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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 on Monday, November 24, 2014
Telephone Conference Call**

CDAAC Members Attending

DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable
ROBERT GIROUX, Executive Director, Vermont Municipal Bond Bank
BETH PEARCE, CDAAC Chair, Vermont State Treasurer
JEB SPAULDING, Secretary of Administration
JOHN VALENTE, ESQ., Chair, Vermont Municipal Bond Bank

Members of the General Assembly

SEN. MARGARET "PEG" FLORY (Rutland District)

Also Attending

MICHAEL OBUCHOWSKI, Commissioner, Buildings and General Services
STEVE WISLOSKI, Deputy State Treasurer
SCOTT BAKER, State Treasurer's Office
TOM HUESTIS, Public Resources Advisory Group
REBECCA WASSERMAN, ESQ., Legislative Counsel
JEFF CARR, Economic & Policy Resources, Inc.
PATRICIA GABEL, Court Administrator-Judicial
MATT RIVEN, Court Administrator-Judicial

Ms. Pearce called the meeting to order at 10:05 a.m.

Mr. Coates made a motion to approve the minutes of the September 26, 2014 meeting. Mr. Valente seconded the motion. A roll call vote was taken and the minutes passed unanimously.

Mr. Wisloski reviewed the State's bond sale from the previous week: almost \$100 million of bonds were sold in three Series, which funded \$85 million of capital projects and refinanced \$40 million of previously-issued bonds for total debt service savings of \$3.5 million over the next 15 years. The sale raised \$11.4 million in bond premium, which since the 2012 Legislative Session is used to pay for capital projects, and reduces the principal amount of bonds that need to be

issued. Thus, \$11.4 million of bonds authorized under the 2014-2015 Capital Bills can be carried forward and added to the 2016-2017 Capital Bills.

Ms. Pearce reviewed the bond ratings from the three rating agencies. Moody's and Fitch continue to rate the bonds Aaa and AAA, respectively (the highest possible rating), and S&P as AA+ (the second-highest rating), all with stable outlooks. She pointed out that S&P revised their outlook from "positive" to "stable," which was anticipated as part of that agency's 2-year evaluation period that started in 2012. Mr. Carr then updated the Committee on some of the changes to the economic data that was included in the preliminary CDAAC report.

Mr. Wisloski and Mr. Huestis reviewed the latest scenarios of debt issuance based on the November 2014 consensus economic data. The upward revision to the 10-year projection of general fund and transportation fund revenue forecast resulted in greater capacity in the "debt service as a percent of revenue" or DSPR debt ratio, and as such the scenarios modeled greater debt capacity than the amounts presented in the interim report. They presented five scenarios with annual debt issuance for the 10 fiscal years from 2016 through 2025 as follows:

A "Base Case" of \$79.95 million per year (\$159.9 million FY2016-17 biennium), the same as recommended for the fiscal 2014-15 biennium, which exceeded debt per capita (DPC) though 2025, reached a maximum 2.0% debt as a percent of personal income (DPI) in 2015, and saw debt service as a percent of revenue (DSPR) grow from 4.3% to 5.2% in 2025.

Scenario 1 (\$82.75 million per year, \$165.5 million biennium), which constrained DSPR to a maximum of 5.3% through 2025. This scenario previously resulted in a biennium amount of \$124.5 million, and was the lower bound of the recommended range in the Committee's Interim Report. This scenario now exceeded DPC indefinitely, saw maximum DPI of 2.0% in 2015, and maximum DSPR of 5.3% in 2025 growing throughout the 10-year period.

Scenario 2 (\$87.5 million per year, \$175 million biennium), which constrained DSPR to a maximum of 5.5% through 2025. This scenario previously resulted in a biennium amount of \$134.78 million, and was the upper bound of the recommended range in the Committee's Interim Report. This scenario also now exceeded DPC indefinitely, saw maximum DPI of 2.0% in 2015, and maximum DSPR of 5.3% in 2025, also growing throughout the 10-year period.

Scenario 3 (\$75 million per year, \$150 million biennium), which constrained DSPR to maximum of 5.0% through 2025, and was a scenario analyzed in both the July and August meetings and having resulted in a \$142.0 million biennium amount in July and \$113.7 million in August. DPC constraint satisfied by 2023, maximum DPI of 2.0% in 2015, maximum 5.0% DSPR in 2023 and 2025.

Scenario 4 (\$72 million per year, \$144 million biennium) stabilized DSPR between 4.8% and 4.9% by 2025, satisfied the DPC constraint by 2022, and reached maximum DPI of 2.0% in 2015.

A discussion and review of the scenarios followed, with the Committee members focusing initially on Scenarios #3 and #4. After further deliberation, the Committee determined that Scenario #4 (the Issuance of \$72 million annually, or \$144 million for the two year authorization) was its preferred scenario.

Mr. Spaulding and Mr. Obuchowski both stated that there was a great need for capital funding this year.

Mr. Coates made a motion to include the recommendation of \$144 million of issuance for the two year period in the final CDAAC report. Mr. Valente seconded the motion. A roll call vote was taken and the motion passed unanimously.

Mr. Wisloski said that this recommendation would be included in the final report, which he hoped could be issued by December 1.

Mr. Coates made a motion to adjourn the meeting, Mr. Spaulding seconded. A roll call vote was taken and the Committee unanimously voted to adjourn at 10:58 a.m.