



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
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Meeting Minutes

**State Finance and Governance Board
November 15, 2018
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, November 15, 2018 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 3:05 pm.

Board members comprising a physical quorum:

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

Others in attendance:

Nathaniel Keenan, Massachusetts Clean Water Trust
Nicholas DiGeronimo, Barclays
Mark Curtiss, Massachusetts Housing Partnership
Anne Lewis, Massachusetts Housing Partnership
John Markowitz, Massachusetts Bay Transportation Authority
Paul Brandley, Massachusetts Bay Transportation Authority
Crystal Pu, Executive Office for Administration & Finance Intern

1. Administrative Matters

- I. On a motion made by Ms. Holahan and duly seconded, members voted to approve the October 18, 2018 meeting minutes pending the inclusion of edits offered by Ms. Perez.

2. Discussion

- I. *No discussion matters scheduled*

3. Derivative Reviews

- I. Mr. Markowitz provided information on the Massachusetts Bay Transportation Authority's ("MBTA") proposed liquidity substitution for the Authority's Tax-Exempt Commercial Paper Sales Tax Bond Anticipation Note Program. Mr. Markowitz gave an overview of the MBTA's commercial paper program, which was established in 2001 under the Sales Tax Bond Trust Agreement. The program is a flexible, low-cost instrument available to highly-rated issuers, and is used to fund capital investment in conjunction with long-term bond issuance. The program allows for up to \$250M and is divided into three tranches. The liquidity facilities for the Sales Tax Bond Anticipation Notes expire in December 2018.

Mr. Markowitz stated that TD Bank had been selected to provide a \$250M liquidity facility for all three tranches of the program after the MBTA canvassed the market, and that the current dealers for the program would remain Barclays and JP Morgan. TD Bank had previously provided liquidity for one \$50M tranche set to expire on December 31. Mr. Markowitz reviewed how substituting TD Bank as the sole provider of liquidity for the CP Program will allow the Authority to leverage bank credit market for extremely cost effective liquidity support, resulting in savings over its existing capital structure for the CP Program. Additionally, it will allow the Authority to remove unfavorable provisions from the documentation, reduce the annual support costs for the facility and issuance costs while also meeting the required timetable for substitution. The new facility terms will produce savings of \$190K over 3 years.

On a motion made by Ms. Holahan and duly seconded, the Board voted that pursuant to 976 CMR 2.05, it had reviewed the proposed "derivative financial product" of the Massachusetts Bay Transportation Authority (the "MBTA") and concluded that the materials required to be submitted pursuant to 976 CMR 2.05(1) have been submitted, evidencing compliance with the level of diligence required to be undertaken by the MBTA under the regulations and, with respect to any such proposed transaction that constitutes a replacement of derivative financial products, evidencing that the transaction is consistent with the mission of the MBTA and the financial risk to the MBTA resulting from the transaction is limited and modest relative to its entire financial portfolio.

- II. Mr. Curtiss reviewed the Massachusetts Housing Partnership's ("MHP") request for an extension of approval for the organization's swap program. The Board had previously approved \$50M swap program at MHP through December 31, 2018 at its August 16, 2018. Mr. Curtiss noted that the program had been functioning very well, with 8 swaps executed totaling \$44.7M in notional exposure, supporting the construction or rehab of 543 apartments, and 2 additional swaps approved but not yet executed totaling \$27.9M.

Mr. Curtiss also noted that MHP's program relies on the Federal Financing Bank Risk-Sharing Program run by the Department of Housing and Urban Development and the Department of the Treasury. The federal program has been extended through December 31, 2018, but MHP is still awaiting further update on its status after that date.

Ms. Holahan inquired whether or not MHP had any impression on whether the federal program would be continued, and if the program had been successful as a whole. Mr. Curtiss stated that the federal program has been very successful, but noted there has been pushback on the federal government's involvement in capital markets. Mr. Curtiss also said that MHP had been in touch with members of Congress to offer their support of the program.

On a motion made by Ms. Holahan and duly seconded, the Board voted that it had received satisfactory information regarding the transaction terms related to Massachusetts Housing Partnership's forward-starting swaps in the aggregate notional amount not to exceed \$50,000,000 to be executed between January 1, 2019 and June 30, 2019 and deemed the transaction reviewed with no additional conclusions required.

4. Waiver Request

No items discussed.

5. Review of Closed Transactions:

- I. Mr. Keenan reviewed the Massachusetts Clean Water Trust's issuance of \$163.46M of new money, tax exempt State Revolving Fund Green Bonds that took place in August. Mr. Keenan noted that since the bonds were issued through a negotiated sale, the Trust was able to reach more retail investors, especially in Massachusetts. Additionally, it allowed the Trust to interact with investors and demonstrate the value of the projects being financed and of green bonds themselves. Mr. Keenan also provided information on the marketing campaign that preceded the sale, which included email and web based ads that resulted in almost 1,000 clicks.

There were no questions from the Board.

6. Adjournment

- I. On a motion made by Ms. Holahan members voted to adjourn. The meeting was adjourned at 3:21 pm.

Frank Gervasio, Secretary