



Testimony of the Vermont League of Cities and Towns
Ted Brady, Executive Director
Senate Finance
Regarding Municipal Finance Post Summer Flooding and S. 160
January 12, 2024

Thank you for having me in today to talk about the fiscal condition of Vermont's cities, towns and villages in the wake of the summer flooding.

A plurality of Vermont's municipalities suffered damage due to the flooding, and several dozen find themselves with unexpected expenses that are putting pressure on their budgets. The largest expenses are related to storm clean up, infrastructure repairs, tax abatements, and lost revenue. VLCT thanks the Legislature for acting quickly to consider these impacts, and encourages action on five key municipal recovery actions:

- Reimburse municipalities for flood-related tax abatements, as S. 160 does
- Relief from local match required for FEMA assistance
- Revenue replacement for cities and towns that lost revenue due to flooding
- Additional funding for the Flood Resilient Communities Fund
- Attention to emergency preparedness coordination at the state and local level

Based on all of the requests for FEMA Public Assistance that have been made to date, the state suffered somewhere around \$600 million in damage to public infrastructure. Subtracting out the state, non-profit and school damage, this leaves about \$205 million in FEMA Public Assistance eligible municipal damage to roads, bridges, municipal buildings, and property. A quick reminder that municipalities will likely be on the hook for somewhere near 10 percent of that in local match, or \$20 million, less any contributions the state makes to the local match.

In addition, VLCT has shouldered the burden of covering some flood damages. We provide the equivalent of property insurance for 95 percent of Vermont municipalities. Since July, we've received 97 loss claims from 36 municipalities totaling around \$10 million.

I did some informal surveying of town managers and selectboard members around Vermont before this testimony so I could share some specific examples of the financial situation towns face post flooding. And I also encourage all Legislators to read Kevin O'Conner's piece from VTDigger on January 10th entitled "As March Town Meetings near, 2023 floods spur a temporary torrent of red ink". It provides a very good look at the fiscal situation towns face. I've included a copy of that article here with my testimony.

In Barre City, their City Manager tells me they expect a \$1.5 million budget hole this year – in an annual budget of about \$14 million. They've received about 50 abatement requests to date, but expect many more. Three hundred and sixty homes were impacted, and 90 received substantial damage

determinations. Their grand list is likely to drop more than 3.6 percent because of the flooding. Forty property owners have asked for buyouts, which would cost about \$8 million, with a \$2.5 million local share if executed.

In Chester, damage amounted to \$2.3 million, where the Town Manager tells me they have 89 FEMA projects in the works, only eight of which have been submitted, and only two of which have been funded. This has required Chester to borrow \$1.9 million using a current expense note – in a town that has an annual operating budget of about \$3.7 million. That \$1.9 million comes with a relatively high interest rate.

In smaller towns, like Hardwick, they've already abated taxes on six properties totaling about \$14,147, and anticipate a couple more. They estimate these properties will come off the grand list next year. Their estimated budget impact today, about \$75,000 – largely due to FEMA match and lost water and wastewater revenue.

Some towns haven't abated any taxes yet, like Woodstock. But they have offered abatement to those impacted, and are going to encourage them to apply for abatement again in the near future.

And other towns, like Richmond, haven't abated taxes, but estimate their budget will be impacted by non-reimbursable disaster work to the tune of \$85,000.

Other towns haven't complied the numbers entirely yet, but Johnson Village estimates water and wastewater revenues will be down 10 percent, and electric revenues down 5 percent.

I understand the committee is considering voting on S. 160 today, which would reimburse towns for the education fund taxes abated as a result of the flooding. This is VLCT's first key to municipal recovery, and we appreciate you acting quickly on it, with a possible vote today. While VLCT supports S. 160, I do want to highlight a couple of issues we hope the Legislature will consider before final passage:

- Any abatement assistance should consider reimbursing municipalities for all or a portion of the municipal tax abated. While a minority of Vermont's municipalities were severely impacted by the flooding, Vermont should come together to share the pain these communities are feeling.
- To ensure fairness and equity across municipalities with different capacity, we encourage the committee to consider extending the eligibility period for abatement reimbursement. We recommend allowing communities to request reimbursement for any qualifying flood-related abatement that occurs before June 30, 2024.
- VLCT appreciates the Legislature's allowance of properties that meet one **OR** more of the criteria. This is vitally important to enable Vermonters impacted by the flooding and their municipalities to benefit from the abatement program. We hope you will retain this provision.

Before closing, I wanted to highlight the work VLCT has been doing to help municipalities recover. We've pivoted our Federal Funding Assistance Program, funded in large part by the Legislature in

recent years and staffed by former Guilford Town Administrator Katie Buckley and former Central Vermont Regional Planning Commissioner Director Bonnie Waninger, to flood recovery assistance to municipalities. Our flood recovery web resources have received 7,000 views, we've made nearly 300 individual contacts with municipal officials seeking flood guidance, and we have hosted dozens of webinars and conference calls in partnership with the RPCs and VEM – the workhorses of municipal disaster recovery efforts. Unfortunately, this program will wind down in the coming year unless it receives additional state or federal funding.

We also partnered with the Treasurer's office and the Vermont Bond Bank to create new financial resources. The wait for FEMA reimbursement funding – and the uncertainty of such funding -- can cost municipalities tens to hundreds of thousands of dollars or more in interest on loans while they wait for reimbursement that could instead be used to provide government services. Earlier this year, VLCT partnered with the Vermont Bond Bank to provide some relief. As you may have heard from the Treasurer, the Bond Bank is utilizing \$15 million of the Treasurer's local investment program to provide low interest loans to municipalities impacted by flooding. VLCT is providing an [interest rate subsidy](#) for those municipalities worst hit by the July flooding, so the municipality will pay no interest over the life of the loan. VLCT is providing about \$1 million for this subsidy over the life of the loan program.

I hope my testimony demonstrates the tremendous needs our municipalities have. Thank you for your attention and swift action to help our municipalities recover.

As March Town Meetings near, 2023 floods spur a temporary torrent of red ink

At least 60 Vermont municipalities are facing budget deficits because millions of dollars in cleanup bills they paid last year have yet to be reimbursed by the federal and state government, according to a VTDigger survey.

By Kevin O'Connor
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At least 60 Vermont cities and towns are awaiting federal and state reimbursement of 2023 flood cleanup costs. Photo by Kevin O'Connor/VTDigger

Six months after record rains sparked **historic flooding**, local leaders drafting municipal budgets for March Town Meetings are reporting a temporary torrent of red ink.

At least 60 of Vermont's 247 cities and towns — from Athens in the south to Walden in the Northeast Kingdom — are facing deficits because millions of dollars in cleanup bills they paid last year have yet to be reimbursed by the federal and state government, according to a VTDigger survey.

Take Middlesex, population 1,779, where residents thought the worst was the momentary July 2023 closure of their east-west Route 2 and north-south Interstate 89. Then they calculated more than \$2 million in emergency spending and the need for another \$2.5 million in permanent road repairs and hazard mitigation.

Added up, the total is three times Middlesex's \$1.6 million annual budget.

The Federal Emergency Management Agency will pay 75% of approved costs, while the state could pick up at least half of the remaining 25%. But because the town first has to submit reams of paperwork (down to the GPS coordinates of every damaged culvert) for both federal and state review, it only has received confirmation of a coming check for its first bill: \$6,000 for three debris-clearing dumpsters.

As it waits for the rest of the money, Middlesex has drained \$1.5 million of a \$3 million bank line of credit, leaving officials to consider whether to rack up more debt or ask taxpayers for help in the interim.

"We don't want to overtax," Middlesex Town Clerk Sarah Strohmeier Merriman said. "Then again, we need the money and voters need to know exactly where the town is financially."

That's particularly challenging when local leaders don't know themselves. The Barre City Council, for example, has tapped a \$600,000 fund balance and \$2 million line of credit as it awaits federal and state reimbursement. In the meantime, councilors decided Tuesday night to limit the city's March 5 ballot to the state's presidential primary and area school issues and postpone voting on all other municipal matters until May 14.

"We're so in flux, because of the flooding and its impact on the budget, we don't know what those numbers are going to look like," Barre City Clerk and Treasurer Carolyn Dawes said. "By pushing it out, we'll hopefully have a much clearer picture and more confidence in the proposal we put forward."

Last summer's flooding not only racked up a Barre City cleanup bill of more than \$2 million, but also destroyed an estimated 10% of housing for its 8,491 residents — or 4% of the municipality's assessed property value.

"We're expecting a significant reduction in the grand list due to flood damage, which will have a negative impact on the tax rate," Dawes said. "That means everybody else is going to be paying more taxes to keep the same level of services."

FEMA officials won't list municipalities they're working with "for privacy reasons," spokesperson Joshua Marshall said, but can report they're assisting 192 applicants from Vermont villages, towns, cities, counties, the state and private nonprofits.

"Because of the different levels of complexity and the need to review for duplication of benefits," Marshall said in a statement, "the timeline of reimbursement for each category of work will vary by weeks or months, contingent upon how readily FEMA receives information from each applicant to process the documentation."

A VTDigger survey found waiting and worries statewide. Of the nearly 130 municipalities that responded, small towns ranging from Andover, Barton and Charlotte to Weston, Williamstown and Woodstock expressed the majority of shared concerns.

Marshfield, population 1,583, annually collects about \$1 million in taxes, Town Clerk Bobbi Brimblecombe said. Last summer's flood, in comparison, created \$1.6 million in local damage — not counting the future cost to replace four destroyed bridges.

"We hope to get that much in FEMA reimbursements," Brimblecombe said, "but the timing is unknown."

Marshfield has taken out a line of credit as it applies for assistance. But since the time when the town sought help after similar flooding in 2011, FEMA is requiring local leaders to provide more specific information, such as how many damaged trees were six or more inches in diameter "at breast height."

"The number of questions they ask doesn't seem to end," Brimblecombe said.

In hopes of helping, the state is offering communities low-interest loans through a new \$15 million **Municipal Climate Recovery Fund**. But the clerks in Barre City, Marshfield and Middlesex don't expect to receive full support, noting their three requests alone would eat up one-third of the entire fund.

As a result, local staffers continue to await word from FEMA.

"There's a big lag time," Middlesex Treasurer Dorinda Crowell said. "Little towns are left hanging in a really tough position."