

Remarketing Agent Substitution

January 17, 2024



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Proposal – Remarketing Agent Substitution

- Citigroup Global Markets Inc. acts as Remarketing Agent on MassDOT’s \$100,000,000 Metropolitan Highway System Revenue Bonds (Senior) Variable Rate Demand Obligations, 2010 Series A-1 (“2010A-1 Bonds”) and \$123,795,000 Metropolitan Highway System Revenue Refunding Bonds (Subordinated) Commonwealth Contract Assistance Secured Variable Rate Demand Obligations, 2022 Series A-1 (“2022A-1 Bonds”)
 - A Remarketing Agent is a municipal securities dealer selected by DOT to set the interest rate weekly for variable rate bonds and is responsible for reselling to investors securities that have been tendered by their owners
 - Citigroup announced on December 14, 2023 (see appendix), it is exiting the municipal business by the end of the first quarter of 2024, though several employees are leaving by January 31st
 - MassDOT is selecting a new remarketing agent for each series of bonds based on a competitive procurement
 - MassDOT’s current agreement with Citi annually costs \$40,000 for the 2010A-1 Bonds and \$74,277 for the 2022A-1 Bonds

Debt Profile Outstanding MHS Debt at 6/30/23

Series	Indenture & Lien	Credit/Liquidity Provider	Remarketing Agent	Ave Coupon	Maturity	Ratings Moody's	Amount Issued	Outstanding	Accreted Value
Metropolitan Highway System (Senior)									
1997 Series A CABs	MHS SR	Fixed	-	5.62%	1/1/29	A2	\$ 1,183,046,617	\$ 42,006,617	\$ 175,429,258
2010 Series A	MHS SR	Variable	See Next	VR	1/1/37	See Next	\$ 207,665,000	\$ 207,665,000	\$ 207,665,000
2019 Series A	MHS SR	Fixed	-	5.00%	1/1/37	A2	\$ 464,650,000	\$ 415,645,000	\$ 415,645,000
Subtotal							\$ 1,855,361,617	\$ 665,316,617	\$ 798,739,258
Metropolitan Highway System (Subordinated)									
2018 Series A	MHS SUB	Fixed	-	5.00%	1/1/29	Aa2	\$ 135,690,000	\$ 135,690,000	\$ 135,690,000
2019 Series B-1	MHS SUB	Fixed	-	5.00%	1/1/37	Aa2	\$ 51,230,000	\$ 51,230,000	\$ 51,230,000
2019 Series B-2 (Taxable)	MHS SUB	Fixed	-	2.94%	1/1/25	Aa2	\$ 14,585,000	\$ 2,350,000	\$ 2,350,000
2019 Series C	MHS SUB	Fixed	-	5.00%	1/1/35	Aa2	\$ 199,505,000	\$ 141,000,000	\$ 141,000,000
2022 Series A	MHS SUB	Variable	See Next	VR	1/1/39	See Next	\$ 371,380,000	\$ 371,380,000	\$ 371,380,000
Subtotal							\$ 772,390,000	\$ 701,650,000	\$ 701,650,000
Total							\$ 2,627,751,617	\$ 1,366,966,617	\$ 1,500,389,258

Debt Profile Summary of MHS Variable Rate Debt at 6/30/23

Series	Indenture & Lien	Credit/Liquidity Provider	Expiration Date	Remarketing Agent	Maturity	Ratings Moody's	Amount Issued	Outstanding	Accreted Value
Metropolitan Highway System (Senior)									
2010 Series A-1	MHS SR	TD Bank, NA	4/1/25	Citigroup	1/1/37	Aa1	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
2010 Series A-2	MHS SR	TD Bank, NA	4/1/25	Wells Fargo	1/1/37	Aa1	\$ 107,665,000	\$ 107,665,000	\$ 107,665,000
Subtotal							\$ 207,665,000	\$ 207,665,000	\$ 207,665,000
Metropolitan Highway System (Subordinated)									
2022 Series A-1	MHS SUB	TD Bank, NA	11/9/27	Citigroup	1/1/39	Aa2	\$ 123,795,000	\$ 123,795,000	\$ 123,795,000
2022 Series A-2	MHS SUB	US Bank, NA	11/9/27	Bank of America	1/1/39	Aa2	\$ 123,795,000	\$ 123,795,000	\$ 123,795,000
2022 Series A-3	MHS SUB	US Bank, NA	11/9/27	US Bancorp	1/1/39	Aa2	\$ 123,790,000	\$ 123,790,000	\$ 123,790,000
Subtotal							\$ 371,380,000	\$ 371,380,000	\$ 371,380,000
Total							\$ 579,045,000	\$ 579,045,000	\$ 579,045,000

Recommended Vendor MHS 2010 Senior Bonds

Bank of America is recommended to provide remarketing services for the MHS 2010 Senior Bonds Variable Rate Demand Bonds \$100,000,000 Series A-1.

- Since October, 2023 BofA has ranked No. 1 as the largest remarketing portfolio manager in the nation.
- BofA proposed the lowest remarketing fee of 4 basis points per annum to serve as remarketing agent
- Currently BofA serves as Remarketing Agent for the MHS 2022 Subordinated Variable Rate Bonds in the principal amount of \$123,795,000 with a very good overall performance in weekly rate setting with respect to SIFMA leading to low interest rate payments on the bonds.

Recommended Vendor MHS 2022 Subordinated Bonds

Wells Fargo & Company is recommended to provide remarketing services for the MHS 2022 Subordinated Bonds Variable Rate Demand Bonds \$123,795,000 Series A-1.

- Wells Fargo has ranked in the top 4 category for the largest remarketing portfolio manager in the nation, since October, 2023.
- Wells Fargo Bank proposed a low remarketing fees of 5 basis points per annum to serve as remarketing agent.
- Currently, Wells Fargo serves as Remarketing Agent for the MHS 2010 Senior Variable Rate Bonds in the principal amount of \$107,665,000 with a very good overall performance in weekly rate setting with respect to SIFMA, leading to low interest rate payments on the bonds.
- Wells Fargo established a Forward Delivery Agreement with MassDOT for the MHS Subordinated Bonds on March 24, 1999 and agreed to preserved a 5.96% investment rate over the course of several years during plummeting interest rate periods, and when not obligated to renew this contract during five (5) of MassDOT's past refundings. Currently, this impacts the funding deposits tied to \$701.6 million in outstanding bonds.

Proposed Board Votes

VOTED:

To authorize the Chief Financial Officer, or his designee, to select Bank of America to provide remarketing services for the MHS 2010 Senior Bonds Variable Rate Demand Bonds \$100,000,000 Series A-1.

VOTED:

To authorize the Chief Financial Officer, or his designee, to select Wells Fargo & Company to provide remarketing services for the MHS 2022 Subordinated Bonds Variable Rate Demand Bonds \$123,795,000 Series A-1

Citigroup Will Exit the Muni Market

WSJ December 22, 2023 By Heather Gills, Reporter

Citigroup, once a behemoth in the municipal market, will stop underwriting and trading state and local government debt early next year, bank officials said.

"The economics of these activities are no longer viable given our commitment to increase the firm's overall returns," Head of Markets Andy Morton and Interim Head of Banking Peter Babej wrote in an internal memo that was distributed Thursday.

For most of the past decade, Citi ranked among the two largest municipal-bond underwriters by volume in the \$4 trillion market for state and local debt.

But higher rates dented bond issuance across the market. Citi was frozen out of the Texas muni market under a 2021 state law after the bank said it wouldn't do business with retailers who sold guns to people under 21. Citi CEO Jane Fraser, who took over in early 2021, has pushed to simplify the bank's business.

Citi said in the memo that it plans to close down its municipal underwriting and trading desks by the end of the first quarter of 2024 and that "most of our municipal sales, trading and banking colleagues" will leave the firm.

Thank You

