



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

DRAFT – NOT YET APPROVED BY COMMITTEE
Capital Debt Affordability Advisory Committee
Minutes of Meeting of Wednesday, July 25, 2018

CDAAC Members Attending

BETH PEARCE, CDAAC Chair, Vermont State Treasurer
SUSANNE YOUNG, Secretary of Administration
DAVID KIMEL, Chair, Vermont Municipal Bond Bank
SARA BYERS, President, Leonardo's of Vermont
MICHAEL GAUGHAN, Executive Director, Vermont Municipal Bond Bank
DOUG HOFFER, Vermont State Auditor (via telephone)
DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable (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
JEFF CARR, Economic & Policy Resources, Inc. (via telephone)
CHRISTINE FAY, Public Resources Advisory Group (via telephone)

Ms. Pearce called the meeting to order at 1:02 p.m.

Ms. Pearce reviewed the results of the legislative session and final budget, noting the additional amounts added to reserves and pension funding. She also recapped the results of the bond issuance last fall.

Ms. Byers made a motion to approve the minutes of the September 21, 2017 meeting, which was seconded by Mr. Kimel. The motion passed by roll call vote, with Mr. bstaining.

Following a municipal market update by Mr. Huestis, he and Mr. Baker reviewed the Moody's 2018 Debt Median Report and Vermont's statistics and rankings among the 50 States. Although Vermont's debt ratios look better in this year's report, it was noted that these statistics are based on debt as of June 30, 2017. Because the State deferred issuing bonds to FY18, the numbers in subsequent reports are likely to decline. The Committee also noted from the Moody's report that nationally, States are financing capital expenditures largely on a pay-go basis, with only 30% of capital expenditures being financed by debt.

Three debt issuance scenarios were presented as a starting point for the Committee (each assuming the issuance of the remaining authorized but unissued amount in FY19) -

1. Base case scenario with authorization remaining at \$132.46 million for each biennium (\$66.23 million annually) from 2020-2029.
2. Amortization Case 1 – structured so that the State’s outstanding debt level does not rise above the amount after the FY19 issuance (approx. \$702 million). This results in varying amounts issued from 2020-2029.
3. Amortization Case 2 – structured after Case 1, except that issuance amount is level each year (at 2021 amount)
- 4.

The result of all three scenarios is the State being out of compliance of the Debt Per Capita guideline, but in compliance of the Debt as a Percent of Personal Income and Debt as a Percent of Revenues.

For the next meeting, the Committee would like to see debt scenarios with level annual issuance amounts where the State’s outstanding debt gets below the \$702 million mentioned above and the \$645 million of current outstanding debt. Mr. Hoffer expressed his concern that choosing debt issuance amounts to review is very challenging without first determining the State’s needs.

Mr. Huestis give a summary of the new rating methodology developed by Moody’s for State ratings and how Vermont fares within each of the scorecard factors.

Ms. Pearce reviewed a Draft Capital Financing Model which was used very effectively in a municipality where she previously worked. This may be an opportunity to meet the infrastructure needs while lowering borrowing costs and generating dollars for pay-as-you-go financing of projects. The Committee agreed that this model was worth further review and recommended other areas of potential pay-go financing.

Mr. Kimel made a motion to adjourn the meeting, which was seconded by Ms. Byers. Following a unanimous vote, the meeting was adjourned at 2:48 p.m.