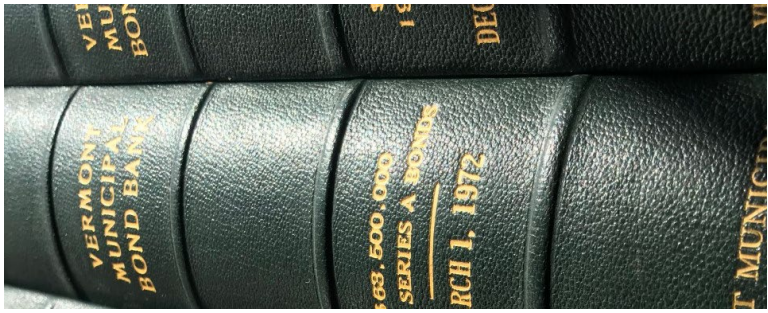
Vermont Bond Bank

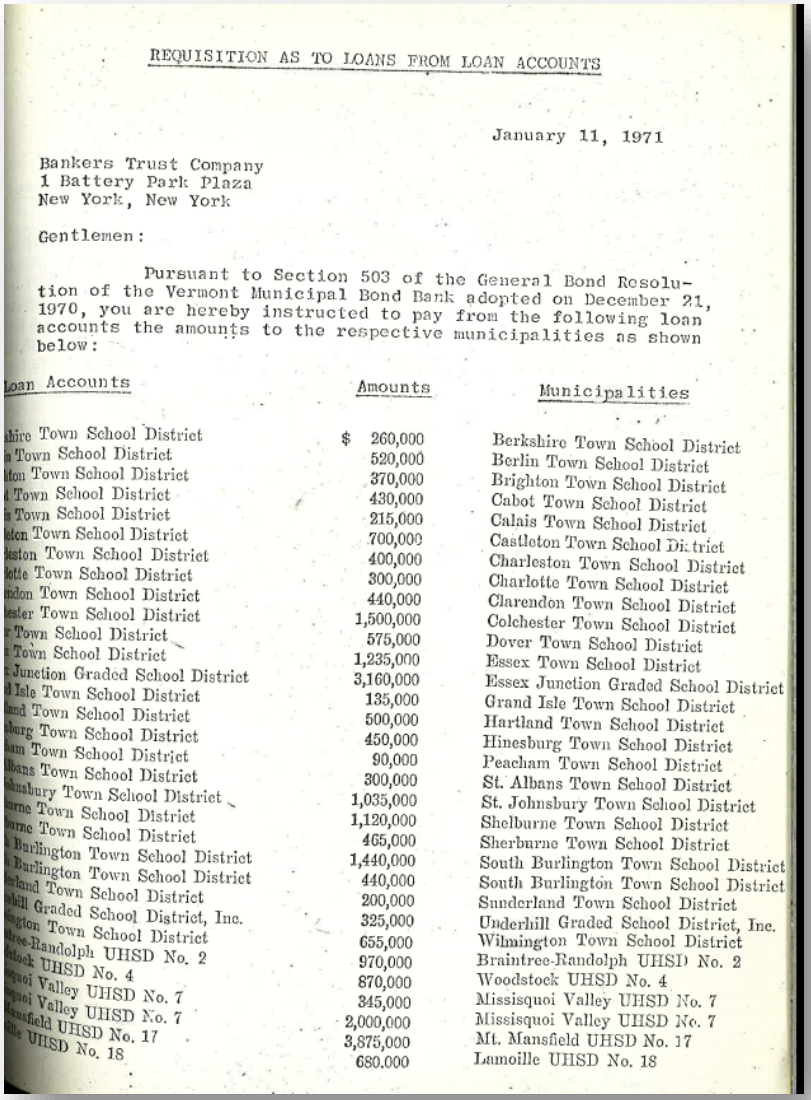






TRANSPORTATION ASSET FINANCIAL PLANNING
OCTOBER 2026

Bond Bank History



REQUISITION AS TO LOANS FROM LOAN ACCOUNTS

January 11, 1971

Bankers Trust Company
1 Battery Park Plaza
New York, New York

Gentlemen:

Pursuant to Section 503 of the General Bond Resolution of the Vermont Municipal Bond Bank adopted on December 21, 1970, you are hereby instructed to pay from the following loan accounts the amounts to the respective municipalities as shown below:

Loan Accounts	Amounts	Municipalities
hire Town School District	$ 260,000	Berkshire Town School District
n Town School District	520,000	Berlin Town School District
ton Town School District	370,000	Brighton Town School District
d Town School District	430,000	Cabot Town School District
s Town School District	215,000	Calais Town School District
eton Town School District	700,000	Castleton Town School District
eston Town School District	400,000	Charleston Town School District
lotte Town School District	300,000	Charlotte Town School District
ndon Town School District	440,000	Clarendon Town School District
ester Town School District	1,500,000	Colchester Town School District
r Town School District	575,000	Dover Town School District
Town School District	1,235,000	Essex Town School District
Junction Graded School District	3,160,000	Essex Junction Graded School District
d Isle Town School District	135,000	Grand Isle Town School District
and Town School District	500,000	Hartland Town School District
burg Town School District	450,000	Hinesburg Town School District
am Town School District	90,000	Peacham Town School District
bans Town School District	300,000	St. Albans Town School District
hnsbury Town School District	1,035,000	St. Johnsbury Town School District
rne Town School District	1,120,000	Shelburne Town School District
rne Town School District	465,000	Sherburne Town School District
Burlington Town School District	1,440,000	South Burlington Town School District
Burlington Town School District	440,000	South Burlington Town School District
erland Town School District	200,000	Sunderland Town School District
hill Graded School District, Inc.	325,000	Underhill Graded School District, Inc.
ington Town School District	655,000	Wilmington Town School District
tree-Randolph UHSD No. 2	970,000	Braintree-Randolph UHSD No. 2
stock UHSD No. 4	870,000	Woodstock UHSD No. 4
squoi Valley UHSD No. 7	345,000	Missisquoi Valley UHSD No. 7
squoi Valley UHSD No. 7	2,000,000	Missisquoi Valley UHSD No. 7
nsfield UHSD No. 17	3,875,000	Mt. Mansfield UHSD No. 17
lle UHSD No. 18	680.000	Lamoille UHSD No. 18

Established by state statute in 1970 as an "instrumentality exercising public and essential governmental functions"

- Creation followed period of school construction financed with short term borrowing
- Bond Bank provided long term financing
- First Bond Bank in the country!
- First bond issue in 1971 exclusively for schools

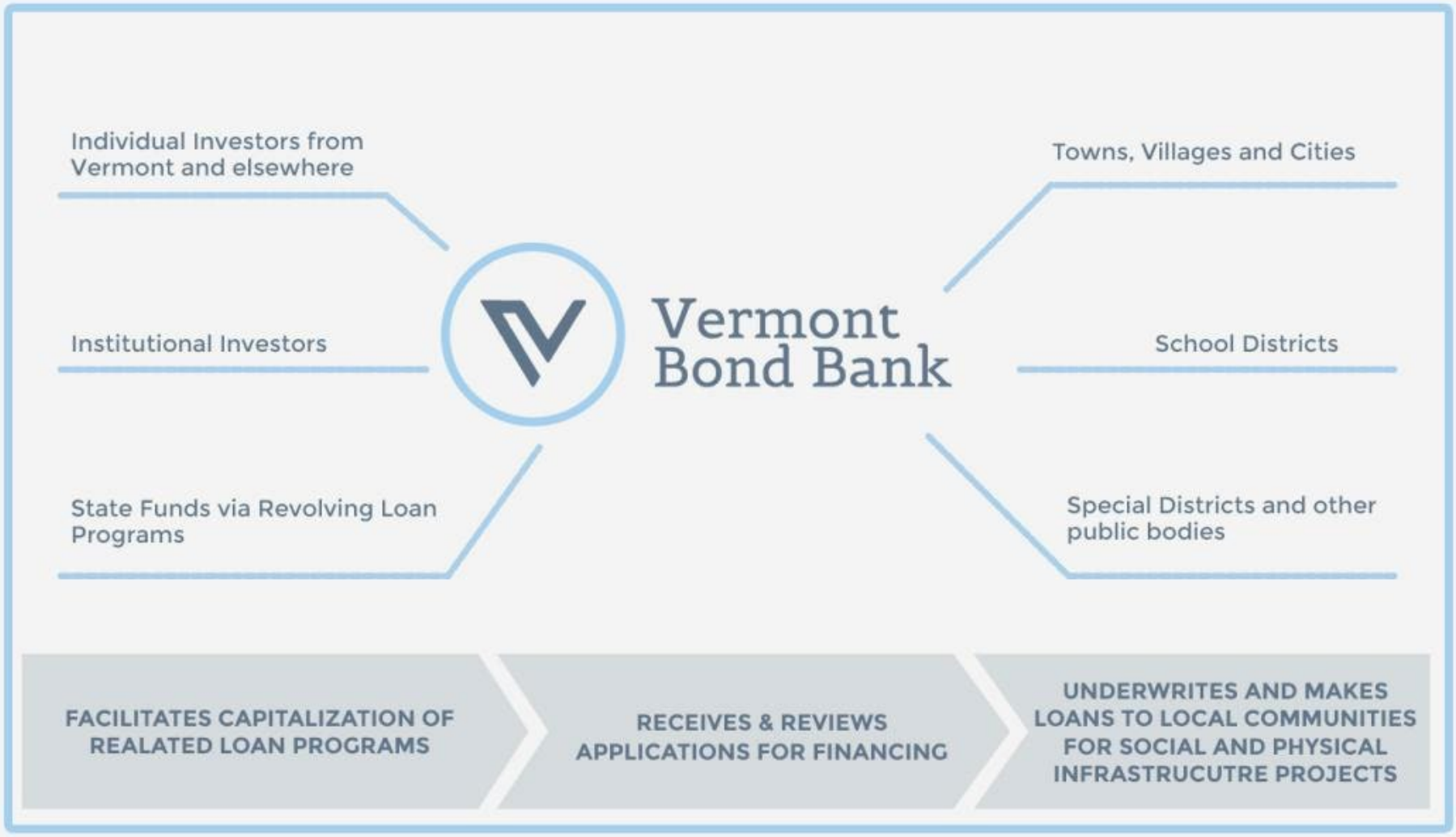
Mission

To assist Vermont's municipalities and other qualified public bodies in gaining access to affordable, innovative and appropriate financing to meet their capital needs.

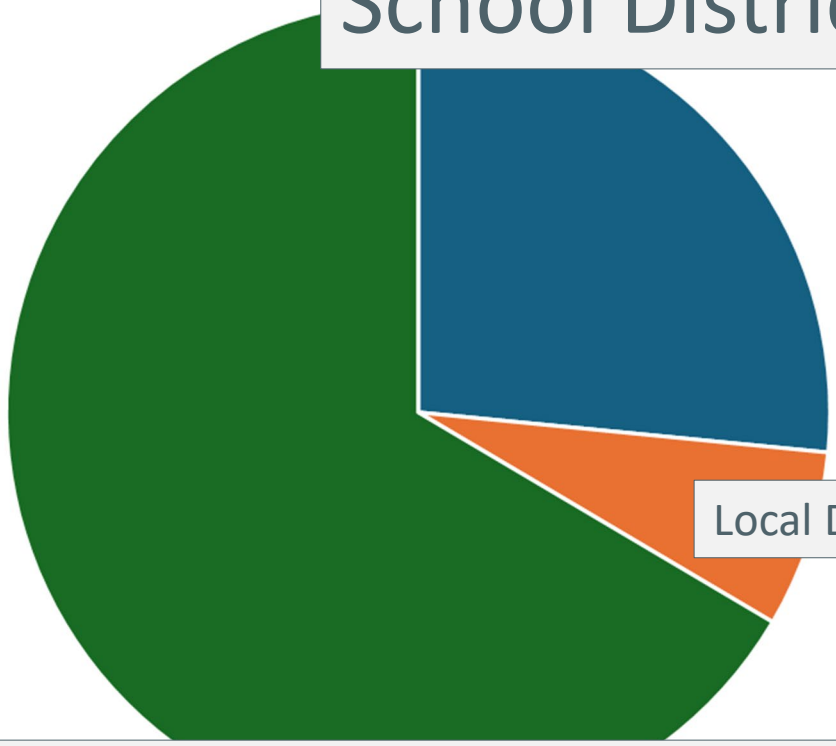
Vision

To support Vermont's municipalities and other qualified bodies in making informed and knowledgeable financing decisions for present and future generations.

How We Work


Individual Investors from Vermont and elsewhere
Institutional Investors
State Funds via Revolving Loan Programs
Vermont Bond Bank
Towns, Villages and Cities
School Districts
Special Districts and other public bodies
FACILITATES CAPITALIZATION OF REALATED LOAN PROGRAMS
RECEIVES & REVIEWS APPLICATIONS FOR FINANCING
UNDERWRITES AND MAKES LOANS TO LOCAL COMMUNITIES FOR SOCIAL AND PHYSICAL INFRASTRUCUTRE PROJECTS

VBB Borrowers



Bond Bank Programs

Pooled Loan Program ($788 million)

- Provides access to financing for:
  - Towns, cities, counties, incorporated villages
  - Special Districts (water, fire, solid waste, etc.)
  - School Districts
  - Essentially any type of government institution
- For any type of physical infrastructure:
  - Roads, bridges, sidewalks, streetscapes
  - Water, sewer, stormwater
  - Buildings
  - Energy efficiency projects
  - Equipment
  - Refinance FEMA, USDA, etc. debt



State Revolving Funds ($430 million)

- Water, wastewater, and stormwater
- In partnership with VT DEC
- Capitalized with EPA funds

Other Programs ($28 million)

- Flexible Loan Fund
- Energy Projects (EEREP)
- Flood Recovery (MCRF)
- Small Water System Capacity & Resiliency (SCRP)
- Housing Infrastructure Loan Program (HILP)

Support / Technical Assistance

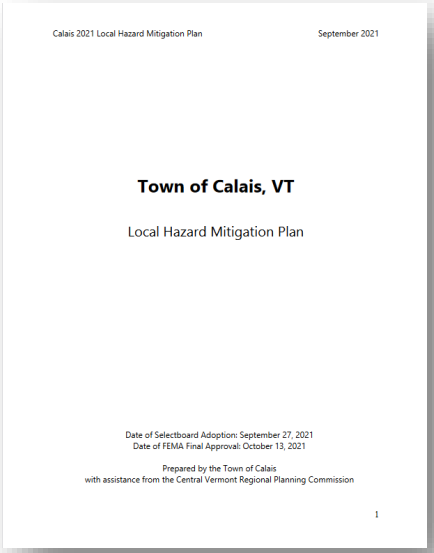
- Capital Planning
- Debt Capacity

What is a Capital Plan?

- **"The capital infrastructure built and maintained by local government is essential for a thriving community"** – Government Finance Officers Association
- **Plan for maintaining, updating, and improving capital assets**
- Document **where other plans and studies become real** through financial plan to accommodate the capital improvements needed
- Should cover at least five years, with **best practice 10 to 25 years in length**
- **It's a plan!!! "All models are wrong, though some are useful."**







Ideal table of contents

- **Narrative** describing vision and tie to larger planning efforts
- **Capital asset policy** – describes what constitutes a capital asset and depreciation schedule
  - Example definition: long lived assets with initial purchase value (capitalization threshold) in excess of $10,000
- **Debt management and capital reserve policy** – defines the amount of debt desired alongside policy for making capital reserve contributions
- **Description of process for prioritizing projects** and related scorecard
  - Typically points based system including items such:

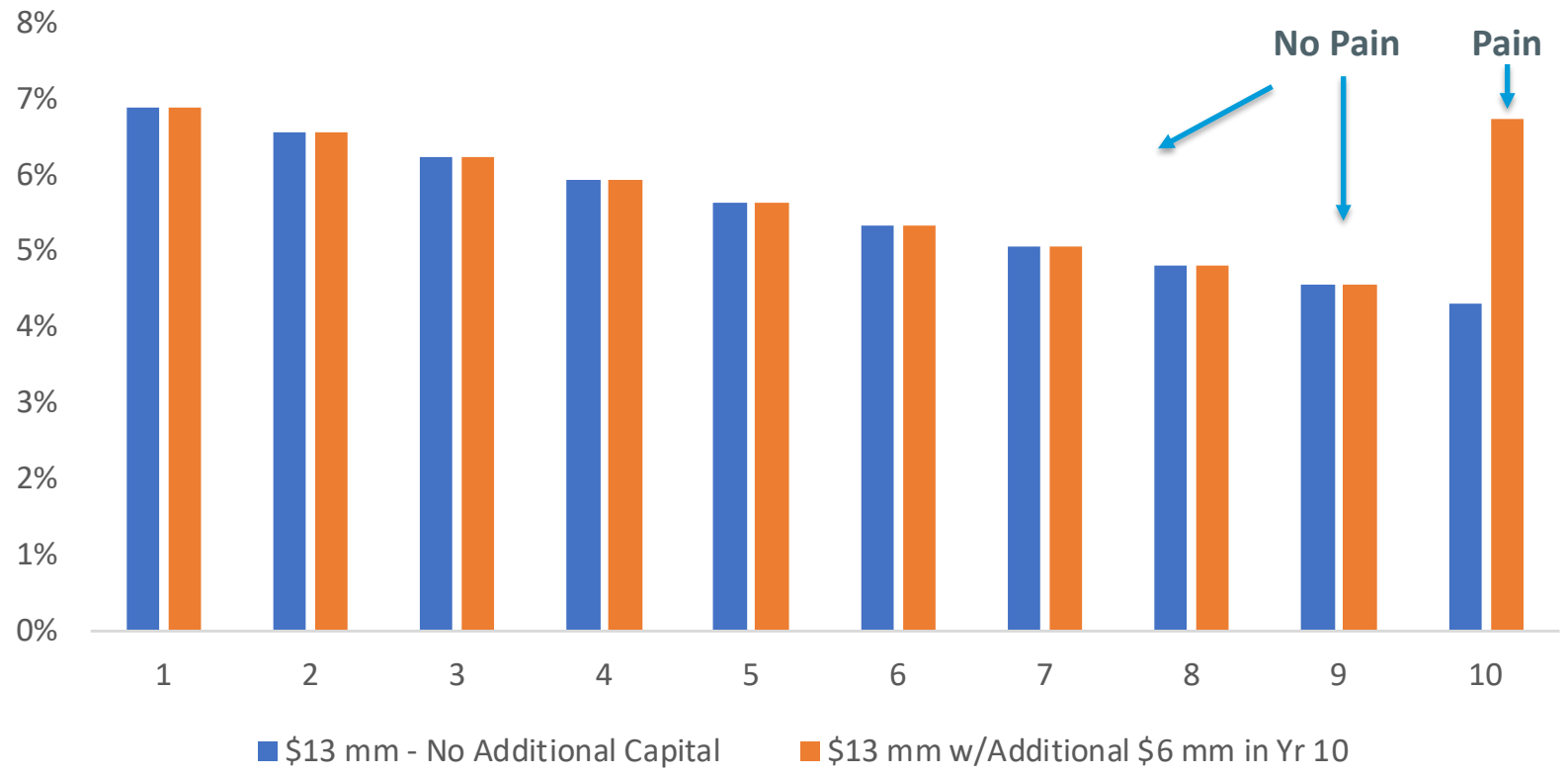
Health and safety	**Essentiality**	**Depreciation / desired level of service**	**Community demand / need**	**Lifecycle costs**
Departmental priority	**Climate resilience**	**Population equity**	**Availability of sources**	**Value**

- Aggregate summary of projects by department with individual project solicitations attached as appendix to plan
- Long term financial projection in which sources equal uses

Examples: https://www.vtbondbank.org/resource/capital-planning-resource-page

Waiting Until Stuff Breaks vs. Capital Planning

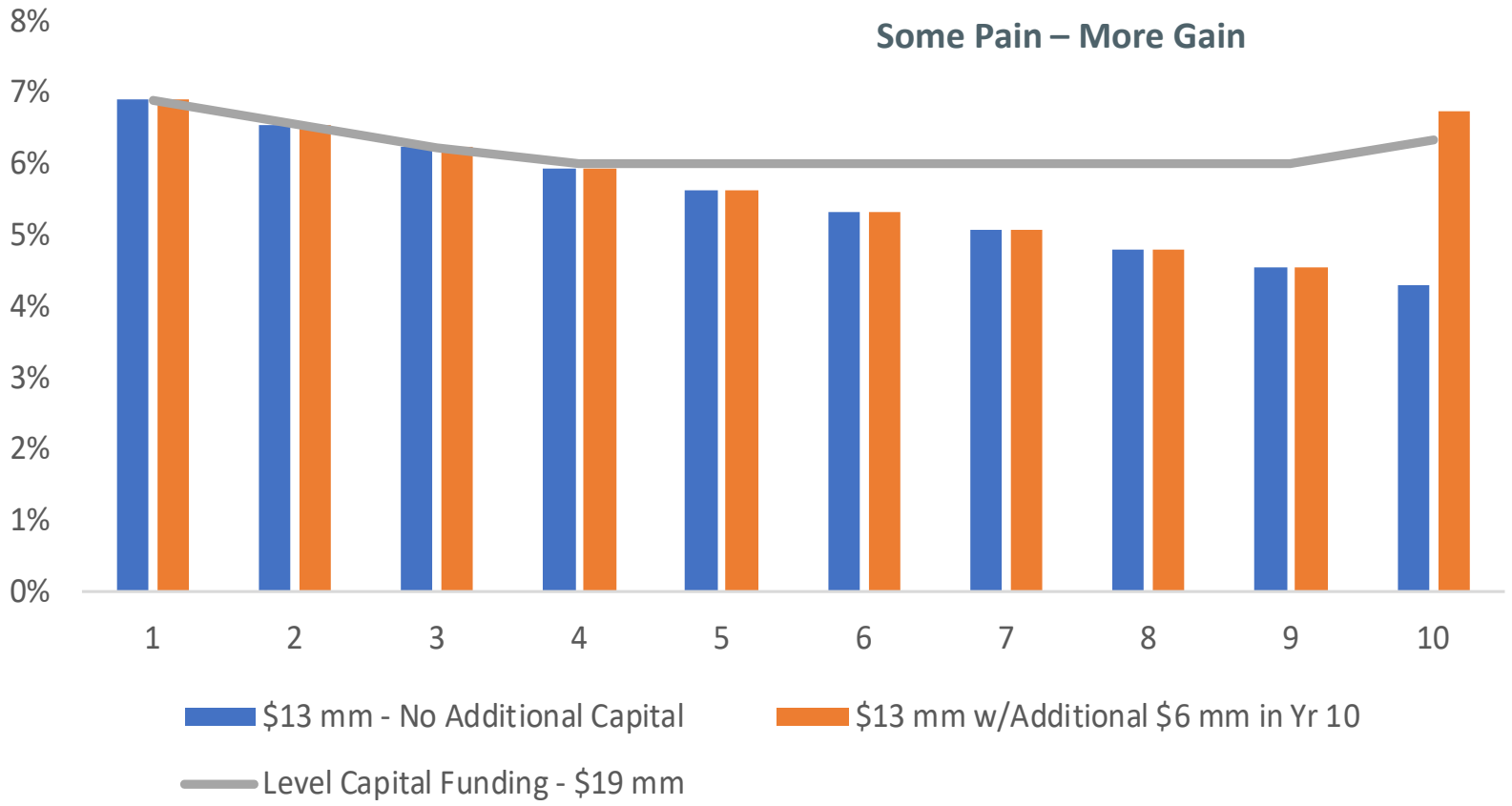
DEBT SERVICE AS % OF REVENUE



Note 1: The primary source for large scale local capital projects is debt.
Note 2: Debt service as % of revenue representing proxy for capital spending allocation in annual budget

Waiting Until Stuff Breaks vs. Capital Planning

DEBT SERVICE AS % OF REVENUE



Note: Level funding at 6% of budget results in reserves available to downsize debt issuance in year 10 by corresponding amount

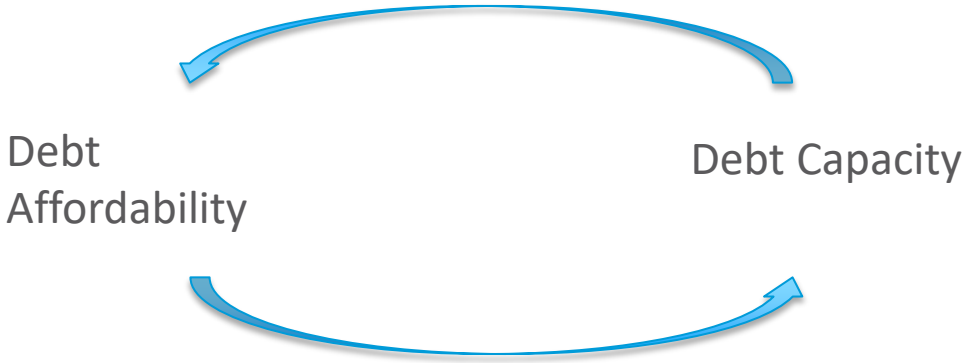
Debt Capacity

Debt capacity measures a government's ability to take on debt. It's a way that leaders and stakeholders can determine the affordability and risk of potential debt— and ensure decisions are made in the best interest of both present and future stakeholders. - *GFOA*

What amount of debt service can be incurred while maintaining an affordable tax burden or other municipal fee structure?

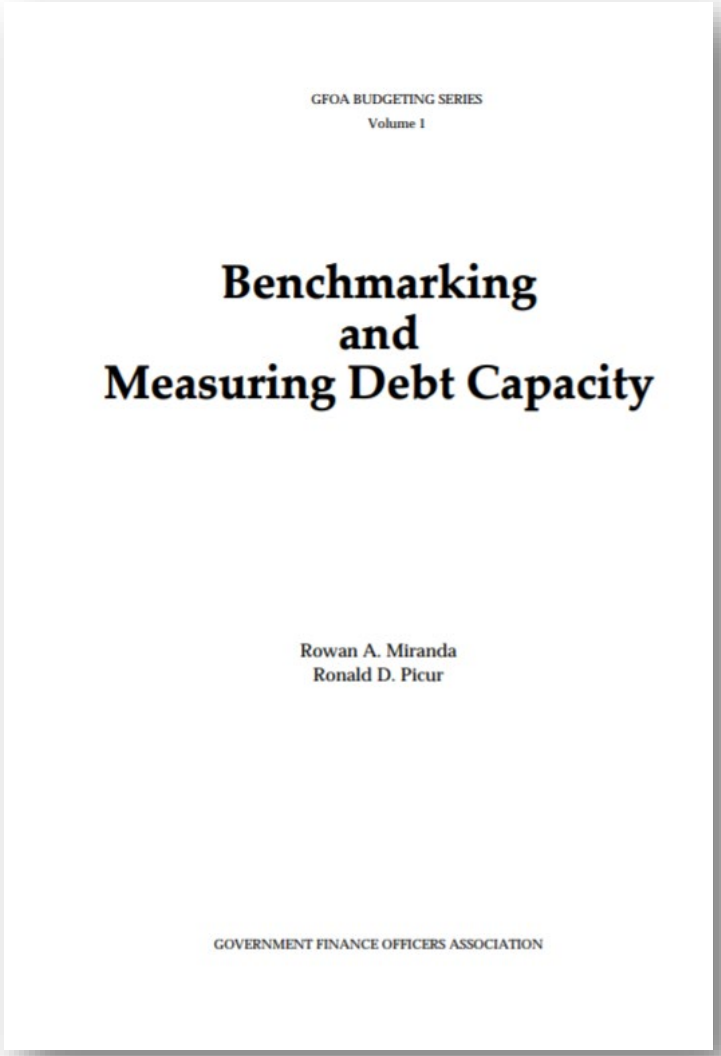
What amount of debt is appropriate before crowding out other important areas of community spending?

What amount of debt will lenders provide and at what cost?



Financial Benchmarking Overview

- Based on medians
- Most used method to establish debt capacity given competing goals
- Codified in debt policy
- Does not preclude capital spending in excess of debt capacity limits; just amount financed by debt
- Lenders also use benchmarking for credit evaluation (affordability)
- Governmental activities typically benchmarked separately from self-supporting or revenue bond debt



A Glimpse into Credit Review / Debt Capacity

Gov. Act. Operating Ratios

Sub-Category	Last Audit	2026 VBB Median	Moody's "A" Pop < 10k*	Notes
Unassigned + Assigned General Fund Balance as % of Revenue		12.9%	49.4%	Indictor of financial resources available for investment and resiliency
Cash as % of Revenue		40.75%	63.6%	Cash available for on-going operations
Capital Asset Depreciation (Ratio of Accumulated Depreciation to Original Value)**		44.3%	---	Indicator of relative age of infrastructure from financial accounting perspective

* "Cities and Counties—US Medians," published November 7, 2024

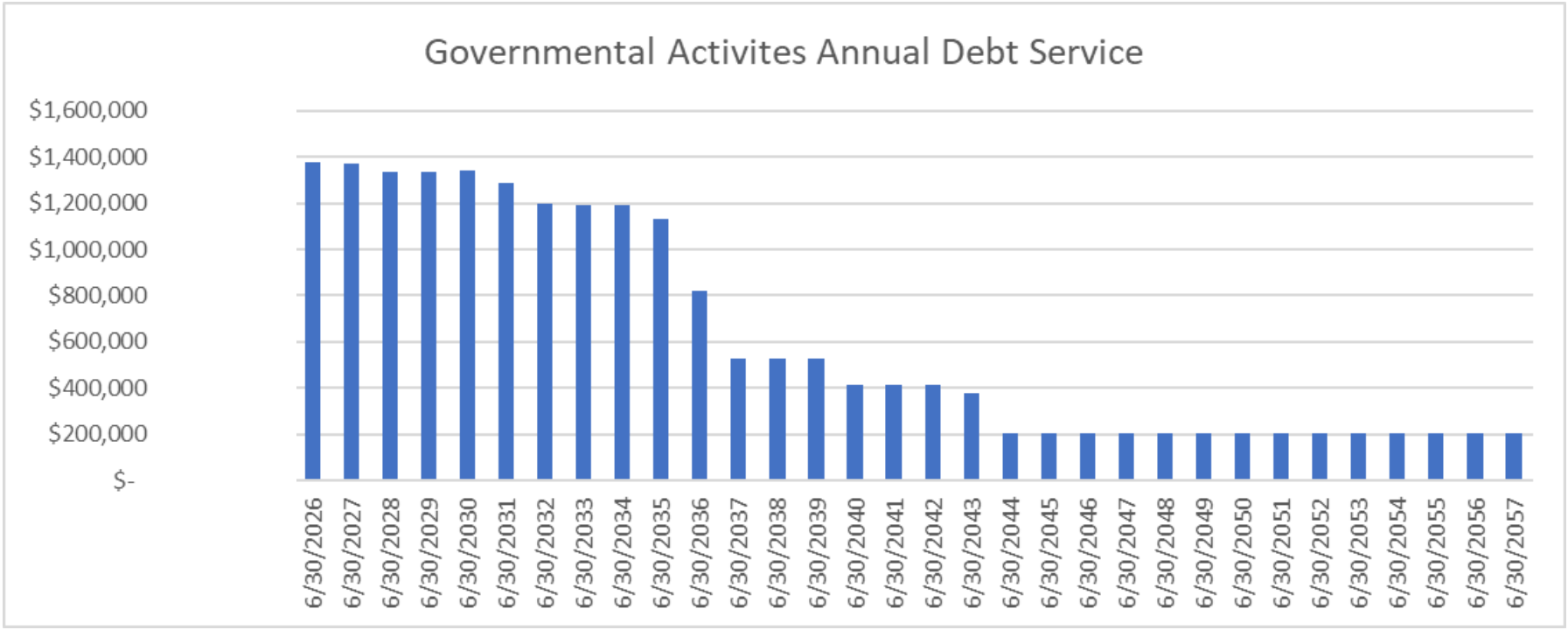
A Glimpse into Credit Review / Debt Capacity

Gov. Act. Debt Ratios

	Last Audit	2026 VBB Median	Moody's "A" Pop < 10k *	Notes
Total Long-Term Debt (LTD)		$1.28 million	---	
Debt Service as % of Operating Expenses		5.3%	10.5%	Indication as to amount of budget consumed by debt service; higher amounts may indicate crowding out of other spending priorities or alternative capital spending (ex. PAYGO)
Debt Service as % of Revenue		5.6%	10.2%	See above
Gov Activities LTD as % of Revenue		38.8%	187.5%	Indicator of debt relative to the size of annual revenues of a community
Gov Act LTD as % of Equalized Value		0.25%	1.5%	Indicator of level of leverage of community wealth
Gov Act Debt per Capita		$578	---	Indication of how much general obligation debt per person living in town

* "Cities and Counties—US Medians," published November 7, 2024

A Glimpse into Credit Review / Debt Capacity



Factoring in Disaster Recovery Costs

PLANET

Vermont Was Supposed to Be a Climate Haven

Then the rain came.

By Megan Mayhew Bergman



Hilary Swift / The New York Times / Redux

Factoring in Disaster Recovery Costs



Municipal Climate Recovery Fund



Governor Scott and Treasurer Pieciak Announce Program to Save Flood Impacted Municipalities Millions

November 28, 2023

Berlin, VT - State Treasurer Mike Pieciak joined Governor Scott today to announce a $15 million program to support flood-impacted municipalities. Through the 10% in Vermont local investment program, the Treasurer's Office has awarded $15 million to the Vermont Bond Bank to create the Municipal Climate Recovery Fund (MCRF).

1-to-7-year terms with up to 2 years interest only @ low cost

Year	Event	Capitalization Source	Amount Available to Loan	Demand	Communities Served	Notes
2023	July / August Floods	State of Vermont Loan	$15 mm	$35.5 mm	19	Borrowers were directed towards clean up costs
2024	July Floods	State FEMA Match Float	$5 mm	$5 mm	4	Designed for select communities that had residences cut off from services
2024	July Floods	State of Vermont Loan	Renewed $15 mm plus an additional $5 mm, resulting in $12.8 mm NM capacity	$31 mm	9	

$25 mm in lending capacity provided $33 mm in loans and served 27 unique towns

Municipal Climate Recovery Fund

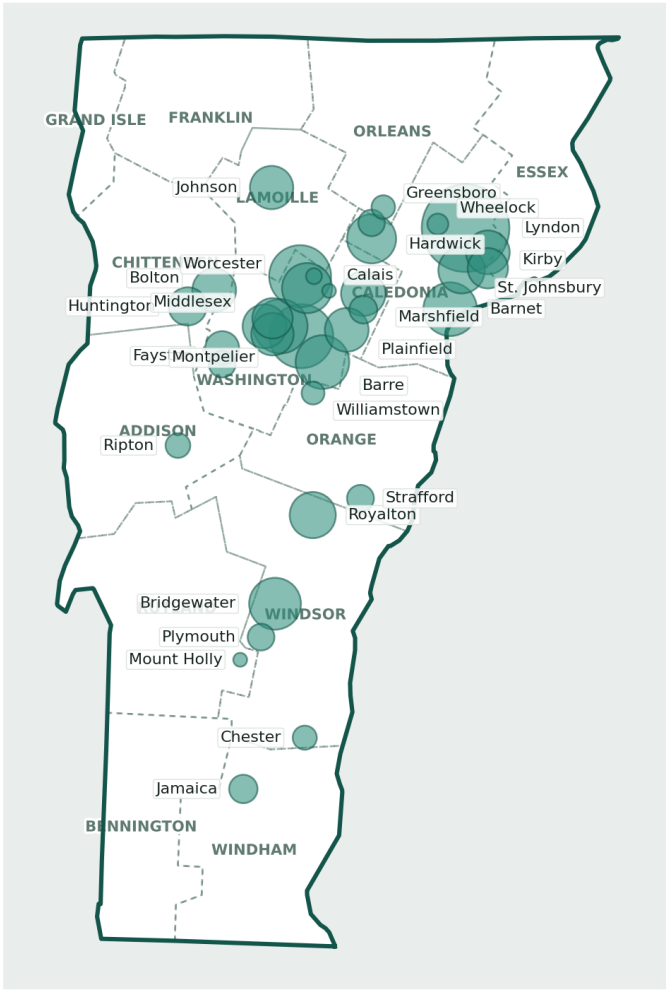
VERMONT BOND BANK · MCRF

New-Money Loans by Location

Each bubble is one new-money MCRF loan. Bubble area is proportional to the original loan amount.

36
LOANS

$32.9M
ORIGINAL PRINCIPAL



ORIGINAL LOAN AMOUNT



Town points are representative town-center coordinates.
County & state boundaries: U.S. Census Bureau.

Towns of St. Johnsbury and Lyndon



Overview: The neighboring towns of St. Johnsbury (pop.7,364) and Lyndon (pop. 5,491) serve as a hub for the rural, economically-challenged Northeast Kingdom region of Vermont. Home to Northeastern Vermont Regional Hospital and a Vermont State University campus, the towns provide critical access to medical care and higher education. In July 2023, flooding was relatively minor compared to some Vermont towns, with about $700k in municipal damage. However, in July 2024, the area saw two major storms, the second of which dumped 8 inches of rain on St. Johnsbury in just a few hours on top of saturated soil. Damage to the municipalities was estimated to be over $20 million. Eventually, FEMA is expected to help address some of the cost. In the meantime, the Bond Bank made MCRF loans totaling $5.124 million to the two towns to provide critical immediate relief.

St. Johnsbury and Lyndon by the Numbers
Est. Total Damage: **$23 million**
Combined Approx. Annual Budget: **$15 million**
St. Johnsbury Poverty Rate: 17.6%
Lyndon Poverty Rate: 14.0%
St. Johnsbury MHI as % of State MHI: 72%
Lyndon MHI as % of State MHI: 79%
CRA Eligibility: Eligible
MCRF Loan to Lyndon: $4,000,000
MCRF Loan to St. Johnsbury: $1,124,000
MCRF Loan Interest Rate: 1.3%



Financial Timing Challenges

"We're at that point where the purse is pretty much dry," Smith told Vermont Public last month. "And we don't have any liquidity anymore where we can pay [for] things."

Local News

FEMA's plodding bureaucracy exacts financial toll on Vermont towns

Vermont Public | By Peter Hirschfeld
Published September 23, 2024 at 9:20 AM EDT

Home / News

New Municipal Financing Options in Vermont Law Provide Legislative Bodies More Flexibility

SEPTEMBER 23, 2025

Two exciting revisions regarding municipal finance (in Act 57) took effect on July 1, 2025, thanks to our Advocacy Team's efforts. They helped secure new provisions of law that allow legislative bodies (selectboards, city councils, etc.) to carry forward unassigned fund balances (surpluses) and borrow for emergency response for up to five years of debt service, both **without prior voter approval**. These have been summarized in VLCT's 2025 Legislative Wrap-Up.



- **Authority to create and maintain an Unassigned Fund Balance.**
  Establishing an Unassigned Fund Balance is a prudent practice recommended by numerous auditors and governmental finance professionals that would assist municipalities in cash flow management, stabilize the local property tax rate, improve emergency response, and significantly strengthen municipalities' financial resiliency in the case of unexpected negative economic trends. Many municipalities had this authority by charter; now all municipalities may create such a fund balance to manage unexpended revenues in future years' budgets. Specifically, the new law says that monies from a budget approved by the voters at an annual or special meeting that are not expended by the end of a municipality's fiscal year are under the control and direction of the legislative body of the municipality and may be carried forward from year to year as an unassigned fund balance. Unassigned fund balances may be invested and reinvested as are other monies received by a town treasurer and may be expended for any public purpose as established by the legislative body of the municipality. 24 V.S.A. § 1585.

- **Authority to borrow for emergency response for up to five years of debt service.**
  In the wake of flooding and other all-hazard events, municipalities cannot wait for FEMA reimbursements to come before rebuilding vital town infrastructure or restoring municipal services. State law now allows municipalities to take on debt for up to five years without a town vote in the case of an all-hazards event.

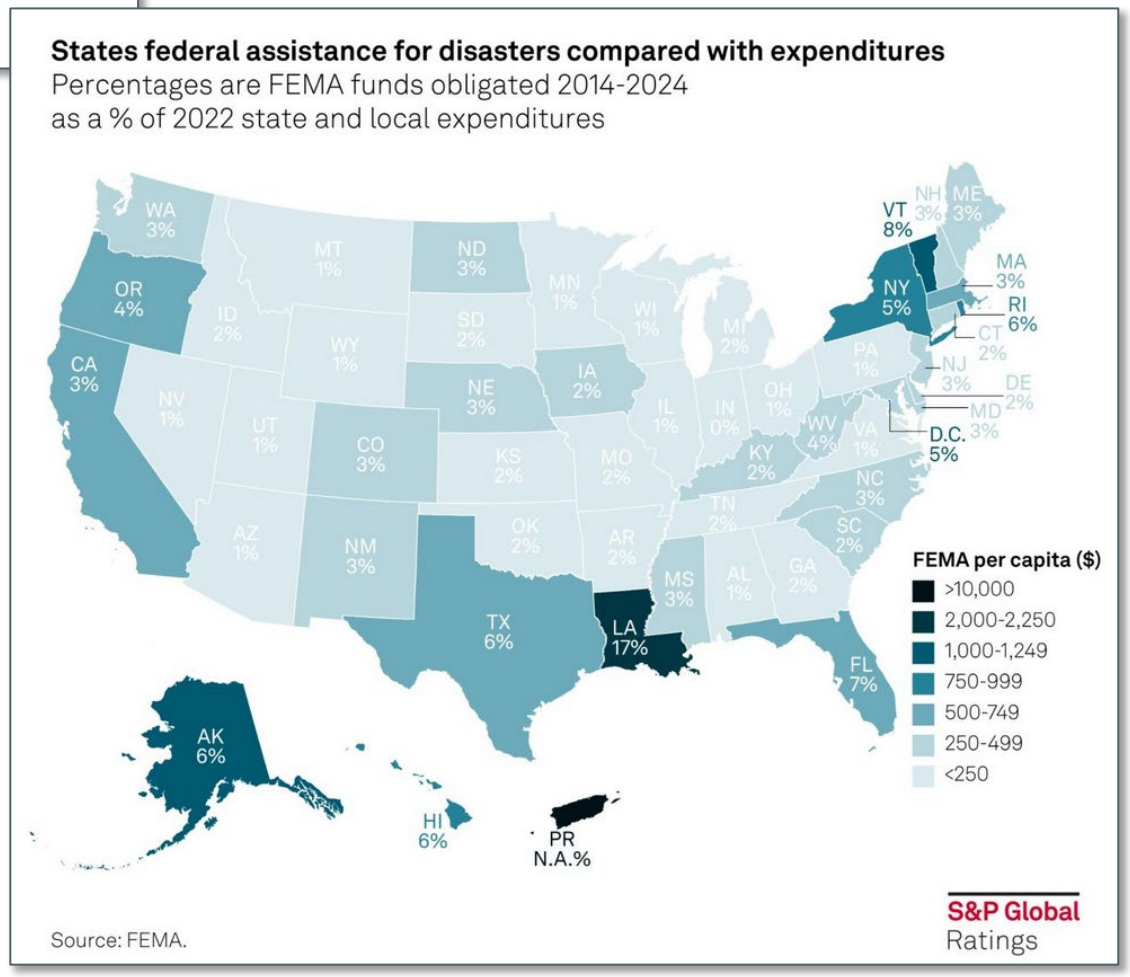
Vermont FEMA Dependence Risk

S&P Global
Ratings

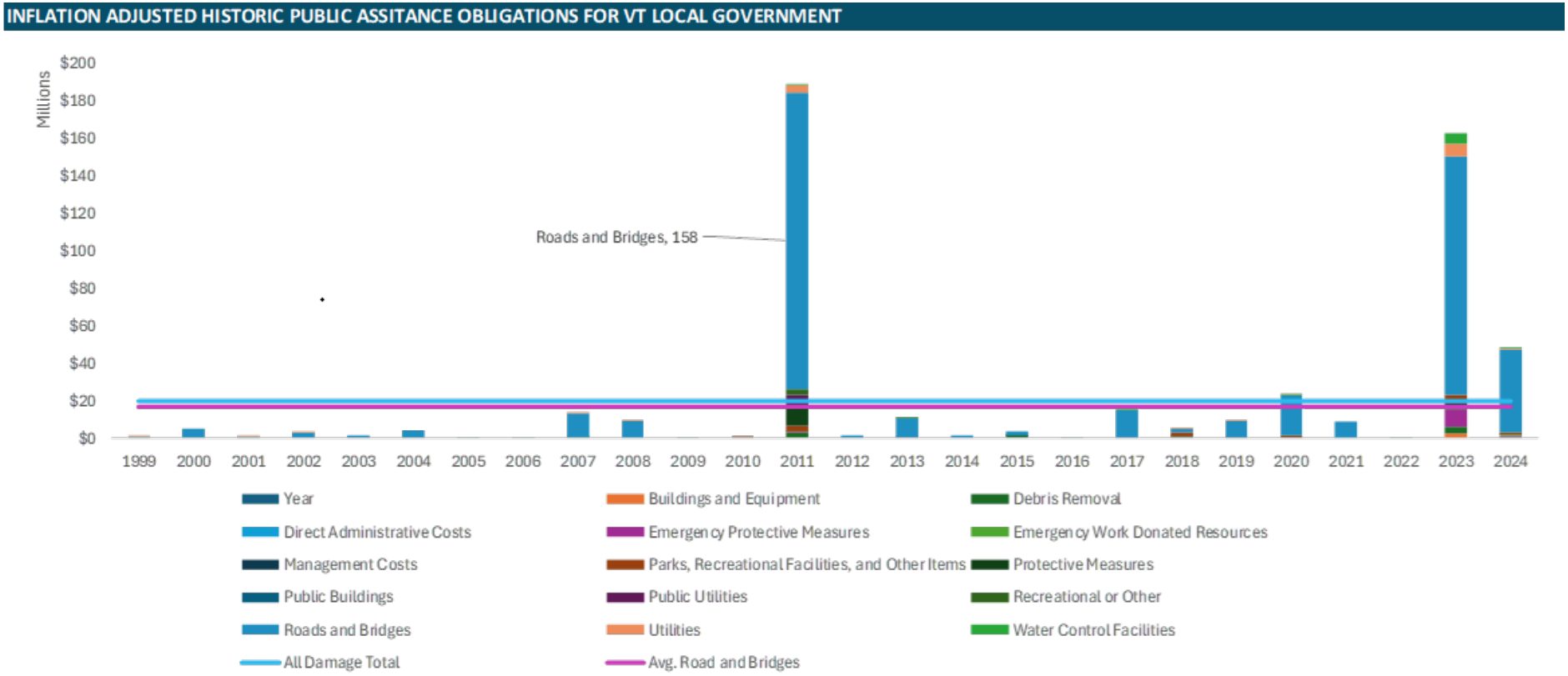
RatingsDirect®

Federal Disaster Relief Funding Proposals Could Elevate Credit Risks For U.S. Governments

June 4, 2025



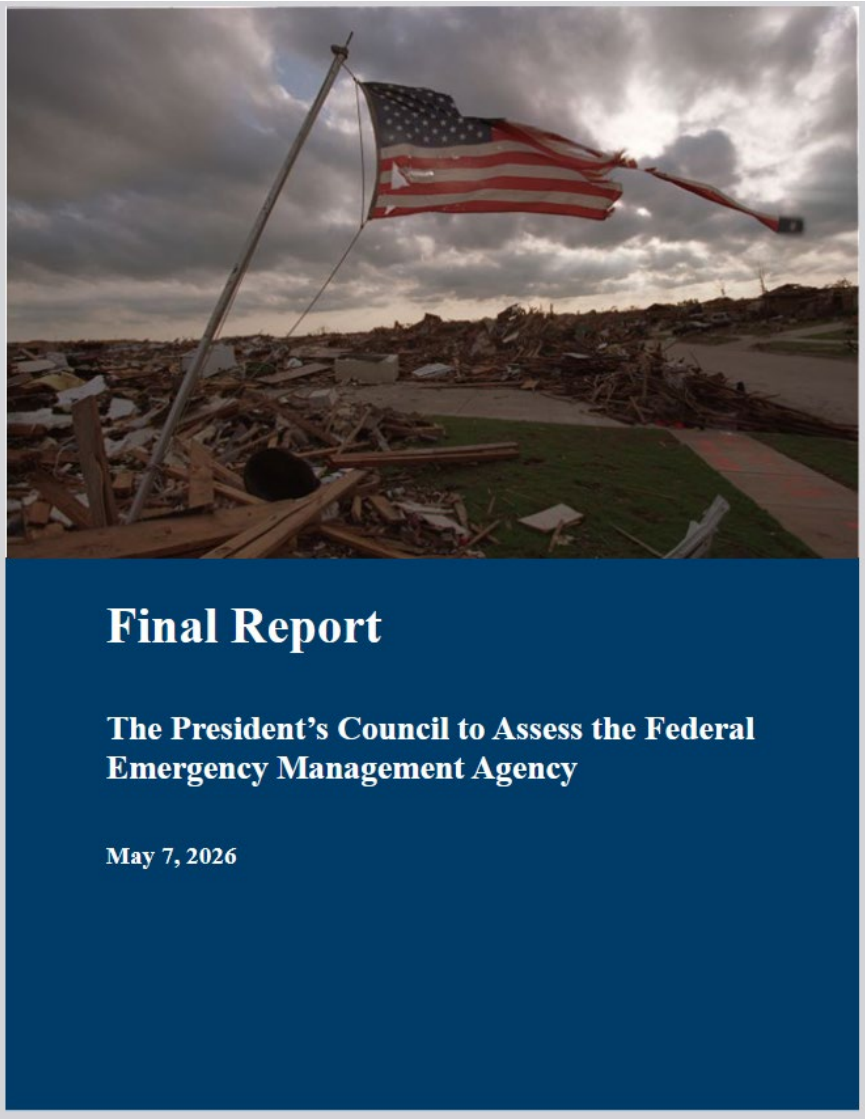
Historic FEMA PA Obligations in Vermont



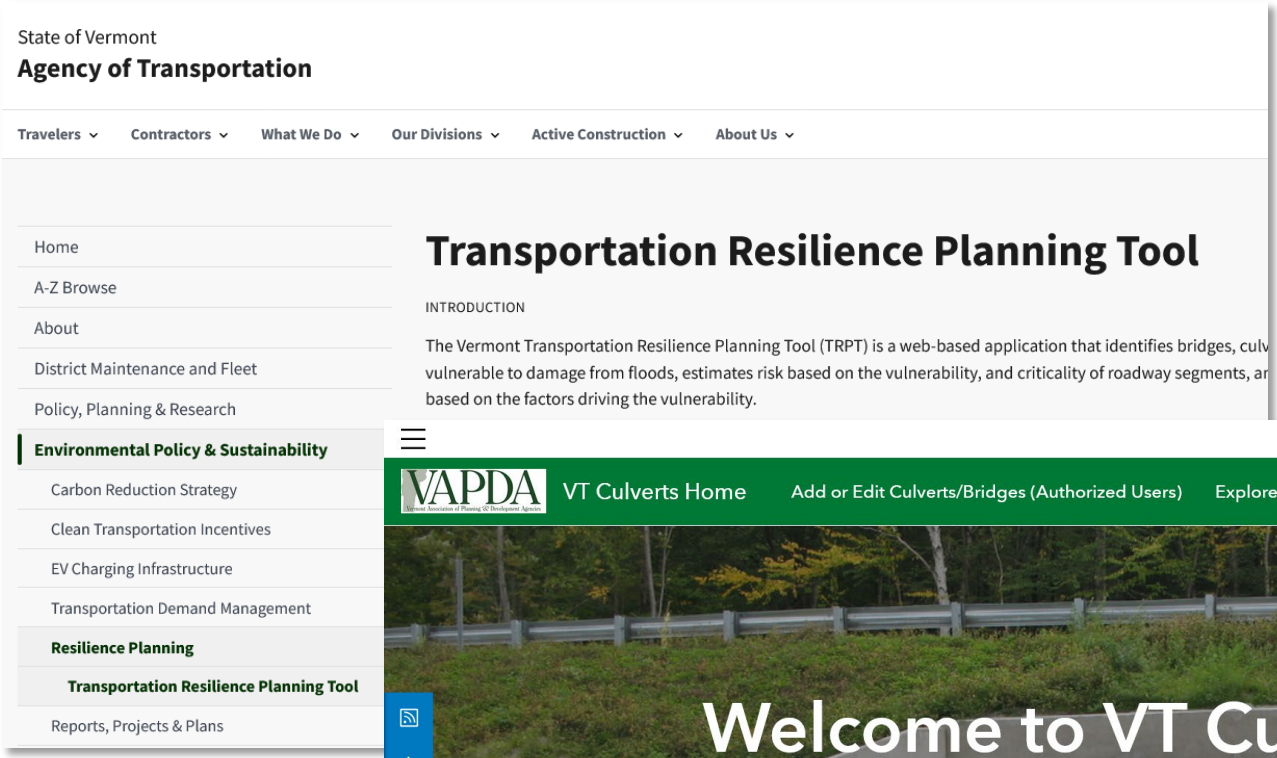
Future FEMA Obligation Uncertainty

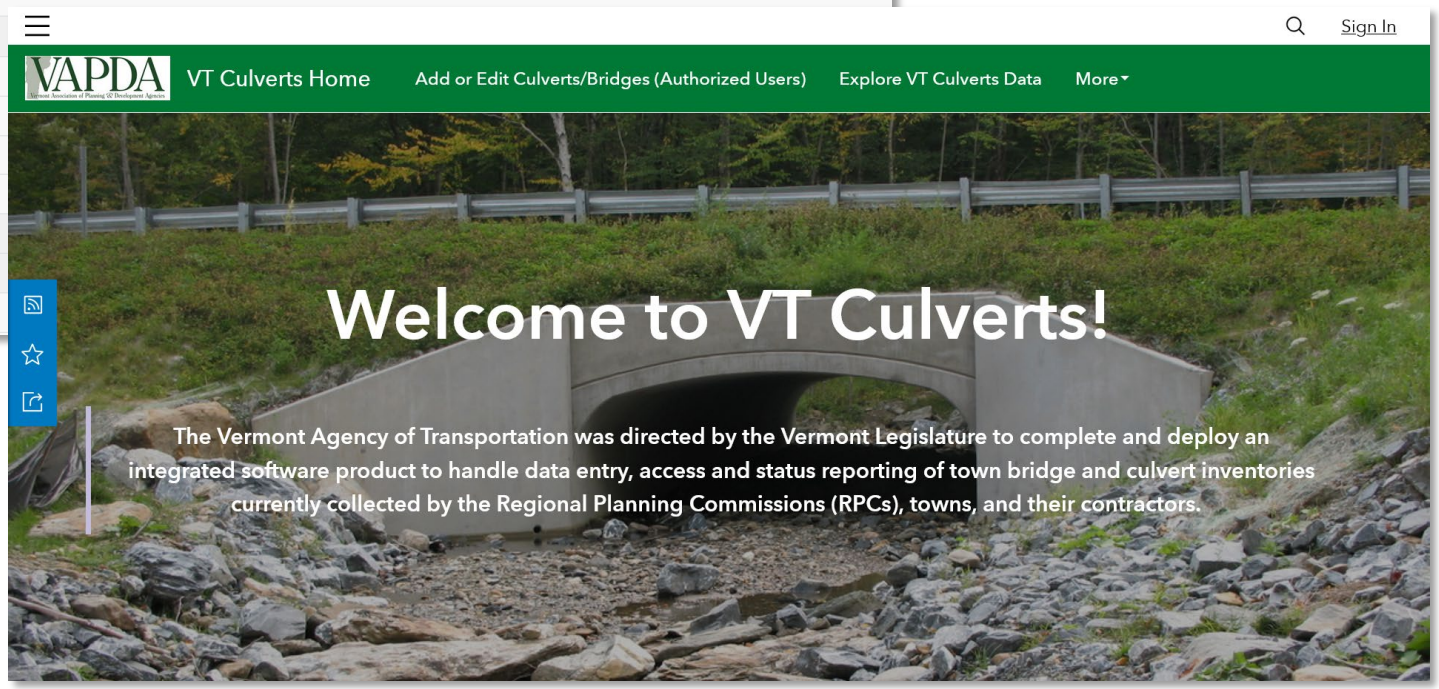
Pending Changes to FEMA:

- Less funding available
- Responsibility shifting to state
- Higher threshold for disaster declarations
- Potentially no funding for localized events
- Emphasis on planning (states and local units of government with strong planning and history of hazard mitigation likely prioritized)



Focusing on Most Vulnerable Assets – TRPT & VT Culverts!





Other Resources Available – Flood Ready VT & RIVER

Rising Danger: The Cost of Flooding



The case for taking action

Welcome to Flood Ready Vermont

VERMONT

Languages

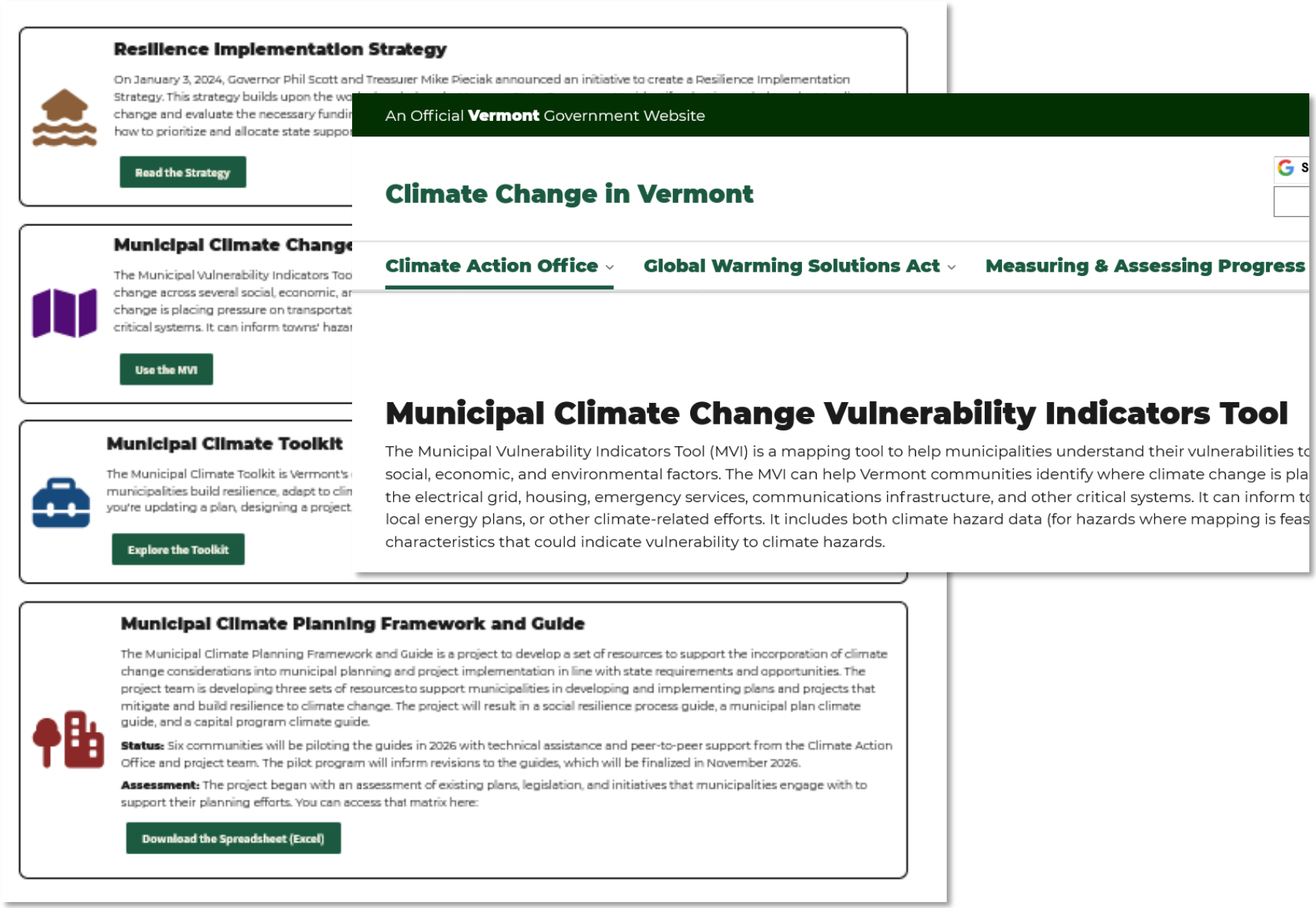
Resilience Initiative for Vermont Empowerment and Recovery (RIVER)

The **Resilience Initiative for Vermont Empowerment and Recovery (RIVER)** is a project dedicated to developing locally supported ideas for reducing flood damage. RIVER is focusing on several municipalities hit hard in 2023. Community discussions for this project are being led by the respective regional planning commissions in concert with the affected towns and other groups.

The Two Rivers-Ottauquechee Regional Commission www.trorc.org manages RIVER project riverprojectsvt.org

Watch the **video from GNAT on how the RIVER project is rolling out in the Windham Regional Commission region**--which includes Jamaica, Londonderry, and Weston. youtu.be/XMHEe1dg8KY

Other Resources Available – Climate Action Office



Other Resources Available

Vermont League of Cities & Towns

ADVOCACY ASSISTANCE INSURANCE TRAINING RESOURCES QUICK TOOLS

DOCUMENTS

Model Capital Program and Budget Policy

LINKS

Capital Planning

Home

Model Capital Program and Budget Policy

VLCT Model Capital Program and Budget Policy Guidance

The capital assets of a town and their condition are critical to the quality of services that a municipality can provide. Capital asset expenditures can be more controversial than other expenditures because they typically involve large sums of money, often raised through debt financing, and not every citizen will agree as to the necessity of each project that is undertaken. By using a well thought out capital improvement program, the town can plan for replacement of assets,

Vermont Bond Bank

Our Vision Loan Programs Borrowers Investors Infrastructure Data

Capital Planning Resource Page

Technical Assistance

Vermont Bond Bank supports capital planning around the state through our Vermont Capital Planning Forum and sponsorship of the Best Capital Plan. The Bond Bank regularly supports communities in this effort with customized debt capacity benchmark analysis (ken@vtbondagency.org).

Please see the below resources to help with local capital planning efforts.

Capital Planning 101

Bond Bank YouTube Channel for past presentations from the Capital Planning Forum

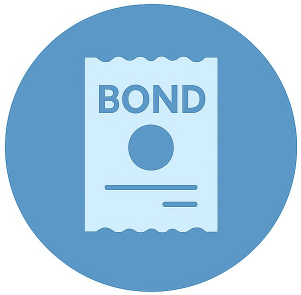
Zack Blake, Chief of Division of Local Services at Commonwealth of MA

2024 Vermont Capital Planning Forum Materials

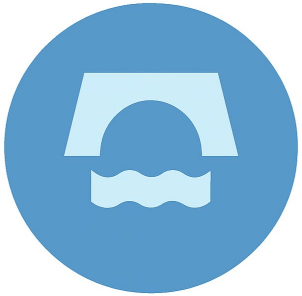


Municipal Climate Recovery Fund Proposal

The Bond Bank is working to scale and make permanent the MCRF in pursuit of the following objectives for Vermont communities



IMPROVED FISCAL HEALTH



PRIORITIZED INFRASTRUCTURE



REDUCED FLOOD RISK

Impact Mitigation

Pre-Event

- Capital planning and **infrastructure prioritization**
- Transparent **risk reduction** strategy
- Engagement with **RPCs and statewide resources**
- Community-level **quantification of costs and benefits of options** – inc. costs of doing nothing, opportunity costs, and avoided costs
- **Improved fiscal health**

Post-Event

- Appropriate access to liquidity
- Fiscal and service stability
- **Reduced disruptions** to civic life
- **Reduced dependence** on federal support
- Rapid recovery
- Rebuilding the right way / mitigation



Incentive Framework Under Development

	SHORT TERM	MEDIUM TERM	LONG TERM
MCRF Loan Eligibility	The Bond Bank will make the MCRF available for all Vermont municipalities with prioritization of financing based on its existing methodology. Access to the MCRF is an entry point to engage as many municipalities as possible with the actions below. **Incentives described below will complement baseline access.**		
Municipal Requirements	- Capital plan including transportation network - Progress and policies towards reserve financial benchmarks - Contract and/or plan for post-event federal and state reporting	- Measurable risk reduction on the most vulnerable transportation assets, including repair, retire, replace, and improve	- Full asset vulnerability analysis with a plan for actions
Tools	- **Low cost deferred repayment planning and engineering loans** - **Disaster Reserve Benchmarks** - Other?		
Incentives / Access	Adaptation Grant Access for Post-Event Recovery / Non-Federal Event Insurance		
		Discounted Rates for Implementation Loans	
			Price in infrastructure risk in Bond Bank loan rates

Disaster Reserve Benchmarks

https://www.vtbondbank.org/reservebenchmarks

Town Highway Disaster Reserve Benchmarks

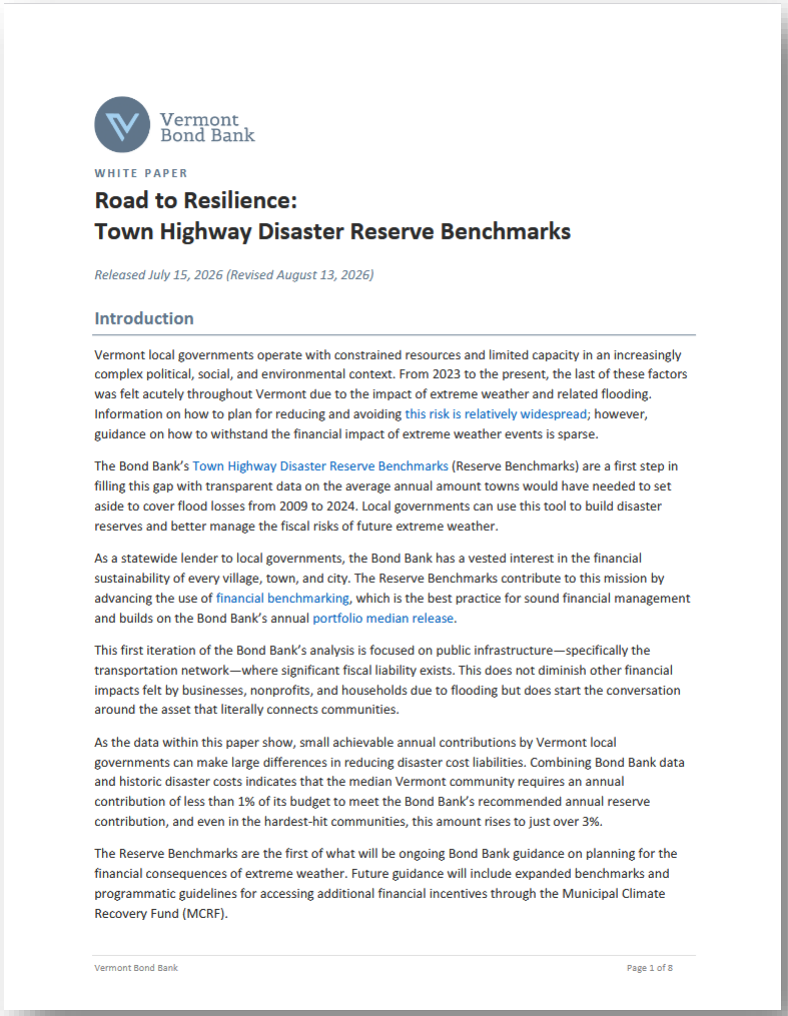
This dataset is for use by municipal officials to identify funds needed for financial readiness. Potential levels of Annual Contribution can be evaluated alongside relative levels of transportation vulnerability. Cumulative contributions and interest earnings in related reserves can be compared against the Disaster Reserve Target to evaluate whether a municipality is sufficiently funded and fiscally prepared.

Search in table

Page 1 of 12

Town	% of Roads that are Vulnerable	% of Roads both Critical and Vulnerable	Annual Average Loss (AAL)	Maximum Loss	Low Annual Contribution (7.5% of AAL)	Medium Annual Contribution (10.0% of AAL)	High Annual Contribution (15.0% of AAL)	Disaster Reserve Target (15% * Avg of 3 Highest Loss Years)
Addison Town	46	20	$3,790	$24,911	$284	$379	$568	$3,032
Albany Town	23	0	$235,914	$1,302,044	$17,694	$23,591	$35,387	$162,868
Albany Village			$0	$0	$0	$0	$0	$0
Alburgh Town	43	2	$9,027	$144,436	$677	$903	$1,354	$7,222
Alburgh Village			$0	$0	$0	$0	$0	$0
Andover Town	27	0	$91,926	$1,076,582	$6,894	$9,193	$13,789	$73,541
Arlington Town	46	14	$12,972	$186,313	$973	$1,297	$1,946	$10,378
Athens Town	45	8	$25,719	$199,550	$1,929	$2,572	$3,858	$20,575
Averill	0	0	$23,186	$215,177	$1,739	$2,319	$3,478	$17,365
Averys Gore	0	0	$0	$0	$0	$0	$0	$0
Bakersfield Town	39	0	$80,017	$1,280,270	$6,001	$8,002	$12,003	$64,014

- Based on historic road and bridge FEMA losses
- Provides annual contribution benchmark
- Provides terminal reserve amount
- Includes comparison of Transportation Resource Planning Tool vulnerability



Vermont Bond Bank

WHITE PAPER

Road to Resilience:
Town Highway Disaster Reserve Benchmarks

Released July 15, 2026 (Revised August 13, 2026)

Introduction

Vermont local governments operate with constrained resources and limited capacity in an increasingly complex political, social, and environmental context. From 2023 to the present, the last of these factors was felt acutely throughout Vermont due to the impact of extreme weather and related flooding. Information on how to plan for reducing and avoiding this risk is relatively widespread; however, guidance on how to withstand the financial impact of extreme weather events is sparse.

The Bond Bank's Town Highway Disaster Reserve Benchmarks (Reserve Benchmarks) are a first step in filling this gap with transparent data on the average annual amount towns would have needed to set aside to cover flood losses from 2009 to 2024. Local governments can use this tool to build disaster reserves and better manage the fiscal risks of future extreme weather.

As a statewide lender to local governments, the Bond Bank has a vested interest in the financial sustainability of every village, town, and city. The Reserve Benchmarks contribute to this mission by advancing the use of financial benchmarking, which is the best practice for sound financial management and builds on the Bond Bank's annual portfolio median release.

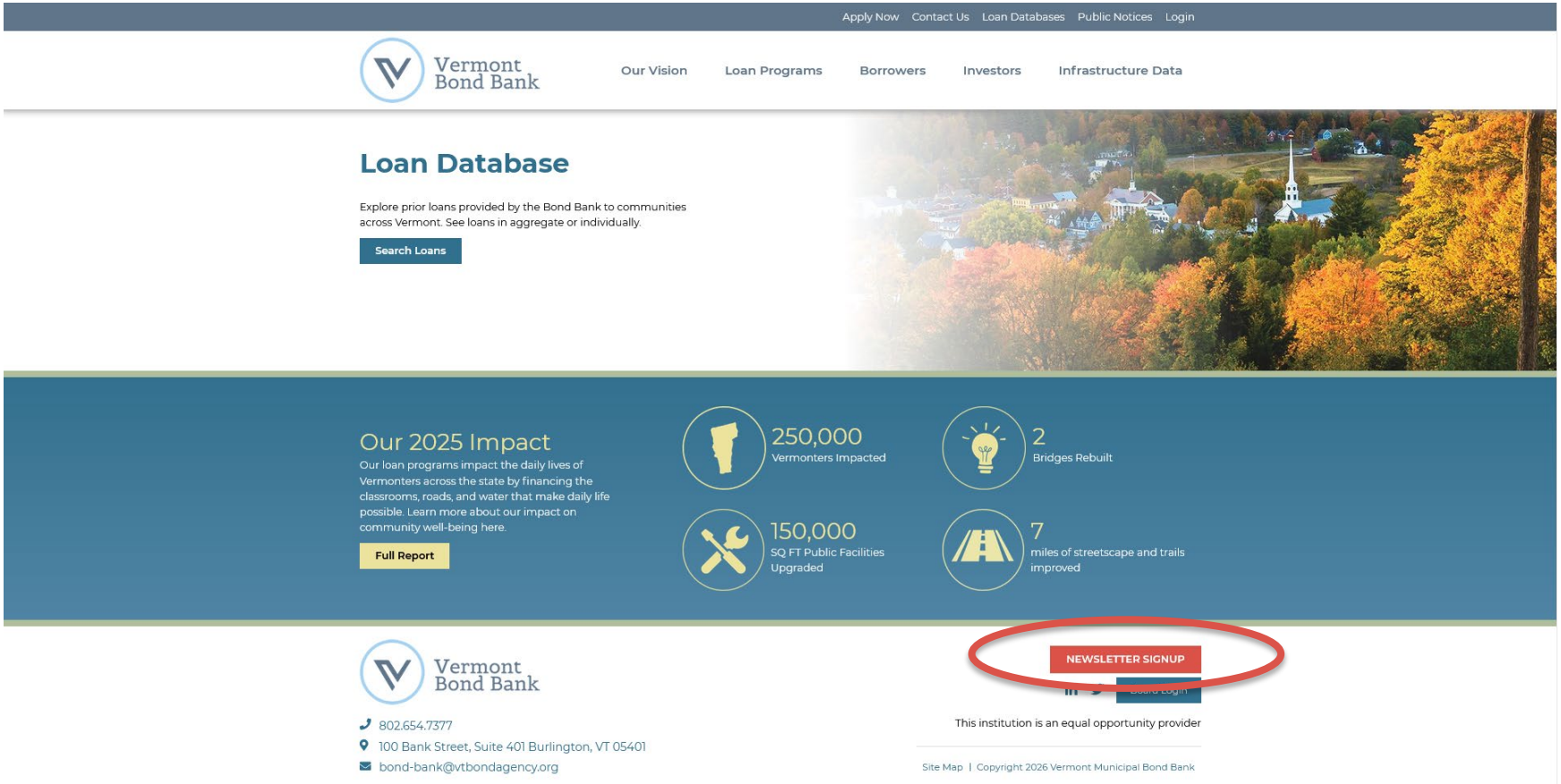
This first iteration of the Bond Bank's analysis is focused on public infrastructure—specifically the transportation network—where significant fiscal liability exists. This does not diminish other financial impacts felt by businesses, nonprofits, and households due to flooding but does start the conversation around the asset that literally connects communities.

As the data within this paper show, small achievable annual contributions by Vermont local governments can make large differences in reducing disaster cost liabilities. Combining Bond Bank data and historic disaster costs indicates that the median Vermont community requires an annual contribution of less than 1% of its budget to meet the Bond Bank's recommended annual reserve contribution, and even in the hardest-hit communities, this amount rises to just over 3%.

The Reserve Benchmarks are the first of what will be ongoing Bond Bank guidance on planning for the financial consequences of extreme weather. Future guidance will include expanded benchmarks and programmatic guidelines for accessing additional financial incentives through the Municipal Climate Recovery Fund (MCRF).

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