



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

Capital Debt Affordability Advisory Committee
Debt Affordability Working Group
Minutes of Meeting of Tuesday, September 7, 2021

Working Group Members Attending

BETH PEARCE, State Treasurer
DOUG HOFFER, State Auditor
DAVID COATES, CDAAC Committee member
DAVID KIMEL, CDAAC Committee member
THOMAS KAVET, CDAAC Committee member

Also Attending

TOM HUESTIS, Public Resources Advisory Group
CHRISTINE FAY, Public Resources Advisory Group
WILL KRIEWALD, State Treasurer's Office
SCOTT BAKER, State Treasurer's Office
JEFF CARR, Economic & Policy Resources, Inc.

Ms. Pearce called the meeting to order at 2:00 p.m.

Ms. Pearce said that the purpose of this was to look at the debt affordability criteria used in preparing the CDAAC report. They should look at ideas that other states have used and come up with a recommendation for the full CDAAC committee.

Mr. Kimel made a motion to approve the meeting agenda, which was seconded by Mr. Coates and was approved unanimously.

Mr. Huestis told the group that the materials which he sent out has been sent out to the committee last year, but they had not gone over them in detail. Ms. Pearce also said that Mr. Hoffer's memo had also been distributed to the group. Mr. Hoffer said that his memo raises questions about the debt metrics being used.

Mr. Huestis gave a recap of the current criteria being used, and all of the criteria that the rating agencies look at. He said that CDAAC uses three primary metrics (Debt Per Capita, Debt as a Percentage of Personal Income, Debt Service as a Percentage of Revenue), and could look at other long-term liability metrics (Debt plus Unfunded Net pension Liability, Debt plus Adjusted Net Pension Liability to Gross State Product, Fixed Cost to Revenues or Expenditures).

Mr. Huestis reviewed the five other states and the criteria they are using. These states were: Georgia, Maryland, North Carolina, Rhode Island and Virginia. It was noted during discussion that Vermont only looks at pension liability and does not include OPEB.

Mr. Huestis also reviewed the metrics that each of the rating agencies calculate, and some additional information of how Fitch looks at pension liability.

The group raised the question of what metrics they should be focusing on. Ms. Pearce asked if it should be looking at the affordability of the budget, the ability of the taxpayer to pay, or trying to maintain good ratings, and how do we balance these.

At the next meeting, Mr. Hoffer will discuss his memo in greater detail.

There was no public comment.

Following a motion by Mr. Coates, seconded by Mr. Kimel, the meeting was adjourned at 2:59 p.m.