



MEMORANDUM

To: Finance Committee

From: Rich Olson, City Manager

Date: September 17, 2013

Re: Consideration – Pasquotank County Agreement to Collect Taxes

BACKGROUND:

The City entered into an agreement with Pasquotank County to collect property taxes in 1989. The original agreement has been amended three times to reflect changes in state law, as well as to lower the percentage the City pays the County, when it was determined that the City was paying a disproportionate share of the County's tax department budget.

Due to recent changes in state law, the County will no longer collect motor vehicle taxes on behalf of the City. The collection will be done at the state level; and the state will remit the taxes collected to the County. The County will, in turn, write a check to the City. For this reason, the County is just handling the pass-through payment from the state.

The second reason the tax collection agreement is being rewritten deals with tax foreclosure sales conducted by the County. Periodically, the County needs to foreclose on property because the property owner has not paid their property taxes or a City-imposed special assessment.

ANALYSIS:

Several times a year, the City receives a memo or letter from the County tax office informing us that they will be having a tax foreclosure action; and requesting that the City submit a bid for the amount of City and County taxes owed on the property. Staff has refused to do this, since the City Council has not authorized staff to spend City funds for this purpose. The language, which has been included in the revised agreement, requires the County to provide City staff 30 days' notice prior to the foreclosure sale. The City has seven (7) days to notify the County if we are not interested in the property due to environmental or other potential liability issues for which the City does not want to be in the chain of custody for the property. If the City fails to notify the County, the County has the legal right to act as the City's agent and purchase the property. The County is limited to the amount of outstanding taxes owed on the property. The County would have the property titled in the City's name.

It is hard to determine what the City's potential liability would be; however staff estimates between \$15,000 and \$20,000 would be required, which would be offset by the revenue the City would receive from the sale of the property.

STAFF RECOMMENDATION:

To approve the agreement between the City and County on the tax collection issue.

RCO/vdw