

Council Agenda Report

Date: April 10, 2017

Prepared and Submitted by: Sandra Tripp-Jones, City Manager 

SUBJECT: Ordinance No. 1097 - An Ordinance of the Commissioners of Cambridge, Maryland, for the purpose of Adopting and Approving the Levy for Real Property Taxes and Personal Property Taxes, for the 2018 fiscal year beginning July 1, 2017 and ending June 30, 2018

Recommendation: That Council:

- A. Close the written portion of the public hearing on proposed property tax increase;
- B. Introduce Ordinance No. 1097 by reading of title only, and
- C. Schedule April 24, 2017 for second reading, public hearing, and adoption of Ordinance 1097.

Discussion:

Each year, the City is required to adopt an ordinance that sets the personalty tax and real property tax for the next year and forward that ordinance to Dorchester County. That action is to be completed by May 1st.

Personalty Tax

The City anticipates stable assessments from Fiscal Year 17 to Fiscal Year 18. Staff suggest the City maintain the tax rate at \$1.69 for \$100. The anticipated revenue generated from personalty taxes is \$915,000. On March 27, 2017, Council conceptually approved maintaining the current rate.

Real Estate Tax

On a rotating basis, every three years, the State of Maryland Department of Assessments reassesses property values. The City of Cambridge was reassessed to be effective Fiscal Year 2018. Assessed values went from 732,987,470 to 715,998,789 or a decrease of 2.3%.

On March 27, 2017, City Council heard from the public on four scenarios of property tax increases beginning FY 2018. Council closed the public hearing keeping the record open for written input until April 10, 2017. Attached are copies of written correspondence on the proposed real property tax increase.

Scenario 1

In order to maintain the same potential revenue of 5,855,837, the tax rate would have to change the constant yield (the property tax rate that, when applied to new assessments, will result in receiving the same revenue in the coming taxable year that was produced in the prior taxable year.)

Without increasing to the constant yield, the taxable revenue will decrease by approximately \$130,000. In order to keep the same revenue, the tax rate will increase .00019.

	Old rate	Without increase	Constant yield
	2017	2018	2018
Assessed Base	732,987,470.00	715,998,789.00	715,998,789.00
Tax Rate	0.007989	0.007989	0.008179
Taxable Revenue	5,855,836.90	5,720,114.33	5,856,154.10

Scenario 2

If the City were to generate an additional \$250,000 beyond the constant yield in property tax revenue, the tax rate would need to change from the constant yield of .008179 to .008528. For a house valued at \$200,000, this would mean increase beyond the constant yield (or last year's tax) of \$70 a year.

Scenario 3

If the City were to generate an additional \$500,000 beyond the constant yield in property tax revenue, the tax rate would need to change from the constant yield of .008179 to .008878. For a house valued at \$200,000, this would mean increase beyond the constant yield (or last year's tax) of \$140 a year.

Scenario 4

If the City were to maintain the constant yield and then increase the tax rate for two years to repair High Street and plan on short term housing rehabilitation, the City would raise the tax rate would .008878 as in Scenario 3. However, in the ordinance, the City would state the increase to maintain the constant yield (.008179) is ongoing and the additional .0699 to increase to .008878 would be for two years and then the rate would revert to .008179. Secretary Holt of the Maryland State Department of Housing and Community Development, has stated that the State will match any revenue dedicated for home rehabilitation due to the property tax increase.

Council closed the public hearing but kept the record open to receive additional written comments. One written comment was sent by email (attached.)

Staff has heard from some Council Members that they are not willing to increase the property tax .008170. Without that increase, repair of 300 block of High Street and finalization of a home rehabilitation plan for Pine Street Area low-income home owners will be deferred pending Council direction and those projects will be removed from the draft FY 2018 Proposed Operating and Capital Budget.

Commissioners have asked what measures staff has taken to avoid a need for any property tax increase. The cost cutting measures include:

- review of each division expenditures – by line item and proposed budgets to identify areas where proposed costs can be trimmed;
- modification of insurance coverages to reduce costs;
- small reduction in the number of police vehicles;
- bidding of fuel costs; and
- reorganization of command staff in the Police Department

Staff has worked to incorporate the following increased costs into the budget through a combination of cost reductions, modest revenue increases in some categories, and use of \$194,000 in one-time FY 2017 income tax revenue for capital program, a \$3/month increase in trash collection/disposal fees, **plus** \$130,000 from maintenance of constant yield in real property tax:

• Increase in health insurance costs:	\$ 280,000
• Increase in non-bonded debt for City share of Sailwinds Wharf repair – ½ year of payment:	\$ 150,000
• Increased costs for contract City Attorney:	\$ 40,000
• Police Overtime costs anticipated for July 2017 Reflections on Pine Street event	\$ 17,000
• Cost of Living Increases (av. 2%)	\$ 120,000
• Compensation adjustments for lowest paid staff	\$ 65,000
• Increase in tipping fees	\$ 17,000
• Funding for new Council Goals:	\$ 50,000
• Human Services Grants:	\$ 25,000
• New street lights:	<u>\$ 10,000</u>
TOTAL	\$ 774,000

If the property tax is not raised to maintain constant yield – to 0.008179, the following items will be removed from the FY 2018 Proposed Operating and Capital Budget:

• Funding for Council Goals:	\$ 50,000
• Human Services Grants:	\$ 25,000
• New street lights:	\$ 10,000
• Reduce the Appropriated Reserve:	\$ 41,000
• Downtown traffic control bollards:	<u>\$ 4,000</u>
TOTAL	\$ 130,000

Staff recommends Scenario One: increase the property tax to .008179 to maintain constant yield, generating \$130,000 to FY 2018 revenues.

PROPOSED ORDINANCE RE: FY 2018 TAX RATES

ORDINANCE NO. 1097

AN ORDINANCE OF THE COMMISSIONERS OF CAMBRIDGE, MARYLAND, FOR THE PURPOSE OF ADOPTING AND APPROVING THE LEVY FOR REAL PROPERTY TAXES AND PERSONAL PROPERTY TAXES, FOR THE 2018 FISCAL YEAR BEGINNING JULY 1, 2017 AND ENDING JUNE 30, 2018.

WHEREAS, the Commissioners of Cambridge desire to establish the tax rates and tax levy for real and personal property within the City of Cambridge for the fiscal year commencing on July 1, 2017 and ending on June 30, 2018; and

WHEREAS, upon consideration of the public comments received on the issue at the City Council meeting held on March 27, 2017, and written comments submitted on the issue, this Ordinance is hereby adopted.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED BY THE COMMISSIONERS OF CAMBRIDGE, that the tax levy be, and the same be hereby set at \$1.008179 for each one hundred dollars (\$100.00) of assessed valuation of real property in the City of Cambridge, and said tax rate is hereby imposed on all assessable real property for the fiscal year commencing July 1, 2017 and ending June 30, 2018; and

BE IT FURTHER ENACTED AND ORDAINED BY THE COMMISSIONERS OF CAMBRIDGE, that the tax levy be, and the same be hereby set at \$1.69 for each one hundred dollars (\$100.00) worth of all assessable personal property in the City of Cambridge, and said tax rate is hereby imposed on all assessable personal property for the fiscal year commencing July 1, 2017 and ending June 30, 2018; and

BE IT FURTHER ENACTED AND ORDAINED BY THE COMMISSIONERS OF CAMBRIDGE that all fees, charges and levies adopted by this Ordinance, shall remain in effect unless changed at a future date by subsequent Ordinance by the Commissioners of Cambridge, and shall be collected pursuant to all applicable provisions of the Charter of the City of Cambridge; and

BE IT FURTHER ENACTED AND ORDAINED BY THE COMMISSIONERS OF CAMBRIDGE that this Ordinance shall take effect upon its final passage.

ATTEST:

THE COMMISSIONERS OF CAMBRIDGE

Sandra Tripp-Jones
City Manager

(Seal)
Victoria Jackson-Stanley
Mayor

Introduced on the 10TH day of **APRIL, 2017**
Second Reading and Adoption the _____ day of **APRIL, 2017**

03/26/17

To: The Mayor, City Council, and Manager of Cambridge

Ref: The proposed property tax increase.

As a residential and business property owner in the City of Cambridge, I want to go on the record as being strongly opposed to the property tax increase that was announced in the Star Democrat. I have many reasons for this opposition and hope the Mayor and Council will reconsider this proposal.

At present the Cambridge tax rate is the 15th highest out of 181 cities listed in the 2015-2016 County tax rate page on the Maryland Dept. of Assessments and Taxation website. The proposed increase to .8878 per \$100 would make Cambridge the 8th highest out of the 181 cities.

Cambridge needs to attract business and residential investment to provide jobs and a greater tax base. This proposed tax increase would deter such investments and also further the desire of present businesses and residents to leave Cambridge. I believe the City of Cambridge should maintain the same tax rate, (under \$.80) to remain more attractive to new commercial and real estate investment and to maintain present businesses.

In regard to the needed repair of High St., has the proposed brick rebuild and all alternatives been considered, priced and put on paper? Blacktop, stamped concrete, or comparable paving systems should be considered before making such a huge investment. Please keep in mind and consider the entire brick portion of High St. While the 300 block is by far the worst block, the rest of the brick street needs repair, also.

In business, municipalities, and life often dreams, wishes, desires have to and should take a back seat to reality.

- The reality is, decisions need to be responsible.
- The reality is, we are already in the highest 9% of tax rates for Md. cities and the proposed tax increase would take us to the highest 5% of tax rate for Md. Cities.
- The reality is, Cambridge is not a wealthy city.
- The reality is, we do not presently have an expanding tax base.
- The reality is, we have a deplorable block of High St. that can be fixed beautifully for pennies on the dollar by blacktopping compared to the proposed brick rebuild. Black top can be repaired when street openings are needed without draining the bank account further.
- The reality is, we have many properties considered blight and should take priority.
- The reality is, all roads, law enforcement, safety and cleanliness should take priority.

Cambridge needs to do our best to be a desirable, clean, safe and attractive community and
CAMBRIDGE NEEDS TO LIVE WITHIN OUR MEANS.

I appreciate your consideration,

Joe Brooks
703 Radiance Drive
Cambridge, MD 21613
443-521-9798 joe@jmclayton.com

From: Trudy Guthrie
To: [City Manager; Trudy Guthrie](#)
Subject: Regarding proposed raising of Property Tax for properties taxed by both Cambridge and Dorchester County
Date: Tuesday, March 28, 2017 4:41:21 PM

Commissioners and City Manager of The City of Cambridge,

For property owners who are already scorched with paying both City and County Property Taxes, and the

real estate market still dropping in this area, the proposed rise in property tax rate would be an

abuse of hard working, tax paying citizens of the City of Cambridge.

If the city and county must raise taxes, they should wait for property values to rise,

to regain some of the value of that which they tax, instead of raising taxes on properties which have

already been devalued and severely effected by over a decade of the falling Real Estate market.

It should be noted that with property assessment having fallen lower, (a major drawback to selling our properties and

regaining equity - even for those of us who bought on the low market) and with the proposal of higher taxes,

customers for our homes do draw-away out of consideration for current property taxes , which they consider, in their

experience, to already be higher than on similar properties in Talbot County, Oxford, etc.

It is my opinion that we should not raise City and County Property taxes at this time.

Gertrude T. Guthrie

102 Markley Ct
Cambridge, MD 21613

410-221-1668
trudyguthrie@comcast.net

Kathy Foster

From: Tom Moore <tmamoore@gmail.com>
Sent: Wednesday, April 05, 2017 9:36 AM
To: Mayor of Cambridge
Cc: citymanager
Subject: Opposition to Proposed Tax increase

Dear Mayor Jackson-Stanley,

As the owner of 300 Dorchester Avenue and 503 Roslyn Avenue, Cambridge Maryland, I am writing to express my opposition to any and all tax increases for property located within the City of Cambridge. The tax rate in Cambridge is already significant, yet the level of services provided do not seem to reflect our current rate much less any increase.

If there is an appropriate time, I would welcome the opportunity to provide comment as to my thoughts of other means for balancing future City budgets.

Sincerely, Thomas E. Moore
President, Hambrooks Bay, LLC