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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

DRAFT – NOT YET APPROVED BY COMMITTEE

Capital Debt Affordability Advisory Committee
Minutes of Meeting of Wednesday, October 26, 2022

CDAAC Members Attending
BETH PEARCE, CDAAC Chair, State Treasurer
DOUG HOFFER, State Auditor
KRISTIN CLOUSER, Secretary of Administration
DAVID KIMEL, Former Chair, Vermont Bond Bank
THOMAS KAVET, Legislative Economist
DAVID COATES, CPA, Managing Partner, KPMG (Retired)
PREMILA PETERS, CFA, CPA, President, Data Innovations
MICHAEL GAUGHAN, Executive Director, Vermont Bond Bank

Also Attending
TOM HUESTIS, Public Resources Advisory Group
CHRISTINE FAY, Public Resources Advisory Group
STEVE WISLOSKI, Public Resources Advisory Group
SEAN BROWN, Agency of Administration
CATHERINE BENHAM, Joint Fiscal Office
SARAH CLARK, Joint Fiscal Office
DAN DICKERSON, Joint Fiscal Office
NICOLAS KRAMER, Department of Finance & Management
OWEN DOHERTY, State Treasurer's Office
SCOTT BAKER, State Treasurer's Office

Ms. Pearce called the meeting to order at 2:02 p.m.

The Agenda for the meeting was approved unanimously following a motion by Mr. Kimel and seconded by Ms. Peters.

The minutes of the October 14, 2022 meeting were approved unanimously following a motion by Mr. Coates and seconded by Ms. Peters.

Mr. Huestis reviewed the debt scenario of a $54 million annual issuance. As usual, this also assumes that the full amount of authorized but unissued debt is issued in the first year. As a result, this scenario is out of compliance with the Debt as a percentage of personal income metric, but only in the first year. As with the other scenarios, it out of compliance with the Committee's guidelines for Debt Per Capita, although this metric has not been a determining factor in the past. Mr. Hoffer noted that the debt service projections do not take inflation into account.

Ms. Pearce told the committee that based on discussions with JFO, members of the legislature, and legislative counsel, statute calls for a two-year debt recommendation. Therefore, the committee needs to reconsider the motion from the previous meeting. She also said that the committee's thoughts on use of the Capital Expenditure Cash Fund (CECF) should be included in the report, but not part of the recommendation. Mr. Coates added that the legislature did not seem concerned with the amount of the recommendation, only that they would like it for two years.

Mr. Kimel moved to reconsider the motion from the last meeting and to recommend a two-year authorization of $108 million of bond issuance. Mr. Coates seconded the motion.

During discussion, Mr. Gaughan commented that the CECF amount is still subject to appropriation, with Mr. Hoffer agreeing and adding that there has not been a deep analysis of need and affordability. Mr. Kavet also stated that the inclusion of pension metrics needs to be considered in the future.

Mr. Kimel said that the $54 million annual amount was determined to be the prudent amount at the last meeting, and the legislature can use the CECF if they determine that they need more. Ms. Clouser agreed, saying that the committee's job is to recommend what amount of debt could be issued.

Mr. Huestis also noted that the pension metrics is not in statute and questioned whether we need a statutory change.

Following further discussion, the committee agreed to review the appropriate metrics at an earlier date next year and to seriously consider a revision of the biennial recommendation after the first year, with a possible increase in year two.

The committee's recommendation of a two-year authorization of $108 million passed unanimously.

A discussion followed on whether to include a comment on use of the CECF in the recommendation. The general consensus was to leave it out of any recommendation.

Ms. Pearce asked is any members of the public wished to comment, but there were none.

The meeting was adjourned at 3:21 p.m. following a motion by Mr. Coates and seconded by Mr. Gaughan.