



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

**Capital Debt Affordability Advisory Committee
Minutes of Meeting on Monday, September 19, 2016**

CDAAC Members Attending

BETH PEARCE, CDAAC Chair, Vermont State Treasurer
ROBERT GIROUX, Executive Director, Vermont Municipal Bond Bank
DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable
JUSTIN JOHNSON, Secretary of Administration
SARA BYERS, President, Leonardo's of Vermont (via telephone)
DAVID KIMEL, Chair, Vermont Municipal Bond Bank (via telephone)

Also Attending

STEVE KLEIN, Chief Fiscal Officer, Legislative Joint Fiscal Office
CATHERINE BENHAM, Associate Fiscal Officer, Legislative Joint Fiscal Office
SCOTT BAKER, State Treasurer's Office
TOM HUESTIS, Public Resources Advisory Group (via telephone)
JEFF CARR, Economic & Policy Resources, Inc. (via telephone)

Opening remarks and approval of minutes

Ms. Pearce called the meeting to order at 1:05 p.m.

Mr. Kimel made a motion to approve the minutes of the August 24, 2016 and September 9, 2016 meetings. Ms. Byers seconded the motion. A roll call vote was taken, with all members voting to approve.

Review of pro-forma debt projections

Mr. Huestis reviewed the pro-forma debt projection for Scenario # 8 (a two-year authorization of \$132.46 million with a revised downturn scenario). This model simulates the revenue effects of a more aggressive economic downturn than presented at the last meeting, assuming that GDP falls 4.5% in the first year of the downturn (2021), stays flat the following year, and increases to 8% in the third year. The result is that Debt Service as a Percent of Revenues increases, but not dramatically, and stays within guidelines for all years. Debt Per Capita compliance is met in the final year, Debt as Percent of Personal Income stays within guidelines in all years. Mr. Coates commented that he felt that this was a good stress test.

Review of 2016 CDAAC Report

The report contains a two-year debt recommendation for fiscal years 2018-2019 of \$132,460,000, reflecting a reduction of 8.01% from the previous biennium recommendation of \$144,000,000.

Mr. Baker and Mr. Huestis outlined the changes to the CDAAC report from the previous draft.

Mr. Klein suggested that the report mention the new reserve fund which will provide for the 53rd week of Medicaid payments in the future. There will be up to \$9 million in this fund by next year.

A discussion followed regarding state cash flow and borrowing costs.

Mr. Johnson made a motion to adopt the 2016 CDAAC Report, to include the revisions discussed at the meeting. Mr. Coates seconded the motion. The motion passed unanimously following a roll call vote.

Ms. Pearce stated that although this is a two-year recommendation, the Committee can take action in the interim if there is an uptick in issuance from other states. Mr. Klein asked if that means that we will always be lagging others in issuance trends. Ms. Pearce answered that any borrowing needs to be paid back, so we should only issue what we need

Mr. Giroux asked is there is any correlation between interest rates vs. infrastructure needs. Mr. Huestis answered that interest rates have been low for quite some time now, but most of the issuance increases have been due to refinancing. There was a large increase following the stimulus act, but it been fairly steady since then.

Public Comment and Adjournment

Ms. Pearce asked if any members of the public wished to comment. No comments were made.

Mr. Coates made a motion to adjourn the meeting, Mr. Johnson seconded. Following a unanimous vote by roll call, the meeting was adjourned at 1:50 p.m.