



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

**State Finance and Governance Board
Meeting: October 20, 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, October 20, 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 11:05 am.

Board members comprising a physical quorum:

Brent Andersen, Pilgrim Bay (Acting Chair)
Supreo Ghosh, Office of the State Treasurer
Katherine Holahan, Associated Industries of Massachusetts
Sue Perez, Office of the State Treasurer

Others in attendance:

Mark Attia, A&F
Kathy Connolly, MassHousing
Jaime Scranton, J.P. Morgan
Chris Valentino, Omnicap
Kathleen Doyle, MassDOT
David Pottier, MassDOT
June Matte, PFM
Thomas Durkin, MWRA
Paul Haley, Barclays
Karol Ostberg, MSCBA
John Regier, Mintz Levin
Paul Ladd, BAML

1. Introduction of Attendees

2. Adoption of Minutes

- a. Mr. Andersen and Ms. Perez each made one edit to the minutes from the September 15, 2016 meeting. There were no further comments. On a motion made by Ms. Holahan and duly seconded, members voted unanimously to approve the September 15, 2016 minutes. (*See; Minutes from September 15, 2016*).

3. Administrative Matters

- a. The next meeting date was set for November 17, 2016.

4. Discussion

- a. *No discussion matters scheduled.*

5. Derivative Review

- a. Drew Smith, Deputy Assistant State Treasurer, presented on the recent Commonwealth Transportation Fund (CTF) bond sale. The bonds were sold on a negotiated basis, with \$137 million in a “new money” Commonwealth Transportation Fund (CTF) series and \$104 million in a CTF refunding series, as well as \$125 million in a “new money” Federal Highway Grant Anticipation Note (GANS) series. The CTF bonds were rated Aa1 by Moody’s and AAA by S&P and the GANS were rated Aa2 by Moody’s and AAA by S&P. Mr. Smith noted that the CTF bonds were downgraded by Moody’s to be in-line with the Commonwealth’s general obligation credit. Mr. Andersen asked about the impacts of the downgrade. Mr. Smith explained that there was no discernable impact, and that Moody’s explained that the downgrade was due to an evolution of their thinking and not a reflection of the credit strength of the CTF bonds.
- b. Mr. Smith presented the details of a proposed structure for the rollover of approximately \$188.5 million of the 2017 maturity of the Series 2013A and 2014E SIFMA Bonds. Mr. Smith explained that issuing SIFMA Index Bonds provides the opportunity for the Commonwealth to reduce risk, diversify its variable rate portfolio, refund the necessary bonds and reduce overall borrowing costs and, in connection with the original Series 2005A Refunding, the Commonwealth entered into a floating-to-fixed interest-rate swap to synthetically fix its interest cost over the life of the bonds, providing a hedge, budgetary certainty and tax compliance certainty. There were no questions from the Board. On a motion made by Ms. Perez, the Board voted unanimously that satisfactory information had been received regarding the proposed bond transaction involving a derivative financial product from the Commonwealth.

6. Waiver Request

- a. David Pottier, Chief Financial Officer of MassDOT, presented the details of a proposed \$455 million senior lien and \$212 million subordinate lien refunding bond transaction and is before the Board in order to request a waiver from the presumption of competitive bidding. Mr. Pottier explained that MassDOT believes a negotiated method is a better approach because of the unique credit structure and will help develop a more diverse investor base. Mr. Perez asked how the underwriting team was selected. Mr. Pottier explained that there were 17 highly qualified applicants ranked for this transaction and that those not selected will be added to the pool for future consideration. On a motion made by Ms. Holahan, the Board

voted unanimously to authorize MassDOT to sell one or more series of bonds on a negotiated basis.

- b. Mr. Adelman, Executive Director of the MSCBA, presented the details of the request for two waivers from the presumption of a competitively bid bond sale for a new money bond size not to exceed \$3.5 million on behalf of their Community College program, and \$21 million in new money bonds and a par amount of \$85 million in refunding bonds. Ms. Perez asked if the market proves to be weak will MSCBA not negotiate. Mr. Adelman stated that they do consider competitive bond sales but have found strong demand historically. Mr. Ghosh asked about the process of identifying refunding opportunities. Mr. Adelman explained that MSCBA performs an annual review in consultation with a financial advisor. Ms. Perez asked if MSCBA has an underwriting team in place. Mr. Adelman stated that they have a pool of qualified underwriters familiar with their credit profile. On a motion made by Ms. Holahan, the Board voted unanimously to authorize MSCBA to sell one or more series of bonds on a negotiated basis and granted both of the requested waivers.

7. Review of Closed Transactions:

- a. *No closed transactions scheduled.*

8. Other Business:

- a. Mr. Attia provided an update to the Board on the status of the recently adopted amended regulation 976 CMR 2.00. The regulations have been posted for public comment until November 11th, after which time any further changes will be reviewed in consultation with the Board and A&F.

9. Adjournment

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

Mark Attia, Secretary