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STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

**Capital Debt Affordability Advisory Committee  
Minutes of Meeting of Monday, August 20, 2018**

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**CDAAC Members Attending**

BETH PEARCE, CDAAC Chair, Vermont State Treasurer  
SUSANNE YOUNG, Secretary of Administration  
DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable  
DOUG HOFFER, Vermont State Auditor (via telephone)  
SARA BYERS, President, Leonardo's of Vermont (via telephone)  
DAVID KIMEL, Chair, Vermont Municipal Bond Bank (via telephone)  
MICHAEL GAUGHAN, Executive Director, Vermont Municipal Bond Bank (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.  
TOM HUESTIS, Public Resources Advisory Group  
CHRISTINE FAY, Public Resources Advisory Group (via telephone)  
WILL KRIEWALD, State Treasurer's Office  
SCOTT BAKER, State Treasurer's Office

Ms. Pearce called the meeting to order at 10:03 p.m.

**Mr. Coates made a motion to approve the minutes of the July 25, 2018 meeting, which was seconded by Ms. Young and passed unanimously.**

Mr. Carr reviewed his economic and financial forecasts used in the CDAAC report, and revenue projections for the General, Transportation, and Education funds. He explained that Act 11, passed during the 2018 legislative session, changes a portion of the deposits from the General Fund to the Education Fund. In the past, 35% of the Sales and Use Tax was deposited to the Education Fund and 65% to the General Fund. Additionally, 100% of the Rooms & Meals Tax was deposited to the General Fund. Since the passage of Act 11, 100% of the Sales & Use Tax will be deposited to the Education Fund, while the Rooms and Meals Tax will be split – 25% going to the Education Fund and 75% remaining in the General Fund. He estimates that the effect of these revenues will be a change of \$311 million in FY2019, reaching \$419 million by FY2029.

The numbers presented in the draft report (and used for the Debt Service as Percent of Revenues ratio) show revenues as they would appear pre-Act 11. A discussion followed regarding the method of reporting. It was decided to report revenues in the same manner this year (pre-Act 11), and possibly revise in future years. This will provide consistency this year and allow time to re-calculate historical numbers.

Mr. Huestis and Mr. Baker reviewed the results of the five debt scenarios that were prepared for the meeting. They ranged from the current authorization level (\$66.23 million annually), down to the level where the State is compliant with the Debt Per Capita ratio by 2029 (\$55.625 million). There was also a scenario which demonstrated the effect that Act 11 would have on the Debt Service as a Percent of Revenues ratio. The general consensus of the Committee was that they would like to see additional scenarios run between \$55.625 million and \$63.05 million of annual issuance.

The Committee discussed the possibility of developing a capital financing model, including the use of non-bonded resources for capital projects. Mr. Huestis will research other States and report to the Committee at the next meeting.

Mr. Huestis summarized his findings that the District of Columbia and the State of Michigan had implemented of capital asset management models that may be useful as Vermont reviews alternatives. More detail on D.C's plan was included in the Board packet.

**The meeting was adjourned at 11:56 a.m. following a motion by Mr. Coates, seconded by Ms. Young.**