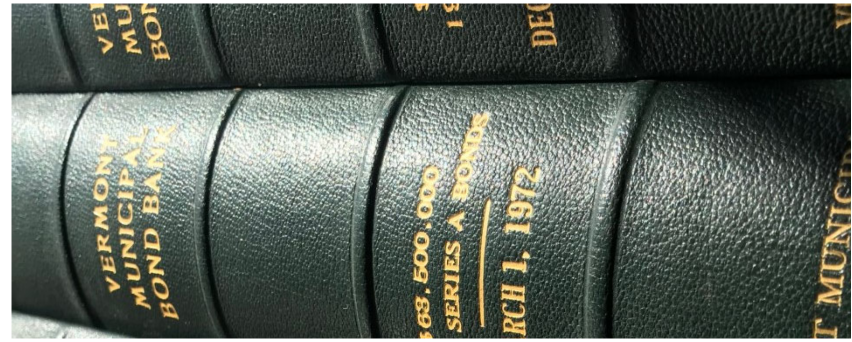

SUMMER 2023 FLOOD OBSERVATIONS

Presentation on January 16, 2024

Financial Conditions Pretext

- The flood of summer 2023 occurred against a backdrop of improving financial ratios within local government and enterprise systems. Potential impacts will not be observed until the 2024 medians are released
- Vermont local government, as observed by the Bond Bank, continues to increase resilience
  - Medians related to fund balances grew year over year to the highest level in the Bond Bank's four-year observation period

https://www.vtbondbank.org/resource/2023-vermont-bond-bank-financial-medians

GOV ACTIVITIES MEDIANS						
	2023 Medians		2022 Medians		2021 Medians	
	Medians	**Count**	**Medians**	**Count**	**Medians**	**Count**
Unassigned Balance as % of Rev*	16.46%	95	13.60%	98	10.40%	83
Cash as % of Rev	61.20%	102	72.39%	100	65.86%	87
Intergovernmental as % of Rev	10.45%	90	9.15%	84	8.15%	67
Total LTD	774,996	108	849,101	98	929,550	93
DS as % of OpEx	5.47%	84	6.21%	81	8.08%	74
DS as % of Rev	5.41%	87	5.89%	86	7.45%	76
LTD as % of Rev	40.83%	91	35.05%	97	34.98%	91
LTD as % of Value	0.23%	94	0.26%	81	0.22%	85
10 Yr Debt Payoff	85.36%	88	83.33%	81	80.53%	75
Asset Depreciation Ratio	42.43%	49	42.50%	59	---	---
	As of August 30, 2023 Last Audit or other FS N= 108		As of August 30, 2022 Last Audit or other FS N= 104		As of August 26, 2021 Last Audit or other FS N= 89	

* Methodologic change in 2023 to included both assigned and unassigned fund balances in calculation

Municipal Climate Recovery Fund

The Municipal Climate Recovery Fund (MCRF) is designed to provide municipal budgetary relief in the flood recovery effort by lowering the costs of borrowing to bridge FEMA reimbursement or otherwise pay for the many unexpected costs of the flood.

- The MCRF is funded in partnership with the Vermont State Treasurer's Office that is providing the Vermont Bond Bank (Bond Bank) with a $15 million loan through the 10% in Vermont Program
- **The Bond Bank is passing through the rate of the 10% in Vermont Program at no additional cost to borrowers**
- Additionally, VLCT PACIF will further assist eligible borrowers by subsidizing the interest rate the net effect of which will be a zero or near zero rate
  - VLCT PACIF is committing up to $1 million for this subsidy

Scale of Financial Impact

PRELMINARY MCRF APPLICANT POOL STATISTICS	Losses to GF Budget	Losses as % Full Value
Median	0.95x	1.05%
Max	5.61x	10.58%
Min	0.50x	0.17%
N	17	19

- Approximately $35.5 mm in requests from 19 communities
- Median losses to full value nearly triple long term debt levels for similar cohort
- *Applicant statistics current under due diligence review and may change*

[Note] Enterprise funds with losses removed from GF Budget

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Debt Needs in Responding to Acute Climate Events

Irene Example in Financial Statements

The General Fund ended FY20 with a current year deficit reduction of $264,192 and when combined with the carryover deficit from prior fiscal years of $702,138, the General Fund ended the fiscal year with a cumulative deficit of $$437,936. The cumulative deficit is the result of expenses, outflow of resources, exceeding the inflow of resources, revenues, that have accumulated beginning in fiscal year 2012, primarily, though not exclusively, with the Irene, August 2011, and the July 2013 (FY14) catastrophic storms. There are other contributing factors, but the storms and other related infrastructure improvements are the primary drivers that essentially explain the cumulative deficit.

The final storm reimbursable amounts were determined and agreed upon between the Town, the State of Vermont and FEMA in FY20. Non-reimbursable amounts remaining for certain storm and other infrastructure related expenditures are expected to be permanently financed in FY21 with a combination of debt and capital reserves that would primarily eliminate the negative fund balance. The financing costs will be included for recovery in the FY22 annual budget that may require a tax increase or may be covered with reductions in other operating expenditures as determined by the Town Manager and the Select Board.

Flexibility

Medium Term Structured Loan

Low Carry Cost

FEMA

PAYGO

Long Term Debt

Post Disaster Liquidity Obstacles

- With limited exceptions municipalities can only use one year “current expense note” for borrowing post disaster with governing body approval only
- Note can be restructured after maturity into long term debt with governing body approval
- Above requires two separate loans that:
    - Increases renewal risk
    - Increases interest rate risk
    - Precludes use of FEMA’s Community Disaster Loan without voter approval

FEMA Fact Sheet:

What is the Community Disaster Loan (CDL) Program?

The CDL Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services.

The Stafford Act authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss, as a result of a major presidentially declared disaster, and can demonstrate a need for Federal financial assistance in order to perform its governmental functions. 44 CFR §206.361(a).

To qualify for a CDL the Applicant / local government must:

- Be located in the presidentially declared disaster area, and the disaster must have adversely affected the level of essential municipal services previously provided. 44 CFR §206.363(b)(2)
- Be able to show a substantial loss (greater than 5%) of tax and other revenues for the current or succeeding year as a result of a major disaster. 44 CFR §206.363(b)(2)
- Not be in arrears with respect to any payments due on previous loans. 44 CFR §206.363(b)(1)
- Ensure State law doesn’t prohibit local governments from incurring indebtedness resulting from a federal loan. 44 CFR §206.363(a)(1)

FEMA will help guide CDL Applicants by:

- Explaining the requirements and provide technical assistance to expedite the application and approval process
- Performing financial qualification analysis to determine how much the Applicant can qualify for (up to $5M)
- Helping the local government meet all applicable deadlines

Apply for a CDL:

- To initiate the process, the Governor’s Authorized Representative shall request activation of CDL Program for the specific disaster(s). Please contact the CDL Program Manager, Martha Castro, at Martha.Castro@fema.dhs.gov.

FREQUENTLY ASKED QUESTIONS

What can the CDL funds be used for?
Funds must be used to carry on existing essential municipal services or to expand such essential functions to meet disaster-related needs. 44CFR§206.361(f).

How long is a local community eligible for a CDL?
The deadline to apply for a CDL is determined from the end of the incident period through the end of the following fiscal year (FY). 44 CFR §206.361(d).

What’s the limit on the dollar amount of a CDL?
Loan amounts cannot exceed:

- The cumulative estimated revenue loss for the FY of the disaster and the subsequent three FYs; or
- 25% of the approved operating budget of the local government for the FY in which the disaster occurred; or
- the $5,000,000 loan cap

If the estimated revenue loss for the FY of the disaster is at least 75% of the local government’s operating budget for that FY, the loan may be 50%of the local government’s operating budget for the FY of the disaster but shall not exceed $5 million. 44 CFR §206.361(b).

What is the term of the loan?

- The term of the loan is five years, and can be extended to ten years, with an Applicant selected payment schedule. 44 CFR §206.361(e)
- The interest rate for the five-year maturities is determined by the Secretary of the Treasury on the date the promissory note is executed by FEMA, adjusted to the nearest 1/8th percent. 44CFR §206.361(c).

FEMA

August 2022

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