

April 30, 2013

**Special Meeting on Municipal Tax Differential**

*The Denton Town Council invited the Caroline County Commissioners to hold a joint discussion on the County's current Municipal Tax Differential formula and the fairness to the property owners of those Towns.*

**In attendance:**

*Denton Town Council: Mayor Dean Danielson, Councilman Conway Gregory, Councilman Robert Clendaniel. Councilman Porter arrived and joined the discussion at 5:50 PM. Councilwoman McNinch was absent.*

*Caroline County Commissioners: President Wilbur Levensgood, Commissioner Jeff Ghrist and Commissioner Larry Porter.*

*The Town Attorney, Mr. Christopher Drummond, was also seated at the table with the board members.*

*Mayor Danielson called the Special Meeting of the Denton Town Council and the Caroline County Commissioners to order at 5:41 PM on this date to discuss Municipal Tax Differential.*

**Discussion**

*Mayor Danielson thanked the County Commissioners for coming and asked them to share information about their tax formula.*

*Commissioner Ghrist provided an overview of the past history of the tax differential, stating that it appears as though in the past the County had no logic or formula, the number used for coming up with how the municipal tax differential tax rates were set was arbitrary. The municipal tax differential is there as a tool to provide a fairness to all tax payers. Last year the Commissioners felt the need to establish a committee to review it to make sure it wasn't arbitrary, that it was fair. As a result, the committee met a couple times and came up with the current formula and that all parties, with the exception of Denton, agreed to it.*

*Commissioner Porter talked about State law that governs the Municipal Tax Differential procedures, mentioning that the law is quite clear and that it specifies there is a 180 day requirement for municipalities to submit request for changes. Commissioner Porter added that everyone should keep in mind that the level of services to be provided to the Towns by the County, would be what it would cost the County level of service. The County level of service is different from what the Town police departments provide. Commissioner Porter referenced that the County Administrator's formula is based on property taxes making up 42% of their budget, while Councilman Porter's proposed formula shows Denton taxes make up 78% of Denton's budget. Commissioner Porter stated he was thankful for this opportunity to sit and talk with Denton, as this has generated a significant amount of animosity, and the only ones that get hurt are the tax payers.*

*Commissioner Ghrist guessed that Denton is taking this position trying to do its best to represent the residents of the Town of Denton, while the county's position is to represent all of the residents.*

*Mayor Danielson clarified that the Town Councils purpose is to represent the residents of Denton and all of the other municipalities.*

*Commissioner Ghrist pointed out the main difference he sees in Councilman Porter's formula is that it focuses on assessable base and does not include populations;*

where as the County formula does account for population in order to arrive at the property tax percentage. The other difference is the property tax percentage that Denton has is different from the County.

Councilman Porter arrived at 5:50 PM.

Councilman Gregory said he had a difference of opinion over any animosity being created, such as had been referenced.

Councilman Porter stated that his sole purpose for getting the two boards together was to review an alternative formula to provide a fair and equitable tax rate and to ensure that the County does not penalize the residents of the municipalities.

Councilman Porter's goal was never to extract money from the County and it should not create a separation of governments. He stated that he was here to represent what is fair for the citizens, and that he felt the current County formula penalizes for growth, such as Wal-Mart.

Commissioner Ghrist questioned if Denton was receiving more taxes with Wal-Mart and would it be an option for the Town to take that revenue and give it back to its residents.

Councilman Clendaniel said, yes the Town is receiving more taxes, but that the Town has also incurred additional cost with increased staff time and in police calls due to the size of their operations.

Commissioner Ghrist acknowledged that everyone wants to promote commercial and industrial growth because it does not cost the taxpayer money. In fact, commercial growth requires less service than residential growth.

Councilman Porter mentioned that Wal-Mart also provides additional revenues to the County as well. He reiterated that he feels that the current formula is based on total assessment and per capita for police. If the assessment goes up and the population stays the same, then the tax differential goes down, thus raising taxes on the municipality property owners.

Commissioner Ghrist acknowledged that both the Town and the County tax revenues went up quite a bit because of Wal-Mart and that both agencies have the option of giving that back to the property owners. He said that when the county schedules police protection that it looks at population, not assessment.

Mrs. Moore, County Comptroller, gave an explanation that basically the County comes up with a set dollar amount that each Town should contribute. It is a set amount used to calculate the amount of differential divided into the assessable base. She mentioned that as the assessable base gets bigger, everyone gets a smaller piece of that dollar amount. She added that when the Town adds big box stores, the assessable base goes up. The trade off is if the assessable base goes up, the Town gets more revenues. She mentioned that the Town also gets personal property taxes which the County currently does not. She summarized that in her view, while the businesses get the benefit of the differential, it takes away from the other property owners.

Commissioner Ghrist mentioned that they have noticed that when the assessments went down their calls for service went up.

Councilman Porter took the opportunity to emphasize that the Town has revised its comprehensive plan decreasing residential impact, which was the wishes of the county and Town residents. The Town has made changes, phasing in infrastructure for future residential growth. He mentioned that the Town has changed the zoning on some parcels from being residential to commercial, reducing the burden on county services, especially the schools and trash. Councilman Porter pointed out again, that based on the current

*formula, with commercial growth the Town of Denton's Tax Differential could get smaller than the Town without 24 hour police coverage.*

*Councilman Porter provided an overview of his proposed formula, which uses the total assessable base of the County less the Towns and that if a deputy was paid solely out of real estate taxes, based on the 29 officers the county uses in their formula, plus figuring in capital cost, he would come up with a cost per deputy. The differential would be about \$.15. If he accounts for the 42% that the County uses, the differential for 100% policing would be about \$.07, which is close to where it is now. For comparison, he further explained that since Denton relies heavily on real estate taxes to operate and with the police cost being 78% of the real property taxes, what it would cost the Town would show the tax differential would be about \$.12.*

*Commissioner Porter questioned the proposed formula accounting for 29 members of the Sheriff's Dept. He said that 13 members of the department do provide some level of assistance to the Towns (citing the School Resource Officers, Drug Task Force, Court House Security, the K9 Officer and the Sex Offender Officer.) Commissioner Porter mentioned that he believes the County Administrator used the total number of officers as an offset instead of including capital.*

*Commissioner Ghrist added that only 15 are actual patrol officers.*

*Councilman Clendaniel asked if we are including all the officers or not?*

*Councilman Porter explained that the Town's formula uses the same 29 officers that the County formula has included in it and that he did not know if the County had included capital or not.*

*Commissioner Ghrist stated that the only other duplication of services that he felt was not accounted for in either formula would be the Planning & Codes Dept. But there again, to keep in mind that the County would only consider the level of planning services that are provided in the County, not the level that the Town may provide. The County currently only has 1 Codes Enforcement person. The County did not break out capital, but by including capital in the formula they are really only including half of the sheriff's officer's.*

*Councilman Porter said that the rate he came up with by using his formula is not far off from what the County rate is.*

*Commissioner Ghrist said the difference is, if using Denton's percentage of tax revenues it does not represent all of the Towns.*

*Commissioner Porter asked what was the Town's budget total?*

*Mr. Mulrine advised that it is projected to be \$3.6M for FY2014. \$1.3 being just for the Police Dept. operations. (This amount does not include debt for the building or cars.)*

*Councilman Porter compared the tax differential for other counties.*

*Commissioner Ghrist mentioned that based on the Dept. of Legislative Services report, that Caroline County ranks 9<sup>th</sup> in terms of total municipal differential value in the state at .019%.*

*Commissioner Porter added that Caroline County is a "may" County for providing a tax differential, while some of the others are listed as a "shall", requiring that they have a differential, Caroline is not required.*

*Commissioner Ghrist mentioned that the other option is that the County could choose to not fund the Sheriff's office, but has not. That 6.1% of the County budget is for the cost of the Sheriff's office.*

*Councilman Porter expressed that the County's formula is difficult to figure out, and that it is a bit convoluted, that it should not include commercial development which lowers the tax differential for the residents. Councilman Porter said that he has done what Commissioner Porter wanted and that was to present an alternative formula. He does not believe the County formula is fair and that he will continue working on a formula that is fair for all.*

*Commissioner Porter mentioned that by giving a tax differential that the county is giving up \$479,000 in tax revenues. That the County is trying to balance their budget and, if they have to make up this discount, they will need to raise taxes to do so.*

*Commissioner Ghrist added that a change in the formula, reducing the tax differential means the County will need to raise taxes somewhere else to balance the budget.*

*Mayor Danielson asked if the residents of the municipalities subsidize the Counties trash collection.*

*Commissioner Ghrist said that yes they are, but not for long. The County is looking in to privatizing trash collection. They have a proposal from MES that they are reviewing. The County is also looking at mosquito control, weed control and summer day camps. He added that he is a huge believer in fee for service.*

*Commissioner Porter shared that in the years when trash differential was included, that he believed the County was subsidizing municipal trash, as not everyone that was getting the tax differential benefits from the Town services.*

*Mayor Danielson asked if they would be making any changes soon.*

*President Levensgood mentioned that they will be trying to make a decision before September, before the new stickers go on sale.*

*Commissioner Porter said they are going through the review process.*

*Councilman Gregory suggested that in the future when looking at the tax differential, as was noted last year by Councilman Porter during the public meeting that it is crucial to look at more than public safety. The tax differential should also include planning & zoning and any other duplicate services identified. The formula should not be predicated on just law enforcement. Councilman Gregory expressed when the tax differential is in discussion that it should be a more detailed discussion beyond law enforcement. He referenced back to the comment from earlier about the 180 day requirement, he wanted to clarify that the Town had made a request to meet with the Commissioners way back in February, but that meeting was delayed until now.*

*Commissioner Porter said the County held a meeting in February.*

*Councilman Gregory clarified that the Town had made an attempt and requested a separate meeting, but that due to a variety of reasons, the meeting was not held until this evening. He added that the Town will take responsibility for not being aware of the 180 day requirement and will abide within those guidelines in the future.*

*Commissioner Ghrist recommended having County staff prepare a schedule of deadlines and to plan to hold discussion in the late summer or early fall. He questioned if everyone can agree that the purpose of the differential is to figure out what's the cost of the duplicate services are to the county providing the same level of services the County currently provides. There are 13 Sheriff Officers that the Town's benefit from.*

*Councilman Porter said he did not want to answer for the other Towns.*

*Commissioner Ghrist said if considering planning for the Towns, it would be at the County level of 1 Code Enforcement Officer for the entire County.*

*Commissioner Porter said that he had no problem with taking a look at planning.*

*Councilman Porter mentioned that he would like to delve into the 42% to better understand how the County arrives at that percentage for police.*

*Commissioner Porter stated that he had no problem with Councilman Porter working with Mrs. Moore and Mrs. Roe to answer questions about what is included in the budget and formula.*

*Councilman Gregory welcomed the idea of a meeting in the fall that will be beneficial for all of the municipalities and how this can be improved.*

*Mayor Danielson expressed that at the end of the day, everyone is all in the same boat, balancing the budget and protecting the citizens, but that is was important to keep in mind that the municipalities are always at the bottom.*

*Councilman Clendaniel reiterated that the Council is looking at what is best for the citizens, as they are the ones who have to pay.*

*With no further discussion between the boards, Mayor Danielson opened up for comments from the other Towns. There were no comments from the other Towns.*

*Comments from citizens: Mr. Harry Cole expressed that he understands the tax differential process. He talked about the increasing number of vacant houses in Town, and that more people will not be able to afford to pay the taxes and will be moving out of Town. With Wal-Mart opening there is an increase in foot traffic along the street where he lives. It is the first time in the history of him owning his home in Denton that he has been broken into and he is sure it is because of the increase in traffic, especially more foot traffic. There are issues with everything that happens. Mr. Cole mentioned that with the Town providing water and sewer services, which has to be better for the environment than septic systems, everyone should be working towards and wanting the residents to be in the Towns. Mr. Cole said that by reducing the tax differential, it increases taxes, which in turn means there will be more vacant homes in the Towns.*

*Mr. Frank Adams questioned duplication of services not just being for Denton but for all Towns and that they should meet with all of the Towns since it affects them all.*

*Mayor Danielson clarified that they weren't looking at it just for Denton. The tax differential formula that Councilman Porter provided does address all of the Towns.*

*Commissioner Porter reiterated that the formula provided by Councilman Porter does address all of the Towns.*

*This meeting was for discussion purposes only, no action was taken.*

*The meeting was adjourned at 6:35 PM.*

*Respectfully submitted,*

*Karen L. Monteith,  
Clerk - Treasurer*