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Meeting Minutes

Thursday, January 25, 2024

1:00 p.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:

Zoom URL: <https://zoom.us/j/99663055004?pwd=TDNGY3RxUIVMNmIDNTh0TkRNUUFWQT09>

Teams Link: [Click here to join the meeting](#)

Teams URL: https://teams.microsoft.com/l/meetup-join/19%3ameeting_M2QwNzVjZGtYmM5MC00NGRiLWlxM2YtMzc5MjQxMDdhNjA3%40thread.v2/0?context=%7b%22Tid%22%3a%223e861d16-48b7-4a0e-9806-8c04d81b7b2a%22%2c%22Oid%22%3a%2240e30303-1c2c-4e3c-8345-7c82e4704ecd%22%7d

Meeting ID: 241 751 721 898

Passcode: gMnUpq

Teleconference line: 857-327-9245; **Phone Conference code:** 421 460 650#

The meeting was called to order at 1:00 p.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:

Kathy Bramlage, Office of the Treasurer, Debt Management

Anne Lewis, Massachusetts Housing Partnership (MHP)

1. Administrative Matters

- I. Ms. Connors called the meeting to order and conducted the roll call. On a motion made by Mr. Andersen, and duly seconded, members voted to unanimously to approve the November 16, 2023, meeting minutes. Ms. Connors then moved onto the agenda where she took the two items being presented by the Treasurer's Office Debt Management team first: Bond Sale Reviews

and Waiver Request, before moving onto the last agenda item, Mass Housing Partnership's Derivative review.

2. Discussion

- I. No discussion matters scheduled.*

3. Waiver Requests

- I. Ms. Bramlage from the Treasurer's Office Debt Management Team presented the Commonwealth's Waiver request to the State Finance and Governance Board (the "Board").

Ms. Bramlage explained that the Commonwealth's use of SFGB waivers from competitive sales continues to be prudent. TRE approaches all transactions under the assumption that most bonds will be sold on a competitive basis. However, when market conditions or the structure of the bonds warrant the flexibility of a negotiated sale, the Commonwealth has sought waivers in certain situations. Ms. Bramlage noted that recently, uncertain market conditions due to Federal Reserve Bank action, volatile economic conditions, as well as geopolitical issues have required significant pre-sale marketing to ensure broad market support and assist in structuring that will provide the best results for the Commonwealth. Given the current volatility in the fixed income markets, a negotiated transaction gives the Commonwealth the flexibility for pricing dates as well as lengths of order periods.

Ms. Bramlage concluded by noting that having the ability to execute negotiated transactions ensures contingencies can be met in the near-term and asked that the Board approve the State Treasurer's Office waiver request in the amount of \$2.5 billion for new money and/or refunding transactions, which will expire on July 18, 2024.

On a motion made by Ms. Perez and duly seconded, the Board voted unanimously to authorize the Commonwealth (i) to issue bonds in an aggregate principal amount up to \$2,500,000,000 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 July 18, 2024; and (iii) to sell any such bonds on a negotiated basis.

4. Derivative Reviews

Massachusetts Housing Partnership (MHP) Director of Capital and Program Development, Ms. Lewis explained to the Board 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 January 24, 2024. This renewal grants MHP up to \$32 million in swap authority over the next six months. Ms. Lewis noted that this is a substantively similar proposal to those that the SFGB has reviewed in the past, with the most recent proposal having been reviewed by the Board last July.

Ms. Lewis then provided a brief background on the 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. She noted 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 February 1, 2024, and July 31, 2024 and deems the transaction reviewed with no additional conclusions required.

5. Closed Transactions/Bond Sale Reviews:

- I. Ms. Bramlage presented two bond sale reviews to the Board: the Commonwealth Transportation Fund (CTF) 2023 Series A & B Bonds and the Commonwealth General Obligation 2024 Series A and Refunding Series A.

Ms. Bramlage explained that in September 2023, the Commonwealth sold \$500 million in Commonwealth Transportation Fund revenue bonds in two series. The bonds were sold on a negotiated basis with \$300.0 million in a "new money" sustainability bond series and \$200.0 million in another "new money" series. Both series were for the Rail Enhancement Program. The bonds are rated AAA by Kroll, AA1 by Moody's and AAA by S&P. Bank of America (BofA) served as the book-running manager for the bond issue and Ramirez was the joint book-running manager. The full syndicate was made up of 8 firms, which was selected via a competitive RFP process.

Mr. Bramlage noted that the bonds were priced before the September FOMC meeting to avoid related volatility. Retail orders were smaller than normal as both series of bonds were structured with maturities greater than 20 years and retail tends to be interested in maturities within 15 years. At the conclusion of the order period, the sale had generated \$13.5 million in retail orders and \$355.0 million of institutional orders from 29 unique accounts. The spread of the yields for the bonds versus the triple-A MMD scale was 35-37 basis points, significantly tighter than the 2022 CTF financing, which came at a 52-basis point spread.

Mr. Bramlage then moved on to the next bond sale review. She reported that In January 2024, the Commonwealth sold about \$1.88 billion in Commonwealth General Obligation bonds in two series, which were sold on a negotiated basis with \$1.05 billion in a "new money" bond series and \$837.3 million in a "refunding" series.

BofA served as the book-running manager for the bond issue and Siebert was the joint book-running manager. The full syndicate was made up of 8 firms, which was selected via a competitive RFP process. The bonds are rated Aa1 by Moody's, AA+ by S&P and AA+ by Fitch and were structured as both serial and term bonds. .

Ms. Bramlage explained the bonds were priced the week of January 8, 2024. Order flow was quite strong during the retail order period, with subscriptions of more than two thirds of the

bonds offered. Massachusetts retail totaled \$536 million and was one of the strongest experienced in a GO bond sale in recent history. Given the magnitude of the retail orders, it was determined to accelerate the institutional order period into Wednesday afternoon.

Ms. Bramlage noted that the institutional order flow was also robust and included strong term bond subscription. At the conclusion of the order period, investor orders totaled \$3.1 billion. Orders consisted of almost 90 unique investors including professional retail as well hedge funds and insurance companies. The strength of order flow was notable as municipal to US treasury ratios are historically low. Ultimately, yields were lowered in selected maturities and the deal was upsized by \$500 million in both series

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 discussion matters scheduled.*

7. Adjournment

- I.** On a motion made by Mr. Anderson, and duly seconded, members voted to adjourn. The meeting officially adjourned at 1:31 PM.

Kaitlyn Connors, Acting Chair