

VLCT MEMO

TO: ACT 73 WORKING GROUP

FROM: GWYNN ZAKOV, VERMONT LEAGUE OF CITIES AND TOWNS

DATE: AUGUST 11, 2017

RE: APPROXIMATE COST ESTIMATES TO MUNICIPALITIES TO ADMINISTER A NEW UTILITY FEE BILLING SYSTEM

Determining the costs to municipalities to administer billing and collections of a new utility or “clean water fee” is very hard to determine with great accuracy. We looked at the current costs to larger municipalities with similar utility billing capabilities. We conducted informal inquires of smaller communities regarding the cost of collecting property taxes now – including NEMRC, billing, mailing, adjustments to bills, tracking payments, notices, etc. – and the estimates below are the best numbers we’ve been able to come up with.

With the exact structure and requirements of a newly mandated fee or utility unknown, the potential cost range is understandably quite large. Municipalities and the State will greatly benefit from more detailed specifics of exactly what a new mandate will look like, to more adequately estimate the actual costs to municipalities.

CURRENT EXAMPLES OF UTILITY BILLING:

Populations:

Colchester: 17,067

South Burlington: 18,971

Williston: 8,698

Cost of billing for utilities

Colchester: \$24,000

South Burlington: \$43,000

Williston: \$20,000 - \$29,000

Yearly ERU (stormwater) fees per municipality

Colchester: \$52.39

South Burlington: \$78.48

Williston: \$51.00

Approximate yearly costs for billing ONLY by population:

1 – 5,000 (220 municipalities) – between \$5,000 - \$25,000 per municipality (\$1,100,000 – \$5,500,000)

5,001 – 10,000 (19 municipalities) – between \$20,000 - \$45,000 per municipality (\$380,000 - \$855,000)

10,001 – 20,000 (7 municipalities) – between \$ 40,000 - \$60,000 per municipality (\$280,000 - \$420,000)

20,001 – 45,000 (1 municipality, Burlington) – ? ? ?

ESTIMATED YEARLY COSTS (excluding cost to Burlington): between \$1,760,000 - \$6,775,000

- Explore the possibility of a private activity bond to increase access to capital by private landowners who are implementing clean water practices to comply with Act 64 and the TMDLs.

5. Commit to adaptive management.

The ability to routinely revisit and adapt the implementation plan is essential. Adaptive management is a structured “plan, do, check, repeat” iterative process that supports action and implementation in the face of uncertainty. The aim is to reduce uncertainty over time by informing future decisions on past outcomes through assessment and monitoring. Best practices will be developed over time through data-driven decision making informed by growing knowledge and changing technology. As mechanisms are developed to raise revenue and deliver services, progress must be regularly evaluated, and methods adapted to reach shared water quality goals.

The Executive Agencies currently provide an annual investment report, detailing the state’s investments in clean water work across Vermont including the estimated environmental benefits of each measure. The information contained in this report must be coupled with the targeted monitoring and assessment initiatives ANR and other agencies conduct as part of the Tactical Basin Planning process. This information would determine if the work completed produces water quality improvements.

Conclusion

In conclusion, the Act 73 Working Group found that existing revenues are generally adequate to address clean water needs through FY21. There are critical public policy decisions that need to be made including the level of cost-share the state is willing to provide each sector for clean water projects. These decisions need to be informed by potential approaches for both raising and disbursing revenue in FY22 and beyond, including the evaluation of service delivery models described above. The primary goal of Vermont’s clean water initiative is not simply to raise and spend money, rather it is to reach water quality standards. It is essential that any approach to raising revenue is efficient with administrative costs proportionate to the revenue raised.

We complete this report encouraged by what has been accomplished so far, and bouyed by the hard work and effort of many people dedicated to seeing this effort through to the end.

Parcel Fee Collection and Appeal Considerations (2/10/2017)

This memo provides a general overview of the Department of Taxes' administrative concerns for collecting and fielding appeals of a parcel fee at the State level. It is in response to a draft bill that the House Natural Resources, Fish, and Wildlife Committee is considering. The following information is based on the general concept of collecting and fielding appeals for this type of fee.

Why it is cost-effective to collect and appeal at the local level:

1. The administrative capacity already essentially exists at the local level to collect and field appeals for property taxes, and – for some towns – water and sewer services. The same collections and appeals systems could be leveraged for a parcel and/or impervious surface fee. The State could assist with data organization, administrative oversight, and billing assistance, as it currently does with property taxes.
2. Creating a second property-based collection system at the State level would be costly, redundant, and inefficient because it parallels a system that already exists at the local level.
3. It is not cost-effective and can result in a net loss for the Tax Department to collect smaller bills, and the Department anticipates poor compliance with a property-based fee collected at the State level.

State Compensation to Municipalities for Property-Based Collections

The State compensates municipalities for property tax-related administration, which can be leveraged to collect another property-based fee. The following table is a breakout of that compensation.

Description	Statute	Payment Calculation	FY 2016 Amount
Timely Remittance	32 V.S.A. § 5402.(c)	0.225% of total education tax collected	\$2,398,143
Reappraisal and Grand List Maintenance	32 V.S.A. § 4041a.(a)	\$8.50 per grand list parcel per year	\$2,837,000
Lister Education	32 V.S.A. § 4041a.(c)	A sum not to exceed \$100,000	\$99,000
Equalization Study Assistance			\$334,000
		Total	\$5,668,143

To put the proposed parcel fees into perspective:

Currently, the largest tax type the Department administers is Personal Income, with 375,000 filers. The next largest tax is Sales and Use, with 30,000 filers. The State collects more than \$700M in Personal Income Tax revenues and roughly \$370M in Sales and Use Tax revenues. The vast majority of these taxes are remitted voluntarily without the generation of a bill.

The cost to implement a parcel fee is based on the Department’s experience with tax types of similar complexity and volume. The ongoing collections costs are based on the 25 FTEs the Department has previously estimated it would require to collect property taxes at the State level. The ongoing cost of appeals is based on property tax grievance data compiled by municipalities and the State. This appeals structure, and the additional seven FTEs it would require, would combine the appeals responsibility with that of district advisors for property tax administration. It would put an appeals officer/advisor in each county.

Cost-Effectiveness Comparison

The table below compares the Department-wide costs of collecting all revenues with the estimated cost to administer the proposed parcel fee. Administering the parcel fee would be 22 times more expensive than the average cost of administering all other tax types.

	FY16 Op Expenses	Revenues	Cost/\$1 of Rev
Department Wide	\$17,700,000	\$1,670,000,000	\$0.01
Parcel Fee - Ongoing	\$4,000,000	\$18,000,000	\$0.22

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Memo

To: Clean Water Fund Working Group
From: John E. Adams, VCGI Director
Date: 8/25/2017
Re: Data needs for an impervious surface stormwater fee

This memorandum outlines the status of statewide impervious surface data and statewide parcel data. I've included some notes related to ongoing maintenance needs as well as several other issues to consider.

Statewide Impervious Surface Data. (Target Completion: Summer 2018)

VCGI has begun the process of acquiring impervious surface data (1-meter resolution) that could be used in administering an impervious surface stormwater fee. The dataset will be derived from 4 band orthophotography and lidar data used to generate high resolution land cover data.

Status: Draft RFP under review by Buildings and General Services and the Agency of Digital Services.

Ongoing maintenance needs: The frequency and extent of necessary updates to the data needed to successfully administer an impervious surface fee is currently unknown. Updates to the data will be needed to capture changes in impervious surface cover due to development and redevelopment of areas, as well as to correct any identified inaccuracies in the data. Costs associated with updating the dataset are dependent on a several variables related to program specifics and advancements in technology. The source for updates from the data could either come from imagery, or from documentation submitted as part of a permitting process. Given that most development in Vermont is not subject to any State permit/review, updates would likely need to come from orthophotography (as opposed to any application requirements submissions.) It may be possible to capture areas undergoing higher levels of change by incorporating application submission materials for projects that are subject to State review – such as Act 250 or stormwater permits. Additionally, municipalities could also potentially update data based on information collected via local review processes. Updates using orthophotography depend on access to updated imagery and technical capabilities to update the data given the resolution and conditions at the time of collection (leaf-on vs. leaf off.) Both access to updated imagery and our abilities to process imagery to identify change is changing rapidly.

9/22/2017

Dear Secretary Moore,

Thank you for the opportunity to share this proposal on behalf of the undersigned members of our clean water working group, a coalition of municipal and regional leaders, environmental advocates, Vermont business people and attorneys. Our group has been working together since before the end of the 2017 legislative session to identify strategies to advance our shared goal of broad public funding and support for clean water. The proposal below represents our common vision for a new approach to help meet those goals. Vermont's investments in clean water require the leadership of a publicly-accountable and politically-independent Clean Water Authority tasked with supporting the implementation of Act 64 of 2015, total maximum daily loads (TMDLs) across the state, the Combined Sewer Overflow Rule (CSO Rule), and the goal of meeting or exceeding Vermont Water Quality Standards in surface waters statewide. We believe that a Clean Water Authority, as described below, could help raise the needed revenue and administer those funds in order to meet the significant water quality challenges facing Vermont by complementing the vital work of the Agencies of Natural Resources, Agriculture, Food and Markets, and Transportation.

1. The Purpose of a Vermont Clean Water Authority

The primary purpose of the Clean Water Authority would be to ensure that the State of Vermont has an equitable, broad-based, long term and flexible mechanism to make public clean water investments to meet water quality standards and assist in implementing Act 64, TMDLs and the CSO Rule. A secondary purpose would be to instill through those sustained investments a collective clean water ethic predicated on collaborative action, public-private partnerships and community development. The Authority would ensure government accountability for expenditures on clean water priorities that provide long term environmental benefits, as well as protecting our communities and the Vermont economy from the long term costs of failing to protect Vermont's most vital natural assets.

2. The Nature and Scope of the Clean Water Authority

The Authority's role to direct clean water investments by the State of Vermont would begin with the power to develop clean water budgets for the State, raise revenue through a statewide fee based on the options described in the 2017 Vermont Treasurer's Report on Clean Water and deliver services necessary to achieve the State's water quality goals. The Authority would also have the normal powers and authorities Vermont law provides to municipal and regional entities and utilities in order to enforce the fee payment requirement and/or collect unpaid water quality fees through the sale or lease of property (similar to municipal authority relative to water and wastewater bills), as well as the power of condemnation and eminent domain after demonstrating necessity. However, the Authority would not supplant, but rather would work in concert with local and regional entities. Moreover, the Authority would not administer money from the Vermont clean water state revolving loan fund or the Clean Water Act Section 319 Nonpoint Source Management grant funding program. The authority to manage these funds would remain with the Agency of Natural Resources (ANR). The Authority would be governed by a board of not more than nine members appointed jointly by the Governor, the President