

BOARD OF ALDERMEN

ITEM NO. C(2)

AGENDA ITEM ABSTRACT

MEETING DATE: June 6, 2006

TITLE: A Request to Approve Revised Interlocal Agreement between Orange County and Towns on Taxation Collection

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution B. Proposed Interlocal Agreement for Tax Collections	FOR INFORMATION CONTACT: L. Bingham Roenigk, Assistant Town Manager

PURPOSE:

The Board is requested to consider approving an updated Interlocal Agreement between Orange County and the Towns of Chapel Hill, Carrboro, and Hillsborough with regard to tax and revenue collection endeavors.

INFORMATION:

In 1979, the County and the Towns entered in an agreement whereby the Orange County Tax Collector would, on behalf of the Towns, bill and collect their annual property tax levies. This agreement allowed the County to bill based on a formula established within the County's software. The collection amount charged to Towns over the last several years has averaged 1/3rd of 1%, inclusive of regular property tax collections and registered motor vehicle collections.

Under North Carolina General Statutes (NCGS), there is no maximum amount which one unit of government may charge another for the collection of regular tax. Generally, counties across the State tend to charge municipalities approximately 1% of regular property taxes collected. By statute, the maximum that counties can charge towns for collection of registered motor vehicle tax is 1.5%.

Staff representatives from the Towns and the County have reviewed the 1979 Interlocal Agreement and removed items no longer applicable. Additionally, corrections and clarifications have been added. For example, beginning in 1993, counties were charged under NCGS 105-330 with the billing and collection of the present registered motor vehicle tax procedures. Orange County continued to charge the Towns at the same rate as charged for regular property tax collections. The County also began in 2001 the collection of gross rental vehicle receipts by charge in statute. Since the inception of the gross vehicle receipts, Orange County has collected on behalf of the Towns without a formal agreement. This service has been available at no charge and under the new Interlocal Agreement, will continue to be free.

Currently the County is in the process of conducting a needs assessment of the overall taxing system encompassing the Land Records, Assessor, and Revenue Collection Offices. Within a year or two, staff believe that a change in the existing computer system, which dates back to the late 1970s, will need to be made. It has been agreed by staff of all jurisdictions, that the Towns should be billed a surcharge to be credited toward the purchase and yearly maintenance of a comprehensive software package to support and

maintain the collection of revenues due. The surcharge will be determined by staff from all jurisdictions no later than November 30th of each year and approved by the managers of each jurisdiction.

Once a new software system is initiated in Orange County, the proposed Interlocal Agreement provides that the cost for yearly collection of tax revenues will be set at ½ % of total collections for each jurisdiction, in addition to the surcharge for system automation needs. This arrangement will not take effect until after FY06-07.

FISCAL IMPACT:

The exact impact of this Interlocal Agreement is not currently known. However, Orange County staff, in presenting this item to its Board of Commissioners on May 4, 2006 estimated that the agreement, if approved by all four jurisdictions, will increase cost amongst all four jurisdictions a total of \$30,000, up from the payment of \$140,000.

STAFF RECOMMENDATION:

The Town Manager recommends that the Board of Aldermen approve the Interlocal Agreement for Property Tax Collection as submitted.