



Agenda Action Form Overview

Interlocal Cooperation Agreement for the Division of Sales Tax Between the County of Durham and the City of Durham July 1, 2018- June 30, 2023

Background/Justification

This is the third renewing of a 5 year sales tax interlocal agreement between the City and County of Durham that supersedes either state distribution of sales tax proceeds (Per Capita or Ad Valorum). This sales tax interlocal agreement is based on an understanding that a Per Capita distribution of sales tax is detrimental to the County, while an Ad Valorem distribution is detrimental to the City of Durham. By entering into this agreement, the City and County agree to an equitable and viable distribution of sales tax revenues between the two governments.

Also, this agreement limits significant fluctuations in annual sales tax distribution to both governments that would come with selecting the Ad Valorem distribution method, which is affected by yearly property valuations and yearly tax rate changes to either government. The interlocal agreement standardizes distribution and limits future year projection variability of this revenue which is important when planning annual budgets.

Policy Impact

Approval of this item continues for another 5 years (2018-2023) a 58%/42% split of total Article 39, 40, and 42 sales tax collected between the City of Durham and the County. This interlocal agreement was originally initiated in FY 2008 and renewed again in 2013.

Fiscal Impact

There is no fiscal impact to the County of approving this interlocal as it continues a practice that has been in place 10 years. Any change to the agreement or non-approval of the agreement would have significant fiscal impact for the City, County, and other designated special taxing districts within the County.

Recommendation

The County Manager recommends that the Board approve the new interlocal cooperation agreement (see attachment) for the division of sales tax between the County of Durham and the City of Durham for the period July 1, 2018 through June 30, 2023 and authorize the County Manager to sign of this agreement.