

**MINUTES OF THE MEETING OF THE
UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY**

Wednesday, June 5, 2019; 11:30 a.m.

University of Massachusetts Club

One Beacon Street, 32nd Floor

Presidential Parlor

Boston, MA

Annual Meeting

Members Present: Chairman, Victor Woolridge; Vice Chair, Gerry-Lynn Darcy, Members, Mary Burns, Michael O'Brien, Kelly O'Neill, Christopher Philbin, and Charles Wu.

Building Authority Personnel: Patricia Filippone, Executive Director; David P. Mullen, Deputy Director/General Counsel; Maggie Drouineaud, Compliance Analyst; Carl Erickson, Senior Project Manager; Katrina McKee, Accounting Manager; Joseph Naughton, Director of Capital Projects; Ed Nolan, Interim Chief Financial Officer; Charlie Paradie, Director of Pre-Construction Project Planning; Patti Vantine, Capital Projects Coordinator; Michael Wilson, Treasurer and Budget Director; and Barbarann Finocchiaro, Office Manager.

University Personnel: Matt Gorzkowicz, Assistant Vice President for Planning and Accountability; Kathleen Kirleis, Vice-Chancellor for Administration and Finance UMass Boston; Andy Mangels, Vice Chancellor of Administration & Finance UMass Amherst; Shane Conklin, Associate Vice Chancellor of Fac. & Campus Services.

Chairman Woolridge convened the meeting at 11:35 a.m.

Report of the Chairman:

Chairman Woolridge opened his remarks by wishing everyone a good morning. Chairman Woolridge mentioned that as Executive Director Filippone had previously notified the Board, the 2019-1 Refunding Bond Transaction was issued on March 28, 2019. He noted that Executive Director Filippone will review the results during her debt portfolio update. Chairman Woolridge congratulated Patricia Filippone, Lisa Calise and both of their teams for their efforts in getting this together. He stated that it was a great example of teamwork and fantastic news for the University.

Chairman Woolridge introduced the Building Authority's new Accounting Manager, Katrina McKee who joined the finance team on April 1st. Katrina comes to the Building Authority from the Metropolitan Area Planning Council. He also stated that Ms. McKee was previously employed at Grant Thornton. While at Grant Thornton, Ms. McKee, was involved with UMass Dartmouth and UMass Boston's campus audits for the System's financial statements. Chairman Woolridge introduced Ed Nolan who has joined the Building Authority as the interim Chief Financial Officer. Chairman Woolridge stated that along with Josette Farnham, the new Controller, Ms. McKee and Mr. Nolan will help the Building Authority with this year's audit.

Chairman Woolridge said that Carl Erickson would review the proposed FY20 Budget and the FY19 projected financial results.

Chairman Woolridge noted that there were three policies on the agenda for discussion. Executive Director Filippone would give some background on the Debt and Investment Policies while Deputy Director/General Counsel Mullen would speak on the MBE/WBE policy.

Chairman Woolridge mentioned that there are three Committee updates. Mary Burns would provide the update on the Audit Committee meeting that took place on May 29, 2019. Gerry-Lynn Darcy would provide the update on the two Financing Strategies Committee meetings that have taken place since the last Building Authority Board Meeting. Lastly, Charilie Wu would provide an update from the Nominating Committee meeting which took place prior to today's Board Meeting. Chairman Woolridge also stated that Charlie Wu would present the slate of officer's to be voted on for the upcoming year at this annual meeting.

Chairman Woolridge noted that as was done at the March Building Authority Board Meeting, the Board would handle the Capital Project Updates as information only and that reports were provided in the Board packages.

Lastly, Chairman Woolridge stated that the Building Authority Board would go into Executive Session to discuss real estate issues.

Chairman Woolridge turned the meeting over to Executive Director Filippone for her remarks.

Report of the Executive Director:

Executive Director Filippone opened her remarks by stating that with all commencements completed, the campuses are all very busy with construction projects. Executive Director Filippone mentioned that works continues on Worcester Commons, the Student Union and the McGuirk Stadium upgraded on the Amherst campus. She mentioned that the Boston campus has wrapped up the UCRR landscaping work prior to commencement. Also mentioned by Executive Director Filippone was the REAB work which is progressing and the SDQD design continues. Executive Director Filippone stated that UMass Dartmouth's Residence Hall/Dining Facility is progressing. Lastly, it was mentioned that work continues on Coburn and Olsen Halls at UMass Lowell.

Executive Director Filippone noted that Capstone Development Partners was selected to receive the 2019 Innovator Award as the "Best Public-Private Partnership Development" for the UMass Boston Residential and Dining Community by Student Housing Business. This project was selected from 170 student housing developments which was a wonderful recognition of the vision, planning, direction and oversight of the project.

Executive Director Filippone noted that on or about December 20, 2017, the Building Authority joined a class action involving LIBOR Based Financial Instruments Antitrust Litigation against Deutsche Bank, Citibank and UBS. She mentioned that Dave Mullen has been monitoring the class action settlement proceeding for the Building Authority. Executive Director Filippone stated that in September of 2018 the Building Authority received a check in the amount of \$610,849.53 from the Deutsche Bank settlement. She also stated that the Building Authority has received notice that it will receive \$1,423,381.75 for the Citibank settlement. Executive Director

Filippone stated that the UBS settlement should be concluded by the end of the summer and that she may be able to provide more information by the September board meeting.

Executive Director Filippone stated that in September, the Building Authority will request approval to finance approximately \$250 million project costs scheduled to be issued in January 2020. Executive Director Filippone also stated that at the end of May, the Building Authority has approximately \$157 million of bond proceeds on hand and approximately \$85 million of unused commercial paper capacity. Executive Director Filippone said that the Building Authority will hire an independent financial advisor this summer to work with the Amherst and Lowell campuses to look at their respective debt portfolios to recommend the best strategy in amortizing debt.

Lastly, Executive Director Filippone mentioned that the selected developer for the Bayside, along with the Building Authority and UMass representatives continue to negotiate the terms of the lease and that discussions have been going well.

Executive Director Filippone turned the meeting back to Chairman Woolridge.

Approval of the Minutes:

Chairman Woolridge asked for a motion to approve the minutes of the March 27, 2019 Board Meeting.

It was moved, seconded and unanimously

VOTED: To approve the minutes from the March 27, 2019 Board Meeting.

Chairman Woolridge asked Carl Erickson and Michael Wilson to provide an update on the Financial Report.

Financial Report

Carl Erickson and Michael Wilson were present for the FY20 operating budget. Carl opened the discussion noting that the budget being presented for approval; was previously presented and discussed at the Board's March 27th meeting in advance of seeking approval today. Carl reported that the FY20 operating budget before the Board is unchanged with the exception of two line items. Property insurance coverage was finalized and is \$100,000 less than estimated in March. Policy coverage has been bound and renewed 4/1/2019; and other consulting services were increased to account for the hiring of an Interim CFO as a result of the departure of the previous CFO as reported in March. These two change result in a net increase of \$53,000 from what was reviewed in March.

Mr. Erickson asked if there were specific questions or if the Board wanted a recap or highlight of the budget from March. Chairman Woolridge requested that an update be provided.

Mr. Erickson continued the presentation highlighting FY20 revenue and expenses are \$226.8 million; an increase of 0.9% or \$2.13 million compared to the FY19 budget. Debt service, which accounts for 96% of the budget, is \$217.0 million for FY20. Operating expenses are \$9.76 million, a net increase of 9.9%, or \$878,400 compared to the FY19 budget. Carl noted that insurance, which is a fixed cost, accounts for more than half of the increase from FY19. Premiums for property coverage is the major driver of the insurance increase and driven by an

increase in the insurance rate, insured values and addition of new properties. Compensation & Benefits are projected to increase by 8% compared to the FY2019 budget. The increase is comprised of funding of the new Accounting Manager position; an allowance for any merit increases in FY2020, and updated fringe rate and payroll tax as provided by the Group Insurance Commission. Carl closed noting that the balance of line items are level funded from FY19 to FY20.

Mr. Philbin asked if professional services are underspending in FY19, why level fund for FY20. Carl responded that the level of professional services needed each year can vary depending on projects with the Campuses. A bench or pool of consultants is available as needed and only paid for services provided, not on retainer. Executive Director Filippone further clarified that P3 projects planned for FY19 were not done and are expected in FY20.

Mr. Philbin also asked if the merit increase included in the operating budget is consistent with increases at the Campuses. Executive Director Filippone confirmed that it is and that any increases would only be done consistent with the President's Office.

Chairman Woolridge asked for a motion to approve the FY20 Budget.

It was moved, seconded and unanimously

VOTED: To approve the FY20 Budget.

Chairman Woolridge asked Executive Director Filippone to give an update on the Debt Portfolio.

Executive Director Filippone stated that the Building Authority has determined that it would be advantageous to extend the current liquidity facility commitments. The Building Authority has the following liquidity facilities for variable rate bonds:

- 2008-A originally maturing 4/15/19 with a current commitment amount of \$19,265,852 has been extended to July 6, 2022. The rate is 29 bps, which reflects no increase.
- 2008-1 originally maturing 4/22/19 with a current commitment amount of \$173,143,221 has been extended to July 6, 2022. The rate is 29 bps, which reflects no increase.
- 2011-1 originally maturing 7/9/19 with a current commitment amount of \$131,053,940 has been negotiated for a three year extension. UMBA has extended it to July 9, 2022. The rate is 32 bps, which reflects no increase.

The Building Authority also continues to take steps to extend or replace the liquidity facilities for the commercial paper programs:

- 2013-A Commercial Paper maturing 8/12/19 with a current commitment amount of \$136,095,891 has been negotiated for a three year extension. The new rate is 31 bps, a decrease from 35 bps.
- 2013-B Commercial Paper maturing 8/12/19 with a current commitment amount of \$81,657,535 has been negotiated for a three year extension. The new rate is 31 bps, a decrease from 31.5 bps.

Executive Director Filippone gave a brief update on the Series 2009-2 Build America Bonds. She noted that on March 28, 2019 the Building Authority was issued \$208.7 million in tax-exempt refunding bonds in order to refund \$254.9 million in existing University debt. The net present value savings represent \$41.7 million or over 16 percent of the par value of the refunded bonds. These savings will be recognized in the future debt service payments of each campus from 2020 through 2039. The all-in cost of the 2019-1 debt is 2.866% as compared to 3.146% on the 2009-2 debt.

Policy Discussion

Chairman Woolridge asked Executive Director Filippone to give an update on the Debt Management Policy and Investment Policy. Chairman Woolridge also asked Deputy Director/General Counsel Mullen to give an update on the MBE/WBE Policy.

Executive Director Filippone stated that each of the three policies need to be reviewed by the Building Authority Board members. She also stated that these policies need to be voted on every two years and that the Building Authority Board will be voting on these policies at the September Board meeting.

Executive Director Filippone stated that at this point in time, there is no need to change these policies. Executive Director Filippone also noted that the Building Authority's financial and investment advisors have reviewed the Debt Management Policy and the Investment Policy.

Deputy Director/General Counsel Mullen gave a brief update on the MBE/WBE policy. He noted that this particular policy was developed around 2010 – 2011 to provide access and opportunities for minorities and women on Building Authority projects. Mr. Mullen praised Maggie Drouineaud, Compliance Analyst, for her hard work out in the field. He noted that Ms. Drouineaud spends 2-3 days on campuses as well as out in the Springfield area making sure that the goals of the Building Authority are met. Mr. Mullen said that what the Building Authority does not only is compliant but far exceeds its expectations.

Chairman Woolridge asked Mary Burns to provide her update on the Audit Committee meeting.

Report of the Committees

Mary Burns stated that the Audit Committee met on May 29, 2019; however, because there was not a quorum, no meeting was on record. Ms. Burns did state that the State Auditors informed the Committee that their audit is almost complete. Ms. Burns also noted that KPMG has started the 2019 audit.

Chairman Woolridge asked Gerry-Lynn Darcy to provide her update on the Financing Strategies Committee meetings.

Ms. Darcy stated that since the March Board meeting the Financing Strategies Committee has had two meetings. Ms. Darcy said that the Financing Strategies Committee met on April 3, 2019 out at the UMass Medical School after the UMass Board of Trustees meeting. Three of the campuses including Amherst, Dartmouth and Lowell presented to the Committee. Ms. Darcy said that UMass Amherst has been looking at alternative financing options for two residential

projects, new residences for undergraduate students and replacement housing for the Graduate Housing. She noted that Provost John McCarthy, Vice Chancellor Mangles and Associate Vice Chancellor Conklin presented the Quantitative Analysis that the Building Authority had request. Ms. Darcy said that this project will move to a Vote 2 at the Board of Trustees meeting in July.

Ms. Darcy mentioned that Chancellor Johnson and his UMass Dartmouth team presented a new proposal for an Ice Rink and Field House. Chancellor Moloney and her team from UMass Lowell presented a new proposal for the Tsongas Center Annex. This Annex would create a second sheet of ice to accommodate UMass Lowell practices, Lowell High School ice time, and recreational uses for D1 basketball as well as up to 10 additional events per month. Ms. Darcy said that both of these projects will move to a Vote 1 with the Board of Trustees in July. A Vote 1 will allow the campuses to work with the Building Authority on performing due diligence to determine the financial feasibility of the project to determine whether it could be underwritten by a developer.

Ms. Darcy stated that earlier in the morning UMass Amherst present two real estate acquisitions which will be discussed in more detail during the Executive Session.

Chairman Woolridge asked Charlie Wu, Chairman of the Nominating Committee to provide an update on the Nominating Committee meeting which took place prior to today's Board meeting.

Chairman Wu stated that in attendance was himself, Gerry-Lynn Darcy, Henry Thomas and Victor Woolridge.

Chairman Wu stated that the following individuals were nominated for the 2019 slate of officers.

Victor Woolridge, Chairman

Gerry-Lynn Darcy, Co-Vice Chairman

Charlie Wu, Co-Vice Chairman

Mary Burns, Treasurer

Patricia Filippone, Assistant Secretary/Treasurer

Chairman Woolridge asked for a motion to approve the 2019 Slate of Officers.

It was moved, seconded and unanimously

VOTED: To approve the 2019 Slate of Officers.

With no further business to discuss in open session, Chairman Woolridge adjourned the meeting at 12:14 p.m.

At 12:14 p.m. there was a roll call vote to enter into Executive Session. It was also announced that the meeting would not return to open session.

It was moved, seconded and unanimously

VOTED: To end the meeting and enter into Executive Session.