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# MEMORANDUM

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**To:** Mayor and City Councilors

**From:** Rich Olson, City Manager

**Date:** April 25, 2013

**Re:** Joint Meeting Discussion – Interlocal Agreement for Collection of Taxes

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In 2009, the City and County agreed to modify the existing interlocal agreement for the collection of property taxes. The original agreement was executed in 1989 and has been modified three times. Due to a number of minor issues that occurred over time, the County Attorney has redrafted the agreement and incorporated into it the previous three amendments.

You will find a copy of the modified agreement attached. The issue that has been occurring for the last few years is the County holding tax foreclosure sales and requesting that the City place a bid on the property in question. Staff has refused to do so because we did not have prior authorization from the City Council. However, under Section 10 of the agreement, the County can bid on property and withhold the amount of City property tax due.

Once the property is purchased at the tax sale, the issue becomes one of the name that should be on the property title – Pasquotank County or the City of Elizabeth City. The County does not want to own property in the City because of their inability to maintain the property and the possibility of Code enforcement liens being imposed on them.

RCO/vdw

NORTH CAROLINA

PASQUOTANK COUNTY

This AGREEMENT, made and entered the 19<sup>th</sup> day of June, 1989, (amended – June 20, 1994, August \_\_\_\_, 2000 and April 6, 2009) by and between Pasquotank County (hereinafter referred to as County), and the City of Elizabeth City (hereinafter referred to as the City).

W I T N E S S E T H:

This contract is to provide for centralized and systemized collection of property taxes in Pasquotank County and the City of Elizabeth City which will benefit each unit of government both in cost and information services, the parties to this agreement, pursuant to the authority contained in Article 20, Chapter 160A of the North Carolina General Statutes contract and agree as follows:

I. The County shall perform for itself and the City all of the tax collection functions prescribed in Subchapter II of Chapter 105 of the North Carolina General Statutes (hereinafter referred to as the Machinery Act). This activity shall hereinafter be referred to as the joint tax collection system.

The County shall perform for the City collection functions for special assessments or other assessments, (the “assessments”), which Chapter 160A of the North Carolina General Statutes provides are liens upon land or premises against which assessed and may be collected as unpaid taxes or foreclosed under any procedure prescribed by law for the foreclosure of property tax liens. Other than assessment amounts due, inquiries regarding assessments will be forwarded to and answered by the City. *(Amended 1994)*

The County shall perform for itself and the City the administration and

collection from operators of leasing and rental establishments the tax on gross receipts derived from retail short-term motor vehicle leases or rentals. *(Amended 2000)*

II. The City shall, in preparation of this joint collection function, provide at its expense, a system of transfer of acceptable to the County programmer, of all City tax records. Additionally, the City shall fund the County's programmer's cost for the incorporation of this information and for the programming of any additional reports which the City may require.

The City shall, in preparation for County's collection of City's assessments, provide at its expense, a system of transfer acceptable to the County, of all City assessment information. Additionally, the City shall fund the County's cost for the incorporation of this information and for the programming of any additional reports which the City may require. *(Amended 1994)*

III. The City shall provide, to the County, notification of all newly annexed property within one work week of the effective date of annexation. This information will be incorporated into the County's records for proper program and billing sequence.

The City shall provide, to the County, the notification of all new assessments or any action taken by City's governing board with regard to assessments in the manner required by the applicable provisions of Chapter 160A of the North Carolina General Statutes. *(Amended 1994)*

IV. Effective July 1, 1989, the County Tax Collector shall be the Tax Collector for the County and the City. Reference in this agreement to "Tax Collector" shall hereinafter refer to the County Tax Collector. The Tax Collector, Deputy Tax Collector and any Assistant Tax Collectors shall be appointed by the County Board of Commissioners.

V. Effective with the tax levy for the fiscal year beginning July 1, 1989 and each fiscal year thereafter so long as this contract is in effect the governing bodies of the County and the City shall adopt an order pursuant to North Carolina General Statute 105-321(b) directing the Tax Collector to collect the taxes charged in the tax records and receipts. A copy of this order shall be delivered to the Tax Collector. Thereafter, the Tax Collector shall deliver a copy of the City's Tax "Scroll" to the City.

The annual Settlement of the Tax Collector as detailed in Sections 105-352 and 105-373 of the North Carolina General Statutes shall be made to the governing body of the County.

VI. The Pasquotank County Board of Commissioners shall have the sole and absolute authority to make any and all elections, determinations and decisions for the County and the City that the governing bodies of the County and the City are authorized to make pursuant to Articles 21, 26, 27 and 28 of Chapter 105 of the North Carolina General Statutes.

VII. When taxes are paid in full, tax receipts will be provided upon request by the taxpayer after verification of the transaction. Partial payments may be made and partial payment receipts will be provided upon request. Any such partial payment shall be identified where appropriate as to a particular parcel or tract of land and credited as prescribed by law as to collection expenses, interest, penalty and principal and to each governing body proportionately. Each government shall be credited by the Tax Collector with that portion of the payment received that bears the same relationship to the total amount received as the amount of taxes owed to each government for the property bears to the total amount of taxes owed for the property. Payments will be automatically applied to the oldest year first unless specific payment application is directed by the taxpayer.

All tax payments mailed to the City shall be forwarded along with the postmarked envelope to the County for processing.

When assessments are paid in full, receipts will be provided upon request by the assessment payer after verification of the transaction. Partial payments may be made and partial payment receipts will be provided upon request. Any such partial payment shall be identified where appropriated as to a particular parcel or tract of land. Payments will be automatically applied to the oldest year first unless specific payment application is directed by the taxpayer. In any event, unless otherwise directed by the assessment payer, any payments less than the total amount due for City and County taxes and assessments shall first be applied to County and City taxes. *(Amended 1994)*

All assessment payments mailed to the City shall be forward along with the postmarked envelope to the County for processing. *(Amended 1994)*

VIII. All tax collections that are made pursuant to the joint tax collection system shall be deposited daily in an account specified by the County Finance Officer. Each unit's share of the daily collection shall be determined by computer distribution of all payments.

The collection information for each eight hour work period will be provided for each government by the Tax Collector at or before the set time each work day.

The County Finance Officer will provide payments and distribution information to the City Finance Officer. Interest on City taxes collected will be computed on an average monthly balance at the same interest rate afforded the County and paid at the end of each month. All taxes collected for the City by the County will be remitted to the City Finance Officer plus interest minus the 2% fee by the third working day after the end of each month. Additionally, monthly reports will be provided which include a listing of any changes to the levy such as

discoveries and taxes released, refunded, compromised or in any other way affected by actions of the County Board of Commissioners, Tax Collector or County Assessor.

All assessment collections that are made pursuant to the Agreement shall be deposited daily in an account specified by the County Finance Officer. *(Amended 1994)*

The County Finance Officer will provide assessment payments and distribution information to the City Finance Officer. Interest on City assessments collected will be computed on an average monthly balance at the same interest rate afforded the County and paid at the end of each month. All assessments collected for the City by the County will be remitted to the City Finance Officer plus interest minus the 2 1/2% fee by the third working day after the end of each month. Additionally, monthly reports will be provided which include a listing of any changes to the assessment. *(Amended 1994)*

IX. The County shall receive as compensation from the City for operation of the joint tax collection system an amount equal to 1 1/2% of the tax, penalties and interest for all 2008 and prior City taxes, penalties and interest collected. The County shall receive as compensation from the City for operation of the joint tax collection system an amount equal to 1 1/2% of the real and personal property tax for all 2009 and subsequent City taxes, penalties and interest collected and 1 1/2% of the motor vehicle tax and tax on gross receipts derived from retail short-term motor vehicle leases or rentals, penalties and interest for all 2009 and subsequent city motor vehicle taxes and tax on gross receipts derived from retail short-term motor vehicle leases or rentals, penalties and interest collected. The County shall be entitled to deduct all cost incurred in the collection of delinquent City real, personal property, motor vehicle and tax on gross receipts derived from retail short-term motor vehicle leases or rentals and to all advertising costs and expenses incurred with the collection of 2009 and subsequent year City real and personal

property taxes and motor vehicle taxes and taxes on gross receipts derived from short-term motor vehicle leases or rentals; this shall include but not be limited to the cost of buying property that is foreclosed on for City taxes. The County will deduct the 1 ½ % charge from the City payment at the end of each month. The County will be responsible for an annual independent audit of the joint tax collection system. This audit will be the only audit of the joint tax collection system and shall be the sole responsibility of the county. A copy of the auditor's report covering the joint tax collection system shall be provided to the City as a matter of course. Any special audit requested by the City shall be directed to the County finance officer and shall be paid for by the City through a supplemental billing from the County. *(Amended 1994 and 2009)*

X. Collection of all delinquent taxes on the effective date of this agreement and all taxes becoming delinquent thereafter shall be the sole responsibility of the County. The County will use the same diligence and effort to collect taxes owed to the City as it does to collect taxes owed to the County. The County may elect to buy property at foreclosure on the basis of sound business considerations. If the purchase is to collect City taxes, then the City collections shall be reduced by the cost of the purchase. If the purchase is to collect joint City and County taxes, each shall bear the cost and purchase price in proportion to the taxes due. Nothing in this section or agreement requires the County or City to purchase property at foreclosure or otherwise in situations where the market value of the property does not exceed the cost of extinguishing all liens on the property at the time of sale, all as determined by the County Tax Collector.

City and County Covenant and agree that pursuant to the provisions of N.C. Gen. Stat. 105-367(b) the Tax Collector is authorized to direct an execution against personal property for taxes due on personal property located within City's jurisdiction to a City police officer. The City police officer to whom the execution is directed shall proceed to levy on and sell the



personal property subject to levy in the manner provided by applicable law. *(Amended 1994)*

The City shall hold County harmless from all liabilities, obligations, losses, claims, damages, actions, suits, proceedings, costs, and expenses including attorney's fees that arise from County's collection of City's assessments. Furthermore, City agrees that it shall defend County in all suits which may arise out of, are connected with, or result directly or indirectly from County's collection of City's assessments. *(Amended 1994)*

City warrants to County that to the best of its knowledge the City has complied with all applicable laws and regulations that relate to the assessment of special assessments or assessed expenses levied pursuant to Chapter 160A of the North Carolina General Statutes. City further warrants and represents to County that City has legal right to special assessments or assessed expenses levied prior to or subsequent to the date of this agreement. *(Amended 1994)*

The City shall hold County harmless from all liabilities, obligations, losses, claims, damages, actions, suits, proceedings, costs and expenses including attorney's fees that arise from County's collection of City's tax on gross receipts. Furthermore, City agrees that it shall defend County in all suits which may arise out of, are connected with, or result directly or indirectly from County's collection of City's tax on gross receipts. *(Amended 2000)*

City warrants to County that to the best of its knowledge the City has complied with all applicable laws and regulations that relate to the tax on gross receipts levied pursuant to 2000 N.C. Session Laws 2. *(Amended 2000)*

XI. This agreement may be terminated at the conclusion of any fiscal year. The governmental unit wishing to terminate the agreement may do so only after giving the other unit of government six months written notice of its decision to do so.



XII. This agreement shall become effective when properly executed by all parties pursuant to resolutions adopted by the governing boards of each.

**IN TESTIMONY WHEREOF**, the parties hereto have caused this agreement to be executed in duplicate originals by their proper officials and their respective corporate seals affixed and attested to by their clerks, all by authority their boards duly given, this the day and year first above written.

**PASQUOTANK COUNTY**

By: \_\_\_\_\_  
Chairman of the Board of County  
Commissioners of Pasquotank County

(Corporate Seal)

**ATTEST:**

\_\_\_\_\_  
Clerk to the Board of County  
Commissioners of Pasquotank County

STATE OF NORTH CAROLINA

PASQUOTANK COUNTY

I, \_\_\_\_\_, a Notary Public of the County of Pasquotank, State of North Carolina, hereby certify that Karen S. Jennings personally appeared before me this day and acknowledged that she is Clerk to the Board of County Commissioners of Pasquotank County, a political subdivision, and that by authority duly given and as the act of the county, the foregoing instrument was signed in its name by its Chairman of the Board of County Commissioners of Pasquotank County and attested by herself as its Clerk, all by authority of the Board of County Commissioners of Pasquotank County.

WITNESS my hand and notarial stamp or seal, this the \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**CITY OF ELIZABETH CITY**

By: \_\_\_\_\_  
Mayor

(Corporate Seal)

ATTEST:

\_\_\_\_\_  
City Clerk

STATE OF NORTH CAROLINA

PASQUOTANK COUNTY

I, \_\_\_\_\_, a Notary Public of the County of \_\_\_\_\_, State of North Carolina, hereby certify that \_\_\_\_\_ personally appeared before me this day and acknowledged that she is City Clerk of the City of Elizabeth City, a municipal corporation, and that by authority duly given, and as the act of the corporation, the foregoing instrument was signed in its name by its Mayor, and attested by herself as its City Clerk, all by authority of the City of Elizabeth City.

WITNESS my hand and notarial stamp or seal, this the \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
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