



## The State of Cape May Taxes

### Part 2: Municipal Budget

Since we're all getting our tax bill this week, it's a good time to look at what we're buying.

Cape May is unique in many ways, not the least of which is the healthy balance by which it raises revenue to support its spending. That balance exists between the needs of property taxpayers and those of the businesses and visitors that make Cape May a world class destination.

The ratio of spending to property tax is a clear way to see this balance, and Cape May is indeed unique. For 2024 in Cape May 40% of the revenue to support municipal services comes from property tax. Another 40% comes from a range of sources which are essentially User Fees such as Occupancy Tax, Parking Meters, and Mercantile licenses.

Compare this to the other resort towns in the county as posted on their municipal websites .

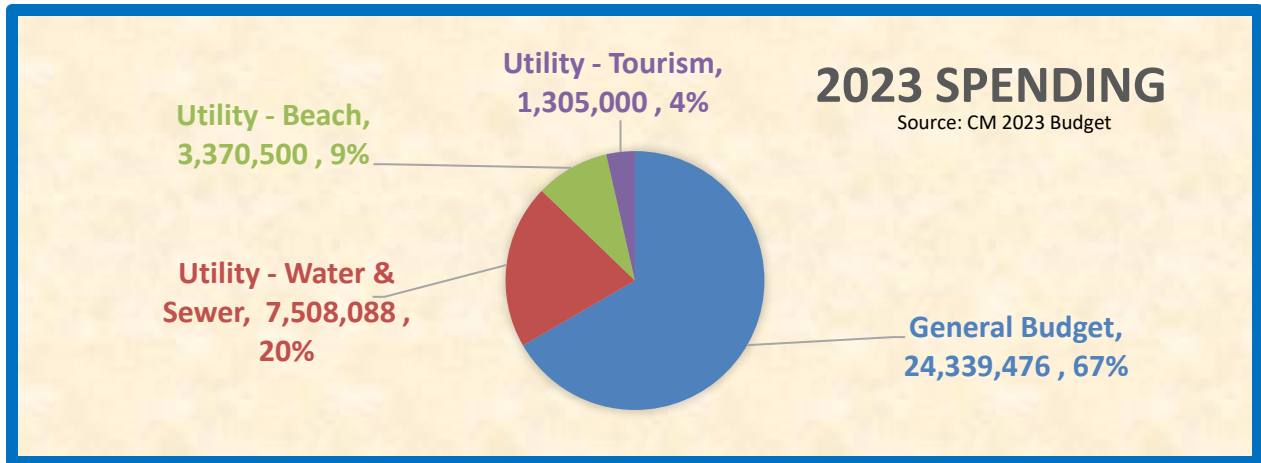
<b>Municipality</b>	<b>Property Tax</b>	<b>Total Revenue</b>	<b>%</b>
Cape May	10,857,208	26,906,960	40.4%
Stone Harbor	15,806,000	22,425,405	72.0%
Wildwood Crest	17,044,608	28,595,588	59.6%
Wildwood	22,536,499	36,884,240	61.1%
West Cape May	2,305,448	3,729,131	61.8%
North Wildwood	24,282,161	38,192,451	63.6%
Ocean City	75,230,662	110,117,869	68.3%
Cape May Point	1,704,431	2,463,606	69.2%
Sea Isle City	21,258,277	30,163,292	70.5%
Avalon	25,775,080	35,805,408	72.0%

In short, Cape May has found ways to increase spending while raising revenue apart from property tax.

## Here's an overview:

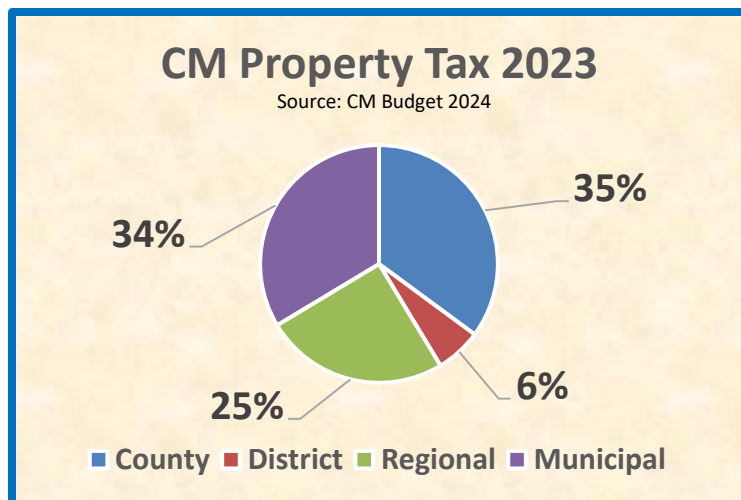
### SPENDING

Government budgets are often dull and detailed, but even a shallow dive can be interesting—especially for taxpayers. The City of Cape May will spend \$40,000,000 in 2024 to provide services to the residents, visitors and businesses that make our city a world class destination. This will be a 9.7% increase over 2023 and will continue an eight-year trend of increased spending in our municipal budget.

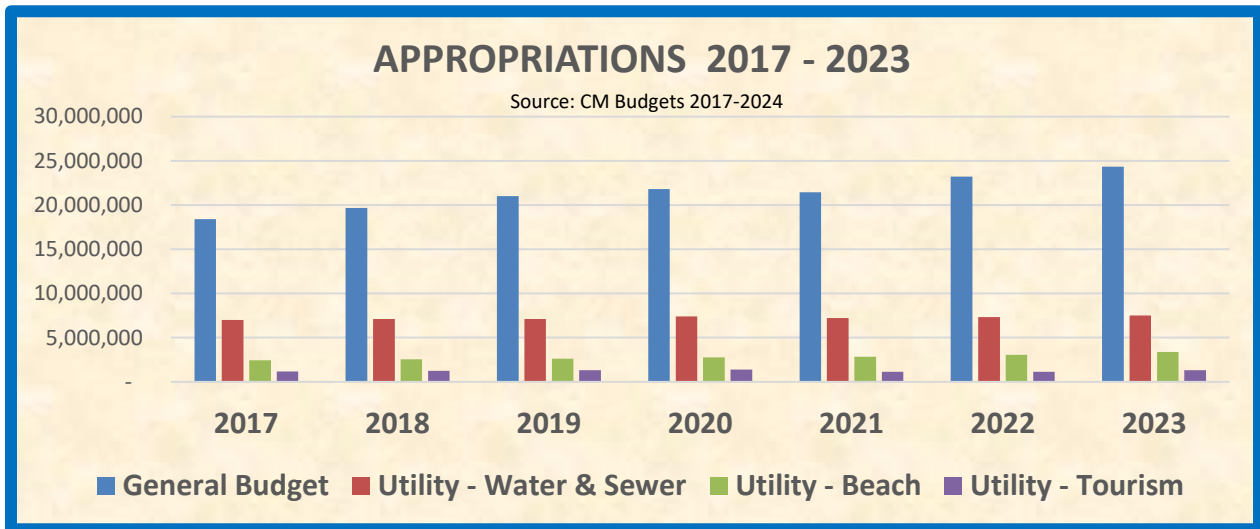


Spending is divided into four distinct elements: the General Fund and three Utilities. The Utilities (W&S, Beach, and Tourism) are designed to be funded in a self-sustaining model where, with a few exceptions, user fees support the spending of the Utility. The General Fund Budget supports all other municipal services, ranging from Council members stipends to Capital projects.

*As noted in a previous E-Newsletter, In 2023 County taxes and the Regional School District tax combine for 60% of our property tax and 34% of our property tax goes to the Cape May City General Fund Budget.*



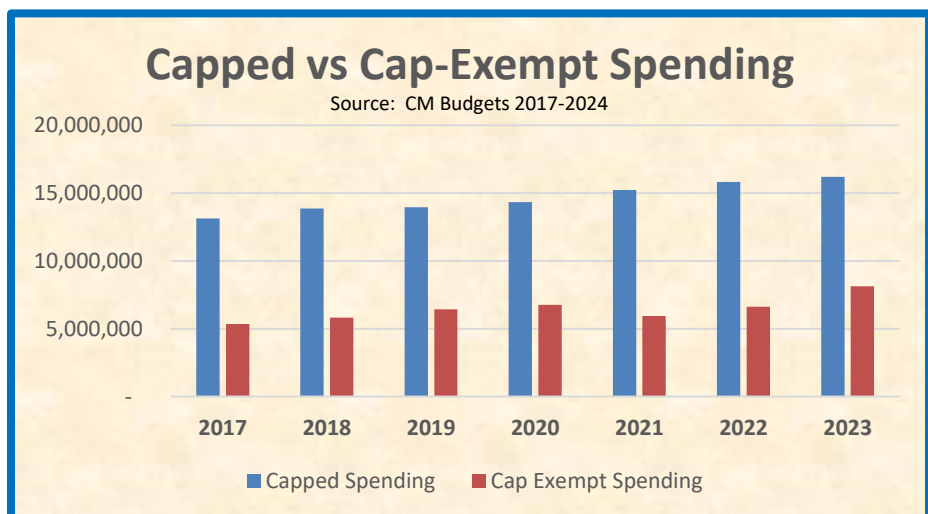
Since 2017 Overall spending has increased by **25.8%**, with The General Fund Budget at **32.4%** and the Beach Utility at **37.8%** driving most of that increase.



The General Budget Spending includes:

- Operating Expenses capped** by law to increase no more than 2.5% annually. However, the law also allows a municipality to pass an annual ordinance allowing them to go above 2.5%. Cape May has routinely done so resulting in annual spending above the 2.5% cap. For 2024 it was set at an additional 1%, making 3.5% the cap for 2024.
- Operating Expenses excluded from the statutory caps.** These amounts include such expenditures as capital improvements, some employee benefits, interlocal agreements, Debt Service, Public/Private agreements, deferred charges, and uncollected tax reserves.

Since 2017, all spending has increased **31%**, with Capped Spending increasing **23.5%** and Cap-Exempt spending increasing **51.8%**.



## REVENUE

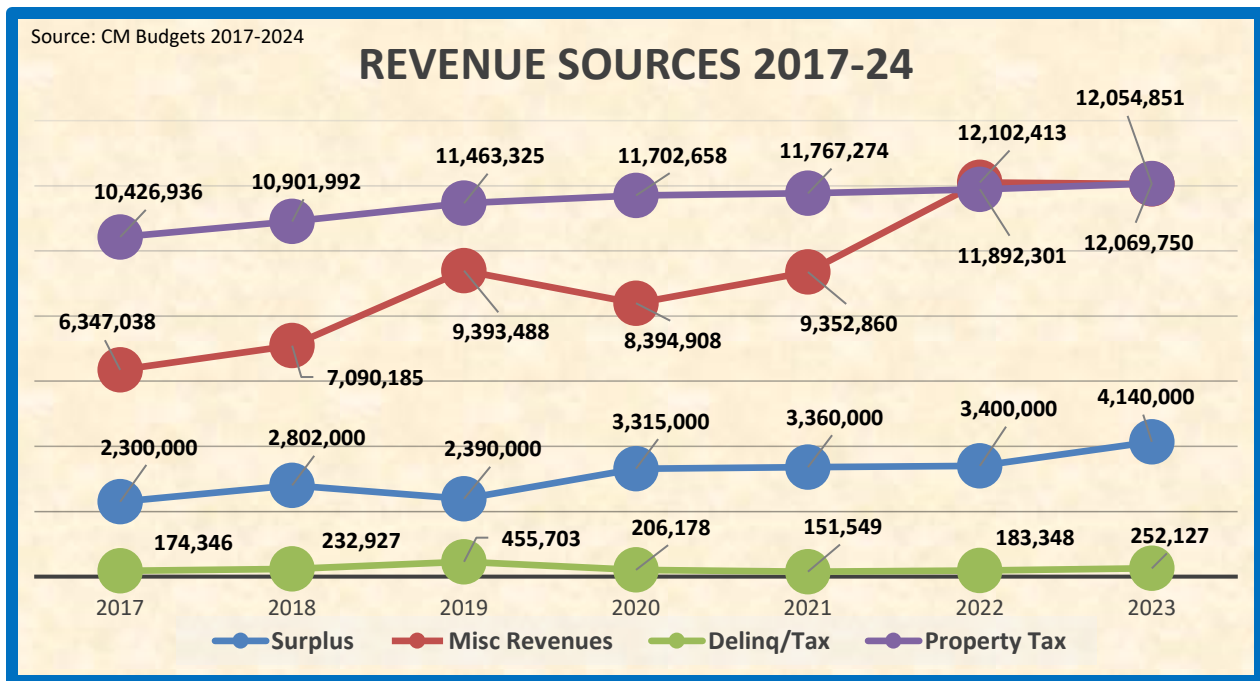
In the face of this significant expansion in the City's spending pattern, the fair question should be:

*"Why aren't my taxes going up significantly to pay for all of this spending?"*

While your tax bill is increasing annually, due in large measure to steady increases in County and Regional SD tax rate, our municipal tax rate has remained virtually unchanged for the last four years. This is due in large measure to the way the City raises Revenue.

In the eight budgets since 2017 while **Property Tax Revenues have gone up 16%, Miscellaneous Revenues have almost doubled, 90%**. In effect the Revenue Policies of the City have been able to fund the significant increases in spending while protecting the property tax base from more radical annual increases.

These policies emphasize a balanced range of revenue sources. Cape May's General Fund Budget annually draws revenue from four principal sources:



**Surplus** - Each year the City appropriates a portion of its Surplus Account to the General Fund Budget for that year. This account has grown significantly over time and currently contains some \$13,000,000. In addition, each of the Utilities maintains its own Surplus Account. This "Rainy Day Fund" stands as a hedge against unanticipated and sometimes catastrophic expenses. The annual appropriation of these accounts tends to avoid increases in other areas of Revenue.

**Miscellaneous Revenue** - This source includes such things as interest, mercantile licenses, fees, permits, leases, parking, occupancy tax and a range of other local revenues.

It is this section of Revenue that has seen the most robust growth in the last three years – over 90% since 2017. This is largely due to parking meter rate increases and the implementation of two recommendations from the Municipal Revenue and Taxation Advisory Committee (MTRAC), increasing Occupancy Taxes on accommodations and another strengthening licensing requirements for short term rentals.

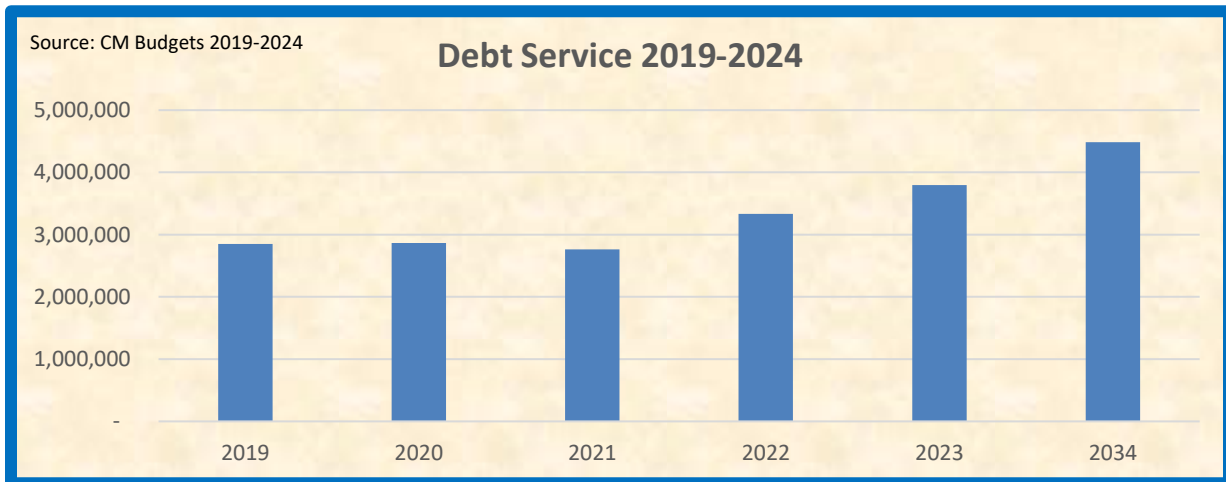
For example, in 2021 prior to the Council’s adoption of the MTRAC recommendation to apply the full 3% Occupancy tax, that tax revenue was \$1,650,000. In 2023 that revenue was \$3,945,195, an increase of 139%.

**Delinquent Tax Fees** - Many of the City’s Revenue projections are conservative. This is one example. While a small actual portion of Total Revenue at \$252,000 in 2023, this source typically fluctuates from 10% to 90% over its projected amount annually.

**Property Tax** – A percentage assessment of the assessed value of every commercial and private property in the city. For 2024 that rate is 1.057 for every \$100 and has remained virtually unchanged for the last four years.

### **Capital Budget**

One-time projects, often expensive, and funded by combination of Bonds and external grants from county, state, and federal sources. Debt Service (Interest and fees) on bonds is part of the General Fund budget and has increased 57.4% since 2019.



City Manager Paul Dietrich has recently released a comprehensive and informative summary of our City’s Capital projects. It’s available here:

<https://www.capemaycity.com/media/City%20Manager/Capital%20Budget%20Presentation%202024.pdf>

**Lot to absorb -- Not exactly a “Beach-Read”**

**but hope it’s helpful to understand where your money goes.**

If you have issues, questions, concerns, or suggestions regarding this project, please send them to us by Email.

**Communication is the key to reaching our goal.**

**We need to hear your thoughts, comments, suggestions, complaints, and concerns as we seek to evaluate the decisions affecting the interests of Cape May's Taxpayers.**

**Please reach out to us at:**

**[2020CMTPA@gmail.com](mailto:2020CMTPA@gmail.com)**

Hope to hear from you soon!