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## **Meeting Minutes**

**Thursday, June 27, 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 Link: [Click here to join the meeting](https://us02web.zoom.us/j/81690463795?pwd=LR41HJQxeE80fAA3nEdXJOviwft8VK.1)

ZoomURL: <https://us02web.zoom.us/j/81690463795?pwd=LR41HJQxeE80fAA3nEdXJOviwft8VK.1>

Meeting ID: 816 9046 3795

Passcode: 864334

Teleconference line: 646 558 8656; Phone Conference code: 864334#

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 State Treasurer  
Cory Bannon, Office of the State Treasurer

### **1. Administrative Matters**

- I. Ms. Connors called the meeting to order and conducted the roll call. On a motion made by Mr. Durgin, and duly seconded, members voted to unanimously to approve the February 21, 2024, meeting minutes. Ms. Connors then moved to the next agenda items: Closed Bond Sale review

and Waiver Request, both of which were presented by Ms. Kathy Bramlage, Senior Debt Analyst/Portfolio Manager within the Office of the State Treasurer.

## **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 due to the potential profile of an upcoming transaction that is expected to include a new money transaction and a potential refunding for the Commonwealth Transportation Fund (CTF) and the Grant Anticipation Notes (GANS), the State Treasurer's Office has determined that a waiver from the requirement of a competitive sale is needed. Ms. Bramlage noted that the flexibility required of these transportation bond transactions can best be accomplished through a negotiated method of sale due to both complex structuring considerations and credit parameters. Marketing is needed to tell the story of these bonds, as these credits are only in the market once a year. Further driving the need, is the fact that the GANS will require an updated trust agreement, and a negotiated transaction provides the opportunity to outline the changes to both investors and the rating agencies, and market volatility has been high due to economic concerns, including inflation, and proposed action from the Federal Reserve Bank, as well as geopolitical issues. A negotiated pricing offers flexibility on pricing dates and the ability to assess investor demand.

Ms. Bramlage recapped the benefits of a negotiated sales. She explained that negotiated sales allow the issuer to offer bonds to retail investors during an early order period, in contrast to competitive sales which are sold on an all-or-none basis to an institution. By holding an early order period for retail investors, it invites citizens to invest directly in their state and allows Commonwealth bonds to be more widely held. A negotiated sale also allows for more investor outreach, including investors from different parts of the country, different types of investors and first-time investors in Massachusetts bonds.

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 up to \$2.0 billion for new money and/or refunding transactions for both the CTF and the GANs, which will expire on December 27, 2024.

On a motion made by Ms. Perez and duly seconded, the Board voted unanimously to authorize the Commonwealth (i) to issue Special Obligation Commonwealth Transportation Fund bonds Grant Anticipation Notes (GANS) in an aggregate principal amount up to \$2,000,000,000 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 December 27, 2024; and (iii) to sell any such bonds on a negotiated basis.

#### **4. Derivative Reviews**

*I. No waiver requests scheduled.*

#### **5. Closed Transactions/Bond Sale Reviews:**

- I. Ms. Bramlage presented two Commonwealth General Obligation (GO) bond sale reviews to the Board: (1) the GO 2024 Refunding Series B; and (2) the GO 2024 Series B and Refunding Series C.

Ms. Bramlage reported that in February 2024, the Commonwealth sold \$658 million in Commonwealth General Obligation refunding bonds. The bonds were sold on a negotiated basis with two key components: (1) Current refunding of \$200 million of outstanding tax-exempt bonds and (2) Tender offer for \$562 million of outstanding taxable bonds using proceeds of the tax-exempt refunding bonds. Jefferies served as the book-running manager for the bond issue and BofA Securities and Goldman Sachs were the co-senior managers. The full syndicate was made up of 9 firms, which was selected through a formal competitive RFP process. The bonds are rated AA+ by Fitch, Aa1 by Moody's and AA+ by S&P, all with stable outlooks. The bonds were structured as serial bonds maturing from 2024 through 2044 with an optional redemption in 2034.

With respect to the tender, Ms. Bramlage noted that the offer was released on January 17, 2024, and upon expiration of the offer, \$562 million of bonds had been tendered representing a 40.5% investor participation rate. Bonds were priced during the week of February 5<sup>th</sup> and interest rates were volatile, largely due to an unexpectantly strong nonfarm payrolls report, coupled with the market's reaction to the Fed Chairman's comments which deflated hopes of a March rate cut. Retail orders were strong at nearly \$600 million and individual retail orders totaled nearly \$30 million, almost 5% of the entire par amount of the transaction.

Ms. Bramlage reported that overall, the bond sale generated \$1.9 billion in orders, representing a subscription rate of 2.9 times. Participation came from 55 separate accounts, of which 11 were new accounts to the Commonwealth. Total PV savings were \$106 million and the tender component alone generated PV savings of \$54 million. In addition to savings, by refunding the taxable tendered bonds with tax exempt debt, optionality was added to the portfolio.

Ms. Bramlage then moved on to the next bond sale review. She reported that in June 2024, the Commonwealth sold \$806 million in Commonwealth General Obligation bonds in two series, which were sold on a negotiated basis with \$750 million in a "new money" bond series and \$56 million in a "refunding" series. Ms. Bramlage explained that due to significant investor demand, the new money was upsized from \$650 million to \$750 million. Morgan Stanley served as the book-running manager for the bond issue and JP Morgan and Loop Capital served as co-senior managers. The full syndicate was made up of 9 firms, which were selected through a formal 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 noted that the bonds were priced on during the week of June 3, 2024, and that order flow was strong during the retail order period, with subscriptions of approximately 82

percent of the bonds offered. Most orders were in the 2030 to 2040 range and the order flow was less robust in the term maturity. During the institutional order period, order flow was also robust and included heavy subscription in the term bond, prompting the aforementioned upsizing. Overall, investor orders totaled \$4.2 billion or 5.9 times oversubscribed. Orders for the term bond were over 7.6 times subscribed. As a result, yields were lowered in both series by 4 to 8 basis points. Ultimately, there were orders from 80 investors, including \$579 million in retail orders, of which \$103 million were from individual investors.

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 matters scheduled.*

## **7. Adjournment**

- I.** On a motion made by Mr. Andersen, and duly seconded, members voted to adjourn. The meeting officially adjourned at approximately 1:20 PM.

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Kaitlyn Connors, Acting Chair