

**Testimony From Montpelier City Resident Richard Sheir
Regarding the Montpelier Application To Become A TIF District
And The Board's Responsibility To Provide Meaningful Oversight
Over Vermont's TIF Program**

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Montpelier's Request To Become A TIF District

I imagine that the Board will likely approve Montpelier's proposal for a TIF district. It, like the others, checks all of the boxes and on the surface meets the requirements. However, Montpelier's proposal differs as it quite aggressively pushes the edges to such an extreme degree in regards to unprotected downstream risk that would be requested of its residents. None of the beneficiaries of the proposed Montpelier infrastructure development has been asked to accept a single part of the risk. In fact, the infrastructure investment is requested whether there are beneficiaries signed on the dotted line or not. Montpelier's proposal represents the exact kind of speculative municipal bonding that the State Auditor warns against in his recent 73 page study. ***Making Economic Development Policy- Anecdotes Or Peer Reviewed Literature.***

<http://auditor.vermont.gov/sites/auditor/files/documents/Economic%20Development%20Report%20-%20Final.pdf>

The Board Is Presented An Opportunity To Finally Directly Address Excessively Speculative TIF Borrowing

By so aggressively pushing the envelope with such an extremely speculative proposal, Montpelier presents the board with an ideal opportunity to reexamine its own authority to finally address the question of taxpayer protection in the process. Should the board decide to accept Montpelier's plan, it would serve the taxpayers in all TIF districts well to do so with strong accompanying advisory language regarding the requirements not in becoming a TIF district but in acting as responsible TIF districts. In my view, this requires advisory language on the terms on which TIF bonding can be presented before voters. The Board should take the time to read the TIF section of State Auditor Hoffer's report prior to the meeting on Montpelier's application and react not by ignoring the report to the legislature as if it didn't exist but by instead by commencing a dialogue on establishing long overdue meaningful checks and balances in the TIF system. Checks and balances that protect taxpayers from long-term bonding principally based on wishes, hopes and dreams. Those with the power to grant TIF districts need to also assume reasonability to establish consumer protection guidelines that protect small town voters from being taken. Town Meeting ballots are yay/nay and don't include the fine print.

Tax Incremental Financing Is Extremely Dangerous For Small Towns With Declining Populations

Traditionally, towns and cities in Vermont have voted capital expenditures for the purposes of capital construction and repair; most notably water and sewer. In those cases, there are dedicated user revenue streams to cover the cost. Significant water and sewers are not built on speculation covered by current customers. That is not how it is done in Vermont. The Vermont tradition is the rolling bond. Cities and towns maintain a long list of capital projects that stand in line awaiting an expiring bond. This traditional Vermont conservative approach is done because outside of Chittenden County, growth is either stagnant or declining and towns are prudent about saddling future debt on their citizens.

TIFs are different because they jump ahead of the line in terms of longstanding community priorities based not on expiring bonds and long existing revenue streams but based on vague promises. TIF borrowing is akin to pay day lenders. A dollar today for many more that will be returned in principal and interest tomorrow and beyond. Many TIFs are speculative municipal finance. They should be handled like any high risk loans--- with a great deal of care and a high degree of concern about the borrowers.

It Is Wholly Irresponsible For The State To Blithely Say 'Leave It To Local Voters To Sort Out'

Oversight on the state level should not involve granting high risk deficit borrowing authority without sufficient repayment collateral and blithely say 'leave that to the voters to sort out'. In Montpelier, one side has the financial resources of a \$9 billion dollar international corporation, Hilton Worldwide, and the other has a handful of skeptical citizens. One side has a handful of extremely influential local development interests who have vested fiscal interest in a sizeable government handout and the other has a handful of skeptical citizens. That is not the recipe for the public to 'sort it out'. It is turning the blind eye and condoning the worst type of speculative borrowing on the part of towns with declining populations.

How The State Can Responsibly Limit Overly Speculative TIF Borrowing And Protect Local Taxpayers

In order to act on behalf of its citizens, Vermont state government should require towns placing measures on the ballot that involve TIF development to provide fiscals to the Board that document that assure that the projects that involve the proposed TIF improvement repayment are already deeply in the permit process with verifiable proof of fully developed funding ***before*** they are counted as part of the calculation of repayment. Not the idea that they might get funding down the line. The projects wishing to have the public support them should be forced to prove they have an established line of credit not only equal to the value of the project but dedicated to the project as well. This shouldn't be chicken and egg.

Both sides need to have skin in the game before the public even votes. By doing this, the state can limit the most extreme speculative TIF borrowing. There is no reason not to do so.

It is one thing to gamble off future tax revenues that won't be going to the general good in providing education for our children. It is another for the town to be digging into the general fund and/or raising taxes year after year to subsidize bond payments for projects that either under-perform or never even appear as their city manager or mayor promised. Paying for wholly speculative projects to be put into place after well organized and well financed '**Build It And The Will Come**' campaigns shouldn't be allowed to happen.

The State Has A Direct Fiscal Interest In Establishing Meaningful Oversight Over Vermont's TIF Program

Since a significant amount of state education dollars are being lost to TIFs, the state should be expected to step forward and become a significant stakeholder in the entire TIF process. The state definitely shouldn't be in the business of choosing specific local projects. However, since the state's education funding is on the table in these local elections, it is totally reasonable to expect that local TIF bonding have reasonable parameters for assuring that all new infrastructure is financing only infrastructure for those projects that are firmly grounded in reality. In the Tom Cruise film, Jerry McGuire, Cuba Gooding Jr won an Academy Award for demanding "Show me the money!". It is not at all unreasonable for the state to step forward to use their bully pulpit to demand accountability from town managers who currently lack even minimal meaningful supervision from part time councils. This has long been the case in Montpelier. But in defense of their present city manager, it happens all over Vermont. However, most towns don't have the ticking time bomb of TIF authority. A ticking time bomb on future tax payers if capital financing is allowed to be based on speculation upon speculation without solid dollars behind almost all of them... as Montpelier's proposal presents.

Montpelier's total amount of bonding in their TIF proposal is based on the projected taxes that would be received from total fantasy--- the sum of projected development that has sat on the table for years unbuilt. Montpelier's current proposal represents a perfect invitation for deficit borrowing to cover wholly speculative projects. The real dollars that would be asked of taxpayers that require 20 year payback are being matched by fantasy economic development collateral. No Vermont bank would ever consider backing this type of cockamamie accounting practice. That's not state practice.

The state needs to act to protect Montpelier and every other TIF district... from themselves. By evaluating infrastructure bonding ballot requests with an eye towards development that is already fully funded, it will be apparent what level of borrowing presents reasonable risk by a standard that the state itself uses for its own long term borrowing. A level of indebtedness would be established that is based not on speculation but on hard cold money in the bank or a line of credit from a bank for a specific project. Not on a possible future maybe government grant or someone expressing a vague interest in order to play Vermont towns against each other for the highest subsidy.

The Board does have the right within its current authority to establish such an advisory system to oversee TIF requests to voters. Of course, their system would have to be advisory and towns could ignore the board should they choose... but in doing so a powerful message to their voters regarding the long term fiscal risk they are being asked to accept on Town Meeting Day.