



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

Capital Debt Affordability Advisory Committee  
Debt Affordability Working Group  
Minutes of Meeting of Wednesday, October 6, 2021

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**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**

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

Ms. Pearce called the meeting to order at 2:01 p.m.

**Mr. Coates made a motion to approve the meeting minutes of September 27, 2021, which was seconded by Mr. Kimel and approved unanimously.**

Mr. Huestis reviewed the outline of the topics that the working group has discussed to this point, and the decisions regarding recommendations to the full committee that the group has made. These include:

1. Net Tax Supported Debt - although Moody's includes the Mental Health Bonds in their total NTSD, the group (and CDAAC) has decided not to include.
2. Primary Debt Affordability Metrics - when calculating State Revenues, CDAAC includes the General Funds, Transportation Fund and Dedicated Property Transfer Tax Revenue. Moody's also includes the Education Fund, while CDAAC does not. Mr. Hoffer asked how this affects the calculations since a large part of the General Fund is dedicated to the Education Fund. Mr. Huestis answered that it should not have an impact since none of the Education Fund is used to pay debt service, although Ms. Pearce added that it does pay the normal cost of the Teachers' pension. Mr. Carr also noted that he reports revenues as Pre-Act 11 and Post-Act 11 for comparative purposes.

We continue to calculate and review other metrics such as Debt Per Capita, Debt to Gross State Product, and others. Mr. Huestis raised the question of whether we should include pensions in the primary debt metrics. Mr. Hoffer said that the Committee's charge is specifically limited to General Obligation Debt, not total debt. He added that G.O. debt is relatively small compared to overall debt obligations and adding pensions and OPEB would be a big deal. Mr. Huestis said that the rating agencies are looking at those and seeing how states are managing their total liabilities. If we include them, we are showing that we are looking at all liabilities. A discussion followed around the Committee's responsibility of what to report to the legislature, and whether to report pension and OPEB numbers. It was generally agreed that although not being included in the metrics, they should be moved forward in the report.

Mr. Hoffer said that the statute makes clear that the committee's obligation is to analyze the economic and financial benefits of debt issuance. He suggested that Mr. Carr and Mr. Kavet could do some work on this, and the group agreed.

(Mr. Hoffer left the meeting at this time).

Following some discussion, the group agreed that the projection term of 10 years was appropriate. They also discussed the assumption of the issuance of the authorized but unissued debt amount in the current year and agreed that was appropriate. The group also discussed increasing the debt issuance assumption each year by a number consistent with CPI and decided that it made sense. They also discussed setting targets or guidelines on the debt metrics and agreed on guidelines.

The group also discussed the use of Personal Income vs. Gross State Product in the metrics. Mr. Huestis told the group that the use of personal income was more common and was used more consistently by the three rating agencies. The group agreed but also felt that the report should mention that total income is generally higher than personal income.

Following a discussion of the peer group, it was agreed that the continued use of states with two triple-A ratings was appropriate. Mr. Huestis suggested that Mr. Carr and Mr. Kavet could also look at the differences between Vermont and the triple-A states' capital spending.

The group also agreed with the suggestion of also looking at the minimum and maximum metrics, in addition to the medians, when comparing to other states.

The group will meet again in November after Mr. Carr and Mr. Kavet have had a chance to do some of their analysis

There was no public comment.

**Following a motion by Mr. Kimel, seconded by Mr. Coates, the meeting was adjourned at 3:21 p.m.**