



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
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Meeting Minutes

State Finance and Governance Board

April 20, 2017

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, April 20, 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 11:07 am.

Board members comprising a physical quorum:

Lourdes German, Lincoln Institute (Chair)
Sue Perez, Office of the State Treasurer
Katherine Holahan, Associated Industries of Massachusetts

Others in attendance:

Mark Curtis, Massachusetts Housing Partnership
Anne Lewis, Massachusetts Housing Partnership
Lori Hindle, PFM

1. Introduction of Attendees

2. Adoption of Minutes

- a. Approval of the meeting minutes from March 23, 2017 was postponed until the next meeting on May 25, 2017.

3. Administrative Matters

- a. The next meeting date was set for Thursday, May 25, 2017, at 11:00 am.

4. Discussion

- a. Mr. Curtis presented to the Board for discussion a revised approach to the proposal presented at the March 23, 2017 meeting intended to accommodate the Massachusetts Housing Partnership's (MHP) interest to enter into several relatively small forward-starting swap transactions over a fixed period of time, and the desire to find a process for conforming to the statute and regulations while not creating undue burdens for the Board or for MHP. This topic was initially discussed during the Board meeting held on February 16, 2017. The revised approach will include a proposal to enter into forward-starting swaps in the aggregate notional amount not to exceed \$50,000,000 to be executed prior to December 31, 2017, confirmation that for each respective swap transaction: (i) a written analysis and recommendation of MHP's independent financial advisor will be presented to MHP's Board of Directors or Executive Committee for approval, (ii) that the swap transaction is consistent with MHP's Policy on Forward-Starting Swaps, (iii) that the benefits of the forward-starting swap outweigh the risks of the forward-starting swap, and (iv) that MHP's Board of Directors or Executive Committee has approved the proposed transaction.

Ms. Perez asked if the programmatic ceiling of \$50 million is based on the par amount. Mr. Curtis responded that the ceiling will be on the notional amount and includes all expected transactions. Ms. German commented that this proposed approach appears to be more consistent with the regulatory guidance for the Board. It was determined that this matter will be ready to come before the Board for a vote at the next meeting scheduled for May 25, 2017.

5. Derivative Review

- a. Mr. Curtis presented the details of a proposed transaction for a forward starting, pay-fixed, cash settled interest rate swap in connection with the Fruit Sever Apartments in Worcester in order to hedge the interest rate risk during the renovation period prior to MHP's permanent financing of the property. The 132-unit apartment community consists of five brick buildings on two adjacent parcels just west of downtown Worcester. The expected rate lock period is 15 months and the swap will have a forward period of 21 months to allow for a 6 month cushion in case of construction/lease-up delays. Summary materials were presented in accordance with 976 CMR 2.00, including a summary sheet describing the swap transaction, a written analysis and recommendation by MHP's independent financial advisor Chatham Hedging Advisors, and a certificate from MHP's Executive Director confirming that MHP's Executive Committee has approved the transaction and made all of the appropriate findings.

There were no questions from the Board. On a motion made by Ms. Perez, the Board voted that it has received satisfactory information in a manner consistent with the regulations regarding the proposed interest rate swap transaction for Fruit Sever Apartments in Worcester as contained in the briefing materials for the April 20, 2017 Board meeting.

6. Waiver Request

- a. *No waiver requests scheduled.*

7. Review of Closed Transactions:

- a. *No closed transactions requests 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 11:35 am.

Mark Attia, Secretary