

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

**Massachusetts School Building Authority  
Board Meeting Minutes of October 25, 2017**

A meeting of the Massachusetts School Building Authority (the “Authority” or “MSBA”) was held on October 25, 2017 at 40 Broad Street, Boston, Massachusetts.

**Members Present:** Deborah Goldberg, State Treasurer and Chairman; Anne Brockelman, appointed member; Sean Cronin, Designee of the Secretary of Administration and Finance; Matt Deninger, Designee of the Commissioner of Education; Greg Sullivan, appointed member; and Sheila Vanderhoef, appointed member.

**Others Present:** James MacDonald, First Deputy Treasurer and Chief Executive Officer; Jack McCarthy, Executive Director/Deputy Chief Executive Officer; Dennis Ryan; Jennifer Gonzalez; Diane Sullivan; Tamia Buckingham; Ken Wissman; Wei Xu; Gianpiero Tirella; Julie Leonard; Mary Pichetti; John Jumpe; Karl Brown; Christine Nolan; Colleen Smith; Siobhan Tolman; Matt Donovan; Maria Puopolo; Autumn Waldron; members of the press; municipal representatives; legislative representatives; local elected officials; and other members of the public. A sign-in sheet is on file at the MSBA.

**Call to Order**

The Chairman called the meeting to order at 10:10 a.m. and asked if anyone is recording the meeting. No one announced that they were recording the meeting.

Next, the Chairman provided a brief overview of the items on the agenda for the meeting. She explained that the Board will be voting to: invite four districts into Feasibility; invite three projects to proceed into Schematic Design with an estimated \$222 million in Total Construction Costs; and authorize the MSBA to enter into a Project Scope and Budget Agreement for one new high school with a total Estimated Maximum Total Facilities Grant amount of \$42.5 million. The Board will also be voting on whether to approve 11 final audits from 11 school districts with Total Facilities Grants of over \$152.9 million. The meeting will conclude with MSBA updates from the Executive Director; an update from members of Capital Planning on both our Project Overview Report and the 2016 School Survey; as well as updates from our Finance Team that will include votes on the MSBA’s FY18 Finance Plan.

**Acceptance of the August 23, 2017 Minutes**

The Chairman asked for a motion to accept the minutes of the August 23, 2017 Board Meeting. The following motion was made by Mr. Deninger and seconded by Mr. Cronin:

**Approval of the Minutes of the August 23, 2017 Board Meeting**

**VOTED:** That the Board of Directors of the Massachusetts School Building Authority hereby approves the Minutes of the August 23, 2017 Board meeting.

**VOTE:** *There being no further questions or comments, the Board approved the Motion to approve the Minutes of the August 23, 2017 Board Meeting by majority – 5 in favor, 0 abstaining.*

**Project**

### **Invitation to Feasibility Study**

MSBA Director of Program Management Diane Sullivan explained that staff is recommending that the Board vote to invite the following districts to collaborate with the MSBA to conduct a Feasibility Study: the Bridgewater-Raynham Regional School District, the City of Gardner, the Town of Millbury, and the Town of Westborough. She provided a brief summary of the issues stated by the districts in their SOIs.

The Chairman asked for a motion, and the following motion was made by Ms. Vanderhoef and seconded by Mr. Deninger:

#### **Vote on Inviting Communities to Collaborate with the MSBA to Conduct a Feasibility Study**

VOTED: That the Executive Director is hereby authorized to invite certain communities to collaborate with the MSBA to conduct and/or review a Feasibility Study, as described in 963 CMR 2.00 *et seq.*, and subject to any conditions set forth in Exhibit A, for each of the schools listed in Exhibit A attached hereto.

VOTED: That the Executive Director is hereby authorized to do all acts, to execute and deliver any and all documents and agreements, and to expend all funds necessary or desirable in connection with conducting and/or reviewing a Feasibility Study for each of the schools listed in Exhibit A.

The Chairman recognized several state and local officials that were present at the meeting to represent the four districts listed above. She then opened the floor to Board member comments and discussion.

Mr. Cronin commented that districts should be aware that the reimbursement rate for a specific project is applied only to eligible costs so the effective rate will likely be lower than the reimbursement rate. He encouraged districts to keep this in mind when planning their capital budgets. He recommended that districts visit the Executive Office for Administration and Finance website to see the tax impact of a debt exclusion on single family homes.

Bridgewater-Raynham Regional School District Superintendent Derek Swenson thanked the Board and MSBA staff, especially Diane Sullivan, for their assistance and guidance throughout the process, noting that he looks forward to continuing to work with the MSBA.

Bridgewater Assistant Town Manager Kimberly Williams thanked the Board and MSBA for this opportunity.

State Representative Jon Zlotnik, who represents Gardner, spoke offering his support for the project at the Waterford Street Elementary School. He commented that the project has support at the local level.

Gardner Mayor Mark Hawke commented that the process is moving quickly and the Gardner School Committee and City Council have offered their support for the project.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Gardner Superintendent Mark Pellegrino commented that he appreciates all of the help from the MSBA staff.

Consultant Steve Hemman thanked the Board and MSBA staff on behalf of the City of Gardner.

Millbury School Building Committee member Rachel Decatur thanked the Board and the MSBA staff.

Millbury School Building Committee Chair Bernie Plante commented that he appreciates the help from the MSBA and noted that the Town supports the project at the Raymond E. Shaw Elementary School.

The Chairman read a letter on behalf of State Representative Hannah Kane, State Representative Danielle Gregoire, and State Representative Carolyn Dykema which offered their support for the project at the Annie E. Fales Elementary School.

A staff member from State Representative Hannah Kane's office spoke on behalf of the Representative noting that the Representative supports the project at the Annie E. Fales Elementary School in Westborough.

Westborough Superintendent Amber Bock thanked the Board and MSBA staff on behalf of the parents and faculty at the Annie E. Fales Elementary School. She commented that she is looking forward to the project and continuing to work with the MSBA.

Westborough School Building Committee Chair Steve Doret thanked the Board and MSBA staff for their support. He commented that he has enjoyed working with the MSBA on prior projects and he looks forward to partnering with the MSBA again and moving forward in the process.

Mr. Cronin thanked the MSBA staff for adding a column on the Exhibit to indicate if a district was anticipating a debt exclusion to fund the project.

***VOTE:** There being no further questions or comments, the Board approved the Motion to invite several communities to collaborate with the MSBA to conduct a Feasibility Study by majority – 5 in favor, 0 abstaining.*

### **Recommendation for Preferred Schematic**

The MSBA Director of Project Management John Jumpe explained that the Board is being asked to approve the preferred schematic designs for the Bristol County Agricultural High School located in the Bristol County Agricultural Regional School District, the Richer Elementary School located in the City of Marlborough, and the John F. Kennedy Middle School located in the Town of Natick.

The Bristol County Agricultural Regional School District is proposing additions/renovations and new construction of various buildings, at the Bristol County Agricultural High School campus. This proposed project will serve an agreed upon enrollment of 640 students in grades 9-12. The proposed project has an estimated construction cost of \$79,748,224.

The Chairman asked for a motion, and the following motion was made by Mr. Deninger and seconded by Ms. Vanderhoef:

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

**Vote on Moving the Bristol County Agricultural Regional School District to Schematic Design**

VOTED: That the Board of Directors hereby authorizes the Executive Director to do all acts necessary, execute and deliver any and all documents and agreements, and expend funds as deemed appropriate by the Executive Director to assist the Bristol County Agricultural Regional School District with, in concept, the development of schematic designs for additions to, renovations of and new construction of various buildings at the Bristol County Agricultural High School campus, as further described in the materials presented to the Board and attached hereto, in accordance with G.L. c. 70B and 963 CMR 2.00 *et seq.* and all other guidelines and policies of the Authority.

Mr. Cronin inquired about the increase in the projected enrollment and how the project would be financed. The Director of Project Management explained that the District is looking to expand its more popular programs.

There was a brief discussion about the local approval process for this proposed project. MSBA General Counsel Dennis Ryan provided an overview of some of the intricacies of the funding process for county agricultural schools.

Bristol County Agricultural High School Principal and Acting Superintendent Kevin Braga commented that the funding process is complicated and that he is working with the County Treasurer.

The Executive Director noted that the MSBA would follow up with the District regarding the information that the County Treasurer is expected to provide.

***VOTE:** There being no further questions or comments, the Board approved the Motion to move the Bristol County Agricultural Regional School District to Schematic Design by majority – 5 in favor, 0 abstaining.*

Next, the Director of Project Management explained that the City of Marlborough is proposing to construct a new elementary school facility on the existing athletic fields of the Marlborough High School site. This proposed project will serve an agreed upon enrollment of 610 students serving grades K-5. The proposed project has an estimated construction cost of \$55,805,995. The City is considering participating in the MSBA's Model School Program.

The Chairman asked for a motion, and the following motion was made by Ms. Vanderhoef and seconded by Mr. Deninger:

**Vote on Moving the City of Marlborough to Schematic Design**

VOTED: That the Board of Directors hereby authorizes the Executive Director to do all acts necessary, execute and deliver any and all documents and agreements, and expend funds as deemed appropriate by the Executive Director to assist the City of Marlborough with, in concept, the development of schematic designs to construct a new elementary school facility on the existing athletic fields of the Marlborough High School site, as further described in the materials presented to the Board and

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

attached hereto, in accordance with G.L. c. 70B and 963 CMR 2.00 *et seq.* and all other guidelines and policies of the Authority.

VOTED: That the Board of Directors hereby authorizes the Executive Director to invite the City of Marlborough to evaluate certain Model School Program designs, as further described in the materials presented to the Board and attached hereto, in accordance with G.L. c. 70B and 963 CMR 2.00 *et seq.* and all other guidelines and policies of the Authority.

The Chairman commented that it is interesting that the City is considering a model school and she looks forward to seeing the outcome.

State Representative Danielle Gregoire, who represents Marlborough, commented that the schools in the City are currently overcrowded and the City is in desperate need for a new school. She noted that she appreciates the consideration of the Board and she is excited for the project to move forward.

Marlborough Mayor Arthur Vigeant commented that the City is considering a model school, noting that the City is trying to keep the cost of the project down. He commented that he appreciates this opportunity and thanked the Board and MSBA staff.

State Representative Carmine Gentile, who represents Marlborough, offered his support for the project at the Richer Elementary School, noting that the project will allow the fifth graders to be integrated in the elementary school. He commented that he appreciates the help from the MSBA as the project is needed for the City.

*VOTE: There being no further questions or comments, the Board approved the Motion to move the City of Marlborough to Schematic Design by majority – 5 in favor, 0 abstaining.*

Next, the Director of Project Management then explained that the Town of Natick is proposing to replace the existing John F. Kennedy Middle School with a new grades 5-8 facility on the existing site. This proposed project will serve an agreed upon enrollment of 1,000 students serving grades 5-8. The proposed project has an estimated construction cost of \$87,314,267.

The Chairman asked for a motion, and the following motion was made by Mr. Deninger and seconded by Ms. Vanderhoef:

#### **Vote on Moving the Town of Natick to Schematic Design**

VOTED: That the Board of Directors hereby authorizes the Executive Director to do all acts necessary, execute and deliver any and all documents and agreements, and expend funds as deemed appropriate by the Executive Director to assist the Town of Natick with, in concept, the development of schematic designs to replace the existing John F. Kennedy Middle School with a new grades 5-8 facility on the existing site, as further described in the materials presented to the Board and attached hereto, in accordance with G.L. c. 70B and 963 CMR 2.00 *et seq.* and all other guidelines and policies of the Authority.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Mr. Cronin inquired about the increase in the enrollment for the school. The Director of Project Management explained that the enrollment has increased in order to relieve current overcrowding at other schools due to growth in the Town's population.

Natick Superintendent Dr. Peter Sanchioni thanked the Board and MSBA staff, specifically Katie Loeffler, Brian Lynch, and Diane Sullivan. He commented that all Town committees are supportive of the project at the John F. Kennedy Middle School. He noted that he looks forward to moving forward in the process.

Natick Assistant Superintendent Anna Nolin commented that it has been a pleasure working with the MSBA staff. She thanked the Board and MSBA staff.

A representative from State Senator Karen Spilka's office, who represents Natick, spoke on behalf of the Senator noting that the Senator supports the project at the John F. Kennedy School in Natick.

The Chairman commented that State Representative David Linsky sends his support for the project at the John F. Kennedy School in Natick.

***VOTE:*** *There being no further questions or comments, the Board approved the Motion to move the Town of Natick to Schematic Design by majority – 5 in favor, 0 abstaining.*

#### **Approval of Project Scope and Budget Agreement and Authorization for Project Funding Agreement**

Then MSBA Director of Project Management John Jumpe explained that the Board is now being asked to approve a Project Scope and Budget Agreement and to authorize the MSBA to enter into a Project Funding Agreement for a project at the Middleborough High School located in the Town of Middleborough. He presented a PowerPoint and provided a brief summary of the proposed project. He explained that the proposed project is to replace the existing Middleborough High School with a new facility on the existing site.

The District submitted a total project budget of \$103,475,101. As shown in the PowerPoint presentation, the basis of the MSBA grant would be \$69,417,898, and the proposed Estimated Maximum Total Facilities Grant would be \$42,541,652 with the District's 61.29% reimbursement rate.

The Chairman asked for a motion, and the following motion was made by Mr. Deninger and seconded by Ms. Vanderhoef:

#### **Vote to Authorize the Executive Director to Execute a Project Scope and Budget Agreement and Project Funding Agreement with the Town of Middleborough**

**VOTED:** That the Board of Directors of the Massachusetts School Building Authority hereby approves the Potential Project to replace the existing Middleborough High School with a new facility on the existing site, as further described in the materials presented to the Board and attached hereto and as such Proposed Project shall be further defined in the Project Scope and Budget Agreement, and authorizes the Executive Director to take all steps necessary to execute and deliver a Project Scope and Budget Agreement and Project Funding Agreement with the Town of Middleborough, in such forms as

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

he may determine to be acceptable, for the Middleborough High School project at a reimbursement rate of sixty-one and twenty-nine hundredths percent (61.29%) of approved, eligible costs, up to an Estimated Maximum Total Facilities Grant of \$42,541,652, which shall not include any funds for owner's or construction contingency expenditures; that the Board of Directors hereby further authorizes the Executive Director to increase the Estimated Maximum Total Facilities Grant up to a Maximum Total Facilities Grant of \$43,302,597, in the event that the MSBA determines, in its sole discretion, that any owner's and/or construction contingency expenditures are eligible for reimbursement pursuant to MSBA regulations, guidelines, or policies; that the Board of Directors hereby further authorizes the Executive Director to expend funds in accordance with such Project Funding Agreement.

The Chairman recognized several local officials that were present at the meeting and opened the floor to Board member comments and discussion.

Mr. Cronin inquired about the amount of ineligible costs for the project. The Director of Project Management explained that the ineligible costs are due to expensive site costs and the auditorium space which exceeds the MSBA space summary guidelines.

Middleborough Superintendent Brian Lynch thanked the Board and MSBA for their partnership. He commented that there is almost unanimous support for the project in the Town, adding that the Town will have a debt exclusion vote to fund the project. He thanked Elena Seiti, Chris Alles, and DRA Architects, adding that it has been a great partnership.

Middleborough High School Principal Paul Branagan thanked the Board and MSBA for their partnership on behalf of the faculty.

***VOTE:** There being no further questions or comments, the Board approved the Motion to Execute a Project Scope and Budget Agreement and Project Funding Agreement with the Town of Middleborough by majority – 5 in favor, 0 abstaining.*

## **Audit**

Wei Xu, MSBA Financial Audit Manager, began his audit update by explaining that the MSBA has approved 788 former program audits and there are two remaining grant conversion projects to close out. To date, the MSBA has audited \$15.7 billion in costs for Waiting List and prior grant projects.

The Financial Audit Manager then explained that the MSBA has completed final audits for 410 Capital Pipeline Program projects plus 11 projects that are being presented for final approval to the Board today, all together representing approximately \$4.4 billion in submitted and audited costs.

He continued, explaining that the MSBA has also audited approximately \$2.7 billion in submitted costs for the 238 projects currently submitting monthly requests for reimbursement. Based on the Total Project Budget information and submitted costs to date of approved projects, the MSBA estimates that approximately \$1.9 billion in additional costs will be submitted for audit for these projects.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Tamia Buckingham, MSBA Director of Audit, explained that monthly submitted costs have averaged \$64 million over the 12 months preceding this Board meeting, and the total amount submitted and audited in this 12 month period equals approximately \$765 million.

### **Approval of Audits, New Program**

The Director of Audit explained that the Board is being asked to approve 11 Capital Pipeline Program audits listed on the Audit Exhibit. She explained that the total combined grant amount for these 11 projects is \$152,997,857.

The Chairman asked for a motion, and the following motion was made by Mr. Deninger and seconded by Ms. Vanderhoef:

### **Approval of Audit Costs for Several Projects**

VOTED: That the Board of Directors of the Massachusetts School Building Authority hereby approves the final audited approved grant amounts for each of the projects listed in the spreadsheet attached hereto as Exhibit B and authorizes the Executive Director to make payments consistent with this vote.

The Chairman spoke about the final audits noting that it is always difficult to remove a school from the MSBA pipeline, as is the case with the Wildwood Elementary School in Amherst. She then spoke about the Elias Brookings Elementary School in Springfield commenting that she is impressed with how quickly it was repaired after damages from a tornado.

Somerset-Berkley Regional School District School Building Committee Chairman Richard Fenstermaker thanked the Board and MSBA for their partnership and guidance throughout the process. He commented that the model school option worked great for the district, adding that the change order costs were low.

*VOTE: There being no additional questions or comments, the Board approved the Motion by majority – 5 in favor, 0 abstaining.*

## **MSBA Updates**

### **Executive Director's Report**

The Executive Director began his report by thanking the MSBA staff members for their hard work in preparing for the Board meeting and the School Survey Report. He noted that since the August 23, 2017 Board meeting, the MSBA has visited 19 projects and three districts have voted affirmatively to appropriate full project funds or feasibility study funds. He explained that the MSBA anticipates making 13 project visits in November and December and presented a list of the upcoming district visits and milestone ceremonies as part of his PowerPoint presentation. He explained that since the last Board meeting, MSBA staff have engaged in outreach with multiple school districts, and have attended several meetings where they have participated as presenters and as stakeholders, including the Massachusetts Facilities Administrators Association Fall Conference.

The Executive Director then welcomed new employees, Cathy Tang as an Audit Assistant, and Jeremy Moore as a Network Technician, to the MSBA.



*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Next, the Executive Director provided an update on the 2016 School Survey. He explained that the MSBA collaborated with DESE on the survey and thanked Board members for their feedback, adding that their input contributed to a better final product. He presented a PowerPoint and provided a brief summary of the key findings of the survey. He thanked Jess Deleconio, Peter Falk, Kevin Collins, Joe Buckley, and Mary Pichetti for their hard work on the survey.

Mr. Deninger thanked MSBA staff for their work on the survey, noting that they were very responsive to questions and comments. He commented that the information provided in the Survey is invaluable and thanked Mary Pichetti and her team. He shared that his office has already used the technology data and contacted schools.

Then the Executive Director explained that MSBA staff met with officials from Rhode Island to discuss the MSBA and its process. He commented that this is an indicator that the country is recognizing the work of the MSBA. He thanked Board members, adding that they are the leaders of the Authority.

Mr. MacDonald thanked the team for meeting with Rhode Island officials, adding that the PowerPoint was created by MSBA Chief Financial Officer Jennifer Gonzalez. He commented that the Executive Director and Mary Pichetti, the Director of Capital Planning, did a wonderful job explaining the process of the MSBA.

### **Project Overview Report**

Next, the Director of Capital Planning presented a PowerPoint, including a summary of bid data. She summarized available data for anticipated bids for the 2017 calendar year noting that this information is preliminary. She reported that eight out of 11 Core Program projects received a bid in 2017 and seven of the eight bids came in within the estimated budget. As part of her presentation, the Director of Capital Planning presented a chart on bid data for the projects in the MSBA Capital Pipeline. She then provided bid data for the MSBA's Accelerated Repair Program. She explained that for the 2016 Accelerated Repair Program, 18 of the 27 reported projects came in within the estimated budget. She explained that eight of the remaining 21 projects will bid by the end of October 2017.

The Director of Capital Planning then explained that additional information has been included in the Project Overview Report. She noted that the MSBA included a section on activities that are scheduled for Fiscal Year 2018 and an Appendix E, which includes Fiscal Year 2018 projects that are substantially complete.

Next, the MSBA Director of Project Management John Jumpe and Assistant Project Manager Autumn Waldron presented a chart on school construction costs and reviewed the three new data types that were added to the chart.

Then, Mr. Sullivan arrived at the meeting and apologized for being late. He commented that he wanted to compliment the Chairman, Mr. McCarthy and Mr. MacDonald on this initiative. He noted that this chart demonstrates that the MSBA is exploring the issue of rising construction costs in Massachusetts.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

The Chairman commented that the MSBA has seen a wide range in project costs and sometimes there is an outlier due to the site work costs of a particular project. She noted that it was good to see that the cost outcomes on the chart are lower than the estimates.

Mr. Sullivan commented that this chart serves as a valuable tool for municipal leaders, especially for those in finance. He noted that this is a great innovation.

Then, the Chairman stepped out of the meeting briefly and her designee, James MacDonald, presided over a brief portion of the meeting.

## **Finance**

### **Sales Tax Collection Update**

MSBA Financial Administration Manager, Julie Leonard, presented a PowerPoint and provided a SMART Fund update explaining that FY 18 collections through September 2017 are \$2.180 million (1.06%) higher than FY17 collections during the same period. FY 18 Consensus Revenue Estimate of \$841 million would represent growth of 2.96% over the FY 17 unaudited amount.

She presented a slide with a graphical depiction of FY 15 - FY 18 monthly SMART fund collections, and then quarterly SMART collections from FY 13 - FY 18, followed by SMART collections by year from FY 13 - FY 18.

### **Grant Payments Update**

MSBA Treasurer Gianpiero Tirella provided an update regarding MSBA grant payments for projects, noting that the MSBA has made \$169,674,963 in grant payments to date in Fiscal Year 2018. This is for 184 Capital Pipeline Program, Prior Grant, and Waiting List projects in 124 districts.

### **Guidelines for Use of Unrestricted Funds**

Jennifer Gonzalez, the MSBA's Chief Financial Officer, spoke about the MSBA's revised Guidelines for Use of Unrestricted Funds, which were presented at the May 12, 2017 Board meeting. She explained that MSBA staff prepared these Guidelines to provide a framework for the scope of and priorities for current expenditures and potential new initiatives. The Guidelines informed the recommendations for the FY 17 and FY 18 financing plans and budget recommendations. The Guidelines will also be a resource for FY 19 and beyond.

### **Results of Procurements**

Ken Wissman, the MSBA's Chief Financial Advisor, spoke about several procurements that the MSBA has recently conducted. He explained that in July 2017, the MSBA posted a procurement for Legal Services Related to the Issuance of Debt, specifically for firms that are interested in providing bond counsel, disclosure counsel, or underwriters' counsel services. Six firms submitted responses to the request: Darrow Everett, Greenberg Traurig, Hinckley Allen, Locke Lord, McCarter & English, and Mintz Levin. After completing an evaluation of the responses, the Procurement Management Team for this procurement recommends establishing three pools of qualified firms to provide these services to the MSBA. The information provided to the Board lists the firms that will be in the Bond Counsel pool, Disclosure Counsel pool, and the Underwriters' Counsel pool.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Attorneys from all the firms selected for a pool have previously provided service to the MSBA or served as Underwriters' Counsel on an MSBA transaction.

Next, Mr. Wissman explained that in August 2017, the MSBA posted a procurement for Debt Management and Investment Management services. Six firms submitted responses to the request: Acacia Financial Group, Inc., FirstSouthwest, Frasca & Associates, LLC, Omnicap, PFM Financial Advisors LLC, and PRAG. After completing an evaluation of the responses, the Procurement Management Team recommends establishing a Debt Management pool and an Investment Management pool. The information provided to the Board lists the firms that will be in these pools.

Last, Mr. Wissman spoke about the procurement for Investment Banking Services which the MSBA posted in August 2017. Twenty-seven firms submitted responses to the request. After completing an evaluation of the responses, the Procurement Management Team plans to meet to establish a Senior Manager Pool, a Co-Manager pool, and a Selling Group. The MSBA will provide an update once these pools have been established.

There was some brief general discussion about the procurements.

### **FY 2018 Finance Plan: Takeout of Commercial Paper, New Money, Refunding, and Defeasance Authorization**

MSBA Chief Financial Officer Jennifer Gonzalez provided the Board with an overview of the MSBA's FY 2018 Finance Plan, which includes fixing out an interim borrowing, raising new funds for grants, reducing the cost of existing debt and a measure to strengthen our credit profile. The Finance Plan is also detailed in a memorandum to the Board.

Through her presentation and the materials provided to the Board members, Ms. Gonzalez explained that, to date, the MSBA has issued \$7.29 billion of "new money" bonds to support the MSBA's grant programs and approximately \$2.98 billion of refunding bonds to reduce interest costs associated with previously issued bonds. As of October 1, 2017 the MSBA had \$5.75 billion bonds outstanding.

Ms. Gonzalez then spoke about the MSBA's plans to refinance the \$450 million of Tax-exempt Commercial Paper that the MSBA issued in 2015. She explained that the MSBA expects to do this in January 2018 and team will provide more information at the December Board meeting.

Next, Ms. Gonzalez explained that when looking ahead to FY 2019, staff projects that the MSBA will need to issue approximately \$500 million of new debt to provide funding for anticipated FY 2019 capital grants. Today there is a vote for a debt authorization for \$500 million. This debt will not be issued until late FY 2018 or possibly deferred into early FY2019 depending on market conditions.

Ms. Gonzalez also spoke about the MSBA's practice of continuously monitoring potential savings from executing a refunding. The ongoing occurrence of low interest rates indicates the Authority may be able again to realize significant debt service savings through the issuance of refunding bonds on some of the MSBA's outstanding callable debt and MSBA staff recommends that the MSBA prepare for the execution of an advanced refunding with an authorization to issue an aggregate principal amount up to \$750 million of refunding bonds in one or more series of refunding debt issuances. The refunding will not take place until 2018 and is subject to market conditions.

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

Ms. Gonzalez also explained that staff is analyzing doing a portion of the Commercial Paper takeout and refunding on a subordinate lien basis. This would be done to improve the MSBA senior coverage ratio. By issuing refunding debt on a subordinate lien basis the rating agencies would be able to calculate our senior coverage ratio at over two times coverage. Being greater than two times coverage is important in maintaining our current ratings. The downside of a subordinate lien is a higher interest cost of about 5-10 basis points required to issue the debt and a somewhat lower savings from the refunding.

In addition to the debt authorizations, MSBA staff is also requesting an authorization to defease some existing debt in order to improve our Debt Service Coverage Ratio and be viewed as a stronger credit. The existing debt to defease are maturities in the 2015 Series C and the 2016 Series A debt issues. This defeasance is projected to improve the MSBA's DSCR by approximately nine points from the current 2.33 to 2.42. The defeasance is planned to be completed before the MSBA's next meetings with the rating agencies expected in December.

The Chairman then explained that there are three votes today to support the MSBA's Finance Plan. She then asked for a motion to provide for the issuance by the Authority of one or more series of dedicated sales tax bonds. The following motion was made by Mr. Sullivan and seconded by Ms. Vanderhoef:

**Authorization to Provide for the Issuance by the Authority  
of One or More Series of Dedicated Sales Tax Bonds**

VOTED: The Executive Director is hereby authorized to provide for the issuance by the Authority of one or more series of Dedicated Sales Tax Bonds (the "Bonds") pursuant to Section 206 of the Trust Agreement dated as of August 1, 2005 (as amended, supplemented and restated, the "Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") in an aggregate principal amount not to exceed \$500,000,000, and in furtherance thereof the Executive Director, with respect to the Bonds, is hereby delegated all powers of the Authority under Section 3B of Chapter 70B of the Massachusetts General Laws.

VOTED: The Executive Director and such other officers of the Authority as the Executive Director may designate, acting singly, upon the advice of the Authority's bond counsel or disclosure counsel, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable in connection with the issuance of the Bonds, including without limitation a purchase contract providing for the sale of the Bonds, a preliminary and final official statement with respect to the Bonds, continuing disclosure agreements, and one or more supplemental trust agreements.

There was a brief discussion about this debt issue and it was noted that the MSBA will maintain a coverage ratio of two times coverage.

**VOTE:** *There being no further questions or comments, the Board approved the Motion by majority – 6 in favor, 0 abstaining.*

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

The Chairman asked for a motion to provide for the issuance by the Authority of one or more series of senior or subordinate dedicated sales tax refunding bonds. The following motion was made by Mr. Sullivan and seconded by Mr. Cronin:

**Authorization to Provide for the Issuance by the Authority of One or More Series of Senior or Subordinate Dedicated Sales Tax Refunding Bonds**

VOTED: To authorize the Executive Director to provide for the issuance by the Authority of one or more series of senior or subordinate Dedicated Sales Tax Refunding Bonds, (the "Refunding Bonds") pursuant to Section 207 of the Trust Agreement dated as of August 1, 2005 (as amended, supplemented and restated, the "Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") in an aggregate principal amount not to exceed \$750,000,000 for the purpose of refunding all or a portion of the Authority's outstanding Dedicated Sales Tax Bonds, 2011 Series B (the "2011B Bonds"), and providing for costs of issuance of the Refunding Bonds, and in furtherance thereof the Executive Director, with respect to the issuance of the Refunding Bonds and all other transactions contemplated hereby, is hereby delegated all powers of the Authority under Section 3B of Chapter 70B of the Massachusetts General Laws, provided that the present value of the aggregate debt service savings associated with the Refunding Bonds shall be at least 6% of the principal amount of the Refunding Bonds and provided, further, that the proceeds of the Refunding Bonds may be deposited in a refunding escrow.

VOTED: To authorize the Executive Director and such other officers of the Authority as the Executive Director may designate, acting singly, upon the advice of the Authority's bond counsel or disclosure counsel, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable in connection with the issuance of the Refunding Bonds and/or purchase or redemption of the 2011B Bonds, including without limitation a purchase contract providing for the sale of the Refunding Bonds, a preliminary and final official statement with respect to the Refunding Bonds, continuing disclosure agreements, one or more supplemental trust agreements, one or more refunding escrow agreements, and one or more agreements providing for the investment of the proceeds of the Refunding Bonds.

*VOTE: There being no questions or comments, the Board approved the Motion by majority – 6 in favor, 0 abstaining.*

The Chairman asked for a motion to provide for the cash defeasance of outstanding bonds of the Authority. The following motion was made by Mr. Sullivan and seconded by Ms. Vanderhoef:

**Authorization to Provide for the Cash Defeasance of Outstanding Bonds of the Authority**

VOTED: To authorize the Executive Director to apply available moneys of the Authority to the cash defeasance of a portion of the Authority's outstanding Senior Dedicated Sales Tax Refunding Bonds, 2015 Series C (the "2015C Bonds") and a portion of the Authority's outstanding Senior Dedicated Sales Tax Bonds, 2016 Series A (the "2016A Bonds") in an principal amount not to exceed \$80,000,000, and in

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

furtherance thereof the Executive Director, with respect to the cash defeasance, is hereby delegated all powers of the Authority under Section 3B of Chapter 70B of the Massachusetts General Laws.

**VOTED:** To authorize the Executive Director and such other officers of the Authority as the Executive Director may designate, acting singly, upon the advice of the Authority's bond counsel, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable in connection with the cash defeasance of a portion of the 2015C Bonds and the 2016A Bonds, including without limitation one or more defeasance escrow agreements, and one or more agreements providing for the investment of moneys made available for cash defeasance.

**VOTE:** *There being no questions or comments, the Board approved the Motion by majority – 6 in favor, 0 abstaining.*

There was a general discussion among Board members and MSBA staff regarding the relationship between the Commonwealth's and other state agency bond ratings and the MSBA's ratings.

### **FY 18 Budget Update**

MSBA Chief Financial Officer Jennifer Gonzalez provided the Board with a FY 18 year-to-date budget update. She presented a PowerPoint and provided a summary of the Administrative, Operations and Grant Programs Budgets and the Capital Pipeline Professional Support Services Budget for FY 18 with a summary of expenditures to date. She presented a chart with information regarding debt service paid and sinking fund deposits, along with a projected Sources and Uses chart.

There was a brief discussion about the MSBA's practice of fully funding its OPEB liability, and Board members commended the MSBA for continuing this practice.

The meeting was adjourned at 12:15 p.m.

List of documents and exhibits used at the meeting:

- PowerPoint Presentation
- August 23, 2017 Board Meeting Minutes
- Invitation to Feasibility Study
- Preferred Schematic Design Recommendations
- Project Scope and Budget Phase Recommendation
- Audit Status Report
- Recommendation for Approval of Final Audits, Capital Pipeline Program
- Executive Director Report
- Project Overview Report
- Sales Tax Update
- Grant Payments Update
- Results of Finance Procurements
- FY18 Financial Plan: Takeout of Commercial Paper, New Money, Refunding, and Defeasance Authorization

*The October 25, 2017 Board Meeting minutes were approved by the MSBA's Board of Directors on December 13, 2017.*

- FY18 Budget Update