DEFICIT FINANCING POLICY

Adopted: June 15, 2009,
Revised: September 28, 2023

Scope: This Deficit Financing Policy applies to all applications from governmental units.

Purpose

The Vermont Bond Bank ("Bond Bank") provides Vermont municipalities and other public bodies access to capital markets and has a long history of assisting such governmental units to purchase land, construct and renovate buildings, install and repair water supply and wastewater systems, and purchase equipment.

However, from time to time the Bond Bank has been asked to consider applications to provide financing of local deficits. Although the Bond Bank has provided such financings in certain specific circumstances in the past, rather than continue on an ad hoc basis, the Bond Bank wishes to apply a consistent policy to all governmental units.

Goals

The Bond Bank recognizes the challenges that governmental units might face, however, potential applicants should know that deficit financings include additional analysis, monitoring and greater risk that might adversely effect the Bond Bank's goals of achieving the lowest possible interest rate and cost of issuance for all participants.

In normal circumstances, such deficit financings also create long-term costs without creating a corresponding asset and may contribute to unsustainable financing structures. Thus, it is the policy, outside of Declared Disasters, of the Bond Bank to not issue bonds or notes within the Pooled Loan Program for the purpose of financing or refinancing the cash flow deficits of governmental units.

However, in the event of a Declared Disaster by the President of the United States, impacting one or more communities within the state, the Bond Bank may elect to make loans for the purpose of financing disaster related current expenses. These expenses are likely to be eligible for some amount of FEMA reimbursement but more generally, are necessary for the governmental unit to function effectively, which is required for the borrower to be financially stable.

Current expense loans made following a Declared Disaster will be capitalized from sources other than the Pooled Loan Program.

Architectural and engineering costs related to rebuilding after a disaster are generally capitalized in the costs of new projects and are not considered deficit financing for the purpose of this policy.