



Colchester
VERMONT

The Local Option Tax



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 2015 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%.

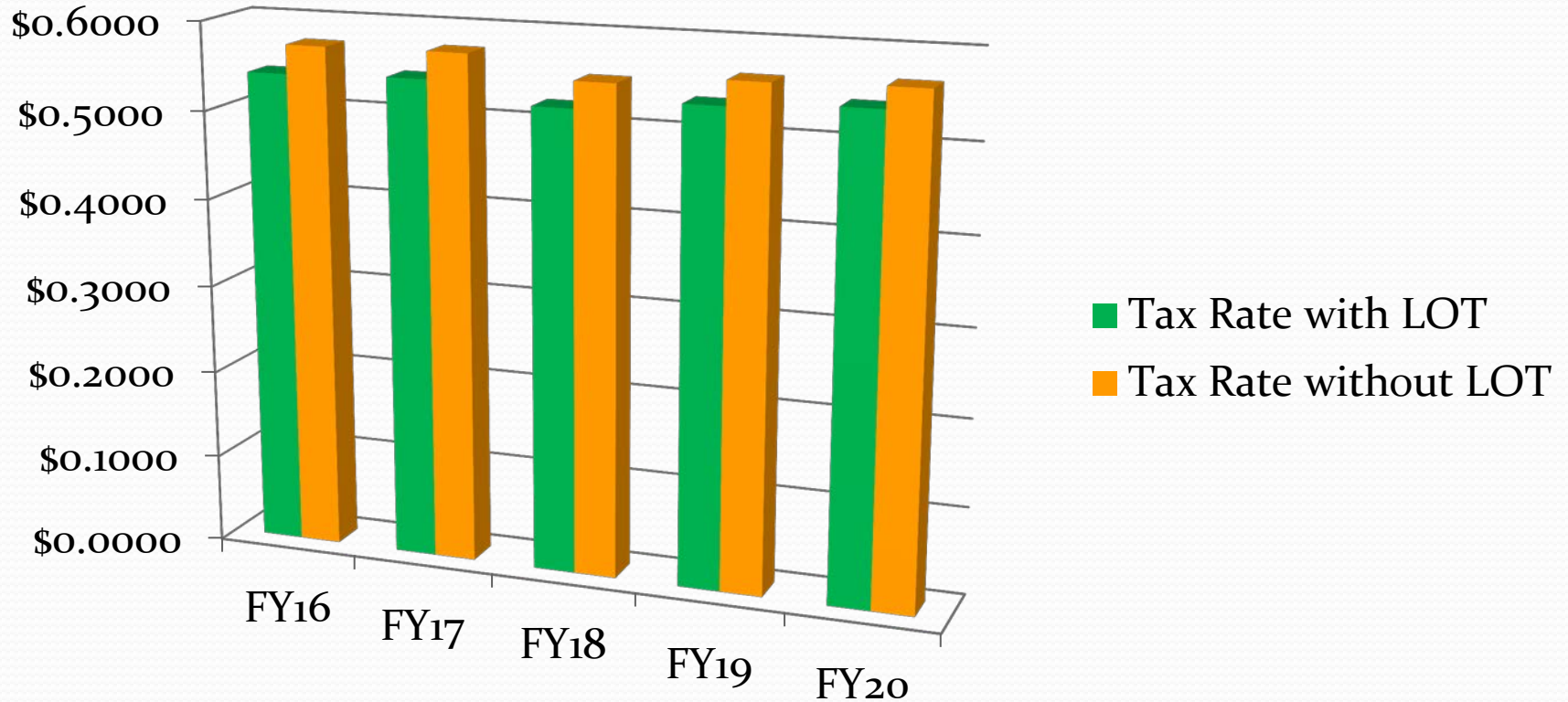


Local Option Tax Quick Facts

- 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 paid 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 Quick Facts





Local Option Tax

And the

Malletts Bay Sewer Project

(2015 Community Survey)

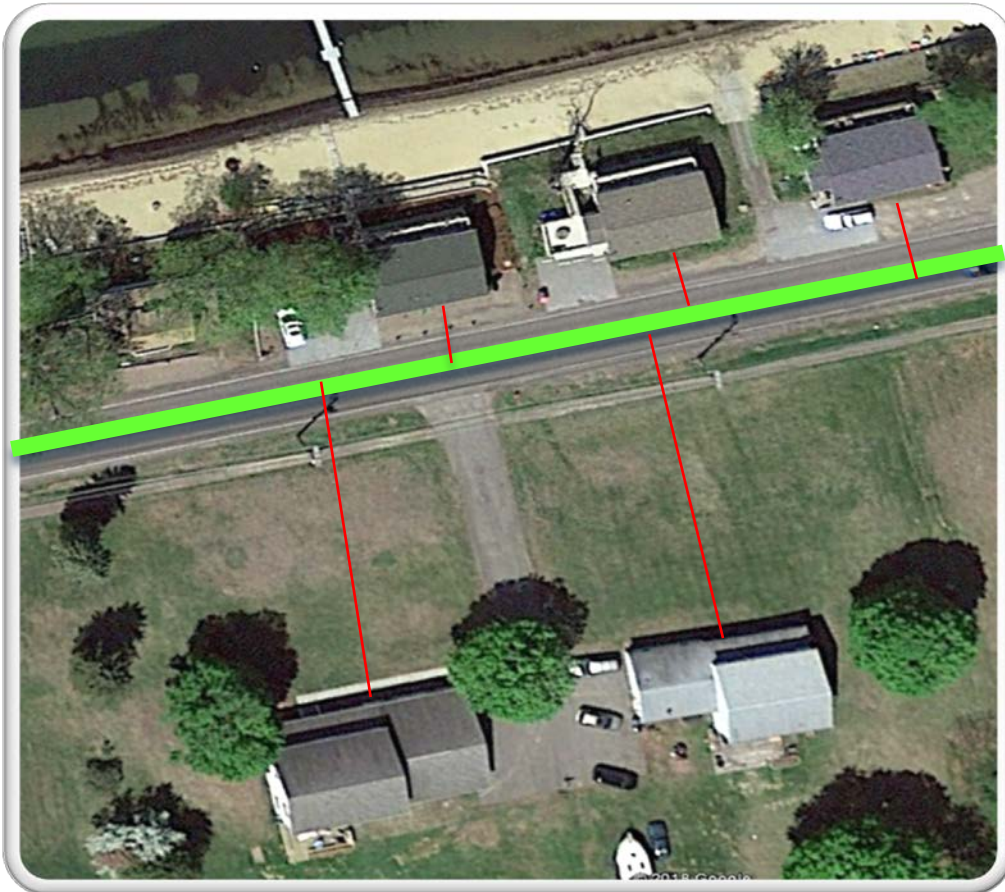
Q5. If you support a Local Option Tax, please rank in order of preference areas in which it should be spent.

Project Areas	Ranking Score
General Operating Expenses	6.54
Roads and Sidewalks	6.07
Sewer, water, and Stormwater	6.03
Park Development	4.44
Tax breaks to business to encourage job growth	3.88
Community Center	3.76
Public Bus Service	3.46
Other	1.82



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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.

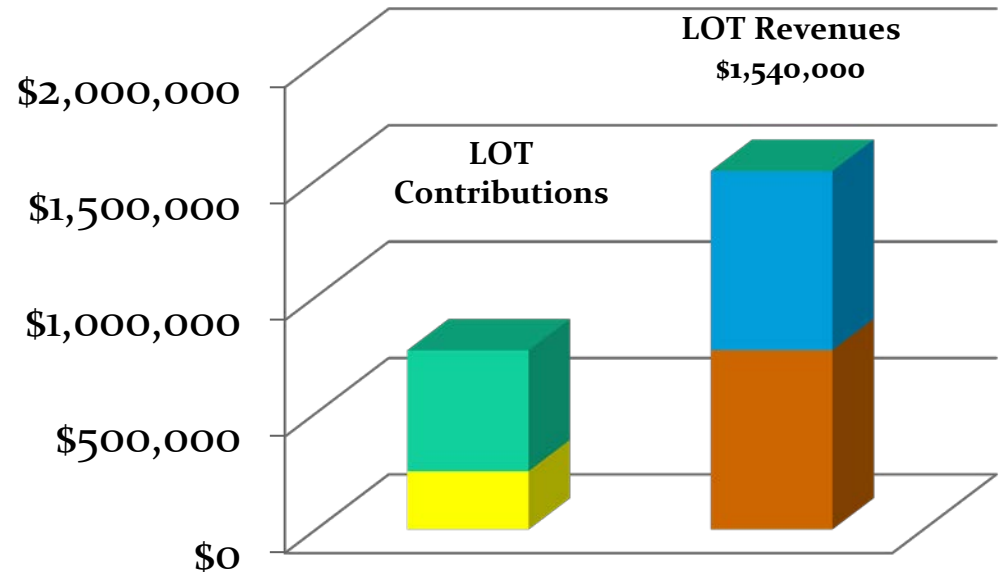


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Future Annual LOT Contributions VS. Future Annual LOT Revenues

Note:

Annual LOT contribution of up to \$250,000 leaves \$771,000, or approximately 50% of annual LOT funds available for other projects



- LOT Contributions to Existing Debt (\$519,000)
- LOT Contributions to Project (\$250,000)
- Other Retail
- Big Box Retail



More Local Option Tax Quick Facts

- The use of LOT funds has no impact on current or future property tax rates.
- The use of up to \$250,000 per year of future LOT funds to help fund the sewer project for 30 years would use 16% of the future annual LOT revenues for this period of time.
- Over these 30 years, this would leave approximately \$36 million of remaining LOT revenues available for other voter approved projects, even after retiring all previous Town debt.
- This estimate of remaining LOT funds does not include the annual increase of LOT funds that has been occurring, or the planned repayment of \$9.64 million in LOT funds loaned to the sewer project.



Total LOT Investment \$9.64 Million Return on Investment

- ❑ A connection fee of \$85/gallon would be charged to 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 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.