



# Agenda Item Summary Sheet

Item No. 10

Meeting Date: 8/1/05

Item Title: Resolution for the Use of the NC Local Government Debt Setoff Program

### Item Summary:

Please see the attached summary.

(Use additional Paper if necessary)

Number of Attachments: 3

Will your presentation require audiovisual equipment? Yes  No

Note All audiovisual materials must be submitted in digital format to the Clerk of the Dare County Board of Commissioners with this sheet Acceptable formats include: VHS, DVD, audio CD, Word document, Adobe Acrobat PDF files, PowerPoint files and jpeg files.

### Specific Action Requested:

Adopt Resolution.

Submitted By: Michelle Evans, Tax Collector + David Clawson, Finance Director Date: 7/25/05

### Dept. Head


Comments:

Signature

Date:

### Finance

Comments:

Signature  Date: 7/25/05

### County Attorney


Comments:

Signature

Date:

### County Manager

Approval:

Signature  Date: 7/26/05

### Commission Action:

**Item Summary: Resolution of the County of Dare, North Carolina Approving The Use Of The North Carolina Local Government Debt Setoff Program**

Attached are:

- A Resolution authorizing the use of the NC Local Government Debt Setoff Program;
- A NCACC memo explaining the program; and
- A Memorandum of Understanding between the County and the NCLG Debt Setoff Clearinghouse Program.

The Debt Clearinghouse was created jointly by the NCACC and the NC League of Municipalities. The program, along with NCGS 105A, allows the County to intercept State income tax refunds for debts owed to the County. From 1/1/2005 through 7/19/2005, over \$8.1 million have been distributed to participating NC local governments.

If approved by the Board, the County plans to implement the program first for property taxes and later expand to include vehicle taxes, water bills and EMS bills.

A \$15 fee to the clearinghouse is added IF the debt is successfully matched against a refund. The fee is paid out of the intercepted State income tax refund. Only debts of greater than \$50 or combined debts of > \$50 may be filed. Debts may be filed only if more than 60 days past due and after the County has met the notification requirements of NCGS 105A. Per NCGS 105A the County must give notice to the debtor, give the debtor 30 days to request a hearing, and follow the hearing procedures per the statute.

The County's contact and debt setoff coordinator will be the Tax Collector (named by position for continuity).

Staff requests that the Chairman and County Manager be authorized to execute the necessary documents by Board adoption of the Resolution.

**Resolution of the County of Dare, North Carolina Approving The Use Of The North Carolina Local Government Debt Setoff Program**

**Whereas**, NCGS Chapter 105A, Setoff Debt Collection Act, authorizes the North Carolina Department of Revenue to cooperate in identifying debtors who owe money to qualifying local agencies and who are due refunds from the from the Department of Revenue; and

**Whereas**, the law authorizes the setting off of certain debts owed to qualifying local agencies against tax refunds; and

**Whereas**, the North Carolina Association of County Commissioners and the North Carolina League of Municipalities have jointly established a clearinghouse to submit debts on behalf of Dare County as provided by law;

**Now Therefore, be it Resolved** by the Board of Commissioners of Dare County that the County will participate in the debt setoff program and the Board hereby designates the Tax Collector as the person to hold hearings and conduct necessary proceedings.

The Chairman and the County Manager are hereby authorized to execute such documents and agreements as necessary to participate in the debt setoff program.

Adopted this 1<sup>st</sup> day of August, 2005.

[SEAL]

Clerk to the Board

Chairman, Board of Commissioners



North Carolina Association  
of County Commissioners

North Carolina League of  
Municipalities



**To:** County Managers  
City Managers/Clerks

**From:** C. Ronald Aycock, NCACC Executive Director  
S. Ellis Hankins, NCLM Executive Director

**Date:** August 15, 2004

**Subject:** NC Local Government Debt Setoff Clearinghouse Program Changes

The North Carolina Association of County Commissioners and the North Carolina League of Municipalities were successful in having enacted a legislative goal in 1997, to enable county and city participation in the state's income tax debt setoff program. As defined in Chapter 105A of the General Statutes, the following "local agencies" are authorized to participate in the program

- *A county, to the extent it is not considered a State agency*
- *A municipality*
- *A water and sewer authority created under Article 1 of Chapter 162A of the General Statutes*
- *A regional joint agency created by interlocal agreement under Article 20 of Chapter 160A of the General Statutes between two or more counties, cities, or both.*

#### **Important Change to the Debt Setoff Clearinghouse Program**

***2004 General Assembly authorized regional joint agencies created by interlocal agreements under G.S. 160A, Article 20, to participate in the debt setoff clearinghouse program, effective January 1, 2005***

The debt setoff program permits local agencies to submit any outstanding delinquent debt (totaling \$50 or more) through a local government clearinghouse to the NC Department of Revenue, to attempt to match these debts against individual income tax refunds

The notification and appeals process as set forth in N.C.G.S. Chapter 105A requires debtors to be notified of the \$15 collection assistance fee. The clearinghouse is responsible for adding the \$15 to the amount of delinquent debt submitted by participating local governments. **Each delinquent debt that is successfully matched incurs the \$15 collection assistance fee. This applies to individual debts of \$50 or more, and to those combined debts to meet the \$50 minimum. No charges accrue unless a successful tax refund setoff is made. Again, the clearinghouse adds the \$15 to the amount of debt submitted by the participating local agency**

An individual local agency may combine debts under a single debtor's social security number in order to meet the \$50 minimum. For your information, N.C.G.S. Chapter 105A stipulates that delinquent debt is a sum totaling at least \$50 owed to a local agency (claimant agency that has accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum. We also require that a full 60 days must lapse after a local agency labels the debt as delinquent before the debt can be submitted to the clearinghouse. The local agency must furnish the full name and social security number of each debtor

NCACC and NCLM have contracted with Five Star Computing, Inc., Columbia, SC to administer the debt setoff program. Five Star Computing receives, processes and submits the consolidated debts to the North Carolina Department of Revenue, and has established a call center to handle telephone calls from

taxpayers who have had their refunds withheld, in whole or in part. Five Star also submits successful match information back to the participating local agencies. Five Star has managed the South Carolina Association of Counties debt setoff program since its inception. Five Star has put online a website to facilitate local government participation ([www.ncsetoff.org](http://www.ncsetoff.org)).

Successful match funds are disbursed through Capital Management of the Carolinas, the agency that oversees administration of the North Carolina Capital Management Trust. Each local agency must have an account with Capital Management and will need to complete Capital Management's *Inter-Fund Authorization Transfer* form, designating its account number to receive the funds. Details regarding completion and transmission of this form and opening new accounts accompany the form. No additional charge will accrue for this service -- Capital Management considers this an important service offering to its local clients.

In order to participate in the program, each local agency should become familiar with N.C.G.S. Chapter 105A and must agree to comply with the requirements therein. Certain appeal procedures, including notification to the debtor and debtor's right to a hearing must be followed. The local agency must send written notice to a debtor that the agency intends to submit the debt for collection by setoff, and that a collection assistance fee of \$15 will be added to the debt if it is submitted for setoff. The notice must explain the debt and that the local agency intends to apply the debtor's refund against the debt. The notice must inform the debtor that the debtor has the right to contest the matter by filing a request for a hearing with the local agency, must state the time limits and specifics of the hearing, and must state that failure to request a hearing within the required time will result in setoff of the debt. Please see the *Summary of Notification and Appeals Process*, along with a sample notification letter, a sample post hearing notification letter, and a tracking form for your use.

A debtor who decides to contest a proposed setoff must file a written request for a hearing with the local agency within 30 days after the date the local agency mails a notice of the proposed action to the debtor. The governing body or a person designated by the governing body must hold the hearing. If the debtor disagrees with the decision rendered, the debtor may file a petition for a contested case under Article 3 of Chapter 150B of the General Statutes. The petition must be filed within 30 days after the debtor receives a copy of the local agency's decision. **Please also note that no debt can be submitted to the clearinghouse until the entire notification and appeals process is completed for that debt.**

**Local Government Debt Setoff Clearinghouse Program and Match Guidelines highlights include:**

- Only counties, cities, water & sewer authorities (created under G.S. Chapter 162A, Article 1), and regional joint agencies created by interlocal agreement under G.S. Chapter 160A, Article 20 may participate in the NC Local Government Debt Setoff Clearinghouse program.
- The local agency must submit debts of at least \$50 each individually by debtor name and social security number to the clearinghouse. Smaller debts less than \$50 can be combined to meet the \$50 threshold.
- No debts can be submitted until they are at least 60 full days past the local agency's definition of delinquency. For example, if County A's policy defines a bill as delinquent after 30 days from its due date, County A must wait 90 days from the bill's due date before submitting the debt to the clearinghouse.
- Debts must be submitted in the format and media required by the NC Local Government Debt Setoff Clearinghouse. Please see the *File Layout* requirements.
- The Debt Setoff Clearinghouse Program is dependent upon the use of debtor's social security number. We encourage you to discuss the procurement and use of debtor's social security numbers with your local attorney. You will also want to become familiar with N.C. Gen. Stat. 143-64.60 entitled the "State Privacy Act" which sets forth rules associated with disclosure of, and requests for, social security numbers. A discussion of these subjects is also found in *Public*

*Records Law for North Carolina Local Governments* by David M. Lawrence and published by the Institute of Government.

- Per state law, priorities for refunds will be determined when the debt is initially submitted to the program. **PLEASE NOTE THAT STATE AGENCIES HAVE PRIORITY OVER LOCAL AGENCIES FOR COLLECTION BY SETOFF.**
- Existing submitted debts may be adjusted upwards for interest, fees, penalties, etc., and will retain the original priority order, but not a later submitted new debt, even if for the same debtor. New debts will be date-stamped with the later submission date.
- Successful matches against a debtor refund will be credited to the first local agency submitting the debt.
- Should the individual debtor's refund exceed the first local agency's total debt and another local agency has submitted other debt(s) owed by the same debtor, the debtor's remaining refund will be reduced by the amount of the second local agency's debt. This procedure shall continue through the priority of debtors should there be sufficient refund due the debtor.
- Each delinquent debt successfully intercepted will incur the \$15 collection assistance fee.

For local agencies wishing to participate, please see the *Memorandum of Understanding and Agreement, NC Local Government Debt Setoff Clearinghouse Program*, for your execution. Please also complete a *Participation Form* that requires the designation of a Local Debt Setoff Coordinator and a Local Debt Setoff Contact (the same staff member may serve in both roles). Please return an original executed copy of the Agreement and the participation form. Should you choose to have this approved by your governing body, please see the *Sample Resolution for Board Adoption* that could be used by your governing board.

Throughout the State there are many collection arrangements that rely upon the county to administer the property tax collection process for its cities. N.C.G.S. 105-354, Collections for districts and other units of local government, provides, "whenever a taxing unit collects taxes for some district or other unit of local government, those taxes, for collection and foreclosure purposes, shall be treated as taxes of the taxing unit making the collection." If your county collects and enforces the collection of current year and delinquent property taxes on behalf of your cities, the total (municipal and county) of all delinquent taxes for an individual debtor may be combined to meet the \$50 minimum requirement and be submitted as a single debt. Therefore, if your particular county's arrangement with your cities complies with the above statute, you may combine and file the property tax debts on behalf of these units. The county must notify us by completing the *Multiple Unit Collection Rider*. Please also be aware that the automated voice response system will refer any delinquent property taxpayers to your county's debt setoff contact.

Please see the following documents:

- Memorandum of Understanding and Agreement, NC Local Government Debt Setoff Clearinghouse Program
- Local Agency Certification – Attachment I
- File Layout
- Participation Form
- Inter-fund Authorization Transfer Form & Instructions-North Carolina Capital Management Trust Fund
- Summary of Notification and Appeals Process, and Sample Debtor Notification Forms & Tracking Form
- Sample Resolution for Adoption by Board of County Commissioners or Town Council
- Multiple Unit Collection Rider
- Frequently Asked Questions and Answers

The Association and the League are pleased to provide this service to their local government partners. We believe it will prove useful as a method of debt collection, although this is no simple matter. If you have any questions, please contact

**NCACC: (point of contact for eligible water and sewer authorities)**

- John Ed Whitehurst (program implementation), 919 715 2893;
- Rebecca Troutman (technical assistance); 919 715 2893,
- Paul Meyer (legal assistance), 919 715 4369

**NCLM:**

- Tom Medlin (program implementation), 919.715 2906.
- Lee Mandell (technical assistance), 919 715 3933,
- John Phelps (legal assistance), 919 715 3920

**Memorandum of Understanding and Agreement  
NC Local Government Debt Setoff Clearinghouse Program**

This agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between the *County of Dare* ("CLAIMANT AGENCY") and the North Carolina League of Municipalities and the North Carolina Association of County Commissioners acting as the North Carolina Local Government Debt Setoff Clearinghouse ("CLEARINGHOUSE")

RECITALS

WHEREAS, the Setoff Debt Collection Act, ("ACT"), Article 1 of Chapter 105A of the North Carolina General Statutes, authorized the North Carolina Department of Revenue ("DEPARTMENT"), and claimant agencies to cooperate in identifying debtors who owe money to the State or to a qualifying local agency and who qualify for State income tax refunds; and established procedures for setting off against any refund the sum of any debt owed to the State or local government; and

WHEREAS, pursuant to NCGS 105A-3, CLEARINGHOUSE has registered with DEPARTMENT to submit delinquent debts on behalf of a local agency and has thereby become authorized to submit delinquent debts on behalf of a local agency under the ACT, and

WHEREAS, CLAIMANT AGENCY is a local agency authorized to submit a debt owed to it pursuant to the ACT, and

WHEREAS, CLAIMANT AGENCY desires to enter into this agreement with CLEARINGHOUSE in order to participate under the Setoff Debt Collection Act to increase the collection rate of delinquent debts owed to CLAIMANT AGENCY; and

WHEREAS, CLEARINGHOUSE has agreed to submit delinquent debts on behalf of CLAIMANT AGENCY.

NOW THEREFORE, in consideration of the mutual covenants and agreements, terms and conditions contained herein, CLAIMANT AGENCY and CLEARINGHOUSE mutually agree as follows.

**I. TERM/TERMINATION**

This memorandum of understanding and agreement shall remain and continue in full force and effect from year to year unless modified or terminated in writing by either party upon 90 days written notice to the other party. Upon termination of this agreement all sums due and owing from either party to the other shall remain a lawful obligation of the party and be due and payable. CLEARINGHOUSE will erase all claimant data files from its debt setoff system upon termination.

## II. REPRESENTATIONS AND OBLIGATIONS OF CLAIMANT AGENCY

A CLAIMANT AGENCY hereby designates, appoints, and authorizes CLEARINGHOUSE to process delinquent debts to be submitted to Department. For purposes of the Debt Setoff Clearinghouse Program, "DELINQUENT DEBT" is defined to mean:

- (i) a single account or monetary obligation which is at least \$50 owed by a debtor to a claimant agency; or,
- (ii) a group of accounts or single monetary obligations, each of which is less than \$50, that have been combined to total at least \$50, owed by the same debtor to a claimant agency; or,
- (iii) a combination of two or more accounts or monetary obligations, one of which is at least \$50 and the remainder of which when added together equal less than \$50, owed by the same debtor to a claimant agency.

Each account or monetary obligation may have accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum. To become a delinquent debt a period of 60 days must have elapsed between the time CLAIMANT AGENCY declares all of the applicable accounts or monetary obligations delinquent and the date the delinquent debt is submitted to CLEARINGHOUSE for collection.

- B. CLAIMANT AGENCY shall comply with the provisions of the ACT prior to the submission of a debt to CLEARINGHOUSE for setoff and shall provide CLEARINGHOUSE the date of compliance with its debt submission file.
- C. CLAIMANT AGENCY shall, upon execution of this agreement file a "participation form" with CLEARINGHOUSE designating a debt setoff coordinator and a debt setoff contact. Such participation form shall be updated on an annual basis and at any time there is a change in the information provided thereon. CLEARINGHOUSE shall administratively provide participation forms, as needed, for use by CLAIMANT AGENCY. The debt setoff coordinator shall be the designated local government employee authorized to receive notices and communication from CLEARINGHOUSE to insure that the requirements of this agreement and the requirements of the Act are met. The debt setoff coordinator shall supply CLEARINGHOUSE with any and all information that in the opinion of CLEARINGHOUSE is necessary for the proper implementation of this agreement. The debt setoff contact will receive all referrals from debtors.
- D CLAIMANT AGENCY shall use a file specified by CLEARINGHOUSE to prepare "debt files" and adjustments to debt files that CLAIMANT AGENCY certifies to CLEARINGHOUSE are owed to CLAIMANT AGENCY and that CLAIMANT AGENCY desires to have CLEARINGHOUSE submit to DEPARTMENT for setoff as shown on a document to be administratively supplied by CLEARINGHOUSE entitled "File Layouts for Submission of Debts from CLAIMANT AGENCY to CLEARINGHOUSE." If, in the opinion of CLEARINGHOUSE, changes to the file format are necessary to carry out this program, CLEARINGHOUSE shall timely

notify the CLAIMANT AGENCY. The CLAIMANT AGENCY covenants and agrees that it shall immediately implement any changes required by CLEARINGHOUSE. Data file structure will mirror requirements of DEPARTMENT but may include other fields such as date of debt cancellation. CLEARINGHOUSE will organize capability of date and time stamping debt for priority setting.

- E CLAIMANT AGENCY shall transmit a debt file to CLEARINGHOUSE in a method and format acceptable to CLEARINGHOUSE. CLAIMANT AGENCY may choose one of three methods for data transmission: (1) customized software application provided by CLEARINGHOUSE, (2) file transfer protocol; and (3) hardcopy documents (hardcopy will require payment of costs of data entry services).
- F CLAIMANT AGENCY shall comply with the notice and hearing procedures set forth in G.S. 105A-5 prior to the submission of a debt file to CLEARINGHOUSE. Debt files must be received on or before Friday at 5:00 p.m. in order to be included in the following week's submissions by CLEARINGHOUSE to DEPARTMENT.
- G CLAIMANT AGENCY shall, after a debt file has been submitted to CLEARINGHOUSE, advise CLEARINGHOUSE of any debtor repayment or protests and instructions to delete or reduce a delinquent debt by submitting a new debt file by close of business on the day the repayment or protest and instructions to delete or reduce a delinquent debt is received.

### **III. REPRESENTATIONS AND OBLIGATIONS OF CLEARINGHOUSE**

- A CLEARINGHOUSE shall, upon receipt of CLAIMANT AGENCY'S debt file, compile the information and submit the data to the DEPARTMENT on Monday of each week.
- B. CLEARINGHOUSE shall remit to the CLAIMANT AGENCY funds received from DEPARTMENT within a reasonable time from the date of receipt from DEPARTMENT. Thereafter, CLEARINGHOUSE shall provide the CLAIMANT AGENCY an accounting of funds collected which will include the name of the debtor, the debtor's social security number, and the amount of the debt setoff as shown on the "File Layout for Submission of Debts from CLAIMANT AGENCY to CLEARINGHOUSE."
- C. CLEARINGHOUSE will provide CLAIMANT AGENCY an entity version of the application software system, which will allow CLAIMANT AGENCY to do its own in-house data entry for transfer to CLEARINGHOUSE. CLEARINGHOUSE will provide free upgrades of the application software periodically, as needed. The entity version of the application system will provide both a comprehensive online help system and a written Installation/Set-up user's guide. A Pentium class computer with Windows 95 or above is required by CLAIMANT AGENCY using the application software system.
- D CLEARINGHOUSE will provide a licensed copy of PKWARE'S PKZIP to CLAIMANT AGENCY. This software provides for compression and encryption for the security of the data to be sent to CLEARINGHOUSE. CLEARINGHOUSE will

also compress and encrypt the data using PKZIP before returning the data to CLAIMANT AGENCY.

- E. CLEARINGHOUSE will provide a toll free telephone number for use by CLAIMANT AGENCY to receive technical support and provide information on the use of software applications and the processing of debts for submission to DEPARTMENT. Technical support and information shall be available from 8:00 a.m. until 5:00 p.m. EST, Monday through Friday, excluding holidays. Voice mail and e-mail access shall also be provided as a part of the support/information response system.
- F. CLEARINGHOUSE will provide, at no cost to CLAIMANT AGENCY, technical support to CLAIMANT AGENCY, including site visits when advisable or appropriate. CLEARINGHOUSE will provide a first-level of support by telephone to attempt to diagnose the problems. However, if first-level support is unsuccessful, an on-site visit will be made within four (4) business days.
- G. CLEARINGHOUSE will provide, at no cost to CLAIMANT AGENCY, a training seminar of one to two days each year for CLAIMANT AGENCY'S staff on the use of the debt setoff application system

#### **IV. UNDERSTANDING OF PARTIES**

- A. To recover the costs incurred by DEPARTMENT in collecting debts, it imposes a collection assistance fee on each debt collected through setoff. DEPARTMENT must collect this fee as part of the debt and retain it. To recover the costs incurred by claimant agencies in submitting debts for collection, a local collection assistance fee of \$15 dollars is imposed on each delinquent debt submitted to DEPARTMENT and collected through set off. DEPARTMENT must collect this fee as part of the debt and remit it to CLEARINGHOUSE. If CLAIMANT AGENCY is due a refund of more than \$50 dollars, DEPARTMENT sets the tax refund off in the amount of the delinquent debt plus its collection assistance fees and the local collection assistance fee. If DEPARTMENT is able to collect only part of a debt through setoff, its collection assistance fee has priority over the local collection assistance fee and over the remainder of the delinquent debt. The local collection assistance fee has priority over the remainder of the delinquent debt.
- B. DEPARTMENT has priority over all other claimant agencies whenever it is a competing agency for a refund. State agencies have priority over local agencies. When multiple claims among local agencies are submitted for setoff to CLEARINGHOUSE, the claims have priority based on the date and time each local agency requested CLEARINGHOUSE to submit debts on its behalf. The date and time of submission of the debt file shall constitute the date and time to establish the priority. CLEARINGHOUSE shall use submission receipt date and time of original file for priority date and time of specific debt. Additions to a delinquent debt through accrued interest and/or penalties will not change the priority date. Any "new" delinquent debt for same CLAIMANT AGENCY will have a new submission date and time, including new debts for a previously submitted debtor. A delinquent debt submitted to CLEARINGHOUSE that has been reduced, by setoff or otherwise, to an

amount of less than \$50 may lose its existing priority. If such delinquent debt is thereafter combined with a future delinquent debt submission for the same debtor and thereby becomes eligible for setoff, it shall be treated as a part of the “new” debt and shall be assigned priority based on the future submission. If such delinquent debt, through the addition of interest or penalties, is thereafter increased to an amount of at least \$50 and thereby becomes eligible for set off, such debt shall retain its original priority.

- C. CLEARINGHOUSE shall not accept a debt file that is not prepared as specified by CLEARINGHOUSE or where a period of 60 days has not elapsed between the time the CLAIMANT AGENCY declares the debt delinquent and the date the delinquent debt is submitted to CLEARINGHOUSE for collection. CLEARINGHOUSE agrees to submit delinquent debts to Department; provided, however the CLAIMANT AGENCY is solely responsible for complying with the ACT, specifically including the notice and hearing provisions and other requirements of the act.
- D. The CLAIMANT AGENCY acknowledges that CLAIMANT AGENCY is responsible for the notice and hearing requirements of the ACT. CLAIMANT AGENCY affirms to CLEARINGHOUSE that it will comply with the ACT, specifically including the notice and hearing provisions required by the ACT prior to the submission of a delinquent debt to CLEARINGHOUSE for setoff.
- E. Successful interception funds will be disbursed through Capital Management of the Carolinas (Capital Management), the agency that oversees administration of the North Carolina Capital Management Trust. CLAIMANT AGENCY shall have an account with Capital Management prior to the submission of a delinquent debt to CLEARINGHOUSE and shall retain said account for as long as this agreement shall be in full force and effect.

## **V. COMPENSATION**

- A. CLEARINGHOUSE shall receive as compensation for its services the \$15 local collection assistance fee that is imposed by DEPARTMENT on each delinquent debt that is submitted by CLEARINGHOUSE and collected through a successful interception. “SUCCESSFUL INTERCEPTION” is defined to mean the DEPARTMENT matched all or a portion of a debt submitted by CLEARINGHOUSE against a State tax refund for interception and payment towards a delinquent debt owed to CLAIMANT AGENCY.
- B CLAIMANT AGENCY, by the execution of this agreement, authorizes CLEARINGHOUSE to retain the \$15 local collection assistance fee imposed on each delinquent debt for each successful interception. CLAIMANT AGENCY further authorizes CLEARINGHOUSE to retain the local collection assistance fee collected by it in the event CLAIMANT AGENCY is required, by statute or otherwise, to return to a debtor funds that have been set off by DEPARTMENT.
- C CLAIMANT AGENCY may not combine individual delinquent debts of at least \$50 each by delinquent debtor name and social security number for submission to CLEARINGHOUSE. Multiple debts of less than \$50 owned by the same debtor to a

claimant agency, and one debt of less than \$50 and a debt of at least \$50 may be combined to meet the \$50 threshold and thereby constitute a delinquent debt which may be submitted to CLEARINGHOUSE.

- D. Existing submitted delinquent debts may be adjusted upwards for interest, fees etc., and will retain their original priority order, but not a later new delinquent debt, even if from the same debtor. New debts will be date stamped by CLEARINGHOUSE with the later submission date.
- E. In the event of partial payment of a delinquent debt, the CLAIMANT AGENCY may continue to submit the balance of the debt, if \$50 or more, as a part of subsequent data files. If the delinquent debt is reduced to an amount of less than \$50, it may be combined with a future delinquent debt submission for the same debtor, and will be treated as a part of the "new" delinquent debt for purposes of priority and imposition of the local collection assistance fee

## **VI. INDEMNIFICATION/REIMBURSEMENT**

CLAIMANT AGENCY fully understands and warrants to CLEARINGHOUSE that by submission of any delinquent debt submitted to CLEARINGHOUSE for setoff CLAIMANT AGENCY has complied with all of the provisions of the ACT and this agreement. The CLAIMANT AGENCY shall hold CLEARINGHOUSE free and harmless and shall indemnify CLEARINGHOUSE against any and all damages, claims, of action, injuries, actions, liability, or proceedings arising from the failure of CLAIMANT AGENCY to so perform. CLAIMANT AGENCY shall be responsible for the repayment of any sums received by it, including interest, penalties and court costs, to a debtor in the event a court of competent jurisdiction rules that said repayment is due to a debtor or debtors

## **VII. NOTICE**

Any notice required to be given under this Agreement shall be sent by certified or registered mail postage prepaid to: *Tax Collector* (debt setoff coordinator) *Dare County* (local agency) *P.O. Box 1000, Manteo, NC 27954* (address), and to: NCLM, P. O. Box 3069, Raleigh, NC 27602-3069 and NCACC, P. O. Box 1488, Raleigh, NC 27602-1488. in the case of CLEARINGHOUSE.

## **VIII. ASSIGNMENT**

This Agreement is not assignable by either party.

## **IX. CONFIDENTIAL INFORMATION**

In the course of performance of this Agreement, the parties may find it necessary to disclose to the other party certain confidential information ("Confidential Information"). Confidential Information includes, but is not limited to, information relating to the parties' employees, trade secrets, customers, vendors, finances, operations, products, and other business information. The following terms apply to Confidential Information: (i)

the non-disclosing party shall treat as confidential and use the same degree of care as it employs in the protection of its own similar confidential information, but in no event less than a reasonable degree of care; and, (ii) the non-disclosing party will only use the information in connection with its business dealings with the disclosing party, and shall disclose information only to employees or contractors having a need to know and who agree to be bound by the terms of this Section, unless otherwise authorized in writing by the disclosing party. Information shall not be subject to these terms if: (i) it is in the public domain at the time of disclosure, or enters the public domain without breach of this Agreement; (ii) it is known to the non-disclosing party prior to the disclosure, or it is independently developed by the non-disclosing party, (iii) it is obtained by non-disclosing party in good faith from a third party not under obligation of secrecy to the disclosing party, or, (iv) it is the subject of a court or government agency order to disclose, provided the non-disclosing party gives prompt notice to the disclosing party to allow the disclosing party to contest such order. The obligations set forth in this Section survive termination, rescission, non-renewal or expiration of this Agreement.

All information, including but not limited to printed, written, oral or computer-formatted information, which CLEARINGHOUSE may gain access to during the course of the performance of this Agreement shall be the property of CLAIMANT AGENCY, shall be held in the strictest confidence, and shall be used solely for the business purposes that are the subject of this Agreement. CLEARINGHOUSE shall maintain confidentiality of such information not only during the course of the performance of this Agreement, but following its termination.

## X. MISCELLANEOUS

- A. This Agreement represents the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express or implied. This Agreement may be modified or amended only by a written statement signed by both parties
- B. The laws of the State of North Carolina shall govern the terms and conditions of this Agreement. Should any dispute arise between the parties concerning any matter under this Agreement, such disputes shall be submitted to binding arbitration before the American Arbitration Association, in accordance with applicable rules.
- C. CLAIMANT AGENCY shall enter into no other contract for similar services with any other entity so long as this Agreement remains in effect
- D. The CLAIMANT AGENCY shall be identified and contacted as follows:

- Type of Agency (Check appropriate type)
  - A County, to the extent it is not considered a State agency
  - A municipality
  - A Water & Sewer Authority (created under Article 1 of Chapter 162A) (Attorney for CLAIMANT AGENCY MUST complete and include Attachment I – Local Agency Certification)
  - A regional joint agency created by interlocal agreement (created under Article 20 of Chapter 160A) between two or more counties, cities, or both (Attorney for CLAIMANT AGENCY MUST complete and include Attachment I – Local Agency Certification)

Name of Agency County of Dare, NC  
Director/Chief Exec Officer, etc Terry L. Wheeler, County Manager  
Address P.O. Box 1000

City Manteo, NC Zip 27954  
Email Address comrg@darenc.com

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and date first above written, all by authority of their respective governing bodies.

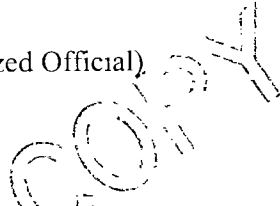
Dare County, NC  
(Local Agency)

NORTH CAROLINA LOCAL GOVERNMENT  
DEBT SETOFF CLEARINGHOUSE

By:  
(Authorized Official)

By:  
S Ellis Hankins, Executive Director  
NC League of Municipalities

ATTEST:

  
(Clerk)

By:  
C. Ronald Aycock, Executive Director  
NC Association of County Commissioners

(SEAL)

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

(Signature of Finance Officer)

**NC Local Government Debt Setoff Clearinghouse Program  
Multiple Unit Collection Rider**

This Multiple Unit Collection Rider (the "MUCR") is hereby made a part of that Memorandum of Understanding and Agreement (the "Agreement") entered into between the parties regarding the NC Local Government Debt Setoff Clearinghouse Program and in accordance with Section X(A) thereof, modifies and amends said Agreement as provided.

1. N.C.G.S 105-354 provides that when a taxing unit collects taxes for another district or local government, the taxes being collected are considered taxes of the unit making the collection, for collection and foreclosure purposes. CLEARINGHOUSE will accept DELINQUENT DEBTS submitted under such agreements as provided for by N.C.G.S. 105-354.
2. N.C.G.S 105-354 does not provide for the collection of fees by a taxing unit on behalf of other districts or local governments, and therefore CLEARINGHOUSE will not accept submissions containing fees.

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

*Signature*

Title: \_\_\_\_\_