



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
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Meeting Minutes

**State Finance and Governance Board
March 21, 2019
3:00 pm
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, March 21, 2019 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 3:03pm.

Board members comprising a physical quorum:

Lourdes German, Boston College, Board Chair
Brent Andersen, Pilgrim Bay Insurance
Kate Holahan, Associated Industries of Massachusetts
Sue Perez, Office of the State Treasurer
Supreo Ghosh, Office of the State Treasurer

Others in attendance:

Kathleen Connolly, MassHousing
Chuck Karimbakas, MassHousing
Edward Adelman, Mass. State College Building Authority
Anna Tenaglia, MassPort
Peter Clerc, Swap Financial Group
Jordan Greene, Executive Office of Administration & Finance

1. Administrative Matters

- I.** On a motion made by Mr. Andersen, and duly seconded, members voted to approve the February 21, 2019 meeting minutes.

2. Discussion

- I.** *No discussion matters scheduled*

3. Derivative Reviews

- I.** Mr. Karimbakas reviewed the Massachusetts Housing Finance Agency's ("MassHousing") request for a review of its proposed issuance of \$300M in mortgage revenue bonds, which would also involve MassHousing issuing variable rate debt with associated hedges. The first transaction is expected to close around May 1st, and would support MassHousing's Single Family Housing mortgage program.

Mr. Karimbakas reminded the board that 94% of this program's portfolio is made up of fixed rate debt, which might tick up further in calendar year 2019. He also reviewed prior years' data comparing the program's cash flows and asset parity.

Ms. Perez inquired how long the lifetimes of the swaps were, and Mr. Karimbakas stated that the swaps were general 30 years in length, with an option at year 10.

On a motion made by Mr. Andersen, and duly seconded, the Board voted that it had received satisfactory information regarding the proposed Massachusetts Housing Finance Agency ("MassHousing") transactions involving new derivative financial products by MassHousing and deemed the submission (i) 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 (ii) reviewed with no additional conclusions required. The Board 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 regulations.

4. Waiver Request

- I.** *No items.*

5. Review of Closed Transactions:

- I. Mr. Adelman reviewed the Mass. State College Building Authority's ("MSCBA") competitive sales of Series 2019A tax exempt project revenue bonds and Series 2019B taxable refunding revenue bonds.

Mr. Adelman stated that the Series 2019A deal closed in January, and the total new issuance was \$15.44M. The true interest cost of the deal was 2.96%, which Mr. Adelman noted was just the second time since 2002 that the Authority had closed a deal under a rate of 3%. Mr. Adelman highlighted projects that benefited from the bond proceeds at the campuses of Fitchburg State University, Framingham State University, Massachusetts College of Liberal Arts, and Salem State University.

The taxable, Series 2019B refunding bonds also closed in January, per Mr. Adelman. A portion of the \$53.2M proceeds allowed Westfield State University to restructure some of their existing debt to create a sustainable, predictable, and level debt service schedule for the life of their 2012A Bonds.

Chair German asked if more issuers were refunding bonds on a taxable basis due to recent federal tax legislation. Mr. Adelman replied that due to the legislation, this is the only way refundings can be done.

- II. Ms. Tenaglia reviewed the Massachusetts Port Authority's ("MassPort") reviewed its recent financing of Terminal A Special Facility Revenue Bonds. She reviewed background related to the bonds, which were issued in 2001 on behalf of Delta Airlines in order to redevelop Terminal A. Of these bonds, \$356.9 remained outstanding.

Ms. Tenaglia noted that due to higher short-term rates, revenues from tenant rentals were insufficient to cover increasing debt service costs. Among other benefits, the refunding allowed for lower debt service costs, generated present value savings, and allowed Terminal A rental rates to be lowered, and are more consistent with other terminals. Specifically, Ms. Tenaglia's presentation showed that the refunding, along with additional debt service coverage from Delta, saved the terminal's tenants around \$7.1M annually.

Chair German asked if Massport had incurred significant transaction costs in order to build interest among investors. Ms. Tenaglia stated that MassPort did not incur such costs – for instance, there was no investor luncheon as in prior years. However, MassPort did take part in the Treasurer's investor tour last spring and presented the opportunity in the fall – Ms. Tenaglia followed up by saying that MassPort was able to take advantage of the interest built and went to the market quickly.

6. Adjournment

- I. On a motion made by Mr. Andersen members voted to adjourn. The meeting was adjourned at 3:23 pm.

Frank Gervasio, Secretary