

MEMORANDUM

To: Board of Directors, Massachusetts School Building Authority
From: James MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
Date: December 7, 2021
Subject: Debt Management, Compliance and Continuing Disclosure Policy

The State Finance Governance Board (“SFGB”) regulations 976 CMR 2.01-2.08 require certain Massachusetts entities issuing debt to periodically approve and file a debt management policy with the SFGB. The regulations require that the governing board of the issuer formally adopt the policy every two years. The MSBA’s Board of Directors (“Board”) voted to adopt the Authority’s current debt management policy at its December 2019 Board meeting. The SFGB regulations require issuers to file the debt management policies in even-numbered years beginning in 2012.

Staff has reviewed recent changes that have occurred in tax and disclosure regulations that impact the MSBA’s compliance obligations, the relevant provisions of MSBA’s existing policy, as well as the policies and best practices of other similar quasi-public entities. The Authority’s overall debt management policy includes required tax compliance and continuing disclosure obligations. Aside from compliance with all tax and continuing disclosure requirements pertaining to the issuance of tax-exempt debt, the MSBA’s overall debt management strategy is the long-term leveraging of its assets, including its high credit rating, to maintain:

- Debt service levels as uniformly as possible
- Debt coverage ratios at a minimum of two times maximum annual debt service
- Achieving the lowest cost financing
- Refunding and/or defeasing outstanding debt as opportunities arise due to low interest rate environments and/or surplus revenues, when available
- Utilization of paygo for its capital grant program to manage the overall level of debt service and reduce fixed costs over the long-term
- Pursuant to its Investment Management Policy, maximizing interest earnings to further offset the amount of debt issued to fund capital projects

Staff reviews and monitors the MSBA’s Debt Management, Compliance and Continuing Disclosure Policy periodically to ensure that its related policies and procedures continue to include key aspects of effective debt management and meet tax and continuing disclosure requirements.

Staff will file the updated policy with the SGFB, prior to March 31, following an affirmative vote of the Board.