



# *Milton Town Core Tax Increment Financing District*

Town Properly Allocated Tax Increment  
and Used It to Pay TIF District Debts in  
FY2016



## Mission Statement

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This means ensuring that taxpayer funds are used effectively and efficiently, and that we foster the prevention of waste, fraud, and abuse.

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Dear Colleagues,

On April 1, 2008, the town of Milton created a tax increment financing district, known as the Milton Town Core TIF District (TIF) to provide revenues for public improvements to stimulate development of the town core. Our office is required to audit each municipal TIF district according to a schedule established in statute. Consistent with statutory requirements, our objectives for this audit were to assess 1) whether a maximum of 75 percent of the education tax increment and an equal portion of the municipal tax increment was allocated to the Milton Town Core TIF district in fiscal year 2016, and 2) whether TIF district tax increment was utilized in fiscal year 2016 for payment of authorized debt.

Milton correctly calculated and allocated incremental property tax revenue to the Town Core TIF district in fiscal year (FY) 2016. It allocated \$352,062 of education tax increment and \$127,347 of municipal tax increment, which is 75 percent of the education tax increment and municipal tax increment. In FY2016, Milton used Town Core TIF district tax increment to make payments of \$188,842 on debt for the town core sewer system expansion and a waterline extension. The debt had been approved by VEPC and Milton voters according to statutory requirements.

However, our office questioned the sufficiency of disclosures provided to Milton voters in connection with \$2.4 million general obligation (GO) bonds that were approved by voters on March 3, 2015 for Route 7 corridor improvements. We sought the opinion of the Attorney General's Office (AGO) which advised that because they lacked detailed information about discussion and any additional information that may have been provided at any municipal hearing or VEPC meeting related to this TIF district debt, there was not sufficient information to conclude that the public vote approving the TIF debt at issue was invalid. However, the AGO pointed out that the lack of meaningful detail in the town's written notice in conjunction with the timing of the notice raised concerns regarding the public's ability to understand the proposed TIF district debt before it was approved. The period for Milton to incur debt expired March 31, 2018, but we plan to notify VEPC of the concerns raised by the AGO because there are other municipalities with TIF districts that are within the statutorily-allowed period for borrowing.

In accordance with 32 V.S.A. §163(4), we are also providing copies of this report to the commissioner of the Department of Finance and Management and the Department of Libraries. In addition, the report will be made available at no charge on the state auditor's website, <http://auditor.vermont.gov/>.

Sincerely,



DOUGLAS R. HOFFER

ADDRESSEES

The Honorable Mitzi Johnson  
Speaker of the House of Representatives

The Honorable Phil Scott  
Governor

Mr. Adam Greshin  
Commissioner, Department of Finance and Management

Mr. John Gifford  
Treasurer, Town of Milton

The Honorable Tim Ashe  
President Pro Tempore of the Senate

Ms. Susanne Young  
Secretary, Agency of Administration

Mr. Don Turner  
Manager, Town of Milton

Mr. Scott Murphy  
State Librarian

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# Introduction

The town of Milton created a tax increment financing district (TIF), known as the Milton Town Core TIF District, on April 1, 2008 in order to provide revenues for public improvements to stimulate development of the town core. Typically, when a TIF district is established, certain real estate parcels within a municipality are designated as comprising the TIF district. Debt and other resources are utilized to finance public infrastructure improvements, which support development in the district. Future incremental property tax revenue<sup>1</sup> (hereafter known as tax increment) within this designated district is retained over a set time period to pay for the debt incurred to finance the improvements. During this time period, taxing authorities, such as the municipality and the State, continue to receive the base property tax revenue which is based on the property value of the TIF district properties at the time the district was established.

Following approval of the TIF district by the Vermont Economic Progress Council (VEPC), Milton was authorized by statute to retain up to 75 percent of the education tax increment and an equal portion of its municipal tax increment for 20 years to pay approved debt for the town core TIF district.<sup>2</sup>

32 V.S.A. §5404a(l) requires our office to conduct an audit of all TIFs according to a schedule established in law, including validation of the portion of the tax increment retained by the municipality. Our objectives for this audit were to assess 1) whether a maximum of 75 percent of the education tax increment and an equal portion of the municipal tax increment was allocated to the Milton Town Core TIF district in fiscal year 2016, and 2) whether TIF district tax increment was utilized in fiscal year 2016 for payment of authorized debt.

Appendix I contains detail on our scope and methodology. Appendix II contains a list of abbreviations used in this report.

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- <sup>1</sup> Incremental property tax revenue is calculated based on the current property values of the TIF district less the TIF district property values at the time the TIF district was established (original taxable value), multiplied by the municipal and education property tax rates.
- <sup>2</sup> Effective June 8, 2017, municipalities may only retain 70 percent of the education tax increment and must retain 85 percent of the municipal tax increment.

# Highlights

32 V.S.A. 5404a(l) requires the State Auditor's Office (SAO) to audit certain aspects of municipal TIF district activities. Our objectives for the Milton Town Core TIF district audit were to assess 1) whether a maximum of 75 percent of the education tax increment and an equal portion of municipal tax increment was allocated to the Milton Town Core TIF district in fiscal year 2016, and 2) whether TIF district tax increment was utilized in fiscal year 2016 for payment of authorized debt.

## Objective 1 Finding

Milton correctly calculated and allocated incremental property tax revenue to the Town Core TIF district in fiscal year (FY) 2016. It allocated \$352,062 of education tax increment and \$127,347 of municipal tax increment, which is 75 percent of the education tax increment and municipal tax increment. Milton utilized the New England Municipal Resource Center (NEMRC) software, the standardized software used by all municipalities with TIF districts, to calculate tax increment. This yielded the same incremental property tax revenue as determined by the Vermont Department of Taxes' Property Valuation and Review division.

## Objective 2 Finding

In FY2016, Milton used \$188,842 of Town Core tax increment to make payments on debt for two TIF district projects—the village core sewer expansion and the waterline extension along Bombardier Road. The town issued public notices (i.e., warnings) and held the requisite public meetings and votes when it sought voter approval of debt for the sewer and waterline projects in FY2011 and FY2012. In both instances the debt was approved by VEPC and Milton voters in accordance with statutory requirements.

On March 3, 2015, Milton voters approved a \$2.4 million general obligation (GO) bond to finance the Route 7 corridor sidewalk, streetscape, and lighting project. SAO questioned the sufficiency of the disclosures that had been provided to voters in advance of the 2015 public vote and sought an opinion from the Attorney General's Office (AGO). The AGO advised that the question of sufficient public notice is ultimately a question of whether the public vote approving the TIF district debt was valid and indicated that there was insufficient information to conclude that the public vote in 2015 was invalid. The AGO also stated that Milton made a good faith effort at compliance, albeit minimal compliance, with the public notice requirements.

Nonetheless, the AGO noted that the lack of meaningful detail in the town's written notice in conjunction with the timing of the notice raise concerns

regarding the public's ability to meaningfully understand the proposed TIF district debt before it was approved. Because Milton's ability to incur TIF district debt expired March 31, 2018, there is no longer concern about sufficient notice to voters when seeking approval for TIF district debt. There are other municipalities with TIF districts that are within the allowed period for incurring TIF district debt, and we intend to notify VEPC of the concerns raised by the AGO.

## Other Matters

In FY2016, Milton issued a \$70,000 bond anticipation note (BAN) in connection with the Route 7 corridor improvement project for which town voters had approved \$2,400,000 of debt, to be repaid with tax increment. In FY2017, Milton used tax increment to repay the BAN, which reduced the total amount that may be borrowed and repaid with tax increment to \$2,330,000 as of June 30, 2016. Milton did not have a mechanism to track the amount of debt issued against the approved debt amount and we discussed this issue with town officials. In its final debt issuance on March 1, 2018, town officials reduced the amount to be borrowed by \$70,000.

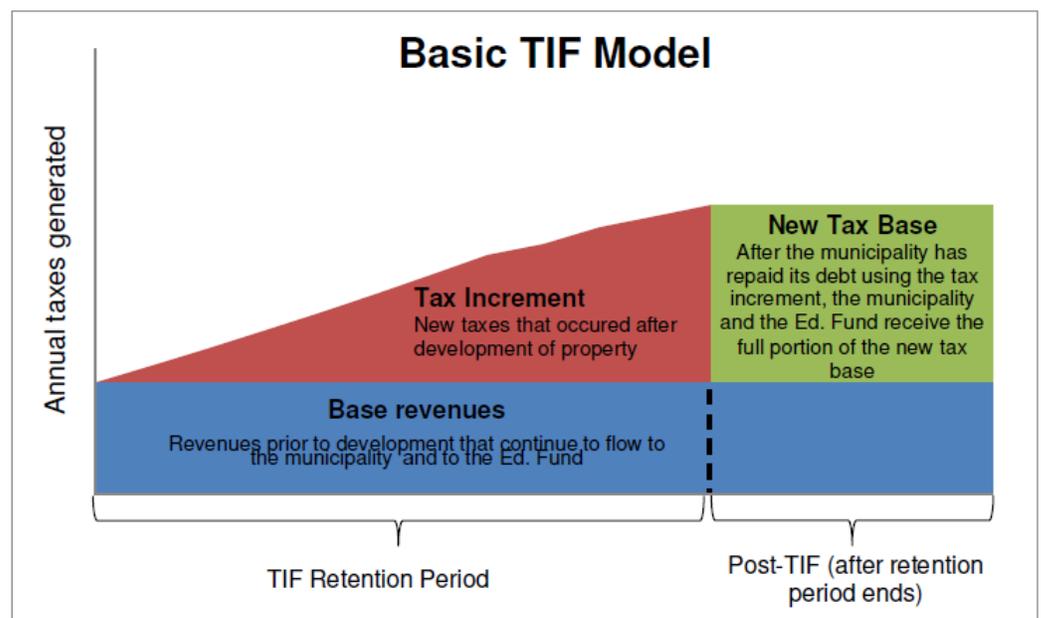
VEPC's approval for the use of TIF financing for Route 7 corridor sidewalk and lighting improvements specified that tax increment could be used to pay for 90 percent of the total project costs. According to Milton's financial director, the town had not developed a process to ensure it limited the use of tax increment. Subsequent to our discussion with town officials, the financial director developed a spreadsheet to monitor total project costs and to ensure that tax increment is not used for a greater proportion than allowed.

Town officials addressed the risks we brought to their attention during the audit related to issuing more debt than approved by voters and using tax increment for more than the limit established by VEPC, so we make no recommendation related to these issues.

## Background

Establishment of a TIF district allows a municipality to designate an area for improvement and then earmark a portion of expected future growth in property tax revenues (i.e., incremental property tax revenue) in the designated area to pay for debt incurred to finance the costs of improvements or for direct payment of improvement costs. In theory, the improvements lead to increased property values resulting in increased property tax revenues to fund the cost of those improvements. Generally, municipalities can retain the incremental property tax revenue, which is comprised of municipal and education tax increment, for 20 years following the year in which the first debt is incurred for improvements. See Figure 1 for a picture that shows the basic TIF model, including the tax increment.

**Figure 1: Basic TIF Model<sup>a</sup>**



<sup>a</sup> Source: An Examination of the State of Vermont Tax Increment Financing Program, January 24, 2018, Vermont Legislative Joint Fiscal Office

VEPC is responsible for authorizing a municipality to utilize incremental education property tax revenue to finance TIF district improvements.<sup>3</sup> Since 2006, a municipality desiring a TIF district must file an application with VEPC and must submit both a district plan that has received prior approval from the municipal legislative body and a district finance plan. The district finance plan, which includes plans for debt financing, must be submitted to and

<sup>3</sup> 32 V.S.A. § 5404a(f)

approved by VEPC before the municipality seeks a public vote to pledge the credit of the municipality.

VEPC is also charged with oversight and monitoring of all districts. On May 6, 2015, VEPC adopted rules as required by statute<sup>4</sup> to address issues relating to creating, implementing, administering, and operating TIF districts and for oversight of the districts and enforcement of the requirements in rule and statute.

#### Use of Tax Increment

Statute<sup>5</sup> provides a specific definition of improvements that may be paid for or financed using TIF district tax increment. Eligible improvements generally are the installation, new construction, or reconstruction of infrastructure that will serve a public purpose and fulfill the purpose of the district. Eligible improvements may include, but are not limited to, transportation improvements, such as public roads, garages, streetscapes, sidewalks, or lighting, and utilities, such as wastewater, storm water, water dispersal and collection systems. Tax increment may be used to pay for debt that was approved by VEPC and municipal voters and was issued to finance eligible improvements.

Statute also allows tax increment to be used for related costs, defined as expenses incurred and paid by the municipality exclusive of the actual cost of constructing and financing improvements, that are directly related to the creation and implementation of the TIF district.

#### Milton Town Core TIF District

Milton established the Town Core TIF district in 2008 for the purpose of expanding a wastewater collection system, a water system loop, and various transportation improvements including new roads, intersection improvements, street reconstruction, new sidewalks, street lighting, municipal parking, a park and ride, and a multimodal center.

VEPC conditionally approved Milton's TIF district in June 2009 and approved Milton's TIF district financing plan in April 2011.

Milton may retain up to 75 percent of the incremental education property tax revenue and an equal portion of the incremental municipal property tax revenue. Per Act 54 (2009), Milton was allowed to choose the date to begin the 20-year period for retention of incremental property tax revenue — either the creation of the district or the first date debt was incurred. The

<sup>4</sup> 32 V.S.A. § 5404a(j)

<sup>5</sup> 24 V.S.A. § 1891(4)

town chose to use the latter date, which was March 2012 and, therefore, may retain incremental property tax revenue for fiscal years 2012 through 2031.

Milton may incur TIF district debt until March 31, 2018, ten years following creation of the district.<sup>6</sup>

## Objective 1: Maximum Allowed Tax Increment Allocated to TIF District in Fiscal Year 2016

Milton accurately calculated tax increment and allocated \$352,062 of education tax increment and \$127,347 of municipal tax increment to the Town Core TIF in FY2016. These amounts represent 75 percent of tax increment in FY2016, the maximum amount of education tax increment that may be retained for purposes of financing TIF district improvements, and no less than an equal portion of municipal tax increment.

See Table 1 for Milton's calculation of the tax on education and municipal tax increment.

**Table 1: Tax Increment Calculation**

	<b>Homestead Portion of Education</b>	<b>Non-Residential Portion of Education</b>	<b>Total Education</b>	<b>Municipal</b>	<b>Total Tax Increment</b>
Incremental property value <sup>a</sup>	9,875,830	22,711,873	32,587,703	32,728,653	
Multiplied by one percent <sup>b</sup>	98,758	227,119		327,287	
Tax rate for fiscal year 2016	1.4013	1.4575		0.5188	
Tax increment	\$138,390	\$331,026	\$469,416	\$169,796	\$639,212
Maximum retainage percent allowed	75%	75%		75%	75%
Total tax increment retained	\$103,793	\$248,269	\$352,062	\$127,347	\$479,409

<sup>a</sup> The difference between the current value of the TIF district properties as of April 1, 2015 and the original taxable value at the time the district was created. The difference in education and municipal incremental property values relates to veterans' exemptions and non-taxable properties, which reduce the taxable increment by different amounts based on what is allowed by statute and by municipal ordinance.

<sup>b</sup> Incremental property value is multiplied by one percent because property taxes are paid on one percent of the value of properties.

<sup>6</sup> Section 82 of Act 54 (2009), as amended by §10 of Act 3 (2009 Special Session)

We attribute the correct calculation and allocation of tax increment to the following:

- VEPC's process to certify original taxable value (OTV) of the TIF district identified some needed corrections and resulted in agreement between VEPC, Milton, and the Vermont Department of Taxes' Property Valuation and Review division (PVR) on the OTV to be utilized in the calculation of the tax increment.
- Milton utilized the NEMRC software to calculate incremental property tax revenue. NEMRC is a standard software package used by all Vermont municipalities.
- Additionally, via NEMRC, Milton submits its grand list<sup>7</sup> each April 1 to PVR. This report is used by PVR to recalculate the education and municipal tax increment for the TIF District. For FY2016, PVR's calculation yielded the same tax increment as determined by Milton.

## Objective 2: Tax Increment Used to Pay Debt Approved by VEPC and Milton Voters

In FY2016, Milton used Town Core tax increment for payments of \$188,842 for debt that financed expansion of the village core sewer and a waterline extension, approved by VEPC in 2011 and the town's voters in 2011 and 2012, consistent with statutory requirements at the time. Voters approved debt in 2012 and 2015 for additional sewer improvements and Route 7 corridor improvements, but no debt had been issued for these projects as of June 30, 2016.

SAO questioned the sufficiency of the disclosures that had been provided to voters in advance of the 2015 public vote and sought an opinion from the AGO. According to the AGO, the question of sufficient public notice is ultimately a question of whether the public vote approving the TIF district debt was valid. The AGO believes there is insufficient information to conclude that the public vote in 2015 was invalid but noted that the lack of meaningful detail in the town's written notice in conjunction with the timing of the notice

<sup>7</sup> The Grand List is one percent of the listed value of properties established by local assessing officials, and the value used to determine the state education and municipal taxes.

raise concerns regarding the public's ability to meaningfully understand the proposed TIF district debt before it was approved.

#### Debt paid with tax increment in FY2016 approved by VEPC and voters consistent with statutory requirements

The debt paid with Town Core tax increment in FY2016 was issued to finance two TIF district projects—the village core sewer expansion and the waterline extension along Bombardier Road. VEPC approved the TIF District Financing Plan in 2011, which included debt for these projects. Voters approved GO bonding for \$3,100,000 for a wastewater expansion system and \$150,000 for a waterline extension in 2011 plus an additional \$395,000 in 2012 for sewer improvements. Voters also approved general obligation bonds of \$800,000 in 2012 for the Railroad, Middle Road, Route 7 Intersection Phase 1 project, but no debt had been issued for this project as of June 30, 2016. When seeking voter approval, the town issued public notices (i.e., warnings<sup>8</sup>) that complied with statutory requirements<sup>9</sup> applicable at the time and held the requisite public meetings and votes.

In 2013, rather than financing the village core sewer expansion project with GO bonds, Milton entered into a loan agreement with the Vermont Municipal Bond Bank for a loan through the Vermont Clean Water State Revolving Fund (CWSRF) to finance these improvements and for repayment with tax increment. The total amount borrowed by Milton was \$3,422,906. The select board approved the change in the type of debt instrument, as required by statute.<sup>10</sup> In FY2016, Milton used tax increment for a debt payment of \$179,159 towards the CWSRF loan.

With regard to the debt authorized for the waterline extension, Milton issued \$120,000 in GO bonds in 2013 and used \$9,683 of tax increment for payment towards the debt in FY2016.

#### Good faith effort at compliance with notice requirements for 2015 debt; unclear whether public policy requiring advanced, meaningful notice to the public was achieved

Act 80 of 2013 made changes to the process for obtaining municipal voter approval of TIF district debt, including requirements to provide information to voters prior to the public vote. Milton notified voters January 29, 2015 via warning of 1) a public hearing to be held March 2, 2015 to discuss the Australian Ballot items in the warning, including a proposed TIF district debt, and 2) the annual meeting to be held March 3, 2015 to vote on the Australian Ballot items. On March 3, 2015, Milton held a public vote as required by 24

<sup>8</sup> Warnings are notices informing voters of the town about an election or questions to be voted on.

<sup>9</sup> 24 V.S.A. §1897(a)

<sup>10</sup> 24 V.S.A. §1771 and §1772

V.S.A. §1894(h) for \$2.4 million in GO bonds for the Route 7 corridor sidewalk, streetscape, and lighting improvements and the voters approved the debt.

At the public hearing on March 2, 2015, Milton provided voters with a document<sup>11</sup> titled “Information for Voters,” which described the TIF district improvement project to be financed with debt and other information such as the type of debt that would be used.

According to town personnel, a private attorney was consulted in the creation of the ballot items, affiliated public warnings, and the “Information for Voters” distributed at the March 2, 2015 public hearing.

Milton also provided VEPC with the document “Information for Voters” in advance of the public hearing and asked whether it would meet the 24 V.S.A. §1894(i) notice requirements. VEPC’s executive director at the time advised the town that it met the intention of the law, but just barely. He noted that it lacked the detail that the statutory provision “was meant to ensure gets communicated to the voters so they know what they are voting on.” He also pointed out that “the TIF district application included detail regarding the private development that was expected to occur, ..... so it was hard to believe that the town does not know the information at this point.” Ultimately, he advised that the final determination of compliance with the notice requirements was the responsibility of the town attorney and town manager.

SAO questioned the adequacy of the disclosures and requested an opinion from the AGO regarding whether Milton provided voters with the information required by 24 V.S.A. §1894(i). In its memo response, the AGO indicated that the question of sufficient public notice is ultimately a question of whether the public vote approving the TIF district debt was valid. The AGO explained that they lacked detail information about discussion and any additional information that may have been provided at any municipal public hearing or any VEPC meeting related to this TIF district debt. Because of this, the AGO stated there was not sufficient information to conclude that the public vote approving the TIF debt at issue was invalid.

SAO requested minutes or other record of the public hearing held on March 2, 2015, but the town manager indicated that to his knowledge the town does not keep minutes for public hearing discussions and he was not aware of any documentation other than the information document that was available at the meeting. He wasn’t certain if the town was supposed to keep minutes but indicated he would discuss the issue with the Secretary of State. Based on SAO follow-up with the General Counsel for the Secretary of State’s Office,

<sup>11</sup> See Appendix III for the handout provided to voters.

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under 17 V.S.A. §2680, the legislative body is responsible for administration of the hearing, including the preparation of minutes.

See Table 2 for a comparison of the information requirements of 24 V.S.A. §1894(i) to the information provided by the municipality at the public hearing. Items highlighted in grey are items for which Milton indicated the information was not known at the time or will be established when financing is undertaken.

**Table 2: Comparison of 24 V.S.A. §1894(i) Requirements to Information in Milton’s Public Notice Document**

<b>24 V.S.A. §1894(i) Requirements for Public Notice</b>	<b>Detail from “Information for Voters” Document Distributed at March 2, 2015 Public Hearing</b>
Amount and types of debt	“\$2.4 million general obligation bonds to be issued to finance capital improvements.” “Permanent financing will be through the Vermont Municipal Bond Bank and temporarily through one or more series of bond anticipation notes through a local bank.”
Related costs to be incurred	“At this time it is not known if any portion of the tax increment will be used to pay allowable related non-capital construction costs associated with the Route 7 corridor improvements.”
Principal, interest and fees; terms of the debt	“The principal amount of such temporary and permanent financing and the terms thereof (including interest, fees, etc.) will be established when such financing is undertaken.”
Improvements to be financed	“Capital improvements within the Route 7 corridor, consisting of sidewalk, streetscape, and lighting improvements.”  “This project would encompass filling the sidewalk gaps along US Route 7/River Street.... will also include construction of two retaining walls, replacement the existing retaining wall at Gimlet Hill, crosswalks, and associated stormwater control improvements. Other improvements may include trees, lighting, and signage along Route 7.”
Expected development to occur because of the improvements	“The nature, extent and value of any development resulting from the construction of the Route 7 corridor improvements is not known at this time.”
Notice to the voters that the municipality shall remain liable for the full payment if the tax increment received is insufficient to pay the debt	“If the tax increment received....is insufficient to pay the principal and interest on obligations issued under Article V in any year, for whatever reason, including a decrease in property value or repeal of a state property tax source, unless determined otherwise at the time of such repeal, the Town of Milton shall remain liable for the full payment of the principal and interest for the term of the indebtedness evidence by the obligation.”

The AGO indicated that Milton made a good faith effort at compliance, albeit minimal compliance, with the public notice requirements. The office also pointed out that the lack of meaningful detail in the town's written notice in conjunction with the timing of the notice raise concerns regarding the public's ability to meaningfully understand the proposed TIF district debt before it was approved. The AGO further explained that statutory notice in the context of public meetings is designed to ensure that the public receives sufficient – and sufficiently advance – information to be reasonably informed of a topic for public action and that in this case it's not clear that the notice and the process for providing that notice meets the intent of the public policy requiring advanced, meaningful notice to the public.

Milton's ability to incur TIF district debt expired March 31, 2018, so there is not a continuing concern related to providing sufficient notice to voters when seeking approval for TIF district debt. However, there are other municipalities with TIF districts that are within the period allowed for financing TIF district improvement projects. We intend to notify VEPC of the concerns raised by the AGO with respect to the public's ability to meaningfully understand proposed TIF district debt and satisfying the public policy behind the requirements for advanced, meaningful notice to the public.

## Other Matters for Consideration

In FY2016, Milton issued a \$70,000 bond anticipation note (BAN) to pay for a feasibility study for the Route 7 corridor sidewalk, streetscape, and lighting project. In August 2016, the BAN was repaid with tax increment. Since voters approved the use of tax increment for debt repayment in the amount of \$2,400,000 and the tax increment was used to repay the \$70,000 BAN, any subsequent bond issuance must be reduced by \$70,000 to stay within the amount of TIF financing approved by voters for this project. Therefore, as of June 30, 2016 additional debt issued for this project is limited to \$2,330,000 of the original amount approved.<sup>12</sup>

During the audit, we raised this issue with town officials and the town treasurer acknowledged there was not a process to track issued debt amount versus approved amount. However, on March 1, 2018, the town issued its final debt for the town core TIF district and reduced the amount by \$70,000.

<sup>12</sup> In FY2017, an additional \$100,000 was authorized for town core sidewalks, streetscapes and lighting. With the addition of this \$100,000, the total remaining amount that could be issued was \$2,430,000.

As a result, the cumulative amount of debt issued for the remaining projects on March 1, 2018 was \$6,230,000.<sup>13</sup>

VEPC's approval for the use of TIF financing for the Route 7 corridor sidewalk, streetscape, and lighting improvements specified that tax increment could be used to pay for 90 percent of the total project costs.<sup>14</sup> SAO noted that tax increment was used to pay 100 percent of the BAN issued to cover the cost of the feasibility study associated with this project. According to Milton's financial director, the town did not have a plan on how to handle tracking TIF project costs that are not allowed to be paid with tax increment.

SAO discussed possible approaches with the town's financial director, and she indicated that she planned to seek selectboard approval for a repayment of the TIF district fund to reduce the use of tax increment to 90 percent of the payment of the BAN. It may not be necessary to reimburse the TIF district fund for 10 percent of the BAN because Milton has a federal grant for \$850,000 for the project, which may be sufficient to cover the 10 percent of project costs that cannot be paid with tax increment.<sup>15</sup> As a result of our discussions, the financial director developed a spreadsheet to monitor total project costs and ensure that tax increment is not used for a greater proportion of project costs than allowed.

## Conclusions

Activity in the Milton Town Core TIF district was limited in FY2016. The town properly allocated tax increment to the district, used tax increment for district debt payment, and issued a \$70,000 BAN to finance a project feasibility study. We noted that VEPC and the Milton voters approved TIF district debts in 2011, 2012, and 2015, but that the information provided to voters for consideration of debt approval in 2015 was minimally compliant according to the director of VEPC and the AGO. The AGO expressed concern over the lack of meaningful detail in the public notice and concluded it wasn't clear that the public policy for advanced, meaningful notice to the public behind was satisfied.

During the audit, SAO notified town officials of the risk 1) that debt issued could exceed approved amounts and 2) that tax increment could be used to

<sup>13</sup> In addition to the \$2,430,000 for the Route 7 corridor sidewalk, streetscape, and lighting project, Milton also issued \$2,800,000 for the Route 7 intersection project and an additional \$1,000,000 for a southern gateway project. All additional debt was approved by the voters at a special meeting in November 2017.

<sup>14</sup> VEPC concluded that only a portion of these improvements would directly serve the Town Core TIF district.

<sup>15</sup> According to information submitted to VEPC by Milton in May 2017, total project costs are estimated at \$5,270,910. The federal grant is approximately 16 percent of the total estimated costs.

pay for project costs beyond the 90 percent limit established by VEPC for one of the TIF district improvement projects. Town officials took action to eliminate the risk of issuing more debt than approved by voters and developed a process to monitor the use of tax increment in order to comply with the limitation.

## Management's Comments

On May 31, 2018, the Finance Director for the Town of Milton provided confirmation via email on behalf of herself and the Town Manager that they had reviewed the draft report and agree with the findings, conclusions and recommendations in the report and confirmed that the actions required based on the findings had already been addressed by the town. Appendix IV contains a reprint of the email.

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## Appendix I

### Scope and Methodology

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To address our objective, we researched statutes, acts, session law and TIF district rules to gain an understanding of the requirements applicable to Milton's Town Core TIF relative to debt, the calculation of tax increment, and eligible uses of tax increment. We reviewed VEPC's written notifications of the approval of the TIF district plan and the financing plan to understand the approved projects and debt and any limitations on the use of tax increment. We also reviewed Milton's annual reports of TIF district activity to VEPC and the audited financial statements for FY2014-2016.

We evaluated the method used by Vermont Economic Progress Council and Vermont Department of Taxes' Property Valuation and Review division to certify the OTV of properties in the district by interviewing VEPC and PVR to verify that they performed sufficient procedures to certify the OTV. We reperformed some of the procedures performed by VEPC and PVR. We also compared the TIF district property list submitted with Milton's TIF district application to the certified OTV to understand any proposed changes.

We interviewed municipal officials regarding policies, procedures and controls over calculating tax increment and utilization of tax increment for eligible expenditures. We evaluated whether Milton has a system to ensure the accuracy of the tax increment calculation and the use of tax increment is consistent with VEPC's approval of the TIF district plan and whether there is a process in place to ensure that issued debt does not exceed approved amounts.

We recalculated the tax increment and agreed the result to Milton's internal financial records and to the calculation completed by PVR. We verified that the percent of education tax increment retained to pay TIF eligible expenditures was no greater than 75% and the municipal tax increment was no less than an equal percentage, as required by statute.

We reviewed the FY2016 financial records for expenditures charged to the TIF and confirmed that they met the criteria for eligibility and were for projects approved by VEPC and by Milton's voters.

We verified that the FY2016 debt payments using tax increment agreed to the debt repayment schedules in the bond and loan agreements. To assess the eligibility of these debt instruments for repayment with tax increment, we verified that the TIF financing plan approved by VEPC included these debts. We also reviewed the voter authorizations for each debt paid with tax increment and assessed whether the public notifications included all required disclosures. We performed the same procedures for the debts that the town sought approval for, but were not issued as of June 30, 2016, and for the public vote on TIF district debt that occurred in November 2017. We also obtained an informal opinion from the Attorney General's Office regarding

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## Appendix I

### Scope and Methodology

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the sufficiency of the information in the public notice for debt approved in 2015.

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## Appendix II Abbreviations

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BAN	Bond Anticipation Note
CWSRF	Vermont Clean Water State Revolving Fund
FY	Fiscal year
GO	General obligation
NEMRC	New England Municipal Resource Center
OTV	Original taxable value
PVR	Vermont Department of Taxes' Property Valuation and Review division
TIF	Tax increment financing
VEPC	Vermont Economic Progress Council

## Appendix III Milton Town Meeting Information Handout

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### INFORMATION FOR VOTERS

#### TOWN OF MILTON 2015 ANNUAL MEETING INFORMATIONAL HEARING MARCH 2, 2015

Article V of the January 29, 2015 Warning for the March 3, 2015 annual meeting of the Town of Milton is a proposition to consider pledging tax increment district revenues as security for \$2,400,000 of general obligation bonds to be issued to finance capital improvements within the Route 7 Corridor, consisting of sidewalk, streetscape and lighting improvements. This project would encompass filling the sidewalk gaps along US Route 7/River Street, between the gap at GMP (CVPS) Park at 31 River Street and the intersection with Racine Road and other gaps and extensions. It will also include construction of two retaining walls, replacement the existing retaining wall at Gimlet Hill, crosswalks, and associated stormwater control improvements. Other improvements may include trees, lighting, and signage along Route 7.

The Town of Milton's cumulative amount of authorized tax increment supported debt to date is \$3,250,000 for Village Core sewer improvements, \$495,000 for additional Village Core sewer improvements, and \$800,000 for Phase I improvements at the Railroad/Middle Road/Route 7 Intersection.

The Route 7 Corridor improvements will be financed permanently through the Vermont Municipal Bond Bank and temporarily through one or more series of bond anticipation notes through a local bank. The principal amount of such permanent and temporary financing, and the terms thereof (including interest, fees, etc.) will be established when such financing is undertaken.

Financing will take the form of general obligation bonds and bond anticipation notes, secured by a pledge of the full faith and credit of the Town of Milton, along with a pledge of revenues generated within the tax increment financing district.

At this time it is not known if any portion of the tax increment will be used to pay allowable related, non-capital construction, costs associated with the Route 7 Corridor improvements. The nature, extent and value of any development resulting from the construction of the Route 7 Corridor improvements is not known at this time. However, it is expected that these improvements will provide better and safer pedestrian access to stores and businesses. Currently the Town requires developers in the Town Core to install sidewalks for public acceptance as public infrastructure. This bond proposal should make parcels more attractive to developers and reduce their costs.

If the tax increment received by the Town of Milton from any property tax source is insufficient to pay the principal and interest on obligations issued under Article V in any year, for whatever reason, including a decrease in property value or repeal of a State property tax source, unless determined otherwise at the time of such repeal, the Town of Milton shall remain liable for the full payment of the principal and interest for the term of the indebtedness evidenced by the obligation.

This notice is furnished pursuant to Section 1894(i) of Title 24, Vermont Statutes Annotated.

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## Appendix IV

### Reprint of Management's Comments

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The following is a reprint of the email that the Town of Milton's Finance Director provided on behalf of herself and the Town Manager in response to a draft of the audit report we provided to the Town of Milton for comment.

**From:** Jessica Morris  
**To:** [Sweeney, June](#)  
**Cc:** [Don Turner](#)  
**Subject:** FY16 Town Core TIF Audit Comments  
**Date:** Thursday, May 31, 2018 1:16:51 PM

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Hi June,

Please accept this email as confirmation that Don and I have received and reviewed the draft report 'Milton Town Core – Tax Increment Financing District: Town Properly Allocated Tax Increment and Used it to Pay TIF District Debts in FY2016'. We are in agreement with the findings, conclusions and recommendations detailed in the draft report and also confirm that actions required based on the findings have already been addressed by the Town, also as detailed in the draft report. Please let me know if you need anything further from us. We appreciate your time on this process; it was a pleasure working with you!

Thanks,  
Jess

Jessica Morris  
**Finance Director**  
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Disclaimer, please be advised that your email communication to the Town may be considered public record and may be subject to disclosure under the Vermont Open Public Records Act.