

**DOUGLAS R. HOFFER**  
**STATE AUDITOR**



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

March 22, 2013

Ms. Katherine R. Decarreau  
City Manager, City of Winooski  
27 West Allen Street  
Winooski, VT 05404

Dear Ms. Decarreau,

Thank you for your letter of March 21. We hope to clear up a number of misunderstandings contained in that letter. At the outset, I want to state clearly that I believe the audit report issued explains in detail the conclusions that we drew, the foundation for the conclusions, and the audit procedures that we performed. Subsequent testimony provided in committee reflects the conclusions of the report.

Your letter mistakes the SAO audit findings by confusing the use of bond proceeds and the payments on the bond with tax increment revenues. Our report did not state that the City had made improper bond payments—there is no disagreement on that point—only that the financial situation in the City posed future risks for using incremental tax revenues to re-pay debt used to fund non-TIF expenses. This situation exists because Winooski used some bond proceeds for ineligible purposes, e.g., administrative costs. Without careful accounting procedures, the risk of utilizing future incremental tax revenues for payment of expenses not allowed under statute remains.

The report's finding of \$1.5 million in underpayment to the Education Fund stems from multiple errors in calculation of the original taxable value (see p. 23 of the report), issues that your letter does not address.

Your letter also asserts that VHFA had responsibility for full oversight of the City's administration of the TIF, including "compliance with TIF rules." This misrepresents VHFA's role, as stipulated in the November 2004 amended MOU between ACCD and VHFA and the May 2005 Protocol Agreement between ACCD and the City. ACCD required the City to utilize VHFA to monitor the City's use of the HUD Section 108 loan proceeds because the State pledged its Community Development Block Grant (CDBG) funds to guarantee repayment of that loan.

- Neither the MOU nor the Protocol Agreement includes any requirement or expectation that VHFA or ACCD would monitor adherence to Vermont laws governing TIF districts

or evaluate expenditures as to whether they were allowable under TIF requirements. In any case, the City provided no evidence that VHFA conducted monitoring relative to any TIF requirements.

- Our review of the project monitoring files found no evidence that VHFA conducted monitoring relative to whether the use of the HUD loan proceeds was for eligible TIF improvements, thereby offering no guarantee that repaying that loan with incremental revenues would comply with the law.

The audit work of this office on the TIF reports was exhaustive and professional, and the assertion that the results of the Winooski TIF audit “impugns the reputation of the City unfairly” ignores the evidence provided in the report that substantiated our findings.

I appreciate the challenges that the City of Winooski is facing. It is my hope that the SAO audit report will be used by the City to strengthen internal financial oversight and controls of the TIF district.

Sincerely,

A handwritten signature in black ink that reads "DOUG HOFFER". The letters are in all caps and have a slightly cursive, informal style.

Doug Hoffer  
Vermont State Auditor

Cc: Janet Ancel, Chair, House Committee on Ways & Means  
Tim Ashe, Chair, Senate Committee on Finance  
Jeb Spaulding, Secretary of Administration  
Fred Kenney, Executive Director, Vermont Economic Progress Council