



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
STATE HOUSE • ROOM 373 BOSTON, MA 02133

Meeting Minutes

**Debt Affordability
Committee**

**October 28, 2023
1:00 pm**

**Executive Office for Administration and
Finance**

Zoom URL: <https://zoom.us/j/94113662597?pwd=UGxLd1hTSUItWlh6YzZPdmlUdkNzQT09>

Password: 959023

Teleconference line: 1-305-224-1968; Conference code: 959023

A meeting of the Debt Affordability Committee was held on October 28, 2023. In accordance with Section 20 of Chapter 20 of the Acts of 2021, as extended by Chapter 107 of the Acts of 2022, this meeting will be conducted, and open to the public, via Zoom and Teleconference.

Minutes:

The meeting was called to order at 1:02 pm.

Board members comprising a quorum:

Kaitlyn Connors, Chair, Executive Office for Administration & Finance
Navjeet Bal, Appointee of the Treasurer
Martin Benison, Appointee of the Treasurer
Michelle Scott, Massachusetts Department of Transportation
Pauline Lieu, Office of the Comptroller
Susan Perez, Office of the Treasurer and Receiver-General
Catherine Walsh, Appointee of the Governor

Others in attendance:

Representative Michael J. Finn, Chair of the House Bonding, Capital Expenditures, and State Assets Committee

Timur Kaya Yontar, Executive Office for Administration and Finance (Capital Director)



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Minutes:

Ms. Connors called the meeting to order and conducted the roll call for attendance. She introduced Michelle Scott as the new MassDOT designee and asked committee members to introduce themselves.

After introductions, Ms. Connors noted that meeting minutes from the December 14, 2022, meeting were not ready and proposed that the minutes be adopted at the next Committee meeting on November 3, 2023.

Ms. Connors then moved on to the next item on the agenda, where she provided an overview of Committee roles and responsibilities. She noted the Capital Debt Affordability Committee was established by Chapter 163 of the Acts of 2012 for the purpose of reviewing the amount and condition of the Commonwealth's tax-supported debt, as well as the debt of certain authorities.

She also noted that the Committee is responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be authorized for the next fiscal year, considering certain criteria, to the Governor and Legislature on or before December 15 each year and recognized that the Committee's recommendation is advisory.

Ms. Connors then went on to acknowledge that the Committee turns 10-year-old this year and proceeded to run through a list of accomplishments, including the development of a framework for evaluating debt affordability, the establishment of internal policies and procedures, and the creation of a dynamic flexible tool that is used to help model different scenarios. Ms. Connors highlighted that with the new administration comes an opportunity to review and revisit procedure and review policies, which have remained unchanged for the past ten years. Since in 10 years nothing has been changed.

Ms. Connors then walked the Committee through a few key 2023 highlights, including a ratings upgrade from S&P, the publication of the first Healey-Driscoll Capital Investment Plan (CIP) which aligned with the DAC's recommendation, the filing of two bond bills to support the CIP and the successful execution of three bond transactions.

Ms. Perez commented that the committee is happy to have the new rating and will work hard to not do anything to go backwards.

- Ms. Connors then proceeded to review the proposed workplan for the Committee over the coming months.

Next, Ms. Connors walked the Committee through the statutory debt limits and policies that the Committee considers, including the statutory debt limit which requires that the amount of outstanding principal of Commonwealth "direct" debt is capped at 105% of the previous fiscal year limit, as well as administrative policies to keep annual debt service payments below 8% of budgeted revenues and that annual bond cap growth is capped at \$125 million. She noted, again, that these policies have not changed in a decade.



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Ms. Connors then recapped the Committees prior year recommendation – a \$125 million (~4.5%) increase in the bond cap budget that resulted in a \$2.9 billion FY24 bond cap budget.

Ms. Connors then provided an overview of existing Commonwealths debt and contingent liabilities and discussed how the committee takes into account all debt when developing its recommendation. She then discussed key trends of note, including how the buffer between the statutory direct debt limit and the actual outstanding debt has increased, the pace of construction escalation has outpaced CIP growth in recent years, and annual debt service as a percentage of revenues has decreased in recent years, remaining well below the 8% policy target. Ms. Perez noted that while debt service has declined, increases in pension contributions have risen which have essentially held total long term liability annual payments flat as a percentage of net revenues.

Ms. Connors reminded folks that the slides being presented will also serve as the Committees final report that is submitted to the Legislature in December.

Ms. Connors ended the overview with a brief discussion on annual CIP growth and the notion that capping growth at a constant dollar value on an increasing base essentially slows annual growth, and in periods of above average inflation, the nominal increase essentially results in a decrease in purchasing power.

The committee moved on to the next agenda item which was an overview of the FY24 CIP. Mr. Yontar then provided an overview of the first Healey-Driscoll CIP, published June 2023, focused on purposeful investments geared towards improving affordability, economic competitiveness, and equity for all people.

Mr. Yontar noted in the next slide the breakout in terms of dollars and percent by different agencies and that the cap budge funded by general obligation bonds is the largest at about \$3 billion.

There were no further questions from Committee members.

With no further business, the next DAC meeting is scheduled for November 3rd, 2023, at 1:00PM. The meeting was formally adjourned at 2:03 pm.