



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

**Capital Debt Affordability Advisory Committee  
Minutes of Meeting on Friday, September 9, 2016**

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**CDAAC Members Attending**

BETH PEARCE, CDAAC Chair, Vermont State Treasurer  
DOUG HOFFER, Vermont State Auditor  
SARA BYERS, President, Leonardo's of Vermont  
MICHAEL CLASEN, Deputy Secretary of Administration  
DAVID KIMEL, Chair, Vermont Municipal Bond Bank (via telephone)

**Also Attending**

MICHAEL OBUCHOWSKI, Commissioner, Buildings and General Services  
TOM HUESTIS, Public Resources Advisory Group  
SCOTT BAKER, State Treasurer's Office  
JEFF CARR, Economic & Policy Resources, Inc. (via telephone)  
CHRISTINE FAY, Public Resources Advisory Group (via telephone)

**Opening remarks and approval of minutes**

Ms. Pearce called the meeting to order at 8:05 a.m.

Mr. Hoffer requested that his comments from the August 24, 2016 be reflected in the minutes. Approval of the minutes was deferred until the next meeting.

**Review of pro-forma debt projections**

Mr. Huestis reminded the Committee that they had requested to see updated projection models using the Debt Per Capita Compliant case (Scenario #5, updated to include capital lease amount, an authorization of \$132.46 million for the 2018-2019 biennium) run using recession type revenue projections. Mr. Carr explained that he could do an analysis of various revenue projections, but questioned the value to the Committee. He said that there is nothing on the near term horizon that is a precursor to a recession, so it would be difficult to model. He could look at alternative scenarios, but it would require running many different projections. The Committee agreed that this would not be feasible.

Mr. Huestis explained that the two new pro-forma projections were run using the Fitch FAST model, using a very mild downturn in revenue projections (-1% in year one, followed by growth of 0.5% and 2.0% in years two and three). Both models assumed a downturn in year 5, but differed in growth assumptions in the years following the Fitch assumption. In both models, the

debt ratio guidelines were met. The Committee requested to have the projection run using a more stressful downturn in revenues, which will be done for the next meeting.

### **Review of Draft 2016 CDAAC Report**

The draft CDAAC report was prepared using Scenario # 5. Mr. Hoffer noted to the Committee that this amount was arrived at by looking at the 10-year projection of issuance and debt ratio compliance, and does not relate to the amount of need.

The Committee reviewed each section of the draft report and had made various or suggestions including:

- Ms. Pearce commented that Act 64 requires us to look at funding options for Clean Water Funding and could have an impact on the State's Net Tax Supported Debt level. She said that we are currently reviewing revenue sources, and that any bonds issued would be revenue bonds.
- Mr. Hoffer suggested adding the chart which shows the level of Outstanding bonds, adjusted for inflation
- In reviewing the debt guidelines, Mr. Hoffer commented that every state uses their debt in different ways and Vermont is very different than many of the other AAA states. He also said these ratios have to reflect population growth.
- Ms. Pearce commented that infrastructure spending has been increasing overall. Mr. Hoffer asked if this would impact the ratios in future years. Ms. Pearce answered that it was too early to tell. Mr. Hoffer also questioned how much longer other states could defer maintenance.
- Ms. Pearce said that recent proposals to limit tax-exemption on municipal bonds continues to be a major issue.
- In reviewing the Pension Liabilities Metrics, Mr. Hoffer noted the Treasurer's strong views about honoring pension commitments. He asked if the Rating Agencies consider pension plan benefits and the impact differing plans have on the economy of the state and the quality of life of retirees. Ms. Pearce said they do not, and suggested that we note this in the report.

The suggested changes will be made to the report and the goal is to approve it at the next meeting (September 19<sup>th</sup>).

### **Adjournment**

**Mr. Clasen made a motion to adjourn the meeting, Ms. Byers seconded. Following a unanimous vote by roll call, the meeting was adjourned at 9:19 a.m.**