\$9,343,562 sheet 11)**

- i) Municipal Tax Revenues were down 4% to \$8.322M in 2005 from \$8.660M in 2004. Since the municipal tax rate was only down 0.5% and ratables were up 1%, what is the driver of the reduced revenues?

c) **Pending Lawsuits**

- i) Are there any pending lawsuits against the City? If so, has an estimate been made to determine what the cost to the City would be, if any, for all lawsuits? Where has the potential costs for lawsuits been included in the 2006 budget?

15) SICTA Proposed Budget Reductions

a) The following list of reductions total \$1,494,000 and would more than eliminate the need for the proposed \$1,104,000 tax increase:

i)	Eliminate the six new employee positions	\$400,000
ii)	Eliminate the increase in reserve for uncollected taxes	\$132,000
iii)	Reduce emergency appropriation by 50%	\$113,000
iv)	Increase estimates for Miscellaneous Revenues	\$60,000
v)	Eliminate the continuation of extra-contractual health benefits	\$50,000
vi)	Reduce Beach expenditures to FY 2003 levels	\$189,000
vii)	Eliminate Longevity Bonuses (30% of employees @ 7.5% of pay)	\$180,000
viii)	Repeal Resolution 105 from 2005	\$95,000
ix)	Eliminate overtime for supervisory personnel, as per Fair Labor Standards Act (55 @ \$5,000)	\$275,000

Would the City consider amending the 2006 budget appropriations for the above amounts?