



Talbot County, Maryland



Easton, Maryland

MINUTES

April 17, 2012

Present – President Corey W. Pack, Vice President R. Andrew Hollis, Dirck K. Bartlett, Thomas G. Duncan, Laura E. Price, County Manager John C. Craig, and County Attorney Michael Pullen.

- I. Agenda – Mr. Pack requested and received Council’s unanimous consent for approval of the Agenda of Tuesday, April 10, 2012.
- II. Disbursements – Mr. Pack requested and received Council’s unanimous consent for approval of the disbursements of April 17, 2012.
- III. Introduction of Numbered Resolution:

A RESOLUTION TO PLACE A QUESTION ON THE BALLOT AT THE 2012 GENERAL ELECTION TO AMEND SECTION 614 OF THE COUNTY CHARTER TO PROVIDE THAT REVENUES DERIVED FROM TAXES ON PROPERTIES EXISTING ON THE COUNTY REAL PROPERTY TAX ROLLS AT THE COMMENCEMENT OF THE COUNTY FISCAL YEAR SHALL NOT INCREASE, COMPARED WITH THE PREVIOUS YEAR, BY MORE THAN FIVE PERCENT (5%) was read into the record. The resolution was introduced by Mr. Duncan as Resolution No. 195. Mr. Duncan stated that he was introducing the legislation at this time because the State of Maryland had voted to allow counties to go above their tax caps to raise revenue for the purpose of funding education only. He stated that, in his opinion, to have the State tell counties to arbitrarily disregard their tax caps and go against the will of the voters is folly. He expressed concern that if the State will allow counties to go above their tax caps to fund education in the coming fiscal year, the State will probably eventually say that counties can also go above their tax caps to fund their General Funds. Mr. Duncan stated that once the Budget Ordinance is introduced he will be suggesting alternative ways of raising revenue without going above the tax cap. He stated that the County’s auditors had just recently again commended Talbot County for its fiscal conservativeness which, in his opinion has allowed the County to remain fiscally sound in these economic times and that Talbot County was now being penalized by the State for having been conservative with its funds. Mr. Duncan indicated that he will continue to support a fluid, tight government, but if breaking the tax cap comes before him for a vote, he will not support it. A public hearing for Resolution No. 195 was scheduled for Tuesday, May 8, 2012 at 2:00 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, Easton, Maryland 21601.

- IV. Prior to introduction of the Budget Ordinance, County Manager John Craig stated that the budget for FY 2012-2013 is a General Fund budget in the sum of \$69,471,600. He stated that crafting of the budget had been a difficult and challenging process in these trying economic times, with cuts having been made to many areas long considered off-limits; the proposed budget incorporates those cuts as well as funding increases to other services which have been mandated for the County by the State with no option for not funding. The FY 2013 proposed budget is approximately \$3.5 million more than the FY 2012 budget. Mr. Craig stated that the County’s proposed budget is a function of the passage of Maryland Senate Bill 848 (Maintenance of Effort bill) which requires counties to fund Maintenance of Effort (MOE) for local Boards of Education; counties which choose to not fund MOE are penalized by having the State forward local County income tax funds directly to Boards of Education for that purpose. He stated that Senate Bill 848 authorizes Charter counties to increase their property tax revenues over Charter limits to fund education only. Mr. Craig explained that Maintenance of Effort is a formula defined as the same per pupil funding as

funded in the previous year, or the highest level ever funded. Talbot County's MOE funding in FY 2013 is budgeted at \$1,928,545. The FY 2013 budget proposes to override the County's present tax cap. Mr. Craig also outlined Senate Bill 152 (Budget Reconciliation and Financing Act) which, if it passes as anticipated in a Special Session of the State Legislature, will transfer a portion of the costs for the Board of Education pension expenses to counties; Talbot County's anticipated costs in FY 2013 are \$628,456, with the phased-in cost over four years of \$1.2 million per year; total Board of Education pension costs are \$3.6 million per year at the present time. Mr. Craig provided information on Property Tax rates for Maryland's 24 jurisdictions; Talbot County's rate is currently the lowest in the state at \$0.448; the FY 2013 proposed budget, which would increase the rate to \$0.491, would still be the lowest rate. He also provided Income Tax Rates for the 24 jurisdictions in Maryland, of which Talbot County has the second lowest rate at 2.25%; the FY 2013 budget proposes to increase the rate to 2.40%. Mr. Craig provided an outline of Expenditures, areas in which funding has been increase or reduced, remaining Reserve Fund Balance information, and charts outlining the impact of tax increases to County citizens; the proposed budget includes the use of \$1.5 million of the Fund Balance to balance the budget, leaving a balance of \$3.7 million for use in FY 2014 and beyond. Mr. Craig concluded his presentation by stating as follows: drastic cuts of the past three years have taken their toll; the State has shifted significant funding burdens onto county governments; and the FY 2013 proposed budget includes mandated expenditures for the Board of Education. He stated that other key priority areas which have proposed increases in funding include public safety and roads. The FY 2013 Proposed Budget may be found on the homepage of the County's website at www.talbotcountymd.gov. Public hearings on the proposed budget will be held on Tuesday, May 1, 2012 at 2:00 p.m. in the Bradley Meeting Room in the South Wing of the Talbot County Courthouse, 11 North Washington Street, Easton and at 7:00 pm. in the Easton High School Cafeteria at 723 Mecklenburg Avenue, Easton. Council members then made the following comments prior to introduction of the proposed legislation:

Ms. Price – Ms. Price stated that the Maintenance of Effort legislation and the tentative passing down of teachers' pensions have significantly altered the County budget. She stated that until 2012, Talbot County was able to balance the needs of the schools with the needs of the rest of the community, advising that Talbot County had funded \$8 million above Maintenance of Effort from 2005 to 2011, despite its low tax rates. In 2012, however, the County was forced to cut 5% from the Board of Education budget. She stated that the State of Maryland, in addition to several other unfunded State mandates, has now mandated public school funding levels which dictate how the counties must spend their money. She stated that these new mandates will add over \$2.5 million to Talbot County's budget that the citizens must pay for, and that amount will grow every year. She stated that, in her opinion, the State is in essence, forcing the counties to increase taxes to pay for something that we cannot afford within our current budget, expressing her opinion that the State should have taken responsibility for its own priorities and done it themselves, instead of making the counties the bad guys. Ms. Price stated that she has two children in the school system and knows the importance of educating our students, but that, in her opinion, she, along with other County officials were elected to balance the needs of all the citizens of this County, not just education. She stated that the Council had worked incredibly hard to try to figure out how the County could live within the revenues it has and that the Council even talked about a doomsday budget, but agreed it would be irresponsible to undermine the quality of the vital programs provided by the County to its citizens in other areas, including public safety and health. Ms. Price stated that she had felt that the County could get through one more year by using its Fund Balance and that she had planned to vote to do so, but, after reading and understanding the complicated way that the Maintenance of Effort law is written, she came to realize that the County was going to have to raise taxes next year anyway, and that the County would only have the ability for this fiscal year only, to raise the property tax in order to solely pay for the increase in education. She expressed her belief in the property tax cap and stated that she understands that it was put in place to keep government under control in its spending, and that in her opinion, all levels of government need to live within their means; tax increases are not the answer. However, she stated the Maintenance of Effort legislation enacted by the State, requires that the citizens of Talbot County and other counties around

the state find a way to pay for the funding required by the Maintenance of Effort legislation. Ms. Price concluded her comments by stating that, in her opinion, Annapolis had overstepped its bounds this year, local authority has been taken away, and there are very few local decisions left to the County Council and the Legislature has decided it wants to not only control the State, but also the counties and that is not what the Council was elected to do.

Mr. Hollis – Mr. Hollis commented on a recent article in *The Star Democrat* which discussed the County's continuing declining revenues, the sluggish economy and the likelihood that the revenues will continue to decline. He stated that despite declining revenues, the State has mandated increased spending by the County, requiring the County to fully fund the Maintenance of Effort in the Board of Education budget in the sum of \$1.9 million. He stated that the County has already made cuts, instituted layoffs and furloughs, reduced services, and that County employees have received no raises for several years while their living expenses continue to go up. He stated that the County does not have the necessary revenues; therefore, the proposal is to increase property taxes. Mr. Hollis stated that there have been many projects which the County has been unable to undertake or maintain, including the upkeep of County roads due to the fact that the State took away the majority of the County's highway user revenues three years ago; the County has not been able to adequately fund public safety, including Emergency Services and the Sheriff's Department; therefore, the County is proposing to increase income taxes. He stated that the Council is in unanimous agreement that revenues have to be increased, acknowledging that there are differing views as to how the revenue should be raised. Mr. Hollis emphasized that it is not the Council's intent to raise revenue to grow government, but rather to comply with State law and to address public safety and roads. He stated that, in his opinion, sometimes leadership requires doing the right thing, not the most popular thing. He stated that this Council was elected at a very difficult economic time and tough decisions are required. Mr. Hollis concluded his comments by stating that some of the Council's decisions may not be politically popular but are, the Council believes, best for the County in the long term given the County's circumstances.

Mr. Bartlett – Mr. Bartlett echoed the sentiments of Ms. Price, Mr. Duncan, and Mr. Hollis with regard to the County's overall situation and stated that he would be directing his comments to Maintenance of Effort and its relationship to the property tax cap. He prefaced his remarks by stating that he was proud of Talbot County's low tax rate and its property tax cap. He stated that for several years the County had funded the Board of Education at level per pupil funding, but that last year the Council had requested that the Board reduce its budget request by 5% (equaling approximately \$1.9 million); County departments had also been requested to reduce their requests by 5%. Mr. Bartlett stated that in a letter to *The Star Democrat* in the fall of 2011 he had forewarned of serious problems the County would encounter should legislation supported by the Maryland Education Association be enacted, as it recently was. Mr. Bartlett stated that he does not believe in what the State is allowing counties can do, which is to go above their tax caps to fund local Boards of Education, but that he is willing to vote for it to make a point to County voters and to the State that the issue should be resolved. Mr. Bartlett stated that, in his opinion, the State is saying that the County's property tax cap is irrelevant and that local voters cannot impose a tax cap if they do not fund Boards of Education. He stated that, in his opinion, the State is wrong, and that he hopes the Talbot County Taxpayers Association and other groups will take the matter to court for a determination of whether the State has the authority to override the tax caps of counties. Mr. Bartlett stated that should the proposed budget be enacted, that portion of property tax revenue which will go to the Board of Education will be broken out on property tax bills; the revenue raised will only be utilized for education. He concluded his comments by stating that he is looking forward to the public hearings on the budget, particularly from those who have worked hard through the years in support of a tax cap and that a testing of the law is a reasonable course of action which he hopes will occur.

Mr. Pack – Mr. Pack stated that in his tenure on the Council, the budget process for this year had been the most stressful, particularly with, in his opinion, all the changes taking place in Annapolis and

knowing something big was coming but not knowing what it was. He stated that he and his colleagues had tried in all the ways they could to make the County fiscally sound, and that the last thing the Council wants to do is to increase taxes, in light of additional taxes coming from the State, including an increase in the Flush Tax, toll increases and a proposed increase in gasoline taxes. He stated that he and his colleagues face the increased costs of day-to-day living just as all County citizens. Mr. Pack compared the current uncertain times to the movie, *The Good, The Bad and The Ugly*, stating that although today may be the bad, tomorrow may be the ugly, and the Council is trying to help the ugly be less ugly. He stated that, in his opinion, the County can only put off some of its capital expenditures, like repairs to County roads and replacement of aging vehicles for the Sheriff’s Department for so long. He emphasized that the proposed tax increase is not to expand government, but to simply maintain the services the County has in light of continuing revenue decline. Mr. Pack stated because Maintenance of Effort legislation has mandated funding to the Board of Education, he could not vote for funding of the 1-to-1 laptop program in the next fiscal year. Mr. Pack concluded his comments by stating that he is looking forward to hearing the comments from the public at the public hearings on Tuesday, May 1st.

Mr. Pullen called for a Point of Order, stating that the Budget Ordinance should be introduced prior to the introduction of the amendment as previously discussed by Mr. Duncan.

AN ACT TO ESTABLISH THE 2012-2013 ANNUAL BUDGET AND APPROPRIATION ORDINANCE was introduced by Mr. Bartlett, Mr. Duncan, Mr. Hollis, Mr. Pack, and Ms. Price as Bill No. 1217. A public hearing was scheduled for Tuesday, May 1, 2012 at 2:00 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland and at 7:00 p.m. in the Easton High School Cafeteria, 723 Mecklenburg Avenue, Easton, Maryland.

Following introduction of Bill No. 1217, Mr. Pack thanked the staff for the time and commitment in helping the Council craft the budget.

Prior to introduction of the amendment to Bill No. 1217, the Clerk read a portion of the amendment to the record. Angela Lane, Finance Director, stated that the amendment proposes to eliminate the education supplement of 2.6 cents per \$100 of assessed valuation in addition to the rates that would be established under the tax cap; the amendment would also increase the income tax rate from 2.4% to 2.6% of Maryland taxable income as outlined in Bill No. 1217. Mr. Duncan then presented statistical information in support of his amendment. Council discussion ensued. The amendment, known as Amendment No. 1, was introduced by Mr. Duncan as follows:

SECTION 1. BE IT ENACTED by the County Council of Talbot County, Maryland, that Bill No. 1217, AN ACT TO ESTABLISH THE 2012-2013 ANNUAL BUDGET AND APPROPRIATION ORDINANCE

	<u>FROM</u>	<u>TO</u>	<u>CHANGE</u>
REVENUE BUDGET			
Property Taxes			
Real Property – Education Supplement (2.6 0 cents)	1,899,000.00	-	(1,899,000.00)
Income Tax			
Local Income Tax	21,635,000.00	22,500,000.00	865,000.00
Reserve & unexpended General Funds			
From Prior Years	<u>1,487,600.00</u>	<u>2,521,600.00</u>	<u>1,034,000.00</u>

TOTAL	25,021,600.00	25,021,600.00	-----
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Tax Rates:

1. *Real Property Tax revenue for FY 2013 is based on a rate of \$.465 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.491)~~ for all properties outside the incorporated limits of the Towns of Easton, Oxford, Queen Anne, St. Michaels and Trappe. The FY 2013 Real Property Tax rate is \$.335 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.361)~~ for all properties within the incorporated limits of the Town of Easton. The FY 2013 Real Property Tax rate is \$.351 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.377)~~ for all properties within the incorporated limits of the Town of Oxford. The FY 2013 Real Property Tax rate is \$.407 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.433)~~ for all properties within the incorporated limits of the Town of Queen Anne. The FY 2013 Real Property Tax rate is \$.341 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.367)~~ for all properties within the incorporated limits of the Town of St. Michaels. The FY 2013 Real Property Tax rate is \$.380 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.026 per \$100 of assessed valuation (total rate of \$0.406)~~ for all properties within the incorporated limits of the Town of Trappe.*

Railroad and Public Utilities Tax revenue for FY 2013 is based on a rate of \$1.1625 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$1.2275)~~ for all properties outside the incorporated limits of the Towns of Easton, Oxford, Queen Anne, St. Michaels and Trappe. The FY 2013 Railroad & Public Utilities Tax rate is \$.8375 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$0.9025)~~ for all properties within the incorporated limits of the Town of Easton. The FY 2013 Railroad & Public Utilities Tax rate is \$.8775 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$0.9425)~~ for all properties within the incorporated limits of the Town of Oxford. The FY 2013 Railroad & Public Utilities Tax rate is \$1.0175 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$1.0825)~~ for properties within the incorporated limits of the Town of Queen Anne. The FY 2013 Railroad & Public Utilities Tax rate is \$.8525 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$0.9175)~~ for all properties within the incorporated limits of the Town of St. Michaels. The FY 2013 Railroad & Public Utilities Tax rate is \$.9500 per \$100 of assessed valuation ~~plus an Education Supplement of \$0.065 per \$100 of assessed valuation (total rate of \$1.015)~~ for all properties within the incorporated limits of the Town of Trappe.

2. *Local Income Tax revenue for FY 2013 is based on a rate of ~~2.40~~ 2.60 percent of the Maryland Taxable Income.*

A public hearing on Amendment No. 1 was scheduled for Tuesday, May 1, 2012 at 2:00 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland and at 7:00 p.m. in the Easton High School Cafeteria, 723 Mecklenburg Avenue, Easton, Maryland.

V. County Manager’s Report:

There was no County Manager’s Report.

VI. Council Comments:

Mr. Duncan- No comments.

Mr. Bartlett - No comments.

Mr. Hollis - No comments

Mr. Pack - No comments.

Ms. Price - Ms. Price congratulated the two Easton lacrosse players who had received a decision in their favor on a matter from the Maryland State Board of Education; the students had appealed a ruling from the Talbot County Board of Education to the State Board. Ms. Price stated that, in her opinion, the State Board had made the right decision.

VII. Upon motion by Mr. Hollis, seconded by Ms. Price, the Council voted to adjourn to a Work Session with the Emergency Services Advisory Board, and to reconvene on Tuesday, April 24, 2012 at 5:00 p.m. in Executive Session for discussion of legal, personnel, and real estate matters and for the regularly scheduled legislative session at 6:00 p.m. by voting 5 – 0 as follows:

- Mr. Pack – Aye
- Mr. Hollis - Aye
- Mr. Bartlett – Aye
- Ms. Price – Aye
- Mr. Duncan - Aye

The meeting adjourned at 4:01 p.m.

The transcript of the April 17, 2012 County Council meeting is available for review in the Office of the County Manager during regular office hours.

VIII. Work Session with Talbot County Emergency Services Advisory Board - The Council held a work session with Debbie Timms, Chairperson, and representatives of the Talbot County Emergency Services Advisory Board on Tuesday, April 17, 2011 at 4:00 p.m. in the Bradley Meeting Room. Ms. Timms briefed the Council on the Board’s on-going mission to provide excellent emergency medical services to the citizens of Talbot County. Various Board members presented information on challenges to the provision of emergency services in the County, including personnel retention, and space restraints. Recommendations on equipment, staffing, and increased cell phone coverage were also presented for Council’s consideration. The Emergency Medical Services Advisory Board will continue to update the Council on a regular basis.

CASH STATEMENT 4/17/2012

BALANCE 4/10/2012	\$4,460,368.98
TRANSFER LOCAL MATCH TO AIP35&AIP36 4/5/12	(5,422.41)
UHC CLAIMS THRU 4/10/2012	(95,266.27)
STATE REPORT 3/2012	(162,561.26)
STATE BOARD OF ELECTIONS PPE 3/20/2012	(4,726.58)
BANK CHARGES 3/2012	(1,479.99)
INTEREST ON ACCT 3/2012	1,759.66
MLGIP INTEREST ON ACCT 3/2012	1,248.03
RETURNED CHECK	(274.25)

PAYROLL-FD/SS/MS WH 4/13/2012	(98,571.22)
SECU DED	(9,031.12)
DEFERRED COMP DED	(10,252.72)
MD WH	(26,466.24)
PENSION DED	(28,032.08)
ACH TRANSFER	(10,486.75)
FLEX SPENDING ACCT	(2,282.51)

DEPOSITS	374,232.05
CHECKS	(841,448.85)

BALANCE 4/17/2012 **\$3,541,306.47**

AIRPORT ACCOUNTS

NEW AIP-RUNWAY 4-22 EXTENSION ANALYSIS	--
AIP-34	16,096.21
AIP-35	36,060.89
AIP36	10,579.87
AIP37	1,710.93
AIP38	--

AIRPORT ACCOUNTS TOTAL BALANCE **\$64,447.90**

INVESTMENTS – CERTIFICATES OF DEPOSIT

<u>CERTIFICATE DATE</u>	<u>MATURITY DATE</u>	<u>RATE</u>	<u>AMOUNT</u>
07/19/2011	04/17/12	0.41%	4,000,000.00
07/19/2011	07/17/12	0.61%	4,000,000.00
10/18/2011	07/18/12	0.26%	3,000,000.00
10/18/2011	07/18/12	0.26%	5,000,000.00
10/18/2011	10/18/12	0.41%	4,000,000.00
12/20/2011	12/20/12	0.37%	3,000,000.00

PNC-MLGIP INVESTMENTS TOTAL 0.13% 13,000,000.00

TOTAL INVESTED **\$36,000,000.00**

PETTY CASH BALANCE **\$6,800.00**

GRAND TOTAL ALL FUNDS **\$39,612,554.37**