

## Why are Williston's Municipal Property Tax Rates lower than Hinesburg's?

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Historically, the town of Williston has enjoyed significantly lower municipal property tax rates in comparison to the town of Hinesburg and it has been suggested that this disparity is at least in part due to the level of commercial development in Williston. In order to understand the drivers behind the municipal tax rate differential, annual reports for both towns were analyzed going back as far as 1990. In addition to the budgetary data gleaned from these reports, the occurrence of property re-assessments in both towns and the inception of a local 1% sales tax in Williston were considered as was the demographic data from the last three censuses, differences in the residential, / commercial / industrial makeup of the grand list for both towns and the costs of municipal services such as administration, roads, police and fire services in generating a complete picture of both the revenue and cost sides of the ledgers which contribute to the tax rate disparity. The table below provides a sampling of demographic, development and tax rate data which frames the analysis.

Statistic	Town of Williston	Town of Hinesburg	Notes
Approximate Population	8600	4500	<b>2010</b>
Approximate Grand List	\$1,600	\$500	In millions of dollars
Municipal Tax Rate - 1995	\$0.25	\$0.51	Per \$100 of assessed valuation
Municipal Tax Rate - 1999	\$0.32	\$0.61	Per \$100 of assessed valuation
Municipal Tax Rate - 2003	\$0.10	\$0.63	Per \$100 of assessed valuation, Williston 1% local sales tax in place
Municipal Tax Rate - 2007	\$0.18	\$0.40	Per \$100 of assessed valuation
Municipal Tax Rate - 2011	\$0.20	\$0.43	Per \$100 of assessed valuation
Total Municipal Budget – 2012	\$8.0	\$3.0	In millions of dollars
Municipal Income – Non Property Tax	\$4.5	\$0.5	In millions of dollars
Funds to Be Raised Thru Property Tax	\$3.5	\$2.5	In millions of dollars
Town Budget as % of Grand List	0.5%	0.7%	2012 Budget / Grand List in Percent
Percentage of Town Budget to be Raised by Property Tax	43.75%	83.33%	In Percent

Analysis of the data indicates a number of factors driving the tax rate differences:

- As a percentage of grand list, Hinesburg has a larger municipal budget than Williston. Whereas Williston must raise funds equivalent to 0.5% of its grand list, Hinesburg must raise funds equivalent to 0.7% of its grand list. While the differential is small percentage wise, Hinesburg would predictably have higher tax rates in the absence of offsetting income. This is not a statement on the relative efficiency of Hinesburg municipal operations. It is more likely a statement on cost quantization and economies of scale.

- Williston raises a larger portion of its municipal income from non-property-tax sources. Less than 44% of Williston’s municipal budget is funded by property tax whereas more than 83% of Hinesburg’s budget is funded by property tax. Put simply, Hinesburg suffers from a lack of alternate revenue sources.
- A significant portion of Williston’s municipal budget is funded through a 1% local sales tax. The reduction in Williston’s municipal tax rate has been calculated in a separate report on the affect of commercial development on municipal costs<sup>1</sup> as \$0.1375 / \$100 of assessed value using estimates of yearly tax revenue and Williston’s grand list. Estimates provided by Williston town officials place the reduction at a slightly larger \$0.17 / \$100 of assessed value
- Williston receives “host town fees” from the Chittenden Solid Waste District totaling \$383,390. This effectively lowers Williston’s municipal taxes by about \$0.02 / \$100 of assessed value.
- Williston has a much larger industrial base to support property taxes. Industry in Williston amounts to 8.4% of the grand list property value, reducing the municipal tax by about \$0.06 / \$100 of assessed value.
- According to local residential realtors, residential property is estimated to be worth 20% to 30% more in Williston than in Hinesburg for comparable properties. This effectively inflates Williston’s residential grand list, thereby lowering Williston’s taxes \$0.03 in comparison to Hinesburg.
- Williston has an abundance of non-retail commercial development. Office complexes in Williston may positively affect the municipal tax rate in Williston while not demanding services the rate called for by commercial retail.

The table below illustrates the effect on Williston’s tax rates if correction was made for removal of the 1% sales tax and the CSWD payments as well as to account for differences in residential appraisal values and Williston’s industrial base, all of which were monetized.

Tax Rate Contribution	Source
\$0.14 to \$0.17	Replacement of municipal funds currently raised via the 1% Sales Tax (To equally fund town service costs driven by retail development)
\$0.02	Replacement of funds currently received by Williston from the Chittenden Solid Waste District in lieu of taxes
\$0.03	Adjusting for differences in residential property valuation between the two towns which reduce the affective tax rate, but not the tax burden for properties
\$0.06	Adjusting for Industrial Tax Base
\$0.25 to \$0.28	Total of Additions to the Williston Municipal Tax Rate accounting for the five factors in this report

While further analysis of the Williston and Hinesburg budgets may yield additional comparisons on spending differences in various departments such as highways, police, etc., however, differences in line item accounting in the two budgets make it extremely difficult to produce a fair accounting comparison. This work is beyond the scope of this research and will not be pursued.

The conclusion reached in this analysis is that property tax revenue realized from commercial development in Williston is not the differentiating factor in providing Williston

a municipal tax rate advantage. The primary drivers are in fact the existence of revenue streams beyond property taxes which offset town costs, and to a lesser extent higher residential property valuations and grand list make-up. **A similar outcome was predicted in This conclusion is supported by** an independent study commissioned by the Town of Williston in 2002 and performed by Edward Del Duca and Associates of Grand Junction, Colorado<sup>2</sup> which **predicted concluded** that commercial development **would was** in fact demanding services at a rate exceeding property tax realized from the development and that under a tax and fee structure based on property taxes alone, the town of Williston **would** incurred impacts but little benefit from commercial development that was more regional in nature.

<sup>1</sup>"The Relationship between Commercial Development and Municipal Costs" John Roos,

<sup>2</sup>"Williston Cost of Development Study, Final Revisions" Edward Del Duca and Associates, April 12, 2002