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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

Capital Debt Affordability Advisory Committee
Minutes of Meeting of Friday, September 15, 2017

CDAAC Members Attending
BETH PEARCE, CDAAC Chair, Vermont State Treasurer
SUSANNE YOUNG, Secretary of Administration
ROBERT GIROUX, Executive Director, Vermont Municipal Bond Bank
SARA BYERS, President, Leonardo's of Vermont
DAVID KIMEL, Chair, Vermont Municipal Bond Bank
DOUG HOFFER, Vermont State Auditor (via telephone)
DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable (via telephone)

Also Attending
STEVE KLEIN, Chief Fiscal Officer, Legislative Joint Fiscal Office
CATHERINE BENHAM, Associate Fiscal Officer, Legislative Joint Fiscal Office
JEFF CARR, Economic & Policy Resources, Inc.
TIM DUGGAN, Assistant Attorney General representing the State Treasurer's Office
SCOTT BAKER, State Treasurer's Office
TOM HUESTIS, Public Resources Advisory Group
CHRISTINE FAY, Public Resources Advisory Group (via telephone)

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

Mr. Giroux made a motion to approve the minutes of the September 19, 2016 meeting. Ms. Byers seconded the motion. A roll call vote was taken. The motion passed with all members voting to approve, except Ms. Young who abstained.

Ms. Pearce said that the Legislature once again followed the CDAAC recommendation on debt issuance and authorized $132.46 million of debt for the 2018-19 biennium. The capital bill appropriated $73.9 million for projects in FY18, including $14.82 million from transfers and reallocations, and $73.38 million in FY19.

She also mentioned that a group visited the three Rating Agencies in early August, and all three affirmed the State's ratings in advance of the most recent bond issuance.

Mr. Baker reviewed the state debt ratios and the related charts. It was noted that the Debt Per Capita (DPC) ratio is now higher than the 50-state median.

Mr. Carr briefly outlined revenue results and other data that goes into the calculations. He said that although the State balances the budget by controlling expenditures, there is not strong revenue growth. He also said that population and demographics remain an issue.

Mr. Baker and Mr. Huestis reviewed three scenarios of debt issuance projections–

1. Base case as shown in the 2016 CDAAC report, where all ratios are in compliance
2. Issuance of remainder of authorized/unissued amount in FY18, continued issuance of $66.23 million annually for 10 years. This results in DPC being out of compliance with State guidelines.
3. Issuance of remainder of authorized/unissued amount in FY18, but issuance amount reduced to $60.45 annually, the level required to reach DPC compliance within the 10 year projection

Ms. Pearce noted that our ranking among the States has been declining. Although she would recommend no change to the current authorization amount, current data suggests a decrease of 8.7% in the potential recommended amount for the next biennium. This will change once new median calculations are received, but the downward trend is noteworthy. The majority of the Committee agreed and wanted to convey this information to the General Assembly and the Administration to prepare for a possible reduction in the next biennium. However, Mr. Hoffer felt this was too extreme and gives too much reliance on the DPC guideline. Ms. Young asked if language regarding a potential reduction should be included in the report, rather than just the transmittal letter. Language will be drafted and sent to the Committee to review before the next meeting.

The Committee will meet next week to review the draft report.

Ms. Pearce made a motion, which was seconded by Ms. Byers, to formally thank Mr. Giroux for his long, hard, exemplary work at the Bond Bank and CDAAC. The Committee passed the motion unanimously and thanked Mr. Giroux for his service.

Ms. Pearce asked if any members of the public wished to comment. No comments were made.

Ms. Byers made a motion to adjourn the meeting, Mr. Giroux seconded. Following a unanimous vote, the meeting was adjourned at 3:05 p.m.