

Council Agenda Report

Date: March 26, 2018
Prepared by: Ginger Jenkins, Finance Director
Submitted by: Sandra Tripp-Jones, City Manager
SUBJECT: Hearing on Constant Yield

Recommendation: That Council:

- A. Hear a report from staff;
- B. Open the public hearing, take public comment and close the public hearing;
- C. Approve maintenance of the current real property and personal property tax rates, allowing property tax to grow over constant yield level based on growth in base not rates.

Discussion:

Each year the City is required to adopt a tax rate resolution for both real and personal property.

The City has been advised by the State that assessed real property tax *revenues* for FY 2018 will increase by \$63,275 based on the current real property tax rate. This is not based on reassessments but on expansion of the assessable property base itself.

By State law, if the City wishes to capture that increased revenue, the City must hold a public hearing to take comment on whether to leave the existing real property tax rate in place for FY 2019 or to actually lower the rate to what is called the “constant yield rate” resulting in a net no increase in total real property tax revenues.

Specifically:

1. For the tax year beginning July 1, 2018, the estimated real property assessable base will increase by 1.1%, from \$716,764,569 to \$724,500,887.
2. If the City of Cambridge, Maryland maintains the current tax rate of \$.8179 per \$100 of assessment, real property tax *revenues* will increase by 1.1% resulting in \$63,275 of new real property tax revenues. Retaining the current rate will not increase the property tax bill of existing property owners, unless the property is reassessed in value, which reassessments by the State are not scheduled until 2021. Again, increased *revenues* in FY 2021 would result from the increase in assessable properties.
3. In order to fully offset the effect of increasing real property *revenues*, the real property tax rate would be reduced to \$.8092, the “constant yield” tax rate.

4. City Staff is recommending no change in the real property tax rate to fully offset increasing assessments. Staff recommends that the Council adopt a real property tax rate of \$.8179 per \$100 of assessment – the current rate. This tax rate is 1.1% higher than the “constant yield” tax rate and will generate \$63,275 in additional property tax revenues.

Regarding the Personal Property tax rate, Staff is recommending no change and that rate continue at: 1.69 per \$100. Revenues from this tax are generating \$915,000 per year.

Fiscal Impact: If the City of Cambridge, Maryland maintains the current tax rate of \$.8179 per \$100 of assessment, real property tax revenues will increase by 1.1% resulting in \$63,275 of new real property tax revenues.

Approved: 