

TD Bank Letter of Credit Agreement

February 26, 2025

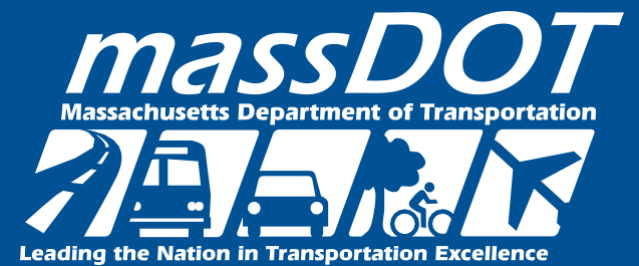


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Proposal to Renew Letter of Credit Facilities

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- Letter of Credit Facilities secure the payment of principal and interest of the MHS Senior 2010 Series A-1 and A-2 Variable Rate Bonds
- Current agreements expires on April 1, 2025 and is at .19%
- DOT received four bids ranging from .19% to .60%
- Recommend approval to award renewal to TD Bank as lowest bid of .19% for the 4-year term
- The annual cost of liquidity would be approximately \$420,248; which is \$309,656 less than the next lowest bidder at .33% per year.
- DOT was also able to reduce the standby bond purchase agreement with the same/current provider from .23% to .21% resulting in savings of \$26,027/year and \$65,885 over 2.6 years remaining on agreement.

Cost Saving Analysis

	Term	New Fee	2nd Lowest/Prior Fee	Annual Facility Fee Savings %	LOC Amount ²	Annual Facility Fee Cost \$	Annual Facility Fee Savings \$ Period	Total Facility Fee Savings \$
SR 2010 A-1	4	0.190%	0.330%	0.140%	106,509,589	\$202,368	\$149,113 4	\$596,454
SR 2010 A-2	4	0.190%	0.330%	0.140%	114,673,549	\$217,880	\$160,543 4	\$642,172
SUB 2022 A-1	2.6	0.210%	0.230%	0.020%	130,137,374	\$273,288	\$26,027 2.6	\$67,885

² Includes the principal amount of the bonds and interest at the maximum interest rate (12% for Senior 2010 A-1 and A-2, and 10% for Subordinated 2022 A-1) as required under the indenture for 198 days based on a 365 day basis.

	\$335,684	\$1,306,511
Estimated COI to replace LOCs with new bank:		\$150,000
Total Savings over Period:		\$1,456,511

Request of MassDOT Board of Directors

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Staff request that the MassDOT Board of Directors authorize the Secretary of Transportation, or their designee, to execute MassDOT renewal of Letters of Credit on the MHS Senior Revenue Variable Rate Bonds Series A-1 and A-2, with TD Bank, for an annual fee of 0.19% of total obligations and imputed interest.

Thank You



STAFF SUMMARY

☐ Secretary Approval x MassDOT Board Approval Prepared by: Max Tassinari

Department: Fiscal	Manager: David Pottier	email: david.pottier@dot.state.ma.us	Telephone: +1 857 368 9130
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Contract No./Subject: 127370 MassDOT MHS SR & Sub Bonds Liquidity	Date Prepared: 01/28/2025
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Implications

☐ Capital Budget x Operating Budget ☐ Legal ☐ Other

PURPOSE:

The purpose of this Staff Summary is to request that the Board of Directors vote to authorize and approve the Secretary/CEO, or her designee, to execute MassDOT renewal of Letters of Credit on the MHS Senior Revenue Variable Rate Bonds Series A-1 and A-2, with TD Bank for an annual fee of 0.19% of total obligations and imputed interest. The Letters of Credit that are currently with TD Bank expire on April 1st of this year. We have two existing credit facilities for the MHS Senior Revenue Variable Rate Bonds Series A-1 and A-2, [\$100,000,000 \$107,665,000] expiring on 4/1/2025 and MassDOT proposes to extend these letters of credit for both series with TD, following an RFP process already completed by Omnicap. TD offered us great rates and terms, saving us a few hundred thousand dollars over other proposals.

DISCUSSION:

The Massachusetts Department of Transportation issued its \$100,000,000 Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-1 on May 27, 2010, and \$107,665,000 Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-2 on May 27, 2010, for the purpose of refinancing bonds previously issued by the Massachusetts Turnpike Authority, predecessor to the Department.

The payment of principal and interest on the Series A-1 and A-2 Bonds are secured by letters of credit issued by TD Bank. The agreements expire April 1, 2025.

The Department's Office of the Chief Financial Officer conducted a Request for Quotes (RFQ) from qualified firms interested in providing replacement credit facilities for the above facilities through MassDOT's financial analyst firm, Omnicap. The objective of the RFQ was to renew the above facilities or replace them with new letters of credit facilities from a qualified counterparty providing the best value to the Department.

Based on the RFQ responses, the Department will renew the 2010 Series A-1 and A-2 (Senior) letters of credit with TD Bank with an expiration date of approximately April 1, 2029.

The TD Bank replacement facilities provide the most competitive pricing, allows the Department to reduce costs, creates cost savings among other credit facilities with TD Bank, recognizes cost savings and eliminates the department's cost and administrative tasks of remarketing the bonds under new facilities and agreements.

Contract No./Subject:
[contract number and title]127370 MassDOT MHS SR & Sub Bonds Liquidity

Prepared by: Max Tassinari
Date: 01/28/2025

PROCUREMENT:

Procurement completed by External Financial Analyst Consultants Omnicap. Summary below:

Description	Senior 2010 A-1	Senior 2010 A-2	Combined
CUSIP	57563CBF8	57563CCZ3	-
Existing Provider	TD Bank	TD Bank	-
Existing LOC Expiration Date	4/1/2025	4/1/2025	-
Principal Amount	100,000,000	107,665,000	207,665,000
Max Rate	12.000%	12.000%	-
# Days	187	187	-
Interest Amount	6,147,945	6,619,185	12,767,130
LOC Amount	106,147,945	114,284,185	220,432,130

Anticipated principal amount, subject to change.

			LOC			Facility				Max LOC
Annual est cost.	%		Bid Rank	Series	Firm	Type	3 Year	4 Year	5 Year	Amount
\$727,426	0.0033			2010 SENIOR	Bidder 1	LOC	30 bps	33 bps	37 bps	\$207,665,000
\$1,322,593	0.006			2010 SENIOR	Bidder 2	LOC	55 bps	60 bps	65 bps	\$207,665,000
\$903,772	0.0041			2010 SENIOR	Bidder 3	LOC	40 bps	41 bps	42 bps	\$125,000,000
\$418,821	0.0019			2010 SENIOR	TD Bank	LOC	19 bps	19 bps	-	\$207,665,000
				2010 SENIOR	Bidder 5	LOC	50 bps	-	-	\$222,000,000

\$207,665,000

Massachusetts Department of Transportation
Metropolitan Highway System Revenue Bonds (Senior)

\$100,000,000 2010 Series A-1

\$107,665,000 2010 Series A-2

Metropolitan Highway System Revenue Bonds (Subordinated)

\$123,795,000 2022 Series A-1

RFP Fee Quote Summary

Senior Series 2010 A-1

Direct Pay LOC Renewal/Replacement

As of: 01/27/25

Series	Term	New Fee	2nd Lowest/ Prior Fee	Annual Facility Fee Savings %	LOC Amount ²	Annual Facility Fee Cost \$	Annual Facility Fee Savings \$	Period	Total Facility Fee Savings \$
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\$335,684 \$1,306,511

Estimated COI to replace LOCs with new bank: \$150,000

Total Savings over Period: \$1,456,511

Disadvantaged Business Enterprise ("DBE") participation is required. The DBE requirement for this Project is % Contract. MassDOT's Office for Diversity and Civil Rights has reviewed the DBE information included in the Proposal of the chosen bidder and recommends award of the DB Contract to this team.

OR

☒ There is no DBE goal associated with this contract for the following reason(s): Specialized debt securitization liquidity agreement as required by bond trust agreements.

FINANCIAL IMPACT/BUDGET SOURCE:

\$420,248/year for 4 years / MHS General Fund 6106-0660

FUTURE ANTICIPATED AUTHORIZATIONS:

RECOMMENDATIONS:

It is recommended that the Board of Directors authorize the Secretary, or her designee, to award and execute the Letter of Credit renewal for the MHS Senior Revenue Variable Rate Bonds Series A-1 and A-2, [\$100,000,000 \$107,665,000]

RESOLUTION

WHEREAS the Massachusetts Department of Transportation (the "Department") has previously issued its (i) Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-1 (the "2010 A-1 Bonds"), (ii) Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-2 (the "2010 A-2 Bonds") and (iii) Metropolitan Highway System Revenue Refunding Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations 2022 Series A-1 (the "2022 A-1 Bonds"); and

WHEREAS the payment of principal of and interest on the 2010 A-1 Bonds is currently secured by a Letter of Credit (the "A-1 Letter of Credit") issued by TD Bank, N.A. ("TD") pursuant to a Reimbursement Agreement dated May 12, 2022 (the "A-1 Reimbursement Agreement"), by and between the Department and TD; and

WHEREAS the payment of principal of and interest on the 2010 A-2 Bonds is currently secured by a Letter of Credit (the "A-2 Letter of Credit") issued by TD pursuant to a Reimbursement Agreement dated June 8, 2020, as amended by a First Amendment to Reimbursement Agreement dated as of May 12, 2022 (together, the "A-2 Reimbursement Agreement" and collectively with the A-1 Reimbursement Agreement, the "Reimbursement Agreements"), each by and between the Department and TD; and

WHEREAS in connection with the issuance of the 2022 A-1 Bonds, the Department and TD entered into a Standby Bond Purchase Agreement dated as of November 1, 2022 (the "Standby Agreement") to provide for the payment of the purchase price of Tendered Bonds (as defined in the Standby Agreement); and

WHEREAS, the Department now desires to extend the term of the A-1 Letter of Credit and the A-2 Letter of Credit and to modify the Standby Agreement to allow for a longer period of time to deliver audited financial statements and in connection therewith amend the existing Fee Letters (as defined in the Reimbursement Agreements and Standby Agreement) to extend the terms thereof and to reduce the annual fee payable to TD with respect to the Standby Agreement;

NOW, THEREFORE, BE IT RESOLVED by the members of the Board of the Department, pursuant to the Act, as follows:

Section 1. The Department hereby authorizes the execution and delivery by any of the Chairman, the Secretary and Chief Executive Officer and Chief Financial Officer of the Department (each an "Authorized Officer"), acting singly, of (i) amendments to the Reimbursement Agreements, the Standby Agreement and the applicable Fee Letters in such form and otherwise containing such terms and conditions as any Authorized Officer, acting singly, shall determine to be appropriate, the execution of such amendments by such Authorized Officer to be conclusive evidence that the form and terms of such amendments were deemed appropriate, and (ii) any other documents, certificates and other instruments which may be advisable, convenient or necessary in connection with such amendments.

Section 2. Each Authorized Officer, acting singly, is hereby further authorized and directed to do all acts and things, and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this resolution.

Section 3. This resolution shall take effect immediately.

COORDINATION WITH:

SIGNATURE PAGE:

See Page

ATTACHMENTS:

Tab A – Vote [to be completed by Legal]

RESOURCE/REFERENCE DOCUMENTS:

[list here]

STAFF SUMMARY SIGNATURE PAGE

☐ Secretary Approval ☒ MassDOT Board Approval Prepared by: Max Tassinari

Department: Fiscal	Program Manager: David Pottier	email: David.pottier@dot.state.ma.us	Telephone: +1 857 368 9130
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Contract No./Subject: 127370 MassDOT MHS SR & Sub Bonds Liquidity	Date Prepared: 01/28/2025
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Implications

☐ Capital Budget ☒ Operating Budget ☐ Legal ☐ Other

RECOMMEND APPROVAL:

[name]
[Project Head]

RECOMMEND APPROVAL:

[name]
[Department Head]

RECOMMEND APPROVAL:

David Pottier
Chief Financial Officer

RECOMMEND APPROVAL:

Susan Cobb
Acting General Counsel

RECOMMEND APPROVAL:

Monica Tibbits-Nutt
Secretary/CEO

RESOLUTION

WHEREAS the Massachusetts Department of Transportation (the “Department”) has previously issued its (i) Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-1 (the “2010 A-1 Bonds”), (ii) Metropolitan Highway System Revenue Bonds (Senior), Variable Rate Demand Obligations, 2010 Series A-2 (the “2010 A-2 Bonds”) and (iii) Metropolitan Highway System Revenue Refunding Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations 2022 Series A-1 (the “2022 A-1 Bonds”); and

WHEREAS the payment of principal of and interest on the 2010 A-1 Bonds is currently secured by a Letter of Credit (the “A-1 Letter of Credit”) issued by TD Bank, N.A. (“TD”) pursuant to a Reimbursement Agreement dated May 12, 2022 (the “A-1 Reimbursement Agreement”), by and between the Department and TD; and

WHEREAS the payment of principal of and interest on the 2010 A-2 Bonds is currently secured by a Letter of Credit (the “A-2 Letter of Credit”) issued by TD pursuant to a Reimbursement Agreement dated June 8, 2020, as amended by a First Amendment to Reimbursement Agreement dated as of May 12, 2022 (together, the “A-2 Reimbursement Agreement” and collectively with the A-1 Reimbursement Agreement, the “Reimbursement Agreements”), each by and between the Department and TD; and

WHEREAS in connection with the issuance of the 2022 A-1 Bonds, the Department and TD entered into a Standby Bond Purchase Agreement dated as of November 1, 2022 (the “Standby Agreement”) to provide for the payment of the purchase price of Tendered Bonds (as defined in the Standby Agreement); and

WHEREAS, the Department now desires to extend the term of the A-1 Letter of Credit and the A-2 Letter of Credit and to modify the Standby Agreement to allow for a longer period of time to deliver audited financial statements and in connection therewith amend the existing Fee Letters (as defined in the Reimbursement Agreements and Standby Agreement) to extend the terms thereof and to reduce the annual fee payable to TD with respect to the Standby Agreement;

NOW, THEREFORE, BE IT RESOLVED by the members of the Board of the Department, pursuant to the Act, as follows:

Section 1. The Department hereby authorizes the execution and delivery by any of the Chairman, the Secretary and Chief Executive Officer and Chief Financial Officer of the Department (each an “Authorized Officer”), acting singly, of (i) amendments to the Reimbursement Agreements, the Standby Agreement and the applicable Fee Letters in such form and otherwise containing such terms and conditions as any Authorized Officer, acting singly, shall determine to be appropriate, the execution of such amendments by such Authorized Officer to be conclusive evidence that the form and terms of such amendments were deemed appropriate, and (ii) any other documents, certificates and other instruments which may be advisable, convenient or necessary in connection with such amendments.

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Section 3. This resolution shall take effect immediately.