

Sea Isle City Water & Sewer Allocation

History of Allocation Methodology

20+ years

Did not begin with current
administration or Council

City of Sea Isle City

Official 2009 Budgets

(in thousands of dollars)

	Total	Real Estate Tax Levy	Water & Sewer Rents
Expenses	\$24,522	\$18,720	\$5,802
Allocation	<u>-</u>	<u>-1,654</u>	<u>1,654</u>
Net Expenses	24,522	17,066	7,456
Miscellaneous Income	<u>-4,214</u>	<u>-3,898</u>	<u>-316</u>
Tax Levy / Water & Sewer Rents	\$20,308	\$13,168	\$7,140

City of Sea Isle City

SICTA Adjusted 2009 Budgets

(in thousands of dollars)

	Total	Real Estate Tax Levy	Water & Sewer Rents
Expenses	24,522	18,720	\$5,802
Allocation	<u>-</u>	<u>1,007</u>	<u>1,007</u>
Net Expenses	24,522	17,713	6,809
Miscellaneous Income	<u>-4,214</u>	<u>-3,898</u>	<u>-316</u>
Tax Levy / Water & Sewer Rents-SICTA	\$20,308	\$13,815	\$6,493
Tax Levy / Water & Sewer Rents-City	\$20,308	\$13,168	<u>\$7,140</u>
HIDDEN TAX			\$647

Allocation Differences (in thousands of dollars)

	<u>City</u>	<u>SICTA</u>
Salaries	\$335	\$323
Pension	53	78
Social Security	23	78
General Insurance	79	16
Workers Compensation	160	39
Employees Group Health	1,004	356
General Expenses	<u>0</u>	<u>117</u>
Total	\$1,654	\$1,007
Difference		\$647

Options for Allocating Employee Group Health Insurance

(in thousands of dollars)

City Allocation

Total Expense	\$3,045
Allocation	\$1,004
Allocation Percentage	33%
Percentage of Water & Sewer Employees to All City Employees	9.5%
Rationale	Historical Precedence

SICTA Allocation

Total Expense	\$3,045
Allocation	\$356
Allocation Percentage	12%
Percentage of Water & Sewer Employees to All City Employees	9.5%
Rationale	100% for Water & Sewer Employees; various other percentages for other employees (generally 8% to 50%)

Consequences of Over Allocation

- A correction would benefit Taxpayers because it would increase our personal income tax deductions.
- Accurate compliance with 4% Tax Levy Cap would mandate spending cuts.

Calculated Impact on Sea Isle City Taxpayers Income Tax

	<u>Last 20 Years</u>	<u>Next 20 Years</u>
Estimated average lost deduction per year	\$300,000	\$647,000
Years	<u>20</u>	<u>20</u>
Cumulative average lost deduction	\$6,000,000	\$12,940,000
Estimated average tax rate	<u>25%</u>	<u>25%</u>
Taxes overpaid	\$1,500,000	\$3,235,000

Other Possible Issues

- Free usage for Municipal Services (possibly 50 million gallons?)
- Marina and Beach revenues and Utility costs mismatch
- Water tower antenna rental fees not accruing to utility

City Plan For Future Allocations

- More comprehensive approach
- Allocation based on the administration's discussions with department heads
- Subjective %'s will be used for allocation

SICTA Recommendation

- Lower %'s based on headcounts of Water & Sewer vs. Total Depts.
 - Consider lower % for all departments for allocation

Current Headcount and Allocations

	Headcount	City Allocation
Water & Sewer	11	
Public Works	44	
Water & Sewer %	25%	50% for Public Works administration
City Wide	116	
Water & Sewer %	9.5%	25% to 50% for City administration

Allocations Comparisons

(all exclude for salaries of direct water & sewer workers (SIC-\$706,000))

	Allocation Amount (in thousands)	Water & Sewer Budget	% of Water & Sewer Budget
Sea Isle City (new methodology)	\$1,777	\$7,457	24%
Cape May City	\$825	\$6,403	13%
Avalon	\$453	\$5,805	8%
Belmar (based on Slocum vs. Borough of Belmar)	\$354	\$2,891	12%

2010 Allocation

City and SICTA Comparison (both include \$706,000 for direct water & sewer salaries)

(dollars in thousands)

	City	% of Dept.	SICTA	% of Dept.
Administration	\$229	21.8	\$81	8.0
Finance	157	35.9	35	8.0
Tax Collection	141	50.0	141	50.0
Police	64	1.6	7	.2
Public Works Administration	345	50.0	175	25.2
Public Works	52	2.4	44	Various
Water & Sewer	944	95.0	1,004	100.0
Expenses	196	Various	126	Various
Retirees Health	109	18.6	47	8.0
Insurance	<u>246</u>	33.3	<u>55</u>	8.0
Total	\$2,482		\$1,713	

Great Job by the City

- Concern over unaccounted 50 million gallons being addressed-monthly meter readings
- Tax assessment and water & sewer records are a perfect match
- Outstanding work by the tax department who is responsible for water and sewer billings

Future SICTA Project- Review of Cape May County Municipal Utilities Authority

	Sewer Payment to the MUA	Total Housing Units (2000 U. S. Census)	Per Housing Unit
Sea Isle City	\$3,039,000	6,622	\$459
Belmar	\$1,202,000	3,996	\$301

Thank You