

Testimony Regarding Municipal Finance Post Summer Flooding

January 12, 2024



Testimony of the Vermont League of Cities and Towns

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Senate Finance

Regarding Municipal Finance Post Summer Flooding and S. 160

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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 compiled 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.

Included with testimony

VTDigger: [As March Town Meetings near, 2023 floods spur a temporary torrent of red ink](#)

Attachments

[Testimony to Senate Finance](#)