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## **Meeting Minutes**

**Thursday, August 22, 2024  
11:00 a.m.**

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.

ZoomURL: <https://us02web.zoom.us/j/87915731307?pwd=AVCuP3XidjmnP BaiOti0IO9B8GvagL.1>

Meeting ID: 879 1573 1307

Passcode: 681766

Teleconference line: 646 558 8656; Phone Conference code: \*681766#

The meeting was called to order at 11:00 a.m.

### **Board members comprising a quorum:**

Brent Andersen, Pilgrim Bay Insurance  
Kaitlyn Connors, Executive Office for Administration and Finance, Board Interim Chair  
John Durgin, Office of the State Treasurer  
Sue Perez, Office of the State Treasurer

### **Others in attendance:**

Anne Lewis, Massachusetts Housing Partnership  
Kathy Bramlage, Office of the State Treasurer  
Cory Bannon, Office of the State Treasurer  
Rachel Madden, MassHousing Finance Agency  
Paul Scola, MassHousing Finance Agency

## **1. Administrative Matters**

- I. Ms. Connors called the meeting to order and conducted the roll call. On a motion made by Mr. Durgin, and duly seconded, members voted unanimously to approve the June 27, 2024, meeting minutes. Ms. Connors then moved to the next agenda items: Derivative Reviews.

## **2. Discussion**

- I. *No discussion matters scheduled.*

## **3. Waiver Requests**

- I. *No discussion matters scheduled.*

## **4. Derivative Reviews**

- I. Massachusetts Housing Partnership (MHP) Director of Capital and Program Development, Ms. Anne Lewis presented MHP's derivative review to the State Finance and Governance Board ("the Board"). Ms. Lewis explained that MHP is seeking a six-month renewal of MHP's forward-starting swap program, which is a programmatic reauthorization, approved by the MHP Board of Directors on June 18, 2024. This renewal grants MHP up to \$32 million in swap authority for the period August 1, 2024, through January 31, 2025. Ms. Lewis reported that this request is substantively similar to the requests that the SFGB has reviewed in the past, with the most recent proposal having been reviewed by the Board last January.

Ms. Lewis provided a brief background on the swap program, explaining that this program allows MHP to execute forward starting interests rate swaps to protect against movement in interest rates that occur over the construction or rehab period for the multifamily loans where MHP is providing permanent loans. She noted that this authorization will allow MHP to continue to offer this spending option to its borrowers, and that supporting documents were submitted to the Board in advance of the meeting, including MHP's financial advisor Chatham Hedging Advisors written analysis and recommendation, as well as a summary of MHP's swap exposure and performance relative to MHP policy limits.

Ms. Connors then asked if any board members had any questions. There were no questions from board members.

On a motion from Mr. Andersen, and duly seconded, the Board unanimously voted that the State Finance and Governance Board has received satisfactory information regarding the transaction terms related to Massachusetts Housing Partnership's forward-starting swaps in the aggregate notional amount not to exceed \$32,000,000 to be executed between August 1, 2024, and January 31, 2025, and deems the transaction reviewed with no additional conclusions required.

- II. Mr. Cory Bannon, Debt Analyst for the Office of the State Treasurer, presented the Treasurer's Office Derivative review request for College Opportunity Bonds to the Board. Mr. Bannon began with a brief background on the College Opportunity Bond program, explaining it was established in 1994 as one of the first prepaid tuition programs in the country to assist families saving for college tuition. Mr. Bannon noted that the program enables parents (or a child's benefactor) to

“lock-in tomorrow’s tuition at today’s prices” by purchasing Tuition Certificates. Mr. Bannon explained that Tuition Certificates are backed by general obligation bonds of the Commonwealth and are guaranteed to cover a fixed percentage of tuition and mandatory fees in the year they mature regardless of how much tuition has increased since the time of purchase.

Mr. Bannon reported that the upcoming bond transaction, for which he is seeking review, will be the Commonwealth’s 30<sup>th</sup> series of College Opportunity Bonds. The principal amount is anticipated to be \$5.96 million and will amortize from 2029 to 2044. He noted that the size of College Opportunity program represents minimal risk to the Commonwealth’s debt portfolio, which as of August 2, 2023, had approximately \$27.5 billion of College Opportunity Bonds outstanding as a part of its General Obligation debt portfolio. Of the \$27.5 billion, approximately 99.1% (\$27.2 billion) is fixed, leaving approximately 0.9% (\$253.2 million) as variable rate. The accreted value of the outstanding bonds was \$74.7 million; upon issuance of the 2024 Bonds, the outstanding amount will be roughly \$80.66 million. The issuance of \$5.96 million of CPI-based bonds will have a negligible impact on overall debt service, although Mr. Bannon noted that given the variable nature of the CPI, the Commonwealth, to some extent, will be at risk for payments above its ordinary borrowing costs in the event of certain magnitudes of increase in the CPI Index during the life of the bonds. Similarly, during periods in which the CPI-indexed rate is low, the Commonwealth may benefit.

Ms. Connors then asked if any board members had any questions. There were no questions from board members.

On a motion made by Ms. Perez and duly seconded, the Board voted unanimously that it received satisfactory information regarding the proposed College Opportunity Bond transaction involving a new derivative financial product by The Commonwealth of Massachusetts for the U. Plan and deems the submission (x) consistent with the purpose and intent of Sections 97 and 98 of Chapter 6 of the Massachusetts General Laws (“Chapter 6”) and regulations promulgated thereunder and (y) reviewed with no additional conclusions required. The Board concludes that the items required to be submitted to the Board pursuant to Chapter 6 and any regulations promulgated thereunder have been submitted in a manner consistent with the regulations.

- III. Mr. Paul Scola, Senior Director of Finance and Bond Compliance for the Massachusetts Housing Finance Agency (“MassHousing”) presented the agency’s derivative review requests to the Board, noting that MassHousing has two requests today: the first request is for a Multi-family Volume Cap Recycling Line of Credit Facility, the second request Multi-family and Homeownership Variable Rate Bonds and/or Notes.

Mr. Scola explained that the first review request related to a recent MassHousing Board of Directors vote of approval (taken July 9, 2024) to issue variable rate notes in association with a line of credit with US Bank. The purpose of the line of credit is to allow MassHousing to preserve private activity volume cap from multi-family projects whose loans have been repaid, so that this volume cap can be reused for future multi-family projects, commonly referred to as volume cap recycling.

Mr. Scola explained that this line of credit will enable MassHousing to take advantage of any volume cap recycling opportunities should they arise. However, he cautioned that the timing of transactions has to align perfectly in order to be able recycle volume cap. From 2016 – 2020, MassHousing carried a Volume Cap Recycling Line of Credit; however, MassHousing allowed

the facility to lapse in 2020 due to lack of utilization: only two deals lined up with program requirements in four years. However, MassHousing believes opportunities to recycle volume cap may increase given the composition of deals has shifted with many more deals needing short-term or bridge financing that come due sooner than permanent loans. Mr. Scola noted that more details on the line of credit, including a report from MassHousing's Financial Advisor cfX Incorporated, can be found in the materials which were submitted to the Board in advance of this meetings. The materials included a report from MassHousing's independent financial advisor, cfX Incorporated.

Mr. Scola then moved on to the next review which he described as a reauthorization of variable rate bonds or notes for Multifamily and Homeownership, in each case with related swaps, which the Board reviewed and voted to approve at the February 21, 2024 meeting. However, since more than 6 months has passed, MassHousing is seeking a new vote. MassHousing has confirmed that the materials from the February meeting which were resubmitted to the Board in advance of this meeting contain the most recent information. Materials included a report from MassHousing's Financial Advisor cfX Incorporated which includes details on the proposed transaction.

Ms. Connors then asked if any board members had any questions. There were no questions from board members.

On a motion made by Ms. Perez and duly seconded, the Board voted unanimously that it had received satisfactory information regarding the proposed Massachusetts Housing Finance Agency transactions involving new derivative financial products by MassHousing and deems the submission (i) consistent with the purpose and intent of Sections 97 and 98 of Chapter 6 of the Massachusetts General Laws ("Chapter 6") and regulations promulgated thereunder and (ii) reviewed with no additional conclusions required. The Board concludes that the items required to be submitted to the Board pursuant to Chapter 6 and any regulations promulgated thereunder have been submitted in a manner consistent with the regulations.

## **5. Closed Transactions/Bond Sale Reviews:**

- I. Mr. Scola reviewed two MassHousing transactions that have closed since MassHousing's last visit to the SFGB. The first transaction was a swap termination and execution. On February 21, 2024, MassHousing terminated its interest rate swap with Bank of America, National Association ("BofA") associated with its Housing Bonds, 2008 Series A Bonds, which were refunded with proceeds of Housing Bonds, 2023 Series E (the "Refunding Bonds"). On the same date, MassHousing entered into a new \$35 million notional amount interest rate swap with Wells Fargo Bank, N.A. associated with the Refunding Bonds. On February 23, 2024, MassHousing received \$103,000 as a termination amount from BofA.

The second transaction relates to Liquidity substitutions, where MassHousing entered into new standby bond purchase agreements for four series of single family bonds after replacing the remarketing agents. Following the April 24, 2024, appointment of TD Securities (USA) LLC as remarketing agent for MassHousing's Single Family Housing Revenue Bonds, Series 196, 200, 204 and 208 (replacing UBS Financial Services Inc. for Series 196, 200 and 204 and RBC Capital Markets, LLC for Series 208), on May 8, 2024, MassHousing and T.D. Bank, N.A.

entered into Standby Bond Purchase Agreements, and related Fee Letters, supporting such Series 196, 200, 204 and 208 Bonds.

Ms. Connors then asked if any board members had any questions. There were no questions from board members.

## **6. Discussion on Board Activities**

- I.** *No matters scheduled.*

## **7. Adjournment**

- I.** On a motion made by Mr. Andersen, and duly seconded, members voted to adjourn. The meeting officially adjourned at approximately 1:40 PM.

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Kaitlyn Connors, Acting Chair