

Alan J. McCarthy  
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## CECIL COUNTY, MARYLAND

Office of the County Executive  
200 Chesapeake Boulevard, Suite 2100, Elkton, MD 21921

March 6, 2020

Dear Cecil County Citizens,

Due to inaccuracies circulating regarding the tax increase in Cecil County's FY 2017 budget, it is imperative that clarity and truth be injected into the discussion.

My first budget (approved by operation of law pursuant to the charter due to Council inaction), imposed a \$.05 real estate tax rate increase, and an increase to the local income tax rate (piggy back tax) from 2.8% to 3.0%. **I have not increased, or proposed an increase, to these rates since!**

The real estate property tax increases since that time are associated with property assessment increases -- **not a local tax rate increase**. Each property in Cecil County is reassessed once every three years and any increases are the direct result of assessment process administered by the State of Maryland Department of Assessments and Taxation (SDAT) – **not County government**.

The income tax rate has **not** increased since 2017, and before that had not been increased for 19 years. Prior to 2017, the real estate tax rate had **not** been increased since 2013. Revenue increases, in part, due to our local income tax, are attributable to the successful economic development program that has been executed by the County over the course of the last three years – a program that has produced thousands of additional jobs of all skill levels for Cecil County residents.

It is important to note that there are 17 other counties in the state of Maryland that have the same or higher local income tax rate as Cecil County. There are 7 counties that have a higher real property tax rate in the state, as well.

The tax rate increases that I proposed in 2017, produced the first budget that was balanced without the use of unassigned fund balance in over 20 years.

Fund balance is a key element of financial resilience for the County. It helps to mitigate the impacts of unanticipated revenue shortfalls and provides a buffer for unexpected expenditure requirements. An adequate fund balance level is an essential element in both short-term and long-term financial planning.

For these reasons, the County has enhanced the Emergency Reserve to a level of 10% of General Fund Revenues for the current fiscal year. The County also established a Budget Stabilization Reserve that shall be maintained at a level of 1% of actual General Fund Revenues for the then current fiscal year.

The increase in wastewater rates have started to move the fund in the right direction, closer to a full cost of service model. Rates should reflect charges that would allow for full recovery of operating cost, full recovery of capital infrastructure financing and allow for contributions to a reserve account to fund future repairs and replacement of the County's wastewater system.

Our County's financial condition is healthy and stable – without the need of tax increases. My conservative, fiscally responsible actions have enabled the county to maintain exemplary credit ratings with our rating agencies (S&P and Moody's) which, in turn, result in lower interest rates for general obligation bonds that fund sorely needed and highly anticipated capital projects within our Capital Improvement Program.

The FY 2021 budget will not propose any tax rate increases for the 3<sup>rd</sup> consecutive year.

Sincerely,

A handwritten signature in blue ink that reads "Alan J. McCarthy". The signature is written in a cursive style with a large initial "A".

Dr. Alan J. McCarthy  
County Executive