



Colchester
VERMONT

Malletts Bay Sewer Project

Information on Local Option Tax Funding



Malletts Bay Sewer Project

and the use of

Local Option Tax Funding

A key component of the funding plan for the Malletts Bay Sewer Project is the use of Local Option Tax funding. The following slides contain information about the Local Option Tax funds and how they would be used for the project.



Local Option Tax Quick Facts

- In March 2015 Colchester Voters approved a 1% Local Option Tax (LOT).
- The LOT generates about \$1.5M a year.
- About 87% of the tax is paid by out of town residents.
- A 2014 survey of residents indicated the primary interest in use of the LOT would be to reduce taxes.
- Beginning in FY 16, the LOT paid for voter approved debt. This reduced property taxes by 5%.



Local Option Tax Quick Facts

- In FY 20, the LOT will pay \$517,884 in voter approved debt.
- The LOT will continue to pay this current debt until it is payed off in June 2028 as originally planned.
- In doing so, the LOT continues to suppress the property tax.
- The LOT fund is estimated to be \$3,239,334 by June 30, 2019.



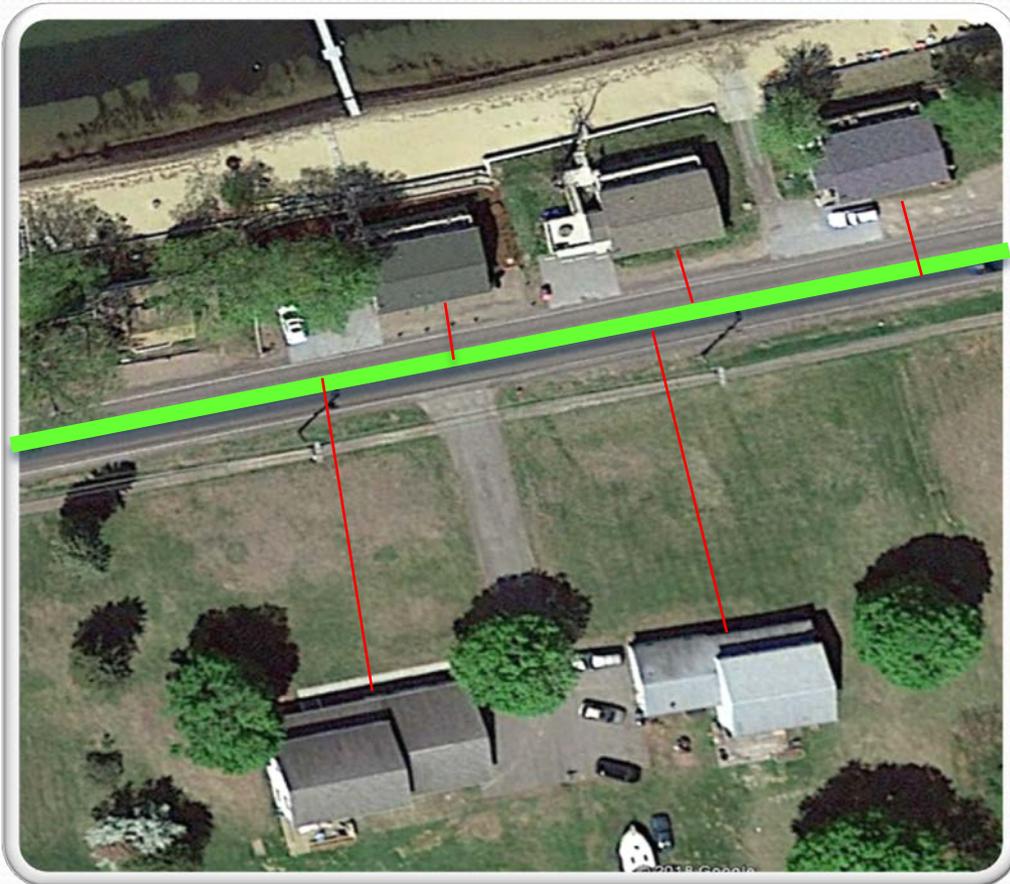
Local Option Tax And the Malletts Bay Sewer Project

- The 2014 survey indicated infrastructure projects were the second highest priority.
- A sewer project was included in a list of potential LOT funded projects.
- The Malletts Bay Sewer project improves Malletts Bay which is enjoyed by the entire Town.



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Existing LOT Funds for the installation of Service Laterals



- ❑ Sewer service laterals are projected to cost \$2.15 million.
- ❑ If funded through the CWSRF, the Town must own and operate the laterals.
- ❑ Ownership places a significant and unusual burden on the utility.
- ❑ It is unreasonable to place the responsibility for funding and construction of the laterals on individual property owners.
- ❑ With voter approval, use \$2.15 million in LOT funds to construct service laterals.



Future LOT Funds Used to Reduce Long Term Debt

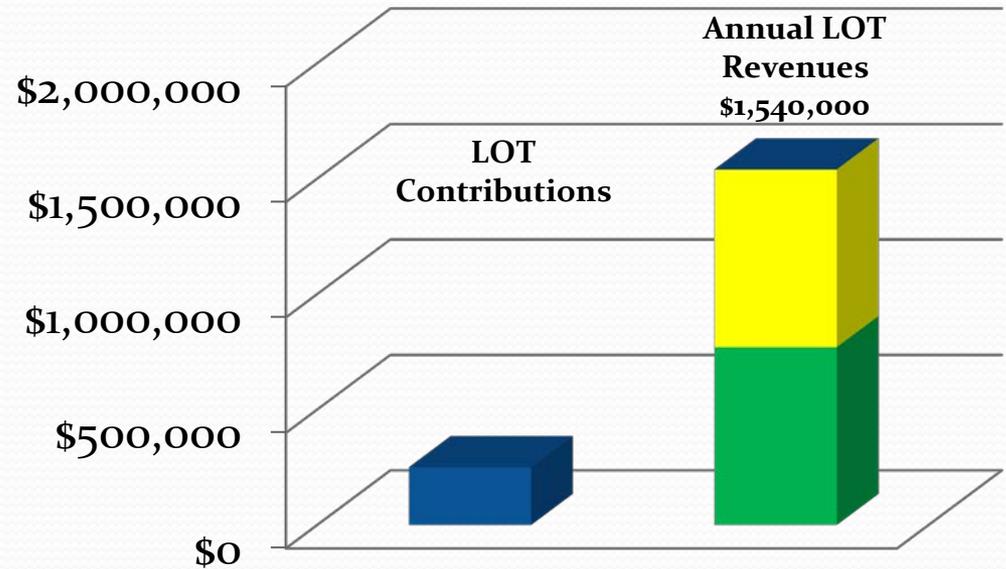
With voter approval, up to \$250,000/yr. in future LOT funds, for a total of 30 years, would be used to reduce annual debt costs for properties within the proposed sewer service area.



Future Annual LOT Contributions VS. Future Annual LOT Revenues

Note:

Annual LOT contribution of up to \$250,000 leaves \$1,290,000, or approximately 84% of LOT funds available for other projects, including the continued repayment of prior Town debt as originally planned.



■ LOT Contributions to Project (\$250,000)

■ Other Retail

■ Big Box Retail



Total LOT Investment \$9.64 Million Return on Investment

- ❑ After the construction of sewers, a connection fee of \$85/gallon would be charged to any new residential development.
- ❑ The connection fee would cost a new home in Malletts Bay \$17,850.
- ❑ A new on-site system in Malletts Bay, **if even viable at all**, would typically cost from \$10,000 to \$30,000 depending upon the site and technology required.
- ❑ A connection fee of \$17/gallon would be charged to any new non-residential development with a minimum charge of \$17,850.
- ❑ With an annual inflation rate of 3%, future connection fees and other wastewater fees are expected to generate approximately \$9.64 million. The LOT funds would then be fully repaid and available for other voter approved projects.

