
Vermont State Auditor's Office

February 2015

Performance Audit
Recommendations and
Corrective Actions for Audit:
12-6

TAX INCREMENT
FINANCING
DISTRICT

Winooski Made Errors in
Administering the TIF
District and Underpaid the
State

Dated: October 18, 2012

Overview

The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets. (http://auditor.vermont.gov/audits/recommendation_follow-up)

Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec #	Recommendation	Follow- Up Date	Status & Date	Review Comments
12-6 Tax Increment Financing District: Winooski Made Errors in Administering the TIF District and Underpaid the State 10/18/2012	1	Work with other city officials to approve and record an official list of TIF district properties.	12/1/2014	Partially Implemented	<p>According to the draft TIF rules, Section 901, the properties and value to be included in OTV are to be worked out in an agreement between Winooski, the Department of Taxes Property Valuation and Review and the Vermont Economic Progress Council. The OTV will be effective as of the April 1 immediately following the agreement and will be applicable for the calculation of the tax increment for subsequent years.</p>
					<p><i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i></p>
	2	Implement procedures to ensure that incremental property tax revenue is not used to repay the portion of the revenue bond that paid for city administrative costs and other costs not related to the TIF district, including developing a methodology to determine the dollar amount of the work orders for construction that occurred outside of the TIF district.	12/1/2014	No Longer Applicable	<p>At the time of the audit, SAO concluded that the City risked using tax increment to repay the estimated \$1.35 million (5 percent) of its bond that was ineligible for payment with tax increment because the City had no procedures in place to ensure this portion of the bond was paid for with other sources. According to data provided by Winooski for the Vermont Economic Progress Council's 2014 TIF Report, Winooski's estimated total tax increment is \$16 million which represents about 62 percent to the bonds. Further, 10 years (50 percent) of the period that increment may be retained have passed and the total increment generated is only at 40 percent of the projected amount. As a result, it appears unlikely that Winooski will use tax increment to repay the portion of the bond that was used for purposes unrelated to the TIF district.</p>
					<p><i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i></p>
	3	Segregate the accounting for incremental property tax revenue and its related debt service from other types of revenue and costs to ensure that incremental property tax revenue is only used for payment of, or prefunding, eligible debt.	12/1/2014	Partially Implemented	<p>Act 80 (2013) clarified that segregated accounting, in a separate TIF account was required. Further, the draft TIF rules reinforce this in Section 1002. The City indicated that it has completed the majority of calculations necessary to segregate the accounting and that the new reporting will begin in the new fiscal year (FY2016).</p>
					<p><i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i></p>

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12-6 Tax Increment Financing District: Winooski Made Errors in Administering the TIF District and Underpaid the State 10/18/2012	4	Direct the city assessor to make the following corrections to the OTV:			
	a	Include the two taxable properties and remove the three non-taxable properties.	12/1/2014	Partially Implemented	According to the draft TIF rules, Section 901, the properties and value to be included in OTV are to be worked out in an agreement between Winooski, the Department of Taxes Property Valuation and Review and the Vermont Economic Progress Council. The OTV will be effective as of the April 1 immediately following the agreement and will be applicable for the calculation of the tax increment for subsequent years.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>
	b	Eliminate the commercial adjustment.	12/1/2014	Partially Implemented	According to the draft TIF rules, Section 901, the properties and value to be included in OTV are to be worked out in an agreement between Winooski, the Department of Taxes Property Valuation and Review and the Vermont Economic Progress Council. The OTV will be effective as of the April 1 immediately following the agreement and will be applicable for the calculation of the tax increment for subsequent years.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>
	c	Adjust the OTV to reflect the city-wide reappraisal.	12/1/2014	No Longer Applicable	Act 80 (2013) sec repealed the requirement to adjust OTV in the event of a reappraisal of property values.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>

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					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>
	6	Work with the city assessor to develop and document processes for calculating incremental property tax revenue, including ensuring a second review of the calculations is performed by another city official.	12/1/2014	Not Implemented	The City indicated that the Assessor, Treasurer and Accountant will be trained at the VEPC January 2015 workshop to ensure that multiple staff members understand the issues of compliance and final agreements with VEPC. While this will assist with the City understanding and complying with TIF district requirements, it does not directly address the recommendation which is to develop and document the processes Winooski will use to calculate incremental property tax revenue and to ensure a second review is performed by another city official.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>
	7	Direct the city assessor to appraise the municipally-owned parking garage, land under Spinner Place and the UVM-owned portion of Spinner Place.	12/1/2014	Partially Implemented	According to Winooski, the land under Skinner plan was appraised and listed in 2013. The City provided a copy of the tax bill for this property which shows that the land has been valued and taxes were charged during FY2014. No information was provided regarding the other two properties.
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				<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>	
	9	Designate a city official to be responsible for reviewing the statutory requirements for reporting and to document policies and procedures to ensure timely and accurate reporting.	12/1/2014	Implemented	Winooski has determined that multiple City staff should be responsible for the administration of the TIF district.
				<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>	
	10	Designate a city official to establish and monitor a set of performance measures, including numerical targets for all measures, for each of the objectives outlined in Act 159 (2000).	12/1/2014	Partially Implemented	According to the City, a meeting was requested with Vermont Economic Progress Council (VEPC) to establish a methodology, and if appropriate, targets. Further, Act 80 (2013) section 10 requires every municipality to develop a system for collection of TIF district data and information to fulfill the TIF reporting requirements, including performance indicators (24 V.S.A. §1901 (1)). Further, section 13 indicates that performance indicators will be developed by VEPC. The draft rules also address performance reporting in Section 1004.2 and Section 606.
				<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>	