MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
Mary L. Pichetti, Executive Director, Deputy Chief Executive Officer
DATE: February 17, 2026
RE: Authorization to Execute Defeasance

This memorandum summarizes staff's recommendation to proceed to execute a cash defeasance for a certain number of callable bonds through 2026.

As part of the 2025A and B Subordinate bonds, the MSBA utilized approximately $397.4 million in available funds and $2.9 million of debt service fund releases to execute a cash defeasance of $505 million of outstanding bonds in Series 2019B, Series 2020C (federally taxable) and Series 2021A (federally taxable). The MSBA utilizes cash defeasance of outstanding bonds to manage its aggregate debt service profile, improve coverage ratios, reduce debt service costs, and achieve net present value savings. The MSBA realized budgetary savings of $373.8 million and net present value savings of approximately $46.6 million and a net present value percentage savings of 9.218%.

After the issuance of the 2025A & B bonds, and to plan for 2026 and 2027 activities, we have reviewed the MSBA's debt portfolio and identified an additional opportunity for a cash defeasance, of a certain number of callable bonds, as identified in the table below:

Debt Series	Lien	Par Amount Outstanding	Call Date
2015B	Senior	$ 114,460,000.00	January 15, 2025
2016B	Senior	234,675,000.00	November 15, 2026
2016C	Senior	83,335,000.00	November 15, 2026
2018B	Subordinate	85,000,000.00	February 15, 2024
	Total	$ 517,470,000.00	

If all bonds identified are defeased, future debt service would be reduced by approximately $770 million in gross debt service through FY2047. This transaction would allow us to defease all the bonds that are callable through calendar year 2026, and plan for a new money and potential refunding transaction in 2027. Pending Board authorization, staff are prepared to proceed with the assistance of its selected financial advisor to evaluate and complete the defeasance anticipating completion by June 15, 2026.

Staff recommend that the Board authorize the Executive Director to take the steps necessary to effectuate a cash defeasance in an amount not to exceed $550 million.