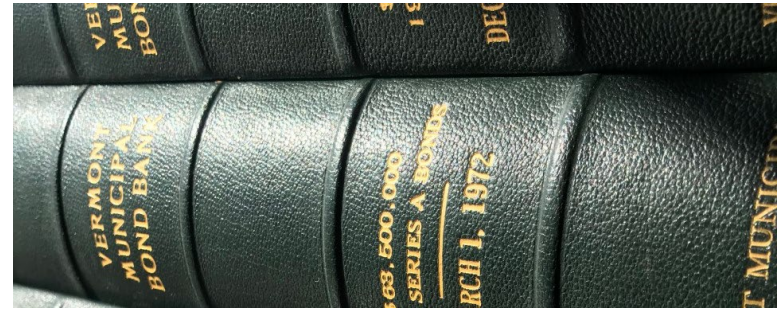




Vermont
Bond Bank



PRESENTATION TO
SENATE GOVERNMENT OPERATIONS COMMITTEE
FEBRUARY 20, 2024

Bond Bank Capacity Observations

- Nearly every conversation from flood recovery to on-going civic sustainability involves discussion of capacity issues
- Aging demographic highly impactful on governmental unit operating and governance
- Part time and non-professional model increasingly difficult to maintain given level of responsibility and challenges
- Bond Bank has helped form working group to address capacity challenges of small water systems over past year
 - Includes DEC, VRWA, USDA-RD, VLCT, VAPDA, RCAP, and Office of Senator Welch
- DEC finalizing Request for Proposals to study capacity and system sustainability of small water systems

VRWA Summary of Special Water Districts



Fire Districts and Special Use Districts – Water and Wastewater

Fire districts are municipal corporations. Their purpose is to manage certain functions of town government that either are not available throughout the entire town, or are better administered by a distinct, special-purpose entity. Fire districts have been formed to manage community sewer systems, sidewalks, street lighting, fire departments, and water systems. DEC has a guidance document with more information on fire districts that are water systems: [How to Form a Fire District](#)

In terms of ARPA funding, fire, water and sewer districts are considered special-purpose units of government because they perform specific functions in the community. They have their own governing bodies and are not part of a city or town's budget. Special-purpose units of local government will not receive funding allocations; however, a state or local government may transfer funds to a special-purpose unit. There is more information here: [Department of Treasury FAQ](#)

Type	Services	Number in Vermont	List of Systems
Fire Districts	Drinking Water Only	65	See below
	Wastewater Only	2	North Branch Fire District 1 (West Dover) Sherburne Fire District 1 (Killington)
	Both Drinking Water and Wastewater	5	Wallingford Fire District 1 Cold Brook Fire District 1 (Wilmington) Worcester Fire District 1 Ryegeat Fire District 2 Westford Fire District 1
Water Districts	Drinking Water Only	6	Vergennes Panton Water District Tri Town Water District (Bridport) Grand Isle Consolidated Water District Wilmington Water District Elmore Water District Champlain Water District (S Burlington)
Sewer Districts	Wastewater Only	0	None in Vermont

Draft Analysis of Fire Districts in Vermont

We looked at the 70 fire districts that provide drinking water or both water and wastewater to provide these statistics and examples.

- Customers served range from 29 to 8300. The average size is 713 customers, median size is 231.
- Approximately two-thirds to three-quarters are the "primary" water provider for their town or village settlement area.
- For example, three of the largest fire districts are in Colchester: Colchester FD1 (serves 2066), FD2 (serves 8300) and FD3 (serves 7733). There is no town-owned water system in Colchester;

- Customers served range from 29 to 8,300. The average size is 713 customers, median size is 231
- Approximately two-thirds to three-quarters are the "primary" water provider for their town or village settlement area
- In many smaller towns in the Northeast Kingdom, one or more settlement areas are served by a fire district – such as Greensboro Fire District 1 and Greensboro Bend Fire District 2 or Lunenburg Fire District 1 and Lunenburg Fire District 2 (Gilman)
- There are also Fire Districts that provide drinking water to small neighborhoods that aren't served by larger town systems, such as South Burlington Fire District (Queen City Park), Williston Fire District 1 (mobile home park), or one of the several Rutland Town fire districts

~50k Vermonters served by special districts (excluding CWD)

Observations of Growing Financial Risk

- Consistent observation of systems with year over year rate increases of 20 to 50 percent needed to service debt associated with mandated infrastructure improvements
- Most systems are not able to conduct multi year financial planning including repayment of costs associated with new infrastructure
- Volatility in the viability of anchor institutions heightens risk
- Health, safety, and environmental mandates for capital spending

Case Studies from SRF Experiences

Indicator of System Distress	Delayed payments on SRF loans
Date System Distress Observed	August 2021
Tipping point	System used SRF planning loan and USDA-RD permanent finance and misused USDA-RD reimbursement of planning loan that was originated in 2016
Challenges in Seeking Resolution	- Loans related to nonpayment were related to source water expansion that did not solve shortages - Trucking water created budget overruns and “stretching” of payables - Multiple governing body change over due to health issues - Board adoption of policy to adopt multiple years of 5%+ rate increases
Current Status	New prudential committee member recruited (later left) after extensive TA to create balanced budget and financial plan

- ~100 ERUs
- Operating budget of ~\$80 thousand

Indicator of System Distress	None
Date System Distress Observed	No distress overserved
Tipping point	The three prudential committee members are in their late 70s to early 80s. Recruitment efforts have not produced new candidates.
Challenges in Seeking Resolution	- Prudential committee membership is limited to members of the fire district - Minimal excess cashflow to give incentive for acquisition
Current Status	Aging prudential committee

- ~200 Users
- Operating budget of \$130 thousand

Common Risks and Consequences

Issue	Cause	Consequence
Prudential committee stability	Small pool of system users limits eligible members and reduces incentives for performance given limited options for replacing members	Limits leadership to ensure operational, financial stability, and accountability
Institutional stability and knowledge (including financial management)	Continuation of above factors but the work is time consuming and technical even when members are recruited	Poor financial management from lack of record keeping to basic budgeting that risks financial solvency of systems
Workforce recruitment	Another take on statewide theme given aging population in areas outside population centers	Functioning operations of the system including delivery of safe water
Rate setting independence given impact on neighbors, friends, etc...	Small service areas exacerbate the impacts of rate increases through reduced social capital of members	Limits ability to address infrastructure and operating cost increases while further deferred maintenance
Cannibalization of demand through private wells and/or septic	Participation in the system is not guaranteed and many systems lack monopolistic power of urbanized systems	Higher environmental risk and potential for diminished system revenues over time
Concentration of ratepayers in historic anchor institutions	Primarily education—weak demographics in NE resulting in multiple campus closures	Loss of revenues in excess of 15 percent



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