

**PROPOSED CHARTER AND
FINANCIAL-IMPACT ANALYSIS FOR THE
CITY OF CALVERT SHORES**

**A REPORT TO THE BOARD OF COUNTY
COMMISSIONERS, CALVERT COUNTY**

VOLUME II: FISCAL-IMPACT ANALYSIS

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THE CALVERT SHORES MUNICIPALITY ORGANIZING COMMITTEE

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Volume II: Fiscal-Impact Analysis

A. Executive Summary

This fiscal-impact analysis proposes a budget for the City of Calvert Shores based on the following revenue sources:

- A minimal municipal real-property tax¹ of \$.05/\$100 on assessed value, resulting in revenues of about \$202K to \$417K for FY17-FY20.² About 94% of this revenue would be from residential properties and about 6% from commercial properties.
- A County real-property tax differential of \$0.336, resulting in reallocation of about \$1.4M to \$2.8M of real-property tax revenue from the County to Calvert Shores for FY17-FY20.
- A personal-property tax currently collected by the County on businesses within the boundaries of Calvert Shores, which the County would reallocate to the municipality, resulting in revenues of about \$2,500 to \$5,168 for FY17 to FY20.
- A franchise fee of \$40,000/year based on Calvert Shores negotiating a new franchise agreement for cable services within its boundaries.
- Income taxes reallocated from the County's General Fund ranging from about \$448K in FY18 to \$1,453K in FY20.
- Calvert Shores' proportionate share of highway-user revenues, which would range from about \$61K to \$122K for FY17 to FY20.
- Amusement and admission taxes yielding about \$300/year.
- Fees on business licenses, traders and peddlers, and solicitors and vendors producing about \$5,000/year.
- State aid for police protection that will range from a total of about \$52K in FY17 to over \$114K in FY20.
- Incidental revenue sources such as interest penalties on real-property taxes, and fees charged for property cleanup and liens, rental-housing licenses, and vehicle-control fines and towing, that generate about \$33K in FY17 to over \$69K in FY20.

The proposed budget shows that incorporation of the proposed municipality would result in potential revenues from the County of approximately \$4M dollars during the municipality's first full fiscal year (FY18), representing about \$2.7M from the real-property tax differential and \$1.3M from

¹As a condition for a municipality receiving business-license fees, the Maryland statute governing State-shared revenues specifies: "The municipality must have levied a tax of at least one dollar per capita in its current fiscal year, and have filed a copy of the State form certifying that levy with the Comptroller."

²Budget estimates for FY17 are for half of the fiscal year, not the full fiscal year, because, if the Board of County Commissioners approves the request for a referendum and the voters approve the referendum, Calvert Shores would incorporate around December 2016 at the earliest.

income-tax revenues. In essence, the County would be returning to the municipality a greater portion of the real-property taxes and income taxes already paid by residents of the community. Reallocation of the income-tax revenue represents about 1.7% of the County's total estimated income-tax revenue for a municipality that consists of over 10% of the County's population. Other major revenue sources include a full complement of State-shared revenues (i.e., highway-use revenues, State aid for police protection, and business-license fees), and a small real-property tax enacted by the municipality, none of which would have a significant impact on the County's revenues.

Reallocation of funds from the County to the municipality would benefit the County. For example, the County would benefit by a reduction in some services it delivers currently to the community (i.e., law enforcement and code enforcement). Additionally, the increase in the community's quality of life will attract new housing and business development, thereby increasing the County's tax base. Accordingly, improved code enforcement and economic development resulting from incorporation would do much to eliminate the current inventory of 300-500 blighted and empty houses in the community. Revenues from income taxes and motor-vehicle taxes would increase as these houses become occupied and the wealth of the community increases. As housing values rise, the County should recoup, in the form of increased revenues from real-property taxes, a large portion of the funds reallocated to the municipality.

In addition, many of the residents of the municipality will benefit from lower homeowner-association fees (over \$350/year), with only an average municipal real-property tax increase of about \$78. The added law-enforcement presence in the municipality will result in quicker response times, which should deter crime in the municipality and adjacent areas. Improved roads will benefit all those who use the municipality's roads as a thoroughfare, and will expedite evacuation of residents in adjacent neighborhoods during a catastrophic emergency. Improved economic development of the local commercial center would benefit the economy of the entire area. Health and recreational activities associated with youth and senior programs supported by the municipality would be open to both residents of the municipality and adjacent areas.

The Committee is available to meet with County officials and staff to discuss any options they may want to propose, or to answer any questions they may have.

B. Introduction

Under the Maryland Code ("Local Government," § 4-206), an organizing committee proposing to incorporate a municipality must include with the proposed charter for that municipality "statements . . . describing . . . the likely fiscal effect of the proposed incorporation on residents of the proposed municipality, residents in the vicinity of the proposed municipality, and the county." The law also requires that the organizing committee describe "the services that the proposed municipality is expected to provide" and "the impact that the proposed incorporation is expected to have on property tax rates." The law provides no specifics regarding these reporting requirements. Therefore, to

address these requirements, the Calvert Shores Organizing Committee (Committee) developed a draft budget consisting of expected expenditures and revenue sources likely to be available to meet these expenditures. The budget had to be balanced (i.e., expenses could not exceed income) in accordance with provisions of the proposed charter.

C. Methodology

The financial considerations involved in proposing a municipality are different than the financial considerations for a mature municipality. Therefore, the Committee decided to gather fiscal data from already-incorporated municipalities in Calvert County, and met with officials and staffs from the Chesapeake Beach, North Beach, and County governments to obtain this data. In addition, the Committee collected fiscal data from four other municipalities in Maryland that have populations similar in size to that of the population of the proposed municipality of Calvert Shores; these four municipalities were Belair, Cambridge, Frederick, and La Plata.

Each municipality reviewed has its own particular organizational structure, and the services each of them provides to its residents varies accordingly. However, after reviewing their budgets and discussing details with their government officials and staff, some trends were apparent. The core services provided by most of these municipalities are roads, law enforcement, and code enforcement. The next tier of services are street lighting, household and bulk-trash collection, and leaf collection. The MML Services Survey Chart in Appendix 1 provides a list of other services that Maryland municipalities may provide to their residents.

The Committee also used a survey, as well as comments at public-information meetings held over the last 18 months, to obtain input from community members regarding the services they believed the proposed municipality should provide. The top services mentioned were:

- Roads maintenance
- Security (law enforcement)
- Code enforcement (public health and local code enforcement)
- Local zoning

Other services mentioned were trash and leaf collection, street lighting, youth programs, senior services, and enhanced public transportation. The Committee believes that future services also could include expanded code enforcement (e.g., environmental, forestation, critical areas). Since the budget for the proposed municipality will take at least three years to reach full funding, the Committee decided to focus primarily on the top four services (i.e., roads, law enforcement, code enforcement, and zoning) in drafting the first-year budget, and adding other services to the budget in outlying years. The Committee used phased implementation of law-enforcement services over several years to allow for incremental increases in resources from the County and State to pay for these services.

D. Fiscal-Impact Statements

The Committee based the following statements on a quantitative assessment of potential revenue and anticipated expenses.

1. Fiscal impact of incorporation on residents of the proposed municipality

Incorporation of the proposed municipality would result in potential revenues of approximately \$4M dollars during the municipality’s first full fiscal year (FY18), primarily because the County would return to the municipality a greater portion of the real-property taxes already paid by residents of that community. Other revenue sources would include a full complement of State-shared revenues (i.e., highway-use revenues, State aid for police protection, and business-license fees), and a small real-property tax enacted by the municipality.

Subsections E and F of this section (“Revenue Assessment” and “Expenditures”) provide estimates of these and other revenues. Only partial revenues will be available in FY17 because the incorporation date would occur several months after the beginning of the fiscal year (i.e., around December of 2016), and because of delays in the processes required to properly collect and distribute these funds. Full distribution of all revenues, with the exception of income-tax revenues, should begin in FY18. Current Maryland law states that it may take over three years for a municipality to receive the full distribution of income-tax revenue unless the County and the municipality agree on another distribution period. These revenue-distribution constraints apply as well to the proposed budget.

The residents of Chesapeake Ranch Estates (CRE) will save money under the proposed municipality, assuming the municipality takes responsibility for the roads and associated easements through a public-use easement or a property transfer, and the Property Owners Association of the CRE (POACRE) reduces or eliminates the roads fee and Special Tax District (STD) fees it imposes on its members. (To facilitate this process, the POACRE Board of Directors recently proposed to its members a referendum to transfer the roads and easements to the municipality should incorporation be successful; the members will vote on the referendum in July.) Table 1 below provides an example of the fiscal impact that incorporation would have on residents in the municipality.

Table 1. Fiscal Impact of Incorporation on Residents of the Proposed Municipality

<u>Current:</u> POACRE Roads Fee + STD	\$442
<u>After Incorporation:</u> Municipality Property Tax	\$78
Net	(\$364)
Notes	<p>1. The municipality property tax of \$78 is based on an average residential property assessment of \$155K. The owner of the highest-valued residential property in the municipality (estimated value of about \$800K) would still save \$42.</p> <p>2. Non-CRE residents will have an increased quality of life and property values at an average cost of \$78/year. If allowed by law, the municipality will grant these residents a credit to eliminate even this minimal amount.</p>

The estimated increased revenues would improve the entire Calvert Shores community's quality of life by providing for additional public services such as increased law enforcement, which would reduce response time; enhanced code enforcement, which would increase property values and appearance; and continued improvements in roads and storm-water management. In this regard, while property values in the rest of the County are beginning to recover, they are still flat lined or even decreasing within the boundaries of the proposed municipality (see Appendix 2, "Zillow.com Graph," for documentation of declining property values). Vigorous code enforcement and enhanced law-enforcement presence will improve the housing stock, increase the number of occupied houses, and reduce crime and vandalism in the community. These improvements in the community's quality of life will increase property values and encourage more consumer spending locally, which will benefit both the municipality and the County.

2. Fiscal impact of incorporation on residents in the vicinity of the proposed municipality

The Committee believes that residents in the vicinity of the proposed municipality would benefit from revitalization of the municipal area because the increase in the overall quality of life in the community will translate to areas beyond its boundaries. As noted earlier in this report, the added law-enforcement presence will result in quicker response times, which should deter crime in adjacent areas. Road improvements will benefit all those who use the POACRE roads as a thoroughfare, and will expedite evacuation of residents in adjacent neighborhoods during a catastrophic emergency. Improved economic development of the local commercial center would benefit the economy of the entire area. Health and recreational activities associated with youth and senior programs supported by the municipality would be open to these residents. The Committee knows of no significant negative impacts on residents in the vicinity of the proposed municipality.

3. Fiscal impact of incorporation on businesses in the proposed municipality

Although not required by the law, the Committee is providing a statement describing the fiscal impact of incorporation on businesses in the proposed municipality to address the concern some commissioners and businesses appear to have about this impact.

Municipal real-property tax. The only negative fiscal effect to business owners is a pass-through of the municipal real-property tax from the commercial/industrial property owners to the business owners who rent or lease their property. The estimated overall municipal tax for all commercial and industrial property in the proposed municipality is approximately \$25,000 (see discussion of the municipal real-property tax under subsection E ("Revenue Assessment") below). Assuming the commercial/industrial property owners will pass the municipal tax through to the approximately 30-40 business owners who are leasing/renting space, the average tax per business would vary according to the number of square feet rented/leased, with the smallest businesses paying no more than a few hundred dollars/year. However, local businesses likely will recoup these taxes as improvements in the community's quality of life increases community spending on local goods and services.

Personal-property tax on businesses. The Committee believes that the State legislature will eventually approve a request by the County to reduce or eliminate the small-business personal-property tax in the County. However, in lieu of such legislation, the Committee assumed for the purpose of drafting an estimated budget (see subsection F.2 (“Estimated budget”) below) that the proposed municipality would receive the current personal-property taxes paid to the County by businesses within the municipality’s boundaries. Should the legislature approve the requested tax-relief legislation, the Committee assumes the proposed municipality would refrain from including revenues from a personal-property tax on local small businesses in its budget because it is in the community’s best interest to have a low-cost, friendly business environment to attract and retain small businesses. Therefore, the Committee does not anticipate that the proposed municipality would enact any taxes and fees specific to small businesses that would have a negative impact on the costs to consumers in the community. The Committee believes that the municipality also will encourage continued State investment in local economic development.

4. Fiscal impact of incorporation on the County

Incorporation of the proposed municipality would result in a reallocation of approximately \$4M from the County’s General Fund to the municipality. The reallocation consists of approximately \$2.7M in the form of a tax differential and approximately \$1.3M from income-tax revenues. Additionally, there would be an adjustment in the allocation of State-shared revenues. Generally, these reallocations would begin in FY18 and, as stated previously in this report, the distribution of income-tax revenue would occur over a three-year period. Subsection E (“Revenue Assessment”) below provides additional details regarding revenue sources for the proposed municipality.

The reallocation of funds from the County to the municipality would likely benefit the County. For example, the County would benefit by a reduction in some services it delivers currently to the community (i.e., law enforcement and code enforcement). Additionally, the increase in the community’s quality of life will attract new housing and business development, thereby increasing the County’s tax base. In this regard, improved code enforcement and economic development resulting from incorporation would do much to eliminate the current inventory of 300-500 blighted and empty houses in the community (see Appendix 3, “Water Company Report on Zero Water Usage,” for documentation of empty houses). Revenues from income taxes and motor-vehicle taxes would increase as these houses become occupied and as the wealth of the community increases. As housing values rise, the County should recoup, in the form of increased revenues from real-property taxes, a large portion of the funds reallocated to the municipality.

Table 2 below lists potential benefits to the County resulting from reallocating revenues to the proposed municipality.

Table 2. Potential Benefits to the County

Increase in municipality real-property revenues. ^a	\$203,760
Increase in income-tax revenue with occupation of 300 currently abandoned houses. ^b	\$388,440
Savings from municipality assuming responsibility for local security and environmental issues. ^c	\$50,000
Savings from municipality performing code enforcement.	\$43,000 ^d
Savings from municipality assuming responsibility for the 62 miles of POACRE roads. ^e	\$1,800,000 ^f
Savings from municipality providing staffing for zoning control.	\$5,000 ^g
Savings from municipality adding 5 deputy sheriffs to patrol within its boundaries. ^h	\$850,000
Increase in highway-user revenues. ⁱ	\$115,000
Grants municipality brings to County.	\$250,000
Total	\$3,705,200

^aAssuming a 5% increase in assessed residential real-property values.

^bBased on an average gross household income of \$93K.

^cBased on a County staff e-mail and the County budget (documents available on request).

^dThis figure represents 10% of the County’s code-enforcement budget (based on the municipality’s share of the County’s population).

^eThe County would have responsibility for the POACRE’s roads if the POACRE goes into receivership.

^fThis figure consists of the current POACRE roads budget plus its STD fees.

^gThis figure represents 12% of the County’s zoning-control budget.

^hAt \$170K per officer.

ⁱSee discussion entitled “Highway-user revenues” under subsection E.2 (“Revenue sources”) below.

5. Impact of incorporation on property-tax rates

Municipal real-property tax rate. For the purpose of this analysis, the Committee used a \$.05/\$100 assessed value to estimate of the municipal real-property tax. Municipal real-property tax revenue would supplement the cost of enhanced law-enforcement presence, local code enforcement, and general government operations. A \$.05/\$100 tax on assessed value would result in municipal real-property tax revenues of approximately \$400,000, of which \$375,000 would be from residential properties and \$25,000 from commercial properties (see subsection E, “Revenue Assessment,” below). At this rate, residential real property with an assessed value of \$155,000 (the average value of residential real property in the proposed municipality) would have a municipal tax of \$78.

County property-tax differential. A tax differential of \$0.336/\$100 of assessed value would result in reallocation of approximately \$2.7M of real-property tax from the County to Calvert Shores (see Table 3 of subsection E (“Revenue Assessment”) below). This reallocation amount is equivalent to

2.7% of the County’s estimated total real-property tax revenue. Residents of the municipality would continue to pay the County real-property tax at a rate of \$0.556/\$100 of assessed value.

E. Revenue Assessment

1. Assumptions

The Committee based this revenue assessment on the following assumptions:

- Calvert Shores would enact a municipal tax of \$0.05/\$100 of assessed property value.
- The County would grant the same property-tax differential (\$0.336/\$100 of assessed value) to Calvert Shores that it grants to North Beach and Calvert Beach based on Calvert Shores providing services similar to the services provided by these other municipalities.
- Calvert Shores would receive its pro-rated share of the local income tax consistent with current Maryland Code, “Tax General Article,” § 2-607.
- As part of the County’s input for highway-user revenues (HURs), the State would grant HURs to Calvert Shores for its qualifying road miles and vehicle registrations.
- The current POACRE STD would run to term in FY18.
- Calvert Shores assumes responsibility for the POACRE roads either through a public-use easement or a property transfer, or the POACRE reassigns these assets to the municipality until a permanent transfer can occur.

2. Revenue sources

Municipal real-property taxes. For this analysis, the Committee used a rate of \$.05/\$100 assessed value to estimate of the municipal real-property tax. Municipal real-property tax revenue would support enhanced law-enforcement presence, local code enforcement, and general government operations. About 94% of the resulting tax revenue would be from residential properties and about 6% from commercial properties (see example for FY17 in Table 3 below). At this rate, a property with an assessed value of \$155,000 (the average value of a residence in the proposed municipality) would be about \$78. For commercial/industrial properties, the average municipal real-property tax would be approximately \$600.

County tax differential. A tax differential of \$0.336 would result in reallocation of between \$2.7M and \$2.8M of real-property tax revenue from the County to Calvert Shores. Table 3 below shows the first-year (FY17) distribution of revenues from the municipality real-property tax, the County tax differential, and the total County real-property tax across different types of property for the proposed municipality.

Table 3. FY17 Distribution of Revenue from the Municipality Real-Property Tax, the County Tax Differential, and the County Real-Property Tax Across Property Types

Property Type	Total Fair Mkt Value of Municipal Property	Municipality Real-Property Tax^a	County Tax Differential^b	Total County Real-Property Tax^c
Commercial	\$50,286,400	\$25,144	\$168,959	\$279,598
Commercial Residential	\$232,100	\$116	\$780	\$1,290
Industrial	\$3,368,600	\$1,684	\$11,318	\$18,729
Residential	\$750,441,900	\$375,230	\$2,521,262	\$4,172,138
Residential Condominium	\$3,155,400	\$1,579	\$10,603	\$17,543
Totals	\$807,484,400	\$403,753^d	\$2,712,922^d	\$4,489,298

^a\$0.05/\$100 assessed value.

^b\$0.336/\$100 assessed value.

^c\$0.556/\$100 assessed value.

^dDivide these values in half (\$201,877 and \$1,356,461) because the municipality would incorporate around December 2016 at the earliest, leaving only half a fiscal year for budgeting purposes.

Personal-property tax on businesses. As noted above in subsection D.3 (“Fiscal impact of incorporation on businesses in the proposed municipality”), the County would distribute to the proposed municipality the personal-property taxes collected from businesses within the municipality’s boundaries. For FY17-FY20, this tax would increase progressively from about \$2,500 to \$5,168 (see Table 5 of subsection E.3 (“Summary of estimated revenues”)).

Franchise fee. The annual County franchise-fee revenue for cable television would decrease by approximately \$40,000. Calvert Shores would negotiate a new franchise agreement for cable services, and would use the estimated \$40,000 in fees to supplement the general fund.

Income tax. While municipalities do not have legal authority to enact an income tax, municipalities receive a portion of county income-tax revenues based on the greater of either 0.37% of the State tax liability or 17% of the county income-tax liability for residents within their boundaries. For the proposed municipality, the result would be a reallocation of approximately \$1.3M from the County’s General Fund. This reallocation represents about 1.7% of the County’s total estimated income-tax revenue for a municipality that consists of over 10% of the County’s population. The reallocation would begin in FY18 and would increase progressively over a period of three years unless the County and the municipality s agree to another time period. Table 4 below provides details regarding the reallocation process for FY17-FY20.

Table 4. Reallocation of County Income-Tax Revenue for FY17-FY20

Fiscal Year	County Income Tax Liability⁽¹⁾		17% County Liability^a		1% of County Population	Municipal Income-Tax Revenue
17	\$75,972,000	x	0.0	x	0.1	\$0
18	\$79,010,880	x	0.056	x	0.1	\$447,728
19	\$82,171,315	x	0.113	x	0.1	\$930,344
20	\$85,458,168	x	0.17	x	0.1	\$1,452,789

^aIncremental implementation over a three-year period in accordance the Maryland Code (“Tax – General Article,” §2-607).

Highway-user revenues. Current State law specifies the formula for dispersing highway-user revenues (HURs). Accordingly, the State disperses HURs to local governments using the following percentages: Baltimore City (7.7%), counties (1.5%), and municipalities (0.4%). The State allocates HURs to individual municipalities by apportioning half of the funds on the basis of each municipality's proportionate share of the total road mileage for all municipalities, and allocating the remaining funds on the basis of each municipality’s proportionate share of total vehicle registrations (see “Transportation Article,” §§ 8-401 through 8-413 and 8-504 and 12-118(b)(2)), and § 4-104 of the Local Public Law of Calvert County.

In its December 1, 2016, submission to the State Highway Administration’s County Road Improvement Report, Calvert County would have to identify Calvert Shores’ road mileage (about 62 miles) and vehicle registrations separately, remove Calvert Shores’ mileage and vehicle registrations from its current total mileage and registrations, and reallocate to Calvert Shores the mileage and registrations it removed. This reallocation would begin impacting Calvert County’s total share of HURs in the last half of FY17.

In response to the above-mentioned report, the State will transfer the CRE mileage currently in the County’s (rural) mileage inventory to Calvert Shores’ (urban) mileage inventory, and also will reallocate the applicable vehicle registrations after Calvert Shores incorporates. As a result, the County’s total HURs would increase as follows:

- In FY18, from approximately \$713,343 (total HURs for the County, North Beach, and Chesapeake Beach combined) to \$761,725.
- In FY19, from about \$725,721 to \$774,942.
- In FY20, from about \$734,686 to \$784,516.

Despite the increase in total County HURs for FY18-FY20, the County's share of HURs would decrease because its proportionate share of total mileage and registrations would decrease after subtracting Calvert Shores' mileage and registrations from the County's total mileage and registrations prior to reallocation. This decrease would occur as follows:

- In FY18, from \$621,697 (not including the HURs for North Beach and Chesapeake Beach) to \$553,398 (not including the HURs for North Beach, Chesapeake Beach, and Calvert Shores).
- In FY19, from \$632,485 to \$563,000.
- In FY20, from \$640,298 to \$569,955 in FY20.

With the transfer of CRE's mileage and registrations from the County's (rural) inventory to Calvert Shores' (urban) inventory, the total share of HURs for the three County municipalities would increase \$116,682, \$118,706, and \$120,173 in FY18, FY19, and FY20, respectively. These increases in total HURs would occur as follows:

- In FY18, from \$91,645 (for North Beach and Chesapeake Beach combined) to \$208,327 (for North Beach, Chesapeake Beach, and Calvert Shores combined).
- In FY19, from \$93,236 to \$211,942.
- In FY20, from \$94,387 to \$214,560 in FY20.

However, Calvert Shores' share of HURs would be \$118,052, \$120,100, and \$121,584 in FY18, FY19, and FY20, respectively. The difference between the increase in the three municipalities' share of HURs for FY18-FY20 and Calvert Shores' share of HURs over this three-year period (in which Calvert Shores' share of HURs would exceed slightly the increased HURs for all three municipalities combined) means that North Beach and Chesapeake Beach would have a slight decrease in their HURs over this period; this decrease is the result of their proportionate shares decreasing with the addition of Calvert Shores to the distribution pool.

Admission and amusement taxes. The Committee believes the proposed municipality will have little revenue (about \$300/year) from these taxes.

Business-license and permit fees. The Committee believes the proposed municipality will receive about \$5,000 annually from these fees, which include fees on business licenses, traders and peddlers, and solicitors and vendors (see Table 5 below).

State aid for police protection. Residents of the proposed municipality will benefit from this aid, which would consist annually of a percentage of the County's Grant Estimate,³ a \$2.50 per-capita grant from the State (for a total municipality population of about 10,000), and a State grant of \$1,950

³The State bases the County's Grant Estimate on the County's expenditures for law-enforcement officers. The proposed municipality would receive a percentage of the County's Grant Estimate.

for each officer hired. Based on these factors, the Committee estimates that this aid will range from a total of about \$52K in one-half of FY17 to over \$114K in FY20 (see Table 5 below).

Miscellaneous fees. The municipality also will receive revenue from a number of incidental fees, including interest penalties on real-property taxes, and fees charged for property cleanup and liens, rental-housing licenses, and vehicle-control fines and towing. As shown in Table 5 below, the Committee estimates that revenues from these fees will vary annually from about \$33K in FY17 to over \$69K in FY20.

3. Summary of estimated revenues

Table 5 below provides a summary of the estimated revenues described above in this subsection for the first three and one-half fiscal years after incorporation (FY17-FY20).

Table 5. Summary of Estimated Revenues for FY17-FY20

Revenue Source	Fiscal Year			
	FY17 (½ year)	FY18	FY19	FY20
Municipal real-property taxes	\$201,877	\$408,073	\$412,582	\$417,286
County tax differential	\$1,356,461	\$2,741,950	\$2,772,249	\$2,803,852
Personal-property tax on businesses	\$2,500	\$5,054	\$5,109	\$5,168
Franchise fee	\$20,000	\$40,000	\$40,000	\$40,000
Income tax	\$0	\$447,728	\$930,344	\$1,452,789
Highway-user revenues	\$60,709	\$118,052	\$120,100	\$121,584
Admission and amusement taxes	\$0	\$300	\$300	\$300
Business-license and permit fees	\$4,406	\$8,906	\$9,005	\$9,107
State aid for police protection	\$52,360	\$106,669	\$106,669	\$114,469
Miscellaneous fees	\$33,375	\$68,646	\$69,059	\$69,490
Totals	\$1,731,688	\$3,945,378	\$4,465,417	\$5,034,045

F. Expenditures

1. Proposed municipal services

As noted above under the Methodology subsection, the Committee solicited input from community residents using a survey, and also gathered comments at public-information meetings over the last 18 months. The Committee used the survey and comments, in combination with known infrastructure and environmental deficiencies, in determining the following list of initial services it believes the municipality should provide (listed in order of priority):

- Roads maintenance and improvements, snow removal, storm-water management, and roadside beautification
- Law enforcement
- Zoning, planning, and code enforcement
- Emergency management

Other services mentioned by some residents were trash pickup, leaf removal, street lights, youth programs, senior services, and enhanced public transportation. The municipality could consider these additional services at a later date based on available revenue. The municipality would use a phased implementation for enhanced law-enforcement protection.

2. Estimated budget

To pay for the initial services described in the previous subsection, the Committee developed a budget based on the funding identified above under subsection E.2 (“Revenue sources”). Accordingly, the Committee estimates that the municipality would budget these funds for the first three and one-half fiscal years after incorporation (FY17-FY20) as described below in Table 6. To identify the services funded by the budget, this table lists the budget items by program.

Table 6. Summary of Estimated Budget Expenditures for FY17-FY20

Budget Item	Fiscal Year			
	FY17 (½ year)	FY18	FY19	FY20
Personnel				
General Government	\$163,088	\$326,680	\$327,200	\$327,737
Public Works— Administration	\$80,043	\$161,792	\$163,433	\$165,126
Public Works—Roads & Grounds	\$219,604	\$395,597	\$399,514	\$403,584
Police & Code Enforcement	\$45,132	\$91,213	\$92,127	\$93,069
Subtotal	\$507,867	\$975,282	\$982,274	\$989,516
Operations				
General Government	\$195,571	\$395,326	\$399,695	\$404,251
Public Works— Administration	\$30,520	\$61,693	\$62,375	\$63,086
Public Works—Roads & Grounds	\$289,034	\$535,544	\$481,225	\$466,379
Police & Code Enforcement	\$434,513	\$1,052,164	\$1,052,626	\$1,748,935
Subtotal	\$949,638	\$2,044,727	\$1,995,921	\$2,682,651
Capital				
General Government	\$4,500	\$9,000	\$9,000	\$9,000
Public Works— Administration	\$20,050	\$5,100	\$5,100	\$5,100
Public Works—Roads & Grounds	\$233,334	\$904,264	\$991,123	\$911,627
Police & Code Enforcement	\$15,250	\$4,600	\$4,600	\$5,750
Subtotal	\$273,134	\$922,964	\$1,009,823	\$931,477
Other				
Debt Service	\$0	\$0	\$0	\$0
Judgements & Losses	\$50	\$405	\$400	\$400
Operating Reserves	\$0	\$0	\$475,000	\$428,000
Prior-Year Receipts	\$0	\$0	\$0	\$0
Scholarship Grants	\$1,000	\$2,000	\$2,000	\$2,000
Subtotal	\$1,050	\$2,405	\$477,400	\$430,400
Totals	\$1,731,689	\$3,945,378	\$4,465,418	\$5,034,044

G. Concluding Statement

This report presents a financial profile showing that both Calvert County and Calvert Shores would share the benefits of municipal incorporation. When County services in the community are reduced, County expenses are correspondingly reduced. When municipal growth and development occurs, the County shares in the bounty. With an increase in State-shared revenues and alternate funding sources such as State and Federal grants, incorporation presents an opportunity to reduce the overall cost of government for thousands of families.

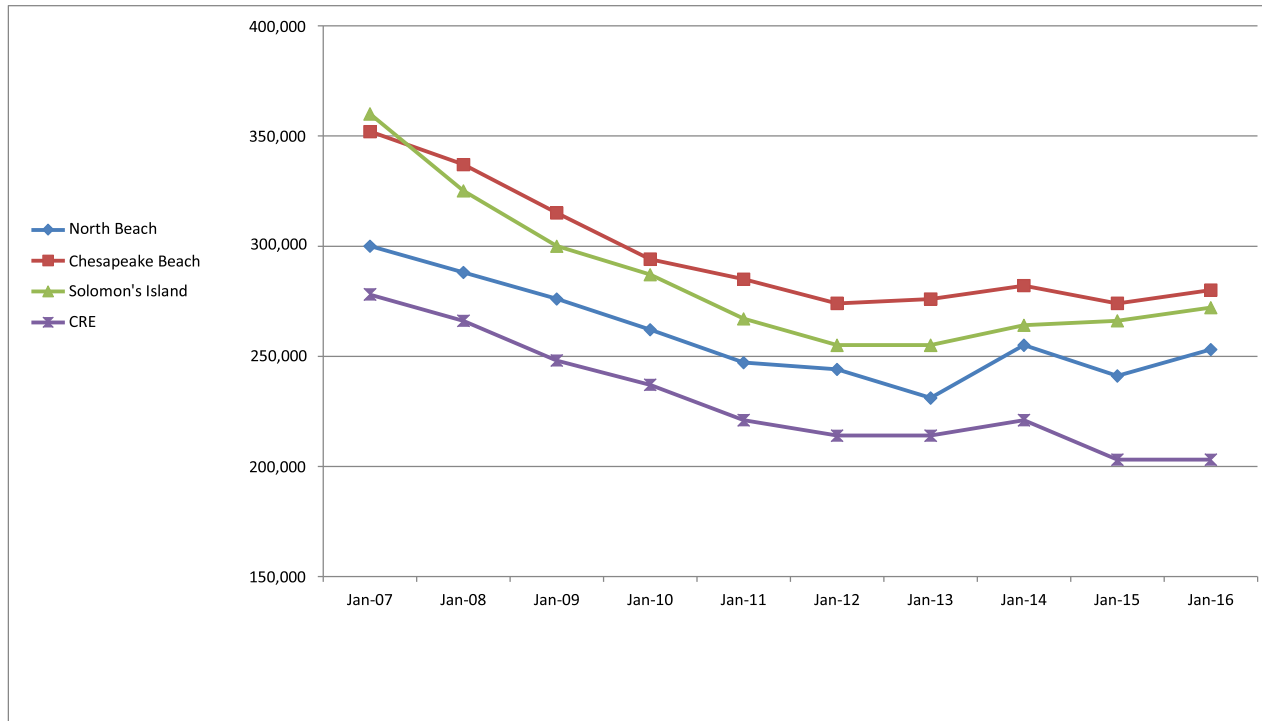
With this report, the Committee presents the ancillary benefits of municipal incorporation for all the stakeholders involved in the incorporation process. Raising the quality of life in Southern Calvert County while maintaining the lowest possible cost by accessing more State and Federal dollars for thousands of homes and families, will raise the quality of life for the County as a whole.

Appendix 1: MML Services Survey Chart

	Number	Percent		
	134	85%	Snow Removal	TRANSPORTATION
	133	84%	Streetlights	
	133	88%	St Maintenance	
	86	54%	Comty Water Sys	UTILITY SERVICES
	89	58%	Recyd - Curb	
	79	50%	Recyd - Leaf	
	70	44%	Strmwtr Mgmt	
	70	44%	Street Sweeper	
	138	87%	Trash Collection	
	70	44%	WWTP	
	98	62%	Ball flds/plygrnds	ARTS PARKS & REC
	83	53%	Crocks/Actrs/gly/prks/e vnts	
	94	59%	Felty Rntl - Othr	
	82	58%	Police	PUBLIC SAFETY
	135	85%	Website	
	106	67%	Code Erf - Com	
	125	79%	Code Erf - Res	
	66	41%	Nwsltr - Elec.	GENERAL GOVERNMENT/ADM NISTRATION
	91	58%	Nwsltr - Print	
	66	42%	Notary	
	88	58%	P&Z Dept/Staff	
	101	64%	Pub Wrks Dept	
	116	73%	Website	Communication Tools
	77	49%	Social Media	
	102	65%	Print Nwsppr	
	117	74%	Post Flyers Notices	
Bel Air	X	X		
Cambridge	X	X		
Chesapeake Beach	X	X		
Frostburg	X	X		
La Plata	X	X		
North Beach	X	X		

MD Municipal League
2014 Survey of Services
Highest Percent Chart

Appendix 2: Zillow.com Graph



North Beach	300,000	288,000	276,000	262,000	247,000	244,000	231,000	255,000	241,000	253,000
Chesapeake Beach	352,000	337,000	315,000	294,000	285,000	274,000	276,000	282,000	274,000	280,000
Solomon's Island	360,000	325,000	300,000	287,000	267,000	255,000	255,000	264,000	266,000	272,000
CRE	278,000	266,000	248,000	237,000	221,000	214,000	214,000	221,000	203,000	203,000

	next year	last year
North Beach trend	up 1.2%	up 4.8%
Chesapeake Beach Trend	up .2%	up 1.2%
Solomon's Island Trend	up 1.0%	up 3.2%
CRE trend	down 1.2%	flat

Average household income

North Beach	66964
Chesapeake Beach	91451
Solomon's Island	62100
CRE	94196

Appendix 3: Water Company Report of Zero Water Usage

Chesapeake Ranch Water Company November 2015 Usage Grouping (Gallons)

from	to	#customer	avg_usage
0	0	282	0 *
0	1000	328	446 **
1001	2000	437	1550
2001	3000	677	2532
3001	4000	618	3497
4001	5000	571	4467
5001	6000	408	5465
6001	7000	236	6453
7001	8000	155	7461
8001	9000	74	8452
9001	10000	46	9507
10001	11000	28	10494
11001	12000	21	11509
12001	13000	12	12627
13001	14000	3	13390
14001	15000	9	14411
15001	16000	5	15632
16001	17000	2	16205
17001	18000	2	17285
18001	19000	1	18820
20001	21000	2	20345
21001	22000	2	21640
22001	23000	3	22573
24001	25000	2	24395
39001	40000	1	39940

* No Usage, No Occupancy, No Maintenance

** Maintenance Usage or part time occupancy

Chesapeake Ranch Water Company December 2015 Usage Grouping (Gallons)

Usage	from	to	#customer	Avg.usage
	0	0	270	0 *
	0	1000	330	468 **
	1001	2000	468	1539
	2001	3000	658	2513
	3001	4000	689	3493
	4001	5000	554	4483
	5001	6000	386	5463
	6001	7000	214	6453
	7001	8000	152	7412
	8001	9000	73	8483
	9001	10000	31	9425
	10001	11000	32	10505
	11001	12000	19	11459
	12001	13000	12	12434
	13001	14000	11	13458
	14001	15000	4	14440
	15001	16000	3	15450
	16001	17000	1	16580
	17001	18000	2	17505
	18001	19000	1	18260
	19001	20000	1	19260
	20001	21000	2	20290
	22001	23000	1	22500
	25001	26000	1	25010
	41001	42000	1	41820
	42001	43000	1	42400
	59001	60000	1	59270

* No Usage, No Occupancy, No Maintenance

** Maintenance Usage or part time occupancy

Chesapeake Ranch Water Company January 2016 Usage Grouping (Gallons

Usage	From	to	#customer	avg_usage
	0	0	261	0 *
	0	1000	326	438 **
	1001	2000	438	1554
	2001	3000	639	2542
	3001	4000	650	3505
	4001	5000	521	4465
	5001	6000	426	5445
	6001	7000	272	6454
	7001	8000	160	7425
	8001	9000	80	8464
	9001	10000	53	9451
	10001	11000	26	10525
	11001	12000	17	11364
	12001	13000	13	12448
	13001	14000	13	13425
	14001	15000	9	14606
	15001	16000	4	15590
	16001	17000	2	16765
	17001	18000	1	17510
	18001	19000	5	18528
	19001	20000	2	19120
	20001	21000	1	20970
	23001	24000	1	23570
	25001	26000	1	25500
	27001	28000	1	27060
	31001	32000	1	31140
	40001	41000	1	40690
	68001	69000	1	68070

* No Usage, No Occupancy, No Maintenance

** Maintenance Usage or part time occupancy