Ms. Pearce called the meeting to order at 1:04 p.m.

The meeting agenda was approved unanimously following a motion by Mr. Coates and seconded by Ms. Byer.

Mr. Coates made a motion to approve the minutes from the October 15, 2020 meeting, which was seconded by Mr. Kimel. Following a discussion, the motion was approved unanimously.

Mr. Huestis reviewed the updates to the CDAAC report from the previous draft and noted that the revenue projections have been updated to include those for the Property Transfer Tax (Housing) Bonds, and the Transportation Infrastructure Bonds.

Although Mr. Hoffer was unable to attend the meeting, he sent his comments to the report in advance of the meeting. Ms. Pearce read those comments to the Committee for discussion.

Page 4 of the draft report states—
“The Committee will review the annual capital budget and 10-year capital program as part of its annual meetings and considers the 2019 amendments to § 310 related to identifying and establishing funding for deferred maintenance consistent with last year’s CDAAC discussions and rating agency guidance as discussed below. [TO BE UPDATED]”

Mr. Hoffer’s comment was that “The Committee said something similar in 2018 and 2019, but, unless I’m mistaken, there was no review or consideration of the State’s 10-year capital budget.”

Ms. Pearce stated that the most recent 10-year plan expected expenditures averaged approximately $100 million per year during that time frame. Mr. Ferland stated that the plan is a ten-year outlook and is updated every two years, with recommendations coming from the departments. These are prioritized every two years and presented to the legislature. They are now implementing software which will help manage the buildings, dams, highways, and other properties. Historically, they have not had the tools to manage ongoing maintenance needs sufficiently. Mr. Gaughan mentioned that it would be helpful for CDAAC to receive an update on the aggregate level of projected need in the States 10 year capital plan.

Ms. Pearce stated that in 2019 the Committee recommended that a working group review the plan and capital budget, among other things such as PayGo funding, bond premium, and a capital reserve fund, and bring to the full Committee. The group’s work was delayed by COVID restrictions. Ms. Young agreed that the full Committee did not review this plan, she understood that these would all be part of the working group’s review. Ms. Pearce said that the wording in the report would be changed to reflect this and sent out for final review.

Ms. Pearce read Mr. Hoffer’s second comment (regarding page 21 of the report) to the Committee, which stated:

“CDAAC annually goes through an extensive analysis to determine the “cost-benefit of various levels of debt financing.” The cost-benefit is demonstrated by CDAAC’s determination of the amount of debt that the State should annually authorize and still achieve compliance with CDAAC’s articulated affordability guidelines. This evaluation is fundamental to CDAAC’s responsibility in recommending annually the amount of net tax-supported indebtedness that should be authorized by the State.”

Mr. Hoffer’s comment was “The Committee’s comparative review of debt metrics is not a cost-benefit analysis. It was focused solely on compliance with CDAAC’s affordability guidelines. A meaningful review of various levels of debt financing would include consideration of the economic and fiscal impacts of different types and levels of capital investments. No such analysis was undertaken.

In addition, it is noteworthy that the Committee did not consider GO debt recommendation options in the context of Moody’s new Debt and Pension ratio. This is important because modest increases in GO debt would only have a marginal impact on the new ratio in light of the magnitude of our pension and OPEB liabilities, which dwarf GO debt. That is, if it were determined through econometric analysis that additional capital investments were in our long-
term interest, the impact on the new metric might be so small as to warrant serious consideration. No such analysis was undertaken.”

In discussion members noted that the primary focus of this group is affordability, looking at the cost-benefit of additional debt but not specific projects. Ms. Pearce asked if any member wanted to make a motion to revise the report based on Mr. Hoffer’s comments. No such motion was proposed.

With respect to the size of net-tax supported debt within the magnitude of pension and OPEB liabilities, Ms. Pearce and Mr. Huestis noted that the debt issuance was also a factor in other categories. The Moody’s report includes “notching factors”. Mr., Huestis referenced a section in the Moody’s rating process that states “The methodology includes “key factors” and “sub-factors,” as referred to by Moody’s, to produce a preliminary scorecard-indicated outcome. The preliminary outcome may be adjusted up or down in half-notch increments, based on six notching adjustments. Ms. Pearce noted that the debt affordability process and result is an important part of our discussions with the rating agencies. She noted that fiscal management was an important consideration and the CDAAC is part of that.

Ms. Pearce suggested that the minutes from the previous meeting be revised to reflect the Mr. Hoffer’s wording as noted in his comments. **Mr. Kimel made a motion to revise Mr. Hoffer’s comments in the minutes. Following a second from Ms. Byers, the motion passed unanimously.** The approved minutes will reflect this.

**Ms. Byers made a motion to approve the 2020 CDAAC Report (subject to some minor technical adjustments), which was seconded by Mr. Coates. The Committee approved the report unanimously.**

During the public comment period, Ms. Collins and Mr. Austin acknowledged that they were on the call but had no comment.

**The meeting was adjourned at 4:49 p.m. following a motion by Mr. Kimel, seconded by Mr. Coates.**