

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: Maureen Valente, Chief Executive Officer and John K. McCarthy, Executive Director / Deputy CEO
DATE: January 12, 2016
RE: 2016 Series A Refunding Bonds Issuance – Update

At the November 18, 2015 meeting of the Massachusetts School Building Authority (“MSBA”) Board of Directors (“Board”), the Board authorized the issuance of \$150,000,000 of new debt.

On January 6, 2016, the MSBA sold \$150,000,000 of 2016 Series A bonds via competitive bid in order to raise funds to provide capital grants to local school districts. There were bids received from eight different firms for the bonds. The eight bids ranged from a true interest cost of 3.464916% to 3.484869%. Pursuant to the Notice of Sale published for the sale of the bonds, the purchase of the bonds was allocated to the bidder submitting the lowest true interest cost. Wells Fargo Bank, National Association submitted the bid with the lowest true interest cost at 3.464916% with a 5% coupon for every maturity, and was awarded the purchase of the bonds.

The 2016 Series A bonds were sold as level annual debt service with annual principal payments and a final maturity of November 15, 2045. The bonds received ratings of AA+, Aa2 and AA+ by Fitch, Moody’s, and S&P, respectively.

The issue date was selected because the first week of the calendar year is traditionally a time of low issuance and good demand. The demand is caused in part because many investors receive interest and principal payments on January 1st and the 15th and need to reinvest those funds. The traditional pattern of low issuance held true for this year. There were only eight issues of long term tax exempt with par greater than \$100,000,000 in the first week and only one other issue in the “AA” rating category. In the second week of January there were 23 long term tax exempt bond issues and 12 issues were in the “AA” rating category.

As a comparison to recent MSBA bond issues, in May 2015 the MSBA sold a \$300,190,000 bond issue at a true interest cost of 3.67%. The most recent issue at 3.46% is 23 basis points lower than the May issue. The lower cost of funds represents approximately \$215,000 annually or over \$6,000,000 over the next 30 years.