

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: John K. McCarthy
DATE: May 27, 2015
RE: 2015 Series B Bonds Issuance – Update

At the March 25, 2015 meeting of the Massachusetts School Building Authority (“MSBA”) Board of Directors (“Board”), staff informed the Board of the MSBA’s competitive sale of bonds that was anticipated to be sold prior to the end of May in preparation for the maturity of the 2014 Series A bond anticipation notes that will mature on July 16, 2015.

On May 5, 2015, the MSBA sold a par amount of \$300,190,000 2015 Series B Bonds via competitive bid. The 2015 Series B Bonds were issued with a ten year call at par, and received ratings of AA+, Aa2, and AA+ by Fitch, Moody’s, and S&P, respectively. The issue was structured with approximately \$66 million of bonds maturing in years 2016-2025, \$96 million of bonds maturing in years 2026-2035, and \$138 million of bonds maturing in years 2036-2045. A debt service reserve fund was established for this series in the amount of \$11,032,465.

There were bids received from 8 different bidders for the purchase of the 2015 Series B bonds. The 8 bids ranged from a true interest cost of 3.6701% to 3.7408%. 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. Citigroup submitted the bid with the lowest true interest cost at 3.6701%, and was awarded the purchase of the bonds.

The 2015 Series B bonds will require that interest and principal set-asides be made monthly by the trustee before sales tax revenues are transferred to the MSBA, which is a requirement for all of the senior lien bonds issued by the MSBA to date. The interest on the outstanding bonds will be paid semi-annually to bondholders on January 15 and July 15, with the first interest payment due January 15, 2016. The principal of maturing bonds will be paid on January 15 in the year of maturity, with the first principal payment due on January 15, 2016.

Following the close of the transaction on May 19, 2015, the trustee holds the funds that will be available to pay the debt service for the 2014 Series A notes upon their maturity on July 16, 2015.