

Additional Information - Where we stand today

In order to alert the public of the bond vote planned for June, the Selectboard posted notice in the Valley News three times, on May 24, May 31, and June 6. The sandwich board sign was set up outside the town office, and a newsletter devoted solely to the history of our process and announcing the upcoming vote was also sent in May to everyone owning property in Vershire. The warning and sample ballot was included in the newsletter and also posted in town and at the town office. The board posted notice and held a meeting on June 7 specifically to discuss the upcoming bond vote in June and posted notice of the pending vote on the listserve on June 5, 6, 9, and 11.

On June 12, 2022, the town held the election on whether to raise the money to build the garage through a bond. The vote question posed was as follows:

“Shall general obligation bonds or notes in an amount not to exceed One Million Five Hundred Twenty-Five Thousand Dollars (\$1,525,000), subject to reduction by the application of federal and state grants-in-aid and reserve funds, be issued for the purpose of constructing a town highway garage, the estimated cost of such improvements being One Million Five Hundred Twenty-Five Thousand Dollars (\$1,525,000)?”

One hundred and three ballots were cast, with seventy-one in favor and 32 opposed, passing nearly 2 to 1 and the results were posted on the listserve and at the town office. After a vote of this type, the town is required to give a thirty day window for voters in the town to contest, through a petition, and ask for a revote. No petition for revote was requested and the town seemed on its way to building a new garage.

After the vote, the bid process began in earnest. First, the bid documents were prepared. Once ready, the bid documents were available beginning August 9, 2022, and announced on the State of Vermont’s contractor project website starting that day. The request for bids was also posted in the Valley News on August 12, and again August 16, with bids due on September 9, 2022. By the pre-bid meeting on August 18, there were three contractors showing some level of interest in bidding on our project, one of which was a local contractor. On August 31, the bid submission date was extended out until September 30, giving a longer window to garner interest from contractors. A number of general contractors were also directly contacted in an effort to encourage a robust higher level of competition in the bid process. In the final analysis, only one contractor submitted a bid. This bid was received from the contractor was E.F. Wall, and the bid was for ~\$2 million (\$2,012,742.00). The Selectboard worked for weeks, working with Coe and Coe and E.F. Wall for cost savings solutions to bring the numbers down. Through this assessment process, it became clear that the major driver of the cost was an increase in the cost of both material and labor but mostly labor. Through negotiations and a number of value engineering deducts with E.F. Wall, the bid was lowered to ~\$1.83 million.

Meanwhile, during this whole process, the world economy has been spiraling in an ever increasing inflationary cycle, driving up the cost of everything from steel, to computer components to labor shortages. Over the last year, with strong employment numbers and a strong economy, but a disrupted supply chain network, the Russian invasion and war in Ukraine, the U.S. and indeed the world, has experienced a surge in the price of material goods and services – inflation on a global scale. This doesn’t change the fact that the Town of Vershire must build a garage. We have now reached the point where the current garage is crumbling right before our very eyes.

Back in March of 2022, the town had reached out to the Vermont Bond Bank to determine what a bond loan repayment schedule would look like. At that time the interest rate on a 30 year mortgage was 3.33%. In late April it was 3.93%. In late November, the rate had risen to 4.74% (however, the forecast for the trend in interest rates is predicting the rate will fall in 2023 as we head into a likely recessionary period but this should not be considered a promise but more of a ray of hope for the future cost of building this building¹).

¹ <https://www.morningstar.com/articles/1106505/why-we-expect-the-fed-to-cut-interest-rates-in-2023>

If the town moves forward with the bid from E.F. Wall, financing of the project would require the town to muster all its available resources. This would include borrowing the full approved bond amount of \$1.525 Million, applying all of the ARPA funds (expected to be \$226,000), and including the bulk of the balance of the funds currently in the Garage Fund, (today that balance is \$84,000).

Together, the total of funds on hand together with the amount of the bond, funding would be:

Project Estimate in May/June	Site Development	\$ 407,000.00	(Provided by Krebs & Lansing, Civil Engineer)
	Building Construction	\$ 993,000.00	(Stephen Pitkin, Professional Estimator)
	Hybrid Heating System	\$ 125,000.00	(Jeremiah Trombly, Mechanical Engineer)
		<u>\$ 1,525,000.00</u>	
Project Estimate Currently	Site Development	included in bid	(does not include the sand/salt shed site)
	Building Construction	included in bid	
	Hybrid Heating System	<u>included in bid</u>	
	E.F. Wall Bid	\$ 1,829,532.00	(Cost Plus Contract)
		\$ 1,829,532.00	E.F. Wall Bid
		\$ (1,525,000.00)	Max allowed to borrow
		\$ (226,000.00)	ARPA
		<u>\$ (84,000.00)</u>	Garage Fund
		\$ 5,468.00	balance

While this is not exactly the funding plan as originally envisioned, it is a way forward to achieve the goal of building in 2023. Projecting forward, borrowing the full \$1.525 million approved in the bond vote, and utilizing the worksheet that was used to set this current year's tax rate, the following guidance can be presented. This illustration shows the amount of taxes actually billed for the current FY23 as compared to the amount the town would have to bill to make the first payment on the \$1.525 bond loan. The calculated difference shown on the right indicates the additional amount that would have to be raised in taxes on each \$100,000 of assessed property value:

2022-23 Tax Rates with \$35k raised for Garage fund								
Property Assessment	Tax Rate Name	Grand List	Tax Rates	Tax Amount				
\$ 100,000.00	Municipal	1000	0.945	\$ 945.00	\$122k	\$ 2,896.40		
	Homestead Ed	1000	1.8297	\$ 1,829.70	\$35k	\$ (2,774.70)		
			2.7747	\$ 2,774.70	Diff	\$ 121.70	/year	
2022-23 Tax Rates with \$122k raised for Garage Bond Payment Instead								
\$ 100,000.00	Municipal	1000	1.0667	\$ 1,066.70	\$ 1.0550	\$ 0.1100		
	Homestead Ed	1000	1.8297	\$ 1,829.70	\$ 1.0650	\$ 0.1200		
			2.8964	\$ 2,896.40	\$ 1.0750	\$ 0.1300		
					\$ 1.0850	\$ 0.1400		
					\$ 1.0950	\$ 0.1500		
2022-23 Tax Rates with \$35k raised for Garage fund								
\$ 100,000.00	Municipal	1000	0.945	\$ 945.00	\$122k	\$ 2,570.40		
	Non-residential Ed	1000	1.5037	\$ 1,503.70	\$35k	\$ (2,448.70)		
			2.4487	\$ 2,448.70	Diff	\$ 121.70	/year	
2022-23 Tax Rates with \$122k raised for Garage Bond Payment Instead								
\$ 100,000.00	Municipal	1000	1.0667	\$ 1,066.70				
	Non-residential Ed	1000	1.5037	\$ 1,503.70				
			2.5704	\$ 2,570.40				

Only in the last couple of days has it also come to light that the State of Vermont will likely increase the Educational Tax Rates in FY24 by at least 3.7%. Below is a rework of the table above, but with a 3.7% education tax rate increase. As you can see, if all things on the municipal level remain the same but the education rates increase, the increase to property taxes per \$100,000 dollars of assessed value will increase ~190. This calculation does not consider any State of Vermont income sensitivity payments a particular household may be eligible for.

2022-23 Tax Rates with \$122k raised for Garage Bond Payment Instead									
Property Assessment	Tax Rate Name	Grand List	Tax Rates	Tax Amount					
\$ 100,000.00	Municipal	1000	1.0667	\$ 1,066.70	\$122k	\$ 2,964.10	(with 3.7% State Ed increase)		
	Homestead Ed	1000	1.8974	\$ 1,897.40	\$35k	\$ (2,774.70)	(FY23 Current Year)		
			2.9641	\$ 2,964.10	Diff	\$ 189.40	/year additional per \$100k of assessed value		
2022-23 Tax Rates with \$122k raised for Garage Bond Payment Instead									
Property Assessment	Tax Rate Name	Grand List	Tax Rates	Tax Amount					
\$ 100,000.00	Municipal	1000	1.0667	\$ 1,066.70	\$122k	\$ 2,626.00	(with 3.7% State Ed increase)		
	Non-residential Ed	1000	1.5593	\$ 1,559.30	\$35k	\$ (2,448.70)	(FY23 Current Year)		
			2.626	\$ 2,626.00	Diff	\$ 177.30	/year additional per \$100k of assessed value		