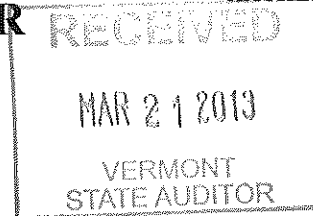


CITY OF WINOOSKI
OFFICE OF THE
CITY MANAGER

27 WEST ALLEN STREET
WINOOSKI, VERMONT 05404

(802) 655-6410 (office)
(802) 655-6414 (fax)

KATHERINE R. DECARREAU
CITY MANAGER
deac@winooski.vt.org



Douglas R. Hoffer
State Auditor
132 State Street
Montpelier, Vermont, 05633-5101

Dear Auditor Hoffer;

In your recent letter to Secretary Spaulding, you noted that the City of Winooski used bond proceeds to pay for activities that were not Tax Increment Financing (TIF) improvements. We would like to note that the City also used **revenue from non increment City resources** to defray a portion of the principal and associated interest at an amount more than double the level of reported exposure. The following is our calculation based on our Vermont Economic Progress Council reports.

Total Bond Principal Payments	\$ 5,850,000.00
Total Bond/ HUD 108 Interest Payments	\$ 4,369,554.78
Total Payments	<hr/> \$10,219,554.78
Total Increment (Ed and Muni) Collected	\$ 5,140,936.40
Total Payment from Other City Sources	<hr/> \$ 5,078,618.38
Principal Payments from Other City Sources	\$ 2,907,163.59
Interest Payment from Other City Sources	\$ 2,171,454.79

While your report alleges that the City may have spent up to \$1.3M of unauthorized bond proceeds, it fails to note that \$2.9M of the principal payments and \$2.17M of interest was actually paid from other City sources. This more than assures the State that **no education funds were used, nor will be used to defray that portion of the bond**. Please also note that these numbers reflect the City spending every dime of increment on debt and nothing on related expenses as allowed.

The City continues to dispute the findings of the audit. Under the circumstances, this particular issue is purely academic since no harm could have possibly befallen the state, regardless of the position of the auditor and the City. Frankly, your staff auditor noted that very matter in verbal reports to the City.

The City understands full well the complicated nature of the TIF process. In fact, the Agency of Commerce and Community Development required the City pay \$330,000 to have the Vermont Housing Finance Agency oversee all TIF related financial decisions. VHFA approved every expenditure and monitored the choices as they occurred. For Ms. Morehead to say now that VHFA did not monitor compliance with TIF rules and failed to protect the City from these charges impugns the reputation of the City unfairly. It also places the City **and the Education Fund at great risk** as we renegotiate our letter of credit next year and face the possibility of higher interest rates.

We respectfully ask that you represent the position of the City accurately and completely as we work through this very challenging process.

We appreciate your time on this matter.

Sincerely,



Katherine R. Decarreau
City Manager
City of Winooski

Cc. Janet Ancel, Chair, House Committee on Ways and Means
Tim Ashe, Chair, Senate Committee on Finance
Jeb Spaulding, Secretary of Administration
Fred Kenny, Vermont Economic Progress Council