

Hendricks
RESPONSES TO TPA QUESTIONS

TPA Statement 1: Cape May is a combination of a vibrant tourist destination, within a town of declining demographics. The resident population is aging, families are finding it difficult to secure affordable housing and the identity of our small town is losing its traditional quality of life.

Question 1: What would you like to see done to reverse this trend?

The conclusion “the identity of our small town is losing its traditional quality of life” is convoluted, contradictory and unsubstantiated. It is a subjective question at best, and the answer would depend on to whom the question is put.

Why would a tourist destination be vibrant yet lose its quality of life?

First of all, there are local conditions that are beyond the powers of local government to solve. For example, our country and our state as a whole are experiencing demographic changes—for many reasons. The population is aging—Cape May County as a whole has the oldest median age in the state, and the state is facing a tax driven flight particularly among retirees due to unfavorable tax policy. Those phenomena may affect the identity of Cape May in that it no longer can be the same *kind* of small town that it once was, but do not necessarily result in loss of quality of life.

We appreciate that there are young families who cannot afford to live within City limits. This is true for many small towns across the country and not just Cape May. However, there are families who can afford to buy second homes. All in all, the City is nearing full development, but, as we get to that point, we still have opportunities to strengthen our residential base across the spectrum.

As a potential upside to the unexpected changes the City experienced this spring, this region may also have the potential to shift employment from locally based to local resident telecommuting. In the past, Cape May employment was confined to lower paid service jobs in support of our tourist community, the fishing industry, and farming. COVID 19 has changed this locally focused work environment to allow telecommuting as an alternative to working physically in large, populated cities or suburbs. Although telecommuting has been around at least since the 1990's as technology began to support it, that approach has now matured to create a practical “virtual” working environment that could be a transformative change for Cape May City. It could hold, attract and shift working populations in our direction.

New shifts in coastal populations affecting shore towns and offshore communities could become a positive factor in increased opportunity for employment. Taking into consideration the new bridge project recently announced in Cape May County, telecommuting makes possible a coastal lifestyle for residents in addition to the vacation paradise we provide for tourists. Connecting these island-based shore towns to the mainland will allow families to change, evolve and move toward progress for a sustainable lifestyle with affordable homes, if not in the City, then in close proximity to it.

To us, if we grow and manage the opportunities, particularly as they affect our employment and residential base, that means there are good prospects for our quality of life to be improved and not “lost.”

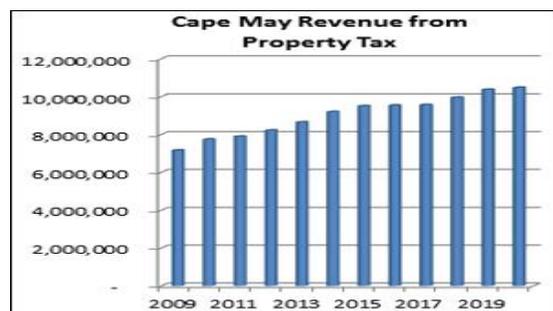
End Question 1

TPA Statement 2: Our Property Tax has risen 44% in 10 years. 10 years ago, our property tax was 47% of all city revenue. This year it is 55% of that city revenue.

Question 2: What would you like to see done to reverse this trend?

The first is to review the analysis to understand whether it is a “trend”, or an anomaly caused largely by the previous administration’s penchant for litigation. The first table shown below extracted from the TPA website

(<http://capemaytaxpayers.com/default.htm>.) shows that nearly all of the increase in the City's property tax (2009-2016) occurred under the previous Mahaney Administration.



One key driver of the substantial amount of the increase in the 2017-2019 Lear Administration was not in conducting litigation, but rather in effecting settlements of lawsuits initiated during the Mahaney Administration. For example, the settlement of claims by the former police chief and the non-productive suit over Convention Hall construction flaws, plus associated legal costs resulted in a one-penny increase in the tax rate. So, the rise in costs, budgetary effect and rates were largely the continuation and follow up on legacy matters. .

For more information and a comparison to our neighboring towns:

https://www.nj.com/cape-may-county/2016/02/see_what_town_had_the_highest_property_taxes_in_ca.html

Avoiding and lawsuits is a reasonable and worthy goal for the city pursued by our Administration. Aside from direct effect of those costs, they also affect the ongoing costs of related insurance coverages under our Joint Insurance Fund arrangements.

For more information on lawsuits:

https://www.capemaycountyherald.com/news/article_253d3dc6-9784-11ea-9b6c-c7243bf5db9c.html

End Question 2

TPA Statement 3: City Council and our Administration have taken a wide variety of unique and unusual actions to accommodate our businesses as they struggle to survive what we all hope will be a short-term disaster. We view these measures as temporary expedients to address a crisis situation.

Question 3: Do you agree? How should the city return to our pre-Corvid [sic?]19 Quality of Life.

The City's response to COVID 19 has truly been a team effort and has confirmed our Administration's ability to handle a sudden major crisis. First, we have the advantage of experienced, decisive, and energetic leadership of our Chief Financial Officer and the Manager. Supporting and enhancing the City's outreach is the Director of Marketing who co-led the working group, "Cape May Strong" campaign. We assembled a "re-opening" citizen advisory body made up of the major interest groups in the City to develop a channel of public input on emerging from the COVID restrictions.

This ability to form and use citizen advisory bodies to tackle important community issues has been one of the hallmarks of our Administration. It embodied and confirmed the value of broad public participation and volunteer work in the midst of the crisis. The relationships that we built with Cape May County also produced quick and effective partnerships on a range of issues. These groups took on the job of examining the collaboration between the City, the business community, and our citizens to support our economy from daily review of New Jersey State Guidelines to implementation as the crisis moved throughout the spring.

We considered and moved ideas from the advisory committee and other sources into action, implementing street closures to provide outdoor commercial space and access; and adopting creative ideas for outdoor dining when restrictions caused our businesses to be closed. We spearheaded the passage of an open

consumption ordinance for alcoholic beverages that we knew would be controversial, but we felt necessary to save businesses and the jobs associated with them. In retrospect, it was a tough decision. It produced a lifeline for our food service businesses to give them the breathing room to deal with reduced volumes by giving them higher margins derived from beverages. It was well received by our business community and visitors who did manage to get to our town. And it was not abused.

The City's responses to COVID 19 will continue to be shaped by the direction of the pandemic that has not yet passed. We do not know if there will be a second major wave. If the global pandemic is a linear change, that is we don't go back to normal (pre-COVID 19 routines), we will now face a *new* normal. We cannot move on from COVID-19 as though it never happened.

This years' experience proved our City Administration was agile and team-oriented with citizen volunteers. It had the courage to move forward, implement new ideas and protect and preserve our community for the duration until COVID is a bad memory. How will we be a year from now? No one can say for sure, but we all must take note of how important this past year will be for the City in the long-term. We will do our best to anticipate what is to come and implement new policies based on analysis, feedback, and comment from the community--- and of equal importance, faith in the resilience of Cape May.

End Question 3

TPA Statement 4: Despite the urgings of TPA, several months ago our City Council adopted the stand-pat 2020 Budget. Revenue projections and planned spending were not adjusted to anticipate the fiscal and operational damage from the Corvid Lockdown that we all knew was about to arrive. That damage is here, and it is real. Revenues are running significant deficits, Municipal Services are being altered, and planned improvements are being delayed.

Question 4: What is your feeling on finding new revenue sources and/or reducing spending to address this issue?

The lead in statements to this question are conclusory without supporting data, except to state the obvious-- the COVID 19 pandemic has done some damage to the normal course of City finance.

From its urgings and statement of this question, it appears the TPA does not understand that a municipal budget in New Jersey is not the same as a household budget. Among the most important in the uncertainties created by COVID is the inability to restore during the fiscal period spending or line items once they have been eliminated. Unlike a family, the City cannot just decide to add back an expense item that has been slashed once revenues would seem to support it.

No one had experienced a pandemic or its implications for our health and economy; nor, did anyone know the duration of its effects. The City Administration consulted with finance experts who gave us two basic choices:

- The first was both draconian and a shot in the dark—to cut the budget by what we guessed in March 2020 the shortfalls might be over the upcoming period, knowing that, if we over-reacted, the cuts could not be restored until the 2021 budget.
- The second was to adopt the proposed pre-COVID budget and manage it carefully in real time so that expenditures did not outpace revenues.

We chose the second option as the more prudent and in the best public interest given the confidence, we had in our experienced administrative team including our Chief Financial Officer and City Manager to perform the managing and monitoring tasks.

By so doing, we eliminated guessing based on mere supposition and did not risk eliminating important services by mistake. In fact, our approach was adopted by other municipalities in our region and beyond. Currently, with three months left to close out the budget cycle, it has shown to be both flexible and prudent.

One key performance indicator is Beach tag revenues. In March, we were predicting a seasonal shortfall in beach tag revenue of \$1 million but it appears we will breakeven when preseason 2021 tickets which will only be sold in December are accounted for. As a result of the flexible approach, to the extent our revenues pick up, the budget is in place to step up to related expenses.

As for greater reductions in new spending to address the COVID based crisis, while the City is always attuned to them, the pandemic, like an economic cyclical recession, will pass. In the long run, we feel that bad economic times resulting from a public health crisis present the wrong circumstances to put further stress on our already strained taxpayers and businesses by ginning up new sources of taxes and fees in the short run.

One standout item is the closure of City Hall facilities. The extended closure for public health reasons has given us the opportunity to consider doing more with less, and as a result review City processes that can and should be modernized with data collection and reporting enhanced by technology. This effort along with a skilled and trained administrative support staff will provide a savings in salary and benefits along with enhanced customer service-all for the benefit of taxpayers.

End Question 4

TPA Statement 5: The Sewell Tract is 100+ acres of environmentally sensitive wetland that will have a significant fiscal impact on taxpayers. Two separate issues have emerged:

- a. the preservation of this critical natural barrier, and
- b. the resolution of a 30-year ligation between the owners of the property, the State and Federal government and a private group of citizens who have joined the litigation.

Question 5: What is your position on each of these issues?

Sewell Tract is one of the most important of our City-wide issues, but the question must be re-phrased to be answered completely.

If Sewell Tract is developed, there is no doubt such development will have a significant effect on City taxpayers—and that effect would be disastrous. In 2018, a board member, now president of the TPA, argued in front of City Council that Sewell Tract should be developed for the revenue from its ratables. Inexplicably, he did that knowing full well the potential consequences for City taxpayers.

What the speaker failed to say was that, even limited development in the Tract will result in a financial debacle for the City's taxpayers.

- If the Tract owner is forced to develop the property and succeeds in enforcing the development infrastructure promises made by the City many years ago, the City may have to incur up to **\$16 million of indebtedness** on top of already known requirements to meet its obligations.
- If such sum could be raised, that indebtedness would likely reduce our municipal credit rating to junk and lead to stiff and prolonged property tax increases.
- Why would tax increases follow--because the debt service alone will dwarf property tax receivables from any new ratables being created on Sewell Tract.
- As calculated by Concerned Citizens, the non-profit citizen group standing for the City's preservation policy for the Tract in the current litigation, the "negative carry" on the new ratables could well be over 100 years.

Aside from dire potential adverse financial consequences to local taxpayers, these environmental and flooding issues are also tied up with development of Sewell Tract, the single largest undeveloped and valuable environmental resource in the City:

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- Development in would bring on an environmental disaster resulting from irreversible losses in water quality and supply for the Cohansey Aquifer, the City's main source of potable water.
- New fresh water supply and waste treatment plans and arrangements involving various organs of government would be involved, not to mention heavy costs to finance and build additional desalination capacity.
- Sewell Tract is the last large open space left in the east end of town to provide buffering for control of storm water and ocean and back bay flooding
- There is good reason for it to remain pristine and undeveloped in its current state to protect key wildlife and plant habitat preventing the loss of important resources along the coastal flyway for birding migration.
- The 10-year Master Plan revised by our Administration covers this issue and indicates it should be held as undeveloped and preserved land.
- To do otherwise, from the points noted above would have direct adverse effects on the quality of life in our community.

It should be noted that, while the previous administration went on record at least twice as supporting development in Sewell Tract, our Administration, since 2016, has taken consistent steps supporting preservation of the Tract:

- We passed several resolutions making the City's non-development position clear.
- We have been taking steps to surround the Tract with reserved open space from City-owned lands.
- Since the prior administration—eager as it was to litigate almost everything even down to parking meters-- had caused the City to miss having a role in preserving Sewell Tract in the longstanding litigation, we sought to supply modest funding to Concerned Citizens to continue upholding the City's preservation policies.

TPA's actions have supported funding efforts to protect Sewell Tract in the past --first by contributing TPA funds to Concerned Citizens-- and then, by vote of its governing body, in February 2020 only to have that reversed in March 7 by its executive leadership when TPA comments on the current budget were made. TPA comments urged the City to preserve the 100-acre Tract whose contested value is upwards in scores of millions of dollars and yet reversed the funds use endorsement, arguing the City could not afford due to Covid to spend the \$80,000 to aid litigation aimed at doing so. As a result, the TPA appears to have it both ways—against the Sewell Tract development but unwilling to spend any public funds on it. A TPA board position is the board members (8) only—not necessarily the individual members.

For more information on the board position:

http://www.capemaytaxpayers.com/postions.html#Sewell_Tract_Preservation

Our Administration is unequivocally against development in Sewell Tract, and we believe appropriate City resources should be marshaled to support that position for the public welfare.

Voters should understand that two council members voted against tactical and strategic reality of the situation including:

- Designating City owned lands adjoining the Tract as reserved open space on the ROSI list to reinforce to the City's commitment to preservation of the Tract and make its development more difficult

- The City providing even minor amounts of funding to Concerned Citizens, the only party involved in striving to carry out the City's policies, and that could win the litigation, or even improve the City's posture in any settlement of the litigation should those circumstances arise. As a result of voting limitations, Mr. Mullock's vote was more than symbolic. He was able to block needed funding.

Actions on Sewell Tract speak louder than hollow rhetoric. This Administration has taken guidance from the public at large and listened to our Environmental Commission and Seawall Advisory Committee, all of whom have expressed strong support for Sewell Tract preservation and action to carry out that policy. We have been consistently dedicated to promoting the public welfare in the preservation of the Tract, and our record of deeds in support of that goal over the past four years speaks for itself. Our policies for Sewell Tract will continue with our Administration and methodically work toward its preservation-- as contrasted with the negativity, disunity, and ever-changing positions of our opponents, that is where they have any known position at all.

End Question 5

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The answers are our personal views as current members of City Council, Mayor and Deputy Mayor, respectively, and as candidates for re-election.