



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

**State Finance and Governance Board
February 16, 2017
11:30 am
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, February 16, 2017 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 11:33 am.

Board members comprising a physical quorum:

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

Others in attendance:

Mark Curtis, Massachusetts Housing Partnership
Kathy Connolly, MassHousing
John Regier, Mintz Levin
Paul Haley, Barclays
Bernard Greene, MA Clean Water Trust
Nate Keenan, MA Clean Water Trust
Charleen Tyson, Massachusetts Housing Partnership
Kathy Bramlage, Office of the Treasurer
Drew Smith, Office of the Treasurer
Lori Hindle, PFM

1. Introduction of Attendees

2. Adoption of Minutes

- a. On a motion made by Mr. Andersen and duly seconded, members voted to approve the January 19, 2017 minutes. (See; Minutes from January 19, 2017).
- b. On a motion made by Mr. Andersen and duly seconded, members voted to approve the December 16, 2016 minutes. (See; Minutes from December 16, 2016).

3. Administrative Matters

- a. The next meeting date was set for Thursday, March 23, 2017, at 11:00 am.

4. Discussion

- a. Mr. Curtis, Managing Director of the Massachusetts Housing Partnership, provided an overview of a proposed policy to use forward-starting swaps in order to protect against adverse movements in interest rates that may occur over the construction/rehab period for multifamily loans where MHP is providing the permanent loan. MHP is now utilizing the HUD/Federal Financing Bank Risk-Sharing Initiative for an increasing share of its multifamily lending. MHP has been working with a financial advisor, Chatham Financial, on a strategy to manage the rate risk involved using forward-starting interest rate swaps. MHP believes that the benefits of being able to provide forward rate commitments to borrowers under its FFB Risk-Sharing Program substantially outweigh the risks that will be involved in entering into forward-starting swaps. MHP expects to have a significant number of relatively small swap transactions each year, and we'd like to find a process for conforming to the statute and regulations while not creating undue burdens for the Board or for MHP.

Mr. Andersen asked how many of these transactions does MHP anticipate will have the same borrower. Mr. Curtis responded they expect to have few of the same borrows due to the structure of such transactions. Ms. German asked about the extent of risk associated with unwinding a swap in a changing interest rate environment. Mr. Curtis explained the program has been designed to mitigate such risks. Mr. Ghosh asked if MHP perceives any regulatory risk associated with the HUD risk-sharing program. Mr. Curtis explained that there is an existing, multi-year authorization supporting the risk-sharing program. Mr. Ghosh asked if other housing agencies are participating in such transactions. Mr. Curtis confirmed that there are several. Ms. Perez, inquired about counterparty risk based on market value, and asked if MHP will evaluate competitive bids. Mr. Curtis responded that MHP will feel well positioned with 2 to 3 bids, given that these transactions are very small, and counterparty demand is limited. Mr. Perez asked if MHP had considered doing these on a notional amount. Mr. Curtis responded that MHP would have if the outstanding time period were longer.

5. Derivative Review

- a. *No derivative reviews scheduled.*

6. Waiver Request

- a. Mr. Smith, Deputy Assistant Treasurer for Debt Management, presented the details of upcoming transactions that are expected to include a new money transaction, a potential

refunding transaction, and a Green transaction. When market conditions or the structure of the bonds warrant the flexibility of a negotiated sale, the Commonwealth has sought waivers from the requirements of the M.G.L. Section 53 of Chapter 29. The State Treasurer's Office has determined that a waiver from the requirement of a competitive sale is needed. To ensure that all negotiated contingencies can be met in the near-term, the State Treasurer's Office requests a waiver from the presumption of competitive financings in the amount of \$1 billion for one or more refunding and/or new money transactions. The requested waiver will expire on July 31, 2017.

There were no questions from the Board. On a motion made by Mr. Andersen, the Board voted to authorize the Commonwealth (i) to issue bonds in an aggregate principal amount up to \$1,000,000,000, for refunding and/or new money issues in one or more series and in one or more transactions; (ii) to price the bonds in any such transactions on a date or dates no later than July 31, 2017; and (iii) to sell any such bonds on a negotiated basis.

- b. Mr. Keenan, Deputy Director of the Massachusetts Clean Water Trust, presented the details of an upcoming Green Bond transaction. The Massachusetts Clean Water Trust is requesting a waiver to issue its Series 20 State Revolving Fund Green Bonds through a negotiated sale. The sale is expected to be comprised of a new money component, approximately \$300 million par amount, and a refunding component, approximately \$300 million par amount. The complexity of the refunding transaction requires a negotiated issuance due to the various revenues used to pay debt service and due to the tax implications that come from refunding bonds that have a high yield debt service reserve fund.

On a motion made by Mr. Andersen, the Board voted to authorize the Massachusetts Clean Water Trust (i) to issue bonds in an aggregate principal amount up to \$600,000,000, for refunding and/or new money issuance; (ii) to price the bonds in any such transactions on a date no later than August 16, 2017; and to sell any such bonds on a negotiated basis.

7. Review of Closed Transactions:

- a. *No closed transactions scheduled.*

8. Other Business:

- a. *No other business scheduled.*

9. Adjournment

- a. Ms. Lourdes 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 12:10 pm.

Mark Attia, Secretary