



Request for Proposals

VLCT Municipal Re-Investment Pilot Program

RFP Issued	Tuesday, April 25, 2023
Proposal Due Date	Friday, June 16, 2023
Questions Due	Friday, May 26, 2023
Anticipated Award Notification	September 2023

Contact for RFP	Seth Abbene CFO VLCT (802) 262-1932 sabbene@vlct.org
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VLCT is an equal opportunity employer and is committed to equal opportunity in its contracting process. Auxiliary aids and services are available upon request to individuals with disabilities.

I. PURPOSE

The Vermont League of Cities and Towns seeks proposals from municipalities or non-profit organizations located in Vermont seeking investments to facilitate community and economic development in Vermont communities. The VLCT Municipal Reinvestment Pilot Program aims to evaluate whether a portfolio of local investments could be built into VLCT's investment strategy that would realize positive returns and bolster the long-term viability of VLCT member communities by catalyzing projects that contribute to increasing grand lists.

VLCT and its two affiliate entities, the Property and Casualty Intermunicipal Fund (PACIF) and the VLCT Employment Resource and Benefits Trust (VERB), have been authorized by their Boards of Directors to invest in projects that improve the economic wellbeing of our members. PACIF may invest up to \$3 million dollars (roughly five percent of its current net position as of writing of this RFP) into the pilot program. VERB may invest up to \$400,000, the current amount of net position in excess of VERB's target net position. VLCT may invest up to \$400,000, or 40 percent of working capital in excess of required working capital. The VLCT Municipal Reinvestment Pilot Program is part of an investment strategy aimed at ensuring PACIF and VERB remain financially strong by maintaining industry-acceptable and regulatory-required net position to meet current and future obligations.

The VLCT Chief Financial Officer will serve as the primary point of contact. The CFO will review applications and make recommendations to the Executive Director and Director of Risk Management Services on which applications to fund. The Executive Director will bring recommended proposals to the Joint Investment Committee and the appropriate governing board (VLCT, PACIF, or VERB) for final consideration. The appropriate governing board will have final say over the approval of any investment proposal.

Proposals and any questions should be directed to Seth Abbene at sabbene@vlct.org.

II. ABOUT VLCT, PACIF, and VERB

The Vermont League of Cities and Towns (VLCT) is a nonprofit, nonpartisan organization that was founded in 1967 with the mission of serving and strengthening Vermont local government. VLCT provides:

- Educational workshops and consulting advice for municipal officials so that they can deliver excellent service to their citizens
- Information for the public so that it can better understand local government
- Support for legislation that strengthens local government
- Comprehensive insurance coverage for municipalities
- A Municipal Assistance Center for consultation on a wide range of municipal issues

VLCT is owned by its 247 member municipal governments. Another 144 units of local government are associate members. VLCT has contractual arrangements in place with its two affiliate organizations that offer insurance to its members – the VLCT Property and Casualty Intermunicipal Fund (PACIF) and the VLCT Employment Resource and Benefits Trust (VERB). PACIF provides property, casualty, and workers compensation coverage to 354 municipal entities in Vermont. VERB provides unemployment insurance

and related services to 209 municipal entities in Vermont. VLCT has 53 employees and an annual budget of approximately \$8 million. PACIF collects approximately \$26 million in contributions (premiums) each year. VERB collects approximately \$750,000 in unemployment contributions (premiums) each year.

III. ELIGIBLE APPLICANTS / INVESTMENT SIZE

Any municipality, instrumentality of government, or non-profit organization is eligible to apply. However, non-profit organizations will only be considered if they have demonstrated support of at least one municipality.

VLCT prefers to make a small number of large investments (\$500,000 - \$1 million) and recognizes that an organization may be well suited to serve as an intermediary lender for VLCT, using a large VLCT investment to provide smaller loans to other municipalities. Intermediary lending applications are encouraged.

The minimum investment is anticipated to be \$500,000. The maximum individual investment is anticipated to be \$1.5 million.

IV. TERMS

The VLCT Municipal Reinvestment Pilot Program aims to balance our historically prudent low risk tolerance with our members' need for novel and flexible financing. As such, VLCT seeks debt financing proposals with terms of 10 years or less. Shorter term maturities are preferred and will be considered first. VLCT intends to seek an investment return that offers a return at or slightly below market rates. This below-market rate of return recognizes the non-monetary return to our organization of having financially viable municipalities, and the anticipated impact healthier members will have on our bottom line.

As a state regulated insurance entity, PACIF is restricted from taking unreasonable risks when investing our members' equity. While we seek to make catalytic investments that might not otherwise occur, projects are expected to demonstrate adequate cash flow to repay the loan over the appropriate term. Proposals must demonstrate they are directly helping a municipality by addressing one or more of the following criteria:

- Expanding the availability of housing by constructing new housing or rehabilitating existing housing
- Reducing the effects of climate change in a community, by addressing energy costs and consumption and improving resiliency
- Reducing a municipality's risk of property loss
- Expanding the availability of broadband, especially to municipal buildings
- Expanding municipal capacity
- Reducing the borrowing costs to municipalities to purchase equipment, make improvements, or provide services

VLCT requires that all proposals leverage additional funds. While all proposals will be considered, VLCT seeks to be a minority investor in any project and prefers that a reputable commercial or government lender has approved financing for a project before issuing its approval. VLCT will consider both direct lending to a beneficiary and intermediary lending proposals.

V. PROCESS

Respondents must first submit a letter of intent via email to VLCT CFO Seth Abbene (sabbene@vlct.org) that provides a short summary of the proposed investment, including the amount of money sought, how the funds will be used, the proposed repayment terms, and how the investment ties to the required criteria.

The VLCT CFO, the VLCT Director of Risk Management Services, and the VLCT Executive Director will determine whether a respondent is invited to submit an application within 30 days. Respondents invited to submit a full application will be asked to include:

- **Summary Narrative.** A one-page summary of the proposed project that describes the project, the investment vehicle, and how both meet the required investment criteria to “directly help a municipality.”
- **Budget and Financials.** A project budget that details the use of funds, the supporting cash flows over the life of the loan including repayment proposals, and a list of other financial support on hand or anticipated for the project.
- **Organization’s Financial Position.** The most recent financial statements (audited preferred) and a copy of the organization’s most recent 990 if applicable.
- **Letters of Support.** At least one letter of support from a city, town, or village legislative body.
- **Anticipated Results.** How will the project measure success? Propose metrics that you can report annually to VLCT that reflect the required criteria.

VI. QUESTIONS / ADDITIONAL INFORMATION

Any and all questions should be submitted via email to VLCT CFO Seth Abbene at sabbene@vlct.org.

VLCT may or may not decide to make local investments using this request for proposals. Please note that VLCT follows Vermont’s Public Records Act, and some or all of the information provided to VLCT as part of an application for investment may be subject to public disclosure. VLCT intends to consult with the Vermont Department of Financial Regulation before making any investments to ensure they comply with any state regulations surrounding our risk pools.