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**Capital Debt Affordability Advisory Committee  
Minutes of Meeting of Monday, September 11, 2023**

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**CDAAC Members Attending**

MIKE PIECIAK, CDAAC Chair, State Treasurer  
DOUG HOFFER, State Auditor  
DAVID KIMEL, Former Chair, Vermont Bond Bank  
THOMAS KAVET, Legislative Economist  
DAVID COATES, CPA, Managing Partner, KPMG (Retired)  
PREMILA PETERS, CFA, CPA, President, Data Innovations  
MICHAEL GAUGHAN, Executive Director, Vermont Bond Bank

**Also Attending**

JEFF CARR, Economic & Policy Resources, Inc.  
TOM HUESTIS, Public Resources Advisory Group  
CHRISTINE FAY, Public Resources Advisory Group  
STEVE WISLOSKI, Public Resources Advisory Group  
SEAN BROWN, Agency of Administration  
DOUG FARNHAM, Agency of Administration  
CATHERINE BENHAM, Joint Fiscal Office  
SARAH CLARK, Joint Fiscal Office  
NICOLAS KRAMER, Department of Finance & Management  
GAVIN BOYLES, Deputy State Treasurer  
ASHLYNN DOYON, State Treasurer's Office  
SCOTT BAKER, State Treasurer's Office  
EMILY BOWERS, State Treasurer's Office

Treasurer Pieciak called the meeting to order at 8:32 a.m. and reviewed the agenda for the meeting.

**The minutes of the November 10, 2022 meeting were approved unanimously following a motion by Ms. Peters and seconded by Mr. Kimel.**

Mr. Carr gave an update on the latest revenue forecast. He said that we are close to where we were at this time last year with low unemployment, aggressive hiring and lots of consumption spending. He said that the forecast is for a slowdown in the economy in 2024, but there is no call for a recession in the July forecast. He talked about the possible effects of the July flooding and that although the timing for revenues may be pushed out, since it happened in the first month of the fiscal year, everything should come in within the fiscal year.

Treasurer Pieciak told the Committee that the three ratings agencies visited Vermont on August 2-3 ahead of the State bond issue. He recapped the itinerary of the site visits and topics of roundtable discussions including capital markets, housing, manufacturing and workforce development, energy, climate resilience and outdoor recreation. He said that the agencies were very impressed with the Vermont story. Mr. Baker then gave details of the State's bond issued which closed on September 7<sup>th</sup>. The issue provided \$67.9 million in new project proceeds through a competitive sale. There was also a negotiated sale piece which will refund \$29.9 million of bonds from the 2012 and 2013 issues and result in net present value savings of \$1.3 million.

Mr. Baker informed the Committee that the Moody's state debt median report has not been published yet this year. He reviewed the State's debt metrics and relative rankings from the previous year. Ms. Fay followed up by showing the 10-year projection model based on the debt recommendation from last year. The model shows that the State is out of compliance with the State guideline of Debt Per Capita. Ms. Fay reminded the Committee that although this is one of the metrics that the rating agencies review, this has not been a limiting factor for the Committee as it has not been viewed as the best predictor of the State's debt affordability.

Mr. Hoffer said that we are not stuck with these limiting factors and the Committee can choose to go in a different direction. He said that there are many AAA rated states whose metrics are worse than ours, but they continue to get higher ratings. He stated that Personal Income does not include unearned income, of which Vermont ranks among the highest in the country.

Treasurer Pieciak reminded the Committee that it is the interim year of the biennium and that the recommendation for fiscal 2024-2025 is \$108 million, or \$54 million per year. Ms. Fay showed the 10-year projections at this level using the current economic projections that were provided by Mr. Carr. Treasurer Pieciak informed the Committee that the next meeting is on September 25<sup>th</sup>. Mr. Huestis reminded the Committee that they issued an interim report by the September deadline last year and followed up with a full report and recommendation in early November.

Mr. Wisloski reviewed the legislative action on the Capital Expenditure Cash Fund and said that through the process, the name has been changed to the Cash Fund for Essential Investment and split into two subaccounts (Capital Infrastructure subaccount and Essential Investments subaccount). A discussion followed around the plan of using 4% of the prior year General Fund appropriation as the funding source.

Treasurer Pieciak asked whether the Committee would continue to support outside work in reviewing alternative debt metrics and review of economic impact of bonding. Mr. Kavet told the Committee that they (along with Mr. Carr and Mr. Hoffer) have begun the process and feels that it has value but would be looking for clarity on deadlines and on what was needed. Mr. Kimel agreed that this work should be done and that the Committee should also look at whether they are meeting all of their obligations, to look at how to apply the concept of the amount of debt that can be "prudently issued" and who decides the need. Ms. Peters said that the Committee should also consider the pension liabilities. Mr. Hoffer agreed but stated that these other topics should not be part of his work with Mr. Kavet and Mr. Carr. Mr. Huestis said that they have circulated examples of what other states have done to develop the right metrics to use, and they will recirculate that material. Treasurer Pieciak said that this all of this work can continue into next year.

**The meeting was adjourned at 10:04 a.m. following the unanimous vote of a motion by Mr. Gaughan and seconded by Mr. Coates.**