

The Village of Old Bennington

Tax Impact of Maintaining Village Roads

Introduction

This analysis considers the tax impact of three options for maintaining our village roads that we will discuss at our June 18 meeting. Option 1 assumes the village continues to maintain its roads and manage its affairs. Option 2 assumes the village turns over maintenance of its roads to the town, but continues to manage all its non-road related affairs. Option 3 assumes the village merges with the town.

Option 1

Option 1 considers two scenarios looking at our projected road construction costs over a ten-year period. Both scenarios use the estimated construction costs from MSK's 2019 Road Report adjusted for increases in the National Highway Construction Index from 2019 to 2023 (the latest data) and an assumed future annual inflation rate of 5% (which seems high but is less than the roughly 15% annual increase in road construction costs between 2019 and 2023). In each case, I calculated a level road tax rate over a ten-year period that covers future constructions costs and leaves us with ending reserves comparable to our historical reserves. To keep the calculation as simple as possible, I did not factor in future increases in non-road costs due to inflation. Consequently, the future total tax rates over the ten-year period will likely increase by small additional amounts each year due to non-road cost inflation.

Scenario 1 assumes we reconstruct Bank Street in FY 2026 and mill and overlay Walloomsac Road, Elm Street, and Catamount Lane on a two-year cycle beginning in FY 2028. It shows our road tax rate increasing from \$0.4761 per hundred dollar valuation to \$0.8390 or about 76%. That translates to a tax increase of about \$1,270 on a \$350,000 home.

Scenario 2 assumes we reconstruct Bank Street in FY 2026 and mill and overlay Walloomsac Road and Elm Street on a three-year cycle beginning in FY 2029 (Catamount Lane falls out of the ten-year window in this case). It shows our road tax rate increasing from \$0.4761 per hundred dollar valuation to \$0.7601 or about 60%. This translates to a tax increase of about \$1,000 on a \$350,000 home.

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Option 2

Option 2 looks at the effect of turning over our roads and sidewalks to the town in FY 2026 (after completing the reconstruction of Bank Street) while retaining all other activities and functions. It assumes we maintain our village greens as well as retaining control over planning and zoning matters. Consequently, we will need to keep our Board of Trustees, Planning Commission, Zoning Board of Appeals, insurance coverage, BCRC and VLCT memberships, and associated administrative functions.

Using our FY 2025 budgeted amount for these costs shows that we will need to increase our administrative tax rate from \$0.0400 to \$0.1349 per hundred dollar valuation. When combined with the increased road tax rate residents would then pay to the town, it increases the combined rate from \$0.5161 to \$0.6110 or 18%. This translates into a tax increase of about \$330 on a \$350,000 home. Note that the road tax rate paid to the town is based on the town's FY 2024 rate. When the town sets its FY 2025 rate in the near future, it will likely be higher than the FY 2024 rate. Consequently, this analysis likely understates the actual increase by a few percent.

Option 3

Option 3 considers the effect of merging with the town. In this case, there would be no increase in taxes other than the likely increase in the town road tax rate because of lag noted above and any normal increases in the town general tax rate.

Caveats/Conclusion

This analysis considered three options for maintain our village roads. Importantly, the models underlying the three options include a number of assumptions about plans for maintaining our roads, the estimated costs of maintaining our roads over a ten-year period, the rate of inflation pertaining to road construction costs, the rate of inflation pertaining to non-road costs, and plans to retain certain activities within the control of the village. Consequently, the projected tax rates could differ materially from future results.

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Nevertheless, it seems reasonable to conclude the following:

- Option 1 – Continuing to maintain our roads and manage our affairs will likely require substantial future road tax increases as well as smaller tax increases for managing our non-road related affairs. And, of course, village residents will also likely face typical annual increases in town taxes unrelated to road maintenance.
- Option 2 – Turning over maintenance of our roads to the town while continuing to manage our non-road related affairs will likely require some tax increases but to a significantly lesser extent than Option 1. Village residents will also likely face typical annual increases in town taxes including road maintenance.
- Option 3 – Merging with the town will likely not require additional taxes other than typical annual increases in town taxes.