MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority

FROM: Jim MacDonald, Chief Executive Officer and John K. McCarthy, Executive Director, Deputy Chief Executive Officer

DATE: December 3, 2019

RE: 2019 Series B Taxable Advance Refunding Bonds – Final Results

---

Pursuant to the Board voting to approve additional authorization to issue refunding bonds, on November 6, 2019 the MSBA issued $715,420,000 of Subordinate Lien Taxable Advance Refunding Bonds to refund its 2011B bonds outstanding and currently callable in 2021. The 2011B bonds were originally issued as Senior Lien bonds. The bonds were issued with a 10-year par call and closed (or were funded) on Wednesday, November 20, 2019. The bonds were structured with $127,105,000 of non-callable serial bonds through October 15, 2029, $215,950,000 of callable serial bonds from October 15, 2030 through 2034, and one callable term bond of $372,365,000 due in 2040. Similar to the Authority's recent new money issue in July 2019, a significant percentage of the bonds issued were on the long end, an advantage due to historically low rates and resulting in a further flattening of the Authority's overall debt profile, creating additional capacity by reducing debt service costs in earlier years and smoothing them in the out years.

As the 2019 B refunding bonds were issued as Subordinate Lien and do not require a debt service reserve fund, the MSBA was able to release the debt service reserve fund associated with the 2011B bonds and by doing so reduced the par amount of the refunding bonds by a total of $82,520,000. The 2011B debt service reserve fund ($79,055,000) had been invested in municipal securities (Commonwealth Transportation Fund Revenue Bonds and Boston Water and Sewer Bonds) and when liquidated generated a premium of $3,465,847, that, in addition to other available moneys in the 2011B debt service fund (due to the timing) reduced the overall par amount of the refunding bonds by $86,119,814.

The Authority realized net present value savings on the refunding of $135,173,788 a net present value percentage savings of over 18%. The all-in TIC of the refunding bonds was 3.243%. On a gross basis, the Authority is saving just under $9 million annually in debt service costs, a total on a gross basis of $192,537,622.

Bank of America was the bookrunning senior manager on the transaction, there were two co-senior managers (Barclays and Ramirez) and 7 co-managers: Citi, Goldman, Jeffries, Morgan Stanley, RBC, UBS and Wells Fargo). Public Financial Management (PFM) served as the Authority's financial advisor on the transaction and Omnicap served as the bidding agent for the escrow related to and established for the refunded bonds. The escrow is invested in treasury notes, which yielded a benefit to the Authority of $444,721 as compared to State and Local Government Securities (SLGS).

The MSBA's next debt issue (for new money) is not expected until mid-late FY20.