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Kari Dolan, Manager
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Dear Kari:

I am writing on behalf of the cities and towns of Vermont to comment on the draft report you provided in fulfillment of the requirements of Act 138 of 2012. You have completed an enormous amount of work to assemble this draft and we appreciate the time you took to meet with municipal stakeholders on a number of occasions.

We are, as every reader must be, dismayed by the enormous costs associated with the nineteen categories of need that cover stormwater runoff as well as all the other water quality issues. This is a comment we will expand upon for the final report as clearly Vermont does not have the resources to spend \$156 million per year for ten years, regardless of the funding sources contemplated. As municipal governments, we have the sometimes unfortunate advantage of a holistic view of financial needs in Vermont and we note that deficits are enormous in a number of arenas this year – transportation, health care and stormwater being but three of them. The report would benefit from a more complete description of how the water remediation numbers were derived.

The elevation of rural roads as a “most significant challenge” is relatively new. I do not recall it being given much attention in previous legislative sessions. The 14,000 miles of public road are already constructed, “properly” or not and so the report should concentrate on ways to maintain and improve them in a water-sensitive fashion when the need or opportunity arises (Sec. 1.2) We will oppose certain provisions of the November draft of the Town Road and Bridge standards, as we have commented to Vtrans, not only because of the prohibition on considering financial straits, but also because it seems that some of the required improvements are not effective.

We are very concerned about the sections on river corridors and floodplain management, and river channel management (Secs. 1.8, 1.9). The report should qualify that downtowns and villages are where Vermont wants people to live and conduct their business to the extent possible. River corridors and floodplains are everywhere in Vermont: it will be impossible to avoid encroachment everywhere because people live in Vermont and will continue to do so. Inasmuch as the strategy is to encourage compact settlements surrounded by rural countryside, the river and floodplain management goals

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should be to make the compact settlement patterns work. This is mentioned in Appendix D.6.8 but should be incorporated in the main body of the report.

With respect to financial planning for infrastructure management (1.13), we believe that budgeting around wastewater treatment facilities is fairly sophisticated, whereas budgeting for future needs among very small water supply facilities is not. We urge you to differentiate a bit in this respect.

Recommendations to enhance stormwater regulation and regulate developments of less than one acre of impervious surface are simply not realistic given the resources at the state level for enforcement. The same is clearly true for on-site sewage where the state is currently responsible for inspection and enforcement in all municipalities except Charlotte and Colchester, but does virtually none of that due to inadequate resources. (Sec. 1.17, 1.19) Several efforts have been made to establish a small sewage facility program but for the most part costs are prohibitive and again, there is no money. Sue Minter, when she was in the legislature, was very interested in this issue.

We strongly urge you to coordinate with VTrans on the contents of Table 1, Tools for Financing a Statewide Water Quality Trust Fund. They are writing two reports that look at the same funding sources to fill a portion of the gap between expenses and revenues in transportation funding and to find a way to finance transportation improvements that are required as a result of new development. An additional financial tool that should be mentioned is the sale or transfer of credits from areas with good stormwater management or no need for mitigation or even farmers who manage their lands well for stormwater to those in need of stormwater mitigation.

We urge you to include two additional evaluation criteria in your matrix of financial tools assessment. One is transparency – a system where the dollars raised and on what dollars are spent are clear to everyone who wants to look. This is also a rational nexus kind of criteria. The other I would say is reliability/”case hardenedness”, for lack of a better term. That is how resistant are the funds to being grabbed by the legislature for some other use? That happens all the time and has happened time and again with the education property tax. Basically, they can’t resist the temptation.

In Table 4, we recommend you add in VEDA as a potential Quasi-Governmental Funding Agency. They have the experience administering funds and loans. Another option would be a multi-purpose Council of Governments (COG). COGS are created by local governments and can administer a number of different entities and programs; stormwater, public safety, wastewater treatment, transportation and more.

We will have several comments on the potential funding sources. For instance a statewide property tax is not viable, especially given our experience with the education property tax. With respect to Table D.2.1.1 Municipal Property Tax, in the section on income equity, please note that the *education* property tax is income sensitized. The municipal property tax is not. In fact property taxes are one of the more regressive taxes. With respect to sufficiency of an excise tax on motor fuels, it should be noted that revenues are declining because people drive less and that is not expected to change.

With respect to the Municipal Bond Bank (D.6.3) please note that Congress is considering making municipal bonds taxable (one thing they seem to agree on in DC) and that will increase the cost of borrowing for municipalities.

We note the inclusion of the VLCT Water Quality Specialist in the budget and thank you for that. We believe the Water Quality Specialist, because she is in the field often and not an ANR employee who has any enforcement responsibility, is well suited to provide technical assistance and education to local officials.

Thank you for considering these comments. We look forward to working with you during the upcoming session on all the water quality issues that confront us. And we look forward to actually seeing a draft copy of the Environmental Protection Agency's TMDLs for Lake Champlain and the Connecticut River.

Sincerely,

Karen B. Horn
Director, Public Policy and Advocacy