

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: Maureen Valente, Chief Executive Officer and John K. McCarthy, Executive Director
DATE: November 6, 2015
RE: MSBA 2016 Series A Bond Issuance

To date, the Massachusetts School Building Authority (“MSBA”) has issued approximately \$6.6 billion of “new money” bonds and commercial paper to support the MSBA’s grant programs. Additionally, the MSBA has issued approximately \$1.76 billion of refunding bonds in order to reduce interest costs associated with previously issued bonds¹. As of October 15, 2015, the MSBA had approximately \$6.1 billion of bonds and commercial paper outstanding.

The MSBA most recently issued debt to support the MSBA’s capital pipeline through the issuance of \$450 million of tax exempt commercial paper at various dates earlier this calendar year. As of November 6, 2015, the Commercial Paper (“CP”) proceeds remaining were approximately \$200 million. To date in fiscal year 2016, the MSBA’s New Program grant payments to school districts have averaged \$9 million per week. The year-to-date and more recent weekly payment averages suggest that the MSBA will spend down the remaining CP proceeds over the course of the next five months. Accordingly, staff recommends that the MSBA prepare for the next issuance of bonds to support the projects in the capital pipeline.

Staff is recommending that the MSBA issue its fifteenth series of bonds backed by the MSBA’s dedicated sales tax revenue. The interest rate environment for municipal securities remains attractively low. Staff is recommending a fixed rate issuance through a competitive bond sale. The bonds will be issued as senior lien debt.

The attached vote authorizes the issuance of up to \$150 million of additional bonds. The proceeds are expected to provide funding for capital grants through the balance of FY 2016.

Bond Counsel for the issue will be Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C. Disclosure counsel for the issue will be Greenberg Traurig, LLP. Each of these firms has been qualified pursuant to a procurement process conducted for bond and disclosure counsel services in 2013.

Acacia Financial Group, Inc. will serve as the financial advisor for the MSBA for the 2016 Series A bonds. Acacia qualified to serve pursuant to procurement process conducted in 2014.

The pricing for the bonds is expected during the first two weeks of January 2016.

¹ The amount of refunding bonds does not include bonds expected to be refunded on November 17, 2015.