

Memorandum

To: Town Selectboard; Evan Teich, Unified Manager
From: Sarah Macy, Finance Director
Re: Specific Examples to Illustrate Separation v. Merger v. Status Quo
Date: March 26, 2021

Question: I don't understand what you mean by tax inequity?

Answer: Tax equity would be achieved when tax payers are charged the same tax rate for the same access to services, which is currently not happening in a number of budget segments. One example is Fire.

Unified Manager's Notes: Both departments are sized and have equipment based on serving roughly 10,000-11,000 people each and are complimentary in nature. The Village has engines that pump water from fire hydrants and the Town has tanker trucks (which bring water with them to the fire). Both the Town and Village departments are paid-on-call and do not have any full time employees or employees with benefits. Upon separation, they would still back each other up but the Town would provide no opportunity for savings other than deferral of equipment purchases.

Current Structure:	Town Fire	Village Fire			
Net tax impact of Operating Budget, FY22	\$ 377,470	\$ 349,181			
Sized to support:	TOV	Village			
Funded by:	Town Grand List	Village Grand List			
Grand List Value:	\$ 26,832,397	\$ 11,167,367			
Town Tax Rate	0.0141	0.0141			
Village Tax Rate		0.0313			
Total Tax Rate Paid	0.0141	0.0454			
Cost to \$280,000 home	\$ 39.48	\$ 127.12			
Separated:	Town Fire	Village Fire			
Net tax impact of Operating Budget, FY22	\$ 377,470	\$ 349,181			
Sized to support:	TOV	Village			
Funded by:	TOV Grand List	Village Grand List			
Grand List Value:	\$ 15,665,029	\$ 11,167,367			
Tax Rate	0.0241	0.0313			
Cost to \$280,000 home	\$ 67.48	\$ 87.64			
Current:	\$ 39.48	127.12			
\$ Change from Current:	\$ 28.00	(\$ 39.48)			
% Change from Current:	71%	-31%			
Merger:	Combined				
Combined Operating Budget, FY22	\$ 726,651				
Grand List Value:	\$ 26,832,397				
Tax Rate	\$ 0.0271				
Cost to \$280,000 home	\$ 75.88				
Current:	\$ 39.48	127.12			
\$ Change from Current:	\$ 36.40	(\$ 51.24)			
% Change from Current:	92%	-40%			

Example: Supporting debt funded projects is less impactful as one community than as two. Imagine an infrastructure project costing \$1.5Million, bonded for 10 years at 4%. Annual payments are: \$182,241. What is the impact to the average tax payer of funding that project together or separately.

Unified Manager's Notes: Equity assumes all residents have equal access and benefit from each project and would pay the same tax rate. Equity in capital projects also means all projects are evaluated through the same process. Separated, only approximately half of the former Town (whether it be the Village or TOV) would pay the principal and interest on any debt bearing all the cost themselves.						
Annual Payment	\$	182,241	\$	182,241	\$	182,241
Who is paying?		Town		TOV		Village
Grand List Value:	\$	26,832,397	\$	15,665,029	\$	11,167,367
Tax Rate:		0.0068		0.0116		0.0163
Cost to \$280,000 home	\$	19.04	\$	32.48	\$	45.64

Capital: Currently the Town levies a \$0.02 capital tax on the entire grand list. Should the two entities separate, the Town will lose 42% of its grand list and the corresponding tax revenue. What is the value of lost funding and what would it take to recover those funds.

Unified Manager's Notes: Under the current structure, the Village is paying more than the TOV for the same access to capital funds. Merged, the tax rates are equalized and so is the process to evaluate projects. If separated, the Town faces a deficit of almost \$380,000 as the Village grand list is removed from the tax base. The Town, without the Village, would have to decide how it wished to address its short and long term capital needs with a sizeable reduction of revenue. The Village already taxes itself for capital expenditures but would no longer be taxed the \$0.02 Town capital tax. The Village loses some funding for stormwater projects that have previously been paid for out of the \$0.02 Town capital tax.						
		Current:	Separated, raise same amount	Separated, same tax rate		
Operating Transfers to Capital	\$	377,470	\$	377,470		
Funds raised by Capital Tax	\$	536,648	\$	536,648		
Total Capital Raised	\$	914,118	\$	914,118		
Funded by:		Town Grand List	TOV Grand List	TOV Grand List		
Grand List Value:	\$	26,832,397	\$	15,665,029	\$	15,665,029
Effective tax rate:		0.0341		0.0584		0.0341
Cost to \$280,000 home	\$	95.48	\$	163.52	\$	95.48
Total Capital Raised				\$	534,178	
Shortage				\$	(379,940)	