



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

TEL: (617) 727-2040
FAX: (617) 727-2779
www.mass.gov/eoaf

Meeting Minutes

**State Finance and Governance Board
December 19, 2019
3:00 pm
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, December 19, 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 3:06pm.

Board members comprising a physical quorum:

Brent Andersen, Pilgrim Bay Insurance
Sue Perez, Office of the State Treasurer
Supreo Ghosh, Office of the State Treasurer

Others in attendance:

Poonam Patidar, Mintz Levin
Barbara Kroncke, University of Massachusetts Building Authority
Nate Keenan, Massachusetts Clean Water Trust
Anne Lewis, Massachusetts Housing Partnership
Mark Curtiss, Massachusetts Housing Partnership
Kathy Bramlage, Office of the State Treasurer

1. Administrative Matters

- I.** On a motion made by Ms. Perez, and duly seconded, members voted to approve the October 17, 2019 meeting minutes.

2. Discussion

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

3. Derivative Reviews

- I.** Ms. Lewis reviewed the Massachusetts Housing Partnership's ("MHP") request for the six-month extension of their \$50 million, forward-starting swap program that would run through June 30, 2020. The swap program allows MHP to offer forward rate commitments to its borrowers under its participation in a federal Housing & Urban Development/Treasury Department Risk Sharing Program. Ms. Lewis noted that the program has been performing extremely well, with eleven swaps executed as of this date, and that it has financed the construction or rehabilitation of over 819 apartments.

Ms. Lewis also mentioned that the federal program had itself stopped providing commitments, but MHP was exploring new sources of capital.

On a motion by Ms. Perez, and duly seconded, the Board voted that it had received satisfactory information regarding the transaction terms related to Massachusetts Housing Partnership's forward-starting swaps in the aggregate notional amount not to exceed \$50,000,000 to be executed between January 1, 2020 and June 30, 2020 and deems the transaction reviewed with no additional conclusions required.

4. Waiver Request

- I.** Ms. Kroncke reviewed the University of Massachusetts Building Authority's ("UMBA") amended and restated request for a waiver from a competitive sale for the issuance of up to \$1.04B in taxable refunding bonds. UMBA had previously requested a waiver from competitive bid financing from the Board in October, though for a lower par amount not to exceed \$950M. Ms. Kroncke explained that the increased par amount was due to market conditions.

On a motion made by Ms. Perez, and duly seconded, the Board voted to grant a waiver from the presumption of a competitive, sealed-bid financing to UMBA with respect to the issuance of one or more series of bonds under UMBA's Project Trust Agreement in an aggregate principal amount not to exceed \$1.04B, to (a) finance capital projects, (b) refund and/or restructure outstanding bonds of the Authority and (c) pay costs of issuance related to issuing the bonds, and that UMBA be authorized to sell such bonds on a negotiated basis not later than April 17, 2020.

- II.** Ms. Bramlage reviewed the Commonwealth's request for a waiver from the presumption of competitive financings in the amount of \$2.0B for new money and/or refunding transactions. Ms. Bramlage explained this was a prudent measure should market conditions necessitate negotiated sales in the upcoming year, and that recent market volatility has required significant pre-sale marketing to ensure broad market support and assist in structuring that would provide the best results for the issuer. Ms. Bramlage continued in explaining that the

flexibility to enter the market quickly in a negotiated transaction would allow the Commonwealth to take advantage of yields in both the tax-exempt and taxable markets, especially in refunding scenarios.

On a motion made by Ms. Perez, and duly seconded, the Board voted to authorize the Commonwealth to issue bonds in an aggregate principal amount up to \$2.0B for new money and/or refunding issues in one or more series and in one or more transactions; to price the bonds in any such transactions on a date or dates no later than June 30, 2020; and to sell any such bonds on a negotiated basis.

5. Review of Closed Transactions:

- I.** Mr. Keenan provided details on the Massachusetts Clean Water Trust's ("MCWT") recent issuance of \$191.6M of new money, tax-exempt State Revolving Fund Series 22 Green Bonds, sold on a negotiated basis. Mr. Keenan noted that this marked over \$1B in Green Bonds sold in five different issuances. The sale was preceded by a highly successful marketing campaign, and that due to favorable market conditions, the MCWT's All in True Interest Cost ("TIC") was 68 basis points lower than their last financing. Noting strong investor demand, Mr. Keenan remarked that the MCWT was able to attract seventeen new investors by issuing the bonds through a negotiated sale, and the MCWT was also demonstrate the value of the projects being financed and the value of the Green Bonds.

There were no questions from the Board.

- II.** Ms. Bramlage provided details on the Commonwealth's recent bond sales: first, the Commonwealth's sales of new money bonds in September in an aggregate amount of \$825M, sold on a negotiated basis with \$425M in a new money tax-exempt series (Series G) and \$400M in a new money federally taxable series (Series H). These bonds were rated Aa1 by Moody's, AA by S&P and AA+ by Fitch, and there was strong investor demand for both series of General Obligation bonds.

The second review was for the Commonwealth's sale of \$858.4M in federally taxable refunding bonds, also sold on a negotiated basis. The bonds were rated Aa1 by Moody's, AA by S&P and AA+ by Fitch. Strong investor demand and market volatility increased the size of the transaction from \$440M to over \$858M, and the issuance achieve present value savings of \$146M.

The third review was for the Commonwealth's sale of new money bonds for the Commonwealth Transportation Fund ("CTF") in the amount of \$200M, also sold on a negotiated basis. The bonds were rated Aa1 by Moody's, AA+ by S&P and AAA by Kroll. Bond proceeds are being used to finance the MBTA Green Line extension, improvements for the Red and Orange Lines, and the South Coast Rail Program.

The fourth and final review was for the Commonwealth's sale of new money bonds of Federal Highway Grant Anticipation Notes ("GANs") in the amount of \$53.5M, also sold on a negotiated basis. Ms. Bramlage noted that the Commonwealth is approaching the limit allowed by current legislation for the GANs, though the pending Transportation Bond Bill may change that level. The bonds were rated Aa2 by Moody's and AAA by S&P. Strong retail demand allowed for the repricing of the bonds on the day of pricing by two basis points lower in yields. Bond proceeds are being used to finance the Accelerated Bridge Program.

There were no questions from the Board.

6. Discussion on Board Activities

- I.** The Acting Board Secretary announced that a discussion regarding the Board Secretary would be rescheduled for the next Board meeting, in January.

7. Adjournment

- I.** On a motion made by Ms. Perez, members voted to adjourn. The meeting was adjourned at 3:32pm.

William Archibald, Acting Secretary