



THE COMMONWEALTH OF MASSACHUSETTS  
EXECUTIVE OFFICE FOR  
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**Meeting Minutes**

**Debt Affordability Committee  
December 13, 2019  
12:30 pm  
Executive Office for Administration and Finance  
State House, Room 373**

A meeting of the Debt Affordability Committee was held on Friday, December 13, 2019 in the Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts, pursuant to notice duly given.

Meeting was called to order at 12:35 pm.

**Board members comprising a physical quorum:**

Mark Attia, Executive Office for Administration & Finance  
Sue Perez, Office of the Treasurer and Receiver-General  
Catherine Walsh, Governor's Appointee, Northeastern University  
Michael Butler, Treasurer's Appointee  
Michelle Ho, Massachusetts Department of Transportation  
Howard Merkowitz, Office of the Comptroller

**Others in attendance:**

William Archibald, Executive Office for Administration & Finance  
Heath Fahle, Massachusetts Taxpayers Foundation  
Julia Constantelos, Senate Committee on Ways & Means  
Chris Marino, Senate Committee on Ways & Means  
Kate Miller, House Committee on Bonding, Capital Expenditures and State Assets  
Dana DeBari, Housing Committee on Bonding, Capital Expenditures and State Assets

**Minutes:**

Mr. Attia called the meeting to order, and began with an overview of administrative matters, including voting on the minutes from the December 2 and December 9 Committee meetings. Mr. Attia acknowledged that comments were received from Committee members and will be reflected, but

otherwise will be considered final. On a motion made by Ms. Ho, and duly seconded by Ms. Perez, members unanimously voted to approve the minutes from the past two Committee meetings.

Mr. Attia began with an overview of the Committee's slide deck by reviewing the first few slides, which provide context for Committee's charges. Mr. Attia explained the history of the Committee and the statutory debt limit, noting that A&F policy, which was adopted prior to the creation of the Committee, dictated that debt service would not exceed 8% of budgeted revenues as a benchmark, consistent with fiscal practices around the country.

Mr. Attia continued through the slide deck, listing the Committee's many considerations, including the amount of state debt outstanding, the projection of debt service requirements over the next 10 fiscal years, state comparisons, and variable or hedged debt.

Mr. Attia then presented the FY21 advisory recommendation of the Committee: a \$100M increase (4.12%) to the bond cap, increasing the GO bond cap to \$2.53B. Mr. Attia further explained the model the Committee used, as well as the conservative cost/interest rate assumptions made to determine the Committee's decision. Mr. Attia demonstrated how the Committee took into account the most conservative compound annual growth rate for revenue, along with the need for capital investment in the coming years.

Mr. Butler explained how debt per capita has been increasing over last few years, and the Committee felt the 4.12% figure was affordable, reasonable and in line with personal income. Mr. Butler continued, the Committee also considered assumptions such as the need to maintain purchasing power due to construction cost inflation, which included inputs from both Ms. Ho & Ms. Walsh.

Ms. Ho explained the 4% inflation rate assumption for construction costs comes from guidance from Federal Highway Administration, while Ms. Walsh explained that within the vertical construction industry, that figure is closer to 6%, though vertical construction material costs have been affected far more greatly by tariffs than horizontal construction, and that this was in addition to labor cost increases.

Committee members thanked Mr. Attia for his work on the slide deck and model this year.

Mr. Attia summarized the Committee's recommendation letter, which was to be delivered in the coming days to the Ways & Means Committees.

There were no questions from any attendees.

On a motion made by Ms. Perez, and duly seconded by Mr. Merkowitz, members unanimously voted in favor of the recommendation letter.

Mr. Attia then suggested convening the Committee next year quarterly or else on a regular basis, in order to have more time for modeling. Committee members agreed, and planned to meet next in March.

There were no further questions/matters.

Meeting adjourned at 1:26pm.