



Municipal Tax Office Services Analysis

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Objective:

- Present preliminary research findings on establishing an internal municipal tax collection service for the City of Fayetteville to inform City Council's decision-making.
- Conduct preliminary benchmarking analysis on municipal tax collection services.

Focus Areas:

- Financial Considerations
- Operational Impact
- Regulatory Compliance

Notes:

- Fayetteville will control **billing and collection only** — not property assessments.
- Opportunity for unified billing by combining Property Tax, Solid Waste, and Stormwater onto a single bill.
- In the Current Tax Collection Agreement - **Cumberland County Receives:**
 - **0.75%** of taxes remitted on time.
 - **1.75%** of taxes collected through delinquency.

Key Insights from Benchmarked municipalities'

Financial Benefits: Improved revenue timing enhances budget efficiency, but Fayetteville must assess cost offsets based on scale.

Staffing Structure: Lean staffing requires skilled personnel, with certified tax collectors being essential.

Technology: Property tax modules integrate with financial systems for seamless operations.

Customer Service: In-house customer service boosts satisfaction but increases peak-season workload.

Legal Compliance: Compliance with the NC Machinery Act is critical, with external legal resources often utilized.

Estimated Internal Costs vs. Current County Payments

Estimated Internal Costs:

- *Salaries (18 FTEs):* ~\$950,000 (excluding benefits)
- *Technology Setup:* ~\$50,000–\$100,000+
- *Postage and Administrative Expenses:* TBD
- *Office Space and Utilities:* Costs TBD based on available space or new lease
- *Furniture and Equipment:* Workstations, servers, security systems

| Year Range | Avg. Annual Paid to County | FY25 Projection for payment to the County |
|-------------|----------------------------|---|
| 2016 - 2023 | ~ \$495,000 | ~ \$1,015,394 |

Benefits & Challenges

| Benefits | Challenges |
|---|--|
| Improved cash flow and revenue timing | Taxpayer confusion during transition (Public Misunderstanding / Distrust) |
| Greater control over tax processes and customer service | Staffing recruitment and certification requirements |
| Opportunity to streamline billing with other services | Data lag or integration issues from County |
| Alignment with city's strategic financial goals | Higher customer service volume initially |
| | Technology procurement and cybersecurity demands |
| | Is there a return on investment (ROI) if implemented? |

Taxpayer Confusion:

→ Implement a comprehensive communication and education campaign

Staffing and Workload Management:

→ Cross-train finance staff and hire temporary staff during peak periods

Technology Integration Challenges:

→ Conduct thorough system testing and phased pilot rollout

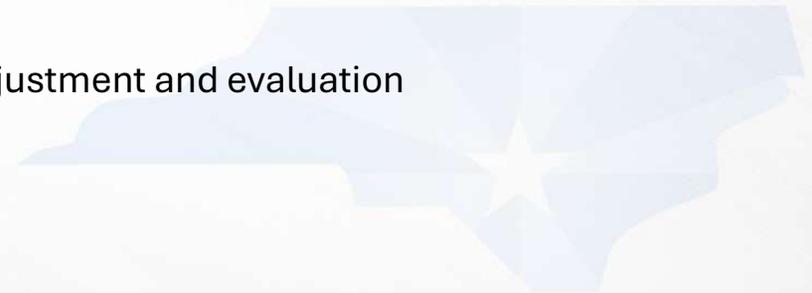
→ Software Integration, Cybersecurity Measures, Data Integrity, and Continuous Monitoring

Data Delays from County:

→ Establish clear data transfer protocols and strong collaboration agreements

Operational Start-Up Risks:

→ Phased implementation with checkpoints for adjustment and evaluation



Not Primarily a Cost-Savings Initiative:

→ Establishing an internal tax office may not yield immediate financial savings compared to current County service fees.

Focuses on Ownership and Control:

→ This initiative centers on the City of Fayetteville **owning the process** of billing, collecting, and servicing property tax accounts.

Implementation Timeline:

→ Full implementation estimated at **approximately 18 months**, including setup, software integration, staffing, and pilot testing.

Monitoring and Process Controls:

→ Ongoing **monitoring and refinement over the first 3 years** will be essential to ensure operational efficiency, compliance, and customer service excellence.

1. Engage External Consultant for Cost-Benefit Analysis

→ If directed, retain a qualified consultant to evaluate the financial feasibility, staffing costs, technology needs, and long-term return on investment compared to continued County collection. Present cost-benefit findings, operational models, risk assessments, and timeline options for formal Council consideration and action.





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