

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 1st to October 31st 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 &</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.