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# Facilities Management

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## Overview

All Vermont municipalities maintain some public facilities to serve local residents, property owners, and businesses. Very early on, communities invested heavily in the development of local road networks to promote settlement and to access regional markets. Today, very rural towns may be able to afford only the basics: a town garage and highway equipment for road and bridge maintenance, a town office and vault to store land records, and some equipment. Larger urban or suburban communities may also support town halls and administrative offices, one or more public schools, municipal water and sewer systems, fire and police stations, libraries, public parks, sidewalks, recreation trails, cemeteries, and extensive equipment inventories.

Ultimately, the facilities owned and maintained by a municipality reflect



**As municipalities grow (or shrink) in population, investment in public facilities and services like road maintenance, parks, and sewage treatment must be balanced with changing needs and financial resources.**

the types and levels of service that local residents are willing to fund, given available resources.

One of the state planning goals under the Vermont Planning and Development Act (Chapter 117) states that a community's rate of growth "should not exceed the ability of the community and the area to provide facilities and services" (§4303).

Growing communities, especially those experiencing rapid growth, eventually face the need for new or larger facilities. If unmanaged, growing facility needs can overwhelm limited budgets. Even communities that are growing slowly, or are in decline, benefit from anticipating when existing facilities will require replacement or upgrades. Facilities management is a way to proactively identify facility needs and to balance the demands of growth and use with the financial resources of the community.

Chapter 117 requires that municipal plans include a utility and facilities plan, which serves as the basis for local facility planning and asset management. Facilities management is very closely tied to the capital improvement program. (See topic paper, Capital Improvement Program.)

## Facilities Planning

Like capital improvement programming, facilities management begins with an inventory of a community's current public facilities, land, and equipment. This should include an assessment of how well each facility serves the current population and its remaining capacity or working life. All municipalities face the need to repair, rebuild, or replace facilities or equipment as a result of age or wear.

For the most part, the need for public facilities is directly related to community size—the larger the

### Public Facilities in the Municipal Plan

24 V.S.A. §4382(a)(4)

Municipal plans in Vermont must include a Utility and Facilities Plan consisting of a map and statement of present and anticipated facility and service needs. Facilities to be identified include, but may not be limited to hospitals, libraries, power generating plants and transmission lines, water supply, sewage disposal, refuse disposal, and storm drainage. In addition, the utilities and facilities plan must include recommendations for meeting future facilities and service needs, along with indications of priority, cost, and method of financing. (Note that schools and recreation facilities are included under other plan elements.)

population, the more children there will be in school and the more demand there will be for libraries, parks and trails. Some facilities, such as central water or sewage treatment systems, become necessary when a community reaches a certain size or density. Once that happens, the availability of the service may itself generate additional growth and development, which results in the need for more system capacity.

Effective facilities planning and management relies on accepted forecasts of future growth—presumably based in part on the municipal plan. Projections are often addressed in more detail in the development of individual facility plans. Many larger facilities, such as water and sewer system upgrades and major road projects, have planning horizons of twenty years or more. If detailed growth projections developed for such facilities vary significantly from those presented in the plan, it may be necessary to reconcile these through a

### Cost of Services Studies

Studies can be made to evaluate the cost to the community of servicing different types of land use to provide baseline information for facility and land use planning. Such studies often show that open space is the most cost-effective use of land, since undeveloped land generates more in tax revenues than it requires in infrastructure, services and long-term maintenance. Development requires more infrastructure and services and, as a result, typically results in higher taxes, but it also provides needed housing, employment, goods, and services. Williston, Stowe, and Cambridge have completed cost-of-service studies in recent years.

plan amendment that incorporates updated projections and related facility and growth management policies and recommendations.

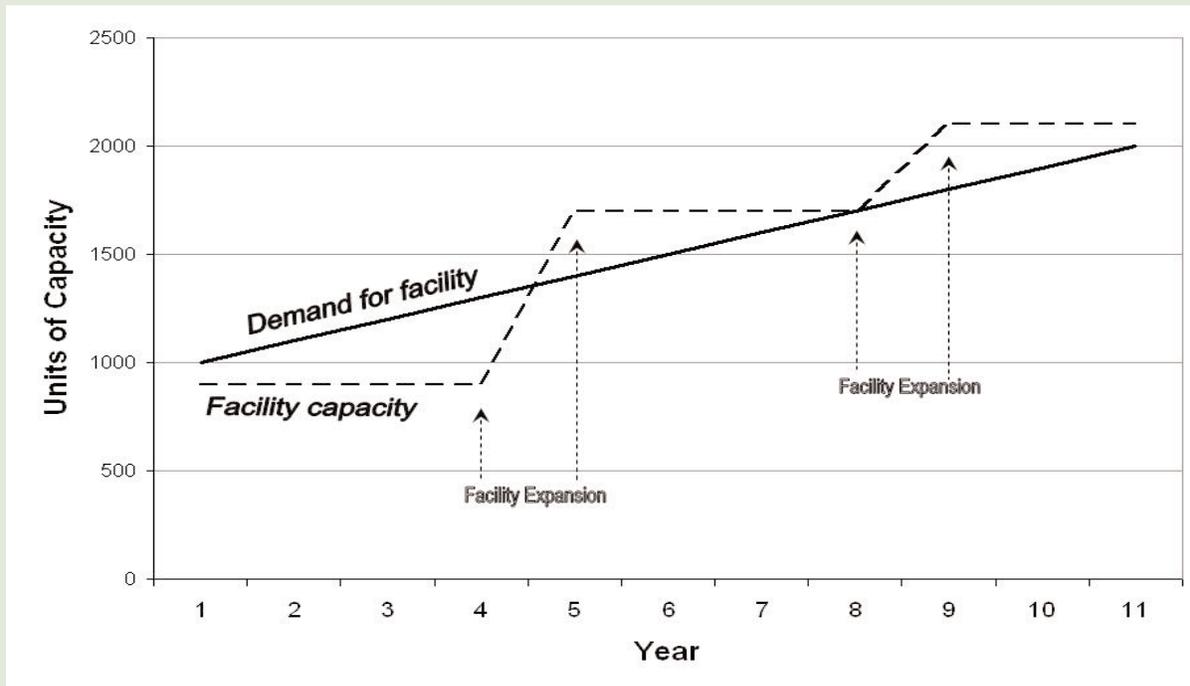
A regional perspective is also important if the community serves as a regional commercial or employment

center or shares facilities with other municipalities. Variations in daily or seasonal demand are also critical factors; the demand for facilities and services may increase significantly during peak periods.

Translating increasing demand for public services into the need for public facilities can be difficult. In the simplest case, it is possible to find published service ratios that link population to the need for specific facilities. Examples include ratios calling for  $x$  acres of developed park land per 1,000 persons, or  $y$  square feet of town office space per 1,000 persons. Similar ratios are available for other public services, such as the number of gallons per day of sewage treatment capacity for each dwelling unit, bedroom, or 1,000 square feet of office space.

While there are various sources for such ratios, including the state for facilities in which state standards or funding are involved, the ratios should be tested locally based on existing

### Facility Demand and Capacity



conditions and modified as needed.

Population growth is generally fairly steady over the long run of a decade or two, and as a result, the increase in demand for facilities will also increase steadily. Public facilities, however, are typically built in large blocks of capacity. It's not practical to build 75 square feet of municipal office space, classroom space for five students, or 10 percent of a tennis court. Thus, while demand generally increases steadily upward, capacity grows in steps as shown in the graph below.

Facility planning seeks to establish a balance between excess demand and excess capacity. Building an expansion early, for example, results in less overcrowding, but also a longer period of time in which the community is paying for excess capacity. Later construction results in tighter demand or overcrowding, but less long-term excess capacity. Some facilities (for example, parks) can accommodate moderate overcrowding, while others

### **GASB 34**

In 1999, the Government Accounting Service Board issued Statement 34 (generally referred to as GASB 34), which mandated significant changes in financial reporting requirements for state and local governments. GASB 34, in particular, now requires that municipalities and school districts inventory and evaluate their fixed capital assets—including their value, condition, how they're being depreciated (or used up), and estimates of their useful lives—in order to publicly document that long-term community assets are being responsibly managed. GASB 34, in effect, requires local capital asset management programs. More information about GASB 34 is available from the Vermont State Auditor ([www.vt.state.us/sao/](http://www.vt.state.us/sao/)), the Vermont League of Cities and Towns ([www.vlct.org](http://www.vlct.org)), and the Government Accounting Service Board ([www.gasb.org](http://www.gasb.org)).

### **Customizing Service Ratios**

A municipality may find a published service ratio that suggests, say, 1,000 square feet of municipal office space per 1,000 persons. If the town expects to grow from 2,000 to 3,500 persons over the coming twenty years, it would need 3,500 square feet of office space by the end of that time. Analysis may show that at the present time the town has 1,700 square feet of office space and is functioning very well. The current service ratio is 850 square feet per 1,000 persons. The town could choose to continue the existing service ratio and plan for a total of 2,975 square feet of office space to meet the twenty-year need.

(for example, sewage treatment systems) have a less flexible or fixed capacity that limits development once the capacity is reached.

Growth projections, service ratios, and cost estimates provide the basis for the development of facility plans that conform to municipal plan goals, objectives, and recommendations. Facility plans, in turn, provide input for capital programming to schedule and finance public investments. (For more information on capital budgets and programs, see the related topic paper.)

## **Facilities Management**

Facility plans document increasing demand in relation to existing capacity, the need for and timing of expansions or replacements, and associated costs. Facility management techniques can then be used to put plans into effect. Facilities management involves three factors:

- *concurrency/phasing*, ensuring that facility capacity is available when it is needed—thereby maintaining the balance between demand and available capacity;
- *capacity allocation*, ensuring that available capacity serves the community as planned, before expansions or re-

placements are needed; and

- *fiscal considerations*, balancing the cost of new facilities against the municipality's ability to pay for them.

**Concurrency and Phasing Requirements.** Concurrency can be addressed under local land use regulations by requiring that facilities serving a proposed development be installed before permits for subsequent development are issued, or that development be phased in as additional capacity or facilities become available. For example, a developer may be required to install roads and water and sewer lines prior to or concurrently with the construction of their development, thus guaranteeing that capacity will be available as needed. In other cases, such as for water or sewer service, communities can require a formal allocation of available capacity before the proposed development can be approved or permitted.

Chapter 117 specifically enables municipalities to require the phasing of development in relation to an adopted capital improvement program (§4422). It also authorizes the local legislative body to enter into development agreements that more specifically govern the timing, financing, and coordination of private and public facilities and improvements, in accordance with the terms of development

### **Adequate Public Facilities for New Development**

24 V.S.A. §4422

Chapter 117 specifically authorizes municipalities, under their zoning and subdivision regulations, to require that development be phased or limited to avoid or mitigate undue adverse impacts on existing or planned community facilities or services. Regulations may limit or phase development based on the timing of construction, or the implementation of necessary public facilities and services, in conformance with an adopted capital budget and program.

## Coordinated Growth Management Programs

Some communities, such as Williston, have developed coordinated growth management programs that tie both allocation ordinances and phasing requirements to anticipated growth and facility plans. Allocation and phasing requirements are used jointly to limit the amount of new development that is permitted each year. To be effective, phasing requirements under local regulations must be consistent with the allocation of capacity under the allocation ordinance, and both must conform to the adopted municipal plan and the capital improvement program.

approval and applicable local regulations (§4464).

**Allocation Ordinances.** The municipality can also take steps to ensure that existing capacity is not consumed faster than planned. This is particularly important for facilities, such as schools and sewage plants, that are costly to build and are constructed in large blocks for long-term capacity. Allocation ordinances that incrementally allocate reserve capacity or permits can be used to manage the rate at which available capacity is used.

For example, under a sewer allocation ordinance, sewer capacity must be granted by the legislative body for a proposed development before the development can be approved by the planning commission, zoning, or development review board. Allocation ordinances are also used to encourage development in geographically delineated service areas (for example, designated growth centers) by prohibiting the extension of water or sewer lines outside service areas. This can reduce sprawl, leapfrog development, and other inefficient patterns of land use.

**Fiscal Impact Analysis.** New development results in both costs and revenues to local government. An increasing number of communities are

requiring, under their land use regulations, that developers of large projects, such as big box stores, provide an analysis of the project's fiscal impacts to determine whether the public costs of needed services and improvements outweigh the benefits in tax revenues to the community.

There are a number of standard methods available for determining fiscal impacts, ranging from individual case studies to per capita multipliers. There are two basic approaches: *average costing* and *marginal costing*. Average costing, the simpler and most commonly used approach, assigns costs to new development based on the average cost per unit to service existing development. This assumes that average costs will remain stable over time and does not take into account excess or deficient capacity. Marginal costing relies more heavily on an analysis of service supply and demand and recognizes excesses or deficiencies in existing capacity.

Most important, the assumptions and methods used to determine fiscal impacts will direct the final results. It's important to remember that fiscal impacts are project specific and will vary with the type and location of development, the types of community services needed, existing service capacities, and local policies.

**Act 250 Review.** Municipalities are authorized under Chapter 117 to adopt state Act 250 criteria in local land use regulations, such as in addi-

tion to other conditional use or subdivision review criteria. Municipalities also have standing and can participate in state Act 250 review proceedings, which require the determination of a project's impact on roads and municipal and educational facilities and project conformance with local and regional plans. This may include an evaluation of the fiscal impacts of a proposed development on the host and neighboring communities.

Municipalities that have a development review board, have adopted both zoning and subdivision regulations or unified bylaws and hold hearings under the Municipal Administrative Procedures Act (MAPA) are also authorized to conduct more formal local Act 250 reviews, as specified in their regulations (§4420). Under local Act 250 reviews, an applicant must demonstrate to the development review board that a project conforms to the municipal plan and will not cause an unreasonable burden on the ability of the municipality to provide educational, municipal, or governmental services. Board determinations are then given weight, as rebuttable presumptions, by the district environmental commission in their review of the project.

## Facilities Financing

Economies of scale are important. Many public facilities, as noted above, are too large or expensive for smaller communities to afford on their own. Examples include schools, public safety departments, and solid waste disposal, water supply, and sewage treatment facilities. In certain cases, it may be possible to share facilities among municipalities through the creation of joint (union municipal) districts or formal intermunicipal agreements. For example, school districts often include more than one community. Williston, Essex, and Essex Junction jointly constructed a sewage treatment plan that serves portions of all three municipalities.

### Fiscal Impact Calculations

The Vermont League of Cities and Towns, in association with the Vermont Natural Resources Council, has published *The Land-Use Property Tax Connection* (2002), which includes information and work sheets for evaluating both the short- and long-term fiscal impacts of development. Though intended primarily as a planning tool—similar to cost-of-community-services studies—it shows how the fiscal impacts of development can be calculated.

Such cooperative arrangements can make facilities available that would otherwise be cost prohibitive to small communities.

Public facilities are expensive. Outside funding may be available, but municipalities must often borrow money to construct needed facilities. The typical approach is to sell bonds to construct the facility, and then pay off the bond over an extended period of time, with interest, through local property taxes. There are alternatives!

**Reserve Funds.** Municipalities can establish reserve funds for specific capital purposes. Each year, the municipality deposits money into the fund, which then generates interest. The use of reserve funds can help maintain level tax rates and avoid interest payments. Over time, the fund accumulates sufficient money to cover most, if not all, the costs of the needed facility. If a municipality opts to create a reserve fund, it must be explicit about its intended use. The community must also be conscientious about paying into it regularly and not dipping into it for other purposes.

**Grant and loan programs.** There are several grant and loan programs administered by the state, such as water or sewer loans (Agency of Natural Resources), school construction (Department of Education), community development block grants and downtown program funds (Agency of Commerce and Community Affairs), library grants (Department of Libraries), and various programs administered through the Vermont Agency of Transportation or, in Chittenden County, the Chittenden County Metropolitan Planning Organization. Many state programs, however, impose specific project requirements to qualify, are typically underfunded, and may be highly competitive. Additional federal grant and loan programs also may be available, depending on the type of project and the community in which it's located.

**Construction and Bonding Requirements.** For facilities intended to serve only a proposed development, it makes sense to require that the developer construct the facilities and either dedicate them to the municipality or maintain them indefinitely (for example, through a homeowners' association). A variation is to require a monetary contribution in lieu of constructing the facility. The contribution should cover the municipal costs to construct the facility. Bonding also may be required to ensure that improvements are installed as approved, at no cost to the municipality. These types of requirements should be incorporated and applied under local land use regulations and can be managed and enforced through associated development agreements.

**Impact Fees.** In most cases, a public facility will serve more than a single development. A good example is a school that serves an entire section of town. If the facility is financed by a general obligation bond, it will be paid for by taxes paid by all landowners, not just those that benefit from the facility. In such cases, municipalities may enact impact fee ordinances that transfer a proportionate share of the cost of the facility to new development. Impact fee revenues must be spent on the designated facilities within six years of being collected. (For more information, see topic paper, Impact Fees.)

**Special Assessments.** Municipalities can assess property owners within a designated service area for the cost of installing capital improvements that serve the area. Special assessments are used to pay for public improvements (for example, municipal water or wastewater systems) that serve only a portion of a community and may be apportioned based on a property's listed value, frontage, or added value as a result of the improvements. Special assessments must be approved by municipal voters, or in writing by all property owners, within the proposed assessment area.

**Tax Increment Financing.** Tax increment financing (TIF) is a method used to pay for improvements within a predefined area, or TIF district, that is scheduled for development or rehabilitation. Typically, the municipality sells bonds to initially fund improvements that will support and promote development in the district. The improvements, and subsequent development, raise property values and tax revenues generated within the district. The increment by which taxes have increased is used to pay off the municipal bond, usually over a ten- to twenty-year period.

TIF districts are defined and established by the legislative body, following a warned public hearing and—since the passage of a statewide property tax for education—must be approved by the state if state taxes are

### State TIF District Requirements

Municipalities are authorized by the state to establish TIF districts (24 V.S.A. §§1891–1900). Under related TIF legislation enacted in 2006 (32 V.S.A. §5404a), the use of TIF revenues must be approved by the Vermont Economic Progress Council in accordance with related statutory criteria and procedures.

State approval allows the municipality to apply up to 75 percent of all property taxes collected in association with incremental growth in the tax base to debt repayment, for a period of up to twenty years. TIF districts must promote compact, high-density development and can be used to fund capital improvements in state-designated growth centers; in designated downtown, village, and new town centers; in economically distressed areas; and for the redevelopment or expansion of existing industrial areas.

In addition to local TIF district designation, the municipality must adopt a tax increment financing district plan. All improvements and new development in the district must conform to the municipal and regional plan.

involved. To date, only a few communities, such as Burlington, Milton, Williston, and Winooski, have TIF districts in effect, but interest in this form of financing has grown significantly in recent years.

Whether a community provides only the most basic set of public facilities—such as roads, a school, and a municipal office—or more varied facilities and services typical of larger communities, maintaining acceptable levels of service at a reasonable cost is an important fiscal objective with political ramifications. Facilities planning and management can help communities meet this objective.