

Council Agenda Report

Date: April 24, 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 – maintaining the personalty property tax at the current rate of \$1.69 per \$100 and increasing the real property tax from \$.007989 to \$.008179 per \$100 in assessed value to maintain constant yield in property tax revenue, effective July 1, 2017

Recommendation: That Council:

- A. Give Ordinance No. 1097 a second reading by title only;
- B. Open the public hearing and take public comment;
- C. Close the public hearing and adopt Ordinance No. 1097; and
- D. Direct staff to forward Ordinance No. 1097 to Dorchester County and the State.

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 and the State. 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%.

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

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:	\$ 270,000
• 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	\$ 764,000

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 increasing the real property tax to \$.008179 to maintain constant yield, generating \$130,000 to FY 2018 revenues.