



# **Commonwealth of Massachusetts State Finance and Governance Board**

Annual Report  
Fiscal Year 2021

**Board Chair**

**Lourdes German**  
& Executive Director,  
The Public Finance  
Initiative & Faculty,  
Harvard University  
Graduate School of  
Design

**Board Members**

**Brent J. Andersen**  
President, Pilgrim Bay  
Insurance Agency

**Supreo Ghosh**  
Office of the State  
Treasurer,  
Commonwealth of  
Massachusetts

**Susan Perez**  
Deputy Treasurer  
Office of the State  
Treasurer,  
Commonwealth of  
Massachusetts

Honorable Madams and Messrs.;

We are pleased to deliver the Annual Report of the Commonwealth of Massachusetts (the “Commonwealth”) State Finance and Governance Board (the “Board”).

This report provides a summary of the board’s mission, operations, and other findings as of the end of Fiscal 2021 and is submitted pursuant to Massachusetts General Laws Chapter 6, Section 98.

We would like to thank the Office of the Treasurer and Receiver-General, Executive Office for Administration & Finance, state entity issuers, bond counsel, financial advisors, and all others who have collaborated with the Board over the course of the past fiscal year and participated in the Board’s activities.

We look forward to continuing this collaboration and commitment towards the Board’s mission in Fiscal Year 2022 and beyond.

Sincerely,

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*The Massachusetts State Finance and Governance Board*

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## **BOARD MEMBERS**

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### **Brent J. Andersen**

#### **President, Pilgrim Bay Insurance Agency**

Brent J. Andersen is the founder and president of Pilgrim Bay Insurance Agency, a Massachusetts based commercial insurance brokerage with a focus on Surety, Commercial Construction and Public-Sector risks. He is a skilled leader with organizational and management expertise combined with over twenty years of commercial construction and insurance/surety experience. He served for ten years on the Board of Trustees of Quinsigamond Community College, including six years as the Board Chair. Brent is a past Trustee of the Pension, Health and Welfare and Annuity funds for the Heat and Frost Insulators Union Local 6 of Boston and he continues to serve on a variety of community boards in Central Massachusetts. Brent holds a Bachelor's Degree in Finance from Nichols College, is a graduate of Saint John's High School and was the Treasurer of the Massachusetts Republican Party from 2003 until 2020.

### **Lourdes German**

#### **Executive Director, The Public Finance Initiative**

#### **Lecturer, The Harvard University Graduate School of Design**

Lourdes Germán, J.D., is Founder and Executive Director of the Public Finance Initiative, a fiscally sponsored organization of TSNE, which specializes in developing public finance programs that center the values of equity, sustainability, and inclusive growth in fiscal decision-making. In addition, Lourdes also teaches public finance at the Harvard University Graduate School of Design. Lourdes began her career as a public finance attorney at the law firm Palmer & Dodge (now Locke Lord, LLP), then served as Vice President of Municipal Finance at Fidelity Investments, served as Vice President and General Counsel at Breckinridge Capital Advisors, and served as a Director at the Lincoln Institute of Land Policy where she helped launch and grow a global program of work on municipal fiscal health. At Lincoln, Lourdes served on the team of expert advisors on municipal finance to United Nations Habitat program, supporting the development of the municipal finance policy framework and paper to guide the Sustainable Development Goals process and was one of the co-authors of the book *Finance for City Leaders* (United Nations Press, 2017). Lourdes has also worked with Boston College, Boston University and several higher education institutions in the past and currently serves as Chair of the Massachusetts State Finance & Governance Board.

### **Supreo Ghosh**

#### **Office of the State Treasurer, Commonwealth of Massachusetts**

Supreo works on debt and liability management for the State Treasurer's Office, with a focus on issuance and risk management of the State's general obligation and special obligation debt, private placements, bank facilities and off-balance sheet liabilities. As a subject matter expert at the FDIC following the financial crisis, he worked closely with regulators at the FDIC, Federal Reserve, SEC and the US Treasury Department on risk monitoring of financial institutions, with a focus on regulatory policy and rule-making relating to the implementation of Dodd-Frank. He has also worked in the economic research and analysis department at the Federal Reserve. Supreo brings over 20 years of experience in Investment Banking, Capital Markets and Financial Advisory, having worked at Morgan Stanley, Credit Suisse, Bank of America and Deutsche Bank. He has an MBA in Finance from Sloan School of Business at MIT and a Bachelor's degree from MIT.

**Susan Perez**  
**Deputy Treasurer**  
**Office of the State Treasurer, Commonwealth of Massachusetts**

Sue Perez is a Deputy Treasurer in the Massachusetts State Treasurer's Office with a focus on the Commonwealth's debt management operations. Sue is responsible for all of the Commonwealth's short-term and long-term borrowing needs for its \$22 billion debt portfolio consisting of issues within the General Obligation credit as well as various Special Obligation credits. Sue also serves as Executive Director of the Massachusetts Clean Water Trust ("MCWT"), a position she has held since March of 2012. Since that time she has guided the MCWT through multiple new money and refunding issues, through a structural change in the way its bonds are issued, and through multiple successful issuances of MCWT Green Bonds. Sue has over 30 years of experience in accounting, audit and financial management. She has been the Senior Finance Director for a \$3.4 billion service company, and at the other end of the spectrum was one of the initial members of a start-up company with the responsibility of establishing the finance and human resources departments. Sue was an auditor at PriceWaterhouse Coopers, during which time she received her CPA. She is a graduate of the Boston University School of Management, with a B.S. in Business Administration.

## BOARD OVERVIEW

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The Board was created pursuant to Massachusetts General Laws Chapter 6, Section 97. Its legislative mandate is to promote transparency, public accountability and adherence to best practices by all state entities with respect to proper governance of state entities and investments, borrowing or other financial transactions by state entities involving public funds, including tax supported debt.

The Board serves under the Governor and is subject to the Governor's supervision pursuant to Massachusetts General Laws Chapter 6, Section 17. The enabling authority, powers, and function of the Board are governed by: Massachusetts General Laws Chapter 6, Section 97; Massachusetts General Laws Chapter 6, Section 98; and Title 976 of the Code of Massachusetts Regulations, Section 2.00. In addition, the Board also has statutory authority pursuant to Massachusetts General Laws Chapter 29, Section 53 to grant certain waivers related to the issuance of bonds or notes by the Commonwealth of Massachusetts.

On a monthly basis, the Board reviews:

- ***Transactions involving a derivative financial product to be entered into by a state entity:***  
Per Massachusetts General Laws Chapter 6, Section 97, a derivative financial products are defined as “financial instruments with values derived from or based upon the value of other assets or on the level of an interest rate index including, but not limited to, detached call options, interest rate swaps or swaptions, caps, floors and collars, but not including bond insurance or other credit or liquidity enhancement of bonds or notes or agreements related to the lending or investment of the proceeds of bonds or notes.” In this case, issuers provide a thorough analysis of the proposed transaction, any benefit or risk associated with it, and a recommendation from an independent financial advisor recommending whether or not to proceed.
- ***Requests for a waiver from presumption of a competitively bid financing:***  
Per Massachusetts General Laws Chapter 29, Section 53, the Commonwealth, and certain state entities, must issue bonds through a competitive sale unless the Board has approved. Issuers seek approval by demonstrating the benefits a negotiated sale would bring in that particular situation. Additionally, the Board's regulations require issuers who are granted a waiver to present the results to the Board of the transaction once it is closed.

## BOARD ACTIVITIES – FISCAL YEAR 2021

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In Fiscal Year 2021, a wide array of issuers came before the Board to present their agencies' proposed transactions. As will be described in further detail below and with the previous fiscal year, the COVID-19 pandemic forced state debt issuers to access liquidity markets amid financial uncertainty, but also disrupted the Board's usual in-person meeting cadence as the Commonwealth continued to carry out its responsibilities remotely.

The Board's monthly meetings and reviews fulfill its legislative mandate to ensure transparency and public accountability around certain financial transactions undertaken by state entities. In this section, the report presents a brief synopsis of certain Board reviews of investments, borrowing and other financial transactions carried out by state entities. For more information on findings, please view the Board's webpage at <https://www.mass.gov/state-finance-and-governance-board>.

- ***Commonwealth of Massachusetts***

The Office of the Treasurer and Receiver-General, on behalf of the Commonwealth sought several board reviews and approvals throughout Fiscal Year 2021.

At the Board's August 2020 meeting, the Treasurer's Office requested the Board review the proposed issuance of the Commonwealth's 26<sup>th</sup> series of their College Opportunity Bonds. The College Opportunity program, established in 1995, finances the Massachusetts Education Financing Authority's "U. Plan" prepaid tuition plan, which allows families to lock in future tuition at current prices at nearly 80 participating Massachusetts public and private colleges and universities. The bonds issued to finance the program serve as a hedge to "Tuition Certificates" that parents and benefactor's purchase. These certificates are guaranteed to cover a fixed percentage of tuition and mandatory fees in the year they mature. Per Massachusetts General Laws Chapter 15C, Section 5A, the bonds are to be variable rate in nature. As these fall within the statutory definition of a derivative, the issuance triggered a Board review. The Treasurer's Office noted that the 26<sup>th</sup> series of College Opportunity Bonds amounted in \$7.05M, which will amortize from 2025 until 2040 and will pose minimal risk to the Commonwealth's General Obligation debt portfolio and will have a negligible impact on overall debt service. After its review, the Board voted that it had received the satisfactory information regarding the proposed transactions.

The Treasurer's Office also presented the Commonwealth's request to seek a waiver from the presumption of competitive financing. The Treasurer's Office explained that with the continued uncertainty and volatility in the fixed income markets due to the ongoing pandemic, a negotiated transaction gives the Commonwealth flexibility in lengths of order periods, pricing dates, and ensures that all negotiated contingencies can be met in the near-term. The Commonwealth requested a waiver from the presumption of competitive financings in the amount of \$2.0B for new money and/or refunding transactions. After its review, the Board approved the Commonwealth's request to issue bonds in an aggregate amount up to \$2.0B for new money and or/refunding issues.

At the Board's November 2020 meeting the Treasurer's Office presented the Commonwealth's request for a derivative review relating to the termination of its \$118.505M swap with Wells Fargo. The bonds that hedged the swap were the Series 2018A Refunding Bonds, which are in the SIFMA Floating Rate Roll program. The termination of the swap and refinancing of these SIFMA floating rate bonds into fixed-rate bonds would reduce risk to the Commonwealth's portfolio and allow the state to take advantage of historically low interest rates. After its review, the Board voted that it had received the satisfactory information regarding the proposed transactions.

In December 2020, the Treasurer's Office outlined the Commonwealth's recent negotiated sale of \$1.4B in bonds in three series: \$600M "new money" Series E Bonds, \$405.2M tax-exempt Refunding Series D Bonds, and \$441.1M federally taxable Refunding Series E Bonds. The Treasurer's Office summarized the results of a comprehensive marketing strategy that the 10-firm syndicate executed, which generated robust order flow. Strong investor demand allowed for the Commonwealth to lower yields (by 3-11 bps for the tax-exempt series and 20-30 bps for the taxable series), and upsize the new money series by \$100M, which provided additional proceeds in a very low interest rate environment.

Due to the extreme volatility and uncertain market conditions that arose from the COVID-19 pandemic, the Treasurer's Office returned in August 2020 to request an extension of an existing waiver from competitive sales for the Commonwealth's transportation bond transactions. The Commonwealth requested a waiver from the presumption of competitive financings in the amount of \$500M for one or more of the transportation bond series. After its review, the Board voted that it had received the satisfactory information regarding the proposed transactions.

In December 2020 the Treasurer's Office returned and requested to extend a waiver from the presumption of competitive financing for their General Obligation Bond due to the ongoing pandemic and volatility in the fixed income markets. The Treasurer's Office also requested an extension of the current waiver for the Commonwealth's Transportation Fund Bonds and Revenue Anticipation Notes, which were due to expire on January 31, 2021. After its review, the Board voted that it had received the satisfactory information regarding the proposed transactions.

In March 2021, the Board reviewed the Commonwealth's 2021 line of credit with a syndicate of banks, led by Bank of America. The line of credit was established in May 2020 with a one-year term to address the liquidity needs of the Commonwealth due to the COVID-19 pandemic. The Treasurer's Office explained that the Commonwealth was negotiating an extension of the credit line with the syndicate of banks, which was set to remain intact. The Treasurer's Office further explained the basic terms of the negotiations, which include: a reduced commitment amount, a new expiration of three years, lower drawn fees, and the credit line will remain a LIBOR index based variable rate. After its review, the Board voted that it had received the satisfactory information regarding the proposed transactions.

- ***Massachusetts Clean Water Trust***

In December 2020 the Massachusetts Clean Water Trust (the "Trust") presented a request for a waiver from the presumption of competitive financing with respect to their State Revolving Fund Series 23 Green Bonds and Sustainability Bonds. The Trust explained that they oversee the financing for the Clean Water and Drinking Water State Revolving Funds in partnership with MassDEP and provides subsidized loans to local governmental units for infrastructure development relating to clean drinking water across the Commonwealth. Given the complex cash

flows that the Trust manages, it requires a lot of work to explain to investors and is much easier with a negotiated sale. The Board unanimously voted to authorize the Trust (i) to issue bonds in an aggregate principal amount up to \$300M for refunding and/or new money issuance.

In April 2021 the Trust returned and presented an updated request for a waiver from the presumption of competitive financing with respect to their State Revolving Fund Series 23 Green Bonds and Sustainability Bonds. As noted above, the Trust's previous waiver request was for a lower par amount of \$300M, and since the authorization of the waiver in December 2020, the Trust determined that they had the ability to upsize the deal and would be issuing closer to approximately \$354.74M in aggregate principal amount of the bonds. The Trust explained to the Board that there was a need to restructure the size of the deal due to excess cash flows through the Trust's indenture and favorable market conditions that translated to more bonds to fund the underlying projects the Trust finances. The Board unanimously voted to authorize the Trust (i) to issue bonds in an aggregate principal amount up to \$400M for refunding and/or new money issuance.

- ***Massachusetts Housing Finance Agency***

The Massachusetts Housing Finance Agency (MassHousing) came to the Board's November 2020 meeting and requested a review of potential upcoming variable rate bond or note transactions. The first two requests were general authorizations by MassHousing to issue bond and or/note transactions for their Multi-Family and Single-Family mortgage payments in the upcoming calendar year (CY21), with a fixed rate debt only; noting that they would consider using variable rate debt in the upcoming year, based on market conditions. MassHousing also provided a request for a review of new swap transactions being contemplated for the upcoming calendar year. MassHousing stated that they were looking to either enter into new swap agreements to generate savings or terminate existing interest rate agreements at no cost. Additionally, with LIBOR sunsetting in 2021, MassHousing noted there would be a new reference rate and requested the ability to react to the new rates and update the swap documents as the transaction occurs. After its review, the Board voted that it had received satisfactory information regarding the proposed transactions and approved of MassHousing proceeding.

- ***Massachusetts Port Authority***

During the Board's November 2020, the Massachusetts Port Authority (Massport) presented a request for a review of its expansion of its Commercial Paper program from \$150 to \$200M. Massport explained that the Authority's Commercial Paper Program has been in place for eight years and it offers flexible funds to finance their capital program. At the time, only \$22M of Commercial Paper debt was outstanding. The Authority highlighted that they may wish to issue new Commercial Paper in the near future and add an additional taxable series to their two tax-exempt series. After its review, the Board voted that it had received satisfactory information regarding the proposed transactions, and approved of Massports proceeding

During the November 2020 meeting, Massport explained that COVID-19 had impacted the Authority significantly in 2020 and their Commercial Paper program is one of the strategies the Authority implemented to preserve liquidity. Massport also outlined other financial measures they implemented including reducing their capital program by over \$1B, debt restructuring, and using federal monies authorized under the CARES Act.

- ***Massachusetts State College Building Authority***

In August 2020, the Massachusetts State College Building Authority (the MSCBA) provided details on the MSCBA's recent sale of \$395.735M in its Refunding Revenue Bonds, Series 2020A, which were issued on a taxable basis. The MSCBA noted that it was able to take advantage of extremely low Treasury rates, achieving savings in excess of 7.5% on the transaction and providing each campus with large debt service savings in FY21 and FY22.

At the August 2020 meeting, the MSCBA outlined how prior to COVID-19 they were interested in issuing new money bonds, but the market interest plummeted at the outset of the pandemic. Due to restructuring and refunding accomplished with the Series 2020A Bonds, the MSCBA was able to avoid or eliminate assessments on the on-campus payments in the fall, which was reduced from \$111M to \$40M in assessment over the course of FY21.

- ***University of Massachusetts Building Authority***

The University of Massachusetts Building Authority (UMBA) came before the Board in September 2020 to request a waiver from the presumption of a competitive bid financing transaction to refund and restructure certain outstanding bonds in an aggregate principal amount not to exceed \$500M. UMBA explained that the proposal would achieve significant debt savings (approximately \$11M in cash flow savings) and ultimately impact the UMBA's ability to keep the rents and fees charged to the University's students as low as possible. The Board unanimously voted to grant a waiver from the presumption of competitive bidding with respect to the issuance by the UMBA of one or more series of bonds under the Project Trust Agreement in aggregate principal amount not to exceed \$500M.

## **CONCLUSION: THE YEAR AHEAD**

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As highlighted in the previous Fiscal Year 2020 report, and throughout the Fiscal Year 2021, the COVID-19 pandemic continues to impact financial markets and the way in which the Commonwealth operates. Fiscal Year 2021 is still seeing the impacts of the pandemic and it is anticipated to be felt in upcoming fiscal years as well.

The Board expects to continue conducting its meetings and duties remotely moving forward throughout the COVID-19 pandemic. In fact, the ability to gather remotely has made it easier for Board members to convene as necessary to accommodate issuers' fluid financing schedules and could be contemplated as a potential format moving forward, especially should amendments to Open Meeting Law be considered in the future. However, the Board will continue to discharge its statutory mandate by executing its review function in accordance with the statutes and regulations that govern the Board regardless of format.

The Board will also continue to receive the debt management and investment policies filed by the various state entities noted in the regulations that govern the Board and will share such policies on the Board's website. Additionally, the Board plans to check in with issuers biennially to ensure such policies are up-to-date and current.

As mentioned in the Board's previous reports, the Board's purpose is to promote transparency, public accountability, and adherence to best practices related to debt and derivative financial products. The Board will continue to fulfill those statutorily mandated duties throughout the next fiscal year, pandemic or not.

## APPENDIX A: STATE ENTITIES LIST

The following is a list of the state entities in the Commonwealth that have filed *debt management policies* with the Board, as of the date of this report, and links to their respective policies:

- [Massachusetts State Treasurer Debt Management Policies](#)
- [Massachusetts Department of Transportation Debt Issuance and Management Policy](#)
- [Massachusetts Department of Transportation Interest Rate Swap Management Policy](#)
- [Massachusetts Educational Financing Authority Debt Management Policy](#)
- [Massachusetts Housing Finance Agency Debt Management Policy](#)
- [Massachusetts Port Authority Debt Issuance and Debt Management Policy](#)
- [Massachusetts State College Building Authority Debt Management Policy](#)
- [Massachusetts Clean Water Trust Debt Management Policy](#)
- [Massachusetts Water Resources Authority Capital Finance Management Policy](#)
- [Massachusetts School Building Authority Debt Management Policy](#)
- [The Steamship Authority Debt Issuance and Debt Management Policy](#)
- [University of Massachusetts Building Authority Debt Management Policy](#)

The following is a list of the state entities in the Commonwealth that have filed *investment policies* with the Board, as of the date of this report, and links to their respective policies:

- [Massachusetts Water Resources Authority Investment Policy](#)
- [Massachusetts Housing Authority Investment Management Policy](#)
- [Massachusetts Educational Financing Authority Investment Policy](#)
- [Massachusetts State College Building Authority Investment Policy](#)
- [Massachusetts School Building Authority Investment Management Policy](#)

All *transactions* considered by the Board for state entities is made public in the minutes and agendas of the meetings of the Board conducted pursuant to open meeting laws. Those materials are available on the Board's website, or by written request at the address below:

State Finance and Governance Board  
Executive Office for Administration and Finance  
State House, Room 373  
Boston, MA 02133  
<https://www.mass.gov/state-finance-and-governance-board>

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*[Attached on the following page]*



**STATE FINANCE AND GOVERNANCE BOARD**

Commonwealth of Massachusetts

Executive Office of Administration & Finance

State House, Room 373

Boston, Massachusetts 02133