



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
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Meeting Minutes

**State Finance and Governance Board
Meeting: September 15, 2016, 11:00 AM
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, September 15, 2016 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 11:08 am.

Board members comprising a physical quorum:

Lourdes German (Chair), Lincoln Institute
Supreo Ghosh, Office of the State Treasurer
Sue Perez, Office of the State Treasurer
Brent Anderson, Pilgrim Bay
Katherine Holahan, Associated Industries of Massachusetts

Others in attendance:

Mark Attia, A&F
Kathy Connolly, MassHousing
Simon Gerlin, MDFA
Lori Hindle, PFM Group
Tori Kim, A&F
James Tansey, HPAO
Anna Tenaglia, MassPort

1. Introduction of Attendees

2. Adoption of Minutes

- a. Ms. German asked if there were any comments on the minutes from the August 18, 2016 meeting. There were no comments. On a motion made by Ms. Holahan and duly seconded,

members voted unanimously to approve the August 18, 2016 minutes. (See; Minutes from August 18, 2016).

3. Administrative Matters

- a. The next meeting date was set for October 20, 2016.
- b. Mr. Attia invited members to offer suggestions for how to improve the scheduling and communications for future meetings.

4. Discussion

- a. *No discussion matters scheduled.*

5. Derivative Review

- a. Simon Gerlin, CFO of MDFA, presented the background and details and of a proposed transaction involving an interest rate swap currently under consideration by MDFA. On September 7, 2016, MDFA's Board voted to authorize the Agency to finalize and enter into a Revolving Line of Credit with Citizens Bank, and to delegate to the Origination and Credit and Real Estate Committees the authority to determine whether this line includes the use of an interest rate swap. Mr. Gerlin presented a term sheet with Citizens Bank and engagement letter with swap advisor, Swap Financial Group (SFG). Ms. Perez noted the disclosure on SFG's engagement letter disclosing a potential conflict of interest with MSRB payment scheme and cautioned MDFA to carefully consider how they intend to arrange compensation to mitigate any conflict of interest. Ms. Perez also reiterated that the benefits of the interest rate swap arrangement may not be greater than a stand-alone fix-rate loan once MDFA considers the cost and unwinding risk. Mr. Gerlin ensured they will take in to consideration the compensation structure for SFG. Mr. Gerlin reiterated that they believe this transaction is low risk, worth the relatively small cost, and the swap offers more certainty on rates without introducing significant counter-party risk given the credit worthiness of the banks under consideration.

6. Waiver Request

- a. *No waiver requests scheduled.*

7. Review of Closed Transactions:

- a. Massachusetts Port Authority (MassPort): Presentation of the 2016 Bond Sale to finance \$190.8 million in project costs, Refunding of Series 2007-A and 2008-A Bonds and amendments to the 1978 Trust Agreement. Ms. Tenaglia, Director of Treasury for the Massachusetts Port Authority, gave an overview of MassPort's strategic initiatives and 2016-2020 Capital Plan to be financed, and presented the results of the 2016 bond sale. Ms. German asked Ms. Tenaglia to expand on MassPort's strategy for selecting optimal interest rate structures. Ms. Tenaglia explained that MassPort is seeking to lower overall cost by fixing the rate on currently unfavorable variable rate debt and by taking a selective, programmatic approach to issuing variable rate debt as rates begin to rise in the future.

8. Other Business:

- a. Vote: Adoption of proposed amendments to 976 CMR: State Finance and Governance Board Regulations (*as presented for discussion on August 18, 2016*). Ms. German asked if there were any questions or comments on the proposed changes to 976 CMR since the August 18, 2016 meeting. There were no comments. On a motion made by Mr. Andersen and duly seconded by Ms. Perez, members voted unanimously to adopt the amendments to 976 CMR: State Finance and Governance Board Regulations.
- b. Vote: Adoption of new procedural application of regulations for qualified conduit debt transactions involving charter schools (*as presented for discussion on August 18, 2016*). Ms. German asked if there were any questions or comments on the new procedural application of regulations since the August 18, 2016 meeting. There were no comments. On a motion made by Mr. Andersen and duly seconded by Ms. Holahan, members voted unanimously to adopt the new procedural application of regulations to hereby determine that charter schools may constitute a qualified conduit debt transaction.

9. Adjournment

- a. Ms. German determined that there was no further business to come before the board. On a motion made by Ms. Perez, members voted unanimously to adjourn. The meeting was adjourned at 11:40 am.

Mark Attia, Secretary