



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
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Meeting Minutes

**State Finance and Governance Board
January 19, 2017
11:00 am
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, January 19, 2017 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 11:05 am.

Board members comprising a physical quorum:

Lourdes German, Lincoln Institute (Chair)
Brent Andersen, Pilgrim Bay
Supreo Ghosh, Office of the State Treasurer
Sue Perez, Office of the State Treasurer
Katherine Holahan, Associated Industries of Massachusetts

Others in attendance:

Mark Attia, A&F
Jordan Mooney, MBTA
Mike Abramo, MBTA
Paul Brandley, MBTA
John Regier, Mintz Levin
Tayo Edun, A&F

1. Introduction of Attendees

2. Adoption of Minutes

- a. Approval of the meeting minutes from December 12, 2016 was postponed until the next meeting on February 16, 2017.

3. Administrative Matters

- a. The next meeting date was set for Thursday, February 16, 2017, at 11:30 am.

4. Discussion

- a. *No discussion matters scheduled.*

5. Derivative Review

- a. Mr. Brandley and Mr. Abramo provided a summary of the results of procurement for Direct Purchase and Replacement Liquidity proposals. The purpose of the procurement was to determine the best solution for the liquidity renewal for the Sales Tax Series 2008 A-1 and A-2 and to determine if a change of mode should be considered for the Sales Tax Series 2010A bonds (the “2010A Bonds”). The goal of the Authority in soliciting proposals for both the direct purchase and liquidity options for the Series 2008A and direct purchase option for the Series 2010A bonds was to provide the Authority with the lowest cost structure that also could potentially provide the benefits of reduced risk in the debt portfolio.

Ms. Perez asked how the terms and conditions were compared for each bid. Mr. Brandley responded that their considerations included early termination rights, interest rate margin factor, direct purchase standard language, and the ability to pre-pay with discretion were among their considerations. Ms. German concluded that there were no further questions.

- b. Mr. Brandley and Mr. Abramo provided an overview of the proposed amendment to the two existing interest rate swaps with JP Morgan Chase Bank, National Association (“JPM”), as successor to Bear Stearns Financial Products Inc. (“BSFP”). The proposed amendments consist of reducing the rate on the fixed leg of each swap to 2.0%. The two swaps were originally entered into with BSFP under an ISDA Master Agreement dated December 14, 2001. BSFP later merged with JPM on May 26, 2009.

Ms. Perez asked how a determination on fair value was made. Mr. Brandley responded that three different valuations were received. Ms. German asked about the impacts of the current interest rate environment. Mr. Brandley responded that they do not expect interest rates to be lower in the near future. On a motion made by Mr. Andersen, the Board voted to conclude that the Board has reviewed the MBTA’s proposed “derivative financial products” and has concluded that the materials required to be submitted pursuant to 976 CMR have been submitted, evidencing compliance with the level of diligence required to be undertaken by the MBTA under the regulations.

6. Waiver Request

- a. *No waiver requests scheduled.*

7. Review of Closed Transactions:

a. *No closed transactions scheduled.*

8. Other Business:

a. *No other business scheduled.*

9. Adjournment

a. Ms. Lourdes determined that there was no further business to come before the Board. On a motion made by Mr. Andersen, members voted to adjourn. The meeting was adjourned at 11:35 am.

Mark Attia, Secretary