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: August 18, 2020

RE: 2020 Series A Tax-Exempt New Money Bonds/2020 Series B Taxable Advance Refunding Bonds – Final Results

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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. On June 30, 2020, the Authority issued $350 million in new money bonds, and approximately $1.1 billion in taxable advance refunding bonds. Both transactions were pursuant to the MSBA's Senior Lien and closed July 15, 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 for both transactions.

Additionally, the 2020 Series A and B Bonds were designated as "Social Bonds" as proceeds of the bonds finance (and refinance) "Social Projects" a definition based on the social benefits of ensuring inclusive and equitable quality education and promotion of lifelong learning opportunities for all. This designation provides a marketing advantage for attracting investors who are looking to purchase bonds with a social, environmental and/or or good governmental impact of the projects they fund. With this designation, approximately $43 million in bonds were purchased by such investors.

2020 Series A Tax-Exempt New Money Bonds

The Authority issued $350 million in par amount and received approximately $440.5 million in proceeds available for grant payments to Districts in FY21. The bonds were long-dated and mature from years 2031 to 2050 with an average life of 22 years and an all-in TIC of 3.019809%. The bonds were structured with a 10-year par call and wrapped around the 2020 Series B refunding bonds as the maturity of those bonds was required to be structured over the first 10 years (2021-2031). The specific objective was to smooth overall debt service payments in those years and manage the MSBA's debt service coverage levels (maximum annual debt service coverage of 2.22x in FY 2033).

Bank of America and UBS served as co-senior bookrunning managers, and JP Morgan, Ramirez, RBC Capital Markets and Stifel served as co-managers on the transaction. All were selected through a competitive RFP process.

2020 Series B Taxable Advance Refunding Bonds

The Authority issued $1,094,915,000 of Taxable Advance Refunding Bonds to refund approximately $302 million of its 2012 Series A Bonds, $591 million of its 2012 Series B Bonds (both callable in 2022) and $96.2 million of its 2013 Series A Bonds, callable in 2023. The refunding bonds were structured with a 10-year par call for bonds maturing after August 15, 2030. The all-in TIC was 1.491297%, with an average life of 6.89 years. The Authority realized net present value savings of approximately $200 million, a net present value percentage savings of over 20%.

Additionally, the Authority was able to utilize the debt service reserve funds pledged to the 2012 Series A and 2012 Series B Bonds (specifically $200 million invested in a guaranteed investment contract (or GIC) with MassMutual, maturing in 2022), by transferring a portion of these funds to meet the debt service reserve requirement for the 2020A and 2020B bonds through 2022; at which point the debt service reserve requirement for the bonds is structured to go to $0 and the monies deposited in the fund will become available to defease a portion of the 2012A, 2012B and 2013A Bonds that will be callable and remain outstanding. In this way, the Authority enhanced the overall efficiency and savings in both transactions by eliminating the need to issue additional bonds to fund their debt service reserve requirements.

Citigroup served as senior book-running manager, Goldman Sachs and Morgan Stanley served as co-senior managers, and Barclays, Jefferies, Siebert Williams Shank and Wells Fargo Securities served as co-managers on the transaction. All were selected through a competitive RFP process.