

To: South Hero Selectboard
From: Nate Hayward, New Town Office Building Committee
Date: February 19, 2026
Subject: Project Financing & Budgetary Information

This document serves as a comprehensive summary of our current financial standing, verified expenditures, and the long-term bonding strategy for the new Town Office project.

1. Project Authorization and Bonding Strategy

On March 4, 2025, South Hero voters authorized the issuance of general obligation bonds or notes in an amount not to exceed **\$2,875,000** for the construction of a new Town Hall.

Current Recommendation: Based on current budgetary projections and a desire for fiscal prudence, we are recommending an initial bond issuance of **\$2,750,000**. We believe the full project scope can be completed within this amount. The remaining **\$125,000** of voter-authorized capacity will be held in reserve to address any significant unforeseen expenses or contract exclusions.

2. Detailed Reconciliation of Paid Expenses (as of Feb 9, 2026)

According to the Town Treasurer's General Ledger, a total of **\$180,360.51** has been expended on the project across FY2025 and FY2026. The following is a detailed reconciliation by vendor:

Vendor & Transaction Detail	Date	Amount	Vendor Total
AES Northeast			\$154,493.26
<i>AES Northeast</i>	12/19/24	\$11,000.00	
<i>AES Northeast</i>	01/16/25	\$9,220.00	
<i>AES Northeast</i>	05/22/25	\$7,000.00	
<i>AES Northeast</i>	07/17/25	\$13,350.00	
<i>AES Northeast</i>	07/31/25	\$14,145.00	
<i>AES Northeast</i>	08/28/25	\$40,525.00	
<i>AES Northeast</i>	09/25/25	\$38,155.00	
<i>AES Northeast</i>	10/23/25	\$5,162.50	
<i>AES Northeast</i>	12/31/25	\$7,017.50	
<i>AES Northeast</i>	12/31/25	\$2,789.46	
<i>AES Northeast</i>	01/29/26	\$6,128.80	
Department of Public Safety	11/10/25	\$18,832.00	\$18,832.00
Clay Point Associates	04/24/25	\$4,550.00	\$4,550.00
Primmer Piper Eggleston & Cramer			\$1,679.00
<i>Primmer Piper</i>	12/19/24	\$780.00	
<i>Primmer Piper</i>	04/24/25	\$248.00	
<i>Primmer Piper</i>	07/03/25	\$651.00	
US Bank	08/28/25	\$250.00	\$556.25
<i>US Bank</i>	12/18/25	\$306.25	
State of Vermont	10/09/25	\$250.00	\$250.00
GRAND TOTAL PAID TO DATE			\$180,360.51

3. Sources and Uses of Funds (Current Roadmap)

Proposed Initial Bond Amount	\$2,750,000	Additional \$125k authorized by voters	
	Uses of Funds (Before TBD Items)	Spent through 2/9/26	
Construction Costs (Connor Contracting)	\$2,302,434.00		Contract amount
A & E Contract Total	\$212,120.00	\$146,043.26	Contract amount
Additional A&E (Pharmacy/Vault)	\$8,450.00	\$8,450.00	Change orders
Fire Safety Permit	\$18,832.00	\$18,832.00	Paid
Legal fees (Bond Council)	\$3,600.00	\$1,679.00	Estimate
Bank Fees	\$1,200.00	\$556.25	Estimate
State of Vermont (?)	\$250.00	\$250.00	? (maybe AOT access app.)
Asbestos and Lead Testing	\$4,550.00	\$4,550.00	Paid
Asbestos and Lead Mitigation	\$30,000.00		Estimate from Clay Pt Assoc.
Demolition of Craft Shop (Disposal only)	\$4,720.00		Estimate
Interior Signage	\$1,000.00		Guess
TOTAL	\$2,587,156	\$180,360.51	
Additional Potential Costs (TBD)	\$162,844	Remaining funds for TBD items	
Connor Contract Exclusions	<i>Ledge/Rock removal</i>		
	<i>Special testing</i>		
	<i>Builder's Risk</i>		
	<i>Winter conditions.</i>		
	<i>Change orders</i>		
Ancillary Soft Costs	<i>Furniture</i>		
	<i>Moving costs</i>		
	<i>Vault shelving</i>		
	<i>A&E reimbursables.</i>		

4. Interim Financing and Yield Optimization

- **Current Status:** We have an outstanding **two-year Bond Anticipation Note (BAN) of \$300,000** at an interest rate of **5.03%**.
- **Additional BANs:** We will need to utilize additional BANs to cover project costs until bond issuance. These are fairly quick and easy to get.
- **Interest Rate Strategy:** We plan to secure bond financing as early as possible, as bond rates are generally lower than our current BAN rate.
- **Full Retirement:** Any and all outstanding BANs will be **paid in full** immediately upon the issuance of the permanent bond in August 2026.
- **Yield Optimization:** We will coordinate with the Bond Bank and US Bank to explore deposit relationships for unused bond funds that could provide a rate of return near the borrowing rate, offsetting the financial burden to the Town on unused bond funds during construction.

5. Vermont Bond Bank Timeline and Repayment

Following discussions with Ken Linge at the Vermont Bond Bank, we have established the following key dates for the **2026 Summer Bond Pool**:

- **April 2026:** Participation in the Bond Bank's informational webinar.
- **May 2026:** Formal bond application deadline.
- **August 2026:** Anticipated funding date and retirement of all interim debt (BANs).

Repayment Strategy:

To minimize taxpayer impact, we are utilizing the Bond Bank's repayment flexibility:

- **Interest-Only Period:** Semi-annual interest payments will begin in **November 2026**.
- **Principal Deferral:** The first payment to include principal will be deferred until **November 1, 2028**.
- **Debt Coordination:** This allows the **Fire/Rescue Bond** to be retired on **November 1, 2027**, before our new principal obligations begin, avoiding an overlap in principal payments for the Town.

Comparison of Bond Repayment Options:

Comparison of the three illustrative bond repayment schedules provided by the Vermont Bond Bank. Each scenario is based on an initial bond issuance of **\$2,750,000**, with rates as of February 9, 2026.

Summary of Bond Options

Metric	20-Year Bond	25-Year Bond	30-Year Bond
Total Principal	\$2,750,000	\$2,750,000	\$2,750,000
Total Interest	\$1,253,210	\$1,630,087	\$2,039,666
Total Debt Service	\$4,003,210	\$4,380,087	\$4,789,666
Peak Annual Payment	\$252,404 (FY2029)	\$229,966 (FY2029)	\$217,552 (FY2029)
Final Payment Date	11/1/2046	11/1/2051	11/1/2056

Key Comparison Points

1. Total Cost of Borrowing

- **20-Year Option:** This is the most cost-effective path, resulting in total interest of approximately **\$1.25 million**.
- **30-Year Option:** Extending the term to 30 years increases the total interest to over **\$2.03 million**. Choosing the 30-year bond over the 20-year bond would cost the town an additional **\$786,456** in interest over the life of the loan.

2. Impact on Annual Budget (Cash Flow)

The primary benefit of the longer terms is a reduction in the annual budgetary impact:

- **Initial Annual Payments:** For the first full year of principal repayment (FY2029), the 30-year bond requires a payment of **\$217,552**.
- **Annual Savings:** The 30-year bond payment is approximately **\$34,852 lower** per year than the 20-year bond payment in that same timeframe.

3. Strategy for Principal Deferral

All three schedules incorporate the committee's recommended strategy to coordinate debt:

- **Interest-Only Period:** Principal payments are deferred until **November 1, 2028**.
- **Debt Coordination:** This deferral ensures the existing Fire/Rescue Bond can be retired in November 2027 before the new principal obligations begin, preventing an overlap in significant principal payments for the Town.

Committee Recommendation and Public Engagement

While the 20-year bond appears to be the most fiscally responsible choice, the Building Committee recognizes the importance of transparency.

It is our recommendation that the Selectboard hold a warned public meeting to discuss these bond term options. At the committee level, we have consistently committed to providing a forum for public input before finalizing the debt structure. This forum will allow residents to weigh the benefits of immediate annual tax relief (30-year bond) against the long-term interest savings (20-year bond).

Bond payment schedules attached.

6. Energy Efficiency & Renewable Energy Program (The "Charlotte Model")

The Vermont Bond Bank has highlighted a specialized program that could significantly benefit the installation of a **PV (Solar) Array** on our south-facing roof. This program follows a

successful "hybrid" financing model recently used by the **Town of Charlotte**:

- **Subsidized Interest Rates:** By carving out the solar portion of the project into this program, we can access rates frequently as low as **2.125%**, compared to the 4%+ rates of the standard pool.
- **Federal "Elective Pay" Bridge:** Under the Inflation Reduction Act, the Town is eligible for a **30% direct cash payment** from the IRS for the cost of the solar array. This program allows us to finance the array upfront and use the federal payment to pay down the debt immediately upon receipt.
- **The Charlotte Comparison:** The Town of Charlotte utilized this exact 2% Energy Loan for their solar installation alongside a 20-year Pooled Loan for their town garage. This strategy is projected to save them over **\$100,000** in energy and interest costs over 15 years.
- **Operational Savings:** A solar array on our south-facing roof will reduce the building's monthly operating expenses from Day 1, further offsetting the cost of the main bond.

SOURCES & USES		DEBT SERVICE SCHEDULE			ANNUAL DEBT SERVICE SCHEDULE			
	Assumptions	Payment Date	Principal	Interest	Series D/S	Principal	Interest	Series D/S
Sources			2,750,000	1,253,210	4,003,210	2,750,000	1,253,210	4,003,210
Par	\$2,750,000							
Equity	0							
Total	\$2,750,000							
Uses								
Project	\$2,750,000							
COI								
Total	\$2,750,000							
Dated Date	8/1/2026							
I-Commencement Date	11/1/2026							
P-Commencement Date	11/1/2028							
Term	21 Years							
Amortization Period	19 Years							
Final Maturity	11/1/2046							
Avg Life	11.33 Years							
Statistics								
Net Interest Cost	4.02%							
[Note] NIC assumes no accrued interest & par bonds								
		11/1/2026	0	36,859	36,859	6/30/2025	0	0
		5/1/2027	0	55,289	55,289	6/30/2026	0	0
		11/1/2027	0	55,289	55,289	6/30/2027	0	92,148
		5/1/2028	0	55,289	55,289	6/30/2028	0	110,577
		11/1/2028	144,737	55,289	200,026	6/30/2029	144,737	107,667
		5/1/2029	0	52,379	52,379	6/30/2030	144,737	101,848
		11/1/2029	144,737	52,379	197,116	6/30/2031	144,737	96,028
		5/1/2030	0	49,469	49,469	6/30/2032	144,737	90,208
		11/1/2030	144,737	49,469	194,206	6/30/2033	144,737	84,388
		5/1/2031	0	46,559	46,559	6/30/2034	144,737	78,568
		11/1/2031	144,737	46,559	191,296	6/30/2035	144,737	72,748
		5/1/2032	0	43,649	43,649	6/30/2036	144,737	66,928
		11/1/2032	144,737	43,649	188,386	6/30/2037	144,737	61,109
		5/1/2033	0	40,739	40,739	6/30/2038	144,737	55,289
		11/1/2033	144,737	40,739	185,476	6/30/2039	144,737	49,469
		5/1/2034	0	37,829	37,829	6/30/2040	144,737	43,649
		11/1/2034	144,737	37,829	182,566	6/30/2041	144,737	37,829
		5/1/2035	0	34,919	34,919	6/30/2042	144,737	32,009
		11/1/2035	144,737	34,919	179,656	6/30/2043	144,737	26,189
		5/1/2036	0	32,009	32,009	6/30/2044	144,737	20,370
		11/1/2036	144,737	32,009	176,746	6/30/2045	144,737	14,550
		5/1/2037	0	29,099	29,099	6/30/2046	144,737	8,730
		11/1/2037	144,737	29,099	173,836	6/30/2047	144,737	2,910
		5/1/2038	0	26,189	26,189	6/30/2048	0	0
		11/1/2038	144,737	26,189	170,926	6/30/2049	0	0
		5/1/2039	0	23,279	23,279	6/30/2050	0	0
		11/1/2039	144,737	23,279	168,016	6/30/2051	0	0
		5/1/2040	0	20,370	20,370	6/30/2052	0	0
		11/1/2040	144,737	20,370	165,106	6/30/2053	0	0
		5/1/2041	0	17,460	17,460	6/30/2054	0	0
		11/1/2041	144,737	17,460	162,196	6/30/2055	0	0
		5/1/2042	0	14,550	14,550	6/30/2056	0	0
		11/1/2042	144,737	14,550	159,286	6/30/2057	0	0
		5/1/2043	0	11,640	11,640	6/30/2058	0	0
		11/1/2043	144,737	11,640	156,377	6/30/2059	0	0
		5/1/2044	0	8,730	8,730			
		11/1/2044	144,737	8,730	153,467			
		5/1/2045	0	5,820	5,820			
		11/1/2045	144,737	5,820	150,557			
		5/1/2046	0	2,910	2,910			
		11/1/2046	144,737	2,910	147,647			
		5/1/2047	0	0	0			

SOURCES & USES		DEBT SERVICE SCHEDULE			ANNUAL DEBT SERVICE SCHEDULE				
Sources	Assumptions	Payment Date	Principal	Interest	Series D/S	Principal	Interest	Series D/S	
Par	\$2,750,000		2,750,000	1,630,087	4,380,087	2,750,000	1,630,087	4,380,087	
Equity	0								
Total	\$2,750,000	11/1/2026	0	39,279	39,279	6/30/2025	0	0	0
		5/1/2027	0	58,919	58,919	6/30/2026	0	0	0
Uses		11/1/2027	0	58,919	58,919	6/30/2027	0	98,198	98,198
Project	\$2,750,000	5/1/2028	0	58,919	58,919	6/30/2028	0	117,838	117,838
COI		11/1/2028	114,583	58,919	173,502	6/30/2029	114,583	115,383	229,966
Total	\$2,750,000	5/1/2029	0	56,464	56,464	6/30/2030	114,583	110,473	225,056
		11/1/2029	114,583	56,464	171,047	6/30/2031	114,583	105,563	220,146
Dated Date	8/1/2026	5/1/2030	0	54,009	54,009	6/30/2032	114,583	100,653	215,236
I-Commencement Date	11/1/2026	11/1/2030	114,583	54,009	168,592	6/30/2033	114,583	95,743	210,326
P-Commencement Date	11/1/2028	5/1/2031	0	51,554	51,554	6/30/2034	114,583	90,833	205,416
Term	26 Years	11/1/2031	114,583	51,554	166,137	6/30/2035	114,583	85,923	200,507
Amortization Period	24 Years	5/1/2032	0	49,099	49,099	6/30/2036	114,583	81,013	195,597
Final Maturity	11/1/2051	11/1/2032	114,583	49,099	163,682	6/30/2037	114,583	76,103	190,687
Avg Life	13.83 Years	5/1/2033	0	46,644	46,644	6/30/2038	114,583	71,194	185,777
		11/1/2033	114,583	46,644	161,227	6/30/2039	114,583	66,284	180,867
Statistics		5/1/2034	0	44,189	44,189	6/30/2040	114,583	61,374	175,957
Net Interest Cost	4.29%	11/1/2034	114,583	44,189	158,772	6/30/2041	114,583	56,464	171,047
		5/1/2035	0	41,734	41,734	6/30/2042	114,583	51,554	166,137
		11/1/2035	114,583	41,734	156,317	6/30/2043	114,583	46,644	161,227
		5/1/2036	0	39,279	39,279	6/30/2044	114,583	41,734	156,317
[Note] NIC assumes no accrued interest & par bonds		11/1/2036	114,583	39,279	153,863	6/30/2045	114,583	36,824	151,408
		5/1/2037	0	36,824	36,824	6/30/2046	114,583	31,914	146,498
		11/1/2037	114,583	36,824	151,408	6/30/2047	114,583	27,004	141,588
		5/1/2038	0	34,369	34,369	6/30/2048	114,583	22,095	136,678
		11/1/2038	114,583	34,369	148,953	6/30/2049	114,583	17,185	131,768
		5/1/2039	0	31,914	31,914	6/30/2050	114,583	12,275	126,858
		11/1/2039	114,583	31,914	146,498	6/30/2051	114,583	7,365	121,948
		5/1/2040	0	29,459	29,459	6/30/2052	114,583	2,455	117,038
		11/1/2040	114,583	29,459	144,043	6/30/2053	0	0	0
		5/1/2041	0	27,004	27,004	6/30/2054	0	0	0
		11/1/2041	114,583	27,004	141,588	6/30/2055	0	0	0
		5/1/2042	0	24,550	24,550	6/30/2056	0	0	0
		11/1/2042	114,583	24,550	139,133	6/30/2057	0	0	0
		5/1/2043	0	22,095	22,095	6/30/2058	0	0	0
		11/1/2043	114,583	22,095	136,678	6/30/2059	0	0	0
		5/1/2044	0	19,640	19,640				
		11/1/2044	114,583	19,640	134,223				
		5/1/2045	0	17,185	17,185				
		11/1/2045	114,583	17,185	131,768				
		5/1/2046	0	14,730	14,730				
		11/1/2046	114,583	14,730	129,313				
		5/1/2047	0	12,275	12,275				
		11/1/2047	114,583	12,275	126,858				
		5/1/2048	0	9,820	9,820				
		11/1/2048	114,583	9,820	124,403				
		5/1/2049	0	7,365	7,365				
		11/1/2049	114,583	7,365	121,948				
		5/1/2050	0	4,910	4,910				
		11/1/2050	114,583	4,910	119,493				
		5/1/2051	0	2,455	2,455				
		11/1/2051	114,583	2,455	117,038				
		5/1/2052	0	0	0				

SOURCES & USES		DEBT SERVICE SCHEDULE			ANNUAL DEBT SERVICE SCHEDULE				
	Assumptions	Payment Date	Principal	Interest	Series D/S	Principal	Interest	Series D/S	
Sources			2,750,000	2,039,666	4,789,666	2,750,000	2,039,666	4,789,666	
Par	\$2,750,000								
Equity	0								
Total	\$2,750,000								
Uses									
Project	\$2,750,000								
COI									
Total	\$2,750,000								
Dated Date	8/1/2026								
I-Commencement Date	11/1/2026								
P-Commencement Date	11/1/2028								
Term	31 Years								
Amortization Period	29 Years								
Final Maturity	11/1/2056								
Avg Life	16.33 Years								
Statistics									
Net Interest Cost	4.54%								
[Note] NIC assumes no accrued interest & par bonds									
		11/1/2026	0	41,626	41,626	6/30/2025	0	0	0
		5/1/2027	0	62,439	62,439	6/30/2026	0	0	0
		11/1/2027	0	62,439	62,439	6/30/2027	0	104,065	104,065
		5/1/2028	0	62,439	62,439	6/30/2028	0	124,877	124,877
		11/1/2028	94,828	62,439	157,266	6/30/2029	94,828	122,724	217,552
		5/1/2029	0	60,286	60,286	6/30/2030	94,828	118,418	213,246
		11/1/2029	94,828	60,286	155,113	6/30/2031	94,828	114,112	208,940
		5/1/2030	0	58,133	58,133	6/30/2032	94,828	109,806	204,634
		11/1/2030	94,828	58,133	152,960	6/30/2033	94,828	105,500	200,328
		5/1/2031	0	55,980	55,980	6/30/2034	94,828	101,194	196,021
		11/1/2031	94,828	55,980	150,807	6/30/2035	94,828	96,888	191,715
		5/1/2032	0	53,827	53,827	6/30/2036	94,828	92,582	187,409
		11/1/2032	94,828	53,827	148,654	6/30/2037	94,828	88,275	183,103
		5/1/2033	0	51,673	51,673	6/30/2038	94,828	83,969	178,797
		11/1/2033	94,828	51,673	146,501	6/30/2039	94,828	79,663	174,491
		5/1/2034	0	49,520	49,520	6/30/2040	94,828	75,357	170,185
		11/1/2034	94,828	49,520	144,348	6/30/2041	94,828	71,051	165,879
		5/1/2035	0	47,367	47,367	6/30/2042	94,828	66,745	161,572
		11/1/2035	94,828	47,367	142,195	6/30/2043	94,828	62,439	157,266
		5/1/2036	0	45,214	45,214	6/30/2044	94,828	58,133	152,960
		11/1/2036	94,828	45,214	140,042	6/30/2045	94,828	53,827	148,654
		5/1/2037	0	43,061	43,061	6/30/2046	94,828	49,520	144,348
		11/1/2037	94,828	43,061	137,889	6/30/2047	94,828	45,214	140,042
		5/1/2038	0	40,908	40,908	6/30/2048	94,828	40,908	135,736
		11/1/2038	94,828	40,908	135,736	6/30/2049	94,828	36,602	131,430
		5/1/2039	0	38,755	38,755	6/30/2050	94,828	32,296	127,123
		11/1/2039	94,828	38,755	133,583	6/30/2051	94,828	27,990	122,817
		5/1/2040	0	36,602	36,602	6/30/2052	94,828	23,684	118,511
		11/1/2040	94,828	36,602	131,430	6/30/2053	94,828	19,378	114,205
		5/1/2041	0	34,449	34,449	6/30/2054	94,828	15,071	109,899
		11/1/2041	94,828	34,449	129,277	6/30/2055	94,828	10,765	105,593
		5/1/2042	0	32,296	32,296	6/30/2056	94,828	6,459	101,287
		11/1/2042	94,828	32,296	127,123	6/30/2057	94,828	2,153	96,981
		5/1/2043	0	30,143	30,143	6/30/2058	0	0	0
		11/1/2043	94,828	30,143	124,970	6/30/2059	0	0	0
		5/1/2044	0	27,990	27,990				
		11/1/2044	94,828	27,990	122,817				
		5/1/2045	0	25,837	25,837				
		11/1/2045	94,828	25,837	120,664				
		5/1/2046	0	23,684	23,684				
		11/1/2046	94,828	23,684	118,511				
		5/1/2047	0	21,531	21,531				
		11/1/2047	94,828	21,531	116,358				
		5/1/2048	0	19,378	19,378				
		11/1/2048	94,828	19,378	114,205				
		5/1/2049	0	17,224	17,224				
		11/1/2049	94,828	17,224	112,052				
		5/1/2050	0	15,071	15,071				
		11/1/2050	94,828	15,071	109,899				
		5/1/2051	0	12,918	12,918				
		11/1/2051	94,828	12,918	107,746				
		5/1/2052	0	10,765	10,765				
		11/1/2052	94,828	10,765	105,593				
		5/1/2053	0	8,612	8,612				
		11/1/2053	94,828	8,612	103,440				
		5/1/2054	0	6,459	6,459				
		11/1/2054	94,828	6,459	101,287				
		5/1/2055	0	4,306	4,306				
		11/1/2055	94,828	4,306	99,134				
		5/1/2056	0	2,153	2,153				
		11/1/2056	94,828	2,153	96,981				
		5/1/2057	0	0	0				