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Meeting Minutes

**State Finance and Governance Board
December 18, 2020
3:00 pm
Conference Line: 978-990-5000, access code: 244621#**

A meeting of the State Finance and Governance Board was held via teleconference on Friday, December 18, 2020, in accordance with the Governor's Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20, signed and dated March 12, 2020, and pursuant to notice duly given.

Meeting was called to order at 3:01pm.

Board members comprising a quorum:

Lourdes German, Boston College, Board Chair
Brent Andersen, Pilgrim Bay Insurance
Sue Perez, Office of the State Treasurer
Supreo Ghosh, Office of the State Treasurer

Others in attendance:

Nate Keenan, Massachusetts Clean Water Trust
Kathy Bramlage, Office of the State Treasurer
William Archibald, Executive Office for Administration and Finance
Kaitlyn Connors, Executive Office for Administration and Finance

1. Administrative Matters

- I. On a motion made by Mr. Andersen, and duly seconded, members voted to approve the November 20, 2020 meeting minutes.

2. Discussion

- I. *No discussion matters scheduled.*

3. Derivative Reviews

- I. *No discussion matters scheduled.*

4. Closed Transactions/Bond Sale Reviews:

- I. Ms. Bramlage 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 (current refunding), and \$444.1M federally taxable Refunding Series E Bonds (advanced and current refunding). Ms. Bramlage summarized the results of a comprehensive marketing strategy that the 10-firm syndicate executed, which generated robust order flow (subscription levels of 5.7x for the tax-exempt series and 12.9x for the taxable series). Ms. Bramlage noted that the 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. Ms. Bramlage also highlighted the fact that book-running manager Morgan Stanley congratulated the Commonwealth on their successful bond pricing on their LED signs outside of their New York headquarters, marking the first time someone had done this for one of the Commonwealth's transactions. Chair German marveled at this and congratulated the Treasurer's Office on a successful transaction as well, especially considering the current environment.

5. Waiver Requests

- I. Ms. Bramlage then continued with the Commonwealth's request to extend a waiver from the presumption of competitive financing for their General Obligation Bonds. Ms. Bramlage noted that typically GO tax-exempt new money transactions can be sold on a competitive basis, but refundings are better priced on a negotiated basis, as the proceeds need to match the bonds that will be refunded, and taxable sales usually required negotiated pricing. Ms. Bramlage stated that the Commonwealth is viewing these waivers as "shelf offerings," giving the Commonwealth flexibility to enter the market when conditions are favorable. Ms. Bramlage continued, due to the ongoing pandemic and volatility in the fixed income markets, the Commonwealth is seeking an extension on their current waiver from competitive sales with respect to their GO Bonds.

There were no questions from the Board.

On a motion made by Mr. Andersen, and duly seconded, the Board unanimously voted to authorize the Commonwealth (i) to issue bonds in an aggregate principal amount up to \$2B for new money and/or refunding issues in one or more series and in one or more transactions; (ii) to price the bonds in any such transactions on a date or dates no later than June 30, 2021; and (iii) to sell any such bonds on a negotiated basis.

Ms. Bramlage then continued with the Commonwealth's request for an extension of the current waiver for the Commonwealth Transportation Fund Bonds and Revenue Anticipation Notes, which is due to expire on January 31, 2021. Ms. Bramlage stated that due to current market conditions and volatility, the Commonwealth was seeking an extension for the waiver, and also to increase the waiver to \$1B for both new money and refunding transactions.

There were no questions from the Board.

On a motion made by Mr. Andersen, and duly seconded, the Board unanimously voted to authorize the Commonwealth (i) to issue bonds in an aggregate principal amount up to \$1B for transportation bond issues in one or more series and in one or more transactions; (ii) to price the bonds in any such transactions on a date or dates no later than June 30, 2021; and (iii) to sell any such bonds on a negotiated basis.

- II.** Mr. Keenan then presented the Massachusetts Clean Water Trust's (the "Trust") request for a waiver from the presumption of competitive financing with respect to their State Revolving Fund Series 23 Green Bonds. Mr. Keenan noted that the Trust is hoping to market these bonds later in the spring. Mr. Keenan explained that the Trust oversees the financing for the Clean Water and Drinking Water State Revolving Funds in a partnership with MassDEP, and provides subsidized loans to local governmental units for infrastructure development relating to clean and drinking water across the Commonwealth. Mr. Keenan continued, this comes in the form of about 60-80 loans to cities and towns in a geographically diverse footprint across the state. Mr. Keenan stated that the COVID-19 pandemic has created volatility and uncertainty, and requires flexibility to navigate the market. Mr. Keenan explained that the Trust has complex cash flows with multiple underlying municipal credits, which takes a lot of work to explain to investors, which is much easier with a negotiated sale.

Chair German asked if there has been a shift in marketing strategies for presale activities in an effort to reach out to institutional investors. Mr. Keenan responded that this is the first time the Trust has been to the market since the pandemic began. Ms. Perez responded that the Commonwealth did a road show and hosted several investor calls recently, and while the market is volatile, the supply of municipal bonds has been down, so there is a good amount of money that people want to put into work, and the risk is moderately low when cities and towns are the underlying borrowers.

On a motion made by Mr. Andersen, and duly seconded, 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; (ii) to price the bonds in any such transactions on a date or dates no later than June 30, 2021; and (iii) to sell any such bonds on a negotiated basis.

6. Discussion on Board Activities

- I.** *No discussion matters scheduled.*

7. Adjournment

- I. On a motion made by Mr. Andersen, and duly seconded, members voted to adjourn. The meeting was adjourned at 3:18pm.

William Archibald, Secretary