

STATE AUDITOR DOUG HOFFER

Press Release

Contact: State Auditor Doug Hoffer

Phone: 802.864.5711

Email: Doug.Hoffer@vermont.gov

Release Date: 23 January 2023

Auditor Doug Hoffer Releases Audit of Burlington Waterfront TIF District

Administrative Complexity, Staff Turnover, and Poor Recordkeeping Contributed to Millions of Dollars in Mistakes

MONTPELIER, VT – State Auditor Doug Hoffer released a new audit today of Burlington’s Waterfront TIF district. TIF districts allow municipalities to designate an area for public infrastructure improvements, incur debt to pay for the work, and use a portion of the area’s property tax revenue growth, which would normally pay for education, to pay back the debt. During the last decade, the City has issued nearly \$16 million of bonds for public improvements in the Waterfront TIF such as the Moran Frame, Waterfront Access North, Bike Path, and Waterfront Park projects.

“This was one of the most difficult audits my office has ever conducted,” said Hoffer. “Managing the complexities of this TIF district proved challenging for even the largest municipality in Vermont. A number of factors explain the problems we found – poor recordkeeping, key staff turnover, and slow adoption of strategies recommended by the City’s own auditors. In a way, each factor compounded the others.”

Key findings of the audit include:

- The City struggled to produce accounting records that showed how they paid for various improvements, resulting in the City needing to revise its records as issues were uncovered during the audit.
- The City did not provide adequate evidence to substantiate that \$173,056 of bike path rehabilitation costs was for work inside the TIF district boundaries, making those costs ineligible to be funded with TIF.
- The City underpaid the State Education Fund and owes an additional \$197,510.
- The City spent \$1 million more for certain project costs than was authorized by voters. Disarray in records and a lack of documented procedures for accounting for TIF improvement projects were the main causes of this mistake.
- The City’s errors were so numerous and of so many different types, it is clear a new process is required to reduce the risk of significant errors in the future.

Hoffer added: “Advocates for the TIF program frequently suggest it is a straightforward and effective tool for municipalities to fund public projects. This audit paints a much different picture. Despite the best efforts of City staff, millions in errors were made, and the City has had to hire two different consulting firms to help clean things up. And it isn’t a cheap way to pay for infrastructure. We estimate Burlington will pay more than \$11 million in interest for \$32.6 million borrowed to pay for improvements.

With unprecedented levels of federal infrastructure money and massive amounts of unexpected state general fund money at Vermont’s disposal, the question is not whether we should support municipal infrastructure investments, but rather how to do it at the best cost, with the least unnecessary complexity, and resulting in the broadest benefit to communities across Vermont.”

In 2013, the Legislature required the Auditor’s Office to conduct a series of audits of each TIF district in Vermont to prevent errors and mismanagement which could negatively impact the state’s Education Fund. Burlington has two TIF districts. This audit focused only on the Waterfront TIF, which despite its name also includes portions of downtown including the former mall property. An audit of the City’s other TIF district will commence in the next 8 to 12 months.

Hoffer said: “Policymakers established laws and rules governing municipalities who’ve been given the privilege of withholding funds from the Education Fund in favor of funding local capital projects. One of the added challenges of the TIF program is that from time to time, communities seek specialized rules for their towns or law changes to excuse them from regulatory or auditing findings. Each time this happens the program becomes more complex and less accountable. I hope policymakers let the rules be the rules, and that they consider simpler, cheaper strategies for the future.”