



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

**State Finance and Governance Board
Meeting: November 14, 2016, 12:00 pm
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Monday, November 14, 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 12:10 pm.

Board members comprising a physical quorum:

Brent Andersen, Pilgrim Bay
Lourdes German, Lincoln Institute (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, Administration and Finance
Kathy Connolly, MassHousing
John Malpiede, Citigroup
Michael Wilson, UMass Building Authority
Brandon Wolanski, Barclays
John Regier, Mintz Levin
Jenna Deangelo, Lincoln Institute
Patricia Filippone, UMass Building Authority

1. Introduction of Attendees

2. Adoption of Minutes

- a. On a motion made by Mr. Andersen and duly seconded, members voted to approve the October 20, 2016 minutes. (*See; Minutes from October 20, 2016*).

3. Administrative Matters

- a. The next meeting date was set for December 15, 2016.

4. Discussion

- a. *No discussion matters scheduled.*

5. Derivative Review

- a. *The derivative review for MassDevelopment scheduled for November 14th, 2016 was cancelled.*

6. Waiver Request

- a. Patricia Filippone, Executive Director of the University of Massachusetts Building Authority, presented the required materials and details of the Authority's request to sell bonds on a negotiated basis to the Board. There were questions. On a motion made by Mr. Andersen and duly seconded, the Board voted to grant a waiver from the presumption of a competitive, sealed-bid financing of one or more series of bonds in accordance with the regulations.
- b. Mr. Drew Smith, Deputy Assistant Treasurer from the Office of the Treasurer and Receiver General presented the details of the Treasurer's request for a waiver from the presumption of award to the bidder providing the best offer to the Commonwealth in a competitive sale of bonds in the event that such bidder is Wells Fargo. Mr. Smith explained that General Laws Chapter 29, Section 53, requires that bonds or notes of the Commonwealth maturing more than three years from their date shall be issued pursuant to a competitive process with the implication that in all instances the bonds or notes will be awarded to the bidder that provides the best offer to the Commonwealth. However, while Section 53 does indicate that bids may be rejected, it does not contemplate specific instances in which a bid might be rejected. Wells Fargo Bank has been temporarily prohibited from participating in the Commonwealth's negotiated bond financings, and it is the Treasurer's intention that this prohibition be extended to their participation in competitively issued bond financings. To this end, a waiver from the State Finance and Governance Board is being requested from the presumption of award to the bidder providing the best offer to the Commonwealth in the event that such bidder is Wells Fargo. The waiver would expire on October 17, 2017. Ms. German commented that this is not a standard request and is without obvious precedent. Mr. Regier, responded that the Treasurer does have discretion to deny a bid, but because the statute is unclear, the Treasurer is requesting a waiver, which the Board is empowered to provide, and is not taking a position on the meaning of the clause. Mr. Andersen asked Mr. Smith to explain the rationale for prohibiting Wells Fargo. Mr. Smith explained that the Treasurer believes that it is in the best interests of the Commonwealth and taxpayers to block Wells Fargo from participation due to the recent determination by the Federal Consumer Financial Protection Bureau that Wells Fargo committed "widespread unlawful sales practices" and that Massachusetts does not wish to conduct business with a firm deemed to be engaged in such practices. Ms. Holahan asked why the waiver is required for a competitive sale but not for a

negotiated sale. Mr. Smith explained that the Treasurer has the authority to prohibit certain firms from a negotiated sale. Mr. Andersen commented that he is concerned that the Treasurer is taking this action for political motivations, and asked if the waiver, if granted, can be revisited by the Board in six months. Mr. Regier commented that the Board may revoke this waiver if it wishes, and that the waver will automatically expire on October 17, 2017. There were no further questions. On a motion made by Ms. Perez and duly seconded, the Board voted to authorize the Commonwealth to reject any winning bids offered by Wells Fargo Bank, or any affiliate thereof for any bonds issued through a competitive sale process through October 17, 2017.

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.

9. Adjournment

- a. Ms. German determined that there was no further business to come before the Board. On a motion made by Ms. Holahan, members voted to adjourn. The meeting was adjourned at 11:45 am.

Mark Attia, Secretary