

RESOLUTION NO. 1863

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY,
MARYLAND ACCEPTING A TAX DIFFERENTIAL STUDY AND AUTHORIZING
SUBMITTING A REQUEST TO WICOMICO COUNTY FOR A TAX
DIFFERENTIAL

WHEREAS, the General Assembly of the State of Maryland has authorized
counties, and the cities located therein, to meet and discuss tax setoffs of county property
taxes to recognize that certain tax supported county services are not provided within the
incorporated areas of these counties; and

WHEREAS, the City of Salisbury desires to arrange such a discussion with
Wicomico County, and

WHEREAS, the City of Salisbury Internal Services Department - Finance
Division prepared a study to determine whether there was a basis for the City to request a
tax setoff from Wicomico County, and

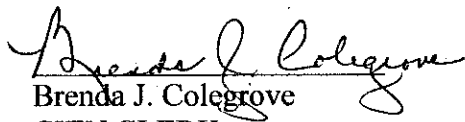
WHEREAS, the Internal Services Department - Finance Division has determined
that the City is entitled to request that the County reduce its property tax rate for property
within the City limits by \$.089 per \$100 of assessed valuation pursuant to Section 6-306
A.1. of the Tax Property Article of the Maryland State Code, and


WHEREAS, the City Council finds that the study fairly and accurately sets forth
the computations for a tax setoff;

NOW, THEREFORE, BE IT RESOLVED that the Salisbury City Council hereby
accepts the study prepared by the City Internal Services Department - Finance Division,
dated November 16, 2009, and, on the basis of this study, authorizes submitting a request
for a tax differential to Wicomico County in the form of the attached letter to the
Wicomico County Council.


THE ABOVE RESOLUTION was introduced and duly passed at a meeting of the
Council of the City of Salisbury, Maryland held on November 23, 2009 and is to become
effective immediately upon adoption.

ATTEST:


Brenda J. Colegrove
CITY CLERK


Louise Smith
PRESIDENT, CITY COUNCIL

Approved by me this 24th day of November, 2009


James H. Heton, Jr.
MAYOR, City of Salisbury

City of Salisbury
Tax Differential Study, Page 1
Setoff Effective 7/1/2009

| Description | Non-City | | City |
|---|---------------------|---------------------|---------------------|
| | Actual Cost | Taxpayer Share | Taxpayer Share |
| Fire Department | | | |
| City of Salisbury contributions | | | |
| Fire Department | \$ 576,000 | \$ 478,487 | \$ 97,513 |
| Ambulance | \$ 112,000 | \$ 93,039 | \$ 18,961 |
| Hazardous Material Emergency | \$ - | \$ - | \$ - |
| Volunteer Companies | | | |
| Fire Department | \$ 1,568,000 | \$ 1,302,548 | \$ 265,452 |
| Ambulance | \$ 1,574,571 | \$ 1,308,007 | \$ 266,564 |
| Workers Comp Insurance | \$ 159,118 | \$ 132,180 | \$ 26,938 |
| Miscellaneous | \$ 9,296 | \$ 7,722 | \$ 1,574 |
| Hepatitis vaccine | \$ - | \$ - | \$ - |
| Total | \$ 3,998,985 | \$ 3,321,985 | \$ 677,000 |
| Sheriff Department | | | |
| Sheriff - Salary | \$ 119,512 | \$ 99,279 | \$ 20,233 |
| Salaries | \$ 6,212,568 | \$ 5,160,823 | \$ 1,051,745 |
| Less: Sheriff's Fees | \$ (607,206) | \$ (504,410) | \$ (102,796) |
| Less State Grants | \$ (403,627) | \$ (335,296) | \$ (68,331) |
| Less Board of Education Grant | \$ (473,177) | \$ (393,071) | \$ (80,106) |
| Operating | \$ 788,568 | \$ 655,069 | \$ 133,499 |
| Special Investigation | \$ - | \$ - | \$ - |
| Capital Outlay | \$ 487,716 | \$ 405,149 | \$ 82,567 |
| Total | \$ 6,124,354 | \$ 5,087,543 | \$ 1,036,811 |
| Net Law Enforcement @ 75% | \$ 4,593,266 | \$ 3,815,658 | \$ 777,608 |
| Protection of Animals | | | |
| Dog Control | \$ 304,628 | \$ 253,057 | \$ 51,571 |
| Less Animal Licenses | \$ (1,075) | \$ (893) | \$ (182) |
| Humane Society Total | \$ 303,553 | \$ 252,164 | \$ 51,389 |
| Public Safety Building - Facility Expenditures | \$ - | \$ - | \$ - |
| Public Safety Total | \$ 8,895,804 | \$ 7,389,806 | \$ 1,505,998 |
| Source: Wicomico County FY2008 Audited Financial Statements | | | |

**City of Salisbury
Tax Differential Study, Page 2
Setoff Effective 7/1/2009**

| Description | Non-City | | City |
|--|----------------------|-----------------------|-----------------------|
| | <u>Actual Cost</u> | <u>Taxpayer Share</u> | <u>Taxpayer Share</u> |
| Recreation and Culture | | | |
| Department of Recreation and Parks | | | |
| Salaries | | | |
| Salaries- overtime and part-time | \$ 1,331,757 | \$ 1,106,300 | \$ 225,457 |
| Less Recreation and Parks Revenue | \$ (44,973) | \$ (37,359) | \$ (7,614) |
| Operating | \$ 460,410 | \$ 382,466 | \$ 77,944 |
| Capital Outlay | \$ 59,246 | \$ 49,216 | \$ 10,030 |
| Total Department of Recreation and Parks | \$ 1,806,440 | \$ 1,500,622 | \$ 305,818 |
| Total - Public Safety and Recreation and Culture | \$ 10,702,244 | \$ 8,890,428 | \$ 1,811,816 |
| Overhead at \$250,000 | \$ 250,000 | \$ 207,677 | \$ 42,323 |
| Grand Total - Duplicate Services | \$ 10,952,244 | \$ 9,098,105 | \$ 1,854,139 |
| | | | |
| | | | |
| | | | |
| Source: Wicomico County FY2008 Audited Financial Statements | | | |
| | | | |
| | | | |
| | | | \$ 1,854,139 |
| | percentage of total | | 0.169293065 |

**City of Salisbury
Tax Differential Study, Page 3
Setoff Effective 7/1/2009**

| | | | | | | | | | | | | | |
|---|--------------------|-----------------------|--------------------|----------------|---------------------------|----------------|----------|-----------|----|---------------|----|-------------|--------|
| TOTAL REVENUE | | \$ | 122,648,402 | | | | | | | | | | |
| LESS: | | | | | | | | | | | | | |
| Intergovernmental - program specific revenue | \$ | (1,004,470) | | | | | | | | | | | |
| Service Charges and Fees | \$ | (6,058,611) | | | | | | | | | | | |
| TOTAL DEDUCTIONS | \$ | (7,063,081) | \$ | (7,063,081) | | | | | | | | | |
| BASE REVENUE | | \$ | 115,585,321 | | | | | | | | | | |
| PROPERTY TAX REVENUE | | \$ | 59,220,846 | | | | | | | | | | |
| PERCENTAGE OF PROPERTY TAX TO BASE REVENUE | | | 51.2% | | | | | | | | | | |
| GRAND TOTAL -PUBLIC SAFETY, PUBLIC WORKS, RECREATION AND CULTURE PARALLEL SERVICES | | \$ | 10,952,244 | | | | | | | | | | |
| PORTION OF PARALLEL SERVICES ATTRIBUTABLE TO PROPERTY TAX | | \$ | 5,611,449 | | | | | | | | | | |
| COUNTY ASSESSABLE BASE FY 2008 IN HUNDREDS | | \$ | 62,943,384 | | | | | | | | | | |
| COUNTY TAX RATE REDUCTION IN SALISBURY | | \$ | 0.089 | | | | | | | | | | |
| CITY ASSESSABLE BASE FOR FY 2008 IN HUNDREDS | | \$ | 20,797,797 | | | | | | | | | | |
| COUNTY TAX RATE REDUCTION IN SALISBURY (REBATE) | | \$ | 1,854,139 | | | | | | | | | | |
| | Real Estate | Personal Prop. | | | | | | | | | | | |
| County Tax Rate for Taxpayers before Differential | \$ | 0.881 | \$ | 2.203 | | | | | | | | | |
| New Tax Rate for City Taxpayers | \$ | 0.792 | \$ | 2.114 | | | | | | | | | |
| New Tax Rate for Non-City Taxpayers | \$ | 0.920 | \$ | 2.385 | | | | | | | | | |
| Source: Wicomico County FY2008 Audited Financial Statements | | | | | | | | | | | | | |
| | real | revenue | pers/obc/rr | revenue | total assess'd val | revenue | % | | | | | | |
| without differential | | | | | | | | | | | | | |
| county | \$ | 5,850,988,760 | \$ | 51,547,211 | \$ | 443,349,618 | \$ | 9,766,992 | \$ | 6,294,338,378 | \$ | 61,314,203 | |
| city | \$ | 1,782,450,011 | \$ | 15,703,385 | \$ | 297,329,670 | \$ | 6,550,173 | \$ | 2,079,779,681 | \$ | 22,253,557 | 36.29% |
| Non-city | \$ | 4,068,538,749 | \$ | 35,843,826 | \$ | 146,019,948 | \$ | 3,216,819 | \$ | 4,214,558,697 | \$ | 39,060,646 | 63.71% |
| with differential | | | | | | | | | | | | | |
| county | \$ | 5,850,988,760 | \$ | 51,547,211 | \$ | 443,349,618 | \$ | 9,766,992 | \$ | 6,294,338,378 | \$ | 61,314,203 | |
| city | \$ | 1,782,450,011 | \$ | 14,114,317 | \$ | 297,329,670 | \$ | 6,285,101 | \$ | 2,079,779,681 | \$ | 20,399,418 | 33.27% |
| Non-city | \$ | 4,068,538,749 | \$ | 37,432,894 | \$ | 146,019,948 | \$ | 3,481,891 | \$ | 4,214,558,697 | \$ | 40,914,785 | 66.73% |
| Difference | | | | | | | | | | | | | |
| county | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | |
| city | \$ | - | \$ | 1,589,067 | \$ | - | \$ | 265,072 | \$ | - | \$ | 1,854,139 | |
| Non-city | \$ | - | \$ | (1,589,067) | \$ | - | \$ | (265,072) | \$ | - | \$ | (1,854,139) | |

November 24, 2009

Honorable Richard M. Pollitt, Jr., Wicomico
County Executive and Honorable Members of
The Wicomico County Council
P.O. Box 870
Salisbury, MD 21803-0870

Dear County Executive Pollitt and Members of the County Council:

Under the authority of Section 6-306 of the Tax – Property Article of the Maryland State Code, please be advised that the City of Salisbury proposes that it be granted a property tax setoff by Wicomico County for the fiscal year beginning July 1, 2010. The desired level of such setoff is the proportion of the County's property tax rate which represents expenditures on the following parallel services: fire, police, animal control, and recreation and culture.

In support of this request, the City submits the following:

- 1) A description of the scope and nature of the services or programs provided by the City in lieu of similar services or programs provided by the County.
 - A) Fire – The Salisbury Fire Department provides residents in the City of Salisbury with 24 hour protection and emergency services. The Salisbury Fire Department has 66 career and 120 volunteer firefighters. The City of Salisbury Fire Department also provides fire protection outside the City to the Fire District (48 miles). A portion of the cost of providing fire protection outside the City is offset by contributions from Wicomico County under an existing agreement.
 - B) Police – The Salisbury Police Department is a full-service, accredited law enforcement agency, which provides an urban-level of police protection to the area located within the Salisbury city limits. In addition, to the basic patrol function, the Salisbury Police Department also provides a number of special services, including bike patrols, foot patrols, tactical unit, negotiators, and victim-witness assistance. With the exception of back-up assistance, the Salisbury Police Department handles all calls for police service within the City limits.

The Wicomico County Sheriff's Department provides law enforcement services to the unincorporated portions of the County. Since these services

are not provided to the area located within the City limits, City taxpayers do not receive a benefit from these expenditures, but do pay a portion of the costs through their County tax bill. In addition to law enforcement the Sheriff's Department provides constitutionally mandated services such as court security, and legal document service, which benefit all County residents. A study prepared by the Institute for Government Services and previously forwarded to the County determined that 25% of the cost of the Sheriff's Department was attributable to these duties. A subsequent work session between the City and County should develop an allocation percentage; until then we have assumed the 25% allocation used in prior years.

- C) Animal Control – The Salisbury Police Department provides animal control services to the area located within the Salisbury city limits. The Wicomico County Humane Society provides animal control services to the unincorporated areas of the County, under an agreement with the County. Since these services are not provided within the City limits, City taxpayers pay a portion of these costs but receive no benefit.
- D) Recreation and Culture – The Salisbury Department of Public Works maintains a system of City owned parks, some of which are used by the Wicomico County Department of Parks and Recreation to provide recreational programming. The Wicomico County Department of Parks and Recreation provides parks maintenance services to county owned parks throughout the unincorporated areas of the county. Recreation and Culture is another area of duplication of services.

2) Financial records and other documentation regarding municipal revenues and expenditures.

In prior years, the City provided a copy of a report titled *Property Tax Setoffs for the City of Salisbury, Maryland*, which had been prepared for the City by the Institute For Governmental Service. Since you provided the City with the FY 2008 Wicomico County Financial Statements last year, we have updated our request using your financial report. Enclosed is a Tax Differential Study worksheet, enumerating those costs for the aforementioned parallel services not applicable to the taxpayers of the City of Salisbury.

The amount of the setoff proposed is equal to \$.089 on the County's tax rate, or a payment to the City from the County in the amount of \$1,854,139. The attached worksheet shows how this proposed setoff was calculated.

We request that the County provide a copy of the FY2009 Wicomico County, Maryland Financial Statements, when they are available.

I look forward to your response and the opportunity to discuss this matter with you.

Very truly yours,

James Ireton, Jr.
Mayor, City of Salisbury

cc: City Council Members
John R. Pick
Pam Oland
Paul Wilber

Memo

To: Mr. John R. Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services
Date: November 16, 2009
Re: Tax Differential Explanation

Under Maryland State law, municipalities have the opportunity to ask the county, within which they are located, for a tax setoff or a tax differential. A tax differential is a way for Counties in Maryland to compensate municipalities for services not provided by the county in those municipalities. This is done by a tax setoff, either reducing the county tax rate in that municipality, or making a payment directly to the municipality for those services.

Attached is a resolution which serves to comply with the law and give timely notice that Salisbury wants to meet with Wicomico County to provide evidence why a tax differential is justified. Attached also is a letter from the Mayor which serves as our tax differential request for this year. The attached study is based on the County's FY 2008 Financial Statements.

Every year since 1999 the City has formally asked the County for a tax differential, and every year since 1999 we have been denied. By state law there are eight counties that are mandated to make a tax setoff. They are the high density counties (with the one exception of Allegany County that has fewer residents per square mile than Wicomico). In the remaining counties the tax setoff is voluntary, and Wicomico is among them. However, many counties less densely populated than Wicomico, such as Caroline, Garrett and Talbot still voluntarily grant a tax setoff because they have determined that it is the right thing to do.

Salisbury is the only City our size in the State of Maryland not receiving a tax setoff from the County. Salisbury is the 7th largest city in Maryland and all other cities in the top 20 get either a rebate or a lower tax rate.

The methodology for the requested differential is based on the prior year's formula. We are currently undergoing a tax differential study in conjunction with Wicomico County, the City of Fruitland and the Town of Delmar. However, we cannot wait for the results of that study in order to submit this request within the legal timeframe.