



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

**Capital Debt Affordability Advisory Committee
Minutes of Meeting of Friday, February 11, 2022**

CDAAC Members Attending

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

Also Attending

JEFF CARR, Economic & Policy Resources, Inc.
TOM HUESTIS, Public Resources Advisory Group
CATHERINE BENHAM, Joint Fiscal Office
DAN DICKERSON, Joint Fiscal Office
MIKE MIDDLEMAN, Department of Finance & Management
ASHLYNN DOYON, State Treasurer's Office
OWEN DOHERTY, State Treasurer's Office
SCOTT BAKER, State Treasurer's Office

Ms. Pearce called the meeting to order at 11:32 a.m.

Following a motion by Mr. Coates, which was seconded by Mr. Kimel, the amended minutes of the September 29, 2021 minutes were approved unanimously.

Ms. Pearce informed the Committee that she has presented the Pay-Go concept to the House Corrections & Institutions Committee. She believes that this is a good year to do this since the State has a large amount of cash. The Administration has been looking at different proposals and is presenting the Capital Expenditure Cash Fund (CECF). She walked through her presentation and explained the basics of the CECF, including the sources and uses of funds. The projected balance of funds has not been fully discussed yet, but this will be important to know in order to how much can be drawn in future years. Some type of withdrawal policy will be needed.

Ms. Clouser said that the Administration has heard concerns from some legislators that the concept of the cash fund would artificially lower the CDAAC debt recommendation, so having feedback from CDAAC would help provide answers.

Mr. Huestis said that a lot of factors go into our bond ratings, and although this alone would not change the State's ratings, the rating agencies would look at it as a positive.

Mr. Middleman explained that the proposal is to transfer 4% of the prior year General Fund appropriation, less the GF debt service obligation, to the CECF. The 4% was seen as a good starting point and can be revisited in the future. He said the biggest challenge would be the discipline to fund the CECF. He also recommended to make clear that CDAAC's recommendation would be based on affordability.

The Committee addressed the concerns raised by that the CDAAC recommendation would not be lowered based on the cash fund. It was agreed that the CDAAC is an advisory group whose task is to advise on the amount of debt that can be considered affordable.

Mr. Coates made a motion to endorse the concept of the Capital Expenditure Cash Fund and to convey this to the General Assembly, which was seconded by Mr. Kimel. The motion passed unanimously.

Mr. Middleman presented the details of the Administration's CECF proposal. In FY23, there would be a \$6.2 million one-time transfer into the fund. This amount is roughly 4% of FY22 GF appropriations, so the FY23 transfer of 4% is based on this amount. The proposal includes redeeming \$20 million of general obligation bonds, which will immediately reduce debt service payments by \$325 thousand in FY23, which will be part of the seed funding. The debt service savings will be much higher for the next few years. The proposal also reduces FY23 capital borrowing by \$10.2 million in FY23, and \$7 million each year after that. The proposal will result in estimated interest savings of \$44.7 million over the next 20 years.

A motion was made by Mr. Gaughan and seconded by Mr. Coates to thank Mr. Middleman for his public service to the state and to show appreciation for all of his good work, and to wish him well in his future endeavors. The motion passed unanimously.

A motion was made by Mr. Coates and seconded by Ms. Peters to thank Mr. Kimel for his incredible service to the community and his valuable work on CDAAC, and to wish him well. The motion passed unanimously.

Ms. Pearce asked if anyone from the public wished to comment, but there was none.

The meeting was adjourned at 12:58 p.m. following a motion by Mr. Coates, seconded by Ms. Peters.