DURHAM
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CITY OF MEDICINE

CITY OF DURHAM | NORTH CAROLINA

DATE: May 18, 2015

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: David Boyd, Finance Director

SUBJECT: Interlocal Cooperation Agreement for the Collection of Taxes between County of Wake and City of Durham

EXECUTIVE SUMMARY

The proposed contract is to consolidate tax listing and collection services. Certain portions of the City of Durham are located in Wake County. Currently, the taxes on those properties are collected on the City's behalf by the Durham County Tax Administrator. The contract specifies that the Wake County Revenue Director will collect these taxes. Under the terms of the contract, the Wake County Revenue Director will also administer listing, billing, and collection of the City's registered motor vehicles having tax situs within Wake County.

RECOMMENDATION

That the City Council resolve that the City Manager be authorized to execute the Interlocal Cooperation Agreement for the Collection of Taxes between County of Wake and City of Durham.

BACKGROUND

It is simpler for Wake County to collect for properties located in Wake County. The Durham County Tax Administrator currently bills for approximately 150 parcels that are in the City of Durham but outside of Durham County and located in Wake County. The larger acreage tracts are currently vacant, but they may get subdivided and developed in the near future. In anticipation of this becoming a bigger issue in the near future, the Wake County Revenue Director approached the City of Durham and recommended that Wake County should begin collecting the taxes for City of Durham properties that are located in Wake County.

ISSUES/ANALYSIS

The primary issue for making this change has to do with customer service. With single-family homes and townhouses going up now on a lot of these subdivided parcels, there are potential issues related to payments from mortgage companies via escrow accounts. The issue is the mortgage companies will have to pay split property tax bills to two different collectors (i.e., Durham and Wake Counties), and this may result in unhappy homeowners. When the proposed agreement is approved, it will make it easier on taxpayers and any escrow to pay one jurisdiction (Wake County).

ALTERNATIVES

If the City chooses not to enter into this agreement, it would prevent the achievement of potential process simplifications for the taxpayers, county tax departments, and mortgage companies. Moreover, the City would forego a financial benefit of $1,942.24 in FY2016 as explained under "Financial Impact," below.

FINANCIAL IMPACT

Under the terms of the proposed agreement, the City will pay Wake County a fee of two tenths of one percent of the taxes collected. Under the interlocal agreement currently in place with Durham County, the City is paying a fee of one percent. This year, the tax due on the properties under consideration is $242,780.00. If Durham County collects this tax, the City would pay a fee of $2,427.80 (1%). If Wake County collects this tax, the City would pay a fee of $485.56 (.2%). If Wake County collects the taxes, the savings for the City would be $1,942.24.

The Durham County Tax Administrator does an excellent job of collecting taxes. Last fiscal year, Durham County achieved a collection rate of 99.34%. The Wake County Revenue Director also does an excellent job of collecting taxes, and last year their collection rate tied Durham's at 99.34%.

SDBE SUMMARY

The City's SDBE Ordinance is not applicable to this item.

Attachment:

Interlocal Cooperation Agreement for the Collection of Taxes between County of Wake and City of Durham