TAX INCREMENT FINANCING DISTRICTS

Town of Milton Appropriately Established Districts, but the Administration Was Flawed
Mission Statement

The mission of the State Auditor’s Office is to be a catalyst for good government by promoting professional audits, financial training, efficiency and economy in government and service to cities and towns.
The Honorable Shap Smith  
Speaker of the House of Representatives

The Honorable John Campbell  
President Pro Tempore of the Senate

The Honorable Peter D. Shumlin  
Governor

Mr. Brian Palaia  
Town Manager, Town of Milton, Vermont

Dear Colleagues,

Act 45 of 2011 requires that the State Auditor’s Office audit all active tax increment financing (TIF) districts every four years. Currently, the Town of Milton (“Milton” or “Town”) and the Cities of Burlington, Newport, and Winooski have established TIF districts and financed improvements in their districts.

This report assesses whether Milton established and administered the Husky and Catamount TIF districts according to statutory requirements and the extent to which the Town has established performance measures and monitors actual results that demonstrate the TIF districts are meeting intended goals.

Milton complied with state statutes in the formation of its districts, but the town’s practices for administering its TIF districts were not in accordance with many statutory requirements. Namely, Milton utilized incremental property tax revenue for ineligible purposes and the Town’s determination of the amount of incremental property tax revenue to retain was not consistent with statutory requirements. As a result, the town retained $3.4 million of statewide education increment that should have been remitted to the state. In addition to recommending that the Town arrange to pay the amount owed to the state, we also make recommendations designed to improve the Town’s administration of the TIF district. For example, we recommend that Milton designate a town official to be responsible for reviewing statutory requirements and documenting policies and procedures for administering the TIF district in consultation with the Vermont Economic Progress Council and the Department of Taxes.
I would like to thank the management and staff of the Town of Milton for their cooperation and professionalism during the course of the audit. If you would like to discuss any issues raised by this audit, I can be reached at (802) 828-2281 or at auditor@state.vt.us.

Sincerely,

Thomas M. Salmon, CPA, CFE
Vermont State Auditor
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### Abbreviations

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<tr>
<td>AG</td>
<td>Office of the Attorney General</td>
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<td>CWSRF</td>
<td>Clean Water State Revolving Fund</td>
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<td>DOT</td>
<td>Vermont Department of Taxes</td>
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<td>FY</td>
<td>Fiscal Year</td>
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<td>OTV</td>
<td>Original Taxable Value</td>
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<td>SAO</td>
<td>State Auditor’s Office</td>
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<td>TIF</td>
<td>Tax Increment Financing</td>
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<td>VEPC</td>
<td>Vermont Economic Progress Council</td>
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<td>VMBB</td>
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<td>VSA</td>
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Introduction

Since 1985, tax increment financing (TIF) districts have been available as a tool for Vermont municipalities to finance public infrastructure improvements in support of economic development. The TIF district approval process and administrative requirements largely are delineated in Vermont state statute. 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,¹ which is comprised of (1) incremental municipal property tax revenue (hereafter known as municipal increment) and (2) incremental statewide education property tax revenue (hereafter known as statewide education increment), within this designated district, is utilized over a set time period to pay for the debt incurred to finance the improvements.

TIF districts have been used in Vermont to finance public infrastructure improvements such as extending access to, or increasing capacity, of waste water treatment plants and modifying or adding roadways. The Town of Milton (hereafter referred to as “Milton” or the “Town”) established two TIF districts, referred to as the Husky TIF district and the Catamount TIF district, on March 30, 1998, to upgrade and expand the Town’s wastewater treatment system and to improve roadways to support development in these districts.

TIFs not only affect the applicable municipality, they also have statewide tax implications. At the time municipalities were first granted authority to establish TIF districts, each municipality determined the amount of property taxes necessary to fund the local public school system and municipal operations. The establishment of a TIF district in a municipality potentially impacted the amount of funding available for general municipal operations and that municipality’s school system. The method of funding public education costs for schools in Vermont changed dramatically with the passage of Act 60 in 1997 and the establishment of a statewide education property tax set by the state to fund public education. Because of the change to a statewide education property tax funding mechanism, municipalities with

¹ 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, multiplied by the municipal and education property tax rates.
TIF districts retain monies that otherwise would have been remitted2 to the state for funding public education throughout the state. Effective June 26, 1997, Act 71 of 1998 added the requirement for the Vermont Economic Progress Council (VEPC) to approve municipal TIF districts and to approve the retention of monies by municipalities that otherwise would have been directed to the state for funding public education.

Act 45 of 2011 required the state auditor of accounts to audit all active TIF districts every four years. Because requirements for establishment and administration of TIF districts are largely set out in state statute, we elected to focus our audit towards determining compliance with the statutes applicable to Milton’s TIF districts. Our audit objectives were to:

- Assess whether the Town of Milton adhered to requirements in state statute governing establishment of the Husky and Catamount TIF districts and any associated debt;

- Ascertain whether since inception to fiscal year (FY) 2010, the municipality has administered the TIF districts according to statutory requirements, including a) utilizing the incremental property tax revenue to pay for eligible TIF district debt, b) retaining the appropriate statewide education increment, and (c) timely and accurately reporting TIF district property values and incremental property tax revenue to VEPC or the legislature, as appropriate; and

- Assess the extent to which the municipality has established performance measures and monitors actual results that demonstrate achievement of the state and municipality’s economic and fiscal goals.

The audit work for our first objective largely consisted of comparing Milton’s documentary evidence of activities and actions associated with establishing its TIF district to the statutory requirements governing establishment of a TIF district. Our methodology for the second objective included a) obtaining TIF district debt payment schedules and analyzing other financial records to verify that incremental property tax revenue was used solely for debt payment or prefunding, b) obtaining legal opinions from the Office of the

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2 Annually, the state establishes statewide education property tax rates. Municipalities collect statewide education property taxes on behalf of the state and remit the taxes collected to their local school systems, on behalf of the state, or to the state directly, depending on the amount collected relative to the amount required to fund the local school system. Since these are all state revenues, for simplification purposes, in our report, we refer solely to remitting payments to the state.
Attorney General (AG) regarding the calculation and retention of incremental property tax revenue, recalculating the incremental property tax revenue from inception of the TIF district through FY2010 and verifying that Milton retained only those amounts allowed per statute, and (c) comparing reports of TIF district property values and incremental property tax revenue to source documentation. To accomplish our third objective, we interviewed Milton officials and reviewed Milton’s processes and procedures related to monitoring results of the TIF district. Additional detail on our scope and methodology can be found in appendix I.
**Highlights: Report of the Vermont State Auditor**

**Tax Increment Financing Districts: Town of Milton Appropriately Established Districts, but the Administration Was Flawed**

(January 19, 2012, Rpt. No. 12-01)

<table>
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<tr>
<th>Why We Did This Audit</th>
<th>Findings</th>
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<tr>
<td>Act 45 (2011) requires that we audit the state’s active TIF districts. To fulfill this requirement, our objectives were to 1) assess whether the municipality adhered to requirements in state statute governing establishment of the Husky and Catamount TIF districts and any associated debt, 2) ascertain whether, since inception through FY2010, the municipality has administered the TIF districts according to statutory requirements, including a) utilizing the incremental property tax revenue to pay for eligible TIF district debt, b) retaining the appropriate statewide education increment and c) timely and accurately reporting TIF district property values and incremental property tax revenue to VEPC or the legislature, as appropriate, and 3) assess the extent to which the municipality has established performance measures and monitors actual results that demonstrate achievement of the state and municipality’s economic and fiscal goals.</td>
<td>Milton adhered to state statute in establishing its two TIF districts. For instance, it held publicly warned meetings to discuss formation and financing of the TIF districts, passed a selectboard resolution approving the districts and obtained VEPC approval. To ensure appropriate steps were followed to establish its TIF districts, Milton consulted with VEPC and other state entities regarding compliance with applicable statutory requirements related to the VEPC approval process. Milton’s practices for administering its TIF districts were not always in accordance with statutory requirements. Of the $4.5 million in incremental property tax revenue used by Milton, about $3 million or 67 percent was used for ineligible purposes. Regarding the retention of statewide education increment, Milton’s determination of the amount to retain was not consistent with statutory parameters and the Town retained $3.4 million that should have been remitted to the state. Milton’s approach to utilizing incremental property tax revenue and retaining statewide education increment may have increased the likelihood that the Town will need to seek alternative sources to repay its TIF district debt. In addition, although Milton reported to VEPC using the required format, the 2008 report was not timely and contained some data that was inconsistent with the Town’s financial records. The limited activity that Milton submitted for FY2009 also had inaccuracies. Town officials cited various rationales for their approach to administering the TIF districts, including their belief that the state committed to minimizing the impact of the cost of TIF district development to Milton. Nonetheless, the mistakes in their approach may have been avoided if town officials had utilized practices for administering the TIF districts similar to the one they used to establish the districts, such as consultation with state organizations like VEPC. Milton established two performance measures for one of three state and municipal TIF objectives - to broaden the tax base. The measures, increases in incremental property value and incremental property tax revenue, had targets for the measures and actual results were monitored. However, this type of performance data was not established and collected for the remaining two objectives, (1) encourage development and (2) improve employment opportunities. Although Milton indicated in its application to VEPC that it expected to derive benefits related to these objectives, such as to create 1,240 new jobs, Milton did not collect data to determine whether these benefits occurred. According to the town manager, Milton had no procedures or methods to track the performance of the TIF districts, other than increases in incremental property value and incremental property tax revenue. As a result, the Town lacks a systematic mechanism to evaluate whether the TIF districts are meeting all of the intended goals.</td>
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What We Recommend

We made recommendations to Milton to address the mistakes that resulted from its approach to administering the TIF districts and to improve its administration. For example, we recommended that the town arrange to pay the state $3,368,000 for the statewide education increment inappropriately retained and designate a town official to document policies and procedures for TIF district administration in consultation with VEPC and the Vermont Department of Taxes (DOT).
Background

Establishment of a TIF district allows a municipality to designate an area for improvement and earmark 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. In theory, the improvements lead to increased property values and the resulting increased property tax revenues fund the cost of development. For example, assume that existing property in a TIF district generates $1,000 a year in tax revenues. The municipality obtains approval for the use of incremental property tax revenue for a new project in the district and issues 20-year bonds to finance the project’s costs. Over time, the district’s property values grow and annual property tax revenues increase to $1,500. The taxing authorities, including the municipality and the state, continue to receive their respective portions of $1,000 (i.e. the base property tax revenue), and the $500 difference (i.e. the incremental property tax revenue) is used to pay off the bonds over 20 years.\(^3\) Once the bonds are paid off, the taxing authorities (municipality and state) receive all of the property tax revenues ($1,500 per year). Figure 1 illustrates how this example works.

\(^3\) In the event that a TIF district’s incremental property tax revenue exceeds the amount needed to make bond payments in a given year, this “excess” incremental revenue is distributed to the municipal and state taxing authorities using a statutory formula as established in 24 VSA §1900. Alternatively, municipalities may retain the excess for the purpose of prefunding future TIF district debt. (32 VSA §5401(10)(E))
Figure 1: Simplified Illustration of How a TIF District Can Generate Incremental Revenue

Note: This simplified graphic assumes a stable tax rate.

Statutory Requirements Governing Milton’s TIF Districts

Municipalities are responsible for establishing and administrating TIF districts according to statutory parameters, including overseeing the financing for construction of public infrastructure improvements, calculating incremental property tax revenue, determining the amount of incremental property tax revenue the TIF district may retain, and deciding how it may be utilized.

Acts 87 (1985) and 204 (1988) established the initial framework in Title 24 Chapter 53 Subchapter 5 for the formation and operation of TIF districts in Vermont. Act 60 in 1997 allowed TIF districts established prior to 6/10/97 to retain the statewide education increment and Act 71 in 1998 added the requirement for municipalities to obtain VEPC approval to retain the statewide education increment. The following is a summary of the original criteria in Acts 87, 204, 60 and 71 for establishing and administering TIF districts.
Establish, approve and record

- The purpose of TIF districts is to provide revenues for improvements located wholly or partly within the district that will encourage development, provide for employment opportunities, improve and broaden the tax base or enhance the general economic viability of the municipality, region or state. [24 VSA §1893]

- The municipality’s legislative body determines that the TIF district will serve the public purpose and creates the TIF district. [24 VSA §1892(a)]

- At least one public meeting, duly warned, must be held on the proposed TIF district plan with a description of TIF district boundaries and properties. [24 VSA §1892(a)]

- Upon adoption by the municipality’s legislative body, the TIF district plan must be recorded with the municipal clerk and lister or assessor. [24 VSA §1892(b)]

- TIF districts established on or after June 26, 1997, must obtain VEPC’s approval, under procedures established for the approval of tax stabilization agreements per 32 VSA § 5404a, for exemption of the incremental value of TIF properties from the determination of the municipality’s education property tax liability and the ability to retain statewide education increment. [32 VSA § 5401(10)(E)]

Financial plan

- At least one public meeting, duly warned, must be held on a financial plan for proposed improvements. The elements of the financial plan shall include a statement of costs and sources of revenue, estimates of assessed values within the district, identification of the portion of assessed value to be applied to proposed improvements, tax increments for each year of the financial plan, amount of bonded indebtedness to be incurred, other sources of anticipated revenues and the duration of the financial plan. [24 VSA §1898(e)]

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4 Improvements means installations, construction, or reconstruction of streets, utilities, parks, playgrounds, land acquisition, parking facilities and other public improvements necessary for carrying out the objectives of the TIF district.

5 Legislative body means the mayor and alderboard, the city council, the selectboard and the president and trustees of an incorporated village.
Allowable debt and period that debt may be incurred

- Incremental property tax revenue may be pledged and appropriated for payment of principal and interest on bonds issued for improvements contained wholly or partially within the district. [24 VSA §1897]

- Bonds may take the form of general obligation bonds or revenue bonds and must be approved by a majority of registered voters at a duly warned special or annual meeting. [24 VSA §1898(b) and 24 VSA §1897]

- If revenue bonds are issued, they are payable solely from income proceeds, revenues, and tax increments resulting from the improvements in the TIF district. [24 VSA §1898(b)]

- The municipality may incur debt relative to the TIF district for a period of 10 years following creation of the TIF district. The 10-year borrowing period commences April 1 of the year the TIF district is created by the municipality’s legislative body. [24 VSA §1894]

Establish original taxable value (OTV)

- OTV is the sum of the aggregate taxable valuations of land and improvements in the TIF district on the date the district was approved as then most recently determined. [24 VSA §1895 and 24 VSA §1898(b)]

- On April 1 of the first year, the lister or assessor certifies the OTV of the TIF district parcels as then most recently determined. [24 VSA§1895]

Calculation, utilization and retention of incremental property tax revenue

- Incremental property tax revenue equals current assessed value of properties located wholly or partially within the TIF district less OTV multiplied by the current tax rates of the municipality, the school district6 and any other taxing authority.7 [24 VSA §1896, 24 VSA §1897 and 24 VSA §1898(b)]

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6 The school district rate is determined by the state and is a statewide property tax.

7 TIF district taxable property shall be subject to the same total tax rate as other taxable property in the municipality, except as otherwise provided by law.
• The municipality’s legislative body may pledge and appropriate incremental property tax revenue received from the TIF district for the payment of bond principal and interest. [24 VSA §1897]

• Incremental property tax revenue may be used for prefunding future TIF district debt. [32 VSA §5401(10)(E)]

• To the extent the incremental property tax revenue is pledged and appropriated for debt repayment or prefunding, the municipality is exempt from remitting statewide education increment to the state and may retain up to 100 percent. [32 VSA §5401(10)(E)]

Period that incremental property tax revenue may be retained for payment of debt

• Municipal increment may be retained in each year subsequent to creation of the district for which the current assessed valuation exceeds the OTV until all capital indebtedness of the district has been fully paid. [24 VSA §1896 and 24 VSA §1898(b)]

• Statewide education increment may be retained by the municipality for up to 10 years with VEPC’s approval. [32 VSA §5404a(b)]

• The TIF district continues until all indebtedness incurred by the municipality to fund the improvements in the TIF district has been paid. [24 VSA §1898(b) and 24 VSA §1894]

• To the extent incremental property tax revenue is pledged and appropriated for payment of debt incurred to finance development in the district, it must be segregated in a special account of the municipality. [24 VSA §1896]

Distribution of incremental tax revenue

• Incremental property tax revenue which in any tax year exceeds the principal and interest payments for the bonds issued for improvements in the district is required to be distributed to the municipality and school district in proportion that each budget bears to the combined total of both budgets unless otherwise negotiated. [24 VSA §1900]

Reporting

• Each year of the life of the TIF district, the lister or assessor for the municipality shall certify and report to the legislative body the amount
that the OTV has increased or decreased and the proportion that any increase or decrease bears to the total assessed valuation of real property for that year. [24 VSA §1895]

Since the passage of Act 60 in 1997 and Act 71 in 1998, the statutes related to TIF districts have undergone numerous amendments. Per 1 VSA §212, amendments generally take effect prospectively on July 1 following the date of their passage unless otherwise specifically provided. Accordingly, many of the changes to TIF statutes are applicable to Milton’s TIF districts. See Figure 2 for a timeline of select amendments to TIF legislation, the effective dates, and those changes impacting the Milton TIF districts from 2000 through 2010. Items in grey do not apply to Milton’s TIF districts.
Table of Timeline of Select Changes to TIF District Statutes and Applicability of Certain Amendments to Milton (appendix II contains greater detail)

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<tr>
<td>Adds WINOOGSI TIF, excludes from selected TIF requirements</td>
<td>Allows incremental revenue to be used to pay for related costs (as defined in act)</td>
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<td>Requires that at least 10% of housing in WINOOGSI TIF be affordable</td>
<td>Expands TIF goals and amends definition of TIF improvements</td>
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<td>Requires WINOOGSI bonds to be issued by 7/1/2005 with 20 - year maximum term</td>
<td>Sets criteria for VEPC approval of TIF districts</td>
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<td>Defines excess valuation for the WINOOGSI TIF</td>
<td>Allows 20-year debt borrowing period, must obtain VEPC approval if debt not incurred in first 5 years</td>
</tr>
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<td>Sets requirements for the use of incremental revenue of the WINOOGSI TIF, such as 5% of valuation of property taxes and the excess valuation should be paid to the state’s education fund</td>
<td>Adds that DTV must be adjusted if &gt;= 20% of properties in the municipality are reappraised</td>
</tr>
<tr>
<td>Excludes WINOOGSI’s excess valuation from education property tax until bonds are paid or reserved</td>
<td>Limits the retention of tax increment to 20 years commencing 4/1 of the year following VEPC approval</td>
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7/1/00 7/1/06

= not applicable to Milton TIF
Figure 2: Timeline of Select Changes to TIF District Statutes and Applicability of Certain Amendments to Milton (appendix II contains greater detail)—continued

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<td>Allows more financing instruments</td>
<td>Requires MILTON to proportionally apply state education property tax and municipal tax increments for repayment of debt incurred prior to 4/1/09 for Husky and Catamount TIFs; excludes these TIFs from proportionality rule</td>
<td>Requires municipalities to report to VEPC and DOT</td>
<td>Allows MILTON to select date to start retaining tax increment; OITV must be recertified if retention of education tax increment starts more than 5 years after TIF creation (retroactive to 7/1/08)*</td>
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For MILTON: more debt financing options (retroactive to 7/1/08)*

<table>
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<th>Act 54 2009</th>
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<td>Extends the BURLINGTON TIF’s borrowing period by 5 years</td>
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<td>Requires BURLINGTON to submit proposal to legislature for calculating amount due to the education fund for new revenue growth in the TIF</td>
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+ Act 45 of 2011 changed this requirement to every four years.
+ These provisions relate to a new Milton TIF district, not the Husky or Catamount TIF District.

*Act 45 of 2011 changed this requirement to every four years.
+ These provisions relate to a new Milton TIF district, not the Husky or Catamount TIF District.
Effect of Act 60 on Milton’s TIF Districts

Milton established its TIF districts on March 30, 1998, and obtained VEPC approval November 19, 1998. This was subsequent to the passage of Act 60 (Equal Educational Opportunity) in 1997 which changed the state’s education funding mechanism. With the passage of Act 60 and the state’s migration to statewide funding for public education, the administration of TIF districts was complicated by the retention of incremental property tax revenue which includes statewide education increment and impacts statewide funding for public schools.

Normally, there are two components of incremental property tax revenue; statewide education increment and municipal increment. The distinction of state and municipal components in the incremental property tax revenue is significant because funding for public education in Vermont is mostly based on statewide education property taxes. The TIF program allows municipalities to retain statewide education increment rather than remit the taxes to the state. Additionally, the statutory requirements for the authorization, time period and proportion of revenue to retain is different for each component of incremental property tax revenue. See Table 1 for a comparison of the statutory requirements.

### Table 1: Comparison of Statutory Requirements for Various Aspects Related to Municipalities’ Retention of Municipal and Statewide Education Increment

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<tr>
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<th>Municipal Increment</th>
<th>Statewide Education Increment</th>
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<tr>
<td><strong>Authorization</strong></td>
<td>Municipal legislative body approves retention.</td>
<td>VEPC approves municipality’s application to retain increment.</td>
</tr>
<tr>
<td><strong>Time period</strong></td>
<td>Per statute, may be retained until debt has been fully paid.</td>
<td>Per Act 71 (1998), limited retention to 10-years.¹</td>
</tr>
<tr>
<td><strong>Proportion</strong></td>
<td>Municipal legislative body may pledge and appropriate any part or all.</td>
<td>May retain percentage equivalent to the proportion of incremental property tax revenue pledged and appropriated for repayment or prefunding of TIF district debt to total incremental property tax revenue generated by the TIF district.</td>
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¹ Act 184 (2006), clarified that the 10-year period commences 4/1 of the year following VEPC approval.
Milton TIF Districts

Milton has two TIF districts – the northern TIF, which houses Husky Injection Moldings, Inc. (Husky), and the southern TIF, which consists of the Catamount Industrial Park (Catamount).

See Figure 3 for a map of the TIF districts.

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Figure 3: Map of Milton TIF Districts (Source: Town of Milton)

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Milton established a third TIF district called the Town Core TIF but since construction activity had not yet started in this district, it was not considered active and therefore was not included in the scope of our audit.
In 1997, Husky located in agricultural property on the north side of Milton. The State provided incentives to the company through the Economic Advancement Tax Incentive program\(^9\) administered by VEPC, and worked with the company and the Town of Milton to develop a Memorandum of Understanding in which Milton was to be responsible for some of the infrastructure needed to house Husky. Specifically, the wastewater treatment system would require expansion and upgrade and some roadways would need to be improved. Further, bringing wastewater treatment capabilities to another area under development in the southern end of town, the Catamount Industrial Park, was a project in which the Town had been interested. Since the wastewater treatment plant would need to be expanded to process the increased capacity for the Husky plant, the timing was favorable to add Catamount’s expansion needs to the project.\(^10\) Milton worked with the state to secure federal and state grants and considered the creation of a TIF district as another funding source for the projects. Milton’s selectboard approved the formation of the two districts on March 30, 1998.

VEPC granted approval for the two districts to retain statewide education increment until March 31, 2009, under one approval document on November 19, 1998. In March 2009, VEPC approved a 10-year extension of the time period that Milton was authorized to retain the statewide education increment generated by the TIFs. The purpose of the extension was to allow Milton additional time to retain statewide education increment to pay off existing debt.

As of June 30, 2010, construction costs for the wastewater treatment facility/collection system upgrades, highway improvements and water reservoir/distribution system costs totaled approximately $17.7 million. The projects are predominantly completed with the exception of some of the planned highway improvements. The cost of the TIF districts’ improvements was funded as follows:

- $8.6 million in federal and state grants from the United States Environmental Protection Agency, United States Department of

\(^9\) In 1998, the Vermont Legislature enacted the Economic Advancement Tax Incentives program which was a package of tax incentives designed to encourage growth and job creation by Vermont companies using income tax credits, sales tax exemptions, and property tax reductions and reallocations. This program is no longer active.

\(^10\) Adding wastewater capabilities to the Catamount area required expansion of the same treatment plant that Husky’s expansion needed. Milton officials believed that combining the needs of both districts into one project would ultimately save construction costs.
Commerce and the Vermont Department of Environmental Conservation.

- $6.3 million in loans from Vermont’s Clean Water State Revolving Fund (CWSRF), and the Vermont Economic Development Authority.
- $2.8 million in costs directly paid using incremental property tax revenue.

11 Milton’s registered voters approved general obligation bonds, but the Town obtained loans through the state’s CWSRF, administered by the Vermont Municipal Bond Bank (VMBB) and the Department of Environmental Conservation. According to the executive director of the VMBB, these loans are collateralized by a bond of the municipality (i.e. as a prerequisite for obtaining a loan from the state’s CWSRF, municipalities must obtain the approval of registered voters for a general obligation bond and this bond is relied upon as the obligation to repay the CWSRF). The VMBB considers this type of financing analogous to general obligation bonds.

12 This represents the portion of incremental property tax revenue retained by the Town that was used to pay for direct construction costs.
Milton Complied with State Statutes in Establishing Its TIF Districts and Related Debt

Milton adhered to requirements in state statute associated with establishing its TIF districts in 1998 and authorizing financing, including:

- holding publicly warned meetings to discuss formation and financing of the TIF districts,
- passing a selectboard resolution approving the TIF districts,
- obtaining voter approval for anticipated bonding, and
- obtaining approval from VEPC for retention of statewide education increment anticipated to be generated by the TIF districts.

Table 2 presents our assessment of the Town of Milton’s compliance with the requirements for creating a TIF district and incurring debt to finance improvements in each of the districts.
Table 2: Assessment of Milton’s Compliance with Required Steps for Creating a TIF District and Authorized Financing

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<tr>
<th>Statutory Requirements</th>
<th>Comments</th>
<th>Husky Compliance</th>
<th>Catamount Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hold publicly warned meetings on proposed TIF district plan, with a description of the TIF district boundaries and properties.</td>
<td>Meetings held for both districts on 3/30/98.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Hold publicly warned meetings on a financial plan for proposed improvements.</td>
<td>Meetings held for both districts on 3/30/98.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Adoption of TIF district plan by legislative body of municipality (e.g. selectboard).</td>
<td>Selectboard approved each district plan on 3/30/98.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Record TIF district plan with municipal clerk and lister or assessor.</td>
<td>A plan that included both districts was filed on 3/31/98.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Obtain approval of majority of registered voters for general obligation or revenue bonds at a warned special or annual meeting.</td>
<td>Meeting held on 5/27/98 for project bonding in total. Bonding was approved by voters, but bonding for each district was not identified separately.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Apply to VEPC for approval to use statewide education increment for TIF district improvements.</td>
<td>Both districts were approved by VEPC on 11/19/98.</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

* Milton’s registered voters approved general obligation bonds, but the Town obtained loans through the state’s CWSRF, administered by the Vermont Municipal Bond Bank (VMBB) and the Department of Environmental Conservation. According to the Executive Director of the VMBB, these loans are collateralized by a bond of the municipality (i.e. as a prerequisite for obtaining a loan from the state’s CWSRF, municipalities must obtain the approval of registered voters for a general obligation bond and this bond is relied upon as the obligation to repay the CWSRF). The VMBB considers this type of financing analogous to general obligation bonds.

In establishing its TIF districts, Milton consulted with VEPC and other state entities regarding statutory requirements applicable to the VEPC approval process. By carefully following the statutory criteria, Milton officials appropriately established TIF districts as a financing tool for their impending projects.
Milton Did Not Administer Its TIF Districts According to Many Statutory Requirements

Milton’s practices in administering the TIF districts were not always in accordance with statutory requirements. Because of its flawed approach, the Town used approximately $3 million of the incremental property tax revenue generated by its TIF districts for ineligible purposes such as direct construction costs, rather than limiting use to repayment or prefunding debt, and also used the incremental property tax revenue for project costs unrelated to the TIF districts. In addition, Milton did not follow statutory criteria to determine how much statewide education increment to retain and underpaid the state $3.4 million. The use of incremental property tax revenue for ineligible expenditures and underpaying the state its portion of the statewide education increment may increase the likelihood that Milton will need to utilize other resources to repay its TIF district debt since the Town may need to repay the state at the same time it is required to make loan payments. Finally, the Town’s reporting was not timely, but the information reported in the 2008 report was mostly consistent with the Town’s financial records. Timely reporting is needed to monitor the status of the TIF districts and to provide decision makers with information to make decisions about the TIF program.

Milton officials offered various rationales for the way the TIF districts were administered. For example, in one instance they cited a perceived state commitment to minimize the cost impact of the TIF districts improvements to Milton and in another we believe they misinterpreted statutory requirements. We believe that Milton’s problems in administering the TIF districts stem from more fundamental causes and a more systematic approach could have avoided these problems. Specifically, Milton did not have documented policies and procedures relative to TIF administration nor did the Town routinely consult with VEPC and DOT on all aspects of how to administer the districts in accordance with statute. Documenting the policies and procedures related to administration of the TIF district would provide greater clarity for decisions about appropriate use and retention and would support

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13 Although the current framework of TIF statutes requires that municipalities report certain data to VEPC and DOT, it does not appear to encompass a level of substantive oversight and responsibility by either VEPC or DOT. However, consulting with these entities may have provided Milton with an approach to administering its TIF district according to statutory requirements.
consistent interpretation. In addition, documented guidance would support continuity of operations in the event of a transition in personnel. Consultation with state entities most familiar with statutory requirements associated with TIF districts would have reduced the likelihood of misinterpretation of the TIF statutes.

**Milton Inappropriately Utilized $3 Million of Incremental Property Tax Revenue for Purposes Other than Eligible Debt Payments**

As a municipality’s TIF district generates incremental property tax revenue, state statutes put restrictions on how these additional revenues can be used. Specifically, according to 24 VSA §1897 and 32 VSA §5401(10)(E), utilization of incremental property tax revenue is limited to paying for or prefunding principal and interest on bonds issued within 10 years of the creation of the TIF district\(^\text{14}\) to finance improvements located wholly or partially within the TIF district. Of the almost $4.5 million in incremental property tax revenue used by Milton, about $3 million (67 percent) did not comply with these statutory restrictions.

Of the incremental property tax revenue used by Milton, about one-third was used to repay and prefund eligible debt obligations. The remainder was used for expenditures other than eligible debt payments, including actual construction costs for TIF district improvements, payments on loans initiated outside the statutorily allowed borrowing period and project costs unrelated to either TIF districts’ improvements. See Table 3 for a summary analysis of ineligible expenditures paid for with the TIF districts’ incremental property tax revenue and town officials’ explanation for each ineligible use.

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\(^\text{14}\) Per 24 VSA §1894, the 10-year borrowing period commences on April 1 of the year the district is approved by the municipality’s legislative body.
### Table 3: Analysis of Ineligible Expenditures Paid for with Incremental Property Tax Revenue.

<table>
<thead>
<tr>
<th>Category of Expenditure</th>
<th>Amount</th>
<th>Expenditure Analysis</th>
<th>Town Officials’ Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual construction costs</td>
<td>$2,838,000</td>
<td>Milton used Water/Sewer Fund resources rather than bonded debt to cover the costs of construction and reimbursed the Water/Sewer Fund using incremental property tax revenue.</td>
<td>Officials explained that direct payment of improvement costs saved money versus using bonded debt to finance improvements since direct payment eliminated the costs of borrowing, including interest payments.</td>
</tr>
<tr>
<td>Payments for loans incurred outside borrowing period</td>
<td>22,000</td>
<td>Milton’s borrowing period is 4/1/98 to 3/31/08. These payments are for a $50,000 loan received June 7, 1997, which is outside the borrowing period.</td>
<td>Officials believed that since these loans were incurred to finance improvements in the Husky TIF district they should be repaid with incremental property tax revenue, regardless of the timing of the loans.</td>
</tr>
<tr>
<td>Costs for projects unrelated to either TIF district</td>
<td>177,000</td>
<td>Projects were not contained wholly or partially within the districts and were not related to either district.</td>
<td>Milton’s town clerk acknowledged that these project costs were unrelated to either TIF district and indicated that the TIF account will be reimbursed.</td>
</tr>
<tr>
<td><strong>Total ineligible expenditures</strong></td>
<td><strong>$3,037,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* According to Milton’s debt schedule, there is also a loan for $277,000 received in 2009, after the borrowing period ended. Through June 30, 2010, no payments for this loan have been made with incremental property tax revenue.  
* Milton has established an account to separately track TIF district revenue and expenses.

With the exception of the mistaken payments for project costs unrelated to the TIF districts, town officials appear to have used their own judgment to determine how incremental property tax revenue should be used, rather than referring to the requirements delineated in statute. Regardless of the officials’ rationale, state statute restricts the use of incremental property tax revenue to repayment or prefunding bonded debt that has been subject to voter approval and is issued during a specified borrowing period. By substituting their own judgment for how to use the incremental property tax revenue, Milton officials may have increased the likelihood that Milton will need to seek alternative resources to repay its debt obligations since the $3 million was not reserved to make future loan payments on TIF district debt. In addition, inappropriate use of incremental property tax revenue has implications for how much of the statewide education increment may be retained (e.g. kept by the municipality rather than remitted to the state) which will be discussed in the next section.
Milton Inappropriately Retained $3,368,000 of Statewide Education Increment

State statutes restrict the amount and length of time statewide education increment may be retained by municipalities. The amount of statewide education increment a municipality may retain is a function of how much incremental property tax revenue is generated by a TIF district and the extent to which the incremental property tax revenue is pledged\(^\text{15}\) and appropriated\(^\text{16}\) for repayment or prefunding of TIF district debt. State statute establishes the methodology municipalities are to use to calculate incremental property tax revenue generated by TIF districts and to determine the proportion of statewide education increment that may be retained. At the time Milton established its TIF districts, municipalities were allowed to retain statewide education increment for 10 years.\(^\text{17}\)

Mistakes in Milton’s Approach to Revenue and Retention Calculations
Milton did not follow the methodology delineated in statute for 1) calculating incremental property tax revenue and 2) determining the proportion of statewide education increment to retain.

(1) Calculation of Incremental Property Tax Revenue
Incremental property tax revenue is required to be calculated as incremental property value growth (total current April 1 assessed value of

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15 For purposes of municipal debt financing, a pledge is a promise or commitment related to the use of a specified source (e.g. incremental property tax revenue) for repayment of the debt obligation. Milton’s debt arrangements pledge incremental property tax revenue as the source of repayment along with the municipality’s general obligation (e.g. full faith, credit and taxing power).

16 According to Milton’s municipal charter, appropriations are planned expenditures.

17 On April 1, 2009, per Section 2j of Act 184 (2006 session), VEPC approved the extension of Milton’s retention of statewide education increment through March 31, 2019.
TIF district properties less OTV\textsuperscript{18}) multiplied by the municipal and statewide education property tax rates. \textsuperscript{19}

SAO calculated incremental property tax revenue through June 30, 2010, according to statutory requirements and found that Milton’s TIF districts generated $2.1 million more revenue than the town calculated. This was because Milton 1) applied only the statewide education property tax rate and did not include the municipal tax rate in its calculation except for FY2010 and 2) used the incorrect OTV in its calculation because it erroneously adjusted its OTV after a town-wide property reappraisal. See Table 4 for an analysis of the differences between Milton’s calculation and SAO’s calculation.

Table 4: Reconciliation between Amount Calculated by Milton to Amount Calculated by SAO.

<table>
<thead>
<tr>
<th>Reconciliation of the Total Difference</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Property Tax Revenue per Milton (primarily based on statewide education property tax rate)\textsuperscript{a}</td>
<td>$4,476,000</td>
</tr>
<tr>
<td>(1) Add municipal property tax rate\textsuperscript{b}</td>
<td>$1,836,000</td>
</tr>
<tr>
<td>(2) Add adjustment for wrong OTV\textsuperscript{c}</td>
<td>293,000</td>
</tr>
<tr>
<td>Sum of Differences</td>
<td>2,129,000</td>
</tr>
<tr>
<td>Incremental Property Tax Revenue per SAO</td>
<td>$6,605,000</td>
</tr>
</tbody>
</table>

\textsuperscript{a}Includes $4,386,000 of statewide education increment and $90,000 of municipal increment.
\textsuperscript{b}This figure was calculated using the growth in incremental property values and municipal tax rates in effect between FY2000 and FY2009.
\textsuperscript{c}An amendment in the 2006 legislative session required OTV to be adjusted upon reappraisal, effective July 1, 2006. However, according to an Attorney General’s Office opinion provided to SAO, this did not apply to Milton’s 2006 reappraisal because the reappraisal was completed prior to the effective date of the amendment.

The difference in the amount of incremental property tax revenue calculated is significant because it directly impacts the amount of statewide education increment that Milton may retain, rather than remit to the state.

\textsuperscript{18} OTV is the sum of the aggregate value of land and improvements in the TIF district as of the date the district is approved (24 VSA §1898(b)).

\textsuperscript{19} 24 VSA §1896, 24 VSA §1897 and 24 VSA §1898(b) establish the requirements for calculating incremental property tax revenue.
(2) Retention of Statewide Education Increment

Through June 30, 2006, Milton was permitted to retain up to 100% of the statewide education increment to the extent all of the incremental property tax revenue was pledged and appropriated for the repayment or prefunding of TIF district debt. According to an Attorney General’s Office opinion provided to SAO, per 32 VSA §5401(10)(E), in order for Milton to retain all of statewide education increment, all incremental property tax revenue must be pledged and appropriated for TIF-related debt. To the extent incremental property tax revenue is not pledged and appropriated for payment of TIF-related debt, the underlying growth in property value is subject to the statewide education property tax and is owed to the state (i.e. may not be retained by Milton). Effective July 1, 2006, the permitted retention percentage was reduced to 75 percent by Act 184 (2006 session).

To illustrate, prior to July 1, 2006, if a TIF district generated $1 million of incremental property tax revenue, comprised of $750,000 statewide education increment and $250,000 municipal increment, and pledges and appropriates the entire $1 million, then 100 percent of the $750,000 of statewide education increment may be retained. If all of the $1 million of incremental property tax revenue is pledged for repayment, but only $400,000 is appropriated, only 40 percent of the statewide education increment may be retained. In this example, $450,000 ($750,000 x 60 percent) of statewide education increment would be remitted to the state. These calculations would have to be adjusted for revenues generated after July 1, 2006, to account for the reduction in the permitted retention percentage in accordance with Act 184.

By entering into various debt arrangements, Milton has pledged to repay approximately $6 million of TIF district debt using incremental property tax revenue. However, we found that Milton’s appropriation of incremental property tax revenue for debt repayment (e.g. actual debt payments and prefunding) was approximately 24 percent of incremental

If incremental property tax revenue is pledged for repayment or prefunding of TIF district debt, but not all of the incremental property tax revenue is appropriated for this purpose, the municipality must remit a portion of statewide education increment to the state equivalent to the percentage of incremental property tax revenue not appropriated.
property tax revenue generated by the districts. Therefore, Milton should have limited its retention of statewide education increment to this percentage. However, Milton retained the maximum percentage of the statewide education increment as if all of it had been appropriated for debt repayment and did not remit $3.4 million in statewide education increment owed to the state. See Table 5 for the calculation of Milton’s underpayment to the state.

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage of Incremental Revenue Appropriated</th>
<th>Calculation of Underpayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative debt payments through 6/30/2010</td>
<td>$625,000</td>
<td></td>
</tr>
<tr>
<td>Statewide education increment set aside in TIF account&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental property tax revenue appropriated</td>
<td>$1,439,000&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Incremental property tax revenue that could have been appropriated</td>
<td>$5,920,000&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Percent of incremental property tax revenue appropriated ($1,439,000/$5,920,000)</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Amount of statewide education increment actually retained (footnote a in Table 4)</td>
<td>$4,386,000</td>
<td></td>
</tr>
<tr>
<td>Less: SAO calculation of statewide education increment that should have been retained ($4,242,000 x 24 percent)</td>
<td>1,018,000</td>
<td></td>
</tr>
<tr>
<td><strong>Amount Milton underpaid the state (Milton’s over retention of statewide education increment)</strong></td>
<td><strong>$3,368,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>At 6/30/2010, the total balance in the account is approximately $1,288,000. Approximately $474,000 of the TIF account balance is not incremental property tax revenue, rather it is investment income earned on incremental property tax revenue and thus has been excluded from this analysis.

<sup>b</sup>Per the town’s audited financial statements, Milton recorded $4,476,000 in the TIF account which is primarily based on statewide education increment. As previously described, Milton used $3 million for purposes other than eligible debt payments or prefunding. Since the use did not comply with statute, the $3 million is excluded from the calculation of the amount appropriated for debt repayment or prefunding.

<sup>c</sup>Comprised of statewide education increment and municipal increment of $4,242,000 and $1,678,000, respectively.
Milton Officials’ Rationale for Approach to Calculations

Officials cited various rationales for their approach to incremental property tax revenue calculation and retention: (1) language in 24 VSA §1897, (2) advice from DOT, (3) perceived state commitments related to the development of the Husky TIF district, and (4) VEPC’s approval of the Town’s retention of the statewide education increment.

(1) 24 VSA §1897 allows that the selectboard may appropriate “any part or all of the tax increments.” Milton officials believe that this statute allows them the discretion to exclude the municipal tax rates from the calculation of incremental property tax revenue without impacting the amount of statewide education increment the town may retain. While it appears the selectboard has the discretion to determine which portion of the incremental property tax revenue to appropriate for debt repayment, the statute does not extend this discretion to the amount of statewide education increment that may be retained.

(2) Milton adopted a change in statute related to OTV that was not applicable, due in part to an interpretation error by the DOT which advised Milton that the requirement to adjust OTV upon significant property reappraisals applied to them. DOT believed, based upon involvement in testimony before certain legislative committees related to this particular amendment, that this amendment was intended to be applicable to Milton. However, based upon an AG opinion obtained by SAO, since Milton’s reappraisal was completed prior to the effective date of the amendment, the requirement to adjust OTV for reappraisals is not applicable to Milton for its 2006 reappraisal. The town relied upon the advice of the DOT and incorporated the adjustment into their incremental property tax revenue calculation. DOT has reconsidered its position related to this amendment based upon the AG’s opinion.

(3) Town officials believe the state made a commitment to minimize the cost impact to Milton for the infrastructure development for the Husky TIF district. However, the Town did not provide evidence that the state had provided Milton with exemptions from statutory requirements for administering TIF districts. We noted that the town has correspondence dated April 4, 1997, from the then Secretary of the Agency of Administration pledging to assist the town with identifying resources to defray the costs and to
provide certain state grants, but such a pledge of assistance does not constitute an exemption from statutory requirements.

(4) VEPC received copies of Milton’s TIF districts plan in 1998 during its consideration of Milton’s application for retention of the statewide education increment. Milton officials believe that VEPC understood that the town intended to use only the statewide education increment for repayment of TIF district debt because Milton included projections of future revenue growth in the plan based solely on statewide education increment. Further, Milton reasoned that VEPC’s approval of Milton’s retention of statewide education increment included consent to Milton’s plan to use solely the statewide education increment and to retain 100 percent of this increment. Although Milton limited its revenue projections to the statewide education increment, it did not explicitly state that it intended to use solely this increment to fund improvements in the TIF districts. In addition, the VEPC approval letter does not indicate any exemptions from the requirements established to administer TIF districts. Furthermore, the statutes that establish the criteria for VEPC’s approval of TIF district applications do not appear to grant VEPC authority to approve specific exemptions.

Milton officials’ approach to calculating incremental property tax revenue and determining the amount of statewide education increment to retain may increase the likelihood that the Town will need to use alternative resources to repay TIF district debt since the Town may need to address the $3.4 million underpayment to the state at the same time debt repayment is required.

Milton Was not Timely in Reporting TIF Districts Activity, but Most of the Information Reported Was Consistent with Its Financial Records

24 VSA §1901, effective in 2008, requires all active TIF districts to report specific activity related to the most recent fiscal year end to VEPC and DOT by December 1 of each year in the format required by VEPC. Milton submitted information to VEPC according to the format required. The

20 32 VSA 5401(10)(E) and 32 VSA 5404a.

21 Activities include incremental property tax revenue, escrow status, amount of debt incurred to finance improvements and bond or other financing payments, among others.

22 VEPC was the primary recipient of the reporting and shared the information with DOT.
submission was not timely, but most of the data reported was consistent with the Town’s financial records.

Regarding timeliness, reporting for FY2008 was submitted to VEPC in August 2009, eight months after the statutory December 1 deadline for FY2008. A limited amount of FY2009 activity was reported to VEPC in the same report.

The late filing of the FY2008 activity may have been due to VEPC typically requesting the annual activity report in February of the year following the activity, which is subsequent to the municipality’s statutory deadline. Even though Milton filed incomplete FY2009 activity to VEPC, town officials may have believed they fulfilled the VEPC reporting requirements since they provided similar information to DOT for inclusion in a joint report issued by DOT and the state’s Joint Fiscal Office.23

Most of the information Milton submitted to VEPC for FY2008 and FY2009 accurately reflects activity recorded in the town’s financial records, but not all. For instance, the actual TIF district debt reported to VEPC for FY2008 agrees to the town’s debt schedules and the reported use of incremental property tax revenue agrees with the amount of cash transferred out of the TIF account per the town’s records.24 However, the amount of cumulative incremental property tax revenue reported to VEPC is $501,000 lower than the amount reported in the Town’s financial statements.

Inconsistencies were primarily due to a lack of review of the report. The town manager prepares the VEPC report, but no review is done to reconcile the information in the report to the data provided by various town departments for the report.

As previously reported, we believe town officials did not administer the TIF districts according to all statutory requirements, including the calculation of incremental property tax revenue. Because of this, some of the information reported to VEPC does not agree to the amounts we calculated and reported in previous sections.

Timely and accurate reporting of the TIF district data to state officials facilitates monitoring the status of the TIF district which is critical to

23 Sec. 65 of No. 190 of the Acts of the 2008 Session required a joint report be submitted to the legislature by Joint Fiscal Office and Department of Taxes.

24 Typically, Milton used non-TIF revenues to pay for TIF-related costs and then transferred incremental property tax revenue from the TIF account to replace the other revenues used.
ensuring that the TIF district operates as expected. Without accurate information, municipal and state officials may find it difficult to make informed decisions about the program.

**Milton Established and Monitored Limited Performance Measures**

The Town’s use and monitoring of performance measures to indicate the extent to which its TIF districts were meeting municipal and state objectives was limited. State statute establishes three broad objectives for TIF districts, 1) broaden the tax base, 2) encourage development and 3) improve employment opportunities. The municipality’s goals outlined in its application to VEPC echoed these objectives. However, Milton only established performance measures and monitored actual results for one of these goals – to broaden the tax base. In addition, although Milton established targets for these performance measures in its application to VEPC, it has not compared actual results to established targets. Without pertinent data indicating the extent to which the municipality has met its goals, decisions made regarding the TIF district may be less effective than if complete performance information was available and utilized.

The statutes governing TIF district creation and administration do not contain explicit requirements for municipalities to establish a performance measure system that would allow the municipality to monitor performance relative to achievement of the three TIF district goals. However, the statutes do require municipalities to report limited data points to VEPC on an annual basis. Benefits can accrue from the effective use of performance measurement. In addition, the state emphasizes performance measurement via its requirement for state organizations to annually submit a variety of performance measurement information to the general assembly. According to the Government Finance Officers Association, for every specific economic development incentive (e.g. tax increment financing), the economic benefit to the government, as well as the cost of the incentive, should be measured and compared against the goals and criteria that have been previously established for the incentive.

Table 6 provides a comparison of the state’s and Milton’s objectives relative to the measures and targets established by the Town of Milton and whether actual results were monitored.
Table 6: Comparison of Objectives to Measures and Targets Established and Actuals Monitored

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measures</th>
<th>Targets Established</th>
<th>Actuals Monitored</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broaden the tax base</td>
<td>Growth in incremental property value and</td>
<td>Yes</td>
<td>Yes(^a)</td>
</tr>
<tr>
<td></td>
<td>incremental property tax revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encourage development</td>
<td>None</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Improve employment opportunities</td>
<td>None</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

\(^a\) Although Milton monitored actual results, they did not compare actual to targets.

In its application to VEPC, Milton was required to demonstrate the extent to which its TIF districts were expected to generate economic benefits for the state and municipality according to guidelines established in statute. However, according to the town manager, there were no procedures or methods established in Milton for tracking the performance of the TIF districts other than the growth in incremental property valuations and incremental property tax revenue.

In addition to the expanded tax base benefit, Milton’s application to VEPC also stated that the town expected to derive other benefits, namely, Milton indicated that $300 million was expected to be invested by businesses located in the TIF districts and that 1,240 jobs would be created. Linking these anticipated benefits (or targets) to specific performance measures and tracking actual results for these measures and comparing the actual to expected results would have demonstrated whether the TIF district was achieving the statutory objectives of encouraging development and improving employment opportunities. Without monitoring performance relative to these objectives, Milton and the state do not know whether these important benefits were derived.
Conclusion

After consulting with VEPC, Milton complied with requirements in state statute regarding the formation of the Husky and Catamount TIF Districts. However, the town’s approach to administering the TIF districts was flawed because it generally did not comply with state statutes and resulted in $3 million used for ineligible purposes, $2.1 million understated incremental property tax revenue and $3.4 million inappropriately retained by the Town. Town officials provided various rationales for their approach to administering the TIF districts, including reliance on what they perceived as a state commitment to limit the cost impact of various infrastructure needs for the Husky TIF district, but provided no documented evidence that the state exempted the Town from administering the TIF districts in accordance with statute. Nonetheless, the mistakes in administering the TIF districts may have been avoided if town officials had utilized an approach for administering the TIF districts similar to the one they used to establish the districts such as consultation with state organizations like VEPC.

Recommendations

We recommend that the Milton town manager:

- Designate a town official to be responsible for reviewing statutory requirements and documenting policies and procedures for administering the TIF districts in consultation with VEPC and DOT. The policies and procedures should provide for a second level of review and should include the following:
  a) calculation of incremental property tax revenue,
  b) retention of statewide education increment,
  c) allowable debt period (i.e. period when TIF district improvements may be financed with debt),
  d) utilization of incremental property tax revenue, and
  e) reporting requirements.
- Arrange to pay the $3,368,000 of statewide education increment owed to the state.
- Designate a town official to be responsible for establishing and monitoring a set of performance measures, including setting numerical...
targets for all measures that would ensure a more complete sense of whether the TIF districts has broadened the tax base, encouraged development and improved employment opportunities.

Management Comments and Our Evaluation

In a letter dated January 11, 2012, the Town Manager of the Town of Milton provided a written response to a draft of this report on behalf of the Town, which can be read in its entirety in appendix III.

The Town Manager asserted that Milton made efforts to communicate and consult with the appropriate state officials concerning the administration of the districts and has substantially complied with the requirements of statute, its approved application and amendments, and guidance from various state agencies.

The Town disagreed with the findings of the report, but provided no additional evidence to support its position. We based our analysis and conclusions on the evidence gathered during our audit, including the documentation provided to us by Milton, and our findings reflect consideration of this evidence and the application of statutory criteria. For more information regarding our audit scope and methodology, please refer to appendix I.

In accordance with 32 V.S.A. §163, we are also providing copies of this report to the Secretary of the Agency of Administration, 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 web site, http://auditor.vermont.gov/.
Appendix I

Scope and Methodology

To address our three objectives we performed an analysis of the legislative statutes related to the creation, financing, management and reporting requirements for tax increment financing districts in Vermont (contained in Titles 24 and 32), including numerous amendments and legislative acts since the original enabling legislation in 1985 (Act 87). In addition, we met with officials from the municipality, from VEPC and from DOT to understand their statutory interpretation of TIF legislation and sought authoritative opinion from the Office of the Attorney General in cases in which interpretations diverged.

We reviewed a wide variety of published guidance and research on the use of tax increment financing as an economic development tool. This included publications by the GFOA, audit reports of TIFs in other states, a 2009 study conducted jointly by DOT and the legislative joint fiscal office, which reported specifically on the existing TIF districts in Vermont,25 among others.

In planning our work with respect to our first objective, we interviewed municipal officials and obtained available documentation for the initial establishment of the TIF districts including the Town’s application to VEPC, public hearing warnings, selectboard approval, tax maps, and the TIF district plans which included descriptions of the districts and respective boundaries. These documents and records were assessed against the requirements contained in Vermont statutes Titles 24 and 32 to determine whether the municipality adhered to requirements for the establishment of a TIF district. We reviewed documents for the debt financing for the planned development in the TIFs including voter bond warnings and approvals, loan documents, grant agreements, and other supporting documentation.

In performing work in support of our second objective, we interviewed officials from the Town, DOT and the Vermont Department of Education regarding their processes, policies, and procedures including meeting with the representatives of DOT’s Division of Property, Review, and Valuation and Vermont Department of Education to understand the interrelationship between the two state departments and the Town of Milton as it pertains to the valuation of the TIF districts and the annual education property tax rates set for the Town. We reviewed correspondence provided to us by Milton, between the Town and the Agency of Administration and VEPC, including a letter from the Secretary of Administration at the time of Milton’s TIF districts’ formation and VEPC’s letter approving Milton’s TIF districts. We

25As required by 32 V.S.A §5404a(i).
Appendix I

Scope and Methodology

also consulted with the AG and obtained legal opinions from the AG regarding 1) the applicability of statutory amendments to TIF districts that were established prior to the amendments, 2) the appropriate date for municipalities to establish OTV, 3) whether municipalities have the discretion to determine how much statewide education increment may be retained and 4) whether municipalities must adjust OTV as a result of reappraisals.

We also performed a variety of tests, as follows:

- We reviewed debt payment schedules and analyzed the TIF Fund financial statements to assess whether payments made from revenues generated by the TIF district were used solely for debt repayment or prefunding, and were recorded properly in the Town’s accounting records.

- To determine the use of TIF incremental revenues to pay for the approved build-out of infrastructure improvements, we vouched a sample of infrastructure project expenditures to the description of anticipated development in the municipality’s approved application to VEPC. We verified that the location of the infrastructure improvements was wholly or partially within the TIF districts by comparing the location of the improvements to a tax map of the TIF districts.

- We obtained the Town’s grand list for 1997 and traced a sample of the properties within the TIF districts (parcel number, assessed values, acreage) to the lister records in NEMRC and to the districts tax maps to ensure the TIF district parcels and corresponding assessed values were accurate and complete.

- To verify that the incremental property tax revenue was accurately calculated and recorded, and the proper amount of statewide education increment retained, we recalculated the property taxes collected within the TIF districts parcels for FY2008 through FY2010 and traced a sample of these to the property owners’ tax bills and to the Town’s financial records. We also recalculated the municipal and education portions of the incremental property tax revenue since inception through FY2010, comparing these with the amount of incremental property tax revenue recorded each year in the Town’s accounting records and amounts reported in the annual audited financial statements.
Appendix I

Scope and Methodology

- To ascertain whether TIF activity was reported timely and accurately, we obtained the reports submitted by the Town to VEPC and DOT and compared the information in the reports to statutory requirements. We compared the revenue and expenditures reported to the Town’s financial records, and compared the property valuation and growth to the Town’s grand lists.

Our audit approach to the third objective began by identifying and reviewing sources of information for best practices related to performance monitoring of TIF district financing. We made inquiries of municipal officials to determine if the Town of Milton had established performance measures for the TIF districts or if there were any periodic reviews or mechanisms in place to monitor the yearly performance of their TIF districts. We also reviewed the originating and plan documents to ascertain if there were performance measures considered during the TIFs’ establishment.

We considered internal controls and information systems controls only to the limited extent to which they related to our objectives. For example, we interviewed several members of Milton’s staff (i.e., the town manager, town clerk/treasurer, fiscal assistant II, accounts payable clerk, town engineer and town assessor) to determine the levels of accounting and general data controls. Internal control audit reports for fiscal years 2008-2010 were also examined to determine if any control deficiencies were noted by the Town’s external auditors.

Our audit fieldwork was performed between January and December 2011 at Town offices in Milton and VEPC and DOT offices in Montpelier. Except for the exception described below, 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. The standard that we did not follow requires that our system of quality control for performance audits undergo a peer review every three years. Because of fiscal considerations, we have opted to postpone the peer review of our performance audits. Notwithstanding this exception, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Appendix II

Summary of Select Additions and Amendments to State Statutes Relevant to Establishing and Administering TIF Districts

The following summarizes the additions and amendments to TIF statutes that were made subsequent to the enabling legislation. The enabling legislation is summarized in the background section of the report.

Act 159, 2000 Session
TAX INCREMENT FINANCING – CITY OF WINOOSKI (Sec. 37 and 38 of Act 159 (2000)).

APPROVAL AND AUTHORIZATION
Added: General Assembly found that a TIF district in the City of Winooski, when more particularly defined and created as a TIF district pursuant to 24 VSA §1892, will provide multiple public benefits including, revitalization and improvement of a significant downtown area and enhanced employment opportunities within the City of Winooski and surrounding region. [Section 37 of Act 159, 2000 Session]

EXEMPTION FROM VEPC APPROVAL REQUIREMENT
Provisions of 32 VSA §5401(10)(E) and 32 VSA §5404a shall not apply to the City of Winooski TIF district. The general assembly intended that Sec. 37 and Sec. 38 of Act 159 (2000) substitute for the provisions of 32 VSA §5401(10)(E) and 32 VSA §5404a. [Section 38 paragraph 5 of Act 159, 2000 Session]

PROJECT REQUIREMENTS
Added: At least 10% of the housing in the TIF district shall at the time of initial occupancy be affordable housing. [Section 38 paragraph 8 of Act 159, 2000 Session]

FINANCING
Added: Bonds must be issued pursuant to 24 VSA §1897 and within five years of July 1, 2000. Maximum term for repayment of bonds is 20 years. Total principal may not exceed $30,000,000. [Section 38 paragraph 1 of Act 159, 2000 Session]

EXCESS VALUATION
Added: Excess valuation means the difference between the current grand list value and the grand list value at commencement of development. [Section 38 paragraph 3 of Act 159, 2000 Session]

UTILIZATION OF TAX INCREMENT
Added: In addition to uses specified in 24 VSA §1897 (e.g. bond repayment), tax increment revenue shall be used to fund reserves and accounts necessary to repay or defease bonds. [Section 38 paragraph 2 of Act 159, 2000 Session]

Added: 5% of the education taxes imposed annually on the excess valuation of the residential property within the TIF district shall be paid to the education fund. [Section 38 paragraph 3 of Act 159, 2000 Session]

Added: Until bonds are paid in full or defeased through fully funded reserves, 100% of the municipal taxes assessed against the excess valuation of TIF district property shall be pledged and appropriated for debt service on bonds. [Section 38 paragraph 3 of Act 159, 2000 Session]
Appendix II

Summary of Select Additions and Amendments to State Statutes Relevant to Establishing and Administering TIF Districts

EXEMPTION FROM EDUCATION PROPERTY GRAND LIST
Added: Excess valuation of property within TIF district shall not be included in the education property grand list as taxable property under 32 VSA §5402 or 32 VSA §5404 until bonds issued to finance TIF district improvements are paid or fully reserved. [Section 38 paragraph 3 of Act 159, 2000 Session]

REPORT
Within 60 days of issuing bonds, the City of Winooski shall provide to the joint fiscal committee a comprehensive cost-benefit analysis and financing data. [Section 38 paragraph 9 of Act 159, 2000 Session]

Effective date: 7/1/2000

Act 184, 2006 session
DEFINITION OF IMPROVEMENTS
Amended: Includes brownfield remediation and infrastructure for transportation, telecommunications, wastewater treatment and water supply. [24 VSA §1891]

DEFINITION OF ORIGINAL TAXABLE PROPERTY
Added: All the taxable real property located within the district on the day the district was created. [24 VSA §1891]

DEFINITION OF RELATED COSTS
Added: Related costs are expenses, excluding actual cost of constructing and financing improvements, directly related to creation of the TIF district and to attaining the purposes and goals of the TIF district. Includes reimbursement of sums advanced by municipalities relative to creation of TIF districts. [24 VSA §1891]

PURPOSE
Amended: Includes generation of incremental revenue to pay for related costs and expanded one of goals to encompass redevelopment of TIF districts, rather than just development. [24 VSA §1893]

APPROVAL
Added: Established criteria for VEPC to approve TIF districts pursuant to 32 VSA §5404a(h).

BORROWING PERIOD
Amended: A municipality may incur debt against the revenues of the TIF district for a period of up to 20 years following the creation of the district. [24 VSA §1894(a)]

Added: If debt is not incurred within the first five years following the creation of the district, the district must request reapproval from VEPC. [24 VSA §1894(b)]

DEBT AGREEMENTS
Added: Municipality’s debt financing agreements must specify that, in the event the tax increment received by the municipality from property taxes is insufficient to pay the
principal and interest on debt in any year, the municipality shall remain liable for full payment of bond principal and interest. [24 VSA §1897(b)]

CALCULATION OF TAX INCREMENTS
Added: The original taxable value must be adjusted by a multiplier\(^{26}\) upon a reappraisal of 20% or more of all parcels in a municipality. [24 VSA §1896(b)]

UTILIZATION OF TAX INCREMENT
Amended: For tax increment utilization approved pursuant to 32 VSA §5404a(g), no more than 75% of the state property tax increment from properties contained within the TIF district and no less than 75% of the municipal tax increment from properties contained within the TIF district may be used to service debt issued for improvements wholly or partly within the TIF district and for related costs. [24 VSA §1897(a)]

DISTRIBUTION OF INCREMENTAL TAX REVENUE
Amended: Any excess municipal tax increment\(^{27}\) received in any tax year shall be distributed to the city, town or village in proportion that each budget bears to the combined total of budgets. Any excess statewide education tax increment received in any tax year shall be used only for debt prepayment, placed in escrow for bond payment or otherwise used for defeasance of bonds. [24 VSA §1900]

RETENTION OF INCREMENTAL PROPERTY TAX REVENUE
Amended: Allowed tax increments to be retained for payment of related costs. [24 VSA §1896(a)]

Amended: Municipalities that establish TIF districts\(^{28}\) and obtain VEPC approval may apply no more than 75% of the statewide education increment, and no less than 75% of the municipal increment to repay debt issued to finance improvements and related costs for up to 20 years. The 20-year period commences April 1 of the year following VEPC approval. [32 VSA §5404a(f) and (g)]

EXPANSION OF TIF DISTRICTS
Deleted: Eliminated municipalities’ ability to apply to VEPC for expansion of TIF districts. TIF districts may no longer be expanded. [Act 184 section 2h, 2006 session]

REPORTING
Added: VEPC and Department of Taxes shall report to certain legislative committees regarding existing TIF districts on or before January 15 each year. Report must include items

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\(^{26}\) The denominator for the multiplier is the municipality’s education property grand list for the TIF district properties in the year prior to the reappraisal and the numerator would be the municipality’s reappraised education property grand list for the TIF district properties. Items in italics are an amendment in Act 66 of 2007 which was effective July 1, 2006.

\(^{27}\) Excess means incremental tax revenue received in any tax year that exceeds amounts pledged for payment on TIF district bonds and related costs.

\(^{28}\) Applies to municipalities that establish TIF districts under subchapter 5 of chapter 53 of Title 24.
such as year of approval, scope of planned improvements, original taxable value of TIF districts property, tax increments and annual amount of tax increments utilized. [32 VSA §5404a(i)]

EXTENSION OF MILTON TIF DISTRICT
Added: Upon application to VEPC, the Milton Husky and Catamount TIF districts may be extended for an additional ten years beyond the initial 10 years originally approved by VEPC. May use OTV established at the initial approval of the TIF district to calculate incremental property tax revenue and may retain 75% of the incremental property tax revenue to repay debt issued to finance improvements within the TIF district and for related costs. [Sec. 2j of No. 184 of the Acts of the 2005 Adj. Sess. (2006)]

Effective date: July 1, 2006

Act 190, 2008 session
TYPES OF DEBT
Added: Financing means bonds, Housing and Urban Development Section 108 financing instruments, interfund loans within a municipality, State of Vermont revolving loan funds, United States Department of Agriculture loans. [24 VSA §1891]

PURPOSE
Amended: Previously limited tax increment financing for those TIF districts improvements located wholly or partly within the TIF district. Amended to improvements that serve the TIF district. [24 VSA §1893]

APPROVAL OF FINANCING
Added: Prior to requesting municipal approval to secure financing, the municipality shall provide VEPC with all information related to proposed financing necessary for approval and to assure its consistency with the plan approved pursuant to 32 VSA §5404a(h). [24 VSA §1894(c)]

Added: Legal voters of a municipality, by a single vote, shall authorize the legislative body to pledge the credit of the municipality up to specified maximum dollar amount to be financed with statewide property tax increment pursuant to approval by VEPC. [24 VSA §1897(a)]

BORROWING PERIOD
Amended: The creation of the district shall occur on April 1 of the year so voted. [24 VSA §1894(a)(1)]

PERIOD THAT TAX INCREMENT MAY BE RETAINED BY MUNICIPALITY
Added: For debt incurred within the first five years after creation of the district, or within five years after reapproval by VEPC, the education tax increment may be retained for up to 20 years beginning with the initial date of the first debt incurred. [24 VSA §1894(b)]

UTILIZATION OF TAX INCREMENT
Amended: Municipal legislative body may pledge and appropriate, in equal proportion, state and municipal tax increments received from properties contained within the TIF district for financing improvements and related costs in the same proportion by which the infrastructure or related costs directly serve the district at the time of approval of project financing by VEPC. No more than 75% of the state property tax increment and no less than an equal percentage of the municipal tax increment may be used to service this debt from the TIF district properties. [24 VSA §1897(a)]

Amended: Tax increment utilizations approved pursuant to 32 VSA §5404a(f) shall affect the education property tax grand list commencing April 1 of the year following VEPC approval and shall remain available to the municipality for the full period authorized under 24 VSA §1894. [32 VSA §5404a(g)]

DISTRIBUTION OF INCREMENTAL TAX REVENUE
Amended: An equal proportion of any excess municipal tax increment and education tax increment may be used for the prepayment of principal and interest on financing, placed in escrow for financing payment or otherwise used for defeasance of financing. Any remaining excess statewide education tax increment shall be distributed to the education fund. [24 VSA §1900]

AUDIT
Added: The state auditor of accounts shall audit all active TIF districts every three years. [32 VSA §5404a(k)]

REPORTING
Added: Municipalities with active TIF districts shall:

(1) Report to VEPC and the Department of Taxes on or before December 1 of each year. Report shall include items such as year of approval, scope of planned improvements, original taxable value of TIF districts’ properties, tax increments and annual amount of tax increments utilized. [24 VSA §1901]

(2) Report tax increment financing actual investment, bond or other financing payments, escrow status and related cost accounting to VEPC according to the municipal audit cycle. [24 VSA §1901]

29 The proportionality rule relates to the determination of the proportion of infrastructure improvements or related costs that directly serve the TIF district. Municipal and state tax increments may only be used to repay a proportion of debt incurred for infrastructure or related costs in the same proportion that the improvements or related costs directly serve the district.

30 VEPC shall apply a rough proportionality and rational nexus test in cases where essential infrastructure does not reasonably lend itself to a proportionality formula. Per VEPC guidelines, this means VEPC will use available data from comparable situations to make a proportionality determination. The determination will utilize a matrix of factors, such as location, impact on TIF district and whether it is required for the broad TIF outcomes.

31 Excess means incremental tax revenue received in any tax year that exceeds amounts pledged for payment on TIF district financing and related costs.
Appendix II
Summary of Select Additions and Amendments to State Statutes Relevant to Establishing and Administering TIF Districts

MILTON TIF DISTRICT
Amended: May apply no more than 75% of the statewide property tax increment and an equal percent of the municipal tax increment to repay debt issued to finance improvements that serve the TIF district and for related costs, upon application by Milton. Must apply equal percentages of the statewide property tax increment and municipal property tax increment to debt obligations incurred prior to April 1, 2009 for the Husky and Catamount TIF districts. Proportionality rule of 24 VSA §1897 does not apply to Husky and Catamount TIF districts. [Sec. 68 of No. 190 of the Acts of the 2008 Session]

CITY OF WINOOSKI - FY2008 COMMON LEVEL OF APPRAISAL
Added: City shall use a common level of appraisal factor of 1.0952 for fiscal 2008 reappraisal. Overpayment of education property taxes from City of Winooski to the education fund in fiscal 2008 shall be credited against the city’s 2009 education property tax liability. [Sec. 70 Act 190 (2008)]

CITY OF WINOOSKI – CALCULATION OF EDUCATION TAXES DUE TO THE EDUCATION FUND
Amended: 2% of the education taxes imposed annually on the excess valuation of the property within the TIF district shall be paid to the education fund. [Sec. 38(3) OF No. 159 of Acts of 2000]

CITY OF BURLINGTON - RETROACTIVE APPROVAL OF TIF FINANCING
Added: Retroactive approval to June 30, 1997 for Burlington’s use of certificates of participation and HUD Section 108 loans from April 1, 1996 to March 31, 2006 to finance public improvements within the TIF district. Restricted retention of education property taxes for repayment of debt to 20 years from date debt was incurred, including any refinancing. [Sec. 72 of No. 190 of the Acts of the 2008 Session]

Effective dates: upon passage, June 6, 2008, except July 1, 2008 for amendment to Sec. 68

Act 54 of 2009
MILTON TIF DISTRICT (retroactive to July 1, 2008)
TYPES OF DEBT
Added: Milton is authorized to use types of debt financing, in addition to those specified in 24 VSA §1891(7) including conventional bank loans; certificates of participation, approved by the state treasurer; lease-purchase, approved by state treasurer; and revenue anticipation notes, approved by state treasurer.

The Common Level of Appraisal is the ratio of a municipality’s total grand list value to its corresponding “equalized” value derived through DOT’s Property Valuation and Review estimate of market value study. In other words, it is a percentage that compares local assessments to Property Valuation and Review’s estimate of market value. The Common Level of Appraisal is based on the relationship between the assessed value and the sale price of a property. For example, if a property is assessed for $75,000 and sells for $100,000, the ratio is 75%.
Appendix II

Summary of Select Additions and Amendments to State Statutes Relevant to Establishing and Administering TIF Districts

APPROVAL OF FINANCING
Added: Legal voters of Milton may authorize selectboard to pledge credit of Milton for all debt obligations pursuant to 24 VSA §1897(a) in more than one vote.

RETENTION OF EDUCATION TAX INCREMENT
Added: Tax increment may be retained for up to 20 years beginning with the initial date of creation of the district or on the date first debt incurred, at Milton’s discretion. If Milton elects to start retaining education tax increment more than 5 years beyond initial date of creation, OTV shall be recertified.

BURLINGTON TIF DISTRICT (effective July 1, 2009)
DEBT BORROWING PERIOD
Added: Borrowing period for existing TIF district extended for additional 5 years, commencing January 1, 2010.

SUBMISSION OF INFORMATION TO JOINT FISCAL COMMITTEE
Added: Submit to Joint Fiscal Committee 10 days prior to September 2009 meeting (1) a business plan and projection of new statewide education increment growth anticipated to be financed by debt incurred during 5-year extension and (2) a proposal for payment to education fund in lieu of tax increment which would approximate 25% of new statewide education increment and the mechanism for payment and timing of payment by Burlington to the education fund. If Joint Fiscal Committee approves plan and Burlington incurs new debt in the 5-year extension, then Burlington will pay the education fund the amount approved by Joint Fiscal Committee.

Special Session Act No. 3 (2009)
Technical Corrections of Act 54 of 2009 Session

MILTON TIF DISTRICT
BORROWING PERIOD
Added: Milton shall have ten years after the creation of the district to begin incurring debt.

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33 Per 24 VSA §1894(a)(1) creation of a TIF district occurs April 1 of the year the municipal legislative body approved the creation of the district.
Appendix III

Management’s Response

TOWN OF MILTON, VERMONT 05468-3205
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bpalaia@town.milton.vt.us
www.milton.govoffice2.com

Sent by Email and Regular Mail

January 11, 2012

The Honorable Thomas M. Salmon, CPA, State Auditor
132 State Street
Montpelier, Vermont 05633


Dear Mr. Salmon,

The Town acknowledges receipt of the draft report prepared by your office entitled “Tax Increment Financing Districts – Town of Milton Appropriately Established Districts, but Its Administration Was Flawed”.

It is the Town’s position that it has substantially complied with the requirements of Statute, its approved application for a Tax Increment Financing District and subsequent approved amendments, and the guidance provided to the Town by various State Agencies including the Department of Administration, the Tax Department, and the Vermont Economic Progress Council. The Town has always made an effort to communicate and consult with the appropriate state officials concerning the administration of the TIF District and has not made any substantive deviations from the direction provided by Statute, its approved application, or the communication and consultations we have received. These documents have previously been made available to you during your staff’s review.

The Town of Milton respectfully disagrees with the findings of your draft report.

Thank you for the opportunity to comment.

For the Town of Milton,

[Signature]
Brian M. Palaia
Town Manager

Cc: Selectboard
    Town Clerk/Treasurer
    Legislative Delegation
    Robert Fletcher, Esq., Town Attorney