

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: October 20, 2020

RE: 2020 Series C Taxable Advance Refunding Bonds – Final Results

At its February 13, 2020 meeting, the MSBA Board authorized the issuance of up to \$500 million in new money to fund capital grants and up to \$1.5 billion of refunding bonds. Following the issuance of the MSBA's 2020 A tax-exempt new money and 2020 B taxable advance refunding bonds in July 2020, the Authority was able to take advantage of continuing favorable market conditions to refund additional bonds pursuant to the remaining \$400 million in refunding authorization. On September 30, 2020, the Authority held a competitive bid for the issuance of \$389,460,000 million in taxable advance refunding bonds, pursuant to the MSBA's Senior Lien. The bonds closed October 8, 2020. All three rating agencies affirmed the MSBA's current ratings on its senior lien debt (Moody's Aa2 Stable; Standard & Poor's AA+ Stable; and Fitch Ratings AAA Stable). PFM Financial Advisors served as the Authority's financial advisor and Omnicap LLC served as bidding agent for the transaction.

The Authority was able to refund all the remaining bonds outstanding from its 2013A Bonds. The refunding bonds were structured with a 10-year par call for bonds maturing after May 15, 2030, which was approximately \$361 million of the total amount of bonds refunded. The Authority received 7 bids. Jeffries submitting the winning bid at all-in TIC of 2.908%; the bonds had an average life of almost 20 years, so the bonds were mostly long dated. The Authority realized net present value dollar savings of approximately \$81 million, and a net present value percentage savings of over 20.3%.

Additionally, of the total debt service reserve funds associated with the 2013A Bonds, approximately \$16.7 was transferred to a debt service reserve fund for the 2020C refunding bonds, and the Authority was able to utilize the balance of that reserve fund to reduce the amount of bond proceeds needed to fully refund the 2013A Bonds.

Finally, as the issuance of the MSBA's 2020C Taxable Advance Refunding Bonds utilized the remainder of borrowing authorization granted at the February Board meeting, and market conditions remain extremely favorable, the Authority is seeking a vote of the Board at this meeting to put into place bonding authorization so that it may take advantage of very low interest rates, as well as any opportunities to refund more of its outstanding debt for additional debt service savings.