

2026 Manager's Budget Presentation Cape May City

March 3, 2026
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City Manager



Budget Timeline



- ▶ Budget Workshops w/ Manager - November 2025
- ▶ Managers Office worked with CFO and Department Heads on requests for 2026
- ▶ CFO worked with our Auditor to assure the budget was within legal CAPs
- ▶ Anticipate meeting with each Councilperson to review budget before introduction
- ▶ Introduction March 17th (meets statutory timeframe)
- ▶ Adoption April 21st (meets statutory timeframe)

2026 Budget



- ▶ Current Fund Appropriations: \$29,906,976.66
- ▶ Water/ Sewer Utility Appropriations: \$8,509,179.00
- ▶ Beach Utility Appropriations: \$4,675,840.00
- ▶ Tourism Utility Appropriations: \$2,414,100.00
- ▶ Total Budget Appropriations: \$45,506,095.66
- ▶ This results in a 2 cent increase in the tax rate

2025 Budget Comparison



- ▶ Current Fund Appropriations: \$28.9M (\$27.5M+5.5%)
 - ▶ Excluding grants
- ▶ Water/ Sewer Utility Appropriations: \$8.5M (\$7.7M+10%)
- ▶ Beach Utility Appropriations: \$4.6M (\$4.3M + 8%)
- ▶ Tourism Utility Appropriations: \$2.4M (\$1.6M + 51%)
- ▶ Total Budget Appropriations: \$44.5M (\$41.2M + 8%)

Current Fund

How do we get there?



- ▶ Current fund local revenues, which are items like occupancy, parking, mercantile, and other revenues that the city generates aside from taxes, we're projecting around \$8.7M, an increase of \$300,000 over prior year. This is supported specifically by strong occupancy, parking, and interest performance.
- ▶ Our surplus has grown to over \$14M, and we're looking to use around \$6.5M* of it to fund the budget this year. This includes the funding of capital projects so that we don't have to issue debt for them in the future. In the past three years we have generated an average of \$6M in surplus each year. ***With \$987,00 specifically designated to pay for upcoming capital projects.**
- ▶ For the third year in a row, we are funding historic bond ordinances in the budget. This means that we are able to pay for them using cash on hand as opposed to issuing new debt. We're looking at around \$288,000 of funding this budget year.

Current Fund

How do we get there?

- ▶ On an appropriations side, our largest expense is salaries increased 10.8%. For 2026 we're currently budgeting a little over \$10.5M which represents a base of 144 full time and approximately 65 seasonal/part time employees for Police and Public Works.
- ▶ Other direct costs tied to salaries include healthcare costs and pension payments.
- ▶ The City was successful in negotiating healthcare renewal rates less than 9%.
- ▶ Last year we completed negotiations with six of our collective bargaining units. The City had a goal to bring our employees as close to the 50 percentile in wages as compared to other Cape May County municipalities & county. This is important to retain and recruit a qualified workforce.
- ▶ Our next largest item is operating expenses, which we are currently budgeting at \$7.2M, a \$300,000 increase over last year.
- ▶ Total debt service this year is \$5.3M which is in line with all of our bond payment schedules.



Water/ Sewer Utility

How do we get there?



- ▶ In our Water/Sewer utility we are projecting revenues of \$7.2M, which is in line with the prior year
- ▶ Water/Sewer surplus has grown to \$3.4M, of which we are using around \$820K to fund the budget
- ▶ We are increasing our salary line by \$100k to \$1M to allocate various City departmental salaries based on work done for the Water/Sewer utility.
- ▶ 2026 Water/Sewer debt service is \$1.7M
- ▶ We are almost complete the remove all lead (galvanized) pipe distribution mains, well ahead of the State's 2031 deadline. We have started a grant reimbursement process to assist residents in replacing their water service lines.

Beach Utility

How do we get there?



- ▶ In our Beach Utility we are anticipating \$3.6M in revenue, up from \$200,000 in the prior year based on strong beach tag sales.
- ▶ Beach utility surplus decreased slightly from \$2.3M to \$2.2M of which we are using \$930,000 to fund the budget.
- ▶ From an expenditures side we're budgeting for increases that have taken place in lifeguard and beach tagger salaries based on both union negotiations and minimum wage increases. We are also increasing the allocation of expenses from City Departments to the Beach Utility to account for actual work done for the Beach Utility.
- ▶ 2025 Beach debt service is \$540,000K

Tourism Utility

How do we get there?



- ▶ The tourism utility is projecting \$1.6M in revenue generation, similar to last year.
- ▶ Tourism surplus has remained steady with a balance of \$2.7M. We're using \$818,000 to support this years budget.
- ▶ This year we are appropriating funds towards the Nation's 250th – City's 175th – National Historic District Landmark 50th anniversaries

Taxes

How does it affect me...



- ▶ The Tax Assessor added \$12.3M in improvements from 2025 which allowed for \$45k in spending in the 2026 budget with no effect on taxes
- ▶ We are anticipating \$341,658k in State Aid
- ▶ The Local Purpose Tax Rate will increase to \$0.381
- ▶ For an average assessed home in Cape May City is \$750,000. In 2025 Local tax was \$2,707.50 and in 2026 it will be \$2,857.15. That is a total increase of \$149.65 for the year.
- ▶ This does not include possible changes to the County and School tax rate

Revenues

Looking forward



- ▶ We had strong growth in revenue from Interest earned, Mercantile Licenses, Parking fees and Occupancy Tax
- ▶ Our interlocal agreements help cover Departmental costs
- ▶ EMS fees, Lease & Rent Contracts to supplement revenue to the budget
- ▶ We are looking to increase parking fees during this year to help reimburse the fund balance by \$300,000

Revenue	2022 Actual	2023 Actual	2024 Actual	2025 Actual
Interest	\$70,000	\$700,000	\$793,000	\$702,863
Mercantile	\$760,000	\$860,000	\$827,935	\$896,500
Parking	\$2,180,000	\$2,320,000	\$2,625,711	\$2,748,974
Occupancy	\$3,390,000	\$3,965,000	\$4,108,901	\$4,159,286
Surplus (Used)	\$3,360,000	\$3,400,000	\$4,140,163	\$6,000,000

Capital Projects Looking forward



We have several capital projects that we need to continue to move forward

- ▶ New Police Station (\$8.5M bond approved), anticipated to opening in Spring 2027
- ▶ Expand Lifeguard Station (\$1.5M anticipated cost), anticipated opening May 2026
- ▶ ADA improvements at Tennis Club & Physick estate in Fall 2027
- ▶ Seawall Extension (\$25M FEMA Mitigation Grant received), anticipate to break ground in Fall 2026 depending on Federal grant funding from FEMA
- ▶ Desalination Plant (\$33M estimated cost, \$12M Grants and applied for additional), anticipate to break ground in Fall 2026 for Phase 1a
- ▶ Road & Utility Projects
 - ▶ Harbor Lane
 - ▶ Virginia Lane (Pittsburg – Philadelphia Ave.s)
 - ▶ Reading Ave (Virginia – Ohio Ave.s)
 - ▶ Howard St
 - ▶ Wynona & Swan
- ▶ Promenade Repairs & Resiliency upgrade (\$6.7M Grant, \$10M project), completion spring 2026

Debt Ratio

