

Wicomico County Council
Open Work Session
October 1, 2013

Work sessions require written minutes that reflect each item that the public body considered, the action that the public body took on each item and each vote that was recorded. **It should be noted that at work sessions, the Wicomico County Council does not take formal action, nor is a vote taken on any item discussed.**

Present: Matt Holloway, President; Bob Culver, Vice President; Sheree Sample-Hughes, Stevie Prettyman, Gail M. Bartkovich, John B. Hall and Joe Holloway.

In attendance: Matthew E. Creamer, Council Administrator; Steve Roser, Internal Auditor, Wayne Strausburg, Director of Administration and Melissa Holland, Recording Secretary.

Sage Policy Study Discussion:

Mr. Wayne Strausburg, Director of Administration; came before Council. Mr. Strausburg said that Wicomico County hired Sage Policy Group, Inc. (Sage) to help the County identify equitable ways to increase revenue so that the County can provide its residents with a level of service consistent with economic growth and elevated quality of life. He said it was a joint engagement by the County Council and County Executive. He then read an excerpt from the study that referred to the fact that Wicomico County has less capacity to generate revenue than the surrounding jurisdictions. He said Wicomico County has the smallest per capita property tax base which ranks at one person. The county's tax effort has been high and is the 4th highest for municipal taxes and 8th highest for income taxes. The ultimate solutions to eliminate this are increased private sector investment to grow the local economy and tax base. This will take a regional approach. The study was broken down to three basic components which are revenue trends, county tax capacity, economic limitations, they held three different focus groups involving approximately 24 stakeholders in the community and they made recommendations. The purpose of the focus groups was to see what they felt government should be doing in order to balance the budget. Stakeholders unanimously agree that the county shouldn't

raise taxes and many believed that the inventory tax should be eliminated or reduced; many believed that the revenue cap should be eliminated or adjusted and the majority believed that the revenue cap contributed to the decline in the county budget. Some felt that the revenue cap should be tweaked so the rate is based on inflation and population growth. They believed that cutting spending was not a realistic option as government spending has been cut especially in education and public safety. They felt that the county can be more efficient by eliminating the duplication of services however; they realize by consolidating services with municipalities, neither party would want to lose control. He said that the only remaining strategy is to grow and all agreed that economic development is the best way to reach the community's goals. In doing that the County and the City of Salisbury will need to be more business friendly and streamline permitting processes. From a revenue standpoint revenue was tracked from 2010-2013. Total revenue for 2010 was \$116,399,859; 2011- \$109,430,862; 2012- \$108,221,040 and 2013- \$116,762,531. The expenditures and transfers for 2010 are \$116,399,859; 2011- \$109,430,862; 2012- \$108,221,040 and 2013- \$116,762,531. Mr. Strausburg said that assessable base, from a property tax standpoint, ranks 21st in the State of Maryland. Wicomico County is per capita per assessable property base is \$768 per cap and that can be compared to Talbot County at \$2619 per cap and Worcester County's is \$3,658. Mr. Culver asked if that would be because the county farm land is assessed lower than it is worth. Mr. Strausburg said he would have to speak with the state assessor about that. He said he wouldn't think the ag land in those counties would be different than in Wicomico County. The tax effort at 100% says that if the average mill rate is applied to the assessable base a county is in stasis. If it is lower the index will fall and in Wicomico County it is 115% and Wicomico County ranks 4th in the state which includes taxes levied in the municipalities as well. Wicomico County's mill rate is the 4th lowest in the state. Mr. Strausburg also said that the state average for citizens living in a taxing municipality is 5,773,552 which a percentage of 15.4 and Wicomico County has 43.2% of its citizens living in a taxing municipality which is the fourth highest in the state. Mr. Strausburg also said that per capita for net taxable income for Wicomico County was \$12,973 at number 18 in the state. Talbot and Worcester both have higher capita then Wicomico. He also said that in order to raise the per

capita funding for core services the mill rate has to increase. The tax effort index for income tax is at 100 and Wicomico County ranks 8th out of 23 jurisdictions. Mr. Strausburg said median household income from 2008 to 2010 the growth in households of \$25,000-\$34,999 account for 54.8% of the growth. Households of \$75,000-\$99,999 decreased by 32.8% and when looking at direction of income tax receipts and what segment of the population is growing that may avail itself of government services at a higher rate than other. Households with incomes of \$200,000 or more actually increased by 47.6% however Mr. Strausburg is not sure why that occurred. He said that possibly there were two wage owners in the \$35,000 to \$49,999 and one was laid off. There could be a number of factors which contribute to the figures in salary. Mr. Strausburg presented a chart which showed that based on Consumer Price Index for Urban Consumers housing accounts for 41% of total CPI; Transportation-17%; Food and Beverages-15%; Medical Care-7%; Education and Communication-7%; Recreation-6%; Apparel-4% and other-3%. Wicomico County's 2012 budget expenditures are broken down as follows: Education-48% of budget; Public safety and health-31%; hospital/disability-5%; General Government-4%; Pension and retirement- 3%; Community Development- 3%; Culture and Recreation- 2%; Insurance-1%; Facilities-1% and other-3%. Mr. Strausburg said the CPI is broadly used in many financial instruments. Sage suggested an alternative index other than the CPI. He said that the Sage group is saying that the measurement that is being used which is the CPI doesn't correlate with the expenditures. Mr. Strausburg said that recommendations were given by the committee. The recommendations were phase out the inventory tax over five years for existing businesses; stop use of the CPI for benchmarking purposes and use the Implicit Price Deflator for State and Local Consumption Expenditures; develop a small business incubator in downtown Salisbury; develop a comprehensive economic development strategy for both Wicomico County and Salisbury and increase staffing for local development office; consolidate county/city/town agencies to generate near-term and long-term cost savings and through aggressive code enforcement or other mechanisms, reduce the concentration of subsidized housing in downtown Salisbury, thereby creating an environment more amenable to greater visitation, business formation, job creation and

tax base production. Some of these things have already been done such as the inventory tax and adding staff to SWED.

Mrs. Sample-Hughes asked if the Implicit Price Deflator is being used in other counties to which Mr. Strausburg said he is not sure and would look into it. He said that since the revenue cap was a grassroots movement at the ballot box for any modification to the revenue cap he and the County Executive feel it should be done the same way. Mr. Matt Holloway said he would like to know what formula the other counties that have the revenue cap use.

Mr. Strausburg said economic development is crucial to Wicomico County. He said that the county is meeting regularly with leaders of Delmar, Fruitland and Salisbury to see how they can all work together to help economic development grow in the county. Mr. Strausburg said the subsidized housing is a city issue however the county can certainly talk with them to see what can be done. Mrs. Sample-Hughes said that the Department of Social Services has said there is not enough affordable housing in Wicomico County and that is one of the core needs in Wicomico County. She feels that affordable housing needs to be at the fore-front. Mr. Strausburg said the concern of the group was the fact that the subsidized housing is on the water in the City. He said that is prime real estate and will not attract businesses if subsidized housing is located there.

Mr. Strausburg said his office is researching impact fees and see if what they want to do is executable. This will come to the Council at a later date. He said that Mr. Pollitt will not bring anything to the Council to eliminate the revenue cap as the citizens voted on this however he feels that education to citizens about the cap is very important. Mrs. Prettyman said she attended a meeting several years ago regarding the revenue cap. A speaker was there and clearly said if a revenue cap was to be done then a transfer tax had to be in place as well. She feels the revenue cap needs to be looked at as 43% of the budget goes to education and she said that other services will have to be cut. Mr. Strausburg said he spoke with a developer who can't build a first time home for a new homebuyer due to the impact fees and the amount of money it would cost him as he would not break even. Mrs. Prettyman feels the impact fee is necessary while Mr. Culver would like

to eliminate the impact fee. She said the impact fee has never been adjusted since it has been in place. Mr. Joe Holloway said there is no need to tweak the revenue cap if more revenue will not be brought in. He said the group said the revenue cap is a problem however they say that taxes are too high. The Executive office is currently looking at timing the payment at the time of title transfer. It will be a charge to the seller at settlement. Standing stock in housing is at 7 months at this time and not 15 months which is where the stock was several months ago. The housing stock is being absorbed.

Mr. Culver asked for information about the Implicit Price Deflator. Mrs. Sample-Hughes asked for an update from Dave Ryan, Director of SWED, about the new businesses and the businesses in Wicomico County. She would like to see this quarterly and make it a standard practice.

Mr. Joe Holloway asked how the study was taking place with the Board of Education. Mr. Strausburg said he will be having a meeting in the near future to see how the process is going.

Open Work Session adjourned.