

OFFICIAL STATEMENT DATED SEPTEMBER 29, 2020

**NEW ISSUE**

**SERIAL BONDS**  
Rating: S&P: "AA"  
(See "RATING" herein)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the City (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**CITY OF OCEAN CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$50,700,000**  
**GENERAL OBLIGATION BONDS, SERIES 2020**  
Consisting of:  
**\$44,050,000 General Improvement Bonds, Series 2020A**  
**\$6,650,000 General Obligation Housing Bonds, Series 2020B**  
**(Book-Entry-Only) (Callable)**

**Dated Date: Date of Delivery**

**Due: October 15, as shown on the inside front cover hereof**

The \$50,700,000 General Obligation Bonds, Series 2020, consisting of: \$44,050,000 General Improvement Bonds, Series 2020A (the "General Improvement Bonds") and \$6,650,000 General Obligation Housing Bonds, Series 2020B (the "Housing Bonds" and, together with the General Improvement Bonds, the "Bonds"), of the City of Ocean City, in the County of Cape May, New Jersey (the "City"), will be issued in the form of one certificate for the principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the "securities depository". See "THE BONDS - Book-Entry-Only System" herein.

Proceeds from the sale and issuance of the Bonds will be used by the City to: (i) currently refund the City's \$15,000,000 Bond Anticipation Note, dated and issued on July 1, 2020 and maturing on November 24, 2020; (ii) provide \$35,700,000 in new money to finance various capital improvements described herein; and (iii) pay the costs in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on the fifteenth day of April and October in each year until maturity or earlier redemption, commencing April 15, 2021. The principal of and the interest due on the Bonds will be paid to DTC by the City as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as described herein. See "THE BONDS – Redemption" herein.

The Bonds are valid and legally binding obligations of the City and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.**

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York, on or about October 20, 2020.

**BofA Securities, Inc.**

**CITY OF OCEAN CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$50,700,000  
GENERAL OBLIGATION BONDS, SERIES 2020  
Consisting of:  
\$44,050,000 General Improvement Bonds, Series 2020A  
\$6,650,000 General Obligation Housing Bonds, Series 2020B  
(BOOK-ENTRY-ONLY) (CALLABLE)**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>General Improvement Bonds Principal Amount</u>	<u>Housing Bonds Principal Amount</u>	<u>Combined Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2021	\$1,980,000	\$350,000	\$2,330,000	2.00%	0.12%	674684SD8
2022	2,200,000	350,000	2,550,000	3.00	0.13	674684SE6
2023	2,420,000	350,000	2,770,000	4.00	0.14	674684SF3
2024	2,470,000	385,000	2,855,000	4.00	0.19	674684SG1
2025	2,640,000	385,000	3,025,000	4.00	0.27	674684SH9
2026	2,640,000	420,000	3,060,000	4.00	0.39	674684SJ5
2027	2,860,000	420,000	3,280,000	4.00	0.54	674684SK2
2028	2,860,000	420,000	3,280,000	2.00	1.05*	674684SL0
2029	3,080,000	420,000	3,500,000	2.00	1.25*	674684SM8
2030	3,080,000	420,000	3,500,000	2.00	1.40*	674684SN6
2031	3,300,000	420,000	3,720,000	2.00	1.50*	674684SP1
2032	3,300,000	490,000	3,790,000	2.00	1.60*	674684SQ9
2033	3,520,000	560,000	4,080,000	2.00	1.70*	674684SR7
2034	3,740,000	595,000	4,335,000	2.00	1.75*	674684SS5
2035	3,960,000	665,000	4,625,000	2.00	1.80*	674684ST3

\* Priced at the stated yield to the first optional redemption date of October 15, 2027 at a redemption price of 100%.

\*\* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF OCEAN CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**MAYOR**

Jay A. Gillian

**CITY COUNCIL MEMBERS**

Robert Barr, President  
Michael DeVlieger, Vice President  
Karen Bergman  
Keith P. Hartzell  
Jody Levchuk  
Peter V. Madden  
Tomaso Rotondi

**CITY CLERK**

Melissa G. Rasner

**DIRECTOR OF FINANCIAL MANAGEMENT/CFO**

Frank Donato III

**CITY ATTORNEY**

Dorothy F. McCrosson, Esquire  
Ocean City, New Jersey

**INDEPENDENT ACCOUNTANT**

Ford, Scott & Associates, LLC  
Ocean City, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the City. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the City from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the City.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy or completeness thereof, and, accordingly, expresses no opinion with respect thereto.

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**OFFICIAL STATEMENT  
Relating to**

**CITY OF OCEAN CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$50,700,000  
GENERAL OBLIGATION BONDS, SERIES 2020  
Consisting of:  
\$44,050,000 General Improvement Bonds, Series 2020A  
\$6,650,000 General Obligation Housing Bonds, Series 2020B**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the City of Ocean City (the "City"), in the County of Cape May (the "County"), New Jersey (the "State"), in connection with the sale and issuance of \$50,700,000 General Obligation Bonds, Series 2020, consisting of: \$44,050,000 General Improvement Bonds, Series 2020A (the "General Improvement Bonds") and \$6,650,000 General Obligation Housing Bonds, Series 2020B (the "Housing Bonds" and, together with the General Improvement Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on October 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each April 15 and October 15 (each, an "Interest Payment Date"), commencing April 15, 2021, in each year until maturity or earlier redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of Bonds of each series and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple in excess thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry-Only System" herein.

## **Redemption**

The Bonds maturing prior to October 15, 2028 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after October 15, 2028 are subject to redemption in whole or in part on any date on or after October 15, 2027 at the option of the City, at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

## **Notice of Redemption**

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds within a maturity, such Bonds shall be selected by the City by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

## **Book-Entry-Only System**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to Direct and Indirect Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered global Bond certificate will be issued for each maturity of the Bonds of each series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and



dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with the Direct Participants, the “DTC Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or its paying agent, if any, as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC’s records.

Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the paying agent, if any, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or its paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

THE CITY AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

### **Discontinuance of Book-Entry-Only System**

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the City will attempt to locate another qualified securities depository. If the City fails to find such a securities depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the City shall notify DTC of the termination of the book-entry-only system.

## **SECURITY AND SOURCE OF PAYMENT**

The Bonds are valid and legally binding obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The City is required by law to levy *ad valorem* taxes upon all the real property taxable within the City for the payment of the principal of and the interest due on the Bonds without limitation as to rate or amount.

## INFECTIOUS DISEASE OUTBREAK – COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Department of Health and Human Services declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In the State, Governor Murphy declared a state of emergency on March 9, 2020, and has since issued multiple Executive Orders regarding the Pandemic. The City expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of the Pandemic. The Pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide.

The City cannot reasonably predict how long the Pandemic in the State is expected to last, how the outbreak may impact the financial condition or operations of the City, whether there will be any impact on the assessed values of property within the City or unexpected deferrals of tax payments to the City, or the costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs of the City.

## MARKET PROTECTION

In addition to the issuance of the Bonds, the City anticipates issuing approximately \$2,080,000 Bond Anticipation Notes, Series 2020 (Federally Taxable) within the next ninety (90) days to currently refund outstanding obligations and may issue additional bond anticipation notes, as necessary, during calendar year 2020.

## AUTHORIZATION AND PURPOSE OF THE BONDS

The General Improvement Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the “Local Bond Law”), the bond ordinances adopted by the City Council referred to in the chart below and by a resolution duly adopted by the City Council on August 27, 2020 (the “General Improvement Bond Resolution”).

<b>General Improvement Bonds</b>				
<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Refunding Amounts Funded by Bond Proceeds</b>	<b>New Money Amounts Funded by Bond Proceeds</b>	<b>Total Amounts Funded by Bond Proceeds</b>
#19-07	Various improvements and purposes, finally adopted March 28, 2019.	\$2,100,000	\$0	\$2,100,000
#19-09	Various improvements or purposes, finally	8,550,000	0	8,550,000

<b>General Improvement Bonds</b>				
<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Refunding Amounts Funded by Bond Proceeds</b>	<b>New Money Amounts Funded by Bond Proceeds</b>	<b>Total Amounts Funded by Bond Proceeds</b>
	adopted November 14, 2019.			
#19-18	Various improvements or purposes, finally adopted November 14, 2019.	3,500,000	2,700,000	6,200,000
#19-19	Acquisition of property, finally adopted November 14, 2019.	850,000	0	850,000
#20-02	Acquisition of property, finally adopted, February 27, 2020.	0	6,200,000	6,200,000
#20-03	Acquisition of property, finally adopted February 27, 2020.	0	2,850,000	2,850,000
#20-04	Acquisition of property, finally adopted February 27, 2020.	0	2,200,000	2,200,000
#20-11	Various improvements or purposes, finally adopted June 25, 2020.	0	15,100,000	15,100,000
	Total:	\$15,000,000	\$29,050,000	\$44,050,000

The Housing Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq., the bond ordinance adopted by the City Council referred to in the chart below and by a resolution duly adopted by the City Council on August 27, 2020 (the "Housing Bond Resolution" and, together with the General Improvement Bond Resolution, the "Resolutions").

<b>Housing Bonds</b>				
<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Refunding Amounts Funded by Bond Proceeds</b>	<b>New Money Amounts Funded by Bond Proceeds</b>	<b>Total Amounts Funded by Bond Proceeds</b>
#19-08	Providing funds for the purpose of aiding the Ocean City Housing Authority with respect to Housing Projects, finally adopted March 28, 2019.	\$0	\$6,650,000	\$6,650,000
	Total:	\$0	\$6,650,000	\$6,650,000

Proceeds from the sale and issuance of the Bonds will be used by the City to: (i) currently refund the City's \$15,000,000 Bond Anticipation Note, dated and issued on July 1, 2020 and maturing on November 24, 2020; (ii) provide \$35,700,000 in new money to finance various capital improvements described above; and (iii) pay the costs in connection with the authorization, sale and issuance of the Bonds.

**MUNICIPAL FINANCE -  
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

**Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the City are general full faith and credit obligations.

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of City, as annually determined by the State Director of Taxation is \$12,581,691,616.33.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The City has not exceeded its statutory debt limit. As of December 31, 2019, the statutory net debt as a percentage of average equalized valuation was 1.230%. As noted above, the statutory limit is 3½%.

The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the bond anticipation notes' maturity to the end of the tenth fiscal year in which the bond anticipation notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of bond anticipation notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

## **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue "emergency notes" and "special emergency notes" pursuant to the Local Budget Law.

"Tax anticipation notes" are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his or her approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under legislation recently enacted to address the COVID-19 emergency, P.L. 2020, c. 74 (A3971), a local unit may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth (6) fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten (10) years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the fiscal year, to the previous year’s budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAPS” appropriations nor can transfers be made between excluded from “CAP” appropriations.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate” if the index rate is greater than 2.5%. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years’ tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases

in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the City to levy *ad valorem* taxes upon all taxable real property within the City to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the City's Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in the State for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the City. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax. On April 28, 2020, the Governor of the State issued Executive Order 130 pursuant to which the deadline for the payment of taxes due on May 1, 2020 was extended to June 1, 2020. Notwithstanding, and in response to the Pandemic, in June 2020, the City mailed an estimated tax bill due August 1. The City anticipates mailing the final tax bill in October 2020 which tax bill will be payable November 1. Such tax bill will also contain the preliminary taxes due February 1 and May 1 of 2021.

By State statute, tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, or such lower interest penalty rates as determined by the City from time to time. In response to the Pandemic, the City adopted a resolution setting the interest penalty rate at 8% for all delinquent taxes, regardless of amount, due on May 1, 2020 and August 1, 2020. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes. A table detailing tax title liens is included in Appendix “A”.



## **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the City must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## **Citywide Tax Reassessment Plan**

Since 2005, which marked the peak of what had been a rapidly increasing real estate market, property values had declined for a number of years to follow. This led to an escalated number of tax appeals, hitting a high of 829 in 2012, which the City has successfully negotiated and settled each year. In response to this, and as a proactive measure, the City conducted a series of “compliance plans” from 2011 to 2015 aimed at matching up assessed values to fair market values. A “compliance plan” is a compressed version of a revaluation or reassessment that must receive approval from the County Board of Taxation each year. The filing of these plans substantially reduced the number of appeals to only 56 in 2014 as the large majority of taxable line items have now been reassessed to fair market values. Since 2014, the number of appeals has averaged between 20 to 30 per year. Further, these plans have been carried out by in-house forces through the Tax Assessor’s office, saving the City and the taxpayers over \$1 million as opposed to contracting out a complete revaluation.

Overall during this process the ratable base fell from a high of \$12.85 billion in 2011 to \$11.18 billion in 2014. However, beginning in 2015, a stabilized and strengthened economy has led to multiple consecutive years of increases to the ratable base in excess of \$100 million. As of 2020, the City’s ratable base is \$11.93 billion.

## **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’ “Requirements of Audit”, includes recommendations for improvement of the local unit’s financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2019 for the City is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds

in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The City will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the City with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the City observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the City, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that

the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Bank Qualification**

The Bonds will not be designated as qualified under Section 265 of the Code by the City for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

### **LITIGATION**

To the knowledge of the City Attorney, Dorothy F. McCrosson, Esquire, Ocean City, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided.

## SECONDARY MARKET DISCLOSURE

The City, pursuant to the Resolutions, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the City shall provide:

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the City consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the City and certain financial information and operating data consisting of (i) the City and overlapping indebtedness including a schedule of outstanding debt issued by the City, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights or other similar

- terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the City, if any such event reflects financial difficulties.

The term “Financial Obligation” as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In a timely manner to EMMA, notice of failure of the City to provide required annual financial information on or before the date specified in the Resolutions. In the event that the City fails to comply with the above-described undertaking and covenants, the City shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the City from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The City has previously entered into continuing disclosure undertakings under the Rule. In 2019, the City failed to file a notice of financial obligation on a timely basis. The City has engaged the services of Phoenix Advisors, LLC, Bordentown, New Jersey, to act as dissemination agent for the City in connection with the City’s ongoing continuing disclosure obligations for all outstanding bond and note issues.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the City may affect the future liquidity of the Bonds.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor’s rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the City by its City Attorney, Dorothy F. McCrosson, Esquire, Ocean City, New Jersey.

### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **UNDERWRITING**

The Bonds have been purchased from the City at a public sale by BofA Securities, Inc., New York, New York (the "Underwriter"), at a price of \$54,145,243.59 (consisting of the par amount of the Bonds plus an original issue premium of \$3,884,998.35 and less an underwriter's discount of \$439,754.76). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA" to the Bonds based upon the creditworthiness of the City.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The City provided the Rating Agency with certain information and materials concerning the Bonds and the City. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

## **FINANCIAL STATEMENTS**

The audited financial statements of the City for the year ended December 31, 2019 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Ford, Scott & Associates, LLC, Ocean City, New Jersey, an independent auditor, as stated in its report appearing in Appendix "B" to this Official Statement. Ford, Scott & Associates, LLC has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial statements appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the City of Ocean City".

## **PREPARATION OF OFFICIAL STATEMENT**

The City hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter, by certificates signed by the Chief Financial Officer of the City, that to such officer's knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which City considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Frank Donato III, Director of Financial Management/CFO, City of Ocean City, 861 Asbury Avenue, Ocean City, New Jersey 08226, telephone (609) 525-9350 or by email [fdonato@ocnj.us](mailto:fdonato@ocnj.us), or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.



## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the City, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the City since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

### CITY OF OCEAN CITY

By: /s/ Frank Donato III  
Frank Donato III,  
Director of Financial Management/CFO

Dated: September 29, 2020

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**APPENDIX A**  
**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION**  
**ABOUT THE CITY OF OCEAN CITY**

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**GENERAL INFORMATION  
ABOUT THE  
CITY OF OCEAN CITY, IN THE  
COUNTY OF CAPE MAY, NEW JERSEY**

**General**

The City of Ocean City (the “City”) is an island situated on the northern tip of Cape May County, New Jersey. It is 65 miles from Philadelphia, 130 miles from New York City and 10 miles from Atlantic City. The city is eight miles long and  $\frac{3}{4}$  miles wide at its widest point.

The City was incorporated as a city in 1897. From 1911 until 1978, the city had a commission form of government. In 1977, following a comprehensive study of the city’s function and government, the voters opted for a change to the mayor-council form of government with an appointed administrator. On July 1, 1978, the mayor and council members took office. Three of the Council members are elected at-large for four-year terms. The remaining four members are elected from wards. The mayor is the chief executive of the city and supervises all departments. The mayor appoints the city administrator and all other department heads subject to advice and consent of council.

**Economy**

The local economy consists primarily of tourism-related businesses along with retail, and service sector establishments. The diversity of the local economy provides for a relatively low unemployment rate that has been consistently lower than rates in the rest of Cape May County and in many communities throughout South Jersey.

The city markets tourism to more than 70 million people in a 500-mile radius. The primary market is Pennsylvania, southern and central New Jersey. Secondary markets are northern New Jersey, New York, Maryland, Delaware and Washington, D.C. Web-based marketing has permitted the City to enter new and wider markets with advertising. Cape May County, including the City, hosts an estimated 12 million visitors annually and is the second largest tourism center in New Jersey, second only to the Atlantic City market. Cape May County grossed more than \$6.9 billion in tourism revenues in 2019, an increase of 4.4 percent over 2018, according to the latest data from the N.J. Division of Tourism.

A recent market survey indicated that the City’s strongest attributes are the fact that it is perceived to be a safe, clean, family-oriented community. Much effort has been taken to maintain the city’s brand identity as “America’s Greatest Family Resort” and to preserve these attributes in a changing society.

The City’s website ([www.ocnj.us](http://www.ocnj.us)) has also become an efficient and cost-effective tool for providing information regarding the City. The site received 539,272 visits in 2019 and more than 1.65 million page views. The city’s website has also been upgraded to automate numerous resident and visitor services, including beach tag and concert ticket purchases, in addition to being able to pay tax bills or traffic tickets online. The site also offers bid opportunities, government surplus items, and allows transparency of government with project updates, online meeting agendas, minutes, ordinances and videotapes of City Council meetings. The city’s Tourism Development Commission partners with the Ocean City Regional Chamber of Commerce to manage their tourism-oriented website ([www.oceancityvacation.com](http://www.oceancityvacation.com)). The Chamber also manages a Facebook page that is followed by more than 177,000 people and an Instagram account with 25,500 followers. The city and Chamber maintain an OCNJ smartphone app that provides visitor information, real-time notifications on news, events and weather, along with the ability to make cash-free payments at businesses throughout town.

There are a number of emerging trends in tourism that will also provide for continued market growth. Eco-tourism, destination weddings, cultural tourism and experience-based vacations involving surfing, yoga and fitness are all providing for growth in the Cape May County market, along with event-based vacations such as anniversaries and family reunions. In addition, the Internet has expanded the opportunity to reach niche tourism markets that appeal to those travelers with a specific behavior or interest such as fitness and water sports enthusiasts, cultural arts and theater travelers or those seeking culinary-related vacations.

The City market is unique in that in addition to being a popular family vacation destination, it is also home to more than 11,700 year-round residents and to a greater number of who occupy the city's 14,000 second homes. The City boasts the second largest second homeowner population in Cape May County. Second homeowners visit the City throughout the year to enjoy all the city has to offer in the off-season.

New efforts have successfully marketed the "second season" in the City from Labor Day to New Year's Day. Though most were canceled during the 2020 pandemic, the city typically hosts more than 200 annual events and many during the shoulder season that attract residents of nearby communities, second homeowners and returning vacationers. For example, the City's non-alcoholic, family-friendly First Night Celebration on New Year's Eve annually attracts more than 20,000 attendees who stay, shop and dine in the city, helping the viability of the economy on a year-round basis.

Accommodations in the City range from luxurious oceanfront suites, modern condominiums, hotels, and motels to bed-and-breakfast inns. The City has developed numerous cooperative marketing partnerships with local and regional attractions that are lacking in accommodations in order to maintain occupancy levels as well as to introduce new visitors to the City.

There continue to be numerous changes to the City's physical landscape and infrastructure. The Route 52 Causeway project, the largest bridge span project in the State of New Jersey, has been complete for several years. This \$500 million project includes a state-of-the-art Welcome Center, boat ramps, fishing piers, as well as a protected bikeway and pedestrian walk that spans the entire causeway. More than 250,000 pedestrian and cyclist trips are recorded on the trail each year. The beautification of 9<sup>th</sup> Street with trees, landscaping, brick walkways, crosswalks and decorative lighting has also been completed. The city acquire land to convert two abandoned gas stations into a new open-space park at the gateway to the City along the 9<sup>th</sup> Street corridor.

The Ocean City Planning Board completed an 18-month re-examination of their Master Plan. This comprehensive report recommends a series of actions and zoning changes to attract new year-round residents and improve opportunities for year-round housing, while maintaining the city's resort character.

Another emphasis of the report is recommended improvements to the central business district known as "Downtown Ocean City." This business district, which extends from 6<sup>th</sup> to 14<sup>th</sup> Streets along Asbury Avenue, includes more than 100 shops, restaurants and galleries. Downtown Ocean City has received numerous accolades from surrounding media and was voted best shopping district in *South Jersey Magazine*. A number of regional banks and service providers have also selected the City for their home office. The City was chosen in a popular poll as South Jersey's "Favorite Downtown," and the resort also was named one of the top places in the nation for women-owned businesses. Brick crosswalks, improved sidewalks, a downtown park at Ninth Street and Asbury Avenue, and renovated public bathrooms at City Hall are among the improvements.

The city is also home to more than 100 eating establishments from full service, fine-dining restaurants to specialty snack shops. Events throughout the year, such as Ocean City Restaurant Week and the new fall Chili and Chowder Festival, promote the island's eateries.

A Special Improvement District (SID) supports the business community. This district, including the commercial portions of the boardwalk, Asbury Avenue and several adjoining streets, raises money through assessments, projects and special events and funds a variety of promotional activities, physical improvements and special maintenance. The SID is managed by a not-for-profit corporation, Business and Neighborhood Development (BAND).

The major attraction for the City is, of course, the beach with eight miles of sand manicured each summer day, stretching from Great Egg Harbor Inlet on the northern border to Corson's Inlet State Park at the southern border. The United States Army Corps of Engineers is working under a 50-year agreement to conduct beach and dune restoration projects to the City, bringing millions of cubic yards of new sand to

protect properties at the north and south ends of the island. The federal and state governments pay approximately 90 percent of the costs of these projects. The Army Corps returned in the summer of 2020 and pumped more than 1.6 million cubic yards of new sand onto the city’s most popular beaches. This work has created an uninterrupted line of protective dunes from tip to tip in the City.

The City’s beaches have gained statewide and national attention. More than 100,000 voters nationwide chose the City as the “Best Beach in America” in an online contest sponsored by Coastal Living magazine. For the seventh consecutive year, beachgoers chose the City as “New Jersey’s Favorite Beach” in a statewide poll in 2020. The City is named each year to numerous “Best Of” and “Top 10” lists recognizing its boardwalk, downtown, ecotourism, family destinations and more.

Along a portion of the beach is the two- and one-half-mile long boardwalk. The boardwalk provides many activities for all age levels. Some of the activities include amusement parks, movie theaters, miniature golf courses and concert and theater events at the historic Music Pier building that is home to the Ocean City Pops Orchestra. There are many food establishments and shops throughout the entire length of the boardwalk. The Ocean City Boardwalk completed a multi-year project in 2018 to completely replace the substructure and decking between 5<sup>th</sup> Street and 12<sup>th</sup> Street.

**Population**

The population statistics in the City for the 1940 to 2010 period is as follows:

<u>Year</u>	<u>Population*</u>
1940	4,672
1950	6,040
1960	7,618
1970	10,575
1980	13,949
1990	15,512
2000	15,378
2010	11,701

\*Source-Federal Census

The summer population can range from 125,000 to 175,000.

**Government Organization**

The executive branch of government headed by the Mayor is organized into seven departments which are coordinated by the Business Administrator: Law, Administration, Finance, Police, Fire, Operations and Engineering, and Community Services. The director of each department meets weekly with the Mayor and Business Administrator and collectively they constitute the senior staff

It is during these weekly meetings that the short and long-range policy decisions are formulated and it is also when the major items that will eventually come before the City Council are discussed. In addition, the Mayor, Administrator and Finance Director meet twice a month with the Council President and City Clerk to prepare the agendas for the seven-member elected City Council’s twice-monthly meetings.

The **Department of Administration** is overseen by the Business Administrator and includes Purchasing, Public Information, Emergency Management, and Human Resources.

The **Department of Police Services** is comprised of 75 full-time personnel, which includes 16 civilians. The 59-member uniformed police force is augmented by 45 seasonal uniformed officers. This department is fully equipped with the appropriate vehicles to protect the citizens and guests of the City.

The department is also responsible for operating a centralized 911 emergency dispatch system for the City and neighboring Upper Township. Information Technology also falls under this department

The **Department of Fire and Rescue Services** is comprised of 61 fully trained firefighters, all of whom are certified EMT's and 3 additional civilian emergency medical technicians, as well as 140 seasonal lifeguards. They are housed in three different locations throughout the City and provide 24-hour professional fire, rescue, water rescue and medical response for the community. Shore Medical Center, a modern health facility, is located in Somers Point, approximately two miles from the center of the City. The Fire Department maintains a variety of different types of vehicles specifically for its mission.

The **Community Services Department** is comprised of 17 full time employees and oversees all recreation and leisure activities throughout the City, as well as special events, and neighborhood and social services. The three major leisure and recreation facilities are the Aquatic and Fitness Center, a membership-based community facility, a Civic Center complex with meeting rooms and a large indoor sports floor area, and the wonderfully successful Music Pier, a facility with state of the art lighting, sound system and stage, which operates with multiple programming for 10 months each year. Located throughout the city are seven baseball fields, nine basketball courts, 22 tennis courts, 39 shuffleboard courts, three soccer fields, eight playgrounds, one all-purpose field with track and field facilities, 12 Pickleball courts, and a new multi-use artificial turf field for football and many other sports.

The **Operations and Engineering Department** includes Public Works, Engineering and Project Management, Planning and Zoning Administration, Construction Code Enforcement and Mercantile Licensing. Public Works includes 54 full time employees and oversees the maintenance and repair of city building, facilities, equipment and vehicles. The division of Environmental Operations also manages all trash and recycling operations, as well as the maintenance and cleaning of beaches. Public Works also hires dozens of seasonal employees to complement their workforce during the summer months.

The **Financial Management Department** is comprised of 13 full time personnel, as well as 150 seasonal personnel. The department is headed by a state certified finance officer. The department is comprised of Accounting, Tax Collection, Tax Assessment, Capital Planning, Revenue Collection, as well as the seasonal beach and parking operations.

The City has been a leader in promoting shared services as a means to reduce expenses. The City provides dispatch and fire protection services to a nearby community.

The ratable base for the City was the third largest in the State of New Jersey in 2019 with more than \$11.9 billion in valuation. This coupled with the fact that many of the homes are seasonally occupied requiring reduced services results in one of the lowest tax rates in the region. The City's actual tax rate for 2019 was 0.967 cents per \$100 in assessed value. The City also benefits by managing a variety of non-tax revenues such as beach tags, parking lots and meters, a municipal golf course and airport, and an aquatic and fitness center.

## **Utilities**

The Atlantic Electric Company provides electric services to the island, while South Jersey Natural Gas Company provides gas services. New Jersey American Water Company provides both water and sewer service. Wastewater is treated at a modern facility in the City with excess capacity; it is operated by the Cape May County Municipal Utilities Authority. Trash and recycling services are provided through contracts with waste management service providers. Trash disposal is at a Cape May County Municipal Utilities Authority facility where all county municipalities have contracted for services at stabilized rates for three years.

## **Transportation**

The City is accessible by land, air and sea. The Garden State Parkway, a major north-south artery, skirts the City and provides access to Philadelphia, New York and Atlantic City. The Parkway connects with the Cape May-Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south.



The \$500 million replacement of the Route 52 Causeway has resulted in the widening of the bridge to four lanes and allow for a steady flow of traffic into and exiting the city with the elimination of two aging draw bridges.

The Atlantic City International Airport, approximately 15 miles from the City, provides services to major Eastern cities. The Philadelphia International Airport is approximately one hour away. The City's municipal airport services private planes and recently underwent a \$2 million runway and drainage improvement project funded by Federal Stimulus monies from the Federal Aviation Administration.

### **Capital Improvement Program**

The Capital Improvement Plan for 2020 and for the following four years totals \$101,437,500. The major projects include a continuation of elevating and upgrading the city's streets and drainage system, acquisition of open space, improvement to recreational facilities, including the beach and boardwalk, the dredging of lagoons and back bay waterways, renovations to city-owned buildings, downtown cultural and historical development, and acquisition of major capital equipment for the use of various city departments. The City has been successful in attracting a consistent flow of County, State and Federal grants over the years which in many cases will supplement the capital program.

### **Flood Resiliency**

The City recognizes the threats of coastal flooding and rising seas, and the municipality has taken a leading role in investing in solutions. The elevation of homes and infrastructure, installation of pumping stations, replacement of bulkheads and barriers, creation of living shorelines, purchase of open space and various other ideas are all important in the city's ongoing efforts. The city has committed more than \$100 million to its five-year capital improvement program – much of it dedicated to flood resiliency – and many of its programs and partnerships are held up as models throughout coastal New Jersey.

The city's efforts are essentially three-pronged: 1) lifting homes, roads and infrastructure above flood levels, 2) using dunes, bulkheads and barriers to hold back flood waters, and 3) providing engineering and natural solutions to slow the rate of flooding and increase the rate of drainage. These initiatives have been achieved through the adoption of local ordinances, grants and incentives to private owners, partnerships with governmental and interest groups, and a substantial capital investment program.

#### *Elevation*

- New zoning and construction ordinances require all new and substantially renovated/rebuilt homes in the city to be elevated above the 100-year flood elevation defined by the Federal Emergency Management Agency (FEMA). A series of ordinances defines the lowest permissible floor elevations in relation to flood elevations.
- The city has worked in partnership with federal and state agencies to assist property owners in obtaining grant funding to elevate homes.
- Flood Mitigation Assistance (FMA) grants to date are elevating 15 homes in the City. Hazard Mitigation Grant Program (HMGP) funds are elevating another eight homes in the City. Both programs have taken a regional approach to applying for this federal funding and involve several other neighboring communities in Cape May County.
- Through various reconstruction projects, 210 of 557 homes on the City's Severe Repetitive Loss list have been elevated. 114 of 557 homes on the Repetitive Loss list have been elevated.
- The city is systematically elevating streets and infrastructure wherever possible and practical.

- The 500 block of West Avenue, where street flooding routinely required firefighters to carry Primary School students through floodwaters, was elevated by more than 18 inches, eliminating flooding in all but major flooding events.
- The stretch of Third Street between Bay Avenue and West Avenue – one of the lowest roadways on the island – was elevated by as much as two feet. The city coordinated with private owners to have grades match the new elevations.
- A stretch of Bay Avenue near Third Street (and near a gap in the otherwise continuous bayside bulkhead) was substantially elevated to prevent tidal waters from breaching the roadway.
- Acquisition of two abandoned gas stations at the foot of the Ninth Street Bridge and conversion to an elevated open space park will allow for future elevation of this emergency access route.
- West 55<sup>th</sup> Street is being elevated as part of an ongoing road improvement program at the south end that has included elevation of street ends at 45<sup>th</sup> Street, 46<sup>th</sup> Street, 47<sup>th</sup> Street and 48<sup>th</sup> Street.
- City Council in 2020 approved design contracts for new pumping station projects along the flood-prone Haven-Simpson corridor.

#### *Barriers*

- The City has a 50-year agreement with the Army Corps of Engineers and state Department of Environmental Protection for beach and dune renourishment at 3-year intervals. This has led to an uninterrupted line of protective dunes that stretches the length of the City's beachfront.
- Ordinance 14-09 – Requires minimum elevation of non-oceanfront bulkheads at 7' NAVD88, and oceanfront bulkheads at 11' NAVD88, with construction in compliance with the Flood Damage Prevention Ordinance.
- The city has completed replacement of all city-owned bulkheads along the bay front.
- ACT Engineers is conducting a feasibility study on the concept of using an existing railroad bed as a storm protection barrier. The right of way runs through the marshes from 52<sup>nd</sup> Street to 36<sup>th</sup> Street, an area where there are no existing bulkheads.
- The City has installed GeoTubes along sections of their beach (e.g. Waverly Beach), and maintains, repairs and/or replaces these as needed.

#### *Other Measures*

- The city has completed three major neighborhood drainage projects addressing flooding at the most vulnerable areas of town. The projects have included complete replacement of the storm drainage system with a network of stronger, straighter and bigger drainage pipes, the regrading and repaving of streets and gutters to move storm water into the drainage system, and the addition of 10 pumping stations to increase the rate of drainage – even during high tides. While these systems cannot prevent the biggest storm flooding events, they have largely eliminated nuisance flooding. The city utilized a \$4.9 million HMGP grant as part of this program.

- In partnership with the National Fish and Wildlife Foundation and state DEP, the city recently completed a living shoreline project, restoring Shooting Island to its historic profile from 40 years ago. The project included both rock sill and oyster habitat. The island is an important barrier to wave action on the City's bay side. The city has a pending grant application to complete phase two of this project again in partnership with the National Fish and Wildlife Foundation.
- The city has restarted its dredging program, removing more than 500,000 cubic yards of material from all channels and lagoons on the bay side.
- The City participates in the NFIP Community Rating System (CRS) and continues to work to improve their CRS rating through various CRS activities. The city is currently at Level 4 and is working to achieve Level 3. Only two other towns in New Jersey are at Level 4 or better.

**Building Permits Issued**

The following is a list of the number of building permits issued in the City, which includes new construction and improvements.

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2018	2,052	\$88,998,393
2017	2,282	89,240,537
2016	2,278	92,615,779
2015	2,325	97,086,984
2014	2,325	96,988,630
2013	3,091	91,854,525
2012	2,280	62,484,936
2011	1,902	54,713,352
2010	1,783	49,589,935
2009	1,397	34,292,862
2008	1,808	62,744,530
2007	1,995	64,447,939
2006	2,284	102,932,380
2005	2,938	134,464,703

The City's 2020 ratable base is 11,933,162,400, and the assessor anticipates adding another \$200 million in value after October. The city has successfully reduced the number of tax appeals it had experienced earlier in this decade. The real estate market which peaked in 2005 had been in decline for a number of years to follow. As a proactive measure the city conducted a series of compliance plans in 2011-2015 aimed at matching up assessed values to fair market values. The filing of these plans has substantially reduced the number of appeals to only 23 in 2020, down from a high of 829 in 2012.

**City Employment and Pension Information**

The City employs 268 full-time employees, approximately 92 permanent part time employees and 600 seasonal employees. The staffing of the city has been reduced from a high of 297 in 2003, a 10 percent decrease in full-time staff. In addition, the number of part-time and seasonal positions has also been reduced.

Under the law of New Jersey, municipal employees have certain organizations and representational rights, which include the right to organize and bargain collectively through

representatives of their choosing and to engage in certain concerted activities for bargaining. The CWA 1078, CWA 1032, PBA and IAFF contracts all had expired as of December 31, 2018. The City Council has approved a new agreements with all four units effective January 1, 2019 through December 31, 2022. The agreements call for cost of living increases of 2%, 1.75%, 1.75% and 2% respectively for the four years of the contract.

Those municipal employees who are eligible for pension coverage are enrolled in the State of New Jersey Pension System. City employees are largely enrolled in two main pension systems which have been established by act of the State Legislature. Benefits, contribution, means of funding and the manner of administration are defined by State legislation.

The two State administered pension funds are the Police and Fireman's Retirement System (N.J.S.A. 43:16A), and the Public Employees' Retirement System (N.J.S.A. 43:15A). The Division of Pensions & Benefits with the Treasury Department of the State of New Jersey is the administrator of the funds. This division charges municipalities and other governmental units annually for their respective contributions. The City is current in the payment of all its pension liabilities to these funds.

The following table shows the City's pension contributions:

	2019	2018	2017	2016	2015
Public Employees' Retirement System	1,649,219.00	1,584,351.00	1,542,054.00	1,464,685.00	1,355,471.00
Social Security*	1,400,000.00	1,419,716.00	1,434,873.00	1,430,674.00	1,388,701.28
Police & Firemen's Retirement System	3,529,652.00	3,261,818.00	3,022,027.00	2,973,523.00	2,797,971.00

*\*2019 Social Security is Budgeted Estimate*

## **Education**

The Board of Education of the City of Ocean City (the "Board") operates independently of the city government. It is a Type II School District with nine elected members serving staggered three-year terms. The Board also has three members appointed from the Upper Township School District due to their send/receive relationship. The board includes non-voting members from the sending districts of Sea Isle City and Longport.

The Board adopts its own budget. There is no public vote on the budget as long as the district stays within state-mandated caps. The amounts to be raised for taxation for current expenses and capital outlay are certified directly to the Cape May County Board of Taxation and the tax rate is struck accordingly.

The aid to be provided by the state under the Quality Education Act of 1990 consists of Transportation, Special Education Categorical, Security and Debt Service Aid.

The School District also became a State School Choice District during the 2011-2012 school year. Through this program, the district accepts students from other districts on an application basis. The district saw this program as a revenue source due to the declining enrollment. It allows the district to keep seats full while maintaining programs for their students.

The Board operates on a fiscal year July 1 to June 30, but taxes are raised on a calendar year and paid to the local school by December 31.

At present, there are three public schools in the City. A new high school was constructed and opened in September 2004.

In addition to the school system, Saint Joseph's Catholic School, Atlantic Christian School and Holy Spirit High School offer private school education opportunities for City families.

The City School District is also a receiving district; they receive students from Sea Isle City (K-12), Corbin City (9-12), Longport (9-12) and Upper Township (9-12). Enrollments over the past ten years are as follows:

<u>As of June 30,</u>	<u>K - 3</u>	<u>4 - 8</u>	<u>9 - 12</u>	<u>Total</u>
2007	284	408	1,428	2,120
2008	275	414	1,399	2,088
2009	314	465	1,353	2,132
2010	328	484	1,283	2,095
2011	334	474	1,238	2,046
2012	345	456	1,254	2,055
2013	369	474	1,222	2,065
2014	366	499	1,198	2,063
2015	381	506	1,258	2,145
2016	384	504	1,237	2,125
2017	354	519	1,225	2,098
2018	345	528	1,251	2,124

**CITY OF OCEAN CITY**  
**DEBT STATEMENT DECEMBER 31, 2019 (1)**

**Direct Debt**

General Obligation Bonds:

General Purpose	132,300,000.00	
School Purpose	7,162,000.00	

Total General Obligation Bonds	139,462,000.00	
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Bond Anticipation Notes:

General Purpose	2,210,000.00	
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Total Bond Anticipation Notes	2,210,000.00	
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Other Debt:

General Purpose - Green Trust Loans	371,385.18	
General Purpose - Other	-	

Total Other Debt	371,385.18	
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Authorized but Not Issued:

General Purpose	24,463,215.00	
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Total Authorized but Unissued	24,463,215.00	
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Total Gross Debt	166,506,600.18	
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Net Direct City and School District Debt	161,888,687.18	
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Net Direct City Debt	154,726,687.33	
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(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY  
DEBT STATEMENT (1)  
DEBT STATEMENT DECEMBER 31, 2019 (1)**

Net Direct City and School District Debt 161,888,687.18

**Indirect Debt**

Cape May County (2)	72,873,474.61
Cape May County MUA (3)	<u>5,563,519.20</u>

Total Indirect Debt 78,436,993.81

Net Direct City, School District and Indirect Debt 240,325,680.99

**Capital Debt Ratio (4)**

	<u>Amount</u>	<u>Ratio to Equalized Value (5)</u>
Net Direct Debt	154,726,687.33	1.22%
Net Direct City, School District and Indirect Debt	240,325,680.99	1.90%

	<u>Amount</u>	<u>Ratio to Net Valuation Taxable (6)</u>
Net Direct Debt	154,726,687.33	1.31%
Net Direct City, School District and Indirect Debt	240,325,680.99	2.03%

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(1) Source: Auditor to the City of Ocean City

(2) Represents the City's 24.29% pro rata share of Cape May County's \$299,971,256.94 net debt.

(3) Represents the City's 24.29% pro rata share of Cape May County MUA's \$22,901,280.00 outstanding debt.

(4) As of January 1, 2019.

(5) Equalized value as of January 1, 2019 is \$12,667,108,276

(6) Net taxable value as of January 1, 2019 is \$11,825,766,800

**CITY AND SCHOOL DISTRICT  
DEBT INCURRING CAPACITY**

**City Debt Incurring Capacity**

Average three-year (2017-2019, incl.) equalized valuation of real property with improvements plus assessed valuation of Class II Railroad property	12,581,691,616	
3 1/2 % Municipal Borrowing margin		440,359,206.57
Less: City Net Debt		<u>154,726,687.33</u>
Total remaining City debt incurring capacity		<u><u>285,632,519.24</u></u>
Percentage that the net debt bears to the equalized valuation basis equals		<u><u>1.230%</u></u>

**School District Debt Incurring Capacity**

Average three-year (2017-2019, incl.) equalized valuation of real property with improvements plus assessed valuation of Class II Railroad property	12,581,691,616	
4 % School Borrowing margin		503,267,664.65
Less: School District Debt		<u>7,162,000.00</u>
Total remaining School District debt incurring capacity		<u><u>496,105,664.65</u></u>
Percentage that the net debt bears to the equalized valuation basis equals		<u><u>0.057%</u></u>

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(1) Source: Auditor to the City of Ocean City



## CITY OF OCEAN CITY BONDS OUTSTANDING

The outstanding bonds of the City incurred for general capital as of December 31, 2019 are shown below:

### BONDS OUTSTANDING AS OF DECEMBER 31, 2019 (1)

Issued	Purpose	Principal Outstanding
2008	General Capital	2,000,000.00
2012	General Capital	4,500,000.00
2014	General Capital	12,000,000.00
2016	General Capital	31,800,000.00
2019	General Capital	82,000,000.00
Total:		132,300,000.00

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(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY  
DEBT SERVICE REQUIREMENTS**

**Existing Long-Term Debt Service Requirements (1)**

Year Ending 12/31	Outstanding Bonds as of December 31, 2019			Total Outstanding Debt Service Requirements	% Principal Retired
	Principal	Interest	Total		
2020	10,790,000.00	3,787,075.00	14,577,075.00	14,577,075.00	
2021	9,300,000.00	3,572,037.50	12,872,037.50	12,872,037.50	
2022	9,810,000.00	3,241,037.50	13,051,037.50	13,051,037.50	
2023	11,020,000.00	2,929,637.50	13,949,637.50	13,949,637.50	
2024	11,780,000.00	2,583,837.50	14,363,837.50	14,363,837.50	39.83%
2025	11,490,000.00	2,214,637.50	13,704,637.50	13,704,637.50	
2026	12,150,000.00	1,847,100.00	13,997,100.00	13,997,100.00	
2027	10,350,000.00	1,452,600.00	11,802,600.00	11,802,600.00	
2028	10,760,000.00	1,173,600.00	11,933,600.00	11,933,600.00	
2029	6,560,000.00	934,800.00	7,494,800.00	7,494,800.00	78.62%
2030	6,560,000.00	738,000.00	7,298,000.00	7,298,000.00	
2031	6,970,000.00	541,200.00	7,511,200.00	7,511,200.00	
2032	7,380,000.00	332,100.00	7,712,100.00	7,712,100.00	
2033	7,380,000.00	166,050.00	7,546,050.00	7,546,050.00	100.00%
Totals	<u>132,300,000.00</u>	<u>25,513,712.50</u>	<u>157,813,712.50</u>	<u>157,813,712.50</u>	

(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY  
COMPARATIVE BALANCE SHEET - CURRENT FUND**

For the Years Ending December 31, 2014 through December 31, 2019 (2)

<u>ASSETS</u>	2019	2018	2017	2016	2015	2014
Cash and Investments	14,656,658	12,143,676	20,625,243	10,798,726	13,568,911	11,442,614
Due from State of New Jersey	0	0	0	217	467	0
	<u>14,656,658</u>	<u>12,143,676</u>	<u>20,625,243</u>	<u>10,798,942</u>	<u>13,569,378</u>	<u>11,442,614</u>
Receivables With Full Reserves:						
Property Taxes Receivable	797,349	891,579	724,270	680,874	691,033	855,902
Tax Title Liens Receivable	3,951	3,985	3,148	1,430	1,786	1,767
Property Acquired for Taxes - Assessed Valuation	244,200	262,576	262,576	262,576	262,576	262,576
Revenue Accounts Receivable	0	0	0	0	0	0
Interfunds	0	0	0	0	0	0
	<u>1,045,501</u>	<u>1,158,140</u>	<u>989,995</u>	<u>944,880</u>	<u>955,395</u>	<u>1,120,245</u>
Deferred Charges:						
Emergency Authorizations	0	0	0	250,000	50,000	0
Special Emergency Authorizations	0	0	0	0	450,000	1,395,000
	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>500,000</u>	<u>1,395,000</u>
	<u>15,702,158</u>	<u>13,301,816</u>	<u>21,615,238</u>	<u>11,993,822</u>	<u>15,024,772</u>	<u>13,957,859</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>						
Liabilities:						
Appropriation Reserves	2,772,301	2,486,047	2,499,575	1,796,478	2,941,571	2,403,813
Prepaid Taxes	3,412,703	3,433,585	11,831,165	2,548,838	2,435,365	2,215,664
Tax Overpayments	2,454	2,229	36,179	29,622	35,795	5,306
Payroll Taxes Payable	0	0	0	0	6,479	51,661
Due to County Added Taxes	199,457	251,720	232,759	184,608	220,631	198,299
Interfunds	0	0	0	0	0	0
Other Liabilities	244,581	118,792	195,489	130,319	1,526,654	1,683,055
	<u>6,631,495</u>	<u>6,292,374</u>	<u>14,795,167</u>	<u>4,689,865</u>	<u>7,166,494</u>	<u>6,557,798</u>
Reserve for Receivables	1,045,501	1,158,140	989,995	944,880	955,395	1,120,245
Fund Balance	8,025,163	5,851,302	5,830,077	6,359,077	6,902,883	6,279,816
	<u>15,702,158</u>	<u>13,301,816</u>	<u>21,615,238</u>	<u>11,993,822</u>	<u>15,024,772</u>	<u>13,957,859</u>

**CITY OF OCEAN CITY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**

For the Years Ending December 31, 2014 through December 31, 2019 (2)

	2019	2018	2017	2016	2015	2014
<b>Revenues and Other Income:</b>						
Fund Balance Utilized	2,850,000	3,000,000	3,380,000	3,650,000	3,350,000	2,886,000
Current Taxes	114,452,165	112,259,117	109,323,414	103,883,887	101,270,335	98,572,979
Delinquent Tax Collections	881,699	645,153	670,384	695,059	861,204	794,226
Miscellaneous Revenues	19,834,866	29,193,457	18,912,964	19,576,255	19,823,622	18,465,983
Miscellaneous Revenues not Anticipated	525,120	404,972	336,798	426,812	551,410	417,183
Unexpended Prior Reserves	1,381,178	1,240,849	835,128	1,096,956	1,454,510	848,420
Interfunds	0	0	0	0	0	0
Other Revenues and Credits	180,729	0	73,666	114,075	109,844	100,000
	<u>140,105,757</u>	<u>146,743,548</u>	<u>133,532,354</u>	<u>129,443,044</u>	<u>127,420,926</u>	<u>122,084,791</u>
<b>Expenditures:</b>						
Budget and Emergency Appropriations						
Operations Within "CAPS"						
Municipal Operations						
Salaries & Wages	30,534,947	29,604,975	29,785,810	29,161,383	29,310,811	28,324,311
Other Expenses	19,430,833	21,000,133	20,476,358	19,207,115	18,832,383	18,681,283
Deferred Charges and Statutory Expenditures - Municipal	7,028,971	6,646,169	6,359,582	6,173,208	5,817,084	5,483,482
Operations Excluded From "CAPS"						
Capital Improvements	800,000	2,055,000	1,600,000	1,150,000	1,100,000	966,000
All Other Operations	6,512,725	15,897,969	6,204,873	5,113,017	5,758,246	4,918,659
Municipal Debt Service	14,728,466	13,432,408	12,929,134	11,237,462	10,548,860	9,869,807
Deferred Charges - Municipal	145,325	515,910	250,000	2,524,500	945,000	646,500
County Taxes	30,320,943	29,191,926	27,927,843	27,094,144	26,376,558	25,175,466
Local District School Tax	25,396,388	25,194,554	24,962,191	24,672,784	24,619,359	24,481,725
Special District Taxes	183,298	183,278	182,313	183,448	183,448	183,409
Other Purposes	0	0	3,250	69,788	6,109	0
	<u>135,081,896</u>	<u>143,722,322</u>	<u>130,681,355</u>	<u>126,586,850</u>	<u>123,497,859</u>	<u>118,730,641</u>

**CITY OF OCEAN CITY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**

	For the Years Ending December 31, 2014 through December 31, 2019 (2)					
	2019	2018	2017	2016	2015	2014
Excess or (Deficit) in Revenue	5,023,861	3,021,226	2,851,000	2,856,194	3,923,067	3,354,150
Adjustment to Income Before Fund Balance						
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Years	0	0	0	250,000	50,000	0
Statutory Excess to Fund Balance	5,023,861	3,021,226	2,851,000	3,106,194	3,973,067	3,354,150
Fund Balance January 1	5,851,302	5,830,077	6,359,077	6,902,883	6,279,816	5,811,666
	10,875,163	8,851,302	9,210,077	10,009,077	10,252,883	9,165,816
Deduct Fund Balance Utilized as Anticipated Revenue	2,850,000	3,000,000	3,380,000	3,650,000	3,350,000	2,886,000
Fund Balance December 31	<u>8,025,163</u>	<u>5,851,302</u>	<u>5,830,077</u>	<u>6,359,077</u>	<u>6,902,883</u>	<u>6,279,816</u>

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(1) Source: Auditor to the City of Ocean City  
(2) Audited Results for the Years 2014-2019

**CITY OF OCEAN CITY**  
**SUMMARY STATEMENT OF FINANCIAL OPERATIONS AND CHANGES IN FUND BALANCE**  
**CURRENT FUND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Audited December 31 2019</u>	<u>Audited December 31 2018</u>
<b>Revenues</b>		
Fund Balance Utilized	2,850,000.00	3,000,000.00
Current Property Tax Collections	114,452,165.12	112,259,116.62
Receipts from Delinquent Taxes	881,699.37	645,152.78
Miscellaneous Revenues Anticipated	19,834,866.07	29,193,456.71
Nonbudgeted Revenue	525,119.82	404,972.34
Unexpended Balance of Appropriation Reserves	1,381,177.55	1,240,849.10
Other Revenues	180,728.76	-
<b>Total Revenues</b>	<u>140,105,756.69</u>	<u>146,743,547.55</u>
<b>Expenditures</b>		
Operations:		
Salaries and Wages	30,534,947.00	29,604,975.00
Other Expenses	19,430,833.39	21,000,133.39
Deferred Charges and Statutory Expenditures	7,028,971.00	6,646,169.00
Capital Improvements	800,000.00	2,055,000.00
All Other Operations	6,512,725.13	15,897,969.27
Municipal Debt Service	14,728,466.15	13,432,407.80
Deferred Charges - Municipal	145,325.00	515,910.00
County Taxes	30,320,942.77	29,191,925.59
School Tax	25,396,387.50	25,194,554.00
Special District Taxes	183,298.00	183,278.00
Other Expenditures	0.00	0.00
<b>Total Expenditures</b>	<u>135,081,895.94</u>	<u>143,722,322.05</u>
Deferred Charges to Succeeding Budget	<u>0.00</u>	<u>0.00</u>
Net Expenditures	<u>135,081,895.94</u>	<u>143,722,322.05</u>
<b>Excess in Revenues</b>	5,023,860.75	3,021,225.50
<b>Fund Balance January 1</b>	<u>5,851,302.34</u>	<u>5,830,076.84</u>
	10,875,163.09	8,851,302.34
Utilized as Anticipated Revenue	<u>2,850,000.00</u>	<u>3,000,000.00</u>
<b>Fund Balance December 31</b>	<u><u>8,025,163.09</u></u>	<u><u>5,851,302.34</u></u>

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(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY**  
**2020 BUDGET**  
**2019 BUDGET AND AUDITED RESULTS (1)**

	2020 Adopted Budget (3)	2019 Budget	2019 Audited Results
<b>Anticipated Revenues:</b>			
Surplus Anticipated	4,000,000	2,850,000	2,850,000
Miscellaneous Revenues (2)	16,319,375	16,548,780	17,904,083
Grants	358,715	288,910	1,930,558
Receipts from Delinquent Taxes	750,000	700,000	881,699
Municipal Library Tax	4,354,748	4,166,577	4,166,577
Amount to be Raised by Taxation	<u>54,892,722</u>	<u>54,281,659</u>	<u>55,392,025</u>
 Total Anticipated Revenues	 <u><u>80,675,559</u></u>	 <u><u>78,835,926</u></u>	 <u><u>83,124,943</u></u>
 <b>Appropriations:</b>			
Municipal Operations:			
Salaries & Wages	31,353,224	30,991,200	29,626,753
Other Expenses	20,115,550	19,291,450	18,658,443
Statutory Expenditures	7,212,156	6,953,871	6,992,936
Operations Excluded from "CAPS"	647,907	332,669	1,973,358
Municipal Library	4,354,748	4,166,577	4,166,577
Capital	800,000	800,000	1,040,000
Debt Services	15,041,974	15,004,834	14,728,466
Deferred Charges	0	145,325	145,325
Reserve for Uncollected Taxes	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>
 Total Appropriations	 <u><u>80,675,559</u></u>	 <u><u>78,835,926</u></u>	 <u><u>78,481,858</u></u>

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(1) Source: Auditor to the City of Ocean City

(2) Includes, inter alia, energy receipts taxes received from the state, beach fees, building and other permits, licenses and fines.

(3) Adopted by City Council on June 25, 2020.

**CITY OF OCEAN CITY  
TEN-YEAR REAL ESTATE TAX COLLECTION RECORD (1)**

Tax Year	Tax Levy (3)	Current Year Collected	Percent of Current Levy Collected	Total Tax Collections	Percent of Total Levy Collected	Outstanding Balance December 31
2019	115,295,159	114,452,165	99.27%	115,333,864	100.03%	797,349
2018	113,169,715	112,259,117	99.20%	112,904,269	99.77%	891,579
2017	110,070,172	109,323,414	99.32%	109,993,798	99.93%	724,270
2016	104,627,897	103,883,887	99.29%	104,578,946	99.95%	680,874
2015	102,163,206	101,370,335	99.22%	102,231,540	100.07%	691,033
2014	99,578,715	98,672,979	99.09%	99,467,205	99.89%	855,902
2013	95,863,853	94,937,907	99.03%	96,052,427	100.20%	800,887
2012	95,770,897	93,780,435	97.92%	94,768,002	98.95%	1,161,734
2011	97,104,511	95,257,230	98.10%	96,498,910	99.38%	1,003,281
2010	94,558,775	93,140,423	98.50%	94,257,400	99.68%	1,266,836
<b>Ten-Year Average</b>			98.89%		99.78%	

**ANALYSIS OF REAL ESTATE TAX RATE (1)**

	2020	2019	2018	2017	2016
Local Municipal Tax	0.461	0.460	0.459	0.449	0.420
Local Municipal Library Tax	0.037	0.036	0.035	0.035	0.034
Local School District	0.215	0.216	0.216	0.218	0.217
County Tax	0.265	0.255	0.248	0.241	0.236
Total Rate (2)	<u>0.978</u>	<u>0.967</u>	<u>0.958</u>	<u>0.943</u>	<u>0.907</u>

(1) Source: Auditor to the City of Ocean City

(2) Original Levy per County Abstract of Ratables.

(3) Original Levy Plus Added and Omitted Levies as of September 1st.



**CITY OF OCEAN CITY  
TAX TITLE LIENS AND DELINQUENT TAXES (1)**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Total Tax Levy</u>
2019	3,951	797,349	801,301	0.69%
2018	3,985	891,579	895,564	0.79%
2017	3,148	724,270	727,419	0.66%
2016	1,430	680,874	682,304	0.65%
2015	1,786	691,033	692,819	0.68%
2014	1,767	855,902	857,669	0.86%
2013	1,748	800,887	802,635	0.84%
2012	1,731	1,161,734	1,163,465	1.21%
2011	1,464	1,003,281	1,004,745	1.03%
2010	1,460	1,266,836	1,268,296	1.34%

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(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY  
TEN OF THE HIGHEST ASSESSED VALUATIONS(1)**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2020 Assessed Valuation</u>
Raab Family, LLC	Boardwalk Retail, Office	16,484,500
Gilamco, Inc.	Boardwalk Amusement/Retail	15,806,800
OC Bwalk Holdings, LLC	Boardwalk Retail	12,415,100
Port-O-Call Associates	Hotel	12,367,700
Berman, H & 1200 Boardwalk Shopping	Boardwalk retail, Hotel	11,806,100
Magton Inc.	Hotel/Motel	10,216,800
Holloway, Gary & Patricia	Real Estate Investment	9,794,400
Warren E. North, Jr.	Real Estate Investment	9,443,400
Sports Development, Inc.	Boardwalk Amusement/Retail	8,757,400
New Jersey Water Co.	Water Utility	8,467,900
<b>Total</b>		<u><u>115,560,100</u></u>
<b>Percentage of Total Assessed Valuation</b>		<u><u>0.97%</u></u>

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(1) Source: City Tax Assessor

**CITY OF OCEAN CITY**  
**TREND OF CITY REAL PROPERTY VALUATIONS (1)**

<u>Year</u>	<u>Net Valuation Taxable (2)</u>	<u>Net Valuation on Which County Taxes are Apportioned (3)</u>	<u>Ratio of Total Taxable Value of Land and Improvements to Net Valuation on Which County Taxes are Apportioned (4)</u>
2020	11,933,162,400	13,207,646,655	90.52%
2019	11,825,766,800	12,667,108,276	93.54%
2018	11,692,444,386	12,354,581,270	94.83%
2017	11,556,818,374	12,117,809,243	95.57%
2016	(6) 11,437,322,724	11,808,215,085	97.07%
2015	(6) 11,296,513,298	11,657,089,022	97.12%
2014	(6) 11,181,508,929	11,339,259,889	98.83%
2013	(6) 11,316,442,065	10,846,162,015	104.60%
2012	(6) 12,171,789,847	11,618,651,176	105.03%
2011	12,852,929,492	12,795,982,792	100.69%

(1) Source: Cape May County Abstract of Ratables.

(2) Generally comparable to assessed value.

(3) Generally comparable to market value.

(4) Substantially equivalent to average ratio of assessed to market value of real property and improvements.

(5) Complete City wide Reassessment.

(6) Compliance plan phase I, II, III, IV & V

**CITY OF OCEAN CITY**  
**TREND OF CITY REAL PROPERTY CLASSIFICATIONS (1)**

Year	Vacant Land	Residential	Commercial	Industrial	Apartments	Total Assessed Value Land and Improvements	Personal Property	Total Taxable Value
2020	171,193,900	11,216,491,300	503,633,900	733,300	41,110,000	11,933,162,400	-	11,933,162,400
2019	137,565,900	11,134,348,800	512,008,800	733,300	41,110,000	11,825,766,800	-	11,825,766,800
2018	148,185,400	10,992,102,900	507,123,200	733,300	41,457,500	11,689,602,300	2,842,086	11,692,444,386
2017	162,585,800	10,848,470,000	499,578,900	733,300	42,637,800	11,554,005,800	2,812,574	11,556,818,374
2016	160,014,800	10,734,629,900	495,865,000	733,300	43,206,000	11,434,449,000	2,873,724	11,437,322,724
2015	186,321,900	10,563,070,500	499,505,300	733,300	43,872,100	11,293,503,100	3,010,198	11,296,513,298
2014	181,287,700	10,453,740,400	498,012,200	733,300	44,750,900	11,178,524,500	2,984,429	11,181,508,929
2013	134,356,700	10,627,028,800	504,758,500	733,300	45,772,100	11,312,649,400	3,792,665	11,316,442,065
2012	157,937,800	11,417,205,300	541,656,800	733,300	49,640,800	12,167,174,000	4,615,847	12,171,789,847
2011	191,622,200	12,053,938,400	549,540,300	733,300	52,427,400	12,848,261,600	4,667,892	12,852,929,492

(1) Source: City Extended Tax Duplicate

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY OF OCEAN CITY**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of City Council  
City of Ocean City  
County of Cape May, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Ocean City, as of December 31, 2019 and 2018, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.***

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Ocean City on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Ocean City as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2019 and 2018, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2019 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean City basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards and schedule of state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 15-08 respectively, and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents, the schedule of expenditures of federal awards and the schedule of state financial assistance, as required by the Uniform Guidance and NJ OMB 15-08 respectively, are the responsibility of management and is presented for the purposes of additional analysis and is not a required part of the financial statements and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2020 on our consideration of the City of Ocean City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ocean City's internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Leon P. Costello*  
Leon P. Costello  
Certified Public Accountant  
Registered Municipal Accountant  
No. 393

July 17, 2020

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 14,253,390.85	11,697,021.86
Cash - Collector	399,616.83	443,429.03
Cash - Change	3,650.00	3,225.00
Total Cash	<u>14,656,657.68</u>	<u>12,143,675.89</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	797,349.17	891,579.31
Tax Title and Other Liens	3,951.47	3,984.88
Property Acquired for Taxes - at Assessed Valuation	244,200.00	262,576.00
Total Receivables and Other Assets	<u>1,045,500.64</u>	<u>1,158,140.19</u>
Total Regular Fund	<u>15,702,158.32</u>	<u>13,301,816.08</u>
Federal and State Grant Fund:		
Cash	11,607.46	7,127.40
Federal and State Grants Receivable	10,578,451.86	13,244,604.02
Total Federal and State Grant Fund	<u>10,590,059.32</u>	<u>13,251,731.42</u>
Total Current Fund	<u>\$ 26,292,217.64</u>	<u>26,553,547.50</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,719,156.05	1,519,214.94
Reserve for Encumbrances	1,053,144.94	966,734.99
Accounts Payable	-	97.20
Prepaid Taxes	3,412,702.67	3,433,585.35
Overpaid Taxes	2,453.72	2,229.06
County Added Tax Payable	199,456.52	251,719.94
Prepaid Beach Fees	127,055.00	104,175.00
Due to State - Chapter 20 P.L. 1971	254.73	1,334.17
Payroll Taxes Payable	8,900.81	12,173.94
Reserve for Health Insurance Claims	108,370.15	1,108.96
	6,631,494.59	6,292,373.55
Reserve for Receivables and Other Assets	1,045,500.64	1,158,140.19
Fund Balance	8,025,163.09	5,851,302.34
Total Regular Fund	15,702,158.32	13,301,816.08
Federal and State Grant Fund:		
Unappropriated Reserves	34,798.24	3,011.46
Appropriated Reserves	4,604,087.99	7,900,195.98
Due to General Capital Fund	4,600,000.00	2,400,000.00
Encumbrances Payable	1,351,173.09	2,948,523.98
Total Federal and State Grant Fund	10,590,059.32	13,251,731.42
Total Current Fund	\$ 26,292,217.64	26,553,547.50

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	2019	2018
Revenue and Other Income Realized		
Fund Balance	\$ 2,850,000.00	3,000,000.00
Miscellaneous Revenue Anticipated	17,904,308.20	17,447,809.24
Public and Private Programs		
Off-Set with Appropriations	1,930,557.87	11,745,647.47
Receipts from Delinquent Taxes	881,699.37	645,152.78
Receipts from Current Taxes	114,452,165.12	112,259,116.62
Non Budget Revenue	525,119.82	404,972.34
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,381,177.55	1,240,849.10
Cancellation of:		
Prior Year Accounts Payable	97.20	-
Cancelled Prior Year Checks	180,631.56	-
Total Income	140,105,756.69	146,743,547.55
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	30,534,947.00	29,604,975.00
Other Expenses	19,430,833.39	21,000,133.39
Deferred Charges & Statutory Expenditures	7,028,971.00	6,646,169.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	241,153.00	236,425.00
Other Expenses	4,166,577.00	4,062,238.00
Public and Private Programs Off-Set by		
Revenues	1,974,316.67	11,599,306.27
Capital Improvements	800,000.00	2,055,000.00
Debt Service	14,728,466.15	13,432,407.80
Deferred Charges	145,325.00	515,910.00
Local District School Tax	25,396,387.50	25,194,554.00
County Tax	30,121,486.25	28,940,205.65
County Share of Added Tax	199,456.52	251,719.94
Other:		
Special Improvement District Taxes	183,298.00	183,278.00
Return of Library Advance	60,000.00	-
Payroll Deductions Payable	70,678.46	-
Total Expenditures	135,081,895.94	143,722,322.05
Excess/(Deficit) in Revenue	5,023,860.75	3,021,225.50

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
 IN FUND BALANCE - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
Statutory Excess to Fund Balance	<u>5,023,860.75</u>	<u>3,021,225.50</u>
Fund Balance January 1	<u>5,851,302.34</u>	<u>5,830,076.84</u>
	10,875,163.09	8,851,302.34
Decreased by:		
Utilization as Anticipated Revenue	<u>2,850,000.00</u>	<u>3,000,000.00</u>
Fund Balance December 31	<u>\$ 8,025,163.09</u>	<u>5,851,302.34</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 2,850,000.00	-	-
Total Fund Balance Anticipated	<u>2,850,000.00</u>	<u>-</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	400,000.00	-	412,150.98
Fees and Permits	1,000,000.00	-	1,064,876.30
Fines and Costs:			
Municipal Court	350,000.00	-	334,540.84
Interest and Costs on Taxes	180,000.00	-	217,148.87
Interest Earned on Investments	240,000.00	-	562,148.18
Parking Meters	3,020,000.00	-	3,319,006.80
Beach Fees	3,800,000.00	-	4,030,142.90
Rental or Sale of City Material & Property	165,000.00	-	215,505.71
Airport Fees	140,000.00	-	174,508.72
Boat Ramp Fees	27,000.00	-	31,302.25
Aquatic & Fitness Center User Fees	1,050,000.00	-	1,058,833.00
Smoke Detector Inspection	150,000.00	-	150,850.00
Emergency Medical Services	540,000.00	-	617,049.65
Total Section A: Local Revenues	<u>11,062,000.00</u>	<u>-</u>	<u>12,188,064.20</u>
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	2,146,048.00	-	2,146,048.00
Total Section B: State Aid Without Offsetting Appropriations	<u>2,146,048.00</u>	<u>-</u>	<u>2,146,048.00</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	900,000.00	-	229,464.00
Total Section C: Uniform Construction Code Fees	<u>900,000.00</u>	<u>-</u>	<u>229,464.00</u>
Section D: Interlocal Municipal Service Agreements Offset with Appropriations			
Upper Township - Dispatching Service	241,153.00	-	-
Total Section D: Interlocal Municipal Service Agreements	<u>241,153.00</u>	<u>-</u>	<u>-</u>
Section F: Special Items - Public and Private Programs Off-Set with Appropriations			
Community Development Block Grant	-	278,423.00	-
Clean Communities Program	-	98,876.85	-
Drunk Driving Enforcement Fund	3,011.46	-	-
N.J. Transportation Trust Fund Authority Act	-	240,000.00	-
NJDOT Airport Fuel Farm	285,898.80	-	-
Recycling Tonnage Grant	-	26,839.17	-
Body Armor Grant	-	5,686.93	-
FEMA - Homeland Security Firefighters Grant	-	56,666.66	-
USDOT FAA Airport Erosion Control Phase II	-	618,764.00	-
USDOT FAA Light Obstruction Phase II	-	316,391.00	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	<u>288,910.26</u>	<u>1,641,647.61</u>	<u>-</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section G: Other Special Items			
Reserves for Debt Service & Capital Fund Balance	145,325.00	-	-
Reserves for Debt Service & Capital Fund Balance	1,150,000.00	-	-
OC Library - Contracted Services	208,741.00	-	-
OC Library - Return to Taxpayers	695,513.00	-	-
<b>Total Section G: Other Special Items</b>	<b>2,199,579.00</b>	<b>-</b>	<b>-</b>
<b>Total Miscellaneous Revenues:</b>	<b>16,837,690.26</b>	<b>1,641,647.61</b>	<b>1,355,528.20</b>
Receipts from Delinquent Taxes	700,000.00	-	181,699.37
Amount to be Raised by Taxes for Support of Municipal Budget	54,281,658.92	-	1,110,366.43
Local Tax for Municipal Purposes	4,166,577.00	-	-
<b>Total Amount to be Raised by Taxes for Support of Municipal Budget</b>	<b>58,448,235.92</b>	<b>-</b>	<b>1,110,366.43</b>
<b>Budget Totals</b>	<b>78,835,926.18</b>	<b>1,641,647.61</b>	<b>2,647,594.00</b>
Non-Budget Revenues:			
Other Non-Budget Revenues:	-	-	525,119.82
<b>\$</b>	<b>78,835,926.18</b>	<b>1,641,647.61</b>	<b>3,172,713.82</b>



**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$ 114,452,165.12
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Less: Reserve for Tax Appeals Pending	
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Net Revenue from Collections	114,452,165.12
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Allocated to:

School, County and Other Taxes	56,043,562.77
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Balance for Support of Municipal Budget Appropriations	58,408,602.35
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,150,000.00
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Amount for Support of Municipal Budget Appropriations	59,558,602.35
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	881,699.37
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Tax Title Lien Collections	-
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Total Receipts from Delinquent Taxes	\$ 881,699.37
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See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

200 Foot Info	2,790.00
American Recycling Refunds	10,070.35
Bench Donations	80,800.00
Binocular Fees	854.89
Boardwalk Entertainers	4,300.00
Cafe	2,800.00
City Clerk	289.00
COAH - April 2019 Due to City for FEMA	5,000.00
Crown Castle - Revenue Share	22,891.04
DMV Inspection Fines	2,700.00
Electric Charger - Charge Point	1,420.97
FEMA Hurricane Sandy Final Payment	6,804.00
Fire Reports	5.00
Miscellaneous	8,151.25
Ocean City Housing Authority - 2015-2017	67,461.00
Ocean City Housing Authority - 2018	34,038.00
Public Defender	2,875.00
Rebates - PCARD	25,944.90
Reimbursements from Ocean City Free Library	69,006.75
Returned Check Fees	180.00
Various Refunds & Reimbursements	25,436.32
Sr & Vets 2% Admin	1,935.70
Shared Services	11,709.55
Storage & Towing Fees	23,844.00
Sidewalk Permits	200.00
Trademark Fees	1,187.50
Tax Collector	15,416.54
Tax Map Changes Fees	5,500.00
Unclaimed Funds	3,408.06
Wilhelm Trust	5,300.00
United Methodist Homes - PILOT	82,800.00

Total Miscellaneous Revenue Not Anticipated:

\$ 525,119.82

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>DEPARTMENT OF ADMINISTRATION</b>						
<b>EXECUTIVE BRANCH</b>						
Mayor's Office						
Salaries and Wages	\$ 20,600.00	20,600.00	20,600.00	-	-	-
Other Expenses	2,400.00	2,400.00	1,454.81	-	945.19	-
<b>ADMINISTRATION</b>						
City Administrator						
Salaries and Wages	360,000.00	361,000.00	360,719.54	-	280.46	-
Other Expenses	157,200.00	160,200.00	157,016.10	-	3,183.90	-
Engineering & Project Management						
Salaries and Wages	351,000.00	351,000.00	345,462.39	-	5,537.61	-
Other Expenses	9,000.00	9,000.00	8,312.92	-	687.08	-
Human Resources						
Salaries and Wages	714,000.00	710,000.00	683,175.02	-	26,824.98	-
Other Expenses	164,400.00	164,400.00	13,328.75	41,097.71	109,973.54	-
Purchasing Division						
Salaries and Wages	240,000.00	240,000.00	230,034.98	-	9,965.02	-
Other Expenses	8,250.00	8,250.00	6,975.29	203.00	1,071.71	-
Emergency Management						
Salaries and Wages	15,000.00	15,000.00	15,000.00	-	-	-
Other Expenses	20,000.00	20,000.00	15,594.90	-	4,405.10	-
Planning Board						
Other Expenses	24,500.00	24,500.00	8,046.18	-	16,453.82	-
Zoning Board of Adjustment						
Other Expenses	4,800.00	4,800.00	4,374.35	-	425.65	-
<b>COMMUNITY SERVICE DEPARTMENT</b>						
Public Relations & Information						
Salaries and Wages	945,000.00	906,000.00	764,498.54	-	141,501.46	-
Other Expenses	268,000.00	270,000.00	252,094.95	17,730.00	175.05	-
Aquatic and Fitness Center						
Salaries and Wages	1,128,000.00	1,128,000.00	1,093,814.02	-	34,185.98	-
Other Expenses	80,000.00	80,000.00	69,342.08	7,421.38	3,236.54	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled	
	Budget	Budget After Modifications	Paid or Charged	Encumbered			Reserved
				Encumbered	Reserved		
Recreation & Leisure Programs							
Salaries and Wages	460,000.00	460,000.00	421,543.70	-	38,456.30	-	
Other Expenses	20,300.00	20,300.00	19,091.50	1,185.76	22.74	-	
Music Pier Operations							
Salaries and Wages	460,000.00	465,000.00	464,991.78	-	8.22	-	
Other Expenses	30,900.00	30,900.00	26,810.62	3,561.03	528.35	-	
Municipal Code & Licensing							
Salaries and Wages	716,000.00	706,000.00	682,496.08	-	23,503.92	-	
Other Expenses	81,250.00	81,250.00	67,241.23	867.50	13,141.27	-	
Administration							
Salaries and Wages	698,000.00	698,000.00	662,748.99	-	35,251.01	-	
Other Expenses	16,000.00	16,000.00	15,846.29	94.45	59.26	-	
Neighborhood & Social Services							
Salaries and Wages	100,000.00	100,000.00	92,869.97	-	7,130.03	-	
Other Expenses	1,500.00	1,500.00	967.82	-	532.18	-	
Historical Commission							
Other Expenses	2,800.00	2,800.00	431.66	-	2,368.34	-	
<b>PUBLIC WORKS</b>							
Facility Maintenance							
Salaries and Wages	980,000.00	905,000.00	844,513.39	-	60,486.61	-	
Other Expenses	255,500.00	275,500.00	249,903.14	15,110.35	10,486.51	-	
Environmental Operations							
Salaries and Wages	1,170,000.00	1,170,000.00	1,106,808.87	-	63,191.13	-	
Other Expenses							
Miscellaneous Other Expenses							
Trash & Recycling	73,200.00	89,357.01	79,690.57	9,666.44	-	-	
Field Operations	2,853,500.00	2,837,342.99	2,420,676.40	323,196.01	93,470.58	-	
Salaries and Wages	1,457,000.00	1,361,900.00	1,287,970.75	-	73,929.25	-	
Other Expenses:	83,000.00	93,000.00	87,330.48	618.01	5,051.51	-	
Fleet Maintenance							
Salaries and Wages	380,000.00	380,000.00	367,973.81	-	12,026.19	-	
Other Expenses	267,500.00	252,500.00	234,509.84	11,165.84	6,824.32	-	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>DEPARTMENT OF LAW</b>						
Legal Division						
Salaries and Wages	162,000.00	182,000.00	179,597.74	-	2,402.26	-
Other Expenses	298,000.00	348,000.00	240,067.68	101,969.88	5,962.44	-
Public Defender						
Other Expenses	49,500.00	49,500.00	40,098.12	1,651.00	7,750.88	-
<b>STATUTORY OFFICES</b>						
City Clerk's Office						
Salaries and Wages	204,000.00	204,000.00	201,609.02	-	2,390.98	-
Other Expenses	59,150.00	59,150.00	53,069.20	-	6,080.80	-
City Council						
Salaries and Wages	73,600.00	73,600.00	73,599.50		0.50	-
Other Expenses	14,400.00	14,400.00	8,410.00	770.00	5,220.00	-
Municipal Court						
Salaries and Wages	622,000.00	622,000.00	576,550.78	-	45,449.22	-
Other Expenses	33,150.00	33,150.00	25,088.12	791.47	7,270.41	-
<b>DEPARTMENT OF FINANCIAL MANAGEMENT</b>						
Treasurer's Office						
Other Expenses						
Audit Services	39,000.00	39,000.00	36,800.00	2,200.00	-	-
Other Expenses	171,000.00	171,000.00	146,244.26	1,418.00	23,337.74	-
Accounting Division						
Salaries and Wages	447,000.00	454,000.00	453,342.44	-	657.56	-
Other Expenses	12,500.00	12,500.00	12,500.00	-	-	-
Office of Parking Regulation						
Salaries and Wages	250,000.00	215,000.00	214,609.50		390.50	-
Other Expenses	157,750.00	157,750.00	123,202.01	9,634.19	24,913.80	-
Property Assessment Division						
Salaries and Wages	312,000.00	310,000.00	292,521.55	-	17,478.45	-
Other Expenses	47,900.00	27,900.00	14,350.02	185.00	13,364.98	-
Beach Fee Regulation Division						
Salaries and Wages	400,000.00	347,000.00	345,884.82	-	1,115.18	-
Other Expenses	71,500.00	71,500.00	52,714.26	8,322.88	10,462.86	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations			Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		Reserved	
				Encumbered	Reserved		
Tax Collector Division							
Salaries and Wages	200,000.00	200,000.00	189,848.52	-	10,151.48	-	-
Other Expenses	10,800.00	10,800.00	9,320.38	185.00	1,294.62	-	-
Revenue Collection							
Salaries and Wages	494,000.00	494,000.00	473,078.90	-	20,921.10	-	-
Other Expenses	168,200.00	168,200.00	127,526.01	7,081.00	33,592.99	-	-
<b>DEPARTMENT OF POLICE</b>							
Police Protection Division							
Salaries and Wages	7,675,847.00	7,765,847.00	7,752,879.90	-	12,967.10	-	-
Other Expenses							
Miscellaneous Other Expenses	259,200.00	274,112.59	261,992.96	10,957.85	1,161.78	-	-
Purchase of Vehicles	100,000.00	100,087.41	100,087.41	-	-	-	-
Information Technology							
Salaries and Wages	277,000.00	277,000.00	274,671.94	-	2,328.06	-	-
Other Expenses	294,200.00	279,200.00	246,577.36	-	32,622.64	-	-
<b>DEPARTMENT OF FIRE</b>							
Rescue Services Division							
Salaries and Wages	314,000.00	314,000.00	293,966.99	-	20,033.01	-	-
Other Expenses	99,400.00	99,400.00	78,659.68	19,679.72	1,060.60	-	-
Lifeguards Division							
Salaries and Wages	1,495,000.00	1,470,000.00	1,467,282.22	-	2,717.78	-	-
Other Expenses	70,500.00	90,500.00	65,782.63	11,437.00	13,280.37	-	-
Fire Protection & Prevention							
Salaries and Wages	6,990,000.00	6,990,000.00	6,755,745.67	-	234,254.33	-	-
Other Expenses	223,700.00	218,700.00	210,986.23	697.97	7,015.80	-	-
<b>INSURANCE</b>							
General Liability							
Workers Compensation Insurance	492,279.00	492,279.00	474,363.08	-	17,915.92	-	-
Employee Group Health	1,463,721.00	1,463,721.00	1,463,721.00	-	-	-	-
Health Benefits Waiver	6,325,000.00	6,325,000.00	6,137,530.55	32,257.49	155,211.96	-	-
Salaries and Wages	125,000.00	125,000.00	125,000.00	-	-	-	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>OTHER:</b>					
City Wide Operations					
Finance - Other Expenses	597,000.00	597,000.00	548,103.28	18,500.74	30,395.98
City Wide Operations					
Public Works - Other Expenses	770,900.00	850,900.00	668,359.34	146,212.35	36,328.31
Special Improvement District					
Other Expenses	22,000.00	22,000.00	21,383.39	-	616.61
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	514,000.00	514,000.00	511,341.86	-	2,658.14
Other Expenses	202,700.00	202,700.00	160,051.93	2,265.70	40,382.37
<b>UNCLASSIFIED</b>					
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Electricity	690,000.00	670,000.00	602,556.76	66,443.24	1,000.00
Street Lighting	411,000.00	411,000.00	355,960.08	55,039.92	-
Telephone	306,000.00	321,000.00	309,364.44	10,431.32	1,204.24
Water	936,000.00	936,000.00	868,766.22	62,516.35	4,717.43
Fuel Oil	171,000.00	171,000.00	133,149.04	37,850.96	-
Gasoline	300,000.00	300,000.00	269,047.69	12,728.43	18,223.88
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>50,041,497.00</b>	<b>49,966,397.00</b>	<b>47,231,626.19</b>	<b>1,053,144.94</b>	<b>1,681,009.26</b>
Contingent	-	-	-	-	-
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>50,041,497.00</b>	<b>49,966,397.00</b>	<b>47,231,626.19</b>	<b>1,053,144.94</b>	<b>616.61</b>
Detail:					
Salaries and Wages	30,750,047.00	30,534,947.00	29,626,753.18	-	908,193.82
Other Expenses	19,291,450.00	19,431,450.00	17,604,873.01	1,053,144.94	772,815.44

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	1,649,219.00	1,649,219.00	1,649,219.00	-	-
Social Security System (O.A.S.I.)	1,400,000.00	1,430,100.00	1,425,852.29	-	-
Police and Firemen's Retirement System	3,529,652.00	3,529,652.00	3,529,652.00	-	-
Unemployment Compensation Insurance	125,000.00	125,000.00	109,216.62	-	-
Lifeguard Pension	220,000.00	220,000.00	220,000.00	-	-
Defined Contribution Retirement Program	30,000.00	75,000.00	58,995.96	-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	<u>6,953,871.00</u>	<u>7,028,971.00</u>	<u>6,992,935.87</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	56,995,368.00	56,995,368.00	54,224,562.06	1,053,144.94	616.61
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Insurance:					
Maintenance of Free Public Library	4,166,577.00	4,166,577.00	4,166,577.00	-	-
Other Expenses					
Interlocal Municipal Service Agreements					
Police Dispatching - Upper Township	241,153.00	241,153.00	241,153.00	-	-
Salaries and Wages	4,407,730.00	4,407,730.00	4,407,730.00	-	-



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance on Alcoholism and Drug Abuse						
Local Share	3,658.80	3,658.80	3,658.80	-	-	-
Clean Communities Program	-	98,876.85	98,876.85	-	-	-
Community Development Block Grant	-	278,423.00	278,423.00	-	-	-
Drunk Driving Enforcement Fund	3,011.46	3,011.46	3,011.46	-	-	-
N.J. Transportation Trust Fund Authority Act	-	240,000.00	240,000.00	-	-	-
NJDOT Airport Fuel Farm	285,898.80	285,898.80	285,898.80	-	-	-
Recycling Tonnage Grant	-	26,839.17	26,839.17	-	-	-
FEMA - Homeland Security Firefighters Grant	-	56,666.66	56,666.66	-	-	-
FEMA - Homeland Security Firefighters Grant - Local	2,833.34	2,833.34	2,833.34	-	-	-
USDOT FAA Airport Erosion Control Phase II	-	618,764.00	618,764.00	-	-	-
USDOT FAA Light Obstruction Phase II	-	316,391.00	316,391.00	-	-	-
USDOT FAA Light Obstruction Phase II Match	35,155.00	35,155.00	35,155.00	-	-	-
Body Armor Grant	-	5,686.93	5,686.93	-	-	-
Matching Funds for Grants	2,111.66	2,111.66	-	-	2,111.66	-
Total Public and Private Programs Off-Set by Revenues	332,669.06	1,974,316.67	1,972,205.01	-	2,111.66	-
Total Operations - Excluded from "CAPS"	4,740,399.06	6,382,046.67	6,379,935.01	-	2,111.66	-
Detail:						
Salaries and Wages	241,153.00	241,153.00	241,153.00	-	-	-
Other Expenses	4,499,246.06	6,140,893.67	6,138,782.01	-	2,111.66	-
(C) Capital Improvements						
Capital Improvement Fund	800,000.00	800,000.00	800,000.00	-	-	-
Total Capital Improvements	800,000.00	800,000.00	800,000.00	-	-	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(D) Debt Service					
Payment of Bond Principal	10,515,000.00	10,515,000.00	10,515,000.00	-	-
Interest on Bonds	1,642,312.50	1,642,312.50	1,642,312.50	-	-
Interest on Notes	2,808,812.58	2,808,812.58	2,532,444.61	-	276,367.97
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	38,709.04	38,709.04	38,709.04	-	-
Total Debt Service	<u>15,004,834.12</u>	<u>15,004,834.12</u>	<u>14,728,466.15</u>	-	<u>276,367.97</u>
(E) Deferred Charges					
Various Ordinances	145,325.00	145,325.00	145,325.00	-	-
Total Deferred Charges	<u>145,325.00</u>	<u>145,325.00</u>	<u>145,325.00</u>	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>20,690,558.18</u>	<u>22,332,205.79</u>	<u>22,053,726.16</u>	-	<u>276,367.97</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>77,685,926.18</u>	<u>79,327,573.79</u>	<u>76,278,288.22</u>	<u>1,053,144.94</u>	<u>276,984.58</u>
(M) Reserve for Uncollected Taxes	<u>1,150,000.00</u>	<u>1,150,000.00</u>	<u>1,150,000.00</u>	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 78,835,926.18</u>	<u>80,477,573.79</u>	<u>77,428,288.22</u>	<u>1,053,144.94</u>	<u>276,984.58</u>
Budget					
Appropriations by 40A:4-87	78,835,926.18	78,835,926.18			Cancelled
	1,641,647.61	1,641,647.61			Overexpended
	<u>80,477,573.79</u>	<u>80,477,573.79</u>			<u>276,984.58</u>
Reserve for Uncollected Taxes					
Federal and State Grants	1,150,000.00	1,150,000.00			
Disbursements	1,972,205.01	1,972,205.01			
	74,306,083.21	74,306,083.21			
	<u>77,428,288.22</u>	<u>77,428,288.22</u>			

**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>DOG TRUST FUND</u>		
Cash	\$ 30,838.73	24,757.07
	<u>30,838.73</u>	<u>24,757.07</u>
<u>OTHER TRUST FUND</u>		
Cash and Investments	8,134,271.81	7,116,075.73
	<u>8,134,271.81</u>	<u>7,116,075.73</u>
	<u>8,165,110.54</u>	<u>7,140,832.80</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>DOG TRUST FUND</u>		
Reserve for Dog Fund Expenditures	30,838.73	24,757.07
	<u>30,838.73</u>	<u>24,757.07</u>
<u>OTHER TRUST FUND</u>		
Reserve for:		
Tax Premiums	324,007.29	246,435.00
Dedicated Recreation Trust	129,413.46	176,872.57
Tourism Development	165,249.65	112,390.90
Law Enforcement Trust	20,944.54	17,659.46
Parking Offenses Adjudication Act	32,973.24	30,595.01
Cash Performance Deposits	1,045,547.69	776,132.14
Dedicated Fire Fees	4,902.45	2,846.02
Lifeguard Pension	33,236.96	20,657.94
Shade Trees	4,122.64	2,892.66
COAH	6,028,365.31	5,375,566.83
Merchant Fees	24,846.92	20,270.13
Planning & Zoning Escrow	320,661.66	333,757.07
	<u>8,134,271.81</u>	<u>7,116,075.73</u>
	<u>\$ 8,165,110.54</u>	<u>7,140,832.80</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>Ref.</u>	2019	2018
Cash	\$	16,629,064.34	21,572,458.44
Deferred Charges to Future Taxation -			
Funded		132,671,385.18	61,217,203.46
Unfunded		26,673,215.00	87,638,300.00
Interfunds and Receivables			
Due from Current Fund		-	-
Due from Grant Fund		4,600,000.00	2,400,000.00
		180,573,664.52	172,827,961.90
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Encumbrances Payable		14,587,390.79	10,544,330.90
Interfunds:			
Due to Current Fund			
Bond Anticipation Notes Payable		2,210,000.00	81,840,000.00
Serial Bonds Payable		132,300,000.00	60,815,000.00
Green Trust Loan Payable		371,385.18	402,203.46
Improvement Authorizations:			
Funded		6,349,216.93	79,534.11
Unfunded		18,498,155.00	12,866,453.74
Reserve for Debt Service - Other		2,766,869.95	3,487,200.92
Reserve for Debt Service - 2019 Bond Sale Premium		1,866,367.90	-
Capital Improvement Fund		791,127.53	1,210,087.53
Fund Balance		833,151.24	1,583,151.24
		\$ 180,573,664.52	172,827,961.90

There were bonds and notes authorized but not issued at December 31:

2018	5,798,300.00
2019	24,463,215.00

See accompanying Notes to Financial Statements - Regulatory Basis

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Beginning Balance January 1	\$	1,583,151.24	1,398,771.34
Increased by:			
Premium on Sale of BANS - \$44,000,000			395,120.00
Premium on Sale of BANS - \$35,500,000			359,260.00
Decreased by:			
Anticipated as Current Fund Revenue		750,000.00	570,000.10
Ending Balance December 31	\$	<u>833,151.24</u>	<u>1,583,151.24</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**PUBLIC ASSISTANCE TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ -	-
TOTAL ASSETS	<u>-</u>	<u>-</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Public Assistance	-	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ -</u>	<u>-</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	Balance Dec. 31, 2019	Balance Dec. 31, 2018
General Fixed Assets:		
Land & Buildings	\$ 159,464,997.65	\$ 159,455,043.65
Vehicles	14,318,550.66	14,028,793.19
Machinery and Equipment	10,193,738.95	9,772,600.41
Total General Fixed Assets	\$ <u>183,977,287.26</u>	\$ <u>183,256,437.25</u>
Investment in General Fixed Assets	\$ <u>183,977,287.26</u>	\$ <u>183,256,437.25</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the City of Ocean City have been prepared in conformity with the Basis of Accounting established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant of the City's accounting policies are described below.

**Description of Financial Reporting Entity**

The City of Ocean City is an island community located at the northern tip of Cape May County in the State of New Jersey. The population according to the 2010 census is 11,701.

The City is incorporated and operates under a Mayor and Council form of government. The Mayor is the Chief Executive Officer of the City and is elected by the voters. The City Council selects one of its members on an annual basis to hold the Office of Council President. The City Council is the law making body and passes all Resolutions and Ordinances. The City employs a City Administrator who is responsible for the day-to-day operations of the City.

**Component Units**

The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. If the provisions of GASB 14 and GASB 39 had been complied with, the other entity's financial statements would have to be either blended or discretely presented with the financial statements of the City of Ocean City, the primary government. The City maintains the following component units.

Ocean City Business and Neighborhood Development Association  
Special Improvement District  
854 Asbury Avenue  
Ocean City, NJ 08226

Ocean City Free Public Library  
1735 Simpson Avenue  
Ocean City NJ, 08226

Ocean City Housing Authority  
200 4<sup>th</sup> Street  
Ocean City, NJ 08226

The annual financial reports may be inspected directly at the office of the component unit during regular business hours.

**Basis of Presentation, Fund Accounting**

The financial statement of the City of Ocean City contain all funds and account group in accordance with the "Requirements of Audit" as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City of Ocean City accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Current Fund**

The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State Grant funds.

**Trust Funds**

The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

**General Capital Funds**

The General Capital Fund accounts for receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

**Budgets and Budgetary Accounting**

The City of Ocean City must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10<sup>th</sup> of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

**Cash and Investments**

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1(a) provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the City of Ocean City requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and federal banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Generally, the City considers all investments that mature in one year or less to be cash equivalents.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Inter-funds**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to fund balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies**

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

**General Fixed Assets**

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions. Fixed Assets used in governmental operations (“general fixed assets”) are accounted for in the General Fixed Assets Account Group. Public Domain (“Infrastructure”) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available.

No depreciation on general fixed assets is recorded in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants-in-aid or contributed capital have not been accounted for separately.

**Foreclosed Property**

Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be capitalized in the General Fixed Assets Account Group. GAAP requires property to be recorded in the General Fixed Assets Account Group at the market value at the time of acquisition

**Deferred Charges**

The recognition of certain expenditures is deferred to future periods. These expenditures, or Deferred Charges, are generally overexpenditures of legally adopted budget appropriations made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Appropriation Reserves**

Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation reserves are not established under GAAP.

**Fund Balance**

Fund balance included in the Current Fund represents the amount available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues**

Revenues are recorded as received in cash, except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants is realized as revenue when anticipated as such in the City's budget. Other amounts that are due the City, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when the actual expenditures financed by the grant are made.

**Property Tax Revenues**

Property tax revenues are collected in quarterly installments due February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup>, and November 1<sup>st</sup>. Property taxes unpaid on April 1<sup>st</sup> of the year following their final due date are subject to tax sale in accordance with the statutes. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

**School Taxes**

The City is responsible for levying, collecting and remitting school taxes for the City of Ocean City School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the school districts from January 1<sup>st</sup> through December 31<sup>st</sup>.

	12/31/2019	12/31/2018	
Balance of Tax	\$ 12,769,661.00	\$ 12,626,726.50	
Deferred	12,769,661.00	12,626,726.50	
Tax Payable	\$ -	\$ -	

**County Taxes**

The City is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund balance is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10<sup>th</sup> of the current year. In addition, fund balance is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10<sup>th</sup> of the current year and due to be paid to the County by February 15<sup>th</sup> of the following year.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Reserve for Uncollected Taxes**

The inclusion of the "Reserve for Uncollected Taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A reserve for uncollected taxes is not established under GAAP.

**Expenditures**

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at December 31<sup>st</sup> are recorded as a cash liability. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

**Compensated Absences and Post-Employment Benefits**

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a "pay as you go" basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a "pay as you go" basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as expenditure in the operating funds and the remaining obligations is recorded as long – term obligations.

**Recent Accounting Pronouncements Not Yet Effective**

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91 "Conduit Debt Obligations". This statement, which is effective for fiscal periods beginning after December 15, 2020, will not have any effect on the City's financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92 "Omnibus 2020". This statement, which is effective for fiscal periods beginning after June 15, 2020, will not have any effect on the City's financial reporting.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2019 and 2018 statutory budgets included a reserve for uncollected taxes in the amount of \$1,150,000.00 and \$1,150,000.00. To balance the budget, the municipality is required to show a budgeted fund balance.

The amount of fund balance budgeted to balance the 2019 and 2018 statutory budgets was \$2,850,000.00 and \$3,000,000.00.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 2: BUDGETARY INFORMATION - Continued**

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by entity City Council. The following significant budget transfers were approved in the 2019 and 2018 calendar years:

Budget Category	2019	2018
<u>Current Fund:</u>		
City Administrator		
Salaries and Wages	\$	(65,000.00)
Other Expenses		65,000.00
Public Relations & Information		
Salaries and Wages	(39,000.00)	(23,000.00)
Legal Division		
Salaries and Wages	20,000.00	
Other Expenses	50,000.00	50,000.00
Beach Fee Regulation		
Salaries and Wages	(53,000.00)	
Facility Maintenance		
Salaries and Wages	(75,000.00)	(50,000.00)
Other Expenses	20,000.00	34,000.00
Environmental Operations		
Salaries and Wages	(20,000.00)	
Field Operations		
Salaries and Wages	(75,100.00)	(80,000.00)
Fleet Maintenance		
Salaries and Wages		(24,000.00)
Office of Parking Regulation		
Salaries and Wages	(35,000.00)	(20,000.00)
Police Protection Division		
Salaries and Wages	90,000.00	70,000.00
Property Assessment Division		
Other Expenses	(20,000.00)	
Fire Protection and Prevention		
Salaries and Wages		110,000.00
Lifeguard		
Salaries and Wages	(25,000.00)	(35,000.00)
Other Expenses	20,000.00	
Insurance - Employee Group Health		(50,000.00)
Electricity	(20,000.00)	(30,000.00)
Gasoline		50,000.00
Social Security System (O.A.S.I.)	30,100.00	
Defined Contribution Retirement Program	45,000.00	
City Wide Operations		
Public Works - Other Expenses	80,000.00	

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 2: BUDGETARY INFORMATION - Continued**

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018 and 2017, the following budget insertions were approved:

<u>Budget Category</u>	<u>2019</u>	<u>2018</u>
Clean Communities Program	\$ 98,876.85	88,657.98
Body Armor Grant	5,686.93	4,165.43
FAA - Airport Lighting Obstruction Phase I		71,631.00
FEMA - NJOEM Cape May County Elevation Project		3,835,100.00
NFWF - Shoreline Protection		2,630,000.00
NJ DOT Dredge Material Management Grant		4,454,540.24
NJOHS & P - Secure the Shore		100,000.00
SONJ - Clean Diesel Grant		49,500.00
Recycling Tonnage Grant	26,839.17	
NJDOT	240,000.00	
FEMA - Homeland Security Firefighters Grant	56,666.66	
USDOT FAA Airport Erosion Control Phase II	618,764.00	
USDOT FAA Light Obstruction Phase II	316,391.00	
CDBG	278,423.00	290,766.00
	<u>\$ 1,641,647.61</u>	<u>11,524,360.65</u>

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years.

**Note 3: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2019 and 2018, \$0 of the municipality's bank balance of \$40,866,117.26 and \$49,059,338.58 was exposed to custodial credit risk.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 4: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2019:

	Balance 12/31/2017	Additions	Adjustments/ Deletions	Balance 12/31/2018
Land & Improvements	\$ 159,455,043.65			159,455,043.65
Vehicles	11,517,955.23	2,510,837.96		14,028,793.19
Machinery & Equipment	9,171,524.57	608,499.84	7,424.00	9,772,600.41
	<u>\$ 180,144,523.45</u>	<u>3,119,337.80</u>	<u>7,424.00</u>	<u>183,256,437.25</u>

  

	Balance 12/31/2018	Additions	Adjustments/ Deletions	Balance 12/31/2019
Land & Improvements	\$ 159,455,043.65	9,954.00	-	159,464,997.65
Vehicles	14,028,793.19	469,906.32	180,148.85	14,318,550.66
Machinery & Equipment	9,772,600.41	464,985.02	43,846.48	10,193,738.95
	<u>\$ 183,256,437.25</u>	<u>944,845.34</u>	<u>223,995.33</u>	<u>183,977,287.26</u>

**Note 5: SHORT-TERM FINANCING**

Short-term debt provides for financing of governmental activities and capital projects. The following is a summary of changes in short-term debt for the years ended December 31, 2018 and 2019:

	Current Fund	General Capital Fund	Total
Balance December 31, 2017	\$ -	54,470,000.00	54,470,000.00
Increases	-	81,840,000.00	81,840,000.00
Decreases	-	(54,470,000.00)	(54,470,000.00)
Balance December 31, 2018	<u>\$ -</u>	<u>81,840,000.00</u>	<u>81,840,000.00</u>

  

	Current Fund	General Capital Fund	Total
Balance December 31, 2018	\$ -	81,840,000.00	81,840,000.00
Increases	-	37,110,000.00	37,110,000.00
Decreases	-	(116,740,000.00)	(116,740,000.00)
Balance December 31, 2019	<u>\$ -</u>	<u>2,210,000.00</u>	<u>2,210,000.00</u>

On November 27, 2018, the City issued a Bond Anticipation Note in the Amount of \$44,000,000.00, bearing interest at a rate of 3.00% per annum to fund various General Capital Ordinances. The Note matured November 26, 2019.

On June 13, 2018, the City issued a Bond Anticipation Note in the Amount of \$35,500,000.00 bearing interest at a rate of 2.75% per annum to fund various General Capital Ordinances. The Note matured June 13, 2019.

On November 27, 2018, the City issued a Bond Anticipation Note in the Amount of \$2,340,000.00 bearing interest at a rate of 2.949% per annum to fund various General Capital Ordinances. The Note matured November 26, 2019.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 5: SHORT-TERM FINANCING - Continued**

On November 25, 2019, the City issued a Bond Anticipation Note in the Amount of \$2,210,000.00 bearing interest at a rate of 2.09% per annum to fund General Capital Ordinance 14-15. The Note will mature November 25, 2020.

**Note 6: LONG-TERM DEBT**

**Summary of Municipal Debt**

	<u>Year</u> <u>2019</u>	<u>Year</u> <u>2018</u>	<u>Year</u> <u>2017</u>
Issued:			
General:			
Bonds and Notes	\$ 134,881,385.18	143,057,203.46	125,837,414.51
Total Issued	<u>134,881,385.18</u>	<u>143,057,203.46</u>	<u>125,837,414.51</u>
Less:			
Funds Held Temporarily to pay Bonds and Notes	<u>4,633,237.85</u>	<u>3,487,200.92</u>	<u>3,424,760.07</u>
Net Debt	<u>130,248,147.33</u>	<u>139,570,002.54</u>	<u>122,412,654.44</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	24,463,215.00	5,798,300.00	20,393,735.00
Total Authorized But Not Issued	<u>24,463,215.00</u>	<u>5,798,300.00</u>	<u>20,393,735.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 154,711,362.33</u>	<u>145,368,302.54</u>	<u>142,806,389.44</u>

**Summary of Statutory Debt Condition – Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.230%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 7,162,000.00	7,162,000.00	-
General Debt	<u>159,344,600.18</u>	<u>4,633,237.85</u>	<u>154,711,362.33</u>
	<u>\$ 166,506,600.18</u>	<u>11,795,237.85</u>	<u>154,711,362.33</u>

Net debt \$154,711,362.33 divided by Equalized Valuation Basis per N.J.S.A. 40A: 2-2 as amended, \$12,581,691,616.33= 1.230%.

**Borrowing Power Under N.J.S.A. 40A:2-6 as Amended:**

3-1/2% of Equalized Valuation Basis	\$ 440,359,206.57
Net Debt	<u>154,711,362.33</u>
Remaining Borrowing Power	<u>\$ 285,647,844.24</u>



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 6: LONG-TERM DEBT - Continued**

**Description of Bonds and Loans Payable**

**At December 31, 2019, bonds and loans payable in the General Capital Fund consisted of the following individual issues:**

\$14,500,000.00 General Improvements Bonds dated July 15, 2008, due in annual installments beginning July 15, 2010 through July 15, 2020, bearing interest at a rate of 4.125% per annum. The balance remaining as of December 31, 2019 is \$2,000,000.00.

\$9,900,000.00 General Improvements Bonds dated December 20, 2012, due in annual installments through December 15, 2024, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2019 is \$4,500,000.00.

\$17,900,000.00 General Improvements Bonds dated August 12, 2014, due in annual installments through September 1, 2026, bearing interest at various rates from 2.00% to 3.00% per annum. The balance remaining as of December 31, 2019 is \$12,000,000.00.

\$38,800,000.00 General Improvement Bonds dated December 1, 2016, due in annual installments through November 15, 2028, bearing interest at various rates from 1.00% to 4.00% per annum. The balance remaining as of December 31, 2019 is \$31,800,000.00.

\$82,000,000.00 General Improvement Bonds dated October 10, 2019, due in annual installments through September 15, 2033, bearing interest at various rates from 2.25% to 4.00% per annum. The balance remaining as of December 31, 2019 is \$82,000,000.00.

\$200,000 Green Trust Loan dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2019 is \$112,212.99.

\$200,000 Green Trust Loan (A) dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2019 is \$112,212.99.

\$222,500 Green Trust Loan dated 2012, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2019 is \$146,959.20.

The following schedules represents the changes in the Long-term Debt:

	Outstanding 12/31/17	Issues or Additions	Payments or Expenditures	Outstanding 12/31/18	Amounts Due Within One Year
General Capital Fund:					
Bonds Payable	\$ 70,935,000.00	-	10,120,000.00	60,815,000.00	10,515,000.00
Loans Payable	432,414.51	-	30,211.05	402,203.46	30,818.28
Compensated Absences Pay.	4,610,757.20	766,054.52	-	5,376,811.72	-
Total General Capital Fund	<u>75,978,171.71</u>	<u>766,054.52</u>	<u>10,150,211.05</u>	<u>66,594,015.18</u>	<u>10,545,818.28</u>
Total All Funds	<u>\$ 75,978,171.71</u>	<u>766,054.52</u>	<u>10,150,211.05</u>	<u>66,594,015.18</u>	<u>10,545,818.28</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 6: LONG-TERM DEBT - Continued**

	Outstanding 12/31/18	Issues or Additions	Payments or Expenditures	Outstanding 12/31/19	Amounts Due Within One Year
General Capital Fund:					
Bonds Payable	\$ 60,815,000.00	82,000,000.00	10,515,000.00	132,300,000.00	10,790,000.00
Loans Payable	402,203.46	-	30,818.28	371,385.18	30,818.28
Compensated Absences Pay.	5,376,811.72	-	1,312,480.71	4,064,331.01	-
Total General Capital Fund	<u>66,594,015.18</u>	<u>82,000,000.00</u>	<u>11,858,298.99</u>	<u>136,735,716.19</u>	<u>10,820,818.28</u>
Total All Funds	<u>\$ 66,594,015.18</u>	<u>82,000,000.00</u>	<u>11,858,298.99</u>	<u>136,735,716.19</u>	<u>10,820,818.28</u>

**Schedule of Annual Debt Service for Principal and Interest for Serial Bonds Issued and Outstanding**

Year Ending December 31	General Capital Fund		Green Trust Loans	
	Principal	Interest	Principal	Interest
2020	\$ 10,790,000.00	3,787,075.00	31,437.74	7,271.30
2021	9,300,000.00	3,572,037.50	32,069.64	6,639.40
2022	9,810,000.00	3,241,037.50	32,714.24	5,994.80
2023	11,020,000.00	2,929,637.50	33,371.79	5,337.25
2024	11,780,000.00	2,583,837.50	34,042.57	4,666.47
2025-2029	51,310,000.00	7,622,737.50	180,755.90	13,099.22
2030-2033	28,290,000.00	1,777,350.00	26,993.30	368.20
	<u>\$ 132,300,000.00</u>	<u>25,513,712.50</u>	<u>371,385.18</u>	<u>43,376.64</u>

**Note 7: COMPENSATED ABSENCES**

The City has permitted employees to accrue unused vacation, personal, and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to fund balance or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. The City estimates this liability to approximate \$4,064,331.01 and \$5,376,811.72, as of December 31, 2019 and 2018 respectively, based on current pay rates and compensated absence balances.

**NOTE 8: DEFERRED COMPENSATION ACCOUNT**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan complies with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in Trust under the beneficial ownership of the Trustee, (City of Ocean City) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrators are as follows:

Mass Mutual Financial Group  
 Nationwide Retirement System (PEBSCO)

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 9: SCHOOL TAXES**

Local District School Tax in the amounts of \$25,539,322.00 and \$25,253,453.00 have been raised for the 2019 and 2018 calendar years and remitted to the school district.

**Note 10: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

		Balance December 31, 2019		Balance December 31, 2018
Prepaid Taxes - Cash Liability	\$	3,412,702.67	\$	3,433,585.35

**Note 11: PENSION PLANS**

**Plan Descriptions**

All eligible employees participate in the Public Employees' Retirement System (PERS), or the Police and Firemen's Retirement System (PFRS), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Police and Fireman's Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

*Public Employees' Retirement System (PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

*Police and Fireman's Retirement System (PFRS)* - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

*Defined Contribution Retirement Program (DCRP)* - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: PENSION PLANS – Continued**

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60, and under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation, if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

**Funding Policy**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Currently the member contribution rate is 7.34% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Currently, Members contribute at a rate of 10.0% of base salary.

For the Public Employees' Retirement System, the City's contribution was \$1,649,219.00 for 2019, \$1,584,351.43 for 2018 and \$1,542,054.63 for 2017.

Three-Year Trend Information for PERS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/19	\$ 1,649,219.00	100%	-
12/31/18	1,584,351.43	100%	-
12/31/17	1,542,054.63	100%	-

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: PENSION PLANS – Continued**

For the Police and Firemen’s Retirement System, the City’s contribution was \$3,529,652.00 for 2019, \$3,261,818.00 for 2018 and \$3,022,027.50 for 2017.

Three-Year Trend Information for PFRS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/19	\$ 3,529,652.00	100%	-
12/31/18	3,261,818.00	100%	-
12/31/17	3,022,027.50	100%	-

For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. For the Deferred Contribution Retirement Program, the City’s contribution was \$58,995.96 for 2019, \$13,649.51 for 2018 and \$19,019.88 for 2017.

The Lifeguard Pension provides for employee contributions of 4.00% of employees’ annual compensation. The City’s contributions to the Lifeguard Pension for the year ended December 31, 2019, 2018 and 2017 was \$220,000.00, \$200,000.00 and \$200,000.00. The City’s trust for the Lifeguard Pension at December 31, 2019 was \$33,236.96. The benefits paid by the trust for the year ended December 31, 2019, 2018 and 2017 were \$261,537.32, \$261,697.89 and \$239,893.74.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees’ Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78’s provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member’s final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.78% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee’s annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems’ unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: PENSION PLANS – Continued**

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

**Note 12: PENSION LIABILITIES**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2019:

**Public Employees' Retirement System**

The Municipality has a liability of \$29,128,946.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Municipality's proportion would be 0.16166147960%, which would be an decrease of 2.01% from its proportion measured as of June 30, 2018.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$1,409,320.00. At December 31, 2019, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 522,826.00	\$ (128,679.00)
Changes of assumptions	2,908,632.00	(10,110,565.00)
Changes in proportion	357,098.00	(1,517,627.00)
Net difference between projected and actual earnings on pension plan investments		(459,812.00)
 Total	 <u>\$ 3,788,556.00</u>	 <u>\$ (12,216,683.00)</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ (975,424.30)
2020	(3,164,258.67)
2021	(2,825,498.64)
2022	(1,326,717.19)
2023	(136,228.19)
 Total	 <u>\$ (8,428,127.00)</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return:	7.00%

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 200 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 6.28%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.28%) or 1-percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Municipality's proportionate share of the net pension liability	\$ 34,959,565.32	\$ 29,128,946.00	\$ 24,221,532.72

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Police and Firemen's Retirement System**

The Municipality has a liability of \$44,705,818.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2018 that was rolled forward to June 30, 2019. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Municipality's proportion would be 0.36530871120%, which would be a increase of 1.18% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$4,053,139.00. At December 31, 2019, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 377,375.00	\$ (283,041.00)
Changes of assumptions	1,531,865.00	(14,448,511.00)
Changes in proportion	704,564.00	(771,827.00)
Net difference between projected and actual earnings on pension plan investments		(605,749.00)
Total	\$ 2,613,804.00	\$ (16,109,128.00)

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ (2,355,469.98)
2019	(4,944,506.09)
2020	(3,501,746.31)
2021	(1,726,122.77)
2022	(967,478.85)
Total	\$ (13,495,324.00)

**Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate

Price	2.75%
Wage	3.25%

Salary increases:

Through all future years 3.25% - 15.25% (based on years of service)

Investment rate of return: 7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152% adjustment for males and 109/3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.74%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension liability	58,564,991.47	44,705,818.00	33,236,449.17

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2019 State special funding situation net pension liability amount of \$1,932,374,825.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2019 State special funding situation pension expense of \$224,526,138.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2019, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.36530871120% for 2019. The net pension liability amount allocated to the Municipality was \$44,705,818.00. For the fiscal year ending June 30, 2019 State special funding situation pension expense of \$8,983,997.00 is allocated to the Municipality.

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 13: PROPERTY TAXES**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local school district, fire districts, regional school district and the county, the rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup>, and November 1<sup>st</sup>, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1<sup>st</sup> and May 1<sup>st</sup> of the fiscal year, are based upon one-half of the prior year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey statutes.

Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels the petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged to a reserve set aside for this purpose or directly to operations.

**Note 14: ECONOMIC DEPENDENCY**

The City of Ocean City is economically dependent on tourism as a major source of revenue for the entity.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 15: FUND BALANCES APPROPRIATED**

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budgets.

	<u>Year</u>		<u>Balance December 31st</u>		<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2019	\$	8,025,163.09	\$	4,000,000.00	49.84%
	2018		5,851,302.34		2,850,000.00	48.71%
	2017		5,830,076.84		3,000,000.00	51.46%
	2016		6,359,077.20		3,380,000.00	53.15%
	2015		6,902,883.11		3,650,000.00	52.88%

**Note 16: FEDERAL AND STATE GRANTS**

In the normal course of operations, the City participates in a number of federal and state grant programs. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions relevant to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**Note 17: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance**

The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2019 and 2018, the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**Note 18: LITIGATION**

The City is a defendant in several legal proceedings that are in various stages of litigation. Some of these cases could be material to the financial statements; as of the date of this report the outcome of this case cannot be determined. In all other cases it is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any would not be material to the financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 19: POST- RETIREMENT BENEFITS**

The City offers medical and prescription drug coverage to eligible retirees and their dependents after 25 years or more of service. The City also offers vision to Police and Fire retirees and Dental to Department Heads only.

The City participates New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple –employer plan in accordance with GASB Statement 75 “Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents. The OPEB Liability associated with the SHBP is further discussed in Note 20.

The Regulatory Basis of Accounting does not permit the accrual of Actuarially determined OPEB Expenses or Liabilities. The City reports all OPEB related costs on the “pay as you go” basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the City.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

The actuarial valuation report was based on 455 total participants including 169 retirees.

**Annual OPEB Cost and Net OPEB Liability**

The City’s annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2018 actuarial valuation, the “Entry-Age-Normal as a Percentage of Salary” method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.26% and annual dental and vision cost trend rate of 2.0%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Other Post-employment Benefit Costs and Obligations**

In the January 1, 2019 actuarial valuation, the Actuarially Determined Contribution for the year's ending December 31, 2019 were projected as follows:

	<u>12/31/2018</u>
Actuarial determined contribution	\$ 340,217.00
Benefit payments	(26,082.00)
Net change in total OPEB liability	<u>314,135.00</u>
Covered Payroll	\$ 24,472,500.00
Actuarially Determined Contribution as a % of Covered Payroll	0.11%

The following reflects the change in the Total OPEB Liability as of the January 1, 2019 valuation date for the Years ended December 31, 2019.

	<u>12/31/2019</u>
OPEB Liability, Beginning of Year	\$ 192,380,323.00
Changes for the Year:	
Service Cost	67,754.00
Interest	138,710.00
Assumption Changes & Difference Between Actual & Expected Experience	(190,765.00)
Changes of benefit terms	(188,556,557.00)
Change in Actuarial Cost Method	248,746.00
Benefit Payments	(26,082.00)
OPEB Liability, End of Year	\$ <u><u>4,062,129.00</u></u>
Covered payroll (for Covered Participants)	\$ 24,472,500.00
Total OPEB liability as a percentage of covered payroll	16.60%

**Sensitivity of the total OPEB liability to changes in the discount rate.**

The January 1, 2019 valuation was prepared using a discount rate of 3.26%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$3,407,179.00 or by 4.26%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$4,717,079.00 or by 2.26%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.26%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u><u>4,717,079.00</u></u>	\$ <u><u>4,062,129.00</u></u>	\$ <u><u>3,407,179.00</u></u>



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The January 1, 2018 valuation was prepared using an initial trend rate of 8.00% decreasing to 5.0%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$4,834,397.00 or by 9.00% decreasing to 6.00%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$3,427,512.00 or by 7.00% decreasing to 4.00%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 0.00%	1% Increase
Total OPEB Liability	\$ <u>3,427,512.00</u>	\$ <u>4,062,129.00</u>	\$ <u>4,834,397.00</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the City's Actuarially determined OPEB expense was \$454,145.00. At December 31, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in January 1, 2018 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ 1,159,356.00	\$ 158,971.00
Total	\$ <u>1,159,356.00</u>	\$ <u>158,971.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows:

For the Year Ending December 31,

2020	\$ 200,077.00
2021	200,077.00
2022	200,077.00
2023	200,077.00
2024	200,077.00
Thereafter	-
	\$ 1,000,385.00

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 20 – OTHER POST-RETIREMENT BENEFITS**

*General Information about the Plan:*

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Special Funding Situation:*

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2019 is as follows:

	<b>June 30, 2019</b>	
	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 13,819,244,582.00	\$ 45,227,485.00
Plan Fiduciary Net Position	273,173,482.00	894,039.00
Net OPEB Liability	\$ 13,546,071,100.00	\$ 44,333,446.00
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.98%

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

At June 30, 2019 the City's proportionate share of the Collective Net OPEB Liability was \$44,333,446.00. The State's proportionate share for the Special Funding Situation that is associated with the City is \$22,798,342.00. The City's proportion of the Collective Net OPEB Liability was 0.327279%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.412586% which was a decrease from the prior year of 3.11%.

City's Proportionate Share of Collective Net OPEB Liability	\$	-
State's proportionate share that is associated with the City		22,798,342.00
Total	\$	<u>22,798,342.00</u>

For the Year ended June 30, 2019 the City's Total OPEB Expense was \$8,861,700.00 and the State of New Jersey realized Total OPEB Expense in the amount of \$302,198.00 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
PERS Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

\* Salary increases are based on years of service within the respective plan.

Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Health Care Trend Assumptions*

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

*Discount Rate*

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

The following presents the Net OPEB liability as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

		1% Decrease (2.50%)		Discount Rate (3.50%)		1% Increase (4.50%)
Collective						
Net OPEB Liability	\$	15,662,704,137.00	\$	13,546,071,100.00	\$	11,826,026,995.00
Proportionate Share						
Net OPEB Liability	\$	51,260,741.43	\$	44,333,446.00	\$	38,704,102.86

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		1% Decrease		Healthcare Cost Trend Rate		1% Increase
Collective						
Net OPEB Liability	\$	11,431,214,644.00	\$	13,546,071,100.00	\$	16,243,926,531.00
Proportionate Share						
Net OPEB Liability	\$	37,411,964.94	\$	44,333,446.00	\$	53,162,960.27

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	(3,961,399,180.00)	\$	(12,964,828.00)
Changes of assumptions		(4,800,426,301.00)		(15,710,787.00)
Net difference between projected and actual earnings on OPEB plan investments		11,158,226.00		36,519.00
Changes in proportion and differences between contributions and proportionate share of contributions			65,388,113.00	-
<b>Total</b>	<b>\$</b>	<b>11,158,226.00</b>	<b>\$</b>	<b>(28,675,615.00)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Collective Totals	Proportionate Share
2020	\$ (1,425,201,517.00)	\$ 5,985,229.84
2021	(1,425,201,517.00)	5,985,229.84
2022	(1,426,076,187.00)	5,988,903.08
2023	(1,427,489,995.00)	5,994,840.46
2024	(1,428,781,861.00)	6,000,265.74
Thereafter	(1,617,916,178.00)	6,794,548.05
Total	<b>\$ (8,750,667,255.00)</b>	<b>\$ 36,749,017.00</b>

Detailed information about the plan's fiduciary net position is available in the separately issued OPEB financial report.

*Collective OPEB Expenses reported by the State of New Jersey*

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2019 are as follows:

Service cost	\$ 666,574,660
Interest on Total OPEB Liability	636,082,461
Expected Investment Return	(11,286,267)
Administrative Expenses	9,478,435
Changes of Benefit Terms	(1,903,958)
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(619,405,071)
Changes in Assumptions	(809,376,790)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	3,580,344
<b>Total Collective OPEB Expense</b>	<b>\$ (126,256,186)</b>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

*Schedule of City's Share of Net OPEB Liability*

	<u>2019</u>
City's Proportionate Share of Net OPEB Liability	0.327279%
City's Share of Net OPEB Liability	\$ 44,333,446.00
City's Covered Payroll	23,654,685.00
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	187.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

**Note 21: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and July 17, 2020 the date the financial statements were available for issuance for possible disclosure and recognition in the financial statement and no additional items were noted for disclosure.

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**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2020

City Council of the  
City of Ocean City, in the  
County of Cape May, New Jersey

Dear Council Members:

We have acted as bond counsel to the City of Ocean City, in the County of Cape May, New Jersey (the "City"), in connection with the issuance by the City of \$50,700,000 original principal amount of the City's General Obligation Bonds, Series 2020, consisting of \$44,050,000 General Improvement Bonds, Series 2020A (the "Series 2020A Bonds") and \$6,650,000 General Obligation Housing Bonds, Series 2020B (the "2020B Bonds" and, together with the Series 2020A Bonds, the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Series 2020A Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the City adopted on August 27, 2020 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

The Series 2020B Bonds are issued pursuant to the Local Redevelopment and Housing Law, a resolution of the City adopted on August 27, 2020 pursuant to N.J.S.A. 40A:12A-1 et seq., in all respects duly approved, and the bond ordinance referred to therein, in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the City payable from *ad valorem* taxes that may be levied upon all the taxable real property within the City without limitation as to rate or amount.

On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

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