



# *Milton Town Core Tax Increment Financing District*

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TIF District Administration Needs  
Improvement as Errors Mean \$273,316  
Owed to TIF District Fund



## Mission Statement

The mission of the Auditor's Office is to hold State government accountable by evaluating whether taxpayer funds are being used effectively and identifying strategies to eliminate waste, fraud, and abuse.

## Audit Team

Tanya Morehouse, Chief Auditor  
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Dear Colleagues,

Municipalities with a tax increment financing (TIF) district incur debt to finance infrastructure improvements and earmark a portion of incremental education and municipal property tax revenues (i.e., tax increment) from the district to repay the debt, rather than send the education property tax revenues to the State's Education Fund.

Milton's Town Core TIF district was established in 2008 to finance several improvement projects such as expansion of water and wastewater services and construction of roads and sidewalks. This is the second audit we have performed of the Milton Town Core TIF District, as required by the Legislature.

The audit's objectives were to determine whether from fiscal year (FY) 2017 to FY2023, the Town of Milton (1) obtained required authorization for TIF district debt and used the debt to finance eligible improvement projects and (2) retained the appropriate amount of education and municipal tax increment in the Milton Town Core TIF District Fund, remitted 25 percent of education tax increment to the State Education Fund as required, and used tax increment for allowed purposes. Key findings include:

- State law requires specific disclosures at public meetings to ensure that the public is sufficiently informed of a topic before voting on it. For public votes held in 2015 and 2017 to obtain approval for TIF district debt, the Town did not include all legally required details in the public information notice distributed in advance of the public votes and omitted required language from the ballot in the 2017 vote. Because statute and the TIF Rule do not specify a particular remedy for deficiencies in public information notices or ballot language, it isn't clear what level of noncompliance would invalidate a public vote or require municipalities to take steps to correct deficiencies.
- We examined 70 percent of \$2.1 million of TIF improvement project costs financed with general obligation bonds from FY2017-FY2023 and concluded the costs were eligible to be financed with TIF district debt because the debt was authorized by the Vermont Economic Progress Council and approved in public votes by municipal voters. Further, the costs were for improvements such as sidewalks and streetscape which meet the definition of infrastructure improvements established in statute and the TIF Rules.
- Due to several errors in the original taxable value and in the current education parcel values used to calculate tax increment, the Town Core TIF Fund is owed an additional \$204,761. Of this amount, \$184,451 was paid to the State Education Fund in error and another \$20,310 remains in the Town's General Fund but should have been allocated to the Town Core TIF Fund.
- Total TIF debt payments from FY2017 to FY2023 of \$4,292,684 were allowable. However, the use of tax increment for \$68,555 of TIF district

related costs was not authorized by Milton's municipal voters as required. According to town officials, voter approval will be sought at Town Meeting Day 2025. If voter authorization is not obtained, the Town Core TIF Fund must be reimbursed.

Our recommendations to the Town include that Milton increase the Town Core TIF Fund OTV by \$250,640 to correct for parcel omissions and use of incorrect values, transfer \$20,310 from the General Fund to the Town Core TIF Fund and seek reimbursement of \$184,451 from the State Education Fund for overpayment of education tax increment from FY2017-FY2023.

We also brought a matter to the attention of the Legislature regarding clarification of the extent of disclosure failures that would invalidate a public vote.

I would like to thank the Town of Milton management and staff for their cooperation and professionalism throughout the course of this audit.

Sincerely,

DOUGLAS R. HOFFER  
State Auditor

#### ADDRESSEES

The Honorable Jill Krowinski  
Speaker of the House of Representatives

The Honorable Philip Baruth  
President Pro Tempore of the Senate

The Honorable Phil Scott  
Governor

Ms. Sarah Clark  
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# Highlights

Tax increment financing (TIF) is a tool municipalities can use to finance public infrastructure such as streets, sidewalks, and storm water management systems. In Vermont, establishing a TIF district allows a municipality to designate an area for such improvements, incur debt to finance the area's public infrastructure, and retain a portion of the area's growth (or "increment") in property tax revenues to pay back the debt. The incremental property tax revenues used to repay the debt include municipal property taxes (municipal tax increment) and statewide education property taxes (education tax increment). Thus, in a TIF district, a portion of state education property tax revenue is kept by the municipality to pay for infrastructure and debt. Normally these funds would be sent to the State's Education Fund to pay for public education. According to the Joint Fiscal Office 2022 TIF report, "Because the Education Fund is a system where all property taxpayers share the burden of school spending, if there is a diversion of property tax growth to fund development, this must be made up by taxpayers in non-TIF areas of the State."

The Town of Milton (the "Town") established its Town Core TIF district in 2008 to finance several improvement projects including expansion of water and wastewater services, address problematic intersections, and to construct new roads and sidewalks. The Vermont Economic Progress Council (VEPC) approved the Financing Plan for the district on April 28, 2011.

This audit is the second we have performed of the Milton Town Core TIF District, as required by the Legislature. The audit's objectives were to determine whether from fiscal year(FY) 2017 to FY2023, the Town of Milton (1) obtained required authorization for TIF district debt and used the debt to finance eligible improvement projects and (2) retained the appropriate amount of education and municipal tax increment in the Milton Town Core TIF District Fund, remitted 25 percent of education tax increment to the State Education Fund as required, and used tax increment for allowed purposes.

## Objective 1 Findings

The \$6,230,000 in general obligation (GO) bonds issued by Milton in 2018 for TIF district improvements was authorized by VEPC and approved by municipal voters in three separate public votes in 2012, 2015, and 2017. For the 2015 and 2017 public votes, the Town did not include all legally required details in the public information notice distributed in advance of the public votes. For example, in both cases, municipal voters were not informed of the private development expected to result from the improvements even though statute and the TIF Rule require this be disclosed. Further, in 2017, Milton disclosed the cumulative amount of outstanding TIF district debt in the public information notice provided to municipal voters in

advance of the 2017 vote but did not include the same information in the ballot question as required.

According to advice we obtained from the Attorney General's Office (AGO) during our prior audit of the Town Core TIF District, statutory notice in the context of public meetings is designed to ensure that the public receives sufficient information to be reasonably informed of a topic for public action. Statute and the TIF Rule do not specify a particular remedy for deficiencies in public information notices or ballot language. Thus, it isn't clear what level of noncompliance with disclosure requirements would invalidate a public vote or require municipalities to take steps to correct deficiencies. Clarification of statute or legislatively mandated TIF Rule changes is needed to achieve this policy goal.

We examined 70 percent of \$2.1 million of infrastructure improvement project costs financed with TIF district debt from FY2017-FY2023 and concluded the costs were eligible to be financed with TIF district debt, as they were: 1) authorized by VEPC and approved by municipal voters and 2) for improvement costs consistent with the definition of infrastructure improvements established in statute and the TIF Rules.

## Objective 2 Findings

From FY2017 to FY2023, the Town kept \$5,644,989 of tax increment in the Town Core TIF Fund, specifically, \$4,146,140 education tax increment and \$1,498,850 municipal tax increment, and the Town remitted payment to the State Education Fund as directed by the Agency of Education. However, another \$204,761, comprised of \$184,451 education tax increment and \$20,310 municipal tax increment, should have been kept in the fund. Various issues led to this mistake. First, the Town erred in its 2017 original taxable value (OTV) certification, omitting four parcels, including one taxable, and using an incorrect value for another three parcels. Further, the Town failed to add six redeveloped parcels to its TIF parcel listing. Finally, a New England Municipal Resource Center (NEMRC®) system error caused an incorrect value to be used in the tax increment calculation for certain parcels, which led to an overpayment to the State Education Fund.

From FY2017 to FY2023 the Town used \$4,308,339 of tax increment and investment income for TIF debt payments, related costs, and a payment to the Catamount Husky TIF District as required by Act 80. The use of tax increment for \$68,555 of related costs has not been authorized by Milton's municipal voters as required. According to town officials, voter approval will be sought at Town Meeting Day 2025. If authorization is not obtained, the Town Core TIF Fund must be reimbursed.

## Recommendations

We made recommendations to the Town of Milton. These include that Milton increase the Town Core TIF Fund OTV by \$250,640 to correct for parcel omissions and use of incorrect values, transfer \$20,310 from the General Fund to the Town



Core TIF Fund, and seek reimbursement of \$184,451 from the State Education Fund for overpayment of education tax increment from FY2017-FY2023. We also brought a matter to the attention of the Legislature regarding clarification of the extent of disclosure failures that would invalidate a public vote.

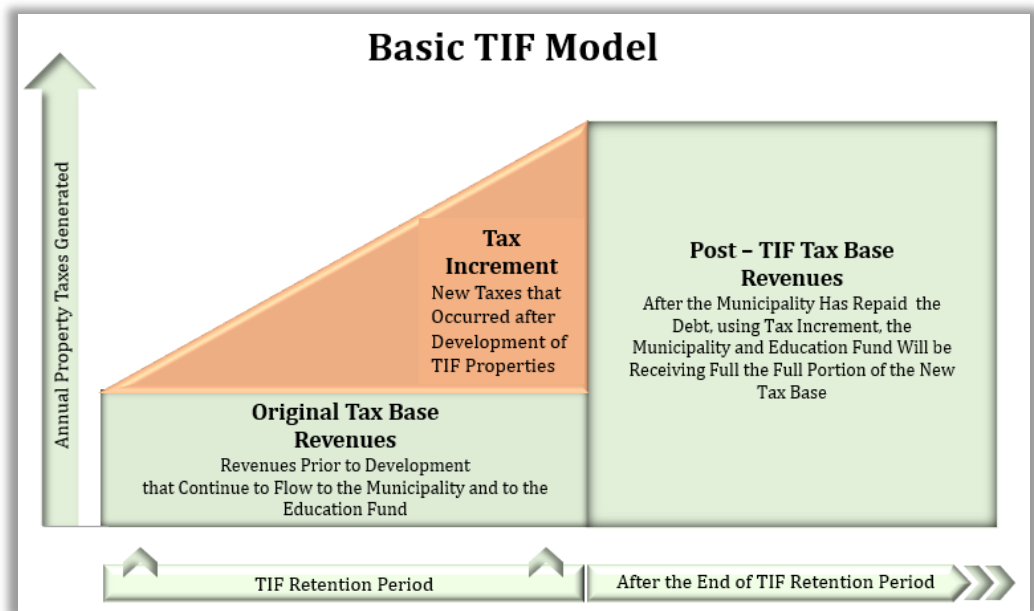
# Background

The purpose of a TIF district is to fund public infrastructure and stimulate economic development. A municipality designates a geographical area where it wants to encourage private sector development, and where the municipality asserts public infrastructure improvements are needed for that development. The municipality incurs debt to finance the needed public infrastructure improvements in the TIF district. The combination of both public and private investment is expected to increase property values, generating property tax revenue. The expected growth in property tax revenues (i.e., incremental property tax revenue) in the designated area is used to pay debt incurred to finance the cost of improvements.

Beginning the year in which the first debt obligation is incurred, a portion of incremental education property tax revenue may be diverted from the State Education Fund for up to 20 years and retained by the municipality, while incremental municipal property tax revenue must be kept for the period authorized by the municipal legislative body. Taxing authorities, like the municipality and the State (i.e., the Education Fund), continue to receive property tax revenue on the original taxable value (OTV) of all properties located within the TIF district throughout the 20-year period.

Exhibit 1 below shows the basic TIF model, including the anticipated tax increment.

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



<sup>a</sup> Based on the figure presented in “An Examination of the State of Vermont Tax Increment Financing Program” January 24, 2018, Vermont Legislative Joint Fiscal Office

The Legislature’s non-partisan Joint Fiscal Office (JFO) is required by law to periodically assess the fiscal impact of TIF, if any, on the Education Fund. JFO’s 2022 report indicated that the fiscal impact of TIF hinges upon the strength of the “but-for” condition which is assessed when a municipality applies for a TIF district. According to JFO, all Vermont TIF district applications rely on the premise that the baseline property value growth of the parcels in the district would be flat for 20 years if not for the use of TIF (e.g., the “but-for”). JFO noted that if the “but-for” condition is correct, then TIF would never be a fiscal cost to the State or the municipality.

To understand the potential fiscal impacts of TIF, JFO modeled a hypothetical construct. The model shows the cost of TIF if the parcels in the district simply grew at their historical average, rather than assuming they would not grow for 20 years after creation, as is the construct when calculating tax increment under TIF.

"[O]ne significant result of this exercise was the discovery that no TIF district experienced zero or negative growth in their pre-TIF eras. In some districts, the growth prior to TIF creation was 5% per year or more (Hartford, Burlington Downtown)... If data shows the parcels in a TIF district were growing in the years prior to TIF, it seems unreasonable to assume they would suddenly stop growing... JFO concludes that the theoretical assumptions upon which tax increment calculations are based in current TIF districts are flawed..."

Having challenged the no-growth assumption underlying the “but-for” analysis, JFO estimated that if the existing 10 TIF districts were to grow at their historical average, they will cost the Education Fund between \$5.5 and \$7.5 million annually over the next five years and will cost municipalities \$3 to \$5 million each year.

### TIF District Authorization and Oversight

The Vermont Legislature designated VEPC as the State body responsible for approving or disapproving a TIF district when a municipality applies for one. Since 2006, to use incremental education property tax to finance TIF district improvements, municipalities are required to seek VEPC’s authorization of a TIF district plan and a district finance plan.<sup>1</sup>

VEPC’s approval of a district finance plan is required before the municipality seeks a public vote to pledge the credit of the municipality (i.e., issue debt).

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<sup>1</sup> [32 V.S.A. § 5404a\(f\)](#)

### TIF District Debt and Tax Increment

Upon VEPC’s authorization and municipal voter approval to incur debt to pay for public infrastructure improvements and related costs, a municipality may issue debt for up to ten years from the creation date of the district (e.g., the debt period). For the purposes of this report “TIF district debt” refers exclusively to debt that will be repaid with tax increment.

Tax increment may be used to pay TIF district debt and to directly pay for improvements and related costs. The use of tax increment to directly pay for improvements is limited to the ten-year debt period. The term “improvements” is defined in [statute](#) as the installation, new construction, or reconstruction of infrastructure that will serve a public purpose and fulfill the purpose of the district. According to [TIF Rule 704](#), improvements may include, but are not limited to: transportation (e.g., public roads, parking lots, garages, streetscapes, and sidewalks), land and property acquisition, property demolition, site preparation, and utilities, such as wastewater, storm water, water dispersal and collection systems.

Related costs are 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.<sup>2</sup> . Municipalities with TIF districts approved by VEPC are authorized to retain 75 percent of the state education tax increment and are required to allocate at least the same proportion of municipal tax increment for repayment of TIF district financing.<sup>3</sup>

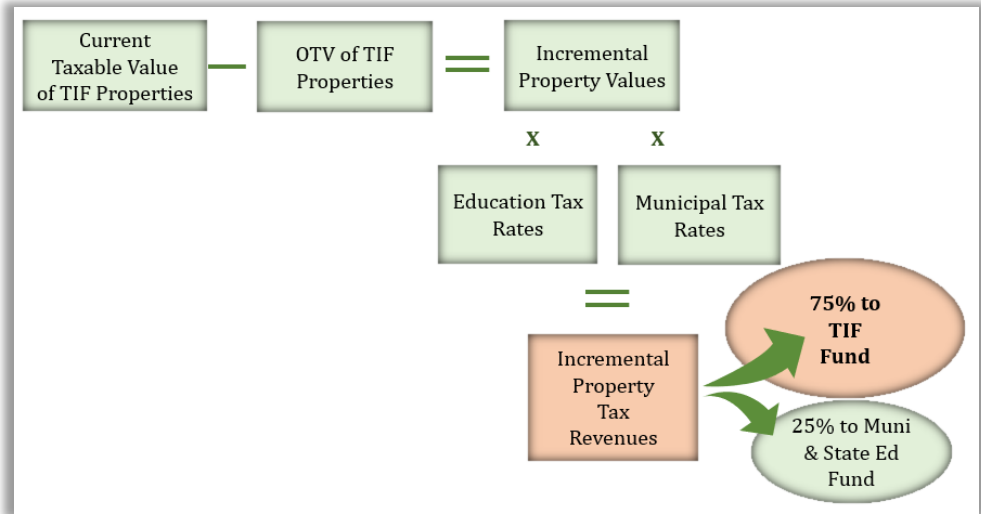
Exhibit 2 illustrates the calculation of incremental property tax revenue.

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<sup>2</sup> [24 V.S.A. § 1891\(6\)](#) and [TIF Rule Section 300](#).

<sup>3</sup> In accordance with changes enacted by [24 V.S.A. §1894\(b\) and \(c\)](#) TIF districts approved by VEPC in FY2018 forward, may retain 70 percent of the education tax increment and are required to allocate 85 percent of the municipal tax increment to repay TIF district debt. A municipality may retain more than 85 percent of the municipal tax increment in the TIF district.

**Exhibit 2: Calculation of Tax Incremental Property Revenue<sup>a</sup>**



<sup>a</sup> Normally the education taxes would be sent to the State’s Education Fund to pay for public education. According to the Joint Fiscal Office 2022 TIF report, “Because the Education Fund is a system where all property taxpayers share the burden of school spending, if there is a diversion of property tax growth to fund development, this must be made up by taxpayers in non-TIF areas of the State”.

**TIF Districts and Statewide Education Funding**

Education in Vermont is funded by a statewide funding system which accounts for all the education taxes collected and spent in communities across the State. Municipalities, acting as agents of the State, collect state education property taxes and pay local schools the education property tax liability determined by the Agency of Education (AOE). As a result, payments from municipalities to local schools are in effect payments to the Education Fund.

Municipalities are statutorily required to provide the Vermont Department of Taxes (VDT) with grand list data. The grand list data forms the basis for the collection of property taxes for all Vermont municipalities and includes the owner’s name and assessed value for all real estate parcels, taxable personal estates, and tax-exempt properties. Property Valuation and Review (PVR), a division within VDT, uses this data to determine the taxable education property value, which for municipalities with TIF districts excludes 75 percent of the incremental education property value of the TIF district, as allowed. Conversely, 25 percent of the education tax increment is included in the amount of education property taxes owed to a local school district or to the Education Fund, per the AOE calculation.

New England Municipal Resource Center (NEMRC®), the grand list software program used by VDT and municipalities, includes a built-in TIF Module, which is used to account for TIF district properties and to perform the tax increment calculation.

Accuracy of the automated tax increment calculation directly or indirectly depends on the completeness and accuracy of numerous of information components, including:

- Property assessment values, listed on the grand list of the municipality,
- Certified TIF OTV,
- State Education Property Tax Rates,
- Municipal Property Tax Rate, including local agreement components.

## Objective 1: \$6.2 Million GO Bond Issued; \$2.1 Million of Costs Examined and 100 Percent Used for Eligible TIF Improvements

From FY2017 to FY2023, the Town of Milton issued \$6,230,000 in general obligation (GO) bonds for TIF district improvements authorized by VEPC and approved by municipal voters in three separate public votes in 2012, 2015, and 2017. For the 2015 and 2017 public votes, the Town did not include all legally required details in the public information notice distributed in advance of the public votes and omitted required language from the ballot in the 2017 vote. Statute and the TIF Rule do not specify a particular remedy for deficiencies in public information notices or ballot language. Thus, it isn't clear what level of noncompliance would invalidate a public vote or require municipalities to take steps to correct deficiencies. According to advice we obtained from the Attorney General's Office during our prior audit of the Town Core TIF District, statutory notice in the context of public meetings is designed to ensure that the public receives sufficient information to be reasonably informed of a topic for public action. Clarification of statute or legislatively mandated TIF Rule changes is needed.

We examined 70 percent of \$2.1 million of TIF improvement project costs financed with GO Bonds from FY2017-FY2023 and concluded the costs were eligible to be financed with TIF district debt, as they were: 1) authorized by VEPC and approved in public votes by municipal

voters and 2) for improvements such as sidewalks and streetscape which meet the definition of infrastructure improvements established in statute and the TIF Rules.

## VEPC Authorization Obtained but Some Legal Requirements Not Followed When Voters Approved TIF Debt

VEPC issued conditional approval of Milton's TIF district plan in 2009 and final approval for the TIF district financing plan in 2011. The Town submitted a substantial change request in 2017, which VEPC approved, authorizing the addition of the Southern Gateway improvement project for a total of \$9,526,217 of financing for the following TIF district improvements:

- Hourglass: \$3,606,398
- Sidewalk Gap & Streetscape: \$4,743,819
- Southern Gateway: \$1,176,000

Before the end of the allowed 10-year borrowing period in March 2018, Milton issued \$6,230,000 of GO bonds for these projects. The Town held three public votes to obtain municipal voter approval as required by [24 V.S.A. §1894\(h\)](#).

Prior to obtaining municipal voter approval for \$800,000 of TIF district debt in 2012, Milton held a public hearing in advance of the public vote as legally required at the time.

Commencing in 2013, statute required municipalities to hold a public vote for each instance of borrowing, and to provide information to municipal voters in advance of the vote including: 1) the new amount of debt proposed, 2) total outstanding debt approved to date, 3) types of debt, 4) interest and fees, 5) term of debt, 6) improvements to be financed, and 7) expected development. [TIF Rule 1003.2.2](#), effective May 6, 2015, states that the "municipality must provide an informational notice to the voters. Such public notice must be provided as part of at least one public hearing on the matter. The public notice must include a minimum" of the information required by statute plus information about interfund loans and interim financing such as bond anticipation notes (BANs).

For the March 2015 and November 2017 public votes, Milton held public hearings prior to obtaining voter approval for \$2,400,000 and \$3,100,000, respectively, of TIF district debt. The Town provided most, but not all, of the information required to be provided in advance of

the 2015 and 2017 public votes and included most, but not all, of the language required in the ballot question.

The following are the instances of noncompliance with statutory requirements for the public information notice and the ballot language for the 2015 and 2017 public votes:

- **2015 vote:** Milton did not disclose interest or other terms of the debt in the public information notice.
- **2015 and 2017 votes:** Milton failed to inform voters of the private development expected to occur because of the TIF improvements.
- **2017 vote:** Milton did not include outstanding TIF district debt in the ballot language as required but did disclose the cumulative amount of outstanding TIF district debt in the public information notice provided to municipal voters in advance of the vote.

According to guidance provided by the Attorney General's Office (AGO) for our first audit of the Milton Town Core TIF District, the question of sufficient public notice is ultimately a question of whether the public vote approving the TIF district debt was valid. The AGO advised that statutory notice in the context of public meetings is designed to ensure that the public receives sufficient information to be reasonably informed of a topic for public action.

Municipal failure to provide required notifications to voters is listed as an example of non-compliance in [TIF Rule 1102](#) but TIF statute and the TIF Rule do not specify a particular remedy when there are violations. A [statute](#) that addresses municipal borrowing for financing public improvements in general (e.g., not specific to TIF districts) allows deficiencies in public votes to be cured by a resolution of the municipal legislative branch by a vote of two-thirds of all its members at a regular or special meeting. TIF statute and TIF Rule do not reference this remedy so this approach may not be available for public votes on debt for TIF districts.

We concluded it's not clear whether the instances of noncompliance for the 2015 and 2017 votes would invalidate the vote results or require municipalities to take steps to correct deficiencies. Clarification of TIF statute or legislatively mandated TIF Rule changes is needed to specify 1) the level of noncompliance that would lead to



the public not being reasonably informed of a topic for public action and 2) whether noncompliance can be remediated or if the public vote is invalid.

Milton obtained a \$2,929,505 loan, net of the forgiven portion, from the Vermont Clean Water State Revolving Fund (CWSRF) and issued a \$120,000 GO bond and a \$70,000 BAN. As the borrowing period has concluded, we've summarized in Exhibit 3 the total debt principal, interest, and fees which the Town intends to pay with tax increment.

**Exhibit 3: Total Debt Issued and Interest and Fees**

Debt Description	Principal	Interest and Fees	Total Debt Service
CWSRF Loan	\$2,929,505	\$610,294	\$3,539,800
GO Bond 2013	\$120,000	\$69,042	\$189,042
BAN	\$70,000	588	\$70,588
GO Bond 2018	\$6,230,000	\$1,367,100	\$7,597,100
<b>TOTALS</b>	<b>\$9,349,505</b>	<b>\$2,047,024</b>	<b>\$11,396,530</b>

## City Financed Eligible Public Improvement Costs from FY2017-FY2023

We examined \$1,439,257 of infrastructure improvements (70 percent of \$2,070,716 of TIF financed costs) and concluded the costs were eligible TIF district improvements for the following reasons:

- Milton provided documentary evidence to substantiate the costs and comported with their procurement and contracting policies.
- The improvements aligned with improvements authorized by VEPC and approved by municipal voters.
- The improvement costs were consistent with the definition of eligible improvement cost per statute and TIF Rules.

Exhibit 4 lists improvement costs financed with TIF district debt from FY2017 to FY2023 and the amounts we tested.

**Exhibit 4: Improvement Costs Financed with TIF District Debt and Amounts Tested FY2017-FY2023**

Projects	Improvement Costs Financed with TIF District Debt	Amount Tested	Percent Tested
Hourglass	\$559,696	\$460,000	82%
Route 7 Corridor Improvements - Sidewalk Gap <sup>a b</sup>	\$258,051	\$123,337	48%
Route 7 Corridor Improvements - Streetscape <sup>a c</sup>	\$376,780	\$233,297	62%
Southern Gateway	\$876,188	\$622,623	71%
<b>TOTALS</b>	<b>\$2,070,716</b>	<b>\$1,439,257</b>	<b>70%</b>

<sup>a</sup> Improvements were approved by VEPC for 90 percent proportionality meaning that tax increment financing is limited to 90 percent of total project costs.

<sup>b</sup> According to the Town’s records for the Town Core TIF Fund, the cost of Sidewalk Gap recorded in the fund is \$977,546. Milton received a grant for this project which reduced the amount financed by TIF to \$258,051.

<sup>c</sup> According to the Town’s records for the Town Core TIF Fund, the total cost of Streetscape is \$425,622. Milton used impact fees to pay for \$48,842 of the project which reduced the amount by TIF to \$376,780.

See Appendix III for a complete list of TIF improvements, descriptions, and the total cost of the projects from inception of the TIF district through June 30, 2023.

## Objective 2(a): Errors Mean TIF District Fund Owed \$204,761 by Education Fund and Town General Fund

From FY2017 to FY2023 the Town kept \$5,644,989 in the Town Core TIF Fund, specifically, \$4,146,140 education tax increment and \$1,498,850 municipal tax increment and the Town remitted payment to the State Education Fund as directed by the Agency of Education (AOE). However, due to several errors in the certified OTV and in the current education parcel values used to calculate tax increment, the Town Core TIF Fund was \$204,761 short. Of this amount, \$184,451 was paid to the State Education Fund in error and is owed the Town Core TIF Fund. Another \$20,310 remains in the Town’s General Fund but should have been allocated to the Town Core TIF Fund. The first error was that the Core TIF district OTV was understated by \$250,640

due to the omission of four parcels, including one taxable, and incorrect values used for another three parcels. Second, the Town failed to add six developed parcels to its TIF parcel listing. Finally, a NEMRC® system error caused an incorrect value to be used in the education tax increment calculation for certain parcels. These errors partially stemmed from the Town’s administration of the TIF district and partially from a NEMRC® system programming flaw.

## Tax Increment Calculation Errors

From FY2017 to FY2023 the Town kept \$5,644,989 in the Town Core TIF Fund, specifically \$4,146,140 education tax increment and \$1,498,850 municipal tax increment. In addition, the Town remitted payment to the State Education Fund as directed by the Agency of Education but due to the errors described below, the State Education Fund was overpaid by \$184,451. However, several errors in the certified OTV and in the current education parcel values used to calculate tax increment meant \$204,761 less tax increment was recorded in the Town Core TIF Fund than should have been.

### Town Omitted Parcels and Used Incorrect Parcel Values

When certifying its OTV in 2017, the Town omitted four parcels from its education and municipal parcel listings and misstated the original value of another three parcels, resulting in an OTV that was too low by \$250,640. Only one of the four parcels omitted from OTV was taxable, but [TIF Rule 702 and 1002](#) require a complete list of parcels in the TIF District, not just taxable properties. In addition, the Town failed to add six developed parcels to its TIF district parcel listing, resulting in current taxable values that were too low in the calculation of the municipal and education tax increment from FY2018 to FY2023. Cumulatively, the property current value omissions ranged from \$186,010 to \$2,141,200 of taxable value in both municipal and education tax increment.

#### Significance of a Complete TIF District Parcel List

The following examples highlight why it is necessary to have a complete list of parcels for TIF districts, including non-taxable properties:

- (1) At the application stage, municipalities must explain and provide evidence of a connection between the public infrastructure to be paid for by district incremental revenue, private development expected within the district, and the parcels included in the district.
- (2) The parcel list is used to corroborate the boundaries of the TIF District.
- (3) It helps ensure accuracy of the tax increment calculation because, for example, changes in the tax status of properties impact the result.

The net effect of the errors is that the State Education Fund was overpaid \$53,182, and \$20,310 was kept in

the Town's General Fund but should have been deposited in the Town Core TIF Fund. Town officials explained these errors as shortcomings in their TIF administration oversight and plan to improve internal controls.

### NEMRC® TIF Module Programming Errors

For eleven parcels with property tax exemptions allowed by state law, the NEMRC® TIF module utilized municipal taxable value in the education tax increment calculation rather than the higher education taxable value. Because the education taxable value used in the education tax increment calculation was lower than it should have been, too little education tax increment was kept in the Town Core TIF Fund, and the State Education Fund was overpaid a total of \$131,269 from FY2017 to FY2023.

State law allows exemptions from municipal and state education property taxes. The amount of an exemption may differ for municipal and education property tax purposes or may be allowed for municipal property taxes but not state education property taxes. Within the Town Core TIF district, there were eight properties with a veteran's exemption, at least one of the eight had this exemption in each of the years from FY2017 through FY2023. In addition, there were three properties with a voted/non-approved exemption for the entire period.

**Veteran exemptions:** Exemption is allowed at \$10,000 for the purposes of both municipal and education property taxes. An additional exemption of \$30,000 is allowed for the purposes of municipal property taxes only. In the case of the eight properties, the NEMRC® system was programmed to apply the additional \$30,000 exemption to education taxable value which was incorrect.

**Voted/Non-approved exemptions:** Municipalities are allowed to provide property tax exemptions (e.g., tax stabilization) if municipal voters approve an exemption of some or all of the parcel value from municipal and education property taxes. Although the property owner pays municipal and education property taxes based on the tax stabilized value (e.g., assessed value less exemption), state law requires the municipality to remit education property taxes to the Education Fund on the full assessed value reported on the education grand list. Thus, the full assessed value must be used in the education tax increment calculation. Like the veteran's exemption, NEMRC® was programmed to apply the municipal exemption to the education taxable value for the three properties with the voted/non-approved

exemptions. Likewise, this resulted in an incorrect calculation of education tax increment.

VEPC, PVR, and NEMRC® officials agree that the NEMRC® system TIF module was the source of the error. VEPC requested PVR to oversee the correction process under the existing NEMRC® contract. As of mid-September 2024, PVR indicated that NEMRC® has been “unresponsive” to requests to begin this process.

According to PVR, it is likely the NEMRC® system error in the calculation of education tax increment existed when retention of tax increment commenced in FY2012. In addition, PVR indicated that the FY2024 tax increment calculations were finalized with the error; the FY2025 calculations will likely continue with the same error as well. PVR plans to launch the new VT Pie system for the FY2026 grand list and has indicated the calculation will be performed accurately within the new grand list system. Additional work will be required to assess the effect on the calculation of the education tax increment from FY2012 through FY2016 and for FY2024 and FY2025. As these periods are not covered in the current audit scope, this work has not been completed.

In a previous TIF District audit, AOE advised our office that it does not have statutory authority to initiate or make reimbursements from the State Education Fund, as such reimbursements are not one of the statutorily allowed uses of Education Fund resources. According to AOE, reimbursement from the Education Fund requires Legislative action and the agency suggested that the municipality seek a legislative remedy.

## Objective 2(b): Debt Payment Allowed but Payment of Related Costs not Authorized

From FY2017 to FY2023 the Town used \$4,378,339 of tax increment and investment income for TIF debt payments, related costs, and an Act 80 (2013) required payment to the Catamount Husky TIF District. Total TIF debt payments of \$4,292,784 were allowable. However, the use of tax increment for \$68,555 of TIF district related costs was not authorized by Milton’s municipal voters. According to town officials, voter approval will be sought at Town Meeting Day 2025.

## Uses of Tax Increment

Vermont TIF statutes and the TIF Rule allow tax increment to be used for  
1) repayment of TIF district debt used to finance eligible improvements and  
2) direct payment of improvements and related costs, as authorized.<sup>4</sup>

### Repayment of TIF Debt

In accordance with Vermont TIF statutes and TIF Rule, the Town used tax increment for allowable debt service payments. The Town Core TIF debt includes a CWSRF loan and two GO bonds. In anticipation of the 2018 GO bond issuance, Milton issued a BAN which was paid with tax increment. Exhibit 5 summarizes the principal, interest, and administration fee payments from FY2017 through FY2023.

#### Exhibit 5. TIF Debt Service Payments FY2017 – FY2023

Debt Instrument	Principal	Interest	Administration Fees	Total Debt Service
BAN	70,000	588	-	70,588
CWSRF Loan	932,555	-	278,179	1,210,734
GO Bond 2013	42,000	20,610	-	62,610
GO Bond 2018	2,100,000	848,852	-	2,948,852
<b>Grand Total Debt Service</b>	<b>3,144,555</b>	<b>870,050</b>	<b>278,179</b>	<b>4,292,784</b>

### Act 80 (2013) Required Payment

To resolve findings from our 2012 audit of the Milton Catamount Husky TIF district, Act 80 (2013) required the Town of Milton to remit \$17,000 to the Catamount Husky Tax Increment Fund from the Town Core TIF Fund for the repayment of debt. These funds were transferred in FY2020.

### TIF District Related Costs

Milton used \$68,555 of tax increment to pay for related costs from FY2017 through FY2023. However, the use of tax increment to pay related costs has not been approved by Milton municipal voters.

Commencing in May 2015 the TIF Rule explicitly required that municipal voter authorization be obtained for related costs.

[TIF Rule Sections 705 and 718](#) require, respectively:

- The notice to voters to include the amount of the related costs and types to be reimbursed, and an estimate of the amount and type of

<sup>4</sup> [24 V.S.A. §1894\(b\) & \(c\)](#) and [TIF Rule Section 704](#)

related costs to be paid in the future with the financing proceeds under consideration by the voters.

- The ballot question must include the amount of financing and related costs to be approved by the current vote and, after the first instance of District financing is approved, any subsequent vote must include in the ballot question the amount of District financing and related costs to be approved by the current vote and a cumulative amount of outstanding District debt and related costs approved by the voters to date.

Milton held public votes in March 2011, March 2012, March 2015, and November 2017. Thus, the requirement was first applicable to the 2017 vote.

Milton did not provide any detail regarding the anticipated types or amount of related cost in its public information notice as required. The 2017 ballot question requested authorization for a total of \$3,100,000 for financing specific improvements identified in the ballot and contained a general request for “reimbursement of eligible costs incident to the implementation and administration of the District ... to the extent permitted by law.” Since the entire \$3,100,000 was attributed to specific improvements in the ballot and no amount was requested for related costs, voter approval of the ballot question did not include authorization to use debt or tax increment to pay for related costs.

Lacking authority, the Town should not have used tax increment to pay for related costs. According to town officials, voter approval will be sought at Town Meeting Day 2025. If voter authorization is not obtained, the Town Core TIF Fund must be reimbursed.

## Other Matters

Until our audit, the Town was not aware of how much of the balance of the Town Core TIF Fund was comprised of debt proceeds versus municipal and education tax increment. It is important to distinguish between these components because the Town is authorized to use debt proceeds solely for improvement projects and tax increment exclusively for debt repayment.

The Town’s FY2023 financial statements, audited by a certified public accounting (CPA) firm, show an ending balance of \$6,816,457 in the Town Core TIF Fund. Milton records various transactions in the Town Core TIF Fund including tax increment, proceeds from debt issued to pay for improvement projects, investment income, expenditures for improvement projects, and debt service (principal and interest). While

the Town established an accounting system that supports recording transactions in separate accounts, the system does not have a mechanism in place to distinguish debt proceeds from tax increment in the ending fund balance.

Without this information, the Town won't know when it has exhausted its debt proceeds and could inadvertently use tax increment to pay for improvement projects for which it does not have municipal voter authorization. Milton's debt borrowing period ended March 31, 2018, so it is not possible for the Town to obtain authorization to use tax increment for improvement projects as it would have had to do so prior to the end of the borrowing period.

We analyzed Milton's general ledger records and determined that the June 30, 2023, ending fund balance represents about 65 percent debt proceeds and 35 percent tax increment. See Exhibit 6.

**Exhibit 6: Components of Milton's Town Core TIF Fund Balance, June 30, 2023**

Components	Amount
Debt Proceeds & Investment Income	\$4,629,532
Municipal Tax Increment	611,806
Education Tax Increment	1,848,436
<b>Total Town Core TIF Fund Balance<sup>a</sup></b>	<b>\$7,089,773</b>

a This balance is higher than shown in the June 30, 2023 CPA-audited financial statements because we've included adjustments for the issues we noted in our audit; (1) \$204,761 of tax increment that should have been recorded in the fund, but was not and (2) \$68,555 tax increment used to pay for related costs which must be reimbursed to the Town Core TIF Fund if municipal voter authorization is not obtained.

As shown in Exhibit 6, the balance in the Town Core TIF Fund as of June 30, 2023, includes about \$2.5 million of municipal and education tax increment. The fund has accumulated tax increment because the tax increment kept in the Town Core TIF Fund was greater than the amount of debt payments through June 30, 2023. The amount of accumulated tax increment is below the \$6.7 million of TIF district debt (principal plus interest and fees) owed as of June 30, 2023. If tax increment continues to exceed debt payments each year, the Town will likely reach a point where the tax increment kept in the Town Core TIF Fund exceeds the total remaining amount of TIF district debt. Based on our estimate of tax increment, assuming increases of 2 percent annually, this may occur as soon as FY2026.



According to TIF Rule 912 “the balance of the District Fund may not exceed the total amount committed by the municipality for the payment or financing of District improvements and related costs for that year and any future years.” Milton did not seek municipal voter approval for the direct payment of improvement costs with tax increment and cannot do so now as this must be done during the allowed borrowing period which expired March 31, 2018. Thus, any balance of tax increment above the amount committed for remaining debt payments must be distributed to the municipal general fund and the Education Fund. Otherwise, the municipality will continue to keep tax increment that should be remitted to the State Education Fund.

In addition to devising a system to track debt proceeds versus tax increment, the Town should also determine a method to track education versus municipal tax increment. This information will be needed at the termination of the district so that the correct amount of cumulative tax increment, beyond the amount committed for debt payment, is distributed to the Town’s general fund and the Education Fund.

## Conclusions

We found that the Town’s administration of its TIF district did not always comply with statutory and TIF Rule requirements.

The Town issued \$6.23 million of general obligation bonds for improvements approved by municipal voters in three separate public votes. This was the final issuance for the Town Core TIF district debt. As the Town did not include all legally required details in the public information notice and the ballot language, and the current statutory language and the TIF Rule do not specify a particular remedy for deficiencies in such circumstances, the level of noncompliance with disclosure requirements is unclear. Clarification of statute or legislatively mandated TIF Rule changes is recommended to correct deficiencies and insure validity of the public votes.

The TIF improvement project costs financed with GO Bonds from FY2017-FY2023 that we reviewed were eligible to be financed with TIF district debt.

From FY2017 to FY2023 the Town kept \$5,644,989 in the Town Core TIF Fund, which was \$204,761 too little, including \$184,451, education, and \$20,310 municipal tax increment. Errors were caused by mistakes in the 2017 OTV certification and the omission of the

current values of some developed properties. In addition, a NEMRC® system error caused an incorrect value to be used in the tax increment calculation for certain parcels. The Town remitted payment to the State Education Fund as directed by the Agency of Education but due to the found errors, the State Education Fund was overpaid by \$184,451.

From FY2017 to FY2023 the Town used \$4,378,339 of tax increment and investment income for TIF debt payments, related costs, and an Act 80 (2013) required payment to the Catamount Husky TIF District. Total TIF debt payments of \$4,292,784 were allowable. However, the use of tax increment for \$68,555 of TIF district related costs was not authorized by municipal voters.

In total, including errors related to the calculation and use of tax increment, the Town Core TIF District Fund is owed \$273,316. Improvements are needed going forward to ensure the errors Milton made in administering the TIF district do not continue.

## Recommendations

We make the recommendations in Exhibit 7 to the Town:

### **Exhibit 7: Recommendations and Related Issues**

<b>Recommendation</b>	<b>Report Pages</b>	<b>Issue</b>
1. Increase OTV by \$250,640 by adding the parcels that were omitted and adjusting the taxable value used for another three parcels.	13	When certifying its OTV in 2017, the Town omitted four parcels from its education and municipal parcel listings and incorrectly stated the original values of another three parcels, resulting in a cumulative understatement of \$250,640.
2. Add to the TIF municipal and education parcel listings six parcels developed within the Town Core TIF district between FY2018 and FY2023.	13	The Town failed to add six developed parcels to its Core TIF district parcel listing, resulting in the annual understatement of the TIF current values from FY2018 to FY2023.

Recommendation	Report Pages	Issue
3. Transfer \$20,310 from the Town General Fund to the Town Core TIF Fund municipal tax increment portion.	13 - 14	The Town's omission of parcels from the TIF parcel listing resulted in the omission of the current value of those properties from the calculation of municipal tax increment. The omission of the parcels caused too little municipal tax increment to be kept in the Town Core TIF Fund. Specifically, \$20,310 of municipal tax increment remained in the Town's General Fund but should have been allocated to the Town Core TIF Fund.
4. Seek a legislative remedy to obtain a \$184,451 reimbursement from the Education Fund for the overpayment of education property taxes.	13 - 15	<p>The Town's omission of parcels from the TIF parcel listing resulted in the omission of the current value of those properties from the calculation of education tax increment. The omission of the parcels caused too little education tax increment to be kept in the Town Core TIF Fund. Specifically, \$53,182 of education tax increment was paid to the State Education Fund but should have been kept in the Town Core TIF Fund.</p> <p>In addition, exemptions for eleven properties were handled incorrectly by the NEMRC® system which caused an additional overpayment of \$131,269 to the State Education Fund.</p>
5. Hold a public vote as planned to obtain municipal voter approval to use tax increment to pay for related costs. If voter approval is not obtained, reimburse the Town Core TIF Fund \$68,555.	16-17	Milton used \$68,555 of tax increment to pay for related costs from FY2017 through FY2023. However, the use of tax increment to pay related costs has not been approved by Milton municipal voters as required. According to town officials, voter approval will be sought at Town Meeting Day 2025.
6. Implement a mechanism to track the balance of debt proceeds, education tax increment, and municipal tax increment in the Town Core TIF Fund balance.	17-18	The Town did not track the components of its TIF Fund balance and could not identify the amounts of TIF debt proceeds available for its improvement projects or the amounts of tax increment available for repayment of TIF debt as of June 30, 2023.

We bring the following item in Exhibit 8 to the General Assembly's attention:

**Exhibit 8: Matter for Legislative Consideration and Related Issue**

Matter for Consideration	Report Pages	Issue
<p>1. Clarify statute or require the TIF Rule to address the level of noncompliance with required disclosures in the public information notice and ballot that would invalidate a public vote on TIF district debt or require remediation. If remediation is possible, specify the action necessary to remedy the noncompliance.</p>	<p>9-11</p>	<p>The Town did not comply with all statutory requirements for the public information notice provided in advance of the municipal public vote and the ballot question did not address outstanding TIF district debt as required. Municipal failure to provide required notifications to voters is listed as an example of non-compliance in TIF Rule 1102 but TIF statute and the TIF Rule do not specify a particular remedy when there are violations. A statute that addresses municipal borrowing for financing public improvements in general (e.g., not specific to TIF districts) allows deficiencies in public votes to be cured by a resolution of the municipal legislative branch by a vote of two-thirds of all its members at a regular or special meeting. TIF statute and TIF Rule do not reference this remedy so this approach may not be available for public votes on debt for TIF districts.</p>

## Management’s Comments and Our Evaluation

On November 8, 2024, the Finance Director of the Town of Milton provided written comments on a draft of this report. The Finance Director generally agreed with our recommendations. Regarding our recommendation to implement a mechanism to track the balance of debt proceeds, education tax increment, and municipal tax increment in the Town Core TIF Fund balance, the Finance Director indicated that the Town now has a mechanism in place which started on September 1, 2024. We did not remove this recommendation because the Town did not provide documentary evidence that a mechanism was implemented. Management comments are reprinted in Appendix IV. Our evaluation of these comments is in Appendix V.

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## Appendix I

### Scope and Methodology

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For our first objective, we identified and documented the statutory and regulatory criteria applicable to the Milton Town Core TIF that address 1) authorization and issuance of TIF District debt, and 2) allowable uses of TIF debt.

We evaluated internal controls relevant to this audit objective including interviewing Town officials to gain an understanding of Milton's policies and procedures pertinent to authorizing, issuing, and tracking debt. We obtained and reviewed the Town's policies and procedures that are pertinent to procuring and paying for contracted services for TIF improvements and interviewed Town officials to understand accounting for project expenditures and how the Town ensured that costs were for authorized improvement projects.

We prepared a Debt Schedule that shows authorized and issued debt. The Debt Schedule included amounts authorized by VEPC for each improvement project, amount of debt authorized by municipal voters, amounts and type of debt issued, and interest costs for issued debt.

For the November 2017 vote, we assessed whether Milton adhered to required steps for warning public hearings, disclosing required information to municipal voters, obtaining municipal voter approval and that municipal voters approved TIF district debt.

For debt issued from FY2017 to FY2023, we ensured debt was issued prior to the end of the debt borrowing period and that it was for improvement projects approved by VEPC and municipal voters.

We requested Town management identify the accounting methods and/or reports used to track TIF debt issued and amortized. We obtained these reports for FY2017 – FY2023.

We identified and documented the statutory and regulatory criteria applicable to the determination of eligible TIF improvements and related costs, including proportionality limits.

We selected a sample of costs for TIF improvements recorded in the TIF fund/general ledger and paid for with TIF district debt from FY2017 through FY2023. We selected invoices to achieve at least 69 percent coverage of total improvement and project costs.

We obtained from management any further information pertinent to selected costs such as invoices, contracts, requests for proposals, bids, work orders,

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## Appendix I

### Scope and Methodology

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emails, etc., to evaluate the nature, type, purpose and correct TIF proportion of the cost.

For our second objective, we identified the statutory provisions and TIF Rules relevant to the calculation and retention of tax increment by the Core TIF district.

We evaluated internal controls relevant to this audit objective including interviews with Town officials regarding policies, procedures and internal controls over monitoring the grand list and properties in the TIF district and calculating tax increment.

We verified the completeness and accuracy of the Core TIF district parcel list, based on the map of the TIF district parcels approved by VEPC in 2009, and the 2017 Core TIF OTV certification.

We reviewed completeness and accuracy of the education and municipal tax rates used by the Town in their calculation of tax increment.

We recalculated Core TIF's education and municipal tax increment for every period from FY2017 through FY2023 and compared the results with the amounts calculated and reported by the Town for its Town Core TIF Fund.

We reviewed amounts paid to the Education Fund by the Town and compared those to the amount of education tax liability calculated by the Agency of Education.

We traced tax increment according to the NEMRC® system calculation to the general ledger and the Town's Annual Financial Statements and identified Education Fund payments using the Town's general ledger and Form 411.

To assess the reliability of the current values in the TIF Parcel Value Report, we interviewed Town officials to understand how the Town's Grand List is maintained and the source of data in the grand list. We also discussed how changes in property values were identified and adjusted in the grand list to ensure completeness and accuracy of properties in the TIF district.

We performed data testing to verify that all TIF district parcels were included in the tax increment calculation for all periods for both education and municipal parcels.

To assess whether the Town paid the required portion of education tax increment to the State Education Fund, we obtained municipal and education property value data for the period from FY2017 through FY2023. We

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## Appendix I

### Scope and Methodology

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determined whether the reported amount of the TIF exemption for homestead and non-homestead properties was equal to 75 percent of the incremental property value in the TIF district. We assessed whether the TIF exemption was excluded from the education list value and compared the education list value per the data submitted by the Town to the education list value used by the Agency of Education to calculate Milton's education tax liability.

We identified the statutory provisions and TIF Rules that address the criteria of allowable uses of tax increment, applicable to determining the eligibility of TIF related costs for tax increment financing.

We interviewed Town officials about policies, procedures, and internal controls in place for authorization and use of tax increment to pay related costs. We assessed the implications of the Town's failure to inform municipal voters of the amount and types of related costs.

We also identified other uses of tax increment and assessed whether the uses were allowed by TIF statutes and TIF Rules and whether the use was within the limits authorized by municipal voters.

To assess whether the Town Core TIF Fund could reach a point where the balance of tax increment in the fund exceeds the remaining debt obligations, we estimated the amount of tax increment that will be added to the fund balance of the Town Core TIF Fund in FY2024, FY2025, FY2026. This estimate was based on the excess tax increment from FY2023 (equal to tax increment in FY2023 less debt payments in FY2023) and assumed a two percent increase for excess tax increment in FY2024 to FY2026. We totaled the accumulated tax increment as of June 30, 2023, and our estimate of excess tax increment from FY2024 to FY2026. We compared this total to the balance of debt obligations as of FY2026.

We conducted this performance audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Appendix II Abbreviations

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AGO	Attorney General's Office
AOE	Agency of Education
BAN	Bond Anticipation Note
CPA	Certified Public Accounting
CWSRF	Clean Water State Revolving Fund
FY	Fiscal Year
GO	General Obligation
JFO	Joint Fiscal Office
NEMRC®	New England Municipal Resource Center
OTV	Original Taxable Value
PVR	Property Valuation and Review
TIF	Tax Increment Financing
VDT	Vermont Department of Taxes
VEPC	Vermont Economic Progress Council



## Appendix III Improvement Project Costs Financed with TIF District Debt FY2012 to FY2023

### Exhibit 9: Improvement Costs Financed with TIF District Debt FY2012- FY2023

<b>Improvement Projects</b>	<b>Description of Improvements</b>	<b>Cost</b>
Village Core Sewer Expansion	Village core area sewer expansion.	\$2,929,505
Bombardier Water Line	Extension of waterline along Bombardier Road	\$120,000
Route 7 Corridor	Feasibility study for sidewalk, streetscape, and lighting project.	\$70,000
Hourglass	Reconfigure the 3-way stop at the intersections of Route 7, Middle Road, and Railroad Street. Add a connector road and turning lanes, traffic signals, sidewalks, and streetscape. Move utilities underground and relocate entrance to shopping plaza.	\$559,696
Route 7 Corridor Improvements - Sidewalk Gap	Sidewalks, filling in ravines, and some streetscape from Hayden Berry Drive to Nancy Drive.	\$977,546
Route 7 Corridor Improvements - Streetscape	Streetscape from Nancy Drive to Hayden Berry Drive and streetlights from Bombardier Road intersection with Route 7.	\$494,438
Southern Gateway	New road to extend Pecor Ave, install traffic signals, widen Route 7, turn lanes, crosswalks, and privacy fencing for existing mobile home park.	\$876,188
	<b>TOTALS</b>	<b>\$6,027,373</b>

## Appendix IV Management Comments

The following is a reprint of management's response to a draft of this report. Our evaluation of these comments is contained in Appendix V.



### TOWN OF MILTON, VERMONT 05468

Finance Department • 43 Bombardier Road • 802-893-6033 • Fax: 802-891-8089

To: Tonya Morehouse  
Date: November 8, 2024  
From: Amber N. Baker, Finance Director  
Re: FY17-FY23 TIF Audit Comments

Please accept this as confirmation that I have received and reviewed the draft audit report "Milton Town Core - Tax Increment Financing District: TIF District Administration Needs Improvements as Errors Mean \$273,316 Owed to TIF District Fund.

Items 1-4:

The Town will work with VPEC, PVR and NEMRC to correct the parcels identified as being incorrectly classified. Once these changes are made with approval from VPEC and PVR a transfer from the general fund to the TIF fund will be made and a legislative request will be made to obtain a reimbursement from the Education Fund. A yearly comparison report will be used to see if any parcels within the TIF district are omitted or deleted.

Item 5:

The Town is working with legal counsel to determine the appropriate actions to obtain approval of the spending of related costs.

Item 6:

The Town now has a mechanism in place to balance the debt proceeds, and the education and municipal tax increment in the Town Core TIF Fund balance. This process started on 09/01/24 and consists of tracking increment for education funds and municipal funds and the bond proceeds in a tracking worksheet. This is balanced to the balance sheet on a quarterly basis.

Please let me know if you need anything further from the Town of Milton. We appreciate your time on this process; it was a pleasure working with everyone on the team.

Thank you,

*Amber N. Baker*

Amber N. Baker  
Finance Director

See evaluation in  
Appendix V

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## Appendix V

### SAO Evaluation of Management Comments

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In accordance with generally accepted government auditing standards, the following is our evaluation of management's comments.

Item #	Management's Response	SAO Evaluation
6	<i>The Town now has a mechanism in place to balance the debt proceeds, and the education and municipal tax increment in the Town Core TIF Fund balance. This process started on 09/01/24 and consists of tracking increment for education funds and municipal funds and the bond proceeds in a tracking worksheet. This is balanced to the balance sheet on a quarterly basis.</i>	On November 12 and 13, SAO requested the Finance Director provide documentary evidence and asked whether the Town had written procedures for the mechanism. No evidence of a tracking mechanism or documented procedures were provided to support the Town's contention that a process is now in place. As a result, we are keeping the recommendation and will check the status during recommendation follow-up.