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Meeting Minutes

**State Finance and Governance Board
June 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 Thursday, June 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:

Kathy Bramlage, Office of the State Treasurer
Walter St. Onge, Locke Lord
Joe DaBreo, PFM
Poonam Patidar, Mintz Levin
William Archibald, 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 May 21, 2020 meeting minutes.

2. Discussion

- I. *No discussion matters scheduled.*

3. Closed Transactions/Bond Sale Reviews:

- I. Ms. Bramlage provided details on the Commonwealth's recent sale of \$177M in General Obligation Refunding Bonds, which were sold on a negotiated basis and were rated Aa1 by Moody's, AA by S&P, and AA+ by Fitch. Ms. Bramlage stated that the proceeds of this transaction were used to refund the 2014 Series D1 Bonds, which were subject to a mandatory put on July 1, 2020. Ms. Bramlage disclosed that the Bonds were refunded rather than remarketed in order to allow for premium priced bonds, with the premium to be used to refund the outstanding principal on the refunded bonds, a total of \$200M. Ms. Bramlage further stated that the Refunding Bonds will be multi-modal bonds, and will have final maturity of June 1, 2044.

There were no questions from the Board.

4. Derivative Reviews

- I. Ms. Bramlage then presented the Commonwealth's request for reviews of three new derivatives that have been added to the Commonwealth's variable rate portfolio.

First, Ms. Bramlage presented on the recently discussed GO Refunding Bonds, which, although issued as negotiated, fixed rate mandatory tender bonds, they will remain in a multi-modal mode, which will allow for the Bonds to be remarketed into another form of variable rate debt on June 1, 2023, the next mandatory put date, as well as subsequent put dates. Ms. Bramlage stated that it was determined to issue the Bonds as fixed rate with a mandatory tender primarily due to market conditions, explaining that rates have risen due to higher demand for credit from issuers seeking liquidity during the current pandemic. Ms. Bramlage further explained that floating rate debt suffers from a lack of demand and is less attractive to investors, especially with the Federal Reserve providing liquidity to the markets. Ms. Bramlage mentioned that Barclays was selected as the Book Running Senior Manager for the Bonds after a competitive RFP process in May.

Second, Ms. Bramlage presented the Commonwealth's 2020 Credit Line, which would provide liquidity to the state in the wake of COVID-19, especially following the Administration's decision to move the personal income tax filing and payment date to July 15. After issuing an RFP in March for a credit line of up to \$500M, the Commonwealth selected Bank of America to provide the credit line, eventually increasing the amount to \$1.75B, and to expire on May 10, 2021. Ms. Bramlage stated the Commonwealth has not yet drawn on the facility, but may do so to address liquidity needs due to the impacts of COVID-19 if necessary.

Last, Ms. Bramlage presented on the Commonwealth's separate liquidity facility of \$200M for commercial paper with RBC. The Commonwealth issued an RFP in November of 2018 and selected RBC, which proposed a note from the bank that, when drawn upon, would become a direct purchase. Ms. Bramlage stated that the Commonwealth has not yet drawn from this liquidity facility, either, but may do so to address liquidity needs due to the impacts of COVID-19 if necessary.

Chair German asked Ms. Bramlage what the Commonwealth was observing as far as institutional investor interest, especially with respect to the multi-modal Refunding Bonds. Ms. Bramlage responded that they had observed quite a few institutional investors, but not many retail investors. Ms. Perez further explained that the State of New York entered the market on the same week as the Commonwealth's transaction, and as a result, the spread was a bit wider than originally anticipated; however, the final yield was 0.50%.

With respect to the GO Refunding Bonds, on a motion by Mr. Andersen, and duly seconded, the Board voted that it had received satisfactory information regarding the proposed bond transaction involving a derivative financial product by The Commonwealth of Massachusetts and deemed the submission (x) consistent with the purpose and intent of Sections 97 and 98 of Chapter 6 of the Massachusetts General Laws ("Chapter 6") and regulations promulgated thereunder and (y) reviewed with no additional conclusions required. The Board further concluded that the items required to be submitted to the Board pursuant to Chapter 6 and any regulations promulgated thereunder had been submitted in a manner consistent with the regulations.

With respect to the 2020 Credit Line, on a motion by Mr. Andersen, and duly seconded, the Board voted that it had received satisfactory information regarding the proposed transaction involving a derivative financial product by The Commonwealth of Massachusetts and deemed the submission (x) consistent with the purpose and intent of Sections 97 and 98 of Chapter 6 of the Massachusetts General Laws ("Chapter 6") and regulations promulgated thereunder and (y) reviewed with no additional conclusions required. The Board further concluded that the items required to be submitted to the Board pursuant to Chapter 6 and any regulations promulgated thereunder had been submitted in a manner consistent with the regulations.

With respect to the RBC Note, on a motion by Mr. Andersen, and duly seconded, the Board voted that it had received satisfactory information regarding the proposed bond transaction involving a derivative financial product by The Commonwealth of Massachusetts and deemed the submission (x) consistent with the purpose and intent of Sections 97 and 98 of Chapter 6 of the Massachusetts General Laws ("Chapter 6") and regulations promulgated thereunder and (y) reviewed with no additional conclusions required. The Board further concluded that the items required to be submitted to the Board pursuant to Chapter 6 and any regulations promulgated thereunder have been submitted in a manner consistent with the regulations.

5. Waiver Requests

- I. *No discussion matters scheduled.*

6. Discussion on Board Activities

- I. Chair German asked if there were any further developments on the decision to hold Board meetings in-person. The Board Secretary stated that these meetings will continue to be held via teleconference as long as the Governor's Executive Order allows for remote participation, largely due to the continued closure of the State House to the public.

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