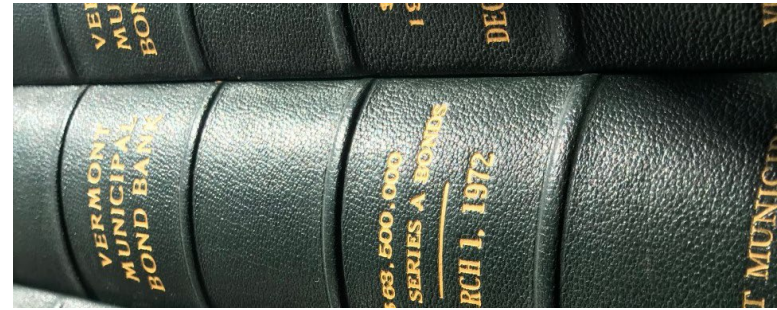




Vermont  
Bond Bank



SENATE FINANCE – S. 39  
FEBRUARY 19, 2025

# 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:

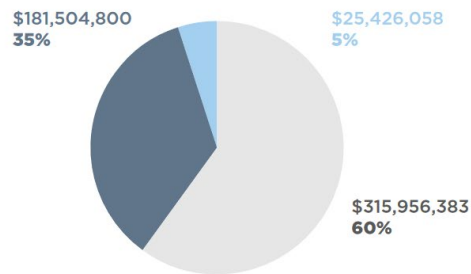
Pursuant to Section 503 of the General Bond Resolution of the Vermont Municipal Bond Bank adopted on December 21, 1970, you are hereby instructed to pay from the following loan accounts the amounts to the respective municipalities as shown below:

Loan Accounts	Amounts	Municipalities
Adirondack Town School District	\$ 260,000	Berkshire Town School District
Albany Town School District	520,000	Berlin Town School District
Alton Town School District	370,000	Brighton Town School District
Andover Town School District	430,000	Cabot Town School District
Aspen Town School District	215,000	Calais Town School District
Astoria Town School District	700,000	Castleton Town School District
Barnes Town School District	400,000	Charleston Town School District
Battle Town School District	300,000	Charlotte Town School District
Bendon Town School District	440,000	Clarendon Town School District
Beverly Town School District	1,500,000	Colchester Town School District
Bloomfield Town School District	575,000	Dover Town School District
Burlington Town School District	1,235,000	Essex Town School District
Canterbury Junction Graded School District	3,160,000	Essex Junction Graded School District
Grand Isle Town School District	135,000	Grand Isle Town School District
Hardwick Town School District	500,000	Hardland Town School District
Hartford Town School District	450,000	Hinesburg Town School District
Hartland Town School District	90,000	Peacham Town School District
Hartford Town School District	300,000	St. Albans Town School District
Hartford Town School District	1,035,000	St. Johnsbury Town School District
Hartford Town School District	1,120,000	Shelburne Town School District
Hartford Town School District	465,000	Sherburne Town School District
Hartford Town School District	1,440,000	South Burlington Town School District
Hartford Town School District	440,000	South Burlington Town School District
Hartford Town School District	200,000	Sunderland Town School District
Hartford Town School District, Inc.	325,000	Underhill Graded School District, Inc.
Hartford Town School District	655,000	Wilmington Town School District
Hartford Town School District	970,000	Braintree-Randolph UHSD No. 2
Hartford UHSD No. 4	870,000	Woodstock UHSD No. 4
Hartford Valley UHSD No. 7	345,000	Missisquoi Valley UHSD No. 7
Hartford Valley UHSD No. 7	2,000,000	Missisquoi Valley UHSD No. 7
Hartford UHSD No. 17	3,375,000	Mt. Mansfield UHSD No. 17
Hartford UHSD No. 18	680,000	Lamoille UHSD No. 18

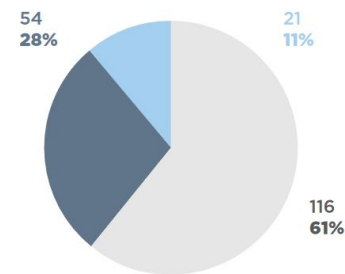
## Vermont Bond Bank

- Bond Bank was created in Fiftieth Biennial Session (1969 / 1970) by the General Assembly
- Creation followed period of school construction spending financed with short term borrowing
- Bond Bank provided long term financing solution
- First bond issue in 1971 exclusively provided loans to local schools

Outstanding Balance



Borrowers



# Bond Bank Priorities for School Construction Aid

## **Vermont's school facilities are a liability that requires a policy solution**

The current system is not keeping pace with depreciation, which increases financial risk to school districts.

## **Schools are social infrastructure with and without students**

In the process of finding efficiency, Vermont cannot make this a zero-sum decision for communities and should assist communities in preserving social infrastructure with planning and capital grants alongside subsidies for new school construction. Adaptive reuse of schools for housing has occurred throughout the state and is one example of a potential “win-win” outcome.

**Vermont has an economic mechanism but not a political economy for financing school construction** The political economy of school construction must be changed through financial incentives. The Bond Bank regularly provides estimated debt service schedules for schools considering bond votes. It also regularly receives notice that the bond votes failed.

## **The State of Vermont's credit rating should be leveraged through the Bond Bank**

The Bond Bank's public credit rating is derived from the State of Vermont but its debt issuance has minimal impacts on the state's rating. This is not an accident, and the Bond Bank took significant steps over the past several years to restructure the security structure of its bonds to allow this flexibility.

## **The Bond Bank's state intercept should be perfected by modifying the flow of educational property taxes**

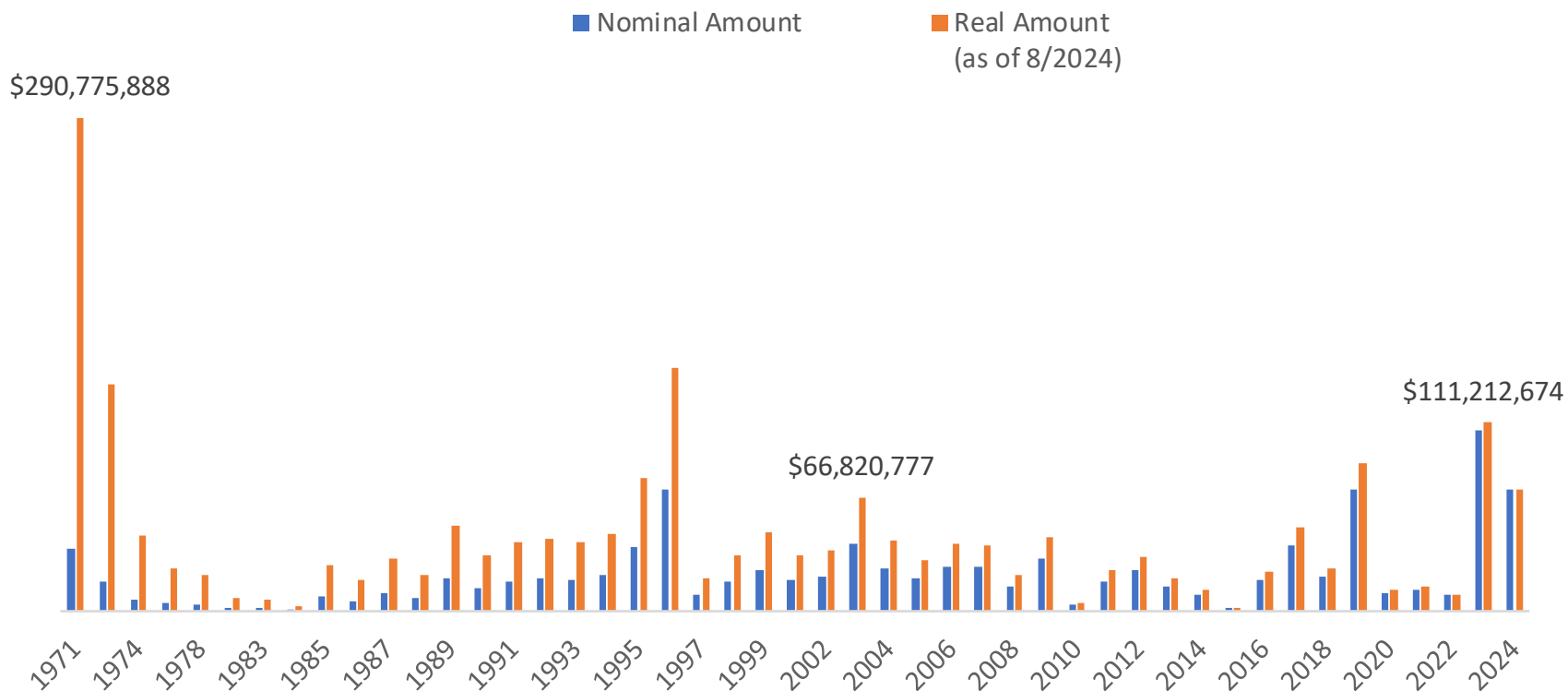
On paper, every school district in Vermont should benefit given a statewide educational tax system but the Bond Bank can only intercept dollars that come from the State of Vermont to borrowers and not dollars transferred from town tax collectors to school districts directly. Rerouting this flow of funds from town tax collectors to the state would allow the Bond Bank to “perfect” the intercept credit enhancement and ensure every school district would benefit while also allowing every borrower to benefit from this enhancement.

## **State support should be optimized when other low-cost sources are available**

Energy efficiency and renewable energy components of projects will benefit from incentives through the Inflation Reduction Act and energy efficiency utilities within the state. Financial support for schools should be directed to the aggregate project cost rather than specific uses for this reason.

# Historical Bond Issuance Activity

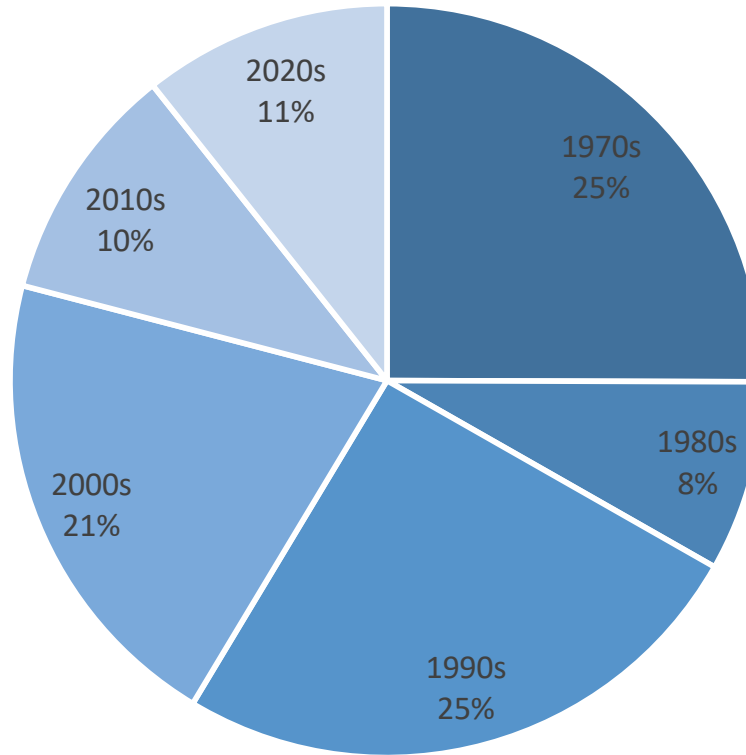
## VT School Construction Borrowing - 1971 to Present



- Exclusively reflects Bond Bank data for loan activity as well as Winooski & Burlington Loans (i.e. loans through private banks or other sources not part of dataset)
- **\$2.065 billion in real dollars over past 53 years**
- *Data as of Fall 2024*

# Historical Bond Issuance Activity

## School Construction Loans by Decade as % of Total (Real \$)



- Exclusively reflects Bond Bank data for loan activity as well as Winooski & Burlington Loans (i.e. loans through private banks or other sources not part of dataset)
- Bond Bank made \$2.065 billion in real dollars over past 53 years

# National Financial Ratio Comparison

		Median	Moody's Median*	
Category	Definition (Adopted from Moody's Investor Services Definitions)	Bond Bank	All	"A" Rated w/Enrollment >1k and <=5k
<b>Unassigned / assigned GF Balance as % of Revenue</b>	Combined unassigned and assigned general fund balance divided by total general fund revenues	6.0%	26.8%	23.5%
<b>Cash as % of Revenue</b>	Cash and investments for the general fund, divided by total general fund revenues	12.9%	31.2%	26.8%
<b>Total Long-Term Debt</b>	Bonded debt and similar obligations reported for Governmental Activities only (i.e. no enterprise or business type activities); debt associated with pending loan applications included	\$2.04 million	\$35.3 million	\$26.0 Million
<b>Debt Service as % of Operating Expenses</b>	Debt service expenditures (principal and interest) for all operating funds combined divided by operating expenditures (including expenditure of debt service funds); debt service associated with pending loan applications included	1.5%	---	---
<b>Debt Service as % of Revenue</b>	Debt service expenditures (principal and interest) for all operating funds (including debt service funds) combined divided by operating revenues including expenditure of debt service funds; debt service associated with pending loan applications included	1.4%	5.5%	5.8%
<b>10 Year Debt Payoff</b>	Amount of principal that will be amortized in next ten years divided by total long-term debt (debt associated with pending loan applications not included)	93.0%	---	---
<b>Long Term Debt to Revenue</b>	Long-term debt (including current portion and capital leases) divided operating revenues (expressed as a percent)	7.4%	---	---
<b>Capital Asset Depreciation*</b>	Ratio of Accumulated Depreciation to Gross Depreciable Assets (excluding land and construction in progress). A ratio above 65% indicates reinvestment in capital assets is lagging behind depreciation, signaling the likelihood (necessity) of future debt issuance.	56.4%	---	---

[Note] 2023 Moody's Medians; 2024 not available

\*from financial statements not facilities assessment

# Considerations for Procurement

- Concurrent need for mobilization of construction resources for schools across state
- Will occur against backdrop of competing needs for a limited construction supply
- Premium for budget certainty at state and local level among other escalating school operating costs
- Post construction operations and maintenance of new facilities will occur against backdrop of workforce issues and need for budget certainty
- Above issues will be more acute for new construction
- *Considerations above are a common pre-text to public private partnerships (P3) transactions (i.e. design build operate maintain – DBOM); notably financing of P3 unlikely to be advantageous given Bond Bank structure*



Vermont  
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