Commonwealth of Massachusetts

State Treasurer & Receiver General Deborah Goldberg

Debt Management Department

DEBT MANAGEMENT POLICIES

July 2020

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A. SCOPE

This policy applies to all current and future debt and related hedging instruments issued by the Office of the State Treasurer and Receiver General ("Treasury") on behalf of the Commonwealth of Massachusetts, including general obligation bonds, Commonwealth Transportation Fund Revenue Bonds, Federal Highway grant anticipation notes, special obligation revenue bonds, special obligation dedicated tax revenue bonds, and revenue and bond anticipation notes. This debt management policy is intended to provide broad policy guidance regarding administration and internal policy for the issuance, management and reporting on all debt obligations of the Commonwealth.

B. INTRODUCTION

One of the core responsibilities of the Commonwealth of Massachusetts ("the Commonwealth") is to provide and maintain a sufficient network of public infrastructure assets across the state. This includes public schools, roads, bridges, dams, water and sewer systems, jails, libraries, etc. These assets ensure a high quality of life for the state's almost seven (7) million residents; they promote and enable commerce, economic activity, and economic mobility; and they provide and ensure adequate public safety.

These public assets are typically large and very expensive. While the investment in infrastructure can include current tax receipts and federal reimbursements, they are largely funded through borrowings in the form of bonds issued and secured by the state.

The Treasury is statutorily responsible for the borrowing needs of the Commonwealth, including short-term cash flow needs and long-term borrowing needs for the capital budget. Borrowing is accomplished through the sale of short-term notes and long-term bonds. The Commonwealth is authorized to issue three types of direct debt – general obligation debt, special obligation debt and federal grant anticipation notes. General obligation debt is secured by a pledge of the full faith and credit of the Commonwealth. Special obligation debt is secured by a pledge of specific revenues; currently either with a pledge of receipts credited to the Commonwealth Transportation Fund or with a pledge of receipts credited to the Convention Center Fund. Federal grant anticipation notes are secured primarily by a pledge of federal highway construction reimbursements.

One of the keys to sound financial management is the development of a debt policy. This need is recognized by bond rating agencies, and development of a debt policy is a recommended practice by the Government Finance Officers Association ("GFOA"). A debt policy establishes the parameters for issuing debt and managing the debt portfolio. It provides guidance to the administration regarding purposes for which debt may be issued, types and amounts of permissible debt and the method of sale that may be used. The following debt policy is intended to demonstrate a commitment to long-term financial planning.

C. RESPONSIBILITY FOR POLICY

The overall Debt Management Policy ("Policy") is approved by the Deputy Treasurer for Debt Management, Treasury's General Counsel, Chief of Staff and First Deputy Treasurer, and implemented by the Deputy Treasurer for Debt Management. The Debt Management Team will develop procedures to implement and administer this Policy. In accordance with Treasury's Policy on Policies, this policy shall be reviewed and updated regularly and whenever a change in applicable law affecting the policy occurs. The review will focus on assuring that the Policy meets all regulatory, rating and disclosure guidelines and requirements and the Commonwealth's fundamental objectives of debt and interest rate risk management.

D. GENERAL GUIDELINES FOR DEBT ISSUANCE

The Commonwealth is authorized to borrow via Article LXII of the Massachusetts Constitution. Bond authorizations are developed by the state Legislature and approved by the Governor, and the Governor develops the Commonwealth's forward capital plan to determine how much the state should borrow annually and which projects to fund with the bond proceeds.

The Treasury will manage the Commonwealth's debt with an overall philosophy of taking a long-term approach in borrowing funds at the lowest possible interest cost. This Policy establishes parameters for Treasury in issuing debt and managing the Commonwealth's debt portfolio based upon the Commonwealth's overall capital needs, its ability to repay financial obligations, and existing legal, economic, financial and debt market conditions. Specifically, this Policy is intended to:

- Guide decision making and promote prudent financial management of Commonwealth debt;
- Protect and enhance the Commonwealth's credit ratings;
- Maintain appropriate resources and funding capacity for present and future capital needs;
- Ensure the legal and appropriate use of the Commonwealth's debt issuance authority;
- Promote and maintain balance between interest rate risk and the long-term cost of capital;
- Promote the appropriate diversification within the debt portfolio to balance risk and liquidity; and
- Promote the evaluation of the Commonwealth's debt portfolio in the context of asset-liability management.

E. AUTHORIZATION

The overall amount of debt that the Commonwealth is allowed to issue under each of its bond programs is authorized by the Massachusetts Legislature and the Governor. Based on capital and related debt issuance projections, the Executive Office of Administration and Finance ("Administration") typically approves the projected debt issuance limits for the next several years in conjunction with the next fiscal year's budget process; subject to the overall debt limit (discussed below).

The available amount of debt authorization outstanding is monitored by the Administration and the Office of the Comptroller and is reported as part of the regular financial statements.

Resolutions approving the use of interest rate swaps, caps and related hedging instruments outlining, among other things, size and maturity restrictions, must be approved by the State Treasurer prior to execution and reviewed by the State Finance and Governance Board.

F. DEBT LIMIT

Since December 1989, state finance law has included a limit on the amount of outstanding "direct" bonds of the Commonwealth. For fiscal 2012, the debt limit was $18.944 billion under the statute in place during fiscal 2012. In August 2012, state finance law was amended, effective January 1, 2013, to specify that the debt limit be calculated for fiscal years starting in fiscal 2013 using a fiscal 2012 base value of $17.070 billion and increasing the limit for each subsequent fiscal year to 105% of the previous fiscal year's limit. Prior to June 10, 2013, this limit was calculated using a statutory definition that differed from GAAP in that the principal amount of outstanding bonds included the amount of any premium and was measured net of any discount, costs of issuance and other financing costs ("net proceeds"). On June 10, 2013, state finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP.

The debt limit law provides that bonds to be refunded from the proceeds of Commonwealth refunding bonds are to be excluded from outstanding "direct" bonds upon the issuance of the refunding bonds. Pursuant to special legislation enacted over the years, certain outstanding Commonwealth debt obligations are not counted in computing the amount of bonds subject to the limit, including Commonwealth refunding/restructuring bonds issued in September and October 1991, federal grant anticipation notes, bonds issued to pay operating notes issued by the MBTA or to reimburse the Commonwealth for advances to the MBTA, bonds payable to the Central Artery and Statewide Road and Bridge Infrastructure Fund, bonds issued to finance the MSBA and bonds issued to finance the Commonwealth's Accelerated Bridge Program. On August 10, 2016, the Governor approved legislation that exempts from the statutory debt limit bonds that are issued to finance the Commonwealth's rail enhancement program.

G. ANNUAL PLAN OF FINANCE

The Debt Management team will prepare annually a Plan of Finance that will address at a minimum:

1. The amount of debt projected to be issued during the next fiscal year,
2. Under which of the Commonwealth's bond programs the debt will be issued;
3. Type of debt, which could be:
   - fixed and/or variable
   - tax-exempt or taxable
   - for special obligations bonds, senior or subordinated

1. **Debt Projected to be Issued -** The annual capital budgeting process will be used to project the amount of debt to be issued during the next five-year period. Factors to be considered in the final projections include the forecast of spending levels for capital projects and the availability of general funds to pay for such capital projects. Projections should achieve desired debt service coverage levels consistent with highly rated states. The additional bonds test calculation outlined in the respective bond documents of each of the special obligation bonds and GANs need to be factored into the projections.

2. **Commonwealth's Bond Programs -** Treasury's long-term borrowing is accomplished through two (2) separate bond programs. General Obligation bond program and the Special Obligation bond program, which includes the Convention Center, Commonwealth Transportation and Federal Highway Grant Anticipation Note ("GAN")bond programs.

   General Obligation Bond Program

   The largest bond program through which the majority of the Commonwealth's borrowings are issued is the General Obligation ("GO") bond program. GO debt is secured by a pledge of the full faith and credit of the Commonwealth. Bonds are issued pursuant to MGL Chapter 29. Bonds are issued for a variety of purposes, such as transportation, affordable housing, education, environmental preparedness, information technology and public safety. Bonds are sold as consolidated loans, with allocation of bond proceeds to capital spending done in arrears, subject to applicable tax regulations

Special Obligation Bond Programs

Commonwealth Transportation Fund Bond Program

Bonds are issued pursuant to Chapter 233 of the Acts of 2008 and MGL Chapter 29, Section 2O of the Massachusetts General Laws. Bonds are secured solely by certain pledged revenues within the Commonwealth Transportation Fund, including a pledge of a portion of the Commonwealth's 24-cent motor fuels taxes and Registry of Motor Vehicle fees and surcharges. As of the date of this policy, the Commonwealth is authorized to issue up to $2.984 billion to finance the Accelerated Bridge Program (either as bonds or GANs) and up to $6.7 billion for the Rail Enhancement Program.

Special Obligation Dedicated Tax Bonds

Bonds issued pursuant to Chapter 152 of the Acts of 1997 to finance costs incurred for constructing or renovating three convention & exhibition centers in Boston, Springfield and Worcester. Bonds are secured solely by certain pledged revenues levied within specified geographic areas, including excise tax receipts (hotel occupancy tax), sales tax receipts as well as dedicated tourism related fees and charges. Based on current annual revenues, Additional Bonds Test ("ABT") of 1.50x does not allow for the issuance of additional new money bonds under the current indenture.

Federal Highway Grant Anticipation Note Program

Chapter 121 of the Acts of 1998 authorized the original issuance of up to $1.5 billion in Federal Highway Grant Anticipation Notes ("GANs") to finance a portion of the costs of construction of the Central Artery/Ted Williams Tunnel Project (the "CA/T Project"). Debt service payments are principally secured by all federal reimbursements and other assistance that the Commonwealth receives with respect to federally-aided highway construction projects. The Accelerated Bridge Program, authorized in Chapter 233 of the Acts of 2008, revised the GANs program. As of the date of this policy, the Commonwealth has exhausted its authorization of GANs to be issued under the Accelerated Bridge Program

3. Type of Debt

- **Fixed vs. Variable Debt –** The Treasury will utilize a mix of fixed and variable rate debt to lower the overall cost of capital. Variable rate debt will generally be used as an efficient way to fund new capital requirements and as a permanent component of a long-term funding strategy. The amount of variable rate debt outstanding will comply with the levels defined in the Commonwealth's Asset Liability Management Policy.
- **Tax-exempt vs. Taxable -** As governmental entity, the Commonwealth is authorized to issue tax-exempt debt and must comply with appropriate tax regulations. The Treasury will endeavor at all times to issue tax-exempt debt whenever permissible and manageable under federal tax law. In addition, Treasury should compare the cost of capital of traditional tax-exempt bonds versus other tax-advantaged obligations. For certain transactions, due to tax regulations it may be necessary to issue taxable debt. Such prevailing circumstances may include excessive transferred proceeds, volume cap restrictions and private use restrictions. Treasury will monitor current tax regulations and utilize tax exempt financing whenever prudent. The Tax Cuts and Jobs Act of 2017 prohibits tax-exempt advance refundings. Treasury should monitor the cost versus benefits of issuing taxable debt for advance refundings and issue taxable debt to advance refund bonds only in those circumstances that provide economic benefit to the Commonwealth.

- o **Senior vs. Subordinated –** Bonds under each of the special obligation bond programs can be issued as either senior or subordinated bonds. Treasury, with input from its financial advisors and bond counsel, determine when and if subordinated bonds makes sense.

"Just in Time" Financing - The cash flow forecast for budgeted capital expenditures is the main factor used in determining the appropriate timing of new money debt transactions. The goal is to issue new debt as outstanding debt proceeds are spent. However, the timing of debt transactions may also depend on the interest rate environment; the budget, financial statements and ratings impacts; investment, rebate and other tax implications; and desired debt service coverage levels on special obligation bonds.

Treasury will continually monitor its financing plan to reflect changes to the capital spending plan, actual expenditures and borrowings, statutory debt limit, and cash flow needs of the Commonwealth. It is understood that changes in market conditions, changes in size or timing of capital projects, and other factors outside the control of Treasury may necessitate changes to the schedule for the sale of Commonwealth debt. The financing plan is not a commitment by the Treasury to sell Commonwealth debt at such times.

H. METHOD OF SALE

State finance law pursuant to MGL Chapter 29, Section 53 requires that all long-term debt – or bonds whose final maturity is more than three years – is to be sold through competitive method of sale. However, a waiver allowing the Treasury to sell bonds via a negotiated method of sale may be obtained by a vote of the State Finance and Governance Board (authorized under MGL Chapter 6, Sections 97 and 98). The ability of Treasury to sell bonds competitively or on a negotiated basis provides the Treasury with appropriate flexibility to manage the Commonwealth's funding requirements efficiently.

Treasury will determine, based on market conditions and Commonwealth bond program, whether a competitive or negotiated method of sale would be more advantageous. Some factors impacting that decision include:

- Stability of bond prices and investor demand in the market;
- Complexity of the transaction and any issues which may impact investor demand for the bonds;
- Size of the transaction; and
- Importance of flexibility to adjust sizing and structuring to respond to investor demand which is particularly important for refunding transactions.

If Treasury selects the negotiated method of sale, the underwriting team will be selected from the pool of pre-qualified firms via a competitive request for qualifications. Treasury shall require that the senior underwriter(s) agree to the Treasury's Underwriting Procedures for Negotiated Bond Sales prior to any bond transaction. A bond purchase agreement must be signed by both the Treasurer and Governor.

The Commonwealth may consider the use of direct placement (typically direct placements with a bank) when the incremental economic benefit of this approach is estimated to be significant relative to the issuance in the traditional publicly offered debt markets. The following potential risk factors should be reviewed, and steps should be taken to mitigate these risks when considering the use of direct placement of debt with banks:

- Assumption of risk of changes in tax law;
- Bank cost pass-through risk (i.e., increased bank costs due to regulatory or other changes) that may be passed on to the borrower;
- Legal documentation requirements from direct purchasers (acceleration provisions, cross-defaults or remedies favoring the direct purchaser over market investors);
- Disclosure.

I. STRUCTURING CONSIDERATIONS

Final Maturity – The term of the Commonwealth debt should comply with all state constitutional and statutory limitations as well as applicable federal tax law. The final maturity of a debt issuance should not exceed the useful life of the financed project(s) and cannot exceed thirty (30) years.

Debt Service Payment Structure – In general, Commonwealth debt should be structured to produce a level annual debt service.

Debt Service Payment Dates – Interest on fixed rate bonds and variable rate obligations should be payable on a semiannual basis. Alternate payment frequencies may be utilized after consultation with financial advisors. Debt service transfers to any trustee should be required to be made as few days in advance of the actual payment date as possible and as per the applicable bond documents.

Coupon Structure – Debt can be issued using discount, par or premium coupons, or any combination thereof within any applicable limitations in statute or the bond proceedings. When comparing yields associated with callable premium and callable discount bonds of the same maturity, the yield to maturity should be evaluated in addition to the yield to call.

Optional Redemption Provisions – In general, Commonwealth debt (both taxable and tax-exempt) should be issued with the earliest optional redemption date that is determined to be cost-effective. When debt is issued with a make-whole call or as non-callable, an analysis should be prepared to determine the value of a par call option to ensure the Commonwealth is being fairly compensated for foregoing that par call option.

Serial and Term Bonds – Debt may be structured with serial or term bonds or any combination thereof. Term bonds should generally be subject to mandatory annual sinking fund redemptions.

Credit Enhancement - Credit enhancements, such as bond insurance and letters of credit, will only be used when the anticipated present value savings in terms of reduced interest expense exceeds the cost of the enhancement and the covenants are acceptable to Treasury or when required by industry standards in the case of certain variable rate products.

J. CREDIT RATINGS

Treasury will manage its debt portfolio and financing position to obtain and maintain the highest credit ratings possible. Treasury recognizes that strong credit ratings are necessary to ensure the lowest possible borrowing costs which will factor into maintaining low interest costs for the state budget and taxpayers. Treasury's goal is to maintain at the minimum a long-term 'A' category rating by each rating agency.

Treasury utilizes the following municipal debt rating services: Fitch Ratings, Kroll Bond Rating Agency, Moody's Investor Services, and Standard & Poor's. Any changes, additions, or deletions to the list above will require approval of the Treasurer.

K. REFUNDING TRANSACTIONS

Passage of the Tax Cuts and Jobs Act of 2017 eliminated state and local governments' ability to use tax-exempt bonds to advance refund outstanding tax-exempt bonds, as of January 1, 2018. An advance refunding occurs when bonds are refunded more than ninety (90) days prior to the optional redemption, or "call," date of the outstanding bonds. Tax-exempt advance refundings offered an important tool for state and local governments to reduce debt service costs, offered flexibility to take advantage of attractive market conditions and investor demand freeing up resources to be used for other important purposes, and minimized taxpayer and ratepayer burdens. Advance refundings are also utilized to restructure debt service payments or address problematic bond terms and conditions, if needed. Federal tax laws previously provided issuers an opportunity to advance refund bonds on a tax-exempt basis. Since 1985, issuers were permitted a single advance refunding prior to the call date of the bond. In 2017, advance refundings represented approximately 20% of total tax-exempt municipal bond issuance.

Under state law, in order to issue refunding bonds, Treasury must demonstrate that the present value (discounted at an appropriate rate) of the principal and interest on the refunding bonds is less than the present value at the same rate of the refunded bonds. This requirement does not apply to the refunding of variable rate bonds by fixed rate bonds or other variable rate bonds.

Treasury will monitor the debt portfolio for opportunities to refund any outstanding debt when debt service savings will be realized. In reviewing refunding opportunities, Treasury will use, at a minimum, the following criteria to evaluate the bonds available for refunding to ensure there are sufficient savings to justify the issuance of new debt:

- Individual maturities must have at least a 3% net present value ("NPV") savings and an option value above 70%;
- Overall NPV savings will generally be considered at 4% or greater;
- Efficiency of the escrow as determined by dividing the present value savings by the negative arbitrage on the escrow should be over 50%.

The final maturity of refunding bonds should not exceed that of the bonds being refunded, except to achieve other overriding policy objectives. Refunding bonds should generally be structured to produce level debt service savings. Alternatively, refunding bonds may be structured to accelerate debt service savings to increase overall NPV savings, or to achieve other identified policy objectives, such as budgetary relief.

Treasury should analyze the use of State and Local Government Securities ("SLGS") and federal open market securities ("OMS") when evaluating a refunding escrow. Treasury should utilize SLGS in cases in which the additional savings generated by OMS are minimal and OMS when the additional savings are more significant. Where OMS are utilized, Treasury will procure a third-party agent to competitively bid the escrow securities, preferably on a security-by-security basis.

At the discretion of the Deputy Treasurer for Debt Management, Treasury may refund or restructure existing debt to meet particular organizational and/or strategic needs when it is advantageous to do so, subject to statutory limitations.

L. USE OF PROFESSIONAL SERVICES

The Commonwealth will periodically procure professional services through a Request for Qualifications or Proposals ("RFQ" or "RFP") process or as required by state law and regulations.

- **Legal Services** – The Commonwealth will maintain a list of prequalified legal service providers from which it will engage a firm to serve as disclosure counsel, bond counsel and provide a listing for underwriters' to select underwriters' counsel.
- **Financial Advisors** - The Commonwealth will maintain a list of prequalified financial advisors from which it will engage one or more firms to serve as an independent registered municipal advisor ("IRMA") within the meaning of Securities Exchange Act of 1934 Rule 15Ba1-1(d)(3)(vi). In conjunction with the use of interest rate swaps and derivatives, the Commonwealth will engage one or more firms to serve as a Qualified Independent Representative ("QIR") in accordance with the requirements of the Commodities and Futures Trading Commission ("CFTC") regulation Section23.450 and its related safe harbor provisions.
- **Underwriters** – The Commonwealth will maintain a list of prequalified underwriters, and will select from this list one or more firms to serve as bookrunning senior manager on a negotiated transaction after completion of a mini RFP process.
- **Professional Services for Managing Variable Rate Debt** – The Commonwealth should evaluate the merits of utilizing financial service providers in the issuance and management of its variable rate debt, including: broker/dealers; remarketing agents; and third-party liquidity providers. The Treasurer, as paying agent for the Commonwealth, will be responsible for evaluating each remarketing agent's performance in relation to the Securities Industry and Financial Markets Association Index ("SIFMA") or other tax-exempt indices. For each service being procured, the criterial for evaluating each provider should include, but is not limited to: i) experience in the municipal bond market; ii) capital position; iii) market position; iv) credit ratings and; v) cost.

M. SHORT-TERM BORROWINGS

Cash flow management incorporates the periodic use of short-term borrowing, including revenue anticipation notes ("RANs") and commercial paper ("CP") typically issued as bond anticipation notes ("BANs"), to meet cash flow needs for both capital and operating expenditures. All RANs, including those issued as CP, if any, are subject to repayment as soon as receipts are paid, but not later than the end of the same fiscal year. The amount of RANs that can be issued are subject to certain tax limitations based upon projected cash flow deficits.

N. VARIABLE RATE DEBT EXPOSURE

Variable rate debt may be utilized as part of a strategy to realize the Commonwealth's primary objectives to:

- Lower the cost of capital by creating an exposure to short-term interest rates as opposed to historically higher long-term fixed interest rates, particularly when fixed, long-term interest rates are high.
- Diversify the Commonwealth's debt portfolio by introducing debt instruments that has a historically different investor base and risk profile.

- Mitigate interest rate risk of the Commonwealth's asset and liability profile by creating short-term interest rate debt exposure to balance short-term interest rate exposure of the Commonwealth's investment portfolio.

Recognizing that some level of variable rate debt may be appropriate, the amount of the Commonwealth's unhedged variable rate exposure shall be limited to no more than 20% of the total outstanding debt. Please refer to the Asset Liability Management Policy for further guidelines on issuance and management of variable rate debt.

O. DERIVATIVE TRANSACTIONS

Treasury does not anticipate entering into any additional derivative transactions, including interest rate swaps, caps, collars, etc. It may consider their use as a hedge against future interest rate risk when appropriate, but in no event will derivatives be used for speculative purposes. Treasury will use derivatives only when it has a complete understanding of the derivative product and the benefits are substantially larger than the potential risks associated with it. Additional derivative products will only be utilized when it can be demonstrated that their usage would provide significant debt service savings or mitigation of the risk of fluctuations in interest rates.

It is the policy of Treasury to utilize swaps prudently to better manage assets and liabilities. Treasury may enter into interest rate swap agreements if the transaction can be expected to result in one of, but not limited to the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the Commonwealth's overall asset/liability balance;
- Result in lower expected net cost of borrowing with respect to the Commonwealth's debt as compared to products available in the bond market;
- Manage variable interest rate exposure consistent with prudent debt practices;
- Manage exposure to changing market conditions in advance of anticipated bond issues;
- Achieve more flexibility in meeting overall financial objectives than can be achieved in using traditional fixed-rate transactions;
- Manage the Commonwealth's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds, including changes in federal marginal tax rates and other changes in tax laws that may affect the value of tax-exempt bonds relative to other investment alternatives;
- Manage the Commonwealth's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products; and
- Strengthen the Commonwealth's balance sheet.

Prior to entering into any derivative transaction, the following criteria would be evaluated:

- Are there sufficient counterparties with appropriate ratings to competitively bid on the derivative transaction;
- Does the transaction hedged against create any new interest rate volatility and are such risks appropriate for the Commonwealth and the transaction;
- The basis risk and likelihood that the Commonwealth will receive a rate that matches the rate paid on the hedged bonds;
- The tax risk associated with any potential future changes to the federal tax code;
- The termination risks associated with the derivative transaction including counterparty risk;

- The creditworthiness of the proposed counterparty will be thoroughly evaluated and any downgrade and collateral provisions that might be necessary to reduce risks; and
- Compliance with all applicable statutory and regulatory requirements associated with the entering into of derivative transactions, including those of the State Finance and Governance Board.

P. POST-ISSUANCE BOND COMPLIANCE

Treasury will maintain an adequate system of internal controls to provide compliance with applicable laws, rules, regulations and covenants associated with outstanding debt. Treasury will be responsible for developing and maintaining post-issuance compliance procedures to help ensure compliance with federal tax laws over the term of each issuance of tax-exempt bonds or taxable bonds including Build America Bonds ("BABs"). These post-issuance procedures work in tandem with the tax compliance certificate executed in connection with each issuance of bonds including tax-exempt and taxable bonds.

Q. PRIMARY AND SECONDARY MARKET DISCLOSURE

Treasury is responsible for ensuring compliance with a contractual undertaking under SEC Rule 15c2-12 to provide for the timely filing of annual information, general purpose financial statements, and significant event notices. Treasury will maintain an adequate system of internal controls to provide compliance with applicable laws, rules, regulations and covenants associated with outstanding debt. Annual calendars will be maintained identifying due dates for key financial activities including, but not limited to, schedules for debt service payments, certificates of revenue sufficiency, and continuing disclosure commitments. This includes the timely filing of annual information, general purpose financial statements, and significant event notices. Treasury enlists disclosure counsel to assist with its compliance requirements.

Treasury also maintains the Commonwealth's Information Statement that is included as an Appendix to each official statement for general obligation bonds and RANs. The Commonwealth's Information Statement provides comprehensive up-to-date information on the Commonwealth's budget and finances, debt, certain economic and demographic information, and other information deemed necessary, in connection with the issuance of bonds under federal securities law. Treasury regularly files information with the Municipal Securities Rulemaking Board ("MSRB"), through the Electronic Municipal Market Access ("EMMA"), beyond the filings required by the Commonwealth's continuing disclosure undertakings, including updated Information Statements. In addition, information of interest to investors may be posted on the Commonwealth's investor website at www.massbondholder.com.

R. ARBITRAGE COMPLIANCE

Treasury shall maintain a system of record keeping and reporting in order to comply with arbitrage rebate compliance requirements of the Internal Revenue Code of 1986, as amended. Treasury is committed to minimizing the cost of arbitrage rebate and yield restriction, while strictly complying with these requirements.

S. DODD-FRANK ACT AND RELATED REGULATORY COMPLIANCE

Treasury shall implement this Policy in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and its related regulatory reforms. Treasury will secure professional advice from an independent financial advisor, which shall be a registered

Municipal Advisor, as defined under the Dodd-Frank Act and applicable regulations thereunder, and bond counsel to assist in the process of reviewing possible transactions and in structuring, documenting, and pricing any particular transaction that Treasury decides to execute.

T. RECORD RETENTION

Treasury shall maintain a deal file including the documents detailed below, where applicable, at least until the date three (3) years after the later of (a) the date on which the bond issue is redeemed or paid in full, or (b) the date on which the last of the any refunding bonds related to the initial bond issue is redeemed or paid in full:

***Bond Documents*:**
- Bond Purchase Agreement (BPA)
- Notice of Sale (NOS)
- Official Statement (OS)
- Preliminary Official Statement (POS)
- Specimen Bonds
- Tax Certificate

***Calendar & Distribution*:**
- Calendar
- Working Group List/ Distribution List

***Closing Documents*:**
- Closing Memo
- Final Cash Flows
- Final Cost of Issuance
- Verified Cash Flows (if applicable)

***Compliance*:**
- Allocation of Bond Proceeds Summary
- Arbitrage Calculation Agent Agreement
- 18-month Spending Exception Analysis
- 5 Year Certificate for Rebate Fund Requirement
- One Time Final Certificate for Rebate Fund Requirement

***Credit Support Documents*:**
- Standby Bond Purchase Agreement (SBPA)
- Credit Agreement

***Due Diligence/Disclosure*:**
- 10b-5 Letters

***Escrow Documents*:**
- Escrow Bidding Agent Agreement
- Notice of Refunding

- OMS Bid Specs
- OMS Purchase Details
- Refunding Escrow Agreement
- SLGS Subscription Confirmation
- Verification Agent Agreement

***Pricing Documents*:**
- Bid Award Certificate(s)
- Bid Screenshots & Summaries
- Internal Pricing Benchmark Analysis (Comps)

***Ratings (where applicable)*:**
- Fitch Letter
- Fitch Report
- Kroll Letter
- Kroll Report
- Moody's Letter
- Moody's Report
- Standard & Poor’s Letter
- Standard & Poor’s Report

***Refunded Bonds*:**
- Pre-Pricing Refunding Analysis
- Report to Legislature

***State Finance & Governance Board documents*:**
- Derivative Review (if applicable)
- State Finance & Governance Board: Presentations and/or Waivers

***Wire Confirmations*:**
- CUSIP Wire
- Designation Wire
- New Money Wire Confirmation
- Refunding Wire Confirmation

U. REFERENCES
- CFR 17, Part 23, Section 23, Subpart H - Commodity and Security Exchanges: Swap Dealers and Major Swap Participants; Regulations; Business Conduct Standards for Swap Dealers and Major Swap Participants Dealing With Counterparties, Including Special Entities (§§ 23.400 - 23.451)
- CFR 17, Part 240, , Section 240.15Ba1-1(d)(3)(vi) - Commodity and Security Exchanges: General Rules and Regulations, Securities Exchange Act of 1934, Definitions, Municipal Advisor
- CFR 17, Part 240, Subpart A, Section 240.15c2-12 - Commodity and Security Exchanges: General Rules and Regulations, Securities Exchange Act of 1934, Municipal securities disclosure.
- Chapter 121 of the Acts of 1998 – An Act Providing for the Use of Certain Types of Securities in the Financing of the Central Artery/Ted Williams Tunnel Project

- Chapter 152 of the Acts of 1997 - An Act Relative to the Construction and Financing of Convention and Exhibition Centers in the Commonwealth
- Chapter 233 of the Acts of 2008 – An Act Financing an Accelerated Structurally-Deficient Bridge Improvement Program
- Debt Management – Asset / Liability Management Policy
- Debt Management – Post-Issuance Compliance Policy
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Internal Revenue Code of 1986
- Legal – Policy on Policies
- Legal – Procurement Policy
- MGL Chapter 29 – State Finance
- MGL Chapter 29, Section 2O – State Finance: Issuance of bonds and notes payable from Commonwealth Transportation Fund
- MGL Chapter 29, Section 53 – State Finance: Notes or bonds maturing later than three years after issuance; requirement for inviting purchase proposals; waiver
- MGL Chapter 6, Section 97 – The Governor, Lieutenant Governor and Council, certain Officers under the Governor and Council, and State Library: State finance and governance board; membership
- MGL Chapter 6, Section 98 – The Governor, Lieutenant Governor and Council, certain Officers under the Governor and Council, and State Library: Duties of state finance and governance board
- Tax cut and Jobs Act of 2017
- Massachusetts Statewide Records Retention Schedule – Quick Guide, Schedule Number 06-18; issued by: Secretary of State, updated from the Massachusetts Statewide Agency Records Retention Schedule Database, June 2018; Revised September 2019

V. POLICIES SUPERCEDED

- Debt Management Policy dated Fiscal 2014
- Derivatives Policy dated Fiscal 2014
- Method of Sale Policy dated Fiscal 2015
- Refunding Guidelines Policy dated 2013
- Interest Rate Swap Management Policy dated Fiscal 2014

The Commonwealth of Massachusetts
Office of the State Treasurer
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Deborah B. Goldberg
Treasurer and Receiver General

POLICY APPROVAL ROUTING FORM

Name of Document: Debt Management Policies

Date: July 14, 2020

Requesting Department: Debt Management

Justification: New Policy

APPROVED:

Susan E. Perez | 7/14/2020

Deputy Treasurer for Debt Management | Date
Susan Perez

7/23/20

General Counsel | Date
Sarah Kim

8/5/20

Chief of Staff | Date
Chandra Bork

Emily J Kowtoniuk | 8/6/20

Director of Policy and Legislative Affairs | Date
Emily Kowtoniuk

8/6/20

First Deputy Treasurer | Date
James MacDonald

After all signatures have been obtained, please return this package to
Karen Guida, Internal Auditor.