REQUEST FOR BOARD ACTION

HENDERSON COUNTY BOARD OF COMMISSIONERS

MEETING DATE: March 6, 2008

SUBJECT: Sales Tax Distribution

ATTACHMENTS: Laurel Park Dissolution of Sales Tax Agreement

Sales Tax Agreement

SUMMARY OF REQUEST:

Staff will provide an update to the Board of Commissioners regarding the status of the sales tax agreement with the municipalities. On February 27th, the County was informed by Laurel Park that they are terminating the agreement. The Board of Commissioners will be asked to consider, discuss and provide direction to Staff regarding any potential action that should be taken.

BOARD ACTION REQUESTED:

Consider, discuss and provide direction to Staff regarding any potential action that should be taken with respect to sales tax distribution.

Suggested Motion:

No motion suggested.

HENDERSON COUNTY

100 North King Street • Hendersonville, NC 28792 Phone (828) 697-4809 • Fax (828) 698-6014 • www.hendersoncountync.org

STEVE WYATT

County Manager swyatt@hendersoncountync.org

SELENA COFFEY

Assistant County Manager selenac@hendersoncountync.org

MEMORANDUM

TO:

BOARD OF COMMISSIONERS

FROM:

Steve Wyatt, Henderson County Manager

DATE:

February 27, 2008

SUBJECT:

Laurel Park dissolution of sales tax agreement

Attached you will find the letter from Laurel Park Mayor Henry Johnson to Chairman Moyer informing the County that Laurel Park Town Council has voted to dissolve the interlocal agreement on sales tax distribution. Dissolution of the agreement will result in an estimated revenue loss of \$846,330 to the county in fiscal year 2008-2009. This issue will be on the agenda for the Board of Commissioners March 6 meeting.

Cc:

City/Town Managers and Clerks Selena Coffey, Assistant County Manager Carey McLelland, Finance Director Russ Burrell, County Attorney

Attachment

Town of Laurel Park

HENRY T. JOHNSON, Mayor RICHARD P. COOKE, Commissioner KEITH A. MADDOX, Commissioner DONA M. MENNELLA, Commissioner ROBERT O. VICKERY, Commissioner and Mayor Pro Tem

441 White Pine Drive Laurel Park, NC 28739-0910 (828) 693-4840 FAX (828) 696-4948

JAMES W. BALL, JR., Town Manager DONALD N. FISHER, Chief of Police KIMBERLY B. HENSLEY, CMC, Town Clerk J. EARL NEWMAN, Public Works D. SAMUEL NEILL, Town Attorney

February 26, 2008

Bill Moyer, Chairman Henderson County Board of Commissioners 100 North King Street Hendersonville, NC 28792-5097

Re: Interlocal Agreement dated April 27, 2006

Dear Chairman Moyer,

The Laurel Park Town Council unanimously voted today to dissolve the Interlocal Agreement dated April 27, 2006 (re: local option sales tax distribution method), as the agreement pertains to the Town of Laurel Park, and hereby is giving notice to do so.

If you have questions, please call me at 693-4840.

Sincerely,

Henry 7. Johnson,

Mayor

HTJ/tdl

cc: Bill Moore, Mayor, Town of Fletcher

Greg Newman, Mayor, City Of Hendersonville Roger Snyder, Mayor, Town of Mills River Bob Staton, Mayor, Village of Flat Rock Steve Wyatt, Henderson County Manager

Laurel Park Commissioners Laurel Park Town Clerk

Prepared by Charles Russell Burrell 2/19/2008

FY 2008-2009

Henderson County Sales Tax Distribution

| TOTAL LOCAL OPTION SALES TAX RECEIPTS: | CEIPTS: | \$27,000,000.00 (See Note 1) | ee Note 1) | | | | | | |
|--|-----------------------|------------------------------|----------------|----------------|----------------|------------------|-----------------|-----------------|-----------------|
| | Hend. Co. | Flat Rock | Fletcher | Hendersonville | Laurel Park | Mills River | TOTAL | i | |
| POPULATION | 100,107 | 3,121 | 5,343 | 12,499 | 2,229 | 6,290 | 129,589 | | |
| PERCENTAGE OF | | | | | | | | | |
| COMBINED POPULATION | 77.25% | 2.41% | 4.12% | 9.65% | 1.72% | 4.85% | 100.00% | | |
| TOTAL SALES TAX RECEIPTS | | | | | | | | | |
| UNDER PER CAPITA | \$20,857,395.30 | \$650,263.53 | \$1,113,219.49 | \$2,604,179.37 | \$464,414.42 | \$1,310,527.90 | \$27,000,000.00 | | |
| HOLD HARMLESS PAYMENTS | (\$682,511.63) | \$72,251.50 | \$123,691.05 | \$289,353.26 | \$51,601.60 | \$145,614.21 | \$682,511.63 | | |
| TOTAL RECEIPTS UNDER PER CAPITA | | | | | | | | | |
| PLUS HOLD HARMLESS | \$20,174,883.67 | \$722,515.03 | \$1,236,910.54 | \$2,893,532.63 | \$516,016.02 | \$1,456,142.11 | | | |
| AD VALOREM PROPERTY | | | | | | | Fin | Fire Dist. TO | TOTAL |
| TAX LEVY FY 2007 | \$55,070,414.00 | \$653,068.00 | \$2,333,791.00 | \$6,116,631.88 | \$1,107,668.69 | \$609,605.53 | \$65,891,179.10 | \$5,202,549.00 | \$71,093,728.10 |
| PERCENTAGE OF | | | | | | | ÷ | | |
| COMBINED LEVY | 77.46% | 0.92% | 3.28% | 8.60% | 1.56% | 0.86% | 92.68213% | 7.31787% | |
| TOTAL SALES TAX RECEIPTS | | | | | | | | | |
| UNDER AD VALOREM | \$20,914,660.37 | \$248,022.38 | \$886,327.93 | \$2,322,976.52 | \$420,670.79 | \$231,516.19 | | \$1,975,825.81 | |
| HOLD HARMLESS PAYMENTS | (\$456,612.65) | \$27,558.04 | \$98,480.88 | \$258,108.50 | \$46,741.20 | \$25,724.02 | \$456,612.65 | | |
| TOTAL RECEIPTS UNDER AD VALOREM | | | | | | | | | |
| PLUS HOLD HARMLESS | \$20,458,047.73 | \$275,580.43 | \$984,808.81 | \$2,581,085.02 | \$467,411.99 | \$257,240.21 | | | |
| DIFFERENCE BETWEEN | \$283.164.06 | (\$446.934.60) | (\$252,101.73) | (\$312,447.61) | (\$48,604.03) | (\$1,198,901.90) | | | |
| | | | | | | | | | |
| AMOUNT PAYABLE UNDER | | 000 | 0000 | | 0000 | 90 020 00 | | | |
| AGREEMENT TO COUNTY (if still in effect) | | \$223,467.30 | \$126,050.86 | \$150,223.81 | \$24,302.02 | \$388,430.33 | | • | |
| | | | | | | | | | |
| TOTAL SALES TAX RECEIPTS | £24 204 279 £4 | \$400,047,73 | \$1 110 850 68 | \$9 737 308 82 | \$491 714 00 | \$856.691.16 | 69 | \$27.000.000.00 | |
| UNDER AGREEMEN! (if still in effect) | 10.016,400,124 | | | 10.000 | | | • | | |
| | | | | | | | | | |

FY 2009 Sales Tax Comparison Summary ESTIMATED LOCAL OPTION SALES TAX TO BE DIVIDED (not including any not yet levied)

\$27,000,000.00

| | | | Sales Tax |
|---------------------|---------------------|--|------------------------|
| Government | Population | Percentage of Total | Distribution |
| Henderson County | 100,107 | 77.25% | \$20,174,883.67 |
| Fire Districts | 0 | 0.00% | \$0.00 |
| =lat Rock | 3,121 | 2.41% | \$722,515.03 |
| Eletcher | 5,343 | 4.12% | \$1,236,910.54 |
| Hendersonville | 12,499 | 9.65% | \$2,893,532.63 |
| _aurel Park | 2,229 | 1.72% | \$516,016.02 |
| Mills River | 6,290 | 4.85% | \$1,456,142.11 |
| TOTAL | 129,589 | 100.00% | \$27,000,000.00 |
| AD VALOREM METHOD | | | |
| Government | Total Levy | Percentage of Total | Sales Tax Distribution |
| Henderson County | \$55,070,414.00 | 77.46% | \$20,458,047.73 |
| Fire Districts | \$5,202,549.00 | 7.32% | \$1,975,825.81 |
| Flat Rock | \$653,068.00 | 0.92% | \$275,580.43 |
| Fletcher | \$2,333,791.00 | 3.28% | \$984,808.81 |
| Hendersonville | \$6,116,631.88 | 8.60% | \$2,581,085.02 |
| _aurel Park | \$1,107,668.69 | 1.56% | \$467,411.99 |
| Mills River | \$609,605.53 | 0.86% | \$257,240.21 |
| TOTAL | \$71,093,728.10 | 100.00% | \$27,000,000.00 |
| DIFFERENCE | | | |
| | | | Difference ("ad |
| | | 그렇고 생산하는 이름이는 말았다고 있다. 이렇다 | valorem" method |
| | | | minus "per capita" |
| Government | | | method) |
| Henderson County | | | \$283,164.06 |
| ire Districts | | | \$1,975,825.81 |
| lat Rock | | | (\$446,934.60 |
| letcher | | | (\$252,101.73 |
| Hendersonville | | | (\$312,447.61 |
| aurel Park | | | (\$48,604.03) |
| Mills River | | 일반 사용할 수 있는 그 이 경기 [편] 그리 | (\$1,198,901.90 |
| | | 무용하는 항상을 가지 않는 것이다. | |
| AGREEMENT RESULTS (| presuming all munic | cipalities and the County still in accor | |
| | | • | Difference |
| | | | ("Agreement" minus |
| | | Payment to | "ad valorem" |

| | Payment to | ` | "ad valorem" |
|------------------|-------------------------|-----------------|--------------|
| Government | Henderson County | TOTAL RECEIPTS | method) |
| Henderson County | \$0.00 | \$21,304,378.61 | \$846,330.88 |
| Flat Rock | \$223,467.30 | \$499,047.73 | \$223,467.30 |
| Fletcher | \$126,050.86 | \$1,110,859.68 | \$126,050.86 |
| Hendersonville | \$156,223.81 | \$2,737,308.82 | \$156,223.81 |
| Laurel Park | \$24,302.02 | \$491,714.00 | \$24,302.02 |
| Mills River | \$599,450.95 | \$856,691.16 | \$599,450.95 |
| TOTAL | | \$27,000,000.00 | |

DEFINITIONS, FORMULAS AND EXPLANATIONS

1. **Estimated local option sales tax to be divided**: This number was estimated for FY2009 at \$27,000,000.00. For FY2008 (this current year), the number was estimated at (and is very close to in real life) \$29,330,338.00.

Note, however, that the figure for FY2009 is calculated on a different basis than the FY2008 figure, because of the State cutting the Article 44 section of the local option sales tax, so that the total local option sales tax drops from 2.5% to 2.25%, which is 10% of the former total.

The \$27 million figure *implies* a \$30 million figure under the old, FY2008, percentage of sales tax. This was chosen to attempt to account for a "slow growth" projection for the economy, and is significantly below the average sales tax growth trend.

- 2. **Municipal "hold harmless"**. For FY2009, fifty percent (50%) of the amount of sales and use tax revenue distributed under Article 40 of this Chapter to the municipality for a month, other than revenue from the sale of food that is subject to local tax but is exempt from State tax under G.S. 105-164.13B.
- 3. **House Bill 2007-1473, version 10**: The relevant portions involving sales tax are attached.
- 4. **Spreadsheet**: The spreadsheet upon which the figures shown in the "FY2009 Sales Tax Comparison Summary" is based is attached, and is available in electronic form upon request.