

MEMORANDUM

To: Board of Directors,
Massachusetts School Building Authority
From: John K. McCarthy, Executive Director
Date: March 18, 2015
Subject: 2014 Series A Notes – Takeout Issuance Update

To date, the Massachusetts School Building Authority (“MSBA”) has issued a par amount of approximately \$6.4 billion of “new money” bonds to support the Authority’s grant programs. Additionally, the MSBA has issued approximately \$1.8 billion of refunding bonds in order to reduce interest costs associated with previously issued bonds. As of March 1, 2015, the MSBA had a par amount of approximately \$5.7 billion bonds and notes outstanding.

The MSBA has a par amount of \$300 million 2014 Series A bond anticipation notes maturing on July, 16, 2015. Accordingly, staff is beginning preparations for the issuance of debt to takeout these temporary notes.

For the 2014 Series A takeout issuance, staff is recommending that the MSBA issue \$300 million of fixed rate bonds. Staff anticipates that the amortization schedule for the takeout issuance will be structured to take advantage of the low interest rates for long term debt, and that approximately \$42 million of the bonds will mature through fiscal year 2024 and the remaining \$258 million of the bonds will mature fiscal year 2025 - fiscal year 2046. This proposed structure enables the MSBA to secure low-cost fixed rate debt, continue to maintain senior debt service coverage ratios at approximately two times coverage, and access investors that may be seeking to participate at different maturities across the yield curve. The proposed structure will enable both retail and institutional investors to access bonds across the yield curve. The debt issue will receive ratings from Fitch Ratings, Moody’s Investors Service, and Standard and Poor’s Ratings Services. Attachment A details the MSBA’s projected outstanding debt service, and debt service coverage ratios, following the issuance of these bonds.

Due to the proposed structure and size of the debt issue, staff recommends that the 2014 Series A takeout issuance be sold via a competitive bid process. At this time, staff expects to price and close on the transaction no later than May 31, 2015.

Staff plans to assign a work order to Acacia Financial Group, Inc. to act as an independent financial advisor and provide technical assistance to the MSBA on this competitive bond sale. Acacia is one of the firms that is pre-qualified to provide the MSBA with financial advisory services.

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 to provide the services to the MSBA pursuant to a procurement process conducted for bond and disclosure counsel services in February 2013.

The vote authorizing the takeout issuance for the 2014 Series A notes was approved by the MSBA Board of Directors (“Board”) as part of the initial authorization for the sale of the notes on June 4, 2014.

Staff anticipates providing an update to the Board on the results of the sale at the June 3, 2015 meeting of the Board.