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Meeting Minutes

**Debt Affordability Committee
October 4, 2019
1:30 pm
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the Debt Affordability Committee was held on Friday, October 4, 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 1:33 pm.

Board members comprising a physical quorum:

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

Others in attendance:

Kathy Bramlage, Office of the Treasurer and Receiver-General
William Archibald, Executive Office for Administration & Finance

Minutes:

Mr. Attia called the meeting to order, and reviewed the value of the Debt Affordability Committee's process, beginning with last year's process and the goal of this meeting.

The Committee then began its review of the presentation prepared by the Executive Office for Administration & Finance (A&F), highlighting the below:

- The duties of the Debt Affordability Committee

- The statutory debt limit
- The importance of the annual review of the Debt Affordability Committee
- Past recommendations of the Debt Affordability Committee

Mr. Attia outlined the charge of the Committee, including to determine “the level of borrowing that is prudently issued,” and that it cannot exceed an additional \$125 million per year, with the FY19 statutory debt limit at \$24 billion and increasing 5% annually. A brief discussion regarding the marketability of Commonwealth debt and ratings ensued. Mr. Attia continued through the slide deck, noting that comparisons to other states can be difficult, given different intuitional structures, such as borrowing at the country level, but some reports do a good job adjusting for the differences, Moody’s is one such example. Mr. Butler requested Mr. Attia circulate Moody’s annual report on state level liabilities as a follow-up item.

Mr. Attia noted that according to many of the ratings agency opinions, the Debt Affordability Committee, among others, is part of a set of strong financial management practices that helps set Massachusetts apart. Ms. Perez noted that this factor is important to the weighting of ratings and an important features of governance considerations for the rating agencies.

The Committee then discussed the layout and end result of the final report. Mr. Attia proposed a publicly digestible presentation that would accompany the letter, including relevant market information and explaining the assumptions that were made to come to the Committee’s final decision. Committee members agreed. Mr. Merkowitz mentioned that the Congressional Budget Office uses fan charts to describe economic uncertainty levels, which would be useful for layering out interest rate assumptions and displaying historical variations between forecasted and actual rates.

Mr. Butler suggested that the Committee also look retrospectively to evaluate the Debt Affordability Committee’s assumptions and decisions. Committee members concurred. Mr. Attia responded that typically the assumptions the Committee uses are conservative, with debt service assumptions higher than reality in retrospect.

Mr. Attia then stated prior to the Committee’s next meeting, the plan was to discuss the methodology for a retrospective model and framework for the final product, as well as review the current standard debt and funding charts.

On a motion made by Ms. Walsh and seconded by Ms. Perez, the committee adjourned at 2:33pm.