

## **BELMAR, AVALON AND CAPE MAY CITY**

### **2009 BUDGET INDIRECT COSTS ALLOCATIONS AND WATER & SEWER RATES**

Under the Open Public Records ACT, SICTA obtained budgeted indirect costs allocations from Belmar, Cape May City and Avalon. A discussion of each follows.

#### Belmar

Of Belmar's \$18.9 million combined total budget 68% is for the Current Fund, 14% is for Water & Sewer and 18% is for the Beach Utility. Note that Sea Isle City's Water & Sewer budget is 30% of its combined total budget, more than twice that of Belmar's 14%.

There is no formal cost allocation plan. However, the individual categories are allocated as follows:

#### Administration, Taxes and Finance

This is a combined department with four employees. One person spends half of her time collecting Water & Sewer and one-half of her salary is allocated to Water & Sewer. The remaining 3 and ½ people are allocated 80% to the Current Fund and 20% to Water and Sewer. These percentages are based on the judgment of the Administrator and there is no further support.

No other expenses are allocated to Water & Sewer.

#### Mayor and Council

All costs are allocated to the Current Fund because these costs are not significant.

#### Police

All costs are allocated to the Current Fund and the Beach Utility. No costs are allocated to Water & Sewer.

#### Public Works

There are three employees in Water and Sewer and their three salaries are allocated to Water & Sewer. Health insurance costs for these three employees are allocated to Water & Sewer, period.

The salary of the Director of Public Works is charged 80% to the Current Fund, 10% to the Beach Utility and 10% to Water & Sewer.

The streets superintendent is allocated 68% to the Current Fund, 16% to the Beach Utility and 16% to Water & Sewer

It is unclear how Workers Compensation Insurance is allocated.

### Comparison to Sea Isle City

If the Belmar approach was applied to Sea Isle City, the Water & Sewer Allocations would be roughly \$377,000 as compared to the City amount of \$1,579,000 and SICTA's estimate of \$757,000.

### Billings

Billings are quarterly at \$62 minimum. This covers the first 5,000 gallons. Excess usage is billed at \$11.30 per 1,000 gallons. Thus, if a household uses 6,000 gallons, the bill would be \$73.30.

### Cape May City

Cape May City does not have a formal cost allocation plan or a precise system for allocating costs. Other than Insurance, there seems to be good logic behind the allocations. The individual categories are allocated as follows:

### Insurance

In 1979 Cape May City was arbitrarily allocating one-third of health and other insurances to its Water & Sewer Fund, but due to pressure for the taxpayers' association, that percentage was dropped. For the 2009 Budget, 20% of health insurance is allocated to the Water & Sewer Fund and 80% to the Current Fund. The administration would like to get this down to 15-16%.

### Salaries

Allocations to the Water & Sewer Fund are as follows:

- General Administration 29%
- Mayor & Council 22%
- City Clerk 17%
- Financial Administration 35%
- Collection of Taxes 42%
- Road Repairs & Maintenance 8%
- Public Buildings & Grounds 5%

The above allocation percentages are based on the judgment of administrator but appear to be well thought out. For example, Water & Sewer borrows employees from other Public Works departments to read meters four times a year. Each of the four annual readings take about seven days, so 28 days of the approximately 250 workdays are devoted to Water and Sewer. This is about 11% but since the higher paid employees do not take part in the reading, 8% appears appropriate.

### Other Expenses

Cape May City does not allocate any other significant expenses to its Water & Sewer Fund.

### Comparison to Sea Isle City

If the Cape May City approach was applied to Sea Isle City, the Water & Sewer Allocations would be \$888,000 as compared to the City amount of \$1,579,000 and SICTA's estimate of \$757,000. However, please keep in mind that the group health insurance allocation is too high for Cape May City

### Billings

Because there is a seven month peak usage surcharge, the four annual billings are made for 1 three month period, 2 three and one-half month periods and 1 two month period. The annual fixed charge is \$88 for water and \$120 for sewer. Non-peak rates are \$2.63 for water and range from \$3.50 to \$3.90 for sewer. There is a surcharge added to these rates during the April 1<sup>st</sup> to October 31<sup>st</sup> peak usage season, The surcharge rates are \$4.83 for water and range from \$8.25 to 9.85 for sewer. This structure favors year round users at the expense of summer only users, especially the high end business users.

### Avalon

Of Avalon's \$28.5 million combined total budget 75% is for the Current Fund, 20% is for Water & Sewer and 4% is for the Beach Utility. Note that Sea Isle City's Water & Sewer budget is 28% of its combined total budget, about 40% more than that of Avalon's 20%. Avalon outsources its Water & Sewer Operation to New Jersey American Water Company for approximately \$700,000 per year.

Avalon's total allocation in the 2009 budget to the Water & Sewer Utility is \$453,000, 176,000 for salaries and \$277,000 for insurance. The latter may be an overallocation because they only expect to spend \$100,000.

Avalon allocates salaries and other expenses as follows:

	<u>Current</u> <u>Fund</u>	<u>Water &amp;</u> <u>Sewer</u> <u>Fund</u>	<u>Beach</u> <u>Utility</u> <u>Fund</u>
• Administrator	80%	10%	10%
• Administrative Assistant	70%	30%	
• Public Information Officer	65%	35%	
• Tax Collector	65%	35%	
• Chief Financial Officer	85%	15%	
• Assistant Comptroller	75%	25%	
• Accounting Payroll	75%	25%	
• Assistant Tax Collector	75%	25%	
• Director of Public Works	75%	25%	
• Group Health insurance	92.5%	7.5%	
• All Other Insurances	70%	20%	10%

Police are not allocated to Water & Sewer

#### Comparison to Sea Isle City

If the Avalon approach was applied to Sea Isle City, the Water & Sewer Allocations would be \$526,000 as compared to the City amount of \$1,579,000 and SICTA's estimate of \$757,000.

#### Billings

Billings are quarterly at \$139 minimum (\$40.50 for water and \$98.50 for sewer). This covers the first 12,000 gallons. Excess usage is billed at \$5.40 (\$2.95 for water and \$3.35 for sewer) per 1,000 gallons. Additionally, excess summer usage (as per the quarterly October bill) is billed at \$8.00 per gallon for each gallon over the 12,000 quarterly allowance.