



## From the President... Continued

- ◆ Continuing the fight for the Taxpayer Protection Ordinance
- ◆ Greater transparency in the School District Finance Committee deliberations
- ◆ Salary and pension issues which may lead to insisting on a true independent audit
- ◆ Encouraging the pursuit of ethics issues with the Ethics Board
- ◆ Ongoing serious and expensive Boardwalk issues
- ◆ School District Professional Employees Contract negotiations
- ◆ And much, much more

Do I need to tell you these issues likely will not disappear in 2009? That a few threaten only to become more aggravated? That more critical issues will come to the surface? That continued double digit Property Tax increases are on the horizon with many of the financial excesses Fairness In taxes predicted as many as five years ago coming to roost dramatically and disastrously as ratables drop and the economy struggles to recover? I can make no greater case for your membership and support!!!

“Re-Up” today using the enclosed Membership envelope. You can save us some of those expensive reminders. Thank you again for your encouragement, support, and involvement.

*DAVID MCGETTIGAN*

## BUDGET REVIEW COMMITTEE...

Just when the month of October could not get sillier in terms of the World's economy, the October 15, 2008 edition of the Gazette has a front page article entitled "Ocean City looking to weather the economic storm".

That article includes comments by John Hanson, Ocean City Finance Director, Councilman Keith Hartzell and Mayor Sal Perillo painting Ocean City as a safe haven against today's national and world economics.

Mr. Hansen says the city avoided the credit freeze by going to permanent financing for its bond anticipation notes in July in the amount of \$14.5M. He is quoted as stating "we locked up all the money for our 2008 capital projects". Given the rapid changes since the end of September, there appears to be no concern for 2009. This indicates that our finance director is still feeling good in October about a July financing deal. From our perspective the city should be concerned about the credit crunch and how it affects the city and the taxpayers.

The article stated that between August 2007 and August 2008 foreclosures increased by ½ % to 1.1% versus a national average of 4.4% for the same time. According to this same article, property values decreased 2.4% over the past year versus the national average decrease of 7.8%.

What the article does not cover is:

- ◆ as of October 2007 Ocean City real estate had a value of \$12.7B.
- ◆ this means that a 1.1% foreclosure rate is about \$140M in property defaults.
- ◆ the 2.4% drop in value is about \$305M less of assessed value.

Another way to look at this is Ocean City is worth less in October 2008 than it was in October 2007 and there is a higher rate of foreclosures.

It seems, on the surface, between foreclosure rates and a decrease in property value there is a combined problem of at least \$450 million. Of course all of this is based on information the city had as of August.

In that same article, Councilman Keith Hartzell is quoted as saying "I don't see our economy in that dire straits. Sales are up, foreclosures are not too bad. For the most part people are paying their taxes. We have always had high col-

**BUDGET REVIEW ... CONTINUED**

lection rates in town. The only thing that could really affect our budget is if people don't pay their taxes."

How out of touch can one person be?

- ◆ there were 195 pre-foreclosures in Ocean City as of the beginning of November.
- ◆ 401 retirement accounts have lost \$1.6 Trillion to \$2 Trillion in value nationwide
- ◆ unemployment is up to 6.8% nationwide
- ◆ we are in the midst of the greatest financial crisis since the Great Depression

Mayor Perillo said in the same article he expects the local budget to come in under or at the 5.9% of the state mandated tax rate cap.

So when the mayor is saying he can manage on at worst a 5.9% increase, he is forgetting to put a dollar amount on it. That 5.9% is \$2.5M more dollars from property taxes. Total tax levy will be about \$44.8M. That is in addition to the 10.5% increase to the tax levy for 2008 that was for \$4M. This will be a 16.4% increase to our tax rate in the last 2 years. It seems our local officials truly believe Ocean City property owners are insulated from today's national and world economics. Apparently the Mayor has forgotten his promise to control spending?

The City is starting earlier than last year on its budget for 2009. The first workshop on the budget was held on October 21, 2008. They waited until November last year, not exactly the program that they promised. Two (2) years in a row, they promised to begin the process immediately upon passing the prior year's budget.

Unlike prior years the 2008 budget was lacking information and transparency concerning each departments preparation and requests for appropriations in the 2008 budget. Only three (3) departments of nine (9) were in a written format for public request and review. Those were the Ocean City Municipal Court, the Clerk's Office and the Fire Department. This year we expect the city to become less transparent and less considerate to the taxpayers.

Please consider this your early warning; unless you join in pressing both the administration and council to tighten their belts and spend only on what is needed, you will be paying 5.9% more taxes to the city of Ocean City for 2009. We feel because of the economic conditions and the past taxation increases of the last several years there should be no tax increase this year and possibly a tax decrease. This would give relief to the taxpayers of Ocean City.

Finally, it should be pointed out, the mayor who prides himself in our town's ratables value actually works three jobs to enjoy living here. He has his day job as an attorney in Atlantic County; he is solicitor for Port Republic & Mayor of Ocean City. So to him life is good and he will get a state pension. We should all be so lucky!!

## **EDUCATION REVIEW COMMITTEE**

The Ocean City School District has reached a new 3-year contract agreement with its support workers. However, negotiations with the teachers have stalled and have been sent to a mediator.

Pre-school for free-lunch eligible children has been mandated by the state and the class size is set at 24 students. If there are any spaces available, the spaces can be filled by students who will be charged a fee. The state only partially reimburses the school district for eligible students because the state uses a state average for reimbursements. Since the cost to educate a student in Ocean City is approximately \$17,500 and the state average is approximately \$10,500 per student, the reimbursement from the state does not cover our cost.

Dr. Kathleen Taylor, Ocean City School District Superintendent, is proposing a new Special Education system in which teacher aides will replace Special Education teachers in the classroom. The Special Ed teachers will act as consultants and spend more time reviewing records. The Special Ed teachers are opposed to the new plan and voiced their concerns at two School Board meetings. They feel they can be more effective by being in the classroom with the students, however, no changes will be made this year since the proposal is still under consideration by the Curriculum Committee

**EDUCATION REVIEW ... CONTINUED**

According to a report issued by Garrison Associates the Primary School is in need of \$6.5M to maintain the facility, and the Intermediate School requires \$8.5M in repairs and improvements. Since the Intermediate School has a capacity of 1000 students, and the total of Ocean City students in the primary and intermediate school is only 700 combined, Fairness In Taxes is a proponent of combining both schools at the Intermediate School location. The Intermediate School would need to be retrofitted in order to accommodate the younger Primary School Students. Garrison Associates will present a proposal with this option.

The following table illustrates the student population and student/teacher ratio and does not justify the expense of keeping both schools open.

School Year	Primary	Intermediate	Totals
<i>2000-2001</i>	<i>354</i>	<i>548</i>	<i>902</i>
<i>2001-2002</i>	<i>360</i>	<i>540</i>	<i>900</i>
<i>2002-2003</i>	<i>328</i>	<i>525</i>	<i>853</i>
<i>2003-2004</i>	<i>334</i>	<i>482</i>	<i>816</i>
<i>2004-2005</i>	<i>338</i>	<i>429</i>	<i>767</i>
<i>2005-2006</i>	<i>283</i>	<i>471</i>	<i>754</i>
<i>2006-2007</i>	<i>283</i>	<i>409</i>	<i>692</i>
<i>2007-2008</i>	<i>270</i>	<i>406</i>	<i>676</i>
<b>Student Population Increase/decrease</b>	<b>24% decrease</b>	<b>26% decrease</b>	<b>25% decrease</b>

Source: Ocean City School District

<b><i>OCEAN CITY STUDENT TEACHER RATIO BY SCHOOL 2000-2008</i></b>			
<b><i>SCHOOL YEAR</i></b>	<b><i>PRIMARY</i></b>	<b><i>INTERMEDIATE</i></b>	<b><i>HIGH SCHOOL</i></b>
<i>2000-2001</i>	<i>7.4</i>	<i>8.4</i>	<i>11.5</i>
<i>2001-2002</i>	<i>7.1</i>	<i>7.8</i>	<i>11.1</i>
<i>2002-2003</i>	<i>6.4</i>	<i>7.7</i>	<i>9.9</i>
<i>2003-2004</i>	<i>7.4</i>	<i>7.4</i>	<i>10.5</i>
<i>2004-2005</i>	<i>6.7</i>	<i>6.7</i>	<i>10.6</i>
<i>2005-2006</i>	<i>6.5</i>	<i>7.0</i>	<i>11.2</i>
<i>2006-2007</i>	<i>8.1</i>	<i>7.3</i>	<i>10.8</i>
<i>2007-2008</i>	<i>7.5</i>	<i>7.8</i>	<i>11.7</i>

Source: New Jersey School Report Card

We wish to thank the current School Board for their cooperation. After continued requests by Fairness In Taxes the School Board has agreed to open their Finance Meetings to the public and we will continue to monitor those meetings. Fairness In Taxes Executive Board Members were able to attend the Ocean City School Board Finance Committee Meeting that was held on October 15, 2008. The Finance meetings will be held monthly in the High School Community Room. The general public is encouraged to attend.

Fairness In Taxes recently placed the following advertisements in the Gazette and the Sentinel Ledger regarding the Teacher Contract Negotiations. This is information you should be aware of.

A new Ocean City School District Teacher's Contract is in negotiation....  
some facts about the **CURRENT CONTRACT**:

Currently, taxpayers fund not only generous automatic negotiated annual salary increases with **NO** connection to performance but **ADDITIONAL** automatic longevity increases beginning after 14 years of service and up to a maximum of \$8,000 per year.

Why do we still have anything such as an annual longevity increase and no performance connection for among the highest teacher salaries in the State?

Currently, Taxpayers fund **FULL** Insurance Premiums for Health and Dental for the Employee, or Husband and Wife, or Parents/Child, or Full Family Plan with **NO** Employee Premium contribution.

Why don't teachers contribute fairly to their generous Health and Dental Care benefits like other Ocean City employees?

Why do we pay for **FULL TIME** benefits for a **PART TIME EMPLOYEE**? Currently taxpayers fund 10 to 12 sick leave days per year per employee with accumulation of unused sick days from year to year "**WITH NO MAXIMUM LIMIT**" on the number of unused sick days to be paid in lump sum when an employee leaves the School System.

Why isn't there a reasonable cap on accumulated sick leave days? How does this compensation, benefits and perks picture compare with you own personal experience? And this is only the tip of the iceberg!

Fairness In Taxes is advocating a Contract that is balanced fairly for the Taxpayers as well as the Employees! The State of New Jersey caps School District Budget increases, so every extra dollar spent on exaggerated and excessive salary increases, cash benefits, or unnecessary staffing means **FEWER** direct dollars to our children's other educational needs!

## WHO'S PROTECTING THE TAXPAYERS?

We have been monitoring Ocean City Solicitor's salary and pension issues that were brought to the attention of the public by concerned citizens on several occasions. For those of you who are unaware, a situation existed where our solicitor was compensated for many hours that he did not work and/or over-billings (300 errors in billings) that he was to reimburse to the city and to reduce his pension for 2006 by \$ 11,357.

As of this writing our city solicitor has yet to correct his pensionable billings for 2006. As reported by Columb Higgins of the Ocean City Sentinel Ledger on October 22, 2008, billing errors in 2006 amounted to an extra \$11,357 in income for the solicitor. An agreement was reached in January 2008 when our solicitor agreed to credit the city the money and also to notify the state's Public Employees Retirement System (PERS). This notification is necessary because his pension reflected the original amount that he was paid; therefore, his pension has to be reduced by the \$11,357. The solicitor also credited the city money in 2006 and 2007 for hours not worked. The billing errors then totaled \$17,640.

**WHO'S PROTECTING THE TAXPAYERS INTERESTS?**

Eight months later, the State Pension and Benefit Department has not been notified of the change in the 2006 pensionable amount. Our Solicitor states that he is in the process of sending in an application to Public Employees Retirement System to correct the errors.

The original hours stipulated under Resolution 06-43-311 for the 2007 year was 525 hours. Note: the retainer fee was to be credited against the hours for attendance at all regular Council meetings (25 mtgs. X 4hrs. = 100 hrs) and any workshop meetings where he was required to attend, and regular office hours at the discounted rate of \$125.00 per hour for a total of 525 hours. (\$65,625 / \$125)

Through our research into the Solicitor's billings for 2007 we became aware of a letter written by our Solicitor to our chief financial officer dated July 18, 2007. In this letter the Solicitor and the Chief Financial Officer estimated the days and hours that our Solicitor worked for the first half of 2007 to be 43.5 hours.

Because of the errors in the 2006 billings and the apparent failure to work the required hours in the first half of 2007, we submitted, under the Open Public Records Act, a request to the City of Ocean City for information confirming the hours Mr. Corcoran worked. This request asked that they provide time sheets, time records, or time cards and/or time sheets from the Solicitor's law firm that would indicate he was present in the City of Ocean City for the hours specified in the 2006 and 2007. The City was not able to provide the information that we requested.

It is our opinion that it is unprofessional and irresponsible for the City of Ocean City and the Solicitor to estimate the Solicitor's time and not to have kept an accurate and detailed record of the days and hours worked for services rendered. How can the taxpayers of Ocean City feel confident in a system that does not have appropriate safeguards and internal controls in place? We will continue to monitor this problem and will keep you informed as new information becomes available.

In comparison, Eric Avedissian, of The Ocean City Sentinel, reported on October 30, 2008, that a recent outside audit of the City determined an employee of the Fire Department was compensated over a seven year period for hours he did not work, amassing \$7,000 or \$1,000 extra for each year. The Cape May County Prosecutor's Office has been notified.

The auditor "recommended detailed records in the fire department be reviewed by someone other than the fire department pay master to prevent this type of overpayment." "In any organization, part of having internal controls to protect your assets."

As you can see from this information it would appear that we have two sets of standards. In the case of the Fire Department an audit was performed to review payroll of prior years to determine whether there were other discrepancies in the payroll records. After reviewing the findings the matter was referred to the County Prosecutor for further action.

In the case of the solicitor there are no detailed records and there were no internal controls to protect our assets. We should have had an independent auditor reviewing the solicitors hours and if warranted a referral to the County Prosecutor's Office

## **TAXPAYERS PROTECTION ORDINANCE**

Upon remand from the New Jersey Supreme Court, the Appellate Division reached the same conclusion on The Taxpayer Protection Ordinance (TPO) as it did the first time it reviewed this case last year. It held that the “TPO in this case, proposed by initiative petition, and which caps municipal budget, debt, and salary of municipal employees, would be invalid.” This holding is limited to caps created by initiative petition. The opinion does not specifically hold that it is beyond the power of a municipal governing body to enact its own budget caps. Several years ago the governing body of, passed a TPO similar to the one proposed here without the resulting “chaos” opponents of our TPO predicted.

However, several passages in the Court’s opinion seem to go farther. The Court reasoned that the State had “preempted” the field in budgetary matters. Although no state statute expressly prohibits a municipality from enacting its own cap laws, and the Faulkner Act grants municipalities the right to subject “any ordinance” to initiative, the court cited the existence of the state Budget Cap Law, Local Budget Law, Local Bond Law and specific referendum provisions as evidence that the legislature reserved to itself the power to limit municipal spending.

It is fair to ask whether Fairness In Taxes’ three-year fight to limit uncontrolled increases in City spending, borrowing, salaries and benefit increases was worth it. We think sometimes the battles lost are the ones most worth fighting. Indeed, the fact that the state passed a Budget Cap Law for municipalities shows someone in was paying attention to what was happening in Ocean City. You can’t be on the cutting edge without drawing some blood.

## **WITH SADNESS**

It is with great sadness that we inform you of the death of Jill Clagett, a former member of the Board of Fairness In Taxes. Jill also chaired the first Zoning and Planning Committee of Fairness in Taxes. Jill was the founder of the Stenton Place Friends & Neighbors in Ocean City, NJ. Jill Clagett, of Wilmington DE and Ocean City NJ passed away on September 20,2008 after a courageous battle against cancer. Services were held for Jill on September 26, 2008.

## ***FAIRNESS IN TAXES***

***P.O. Box 565***

**Ocean City, NJ 08226-0565**

### **FAIRNESS IN TAXES**

Is organized for the purpose of serving the taxpayers and residents of Ocean City, NJ as an advisory and fact finding group in areas such as city budget, school board budget, taxes and other related civic activity in the interests of owners of real estate in Ocean City.

Hotline 609 398-6411

Email [www.fairnessintaxes.com](http://www.fairnessintaxes.com)  
and select Contact Us.

Please notify us of any address changes

### ***FAIRNESS IN TAXES WEBSITE IS UP AND RUNNING***

***[www.fairnessintaxes.com](http://www.fairnessintaxes.com)***  
***CHECK FOR UPDATED INFORMATION!!***

### **A list of phone numbers of Council Members and the Mayor is as follows: (area code 609)**

<b>1st Ward</b>	John Kemenosh	312 North Street	399-6088	<a href="mailto:jkemenoshocc@aol.com">jkemenoshocc@aol.com</a>
<b>At-Large</b>	Scott Ping	5415 Haven Avenue	399-0413	<a href="mailto:Scottping2006@yahoo.com">Scottping2006@yahoo.com</a>
<b>At-Large</b>	Michael Allegretto	1423 Simpson Avenue	432-8739	<a href="mailto:Mike@michaelallegretto.com">Mike@michaelallegretto.com</a>
<b>2nd Ward</b>	Karen Bergman	637 Asbury Avenue	703-7817	<a href="mailto:knash478@aol.com">knash478@aol.com</a>
<b>Mayor</b>	Sal Perillo	8 Brittany Drive	399-0646	<a href="mailto:sal6767@yahoo.com">sal6767@yahoo.com</a>
<b>At-Large</b>	Keith Hartzell	720 Asbury Avenue	399-5324	<a href="mailto:keithhartzell@hotmail.com">keithhartzell@hotmail.com</a>
<b>3rd Ward</b>	Susan Sheppard	39 Spruce Road	425-7710	<a href="mailto:susansheppardocnj@yahoo.com">susansheppardocnj@yahoo.com</a>
<b>4th Ward</b>	Roy Wagner	2824 Wesley Avenue	399-4429	<a href="mailto:edwinaroyoc@yahoo.com">edwinaroyoc@yahoo.com</a>

Regular council meetings are held the 2nd & 4th Thursday of every month @ 7PM in Council Chambers @ City Hall.