

## **The Village of Old Bennington Village Roads Update for Special Meeting**

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### **Introduction**

There will be a Special Meeting on April 22 to hold a non-binding vote on whether we should turn over control of our Village roads to the Town of Bennington (see the Warning posted on the Village website for details). This update provides information about the status of our roads, current and future road construction costs, the impact of road construction costs on current and future taxes, and the impact of turning over our roads to the Town on future costs and taxes. Notably, it considers only the financial aspects of the decision to transfer the responsibility for maintaining our roads to the Town. The trustees will discuss other aspects of the decision at the Special Meeting.

### **How Did We Get Here?**

In 2019 the trustees engaged MSK Engineering and Design to assess the condition of Village roads with the objective of developing a long-term repair and maintenance plan. In its report, MSK concluded several roads needed major reconstruction and most other roads required improved maintenance. MSK estimated that the repairs would cost about \$1.6 million excluding future cost increases due to inflation, which it estimated would range from 3% to 5% per year.

In response, the trustees explored several options for raising funds to cover the cost of maintaining our roads including obtaining grants, issuing long-term bonds, and raising taxes. In 2024, we successfully applied for a \$200,000 grant from the Vermont Agency of Transportation (VTrans) to help fund Bank Street reconstruction. In recent conversations, VTrans informed us that we should not anticipate receiving any additional grants in the near future. There are no other federal or state programs available for repairing our roads. While the trustees considered issuing long-term debt through the Vermont Bond Bank, they concluded that issuing municipal bonds to finance deferred maintenance was not a financially prudent option for a small village with a limited tax base, a decision supported by residents at last year's Annual Meeting. Consequently, we will need to fund future road costs through higher taxes or, as we will discuss at the Special Meeting, turning over our roads to the Town.

### **What Is Happening with Road Construction Costs?**

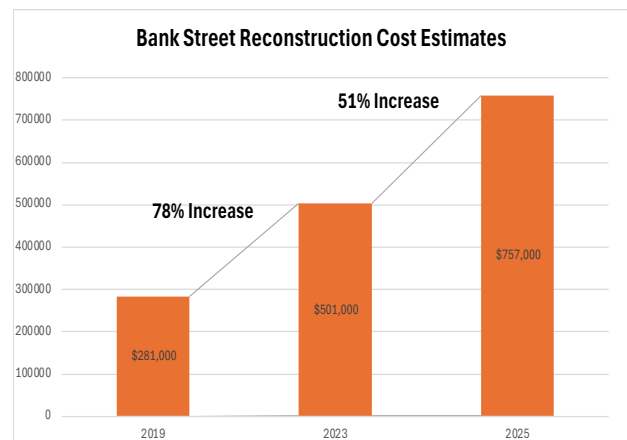
In its 2019 report, MSK estimated it would cost \$220,000 to reconstruct Fairview Street. We completed the work in the summer of 2023 at a cost of \$270,000, which was within the assumed 3% to 5% inflation range of \$255,000 to \$280,000. It is noteworthy, however, that in subsequent conversations with MSK, the contractor indicated that its bid had been too low.

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MSK also estimated in 2019 that it would cost \$281,000 to reconstruct Bank Street. At the end of 2023, MSK provided an updated estimate of \$501,000, which was 78% more than originally estimated and well above the assumed 3% to 5% inflation range of \$316,000 to \$342,000.

Just recently, MSK provided a new cost estimate of \$757,000, which represents an annual inflation rate of 18% since 2019 or 39% since late 2023. While these rates of inflation in road construction costs are extraordinarily high compared with the 3.5% annual increase in the Consumer Price Index for all Urban Consumers (CPI-U), they are consistent with Vermont's Secretary of Transportation Joe Flynn's recent statement that some road construction cost bids have increased up to 40% in recent years. We are still investigating the reasons for these increases and hope to have answers at the Special Meeting.



In addition to Fairview Street and Bank Street, MSK also designated Catamount Lane, Seminary Lane, and the Village's short stretch of Elm Street as high priorities for repair. If we adjust MSK's original estimates for repairing these roads by the 18% annual inflation rate for Bank Street repairs, the estimated cost of their repair would be about \$1.2 million not counting further cost increases. If we choose to mill and overlay rather than fully reconstruct these roads, the estimated cost of their repair would be about \$700,000.

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### How Have Road Construction Costs Affected Our Taxes So Far?

As many of you know, Village taxpayers had long paid lower road tax rates than Town taxpayers, resulting in a nearly \$800,000 shortfall over a twenty-year period. Since there is no reason to assume that the Village can maintain its roads for less than the Town, in 2019 the trustees proposed increasing the Village tax rate for road maintenance to equal the Town rate over a two year period. Voters approved the first increase at our 2019 Annual Meeting. As a result of the Covid-19 pandemic, the trustees deferred the second planned increase for 2020. Voters subsequently approved the second increase at the 2021 Annual Meeting. After that increase, however, the Village tax rate for road maintenance once again fell short of the credit villagers received on their Town tax bills because we did not increase tax rates at our 2022 and 2023 Annual Meetings while the Town increased its rates to reflect higher costs. To make up for lost ground, the trustees proposed a 28% tax increase for FY 2025, which voters approved at last year's Annual Meeting. Now, the trustees are proposing an additional 4% increase for consideration at this year's Annual Meeting.



### How Will Turning Over Roads to the Town Affect Our Taxes?

Clearly, we face higher costs for maintaining roads whether we retain our roads or turn over control of our roads to the Town. And these costs will increase taxes. Still, there are three factors that may impact the magnitude of future tax increases. First, the Village relies entirely on outside engineers and contractors to maintain its roads. In contrast, the Town has its own engineering staff to design projects, prepare requests for proposals, and oversee construction work. It also can perform much of the construction work with its own road crews. As a result, the Town can generally repair roads at a lower cost than the Village.

Second, we currently pay a contractor to plow and salt our roads and sidewalks. Since Town plows already pass through the Village while clearing roads like Monument Avenue, Elm Street, Bank Street, Fairview Street, and Walloomsac Road, the marginal cost to the Town of clearing our portion of these roads will be significantly less than our costs, which average about \$45,000 a year.

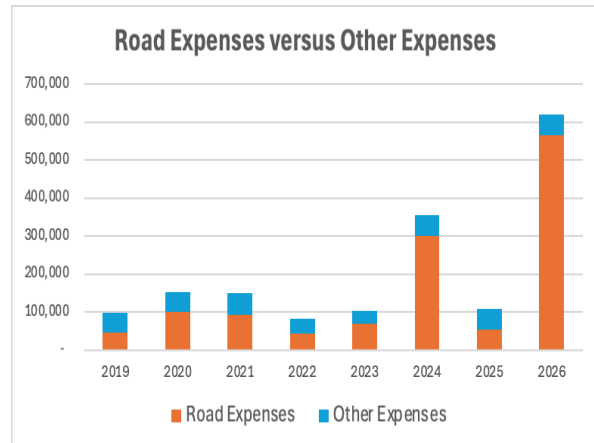
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Third, in recent years road and sidewalk repairs have represented about 70% of our overall expenses. Such repairs will likely represent an even greater percent of our expenses in the future.

Consequently, we have little flexibility in offsetting increasing road costs elsewhere. This means any increases in the cost of maintaining our roads and sidewalks will have a direct effect on our overall taxes. Further, those costs are spread over just 86

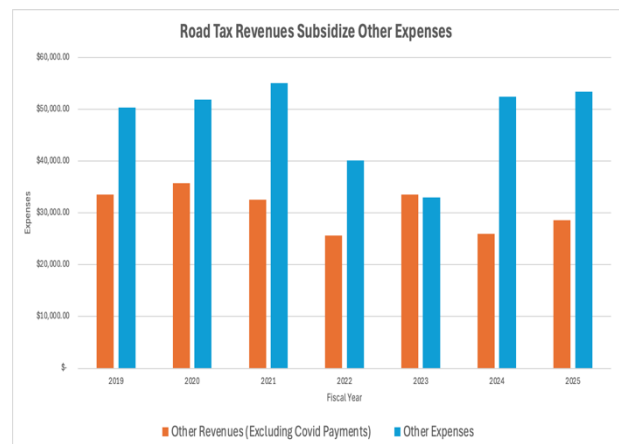
tax paying parcels. On the other hand, last year the Town's highway costs represented just 29% of its municipal expenses (i.e., not including schools). This gives the Town some flexibility in offsetting increasing highway costs elsewhere. At the same time, its highway costs are spread over more than 6,200 tax paying properties.



If we turn over our roads to the Town, we will pay our road taxes to the Town rather than the Village. As noted above, the Town's road tax rate has been consistently higher than the Village's road tax rate. And, of course, maintaining Village roads will add to the Town's highway budget. So our road taxes will likely continue to increase. However, the Town's lower construction and maintenance costs, greater flexibility in managing its overall budget, and its far greater tax base should have a moderating effect those increases.

### But What About Our General Expenses?

If we turn over our roads to the Town, we will still have other expenses including parks and trees, zoning and planning boards, memberships, insurance, professional advice, rent, Zoom and website fees, and other miscellaneous costs. Significantly, over the years our general revenues have seldom covered our general expenses. That means our road tax revenues have subsidized our other costs. Consequently, going forward our general rate will need to increase substantially. For example, in FY 2026 we would need a general tax rate of \$0.1771 per hundred dollar valuation to cover our general expenses compared to



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the proposed tax rate of \$0.0400. That would result in a \$600 general tax on a house with an assessed value of \$350,000.

### **What Will Happen with Our Reserves?**

Transferring our roads to the Town raises the question: What happens with our reserves? In recent years, we have spent about 90% of our road revenues (road tax revenue, highway funds, and grants) on maintaining our roads. And, as noted above, the remaining road revenues have subsidized our other expenses. Moreover, the intent of our recent tax increases has been to fund future road maintenance. Consequently, the trustees believe that 90% of our reserves should be designated as road reserves and that any remaining road reserves at the time we transfer our roads should be assigned to the Town. After Bank Street reconstruction our reserves are budgeted to decrease to about \$160,000, which means we would be transferring about \$144,000 to the Town – far less than cost of repairing Elm Street, Catamount Lane, and Seminary Lane, which all need repair in the near future.

### **In Summary**

We face substantial cost increases to repair and maintain our roads. While the Town also faces cost increases to repair and maintain its roads, it can likely perform such work for a significantly lower cost than the Village because it has its own engineering staff and road crews. If we transfer control of our roads to the Town, we may still pay higher road taxes in the future, but likely less than we would if we retain responsibility for our roads. At the same time, we need to recognize that our road tax revenues have consistently subsidized our general costs. Consequently, we will need to pay significantly higher general taxes.