



Charles D. Baker, Governor
Karyn E. Polito, Lieutenant Governor
Stephanie Pollack, MassDOT Secretary & CEO
Steve Poftak, General Manager



To: Massachusetts Department of Transportation Board of Directors
Finance and Audit Committee
From: Patrick Landers, Treasurer
Christina Marin, Deputy Director of Treasury Services and P3 Finance
Date: March 11, 2020
Re: Update of Debt and Derivatives Policy

Pursuant to the Authority's Debt Management and Derivative policies, the Treasury Department has conducted its biennial review, concurrently with MBTA bond counsel and financial advisors, and recommends making the following changes.

The changes include an update of positions/titles, clarifications, and language adjustments. There are a few revisions of note:

Debt Policy:

- In pursuing a refunding, the current policy calls for greater than 2% savings per year. The revision proposes to exclude this provision, which will allow greater flexibility in shaping the MBTA debt profile.
- The Commonwealth permits state authorities to enter into direct purchases. The revision proposes adding the option for direct purchase for greater flexibility.

Derivatives Policy:

- Update policy to be in accordance with 976 CMR 2.00, requiring a vote of the MassDOT Board of Directors/FMCB and a review of the State Finance and Governance Board prior to entering into any derivatives product.
- Include language favoring Massachusetts as a governing jurisdiction, but limiting laws governing derivative products to New York or Massachusetts Law
- Revise language to state that rating downgrades would not automatically trigger termination and that the Authority has the right to terminate at the MBTA's discretion.