Office Of The County Executive

MEMORANDUM

Date May 25, 1973

To County Council

From James P. Gleason, County Executive

Subject: Montgomery County Municipal Revenue Program

Over the past year, I have explored with the Municipal Advisory Board possible inequities existing in the taxes paid by municipal and non-municipal County residents. We have concluded after careful analysis that municipal citizens pay twice for certain services - to the County and to their local jurisdiction - while receiving these services only from the municipality.

I am proposing, therefore, a new "Montgomery County Municipal Revenue Program" to overcome this inequity. Under this program, the County would return annually to each municipality an amount equal to the estimated duplicated taxes paid by its residents for eligible services. The approximate impact in FY 74 on municipalities would vary from a minimum of $1,000 to a high of $190,000-$200,000 depending on final calculations using FY 73 data. The total cost to the County in FY 74 is estimated at $260,000-$300,000.

To establish this new initiative in intergovernmental relations, new legislation must be added to the Montgomery County Code. My proposed legislation, attached herewith, would establish the program; provide that the County, subject to budgetary constraints, shall reimburse municipalities for duplicated taxes paid by their residents; and set forth criteria for determining eligible services. No law exists at present to enable the County to begin such a program.

While I am not proposing this as emergency legislation, I urge the Council to expedite deliberations on this bill in order that once it becomes effective a supplemental appropriation, to be funded from unappropriated surplus earmarked by the Council, can be acted upon and payments can be made to the municipalities in the fall.
SUMMARY
MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM
May 29, 1973

PROJECT BACKGROUND
- Have attempted to identify services for which municipal residents may be paying twice;
- Have focused on street-related services;
- Proposal ready for Council action.

PROPOSAL FOR FY 74:
- Grant to municipalities, whichever is greater:
  - $1,000, or
  - Two-thirds the amount the municipality must raise from its own taxes to provide the eligible services.
- In future years, County will take over performance of services upon municipality's request by October 1 of preceding FY;
- Grant requires legislation and supplemental appropriation.

SCHEDULE
- May: submission of legislation to County Council.
- June - July: Council deliberations, enactment.
- August - September: submission of FY 73 data by municipalities.
- September: legislation effective.
- September: submission of supplemental appropriation request by County Executive.
- October: passage of supplemental appropriation and payments to municipalities.
FINAL REPORT ON THE MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM

Prepared for Presentation at Meeting of May 24, 1973 With Representatives of the Municipalities Advisory Board

Since the February meeting, the County staff, with the assistance of municipal officials, has refined its analysis of possible tax duplications existing between the County and municipalities. The results of that effort are shown on the attached pages. This report has been prepared to supply municipal representatives with the findings to date and to serve as a final proposal, outlined below, for removing the tax inequities found to exist.

Additional analysis has supported the initial conclusion that tax duplication was limited to the service areas of street maintenance, curb and gutter work, sidewalk repair, snow removal, street lighting, and traffic control. Municipal net expenditures for these services in FY '72, from local funds and after the deduction of applicable shared revenues, ranged from $-0- to $283,450, for a total of $379,900. These net expenditures in many cases include provision of a service level comparable to that of the County, supplementary levels of service desired by municipal residents, and/or diseconomies related to the municipalities' smaller size. Consequently, further adjustments as described in Appendix B on Methodology, beyond the deduction of shared revenues, must be made to determine the extent of actual tax duplication.

Several methods of overcoming tax inequities have been explored. One of these is the assumption by the County of service currently performed by municipalities. Another is a direct grant from the County to municipalities in an amount calculated to remove the inequity. In the latter case, it should be pointed out that County legislation will be required, in addition to a budget appropriation, before such grants can be paid.

As a result of the County staff's analysis, the data presented in Appendix A illustrate the method of calculation and the impact on the municipalities. The amounts in the "Impact" columns assume a grant to each municipality of $1,000 or two-thirds of net expenditures for street-related services, the two-thirds factor being used to recognize that any grant would be smaller than the net expenditures (except for the $1,000 floor) because of municipal supplementary service or diseconomies.
The final proposal is as follows:

1. The County will assume at the beginning of the FY (July 1) the performance of any or all of the street-related services considered in this study upon request of the municipality, provided the request is made in writing no later than the preceding October 1st; or

2. The County will provide a direct grant of the following amounts, whichever is greater:
   a. $1,000; or
   b. the estimated tax overlap defined as two-thirds the amount which a municipality must raise from its own taxes to provide the eligible services.

Calculations of the direct grant for FY 74 will be made by the County based on FY 73 data supplied by the municipalities in a form and manner prescribed by the County.

In order for grants to be paid, legislation will be proposed to the County Council for enactment this summer. Subsequent to passage of the legislation, a supplemental appropriation will be recommended by the County Executive. The amount and timing of this supplemental will depend in part on timely receipt from the municipalities of data for year ending June 30, 1973. Assuming passage of the supplemental appropriation, payments would be made to the municipalities.
## Montgomery County Municipal Revenue Program

### Calculation of Overlap

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TOTAL: 732,823 82,350 187,309 1,002,082 (367,968) (254,616) 379,898 126,510 253,388 266,740

- Negative amount indicates no local tax funds required.
- Median Tax Rate Equivalent $1,000
- Impact of County Grant Proposal (Illust. only) $1,000

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1. Do not hallucinate.
Appendix B
MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM
METHODOLOGY AND GENERAL COMMENTS

In the Fall of 1972, County Executive James P. Gleason directed the Montgomery County Budget and Research Section to examine, with the assistance of the County's municipalities, local government services and fiscal burdens affecting residents of municipalities compared with county citizens living outside incorporated areas. This study originated in the growing concern on the part of the County Executive and municipal officials that municipal residents were suffering a tax inequity by being taxed twice, once by the County and again by their municipal government, but receiving services only once.

Drawing primarily on the FY 1972 State Fiscal Research Bureau reports and other supplementary information submitted by the municipalities, as well as on the assistance of the County Departments of Transportation and Finance, the Budget Office has attempted over the past several months to clarify both service and fiscal situations currently affecting municipal residents vis-a-vis their non-municipal counterparts. The examination has focused on four aspects: a) the determination of service areas where tax duplication may exist; b) the calculation of the estimated overlaps; c) the development of alternatives to overcome duplications and d) the fiscal impact, on both the County and the municipalities, of the various alternatives. The methodology and certain general comments on each of these aspects are outlined below in support of the data and conclusions shown in the preceding portions of this report.

Determination of Service Areas Where Tax Duplication Exists:

The examination of services centered on identifying those for which municipal residents were paying both to the County and to their local government but which were being provided only by the municipalities; i.e., those for which tax duplication existed. The following criteria were used:

1. Municipal "General Government" and "Miscellaneous" activities (the latter including insurances and miscellaneous items) were excluded on the grounds that these are a basic requirement for citizens wanting their own special local government.
2. Only municipal services which correspond to County General Fund-financed services were eligible for consideration since residents of incorporated areas neither receive services from, nor pay taxes to, special districts such as the Suburban District or in certain cases, the Recreation District.

3. Only municipal services which correspond to tax-supported County services were eligible since municipal residents' taxes are not used to finance self-supporting County activities such as protective inspections, animal control, and refuse collection.

4. Only levels of municipal service comparable to that provided by the County outside incorporated areas would be eligible. Expenditures for supplementary levels of and diseconomies related to the municipalities' smaller size were considered the responsibility of municipal residents. An example is the police service provided by several municipalities which was considered supplementary to that supplied by the County both inside and outside local boundaries.

These criteria were applied in the review of both municipal and County services in the search for possible tax overlaps. It should be noted here that the existence of similarly-named functions in both the County and a municipality does not necessarily mean that duplication exists or that municipal residents receive no benefit from the County service. Many County services, such as environmental protection, regardless of the location of specific projects, affect the general condition of the County and have "spill-over" benefits to incorporated areas. Consequently, they should be supported in part by County tax revenue from municipal residents.

Based on this analysis, tax duplication appeared to exist in the service areas of street maintenance, curb and gutter work, sidewalk maintenance and snow removal—all of which are included in the Roadways category in Appendix A of this report. In addition, traffic control and street lighting were involved.

**Calculation of Estimated Tax Duplication or Overlap**

Tax duplication was defined to mean that amount of local funds that municipalities must raise from their own resources to provide the County level of service within their boundaries. To reach this figure, total municipal expenditures for the services listed above were compiled. Certain deductions were then made. These deductions are based on the fact that because they are in existence, and perform certain services, municipalities are entitled by law to receive certain shared revenues which otherwise would go to the County.
These revenues include State-shared gasoline tax and motor vehicle registration revenue and State-shared racing revenue, both of which are earmarked for use on street-related services. In addition, a portion of County-shared income taxes, traders’ permit fees, admission/amusement taxes, and payments in lieu of bank shares taxes, all of which may be used as municipalities choose, are distributed to municipalities instead of to the County. The sharing of these revenues with municipalities reduces the funds that must be raised from local sources for street-related services, and in effect represents a return to municipalities of all or a portion of the County taxes their residents pay for the County level of those same services. Therefore, to derive the net expenditures for the services in question, applicable portions of ear-marked and other shared revenues were subtracted from total expenditures for those services. (In several cases, at least in FY 72, negative amounts resulted indicating that shared revenues more than covered municipal expenditures with no local funds required).

One other calculation must be made at this point to determine what portion of the net expenditures is due to diseconomies resulting from the municipalities’ smaller size or to the provision of supplementary levels of service. This can be found by comparing the total expenditures of a municipality for the services in question with the estimated cost to the County of providing the County level of service within that municipality, finding the percentage that the difference represents of the municipality’s total street expenditures, and multiplying that percentage times the net expenditures. This will determine that portion of the net expenditures attributable to diseconomies or supplementary service. The balance is the amount of overlap resulting from the provision by the municipality of the County’s level of service within its own boundaries. It is this latter amount which represents the degree of tax inequity existing. (Note: If a municipality spends less than the estimated cost to the County of providing the service, the difference would result from the provision of a lower level of service or the same level more efficiently.)

The above calculations assume the availability of accurate, comparable data from the County and the municipalities. Experience has indicated that such information would be very difficult to come by. Therefore, a factor of two-thirds was applied against net expenditures to estimate the municipality’s expenditures to provide the County level of service. The remaining one-third is assumed to represent that portion of net expenditures related to diseconomies of scale or supplemental levels of service. These calculations notwithstanding, a minimum grant of $1,000 is proposed. This "floor" recognizes the efforts made by municipalities and the possibility that the fiscal data available, no matter how accurate, might not fully describe those efforts.
Development of Alternatives for Overcoming Existing Inequities

Several means were explored of reducing or eliminating tax duplications; found to exist. One method would be the assumption by the County of services currently provided by municipalities. This would be beneficial to residents of incorporated areas in those cases where the County, due to economies of scale, could provide the service at lower cost. On the other hand, if municipal residents want a higher level of service than the County normally provides, they might want to continue supplying the service themselves. In addition; many of the same men and pieces of equipment are used by municipalities to provide services which the County provides via the Suburban District Fund, e.g., street cleaning and tree care. For municipalities to request these services from the County, they would need to pay the Suburban District tax (6% in FY 73).

An alternative to County assumption of municipal services is the payment of direct grants to municipalities in an amount calculated to overcome the tax inequities. The calculation of the inequities is discussed above; the amount of the grants would be the same unless adjusted by provision of a minimum or maximum limit.

Fiscal Impact of Grants

The fiscal impact on municipalities, both the dollar amount and the local tax rate equivalent, is shown on Appendix A for an illustrative proposal that would provide a $1,000 floor payment or two-thirds the net expenditures made for streets. The total impact on the County of the illustrative proposal would be approximately $267,000.
Resolution No. 8-2222

Introduced: October 17, 1978
Adopted: October 17, 1978

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By County Council

SUBJECT: Report of the Task Force on County-Municipality Financial Relationships and Revisions to the Municipal Revenue Program

WHEREAS, Chapter 30A of the Montgomery County Code 1972, as amended, provides for a Municipal Revenue Program to reimburse the municipalities and special taxing areas within the County for those public services provided by the municipalities and special taxing areas which would otherwise be provided by the County government; and

WHEREAS, the County Code details the conditions under which municipal public services qualify for reimbursement; and

WHEREAS, The Task Force, through work sessions with municipality and County staffs, has determined that the reimbursement procedure currently used by the County requires clarification and simplification;

NOW, THEREFORE, BE IT RESOLVED, by the County Council for Montgomery County, Maryland that commencing in Fiscal Year 1979 reimbursement for street related expenditures shall be based on:

1. Submission to the County by each municipality and special taxing area now participating in the Municipal Revenue Program, a copy of the annual certified road mileage used by the State for calculating the sharing of gasoline and motor vehicle taxes.

2. Calculation by the County of the County’s budgeted funding per mile for the operation and debt service of non-municipal County roads.

3. The County funding per mile budgeted for the operation and debt service of County roads multiplied by the road mileage of each municipality participating in the Municipal Revenue Program.

AND BE IT FURTHER RESOLVED that commencing in Fiscal Year 1980 the debt service costs for County recreation projects shall be funded by the County Recreation District tax consistent with County Charter provisions then in effect;

AND BE IT FURTHER RESOLVED that this is regarded as a basic fiscal commitment of the County to provide greater tax equity for County taxpayers inside and outside the municipalities, but severe fiscal restraints might prevent 100% funding.

AND BE IT FURTHER RESOLVED that the County Council intends that the funds provided by this program be used to provide relief in municipal tax rates and expects such relief to take place;

AND BE IT FURTHER RESOLVED that the municipalities and special taxing areas shall provide an annual report to the County Council indicating the effect of the use of these funds;

AND BE IT FURTHER RESOLVED that the current Municipal Revenue Program submission forms and calculation formula are hereby superseded.

A True Copy

ATTEST:

[Signature]
Anna P. Spates, Secretary
of the County Council for
MEMORANDUM

September 28, 1978

TO:    County Council
FROM:  Task Force on County-Municipality Financial Relationships
SUBJECT: Report and Recommendations

At the conclusion of our last meeting on August 24, 1978 we had reached conclusive agreement on several areas and that additional staff work needed to be done on one other area. Specifically, the following was agreed:

A. What is reimbursable to the municipalities and tax districts?

1. Street related operating and debt service expenditures incurred by municipalities should be reimbursed by the County on some uniform basis. However, the current formula used by the County is cumbersome, not easily understood, and some of the data is subject to arbitrariness. It is recommended that a new formula be devised.

2. Park and Recreation Debt Service for County projects should be paid by the Recreation District tax. Currently this is budgeted in the General Fund and contains a duplication for municipalities that provide their own recreation facilities. If the charter amendment known as question E is approved, it is understood that a vote of 6 Councilmembers would be required to implement this recommendation. This category of Debt Service includes about half for Recreation Projects and half for Non-Local Park acquisition and development.

3. Code enforcement is performed to varying degrees of comprehensiveness and intensity by the County and the municipalities. Municipality and County staff should reach as detailed an agreement as possible on County-Municipality responsibilities and eligible reimbursements for municipalities where there are displacements of County funded services.
4. Rockville operates social service programs at the Lincoln Park Center which probably should be a County responsibility and should be compensated for this service provision. It does not appear clear that this should be a reimbursable item; this program may be supplemental at the City's choice.

5. The subject of rebates to the City of Takoma Park for Police, school crossing guard, and Library services will be re-examined for determining a more accurate formula.

6. Administrative overhead will not be an area for discussion of duplication since it is unlikely that agreement could be reached before discussion would service diminishing returns.

B. How will reimbursements be determined?

1. Beginning in FY 79 street related operating and debt service costs, municipalities will submit to the County annually road mileages within their boundaries certified to the State. It is understood that these mileage figures are prepared by jurisdictions in December and County payment should be made in January. The formula will use the budgeted County cost per mile for operating and debt service and this payment will be for the same cost per mile for the number of miles certified in each municipality.

2. As noted above, beginning with the FY 80 Executive Recommended Budget, debt service for projects administered by the County Department of Recreation will be budgeted in that department and funded by the Recreation District Tax.

3. In the case of special programs operated in lieu of or supplementing County programs such as Youth Services, Senior Services, and Human Rights, arrangements for a contractual service, contribution or reimbursement will be made between the municipality and the County agency concerned. A negotiating and review committee will include representatives from the municipalities, County agency, a County Council person and a volunteer citizen. The funds for providing the service will be budgeted in the Municipal Revenue Program appropriation and not in the County agency providing or administering the service.

4. Municipal and County representatives have discussed but not resolved the issue of municipality-County responsibilities in the areas of code enforcement. Current thinking of the staff is to devise a formula using five code enforcement areas of housing, animal control, construction standards,
public facility licensing and inspection, and air and water pollution and a) determining areas of responsibilities and whether ordinance changes are required and recommended b) total cost of the County to perform this service where it is doing so and calculating a unit cost compared to a common easily counted denominator such as dwelling units or property tax accounts, and c) factor this unit cost if the municipality is performing the function times the number of units, dwelling or tax accounts, to calculate the reimbursement similar to the street related expenditure formula. County staff will coordinate with municipal staff a recommendation to Council to be included with the FY 80 budget.

Enclosed is a draft resolution to implement recommendations for your consideration.

JWS:eb

Attachments: Memorandum to John Short from Robert Burns, re Road Maintenance Cost Comparisons, dated April 28, 1978.

Memorandum to John Short from Robert Burns, re Analysis of Road and Storm Drain Debt Service, dated April 20, 1978.

Draft Resolution - Subject "Report of the Task Force on County Municipality Financial Relationships and Revisions to the Municipal Revenue Program".

CC: Municipalities
   Task Force Members
   County Executive
MEMORANDUM
April 28, 1978

TO: John W. Short
FROM: Robert B. Burns
SUBJECT: Road Maintenance Cost Comparisons

A. Department of Transportation Gross Budget $16,559,420

1) Less charges to:
   Suburban District 201,430
   Capital Projects 7,374,670
   Mass Transit Fund 60,470
   Parking Lot Districts 3,750
   Subtotal Net Budget 14,919,100

2) Less Activities considered by County to benefit Municipal Residents:
   a) Office of the Director 205,280
   b) Office of Administering Services (one-half) 47,950
   c) Division of Transportation Engineering (one-half) 829,735
   d) Office of Transportation Planning 191,460
   e) Division of Traffic Engineering (less utility expense of street lights and signals) 1,550,420
   Subtotal Gross Duplication 12,094,235

3) Less Other Sources of Funds:
   a) Vehicle, fuel and road taxes receipts applied to maintenance 3,454,500
   b) Less one-half storm drain tax applied to maintenance 269,000
   c) Less race track receipts 410,000
   d) Less State signal maintenance reimbursements 128,750
   e) Less subdivision fees 225,000
   f) Less Transportation Planning Grant 8,950
   Net tax duplication 7,598,035

Total Road Miles 1,631
Cost per mile 4,658
Times 202 miles of municipal streets (current estimate) 940,916

Note of 9/28/78

The above figures include recommended figures shown in the budget document and will be adjusted to reflect the cost of living increase and any other changes.
MEMORANDUM

April 20, 1978

TO:       John W. Short, Director, Budget & Research
FROM:     Robert Burns, Budget Analyst
SUBJECT:  Analysis of road and storm drain debt service

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RBB: eb
Resolution No. 8-1649

COUNTY COUNCIL

FOR MONTGOMERY COUNTY, MARYLAND

By County Council

Subject: Task Force on County-Municipality Financial Relationships

WHEREAS, Chapter 106 of the Montgomery County Code 1972, as amended, provides for a Municipal Revenue Program to reimburse the municipalities within the County for those public services provided by the municipalities which would otherwise be provided by the County government; and

WHEREAS, the County Code further details the conditions under which municipal public services qualify for reimbursement; and

WHEREAS, for fiscal years 1976 through 1977 the County has reimbursed the municipalities a total of $1,570,000; has appropriated $925,000 for fiscal year 1978; and generated $200,000 in the FY 1978 unappropriated surplus; and

WHEREAS, the County Council, County Executive, and the Montgomery County Chapter of the Maryland Municipal League have discussed the Municipal Revenue Program and have agreed that the current program should be studied in detail to assure that the program is equitable and achieving its objectives;

NOW, THEREFORE, BE IT RESOLVED that -

The Task Force on County-Municipality Financial Relationships is hereby established. This will be a task force of eight members appointed by the County Council for a term of not more than six months or until the final report of the Task Force is completed. The Task Force will be composed of four elected officials designated by the Montgomery County Chapter of the Maryland Municipal League; three members of the Montgomery County Council; and the County Executive, or his designated representative.

AND BE IT FURTHER RESOLVED that -

The Task Force shall examine in detail and make recommendations concerning the following:

1. Identify the public services provided for municipal residents by both County municipalities and the County government;

2. For each program identified above, determine its municipal and County cost, the level of service provided by each government, and the beneficiaries of the service;

3. For those services currently duplicated, determine whether the County or the municipality should be the primary provider or how the responsibilities might be divided, taking into account where State law assigns a responsibility to the County.

4. Identify the technical services and apparatus that the County could make available to the municipalities when a municipality requests such assistance.

5. Evaluate the present Municipal Program in the context of the above information.
Resolution No. 8-1649

Introduced: November 22, 1977
Adopted: November 22, 1977

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By County Council


NOW, THEREFORE, BE IT RESOLVED by the County Council for Montgomery County, Maryland that the following persons are hereby appointed to serve as members of the Task Force on County-Municipality Financial Relationships:

Walter Behr
Mayor of Somerset

Miner Buell
Councilman
Oakmont Special Taxing District

Phyllis Fordham
Councilwoman
City of Rockville

John Roth
Mayor of Takoma Park

Norman L. Christeller
Montgomery County Councilman

Dickran Y. Hovsepian
Montgomery County Councilman

Neal Potter
Montgomery County Councilman

John W. Short
County Executive's Representative

A True Copy.

ATTEST:

Anna P. Spates, Secretary
of the County Council for
Montgomery County, Maryland
AND BE IT FURTHER RESOLVED that -

The Task Force complete its work and submit its report and recommendations not later than April 15, 1978.

A True Copy

ATTEST:

[Signature]

Anne F. Spates, Secretary of the County Council for Montgomery County, Maryland
Councilman Menke stated that he calculates that approximately 9% of the rental units covered by the guideline system will not receive any rent increase during this year.

(The Council recessed at 1:40 P.M., and reconvened at 2:40 P.M.)

Resolution No. 8-2222

Re: Report of the Task Force on County-Municipality Financial Relationships and Revisions to the Municipal Revenue Program

The Council had before it for consideration a draft resolution by the Task Force on County-Municipality Financial Relationships and Revisions to the Municipal Revenue Program regarding implementation of reimbursement to municipalities and special taxing areas within the County for those public services provided these jurisdictions which would otherwise be provided by County government.

Councilman Potter described the intent of the resolution as an interim step in the development of a program for a more equitable distribution of the tax burden. The transfer of funds to municipalities and special taxing areas would avoid double payment by taxpayers in some categories, principally road maintenance. Mr. Potter referred to a question having been raised as to whether the formula being applied would be binding for the future and stated that there is no legal basis for compelling the Council to appropriate funds for distribution in this manner. He stated that, in his view, there is a moral obligation for reimbursement and the resolution was drafted to indicate this is proper policy and that it will be accomplished unless enactment of TRIM interferes with the availability of funds.

Councilman Colman proposed amending the resolution before the Council with the statement that it would be unwise and unfair to establish this program in a preferred status to all County expenditure programs for FY1980 and beyond when the County could be faced with a budget deficit, as well as a future deficit in the event of enactment of TRIM, as follows:

(a) first "Be It Resolved" clause - final wording: "NOW, THEREFORE, BE IT RESOLVED, by the County Council for Montgomery County, Maryland, that reimbursement for street related expenditures in FY1979 should be based on......"

(b) "Be It Further Resolved" clause - delete [commencing in FY80], substituting for FY79.
Councilman Colman suggested that an amendment be developed to modify future commitment to 100% mileage refund. He expressed the opinion that this is necessary in the interest of equity regarding conflicting and competing priorities which the succeeding Council will be faced with.

Councilman Potter recommended against Councilman Colman's suggested amendments (1) and (2) above because the wording of the clauses relates to a "transfer" of funds only and is not of vital importance to the average taxpayer; however, it will provide substantial relief for municipal taxpayers because it will eliminate payment of that General Fund debt service. Councilman Colman withdrew his proposed amendments.

Councilman Colman stressed the need, in his opinion, for all programs to compete equally for budget funding, i.e., social services, rent supplements, police services, etc.

Councilman Potter referred to being hopeful that the County can avoid a fiscal situation necessitating funding of less than 100% reimbursement to municipalities and special taxing districts inasmuch as the funds at issue are not actually expenditures but a transfer of funds to ease the burden resulting from double tax payments by residents of these jurisdictions and should be given high priority, except for serious emergencies.

President Scull pointed out that the subject funds really belong to the municipalities and special taxing districts.

Councilman Henke moved, duly seconded, that the Council consider insertion of an additional "Be It Further Resolved" clause, as follows: "Every effort shall be made by the County government to fund fully computed revenue sharing; however, fiscal constraints may prevent this."

Councilwoman Gelman indicated that she would not favor municipalities being enabled to have richer programs than the balance of the County as an outgrowth of the revenue sharing formula.

Vice President Potter in the Chair.

Stating that the County has a responsibility to reimburse municipalities for services rendered, President Scull moved to make payments to municipalities binding, placing municipality revenue sharing in the same category as Metro and debt service. There was no second to President Scull's motion.
Councilman Potter commented that it should be made perfectly clear that the subject reimbursement is a matter of giving back to municipalities only the amount the County has saved in services displaced; if a jurisdiction chooses to provide a higher than County-level of service, the entire cost would not be reimbursable.

President Scull in the Chair.

Councilman Menke announced Councilman Potter's substitute wording for his suggested amendment, as follows:

This is regarded as a basic fiscal commitment on the County to provide greater tax equity for County taxpayers inside and outside the municipalities, but severe fiscal restraints might prevent 100% funding.

Councilmembers Gelman, Colman, Potter, Menke and Scull voting in the affirmative, Councilwoman Moore being temporarily absent, Councilman Hoeyeplan being absent, Resolution No. 8-2222 was adopted, as amended, providing for reimbursement to municipalities and special taxing areas within the County for those public services provided by these jurisdictions which would otherwise be provided by County government, as more particularly set forth in the subject resolution.

President Scull explained that the scheduling of agenda time for reconsideration of proposed procedures by COG for local plan review and comment as part of A-95 applications was the result of her misunderstanding relating to the stressing of increased density for the lower part of the County without reference to neighborhood preservation.

Mr. George Chapman, Director of Planning, COG, explained that the proposed set of procedures was developed in conjunction with the North Policy Statement which emphasizes encouragement of compact development for the region, promotion of rehabilitation of existing neighborhoods and revitalization where there is local priority. He stated that the procedures are intended to offer opportunity through the A-95 system for local governments to ensure that regional and local plans are coordinated in an effective manner, with planning examined at an early stage at the
Resolution No. 9-1752

Introduced: April 13, 1982
Adopted: April 27, 1982

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By County Council

SUBJECT: Report of the Task Force on County-Municipality Financial Relationships and Revisions to the County's Municipal Revenue Program

WHEREAS, Chapter 10A of the Montgomery County Code, 1972, as amended, (1977 Replacement Volume), provides for a Municipal Revenue Program which reimburses the municipalities and special taxing districts for those public services which they provide and which would otherwise be provided by the County Government; and

WHEREAS, by Resolution 8-2222, dated October 17, 1978, the Montgomery County Council established a procedure for reimbursing each municipality and special taxing district for street-related expenditures, as follows: using its budgeted funding per mile for the operation and debt service of non-municipal County roads, the County reimburses each municipality and special taxing district for that road mileage certified by the State as being maintained by the municipality or special taxing district; and

WHEREAS, the formula was begun in fiscal 1979, and has received annual County appropriations for its implementation; and

WHEREAS, since this formula was adopted, there have been changes in the funding for the County's road program— (1) the new Transportation Revenue Sharing Account was enacted by the State; (2) the County's road debt service includes many METRO access roads and the landfill access road; and (3) investment income has increased; and

WHEREAS, beginning in fiscal year 1982, the State is providing a supplemental police grant in an amount equal to $2.00 per capita for each subdivision having a population density of less than 8,000 per square mile; and

WHEREAS, Article 15A of the State code further requires the governing body of each subdivision to allocate and distribute a portion of the supplemental police grant to qualifying municipalities on a formula basis to be negotiated between the County and the governing body of the qualifying municipalities; and

WHEREAS, there are several municipalities and special taxing districts within the County which provide code enforcement services and are not reimbursed by the County for the costs associated with these responsibilities even though they pay County property taxes for these services; and

WHEREAS, recognizing that the above cited changes required detailed examination, the Task Force on County-Municipality Financial Relationships was reestablished and charged with reviewing these matters and making recommendations concerning appropriate amendments to the Municipal Revenue Program (see County Council Resolution 9-1492 dated October 11, 1981); and

WHEREAS, the Task Force submitted its Final Report and recommenda-
tions to the Council, a copy of which is attached hereto; and

WHEREAS, the Task Force has made recommendations to the Council with respect to the following:

- the allocation of revenues from the State's Transportation Revenue Sharing Account (TRSA);
- the exclusion of debt service charges for METRO access roads and the landfill access road from the reimbursement calculation for street related expenditures;
- the inclusion of investment income from road and storm drain revenues as a revenue offset to property tax duplication;
Resolution No. 9-1752

- the inclusion of 10% of the County's expenditures for the traffic signal, traffic sign, and traffic marking programs;
- beginning in fiscal year 1982, the sharing of the State's supplemental police aid should be based on a formula which gives equal weight to two factors—population and the number of sworn officers;
- beginning in fiscal year 1983, the County should institute a reimbursement program for code expenditures—zoning, housing, animal control, and construction code enforcement. These reimbursements should use a formula based upon one of two indicators—the number of dwelling units or the number of parcels of land, whichever is the more appropriate in each case;
- beginning in fiscal year 1983, the County should institute a reimbursement program for consumer affairs services in the City of Gaithersburg and in the Human Relations Commission services in the City of Rockville;
- the formula calculations for any given year should be based upon the County's and each municipality's actual audited expenditures and revenues for the prior fiscal year;
- beginning in fiscal year 1983, the County should distribute 85% of the estimated reimbursements no later than October 15; the balance of the reimbursements based on audited expenditures and revenues, should be made no later than February 1 of each year;
- all County payments for fiscal year 1981 and previous years should be considered as final and no adjustments should be attempted. The only exception to this recommendation is that the County should reimburse the City of Takoma Park a net amount of $32,550 for an error made in calculating that city's eligible mileage in fiscal years 1979, 1980, and 1981. This adjustment should be paid in fiscal year 1983;
- for other areas of possible tax duplication which involve only one municipality or special taxing district and which are not explicitly addressed in this report, a representative of the County Executive should meet with the designee of any affected municipality or special taxing district to study these areas of possible duplication and submit recommendations for consideration by the County Council no later than June 1, 1982; and

WHEREAS, the Task Force estimates that the total cost to the County of the proposed reimbursement package will be $1,390,000 for fiscal year 1982, and will approximate $1.8 million thereafter;

NOW, THEREFORE, BE IT RESOLVED by the County Council for Montgomery County, Maryland that:

The report and recommendations of the Task Force on County-Municipality Financial Relationships is accepted and the recommendations, as outlined in the report, are accepted for funding within the Municipal Revenue Program;

AND BE IT FURTHER RESOLVED that:

The County Council regards this as a basic commitment of the County to provide greater equity for County taxpayers inside and outside the municipalities and special taxing districts, but severe fiscal constraints may prevent 100% funding. If the County is unable to fully fund the program, appropriate notification should be provided to the appropriate municipalities and special taxing districts.

A True Copy

ATTEST:

[Signature]
Anna P. Spates, Secretary
of the County Council for
Montgomery County, Maryland

ATTACHMENT
SUMMARY

For the past several months, the Task Force on County-Municipality Financial Relationships has examined the County’s Municipal Revenue Program which reimburses the municipalities and special taxing districts for those public services which they provide, and which would otherwise be provided by the County Government.

The general principles which the Task Force used are those outlined in Chapter 30A of the Montgomery County Code. These include:

- the service is provided by the municipality or special taxing district in lieu of being provided by the County;
- the reimbursement shall be limited to the amount the County would expend if it were providing the service within the municipality or special taxing district;
- the reimbursement is for property tax duplication, and is, therefore, limited to expenses financed with property tax revenues paid by all County taxpayers.

The work of the Task Force has focused on four areas of duplication:

1) street and road expenditures
2) code enforcement expenditures
3) sharing the State’s supplemental police aid as required by Article 15A, Section 37 of the State Code.
4) other areas of possible duplication which are of concern to only one municipality or special taxing district.

The members of the Task Force are not in full agreement with every detail of the following recommendations, but there is a consensus that these recommendations represent a reasonable package which should be adopted by the County Council and the County Executive.

The Task Force recommends:

1) For fiscal year 1982 and subsequent years, the formula for reimbursement for street-related expenditures adopted in fiscal year 1979 should be modified to:

- allocate the revenues from the State Transportation Revenue Sharing Account equally between the mass transit and highway programs, and provide for a direct pass-thru of a portion of the highway allocation to the municipalities and special taxing districts.
-2-

. exclude the County's debt service charges for METRO access roads and the landfill access road from the reimbursement calculation, since these are determined to be a special category, of equal benefit to all County residents, including those in the municipalities and special taxing districts;

. incorporate investment income as a revenue offset to property tax duplication.

. include 10% of the County's expenditures for the traffic signal, traffic sign, and traffic marking programs since there is determined to be some level of tax-supported duplication.

2) Beginning in fiscal year 1982, the sharing of the State's supplemental police aid should be based on a formula which gives equal weight to two factors--population and the number of sworn officers.

3) Beginning in fiscal year 1983, the County should institute a reimbursement program for code expenditures--zoning, housing, animal control, and construction code enforcement. These reimbursements should use a formula based upon one of two indicators—the number of dwelling units or the number of parcels of land, whichever is the more appropriate in each case.

4) Beginning in fiscal year 1983, the County should institute a reimbursement program for consumer affairs services in the City of Gaithersburg and for Human Relations Commission services in the City of Rockville.

5) The formula calculations for any given year should be based upon the County's and each municipality's actual audited expenditures and revenues for the prior fiscal year.

6) Beginning in fiscal year 1983, the County should distribute 85% of the estimated reimbursements no later than October 15; the balance of the reimbursements, based on audited expenditures and revenues, should be made no later than February 1 of each year. For fiscal year 1982, the reimbursements should be made by May 3, 1982.

7) All County payments for fiscal year 1981 and previous years should be considered as having been made and no adjustments should be attempted. The only exception to this recommendation is that the County should reimburse the City of Takoma Park a net amount of $52,650 for an error made in calculating that city's eligible mileage in fiscal years 1979, 1980, and 1981. This adjustment should be paid in fiscal year 1983.
8) For other areas of possible tax duplication which involve only one municipality or special taxing district and which are not explicitly addressed in this report, a representative of the County Executive should meet with the designee of any affected municipality or special taxing district to study these areas of possible duplication and submit recommendations for consideration by the County Council no later than June 1, 1982. A preliminary report is requested by May 3, 1982 in time for possible fiscal year 1983 funding.

The total cost to the County of the recommended reimbursement package will be $1,390,000 for fiscal year 1982; the cost in fiscal year 1983 will approximate $1.8 million.

**REIMBURSEMENT FOR STREET AND ROAD EXPENDITURES**

**Background.** County Council Resolution 8-2222, adopted October 17, 1978, established the present formula for reimbursing the municipalities and special taxing districts for street and road related expenditures. Essentially, this formula calculates the County's funding per mile from property taxes for the operation and debt service of non-municipal County roads. This County funding per mile is then reimbursed to each municipality and special taxing district based on the annual certified road mileage used by the State for calculating the sharing of gasoline and motor vehicle taxes.

The Task Force has discussed four issues at length:

- the handling of revenues received from the State through its Transportation Revenue Sharing Account;
- debt service charges for METRO access roads and the landfill access road;
- the handling of investment income as a revenue offset to property tax duplication;
- the expenditure program of the County's Transportation Department to ascertain those activities which benefit municipal residents.

**Transportation Revenue Sharing Account.** In its 1980 session, the Maryland Legislature established a Transportation Revenue Sharing Account (TRSA) in the
Transportation Trust Fund. Financing for this was provided from 20% of the vehicle titling tax revenues and 2% of the State’s 7% corporate income tax. This new TRSA was one component of the Governor’s transportation funding package which included the State’s participation in mass transit operating subsidies. The County received $1.7 million from this new program in fiscal year 1981; future year estimates are about $2.5 million per year.

The Office of Management and Budget applied this “new” TRSA revenue as an offset to the County’s transportation expenditures when calculating the reimbursements under the Municipal Revenue Program for fiscal year 1981. The municipalities and special taxing districts questioned this treatment of revenues, and it was this issue that headlined the agenda for the present Task Force.

The Task Force agrees that not all of the revenues received by the County from this source should be applied to the “revenue sharing formula” even though the County applies the entire amount to its General Fund.

The Task Force recommends the following:

1. Revenues derived from the TRSA be allocated to both mass transit and highways in proportion to the amount of property tax revenues collected by the County for each purpose. For example, in fiscal year 1981, $26.7 million of property taxes were collected for transportation programs, of which 31.2% were for highways and 48.8% for transit; these percentage amounts would then be used to allocate the $1.7 million received from the TRSA.

2. Of the amount designated for highways, the percentages used for the State’s “pass through formula” for highways, would be used to distribute a portion of these revenues directly to the municipalities and special taxing districts. The balance of the highway’s allocation is then applied as a revenue item in the “revenue sharing formula”. Appendix A provides a detailed calculation for fiscal year 1981.

Debt Service Costs. In the course of reviewing the formula for street expenditure reimbursement, the County Executive’s representative raised the issue of including 100% of the County’s debt service in the reimbursement calculation. The argument presented was that the greatest portion of the County’s road debt service is for arterial and METRO access roads which serve
County-wide needs and benefit municipal and special taxing district residents. The argument continued that it is fair to have municipal and special taxing district residents contribute to the property taxes that pay such debt service. It was further pointed out that debt service on roads is a significant share of the County's road program, but not so for the municipalities and special taxing districts; the vast majority of roads maintained by these governments are built by subdivision developers.

The Task Force recommends that the County's debt service costs for METRO access roads and for the landfill access road be excluded from the cost calculations for the Municipal Revenue Sharing Program. For fiscal years 1981 and 1982 this would amount to excluding 24% of the County's debt service costs. For the fiscal year 1984 reimbursements, this element of the formula should be recalculated. Appendix B provides the project listing.

Investment Income. A third issue relative to the street reimbursement formula was that the Office of Management and Budget was not including investment income as a revenue offset. These revenues are used to finance the road program and as such reduce the level of property tax duplication and should therefore be incorporated in the formula.

The Task Force recommends that investment income be included in the formula as a revenue offset.

Traffic Engineering Expenses. The formula adopted in 1979 does not provide reimbursement for the traffic signal, traffic sign, and traffic marking programs administered by the County's Division of Traffic Engineering. The municipal representatives on the Task Force questioned this exclusion since many, if not all, of them do incur costs for traffic signs and markings; the larger municipalities also maintain some of the traffic signals located within their jurisdictions.

The Task Force recommends that, since the incidence of these costs is not uniform for each municipality and special taxing district, 10% of the County's expenditures for these programs should be included in the reimbursement formula and the remaining 90% be considered to benefit municipal and special taxing district residents.
Fiscal Impact. The Task Force’s recommendations for reimbursement for street related expenditures would total $5,496 per mile for a total impact for the County of approximately $1,300,000 for fiscal year 1982. Appendix C provides the detailed calculations.

SHARING THE STATE’S SUPPLEMENTAL POLICE AID

Background. Beginning this fiscal year, the State provides a supplemental police grant in an amount equal to $2.00 per capita for each county having a population density of less than 8,000 per square mile. Section 37 of Article 15A of the State Code requires the governing body of each subdivision to allocate and distribute a portion of this supplemental grant to qualifying municipalities on a formula basis to be negotiated between the County and the governing body of the qualifying municipalities. The revenue received in Montgomery County is estimated at $1,174,000 in fiscal year 1982.

The State also provides a basic police aid formula through which the municipalities and special taxing districts receive a grant directly from the State, based on each jurisdiction’s proportion of actual police expenditures. This concept reimburses municipalities for their contribution to total police protection and attempts to account for different levels of service.

Chevy Chase Village, Gaithersburg, Rockville, and Takoma Park currently provide police services in the County. With the exception of Takoma Park, these municipalities provide supplemental patrol services, and do not have the full range of services provided by the County police; it is estimated that about 40% of the County police budget is for patrol services.

Alternative allocations. For distributing the supplemental aid to Chevy Chase Village, Gaithersburg, Rockville, and Takoma Park, the Task Force has discussed three alternative allocation formulae—population, number of sworn officers, and the State formula for basic police aid. The fiscal impact for the County for any of these formulae varies by about $23,000, and the allocation among the four municipalities is quite different. Appendix D provides details.

Beginning in fiscal year 1982 the Task Force recommends the following:

- provide the $2.00 per capita supplemental grant to the City of Takoma Park because the County does not provide police services within the city limits.
for Chevy Chase Village, Gaithersburg, and Rockville use a formula weighted equally between population and the number of sworn officers. The reimbursement for population should be 80% of the $2.00 grant since these municipalities provide essentially patrol service and the patrol function represents about 40% of the County's police budget. Using the number of sworn officers is a measure of level of effort.

Fiscal Impact. The Task Force's recommendations for sharing the supplemental police aid will have an $82,000 fiscal impact for the County in fiscal year 1982. See Appendix D.

REIMBURSEMENT FOR CODE ENFORCEMENT EXPENDITURES

Background. Several of the municipalities and special taxing districts exercise authority in the areas of planning, zoning, code enforcement, and animal control. Since these activities are also carried out by agencies of the County Government and financed, at least in part, by general property tax revenues, it was deemed appropriate to include these programs on the Task Force's agenda. The recommendations of the Task Force are set forth below.

Planning and Zoning Expenditures. Four agencies of the County Government provide services related to the County's planning and zoning processes—the Office of the Hearing Examiner, the Board of Appeals, and the Code Enforcement Sections of the Departments of Environmental Protection and Housing & Community Development. Seven municipalities (Barnesville, Brookeville, Gaithersburg, Laytonsville, Poolesville, Rockville, and Washington Grove) also have planning and zoning powers and responsibilities, and do not avail themselves of the County's services.

Beginning in fiscal year 1983, the Task Force recommends reimbursement to those municipalities which exercise planning and zoning powers in accordance with the following:

- expenditures which are financed by the County's general property tax revenues for the County's Hearing Examiner, Board of Appeals, and Code Enforcement Sections of the Departments of Environmental Protection and Housing & Community Development should be included in the reimbursement formula.
- the County's tax-supported expenditure per parcel of land in the County should be the unit of measure applied to the number of parcels of land located in each of the affected municipalities.
the reimbursement should not exceed the amount financed by taxes for these purposes by each of the municipal governments.

**Housing-Related Items.** The Task Force has determined that property maintenance and landlord-tenant services constitute duplicated services and should be reimbursed to the municipalities and special taxing districts providing these services. Expenditures for weed control, rodent control, and landlord-tenant services financed by the County’s general property tax are included here.

Beginning in fiscal year 1983, the Task Force recommends reimbursement to those municipalities which provide these housing-related services in accordance with the following:

- expenditures which are financed by the County’s general property tax revenues for weed control, rodent control, and landlord-tenant services should be included in the reimbursement formula.

- the County’s tax-supported expenditure per dwelling unit should be the unit of measure applied to the number of dwelling units located in each of the affected municipalities or special taxing districts.

- the reimbursement should not exceed the amount financed by taxes for these purposes by each of the municipalities or special taxing districts.

**Animal Control.** The County’s Department of Animal Control and Humane Treatment does not provide all of its services for the cities of Rockville and Gaithersburg; they do, however, use the County Animal Shelter and also use the County’s rabies control services.

Beginning in fiscal year 1983, the Task Force recommends reimbursement to those municipalities which provide these animal control services in accordance with the following:

- expenditures which are financed by the County’s general property tax revenues for animal control, excluding the cost for the County’s Animal Shelter and the rabies control services, should be included in the reimbursement formula.

- the County’s tax-supported expenditure per dwelling unit should be the unit of measure applied to the number of dwelling units located in each of the affected municipalities or special taxing districts.
the reimbursement should not exceed the amount financed by taxes for this purpose by each of the municipalities or special taxing districts.

Fiscal Impact. The estimated fiscal impact for the reimbursement for these code enforcement expenditures totals $261,150 for fiscal year 1983—$156,100 for planning and zoning; $39,400 for housing-related items; $15,650 for animal control expenditures. Appendix E provides a detailed calculation.

REIMBURSEMENT FOR OTHER TAX DUPLICATION SERVICES

During the Task Force's deliberations concerning tax duplication, the representatives of the municipalities and special tax districts identified a number of services which they feel are provided by the County and one municipality, but not by all municipalities and special taxing districts. Examples include: consumer affairs services in Gaithersburg; human relations services in Rockville; transportation for the elderly to nutrition sites in Rockville; Mönro access roads in Rockville; police protection, parks maintenance and development, and library services in Takoma Park. The Task Force has taken note of the statement of the County Executive in his proposed fiscal year 1983 operating budget that "...police service in Takoma Park is a component of the current analysis of the County's Municipal Sharing Program and adjustments to the current formula may be recommended in FY 83."

The Task Force has had only limited discussions on these matters and recommends the following:

. beginning in fiscal year 1983, reimburse the City of Gaithersburg for its consumer affairs services limited to the amount the County would expend if it were providing the service. The reimbursement should not exceed the City's actual expenditures for this service.

. beginning in fiscal year 1983, reimburse the City of Rockville for its Human Rights Commission expenditures limited to the amount the County would expend if it were providing the service. The reimbursement should not exceed the City's actual expenditure for this purpose.

. a representative of the County Executive should meet with representatives of the City of Takoma Park and any other municipality or special taxing district to study any potential tax duplication issue not explicitly addressed in this report. The
County Executive is requested to prepare recommendations on each issue for consideration by the County Council. Of particular urgency is the review of funding for police protection, parks maintenance and development, and library services provided in the Montgomery County portion of Takoma Park.

A recommendation on all issues should be available for Council consideration prior to June 1, 1982. A preliminary report is requested by May 3, 1982 in time for possible fiscal year 1983 funding.
APPENDIX A

General Fund Property Taxes to Support Highway Operations $7,909,843
Debt Service for Roads & Storm Drains 6,346,054
Special Assessments (-588,734)
Total General Fund Taxes for Highway Program 13,667,163 (51.2%)
Mass Transit Property Taxes 13,023,658 (48.8%)
TOTAL TRANSPORTATION PROGRAM PROPERTY TAXES $26,690,820 (100.0%)

The County collected $1,704,756 in FY 1981 from the State's Transportation Revenue Sharing Account (TRSA)

48.8% or $831,926 is allocated to transit
51.2% or $872,830 is allocated to highways
$1,704,756

Of the $872,830 allocated to highways, $109,100 is passed-thru directly to the municipalities in accordance with the State's formula for highways. The balance of $763,730 is applied to the "revenue sharing formula" as shown in Appendix C.
## Appendix B

### Landfill and METRO Access Roads: FY 1973 thru FY 1982

<table>
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<th>Project</th>
<th>Actual thru FY 81</th>
<th>FY 82 Estimated</th>
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<td>Redland Fields Road</td>
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<td>Marinelli Road</td>
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($16,250,000)

### Bond Sales: FY 1973 thru FY 1982

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<tbody>
<tr>
<td>March 1981</td>
<td>$18.0</td>
</tr>
<tr>
<td>June 1980</td>
<td>7.0</td>
</tr>
<tr>
<td>May 1979</td>
<td>3.0</td>
</tr>
<tr>
<td>June 1978</td>
<td>7.0</td>
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<td>April 1977</td>
<td>5.0</td>
</tr>
<tr>
<td>July 1976</td>
<td>3.5</td>
</tr>
<tr>
<td>January 1975</td>
<td>12.0</td>
</tr>
<tr>
<td>April 1973</td>
<td>7.5</td>
</tr>
<tr>
<td>June 1972</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$68.0</td>
</tr>
</tbody>
</table>

$16.3 = 24%
## APPENDIX C

### I Salaries & Wages
- Actual FY 1981: $8,767,489
  - Operating Expenses: 5,790,935
  - Capital Outlay: 52,790
  - Fringe Benefits: 2,562,315
  - Utility Costs NDA: 2,878,695

### II Less Charges to:
- Suburban District: 210,120
- Capital Projects: 1,733,160
- Mass Transit: 18,720
- Parking Districts: -0-

**Subtotal:** $18,090,222

### III Less Revenue Sources
- Vehicle & Fuel Taxes: $7,223,709
- Race Track Receipts: 282,406
- Signal Maint. Reimb.: 237,792
- Engineer Fees: 431,341
- Planning Grant: 99,000
- Other: 23,333
- Storm Drain Tax: 654,306
- Investment Income: 1,228,492

**Subtotal:** $7,909,843

### IV Debt Service @ 76% Less Special Assessments: 447,438

**Subtotal:** $12,285,406

### V Less Transportation Revenue Sharing @ 45%: 763,730

**Subtotal:** $11,521,676

### VI Less Activities Considered to Benefit Municipalities
- Office of Director: $251,176
- 50% Administration Svcs.: 61,270
- 50% Transp. Engineering: 700,433
- Transp. Planning: 178,686
- 90% Traffic Engineering: $1,802,727

### VII Net General Fund Tax Support: 8,527,384
- # Miles: 1,693
- Support per mile: $5,037

237.88 miles x $5,037 = $1,198,200

TRSA Direct ($459/mile) = $109,100

**TOTAL ($5,496/mile) = $1,307,300**

* Items discussed by the Task Force
APPENDIX D

Distribution Formula
Supplemental Police Aid
Based on estimated Montgomery County supplemental grant of $1,174,000

Per Capita

The affected municipalities agreed that Takoma Park should receive $2.00 per capita for supplemental police aid because Montgomery County does not provide police services within the City limits.

Municipality  Montgomery County Population  Funding

Takoma Park  11,331  $22,462

Chevy Chase Village, Gaithersburg and Rockville agreed that population should be the basis for half of the distribution formula. Because these jurisdictions provide primarily patrol services, it was agreed that $0.80 per capita was a fair distribution, representing 40% of the $2.00 per capita received by Montgomery County.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Population</th>
<th>$0.80 per capita</th>
<th>50% formula (x.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevy Chase Village</td>
<td>2,107</td>
<td>$1,686</td>
<td>$843</td>
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<tr>
<td>Gaithersburg</td>
<td>25,400</td>
<td>21,120</td>
<td>10,560</td>
</tr>
<tr>
<td>Rockville</td>
<td>43,811</td>
<td>35,048</td>
<td>17,524</td>
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</table>

Per Sworn Officer

The affected municipalities also agreed that the number of sworn officers represented a level of effort of providing police services and should be the other half of the distribution formula.

<table>
<thead>
<tr>
<th>Municipality</th>
<th># Sworn Officers</th>
<th>% of Total*</th>
<th>50% of formula (x.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevy Chase Village</td>
<td>8</td>
<td>.00937</td>
<td>$5,500</td>
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<tr>
<td>Gaithersburg</td>
<td>7</td>
<td>.00820</td>
<td>4,814</td>
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<tr>
<td>Rockville</td>
<td>28</td>
<td>.03280</td>
<td>19,254</td>
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</table>

*Montgomery County has 789 sworn officer positions and Takoma Park has the equivalent of 21.6 officers serving the Montgomery County portion of the City, for a total of 853.6 sworn officers for the County and its municipalities.

Total Allocation

The following table shows the net result of this proposed formula:

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<thead>
<tr>
<th>Municipality</th>
<th>Per Capita</th>
<th>Per Sworn Officer</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Chevy Chase Village</td>
<td>$843</td>
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<td>Rockville</td>
<td>17,524</td>
<td>19,254</td>
<td>36,778</td>
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<td>Takoma Park</td>
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<td>22,662</td>
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<td>$81,157</td>
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### CODE ENFORCEMENT EXPENDITURES
#### FY 1982

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<tr>
<th>Planning &amp; Zoning</th>
<th>Animal Control</th>
<th>Landlord Tenant</th>
<th>Rodent Control</th>
<th>Weed Control</th>
<th>EDCD Code</th>
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<tbody>
<tr>
<td>Hearing Examiner</td>
<td>$217,430</td>
<td>$911,610</td>
<td>$60,000</td>
<td>$75,410</td>
<td>$115,870</td>
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<td>of Appeals</td>
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<td>$60,000</td>
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<td>DEP Code</td>
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<td>$541,150</td>
<td>$60,000</td>
<td>$75,410</td>
<td>$115,870</td>
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<td>$ Funded by Property Tax</td>
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<tr>
<td>. Dwelling Units</td>
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<td>206,158</td>
<td>$207,195</td>
<td>$207,195</td>
<td>$207,195</td>
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<td>$.1753</td>
<td>$1.8282</td>
<td>.2896</td>
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<tr>
<td># Units in Municipalities Providing the Service</td>
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<td>26,855</td>
<td>26,855</td>
<td>35,905</td>
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<td>Reimbursement</td>
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<td>$4,700</td>
<td>$65,650</td>
<td>$10,400</td>
<td>$8,920</td>
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</table>

1 Animal Shelter & Rubies Control
2 Elevator Inspection Program
Resolution No.: 13-650
Introduced: Sept. 10, 1996
Adopted: Sept. 10, 1996

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: County Reimbursements under the Montgomery County Municipal Revenue Program - Task Force Report and Recommendations

Background

1. Chapter 30A of the Montgomery County Code (1994) provides for a program which reimburses municipalities and special taxing districts for those public services provided by the municipalities which would otherwise be provided by the County.

2. Reimbursements under Chapter 30A have been made pursuant to a procedure established under Resolution 8-2222, dated October 17, 1978, which was revised and supplemented by Resolution 9-1752, dated April 27, 1982.

3. In March 1995 County Executive Douglas M. Duncan appointed County and municipal representatives to serve on the Montgomery County Task Force to Study the Municipal Tax Duplication Reimbursement Program. This Task Force was charged with reviewing the procedures and formulas used to determine the amount of the reimbursements and with making recommendations to improve these procedures and formulas.

4. The Task Force submitted its Final Report and recommendations, a copy of which is attached, to County Executive Douglas M. Duncan, on June 5, 1996.

5. The goals of the Task Force were to determine:
   a. Whether the complex formulas used to calculate the reimbursements could be simplified;
   b. Whether reimbursements could be made in a way that would provide greater
predictability to each municipality in planning the following year's budget;

c. Whether a single reimbursement could be made.

6. The Task Force recommends that the following formulas be used to determine the reimbursements for the following services provided by the municipalities:

a. Transportation. Reimbursements shall be a percentage of the County's actual, audited per mile or per item expenditure, multiplied by the number of miles or items in each municipality. The percentage reflects the percentage of the County expenditures that are paid for with property tax revenues.

b. Park Maintenance. Reimbursements will be based upon the same formula currently used.

c. Code Enforcement. Reimbursements will be based upon the net County property tax supported code enforcement expenditures per dwelling or per parcel.

d. Other services. Reimbursements will be based upon the net County property tax supported expenditures.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

1. The Final Report of the Task Force to Study the Municipal Tax Duplication Reimbursement Program is accepted and the recommendations, as outlined in the report, are accepted for funding within the Municipal Revenue Program.

2. The recommendations contained in the Report will be implemented beginning in Fiscal Year 1997.

3. Reimbursement payments to municipalities will be made once a year, by October 1.

4. Reimbursements for Fiscal Year 1997 will be based upon Fiscal Year 1995 actual, audited expenditures from the County's comprehensive annual financial report. Thereafter annual reimbursements will continue to be based upon the actual audited expenditures using a similar two year interval.

5. Municipalities will not be required to submit their expenditures but will be required to provide annual certification of eligible services.

6. The Task Force will meet annually to review the municipal revenue program.
7. To the extent that the County Council is required to meet annually and discuss with each municipality the rate for assessments or the tax reimbursement program, the Council delegates this duty to the County Executive or his delegate, who should then report back to the County Council.

This is a correct copy of Council action.

/s/
Mary A. Edgar, CMC
Secretary of the Council

APPROVED:

/s/
Douglas M. Duncan
County Executive
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan
County Executive

MEMORANDUM

July 1, 1996

TO: Gail H. Ewing, President, Montgomery County Council
FROM: Douglas M. Duncan, County Executive
SUBJECT: Municipal Tax Duplication Reimbursement Task Force
Final Report and Resolution

I am pleased to share with you and the members of the County Council the
I appointed this Task Force last year for the purpose of reviewing, and recommending changes to
the process used by the County to calculate and reimburse expenditures to municipalities for
those property tax based services provided by municipalities that would otherwise have to be
provided by the County. The current process was established by Resolution in 1978.

I commend the members of this Task Force for their many months of dedicated
work and their ability to develop recommendations that, when adopted, will well serve all of our
residents. The proposed formula should also contribute to improved efficiency in budgeting and
planning functions for the County as well as for our municipalities. I recommend that the
County Council approve the Resolution included as part of this report.

DMD/rm
Enclosure
Tax Duplication Task Force
Final Report

June 5, 1996
EXECUTIVE SUMMARY OF RECOMMENDATIONS

The Montgomery County Tax Duplication Task Force recommends the following:

- In FY96 the Montgomery County municipalities will receive tax duplication reimbursements calculated according to the tax duplication formulas currently in place. FY95 base data is used to make these calculations.

- In FY97 the tax duplication reimbursements will be based on the formulas recommended by the Task Force. These formulas are based on FY95 actual expenditures.

- The recommended formulas are based on the County's actual, net, property tax supported expenditures for service (i.e. total expenditures less applicable off-setting non-tax revenues), not on the amount spent by the municipalities.

TRANSPORTATION
- 61.7% of the County's FY95 actual, audited per mile or per item expenditure multiplied by the number of road miles or items in each municipality.
- In FY97 each municipality will receive a reimbursement payment for transportation that is no less than the amount received in FY96.
- The Task Force will meet prior to next year's meet and confer to review the impact of changes in State Highway User Revenue program and any other changes in non-tax.

POLICE
- Since the County does not currently use the presence of Gaithersburg, Rockville and Village of Chevy Chase police forces in determining their resource and beat allocation formulas no duplication reimbursement is recommended.

PARK MAINTENANCE
- In FY97 the park maintenance reimbursement will be based on the current formula.
- The Task Force will review problems with the current system and recommend a new formula for FY98 if necessary.

CODE ENFORCEMENT
- The reimbursement will be based on the County's net per dwelling or per parcel cost rather than on the municipality's net cost.

- The Task Force recommends that the municipalities will not be required to submit details of their expenditures but will be required to provide annual certification of eligible services and workload data for selected services.

- Any negotiations related to other Takoma Park consolidation will be separate from the tax duplication issues.
BACKGROUND

In March, 1995 County Executive Douglas M. Duncan appointed County and municipal representatives to serve on the Montgomery County Task Force to study the Municipal Tax Duplication Reimbursement Program. The municipal representatives recommended by the Maryland Municipal League Montgomery County Executive Board are: Beverly Habada, Administrator, City of Takoma Park, David Humpton, Manager, City of Gaithersburg, Rick Kuckkahn, Manager, City of Rockville, Susan Robinson, Manager, Town of Chevy Chase, Lib Tolbert, Mayor, Barnesville. The County representatives are: Mike Coveyou, Department of Finance, Betty Ferber, Office of the County Attorney, George Griffin, Office of the County Executive, Susan Hoffmann, Intergovernmental Relations Office, Bryan Hunt, Office of Management & Budget, and Chuck Sherer, County Council Staff. Barbara Hawk, Director, Institute for Governmental Service has served as facilitator of the group. Andi Silverstone, Town of Chevy Chase, served as secretary to the Task Force. Paulette Bowles, Office of Management & Budget, has provided technical assistance and staff support. The group began meeting in April, 1995 and met through May, 1996.

TASK FORCE GOALS

The Task Force was directed to look into issues surrounding the current tax duplication formula and to recommend improvements to the program. Early in the process the group decided that its primary goal was to improve and simplify the current system, rather than to create a new system. A second goal was to resolve policy and administrative problems associated with the current program. An important objective of the Task Force was to assure that neither the County nor the municipalities receive a "windfall" from new formulas, and conversely, that no jurisdiction suffer a large revenue loss. The Task Force was directed to report their recommendations to the County Executive for his review and action.

Several problems associated with the current system were identified, and the Task Force focused on resolving those issues. The Task Force determined that there were both administrative problems and policy issues to be resolved. The group agreed that the police and transportation (road maintenance) formulas were the most significant areas of concern. These issues were also the most complex and difficult for the Task Force to resolve. Determination of the level of service provided by the County and estimating what the portion of those expenditures are supported by property tax revenues is complicated and time-consuming. However, the group reached consensus on the following issues:
**Policy Issues**

1. The reimbursement program should be equitable, efficient to administer, and easily understood by the public.

2. The basis for the reimbursement program should be the amount the County would spend to provide a duplicated service rather than the amount spent by a municipality to provide the service. Therefore, the rebate to the municipalities should be based on the County's actual, net, property tax funded expenditures for a given service. The reimbursement formula should not include services provided by a municipality but not provided by the County.

3. The reimbursement program should be as predictable and stable as possible and should require as little paperwork as possible by both the County and the municipalities.

4. In order to minimize the potential budgetary impact of the new formulas on either the County or the municipalities, any changes should be phased in if possible.

5. There should be provisions for annual re-evaluation of the reimbursement program.

**Administrative/Procedural Issues**

1. The formula for reimbursements should be based on the actual, net, County property tax supported expenditures for service. (i.e. total expenditures less applicable off-setting non-tax revenues).

2. The reimbursement for transportation should be based on a cost per mile or per unit figure, less off-setting revenues such as fees and charges and Highway User Revenues.

3. The police services reimbursement should more accurately reflect the number of first responses by County and municipal police officers or use some other measure that accounts for the net County per capita police expenditures.

4. Reimbursement payments to municipalities should be made once a year, by October 1, instead of twice a year as is current practice. To accomplish this, the Task Force recommends using audited expenditure figures from the County's comprehensive annual financial report (CAFR). For instance, FY97
payments would be based on the audited FY95 actual figures which are available in late December, 1995. This assures that both the County and the municipalities have firm numbers before their respective budget cycles begin.

5. The recommendations, if adopted, should be implemented in FY97. Therefore, reimbursements will be based on FY95 actual, audited expenditures. (It should be noted that this requires using FY95 actuals for two years' reimbursements; FY96 reimbursements using the old formula, and FY97 reimbursements using the new formula.)

6. An annual review of the program will be conducted by the municipalities and the County. The Task Force will remain as constituted and may meet throughout the year to discuss issues that affect the reimbursement formula. The group will also meet prior to the annual meet and confer sessions with the County Executive and the County Council.

**Recommended Reimbursement Formulas**

Table 1 summarizes the reimbursements for each municipality for duplicated services proposed for FY97 using the new formula. Table 2 compares current and recommended reimbursements. All recommended totals use FY95 actual figures.

**Transportation**

A primary goal of the Task Force was to develop a simpler, equitable reimbursement formula for transportation expenditures. The proposed formula has two components. The first is the cost of road maintenance provided by the County Department of Public Works and Transportation (Divisions of Highway Services and Traffic and Parking Services). Roadway maintenance, bridge maintenance, storm damage, roadway resurfacing (CIP projects), traffic signs & pavement markings, and street light maintenance costs were calculated on a per road mile basis. The maintenance costs of bridges and traffic signals were calculated on a per item basis. (Table 3) The second component is the percentage of the County expenditures that could be, and therefore theoretically are, paid for with property tax revenues. State Highway User Revenues (HUR) and miscellaneous fees and charges are also used to fund County road maintenance costs. The Task Force determined that in FY95 Highway User Revenues and miscellaneous sources accounted for approximately 38.3% of the total eligible expenditures (Table 4). Therefore, the net County property tax funded cost is 61.7% of total expenditures in FY95. This percentage will change annually depending on the amount of Highway User Revenues received, the amount of other miscellaneous fees and charges and the size of the County road maintenance budget.
Based on this rationale, the Task Force recommends that the transportation property tax reimbursement for FY97 be set at 61.7% of the actual, audited County per mile or per item FY95 road maintenance expenditures, multiplied by the number of road miles or items in each municipality. All municipalities will be guaranteed the dollar amount of the FY96 payment in FY97. Table 5 compares the current transportation formula with the recommended formula by maintenance category. Table 6 summarizes the anticipated impact of the recommended formula on each municipality.

The Task Force agreed to meet in one year to adjust the transportation formula. The Task Force further recommends that a group of transportation professionals meet to discuss and make recommendations regarding the difference in maintenance costs of urban (or highly traveled) roads, rural and residential roads. They will also look at whether there are any special road costs experienced by Rockville as the center of County government.

If the recommendations cannot be implemented beginning in FY97 the Task Force recommends that they be implemented in FY98 and based on actual, audited FY96 data. FY96 data (using either the current or the proposed formulas) will result in significantly higher payments due to the snow storm costs. The Task Force agreed that if the recommendation is not implemented until FY98, FY96 data will be used for that year also, except that a four year average will be used for the storm damage factor in the formula. (See Table 7 for a summary of historic maintenance cost data)

**POLICE**

Calculation of a police services reimbursement formula is complicated by the fact that the County is required, by law, to provide the same level of service to municipal residents and non-municipal residents except in the case of Takoma Park. Under a 1949 agreement the City of Takoma Park has responsibility for all calls for police assistance and dispatches its own officers. The City has a mutual aid agreement with the County. The police reimbursement issue is further complicated by the fact that each of the other jurisdictions which offer police services (Rockville, Gaithersburg and the Village of Chevy Chase) has a different arrangement with the County for responding to calls.

The City of Rockville has its own central dispatch operation which handles telephone and walk-in complaints. They also monitor the County system and dispatch their officers to complaints/incidents in Rockville. The County can dispatch Rockville officers as a first response but generally does not. All addresses in Chevy Chase Village are coded in the County's dispatch system. When a call for service from a Village address is received a code appears on the dispatcher's screen and a Village police officer is then dispatched to the call. County police officers are not dispatched to emergency calls in the Village unless there are no Village units available. Non-emergency calls are held until a Village unit is available. The City of Gaithersburg has concurrent jurisdiction
with Montgomery County police and officers are dispatched directly by the County.

Originally, the Task Force recommended a formula based in part on the current formula used to calculate the Takoma Park reimbursement which assumes a ratio of seven police officers for every 6,000 calls. The ratio of total service calls to municipality first responses is factored in and the police State aid paid to municipalities is subtracted. However, members of the Task Force met with County police officials to discuss the County's internal review of police services, beat realignments, restructuring of district boundaries and reallocation of resources. The Task Force found that the County does not use the number of first response calls made by municipal officers as a factor in their beat allocation decisions. The Montgomery County police are required to provide the same level of service to all residents whether or not they reside in a municipality. The County asserts that if the municipalities did not provide police services, the result would be an increase in response time countywide. Their logic is that while the presence of the municipal police allows the County police to respond faster or to more complaints, the absence of municipal police would not significantly change the beat allocation now in effect.

The Task Force agreed that the basis for the reimbursement program should be the amount the County would spend to provide a duplicated service rather than the amount spent by a municipality to provide a service. None of the municipalities provide all or primary police services within their boundaries. The County reasons that if the municipalities no longer provided police services to their residents, the County would expend the same dollar amount now expended countywide and provide a somewhat lower level of service countywide. That is, the County police would not necessarily provide the same level of service that either municipal or other County residents receive today. Using this reasoning the municipal police services is a supplemental rather than a duplicated service. Therefore, we recommend no duplication reimbursement be made at this time. However, it is clear that there is a threshold point, below which the level of service would not be acceptable to residents. It can be assumed that at that point the County police might need to provide additional resources (officers, vehicles, etc.) or change their beat allocation to include first responses by municipal police. The Task Force will continue to monitor this issue and will propose changes if necessary.

**Code Enforcement**

The recommended code enforcement reimbursement formula is based on the net County property tax supported code enforcement expenditures per dwelling or per parcel. Table 5 includes the anticipated reimbursement to each jurisdiction. Due to a recently adopted change in County policy placing most code enforcement activities in an enterprise system, no reimbursement is anticipated after the FY98.
PARK MAINTENANCE

The park maintenance formula was originally based on a cost accounting system (labor retrieval system) used by the Maryland-National Capitol Park and Planning Commission (M-NCPPC). In FY88 the M-NCPPC stopped using the system. The County has subsequently used the 1988 figure plus an inflator (CPI-U for the Washington area) each year to calculate the cost of maintaining various types of urban parks. Additional data will be required to develop a more accurate cost reimbursement formula. There are also questions related to which parks operated by municipalities are eligible for reimbursement. Several problems with the current system have been identified.

1. The inflated figures may not be a true reflection of the cost of maintaining the parks today.

2. The formula accounts only for expenditures and not for offsetting revenues.

3. The criteria for determining which municipal park maintenance expenditures are reimbursable appears to be unclear and somewhat inconsistent.

The Task Force recommends that until another formula can be developed the Park Maintenance reimbursement formula should remain as it is. During the next several months the Task Force will look into this issue and recommend a new formula for park maintenance reimbursement.

OTHER

All other services will continue to be based on the net County property tax supported expenditures. Municipalities will not be required to submit their expenditures, but will be required to provide annual certification of eligible service and workload data necessary for reimbursement for selected services such as elderly shopping service, senior transportation and crossing guards.

The Task Force also recommends that any negotiations related to the Takoma Park consolidation be kept separate from other Tax Duplication Task Force issues.
### Table 1
#### Summary of Proposal

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<tr>
<th></th>
<th></th>
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<th></th>
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* Source of Data
State Highway Administration of Maryland
FY 94 Recapitulation of Urban and Rural Mileage
* Other Items as calculated include: Police Crossing Guards, Senior Transportation, Elderly Shopping, Park Maintenance, and a Human Relations Commission.
Police Pass Thru not shown on this table.
### Table 2
Comparison of Current Formula to Proposal
By Municipality

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* Source of Data
State Highway Administration of Maryland
FY 94 Recapitulation of Urban and Rural Mileage

* Other Items as calculated include: Police Crossing Guards, Senior Transportation, Elderly Shopping, Park Maintenance, and a Human Relations Commission.

Increase:

OVERALL

10%
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Ratio of HUR to total expenditures (HUR Ratio)                               38.26

1 Page 42-5 FY 97 Operating Budget
2 Page 13 FY 97 Recommended Operating Budget
3 Charges to Suburban District, DOT CIP projects, minus current revenue funding, and charges to mass transit, and parking/urban district
4 Calculated by Bryan Hunt, OMB 4-96
4 Page 42-5 FY 97 Operating Budget
### TABLE 5

Proposed Transportation Payment for FY97 using FY95 Actual Data
Compared to the FY96 Payment (Most Recent Payment which used FY95 data)

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<th>Reimbursement</th>
<th># of bridges</th>
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<th>Ped. Bridge Reimbursement</th>
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**TOTAL** 291.09 3,791,052 34 68,000 12 37,176 2 1,427 3,897,655 2,406,462 2,141,631 264,831

* Source of Data: Montgomery County Department of Public Works and Transportation, Division of Highway Services and Parking and Traffic Services State Highway Administration of Maryland FY 94 Recapitulation of Urban and Rural Mileage Increase 12.37%
<table>
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<tr>
<th>Municipality</th>
<th>Miles</th>
<th>Estimated FY97 Payment with current formula</th>
<th>Estimated FY97 Payment with proposed formula</th>
<th>Change C-E</th>
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Source of Data
State Highway Administration of Maryland
FY 94 Recapitulation of Urban and Rural Mileage
* Other Items* as calculated include Police Crossing Guards, Senior Transportation, Elderly Shopping, Park Maintenance and a Human Relations Commission
* Estimate made using current budget estimates and adding for the estimated total cost of snow removal and storm damage
Current estimate for HUR funds also used
** Proposed Formula Uses FY95 Actual audited data, the two year lag provides time to budget the amount and time for the municipalities to plan for the payment
### Table 7
#### County Cost Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Miles</th>
<th>Increase in Miles</th>
<th>Roadway Maint.</th>
<th>Per Mile Storm Damage</th>
<th>Per Mile Resurfacing</th>
<th>Per Mile Traffic Signs</th>
<th>Total Road Maint.</th>
<th>Energy/miles Cost of Street Lights per mile</th>
<th>Traffic Light Maint.</th>
<th>Total Road Maint. Including Lights/Marking</th>
<th>Per Bridge</th>
<th>Signals Each</th>
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**Notes:**
- Data for cost of bridges and traffic signals for FY 93 estimated from FY 94.