MASSACHUSETTS DEVELOPMENT FINANCE AGENCY

**Meeting of the Board of Directors**

**Thursday, June 11, 2015**

**10:00 a.m.**

**M I N U T E S**

DIRECTORS PRESENT: Jay Ash, Chair

Gerald Cohen, Vice Chair

Dennis Kanin

Richard Kronish

April Lamoureux

Patricia McGovern

Jeffrey Porter

Jennifer Sullivan, Designee for Secretary of Administration & Finance

DIRECTORS ABSENT: David Abromowitz

Jay Hurley

Keon Holmes

Agency Staff: Marty Jones, President & CEO

Simon Gerlin, Chief Financial Officer

Patricia DeAngelis, General Counsel

Laura Canter, EVP, Finance Programs

Richard Henderson, EVP, Real Estate

Meg Delorier, Chief of Staff

Teresa Patten, Board Secretary

Victoria Stratton, Recording Secretary

Kelsey Abbruzzese

Emma Barton, Intern, Real Estate

Steve Chilton

Smriti Choudhuri, Intern, Legal

Joy Conway

Zach Greene

Anne Haynes

Thatcher Kezer

Noah Koretz

Doreen Lindsay

R.J. McGrail

Marcos Mello, Rappaport Fellow

Michael Miller

Jim Moore

Joe Mulligan

Leigh Natola

Natalie Perry, Rappaport Fellow

Lou Pransky

Abigail Raisz, Intern, Real Estate

Deborah Rosser

Kelsey Schiller, Intern, Communications

Lee Smith

Ed Starzec

Mark Sternman

Ellen Torres

Guests: Tom Potter, Clean Energy Development Director, Mass. Department of Environmental Protection (DEP)

A meeting of the Board of Directors of Massachusetts Development Finance Agency (“MassDevelopment” or the “Agency”) was held Thursday, June 11, 2015, at MassDevelopment’s offices, 99 High Street, Boston, Massachusetts, pursuant to notice duly given.

In the absence of the Chair, the Vice Chair welcomed everyone and, noting the presence of a quorum, he called the meeting to order at 10:00 a.m. He asked if there were any guests, and Mr. Potter introduced himself. Ms. Jones asked the interns to introduce themselves as well, and they did so.

[*Secretary’s Note: The paragraph numbers below refer to Tab numbers in the materials for the June Board and Committees meetings.*]

**Minutes**

**1. VOICE VOTE – Approval of Minutes (May 21, 2015)**

Attention was called to the revised Minutes provided today, which incorporate a clarification requested by Mr. Porter regarding the terms of the condition added by the Board at the May 2015 meeting to the loan approval of the ETF loan. Accordingly, the Chair asked for a vote to approve the Open Session Minutes of the May 21, 2015 Board Meeting and, upon motion duly made and seconded, it was unanimously

**VOICE VOTED:** That the Board of Directors approves the Minutes of the May 21, 2015 Board Meeting with Mr. Porter’s clarification incorporated.

**2. VOICE VOTE – Approval of Executive Session Minutes (May 21, 2015)**

Noting that the Board Secretary has advised that the matters in these Executive Session Minutes are not completed matters and that any comments regarding these Minutes must be reserved for Executive Session, the Vice Chair asked if there were any questions or comments on these Executive Session Minutes, and there were none. Therefore, he asked for a vote to approve the Minutes of the Executive Session of the May 21, 2015 Board Meeting and, upon motion duly made and seconded, it was unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the Executive Session Minutes of its May 21, 2015 Board Meeting.

*[Secretary’s Note: Mr. Ash was not present for the above two votes.]*

**President/CEO’s Report**

The President/CEO’s Report was postponed until later in the meeting.

**GENERAL MATTERS**

**3. VOICE VOTE – MassDevelopment FY2016 Agency Operating and Capital Budget**.

The presentation of this item was postponed until later in the meeting. See below.

At this time, Mr. Porter disclosed to the Board that the law firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (“Mintz”), of which he is a member, represents in other matters William Gallagher & Associates, which is MassDevelopment’s current insurance broker and a responder to a recently issued Request for Proposals (“RFP”) for insurance brokerage services. Therefore, he recused himself from any discussion, deliberation, and votes on this matter, and he left the room.

**4. VOTE – Delegated Authority to Award Contract for Insurance Brokerage Services**

After a brief introduction by Mr. Gerlin, Mr. Pransky described this request for the Board to provide delegated authority to the President and CEO to award a contract for insurance brokerage services to the most responsive bidder, pursuant to a Request for Proposals (“RFP”) that was issued May 5th and to which responses were due on June 5th; the responses are currently under review. He explained that William Gallagher & Associates has been the Agency’s insurance broker for more than eight years. Therefore, staff decided to issue a new RFP for insurance brokerage services with a refined scope of services, and based on the responses, it appears that this will likely result in substantially lower fees to the Agency, perhaps as much as $100,000 per year.

The Vice Chair asked whether the insurance brokerage services would include coverage for cyber theft and the answer was it will not, but the Agency is closely monitoring this issue and the cost of such insurance. The Vice Chair also wanted to know how frequently the Agency undergoes a risk analysis review and he wanted to know when the last review occurred. Mr. Gerlin advised that an extensive review was conducted in 2007 and a lighter review occurred in 2011. The Vice Chair recommended that an RFP be issued for a new risk analysis review and that, going forward, such reviews should occur routinely, every three years. The Vice Chair asked for a vote, and, upon motion duly made and seconded, it was unanimously

**VOTED:** That the Board of Directors of MassDevelopment delegates authority to the President and CEO to award a contract for insurance brokerage services to the most responsive bidder, as outlined in the memorandum and vote dated June 11, 2015, attached and part of the minutes of this meeting.

[*Secretary’s Note: Having previously recused himself from this matter and left the room, Mr. Porter did not participate in any discussion, deliberation, or vote on the matter. He returned to the meeting room after completion of the above vote.*]

[*Secretary’s Note: The Chair arrived at the meeting during the above presentation at 10:06 a.m. and voted on this matter.*]

**President/CEO’s Report (cont’d)**

The biggest news this month, Ms. Jones reported, is the approval at Super Town Meetings of Ayer, Shirley, and Harvard earlier this week of certain rezoning in Devens. Noting approval of three of the four warrants requested, Ms. Jones said this is the first time that a change to the Re-Use Plan has been allowed since MassDevelopment became involved with the operations of Devens. Mr. Starzec advised that it was Harvard’s vote on Monday that defeated Article 4, which he reminded the Board called for repurposing certain unused residential land at the southern end of Grant Road to allow for commercial development. Harvard’s primary concern, Mr. Starzec explained, is a perception that there will be a mix of commercial and residential development at Grant Road that might not fit well with the rest of the community. Based on comments received, staff is encouraged that changes can be made to the language of Article 4 that will provide a remedy for approval of a revised Article 4. Nevertheless, approval of any amendments to Article 4 will require the convening of Super Town Meetings again. Ms. Jones offered congratulations, in particular, to Real Estate, Legal, Communication, and others, noting this “fantastic job by the whole team!”

In other news, Ms. Jones reported that she visited several venues this month with Anita Walker of the Massachusetts Cultural Council, including tours of a schooner in Gloucester, the Hanover Theatre in Worcester, a library in Plymouth, and others, in connection with the celebration of the award of FY15 Cultural Facilities Fund grants. She accompanied U.S. Secretary of Commerce Penny Pritzker on a tour of Greentown Labs in Somerville and participated in a roundtable discussion. The Urban Land Institute is conducting a technical assistance panel in the Malden/Everett industrial district, where Ms. Jones noted there is a great deal of buzz about that district’s inclusion in the Transformative Development Initiative. She called attention to the Devens Red Tail Heights advertisement provided today, noting that a brokers event took place on Monday. Finally, the winners of the Amp it Up! Challenge were announced: Nashoba Valley Technical School took first place and will receive a grant of $5,000; other winners to receive grants of $2,500 each are Sutton Middle School, Shawsheen Valley Technical High School, and Norton High School.

A discussion regarding State volume cap then ensued. Ms. Jones reported that so far in 2015 MassDevelopment has received allocations, which are calendar-year based, of $100 million for economic development projects and $200 million for housing projects. She stated that the Agency has closed $138 million in housing projects, and there is $285 million in the project pipeline. Continued strong demand for volume cap could become problematic for this potentially limited resource, and the Agency has requested more. Ms. Jones noted that conversations to set priorities with respect to use of volume cap will take place. Mr. Kronish asked which entity – MassDevelopment or the Department of Housing and Community Development (“DHCD”) – determines whether a housing project is eligible for volume cap and how much, and the answer was both entities are involved. There was a brief discussion regarding costs of new construction versus renovation projects. Ms. Jones, in conclusion, stated that she continues to attend regular meetings of various entities concerning housing issues; at this month’s meeting, this issue of volume cap is sure to be discussed.

**Strategic Planning**

**5. MassDevelopment FY2015 Strategic Themes and Business Plan Goals**. For information purposes only, the Agency’s Strategic Themes and Business Plan Goals are attached and part of the minutes of this meeting.

**6. VOICE VOTE – MassDevelopment FY2016 Annual Business Plan**

This discussion was postponed until later in the meeting.

**MARKETING/Communications**

**7.** **Media Report (May 2015)**. For information purposes only, the Selected Press Clips, Media Report, and Web Statistics for May are attached and part of the minutes of this meeting. No discussion of these items took place.

**Bond Transactions**

**8. Delegated Authority Report for Bond Approvals**. For information purposes only, the Delegated Authority Report regarding Bond Official Action approvals is attached and part of the minutes of this meeting. No discussion of the Report took place.

**9.** **Bond Detail Memorandum**. Mr. Chilton advised that the proposed bond issuance for Founders Court Preservation Associates Limited Partnership (Tab 11) has been pulled from the Agenda. He noted no other changes from the materials in the June Board book.

The Chair then asked if there were any recusals on the upcoming bond votes, and there were, as follows:

The Vice Chair disclosed to the Board that a subsidiary of CareGroup, Inc. (Tab 12) is a tenant in a property he owns. Therefore, he will recuse himself from any discussions, deliberation, and vote on this proposed bond issuance and leave the room during the deliberation and vote on this matter.

Ms. McGovern disclosed to the Board that subsidiaries of CareGroup, Inc. (Tab 12) are affiliated with her former employer, Beth Israel Deaconess Medical Center (“BIDMC”). It was determined, however, that no conflict exists because Ms. McGovern left her employ with BIDMC more than two years ago and has no current business relationship with the borrower or its affiliates.

Mr. Porter disclosed to the Board that Mintz currently represents or previously represented, in either the matters before the Board or in other matters, parties involved in the proposed bond issuances for Five Colleges, Incorporated (Tab 10), CareGroup, Inc. (Tab 12), Mount Ida College (Tab 13), and Boston College High School (Tab 14) and he has provided the specific matters of representation to the Board Secretary for the Board records. Therefore, he will recuse himself from any discussions, deliberation, and votes on these bond issuances and leave the room during the deliberation and votes on these matters.

The Chair advised that the Board would vote on the approvals and findings for the matters in Tabs 9 – 17, to be considered following the opportunity for discussion, pursuant to Section 8 of Chapter 23G of the General Laws, as amended.

**Bonds: Official Action Approvals**

**Official Action Projects without Volume Cap Request**

**10.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of Five Colleges, Incorporated, in Hadley, Massachusetts, for the issuance of 501(c)(3) Tax-Exempt Bonds to finance such project in an amount not to exceed $9,450,000.

[*Secretary’s Note: Having previously recused himself from this matter, Mr. Porter left the room and did not participate in any discussion, deliberation, or vote on the matter.*]

**Official Action Projects with Volume Cap Request**

**11.** This item was removed from consideration.

**Bonds: Final Approvals**

**Final Approval Projects without Volume Cap Request**

**12.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of CareGroup, Inc., in several Massachusetts locations, for the issuance of 501(c)(3) Tax-Exempt and Taxable Bonds to finance such project in an amount not to exceed $575,000,000 (Official Action/Final Approval (“OA/FA”)).

Mr. Kronish questioned the fees on this matter and Mr. Chilton advised that it is a tiered fee schedule; Ms. Canter added that this is an old transaction that came to the Agency through HEFA, and MassDevelopment has not increased any fees on old HEFA deals.

[*Secretary’s Note: Having previously recused himself from this matter and left the room, Mr. Porter did not participate in any discussion, deliberation, or vote on the matter. Mr. Cohen, having previously recused himself from this matter, left the room and did not participate in any discussion, deliberation, or vote on the matter. Mr. Cohen returned to the meeting room after completion of the above vote.*]

**13.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of Mount Ida College, in Newton, Massachusetts, for the issuance of 501(c)(3) Tax-Exempt and Taxable Bonds to finance such project in an amount not to exceed $83,000,000 (OA/FA).

[*Secretary’s Note: Having previously recused himself from this matter and left the room, Mr. Porter did not participate in any discussion, deliberation, or vote on the matter.*]

**14.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of Boston College High School, in Boston, Massachusetts, for the issuance of 501(c)(3) Tax-Exempt Bonds to finance such project in an amount not to exceed $46,280,000 (OA/FA).

[*Secretary’s Note: Having previously recused himself from this matter and left the room, Mr. Porter did not participate in any discussion, deliberation, or vote on the matter. He returned to the meeting room after completion of the above votes.*]

**15.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of The Williston Northampton School, in Easthampton, Massachusetts, for the issuance of 501(c)(3) Tax-Exempt Bonds to finance such project in an amount not to exceed $26,000,000.

**16.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of Lower Pioneer Valley Educational Corporation, in several locations in western Massachusetts, for the issuance of 501(c)(3) Tax-Exempt Bonds to finance such project in an amount not to exceed $13,000,000 (OA/FA).

**17.** Upon motion duly made and seconded, it was

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution attached and part of these minutes regarding:

a project of Lawrence Family Development and Education Fund, Inc., in Lawrence, Massachusetts, for the issuance of 501(c)(3) Tax-Exempt Bonds to finance such project in an amount not to exceed $6,500,000 (OA/FA).

**Standing Board Committee Reports**

***Audit & Administration Committee***

Ms. McGovern noted that the Committee met on June 2, 2015; Secretary Ash was also in attendance at the meeting. There was no quorum present, so formal recommendations could not be voted. Ms. McGovern stated that a thorough presentation of the budget was made and the Committee member present made an informal recommendation to accept the proposed Agency’s budget.

**18. Minutes of Prior Meeting**. For information purposes only, the minutes of the April 9, 2015 Audit & Administration Committee Meeting are attached and part of the minutes of this meeting. No discussion of the minutes took place.

***Manufacturing & Defense Sectors Committee***

Mr. Kanin advised that the Manufacturing & Defense Sectors Committee met on Tuesday, June 9, 2015. Ms. Canter commented on some brief updates with respect to the Advanced Manufacturing Futures Program, noting that the MassSave Program through the Department of Energy Resources looks to be gearing up and there is a role for the Agency in connection therewith, MassDevelopment continues to be part of an energy purchasing consortium known as EarlyBird Power, the Agency is exploring discussions for a bond issuance for a manufacturer of solar panels in New Bedford, and Property Assessed Clean Energy (PACE) legislation for bonds for energy efficiency installations is gaining momentum with meetings and increasing legislative support.

**19. Minutes of Prior Meeting**. For information purposes only, the minutes of the May 19, 2015 Manufacturing & Defense Sectors Committee Meeting are attached and part of the minutes of this meeting. No discussion of the minutes took place.

***Origination & Credit Committee***

It was noted that the Origination & Credit Committee did not meet on Tuesday, June 9, 2015. No meeting of the Committee took place this month.

**20. Minutes of Prior Meeting**. For information purposes only, the minutes of the May 19, 2015 Origination & Credit Committee Meeting are attached and part of the minutes of this meeting. No discussion of the minutes took place.

**Lending**

**21. Delegated Authority Report for Loan Approvals (April 2015)**. For information purposes only, the Delegated Authority Report regarding Loans is attached and part of the minutes of this meeting. No discussion of the Report took place.

**Community Development**

**22. Delegated Authority Report for Community Development Approvals (April 2015)**. For information purposes only, the Delegated Authority Report regarding Community Development Approvals is attached and part of the minutes of this meeting. No discussion of the Report took place.

***Real Estate Development & Operations Committee***

Mr. Kanin stated that the Real Estate Development & Operations Committee met on Tuesday, June 9, 2015.

**23. Minutes of Prior Meeting**. For information purposes only, the minutes of the May 19, 2015 Real Estate Development & Operations Committee Meeting are attached and part of the minutes of this meeting. No discussion of the minutes took place.

**24. Devens and Devens Environmental Updates**. For information purposes, the Devens and Devens Environmental Updates are attached and part of the minutes of this meeting. Mr. Kezer advised briefly that a recent fire at the recycling plant is finally out. Although the transfer station remains closed for business, the building did not suffer significant damage; it is now being evaluated by the insurance and safety inspectors.

**25. VOTE – Devens – Award of Contract for Davao Housing Foundation Removal**

Noting that the Army has completed its cleanup of pesticide soils and noting also that the area is being prepared for further redevelopment and sale, Mr. Kezer briefly described this request to award a demolition contract for the former Davao Housing Area foundation removal and disposal project. An RFP was issued for this project, and there were five responses. He requested authority to award this demolition contract to S&R Corporation of Lowell, MA for $838,225. The Chair asked for a vote and, upon motion duly made and seconded, it was unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the award of a contract to S&R Corporation, as outlined in the memorandum and vote dated June 11, 2015, attached and part of the minutes of this meeting.

**26. VOTE – Devens – Electric Rate Adjustment**

Mr. Kezer briefly described this request for approval of the recommended electric utility rate changes for Devens to become effective as of July 1, 2015. He noted that costs have gone down; therefore, this year’s rate adjustment results in an overall average reduction of 4 percent. The Chair asked for a vote and, upon motion duly made and seconded, it was unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the electric rate adjustment, as outlined in the memorandum and vote dated June 11, 2015, attached and part of the minutes of this meeting.

**27. VOTE – Devens – Sewer Rate Adjustment**

Mr. Kezer briefly described this request for approval of the recommended sewer utility rate changes for Devens to become effective as of July 1, 2015. Staff is recommending a sewer rate increase of 2 percent to help offset the costs of certain loan subsidies and move closer toward the goal of operating as an enterprise fund account. The Chair asked for a vote and, upon motion duly made and seconded, it was unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the sewer rate adjustment, as outlined in the memorandum and vote dated June 11, 2015, attached and part of the minutes of this meeting.

**28. Statewide Real Estate Projects Updates**. Mr. Henderson reported that demolition is underway at the Myles Standish Industrial Park (“MSIP”) Expansion project in ***Taunton*** at the site Martignetti Liquors purchased; there is serious buyer interest in available property in the MSIP Business Park portion of the Expansion area. The Christopher Heights senior living project is moving forward in ***Village Hill, Northampton***, but plans for the mixed income co-housing project ran into difficulties, so that property is back on the market and there is already an interested party. At the former State school site in ***Belchertown***, demolition is almost complete on the PAD1 site.

In ***Devens***, Health Partners New England received approval of its plans and permitting from the Devens Enterprise Commission (“DEC”). In addition, the DEC has approved the plans and permitting for the Grant Road housing project; the DEC and the developer of the project are also working with the Town of Harvard toward assuring that certain units are affordable at levels that will allow rental units to be included on DHCD’s Subsidized Housing Inventory (“SHI”) for the benefit of the Town of Harvard. It was noted that that Harvard has hired a lawyer to appeal the approval, should the parties be unable to come to a satisfactory resolution of the affordability and SHI issues.

As to ***Municipal Services***, Mr. Henderson advised of a new project in ***Chicopee***, while projects in other locations are concluding. It has been a busy month with regard to the Transformative Development Initiative (“TDI”); workshops are taking place and staff is working with the selected TDI Development Districts on Memoranda of Understanding.

**29. VOTE – Lawrence – Sale of 370 Essex Street to City of Lawrence**

Due to components involving valuation of real property and potential purchase and sale terms, the discussion of and vote on this item occurred in Executive Session.

**EXECUTIVE SESSION**

The Chair then advised, at 10:38 a.m., that, pursuant to MGL Chapter 30A, the Board of Directors of MassDevelopment was going into Executive Session, following a roll call vote, which was taken and unanimously voted in favor, to discuss the value and potential purchase and sales terms of real property at 370 Essex Street in Lawrence, the discussion of which in Open Session would have a detrimental effect on the Agency’s negotiating position. The Chair instructed all persons who are not Board members or staff involved in this matter to leave the room. He noted that the Board will reconvene in Open Session following Executive Session.

[*Executive Session held*]

**OPEN SESSION**

Following the Executive Session, the Open Session of the MassDevelopment Board meeting was resumed and it was noted that the sale of the property was approved.

**6. VOICE VOTE – MassDevelopment FY2016 Annual Business Plan**

Mr. McGrail referred to the Presentation at Tab 6 of the June Board materials, attached and part of the minutes of this meeting, noting that certain changes have been incorporated as a result of the Board’s discussion of this Plan. In particular, he noted changes reflected on p. 2 with respect to access to capital; he pointed out verbiage and formatting changes on p. 7, including improvement to the Brownfields program; he called attention to the addition of collaborative efforts and more on p. 8. It was noted that, materially, the document is the same as was presented and discussed in May. Mr. Porter expressed his appreciation of the specific attention to Brownfields, noting that he looks forward to furthering that goal. Ms. Jones commented on the potential for cross-over between programs and goals, and Mr. McGrail confirmed that the framework of the Business Plan allows for flexibility. He asked if there were any questions or additional comments, and there were none. The Chair asked for a vote and, upon motion duly made and seconded, it was unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the Fiscal 2016 Annual Business Plan, as presented, attached and part of the minutes of this meeting.

**3. VOICE VOTE – MassDevelopment FY2016 Agency Operating and Capital Budget**.

Mr. Gerlin commented that the Agency is financially solid overall; it has been a good year and staff continues to monitor closely those expenses that can be controlled. With respect to p. 3 of the presentation, Mr. Gerlin observed that the balance sheet is smaller than in previous recent years because of the sales of both 100 Cambridge Street in Boston, primarily, and the Kerr Mill building in Fall River during FY15; he noted the Agency’s assets shrunk less than its liabilities. A brief discussion then ensued regarding the impact on the Agency of the sale of 100 Cambridge Street, including the decrease in projected assets, the large decrease in fixed assets, and the related substantial reduction in liabilities.

Mr. Gerlin noted with respect to p. 5 that MassDevelopment has no discretion or control over how it can spend Restricted Funds. As to p. 9, he commented that it is difficult to predict the number and amount of bond transactions or the total fees that will be generated thereby. Mr. Kronish asked if the Agency expects an increase in interest rates, and Mr. Gerlin advised that no such assumptions were made or factored into the schedule appearing on p. 10. With regard to p. 11, Mr. Gerlin advised that the Agency did not budget for an allocation of New Markets Tax Credits because no announcement has been made yet with respect thereto, although such announcement is expected very soon and staff remains hopeful to receive an allocation. He commented briefly on the external funding related to Devens utilities as reflected on p. 12.

Ms. Sullivan advised that the Administration’s final capital budget is expected in the next couple of weeks, at which time many of the unknown figures in today’s Agency budget presentation will be clarified and assumptions will be confirmed. She noted her office is working closely with the Office of Housing & Economic Development to finalize the Administration’s budget, so stay tuned.

Mr. Gerlin then introduced Ms. Kalinowski to continue the budget presentation on the Comparative Statement of Revenues and Expense (p. 15) and more. With respect to salary and fringe, Ms. Kalinowski noted that vacancies have not been budgeted, but increasing health costs have been budgeted, as has an expected 3 percent merit increase for staff in October 2015. In addition, Ms. Kalinowski described the following significant line items: Investment Banking FY2015 fees are projected to be about $1 million higher than the FY2015 budget due primarily to unanticipated fees from some large FY2015 bond issuances. The pipeline is expected to remain strong, but volume cap restraints, as pointed out by Ms. Jones earlier, could temper bond issuances. Interest on fee income on loans is projected to be lower due to higher yielding loans either paying off or maturing and new loans being issued with lower interest rate yields. Ms. Kalinowski next explained some Administrative Expenses on p. 16, noting that expenses are expected to increase due to an increase in professional development skills training since management is encouraging more staff to take advantage of this opportunity to expand their work skills and knowledge; the travel expense line is also increasing in part due to travel that may be necessary to attend professional development seminars. Also under non-discretionary expenses, insurance expenses were anticipated to increase by 11.7 percent; however, much of this is due to workers compensation costs being included in this line item when in previous years it was accounted for elsewhere. I.T. expenses are expected to increase as well. Professional Services are projected to decrease due to more legal work being handled in-house.

Ms. Kalinowski reported that project expenses (pps. 18 and 19) are anticipated to be $10.5 million in FY2015 due primarily to Military Initiatives, TDI projects and Belchertown. Devens operating expenses are expected to be higher than FY2015 due to projected increases in gas power supply and increased business usage. She advised that Grant Expenses (p. 23) are anticipated to be $33.8 million, of which $33.2 million relates to restricted funds as follows: $7 million for the Brownfields Redevelopment Fund, to fund committed grants and loans; $8.4 million for the Cultural Facilities Fund, to fund committed grants; $15.8 million of Military Bond bill grants to further the mission of military initiatives.

With respect to the capital budget, Ms. Kalinowski noted capital spending for FY2016 is projected at $30.1 million. General Fund capital spending includes $5 million of equity investments in selected projects and $5 million of equity projects in Gateway Cities. There are a few items of note in the Devens Fund budget: (i) $2.9 million for the Jackson Road project, which is now moving forward due to the award of an EDA grant for the project; (ii) $1.4 million for large foundation demolition and pesticide remediation projects at the Davao and Maple Housing Areas, which will help prepare the land for future development; and (iii) $2 million in Devens Utilities projects, most of which is related to the construction of Jackson Road.

Mr. Gerlin asked if there were any questions or additional comments relative to the budget presentation, and there were none. The uncertainty was noted of certain projections in MassDevelopment’s proposed budget, which are directly related to the Commonwealth’s operating budget and the Administration’s capital budget, which have not yet been finalized. Given this fact, the Chair suggested that the Board approve the Agency’s budget as presented today. If there are

any changes needed in the Agency’s budget once the Administration’s budget is passed, these Agency budget changes can be presented for additional discussion and/or approval at the July Board meeting. Accordingly, the Chair asked for a vote and, upon motion duly made and seconded, it was unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the MassDevelopment FY2016 Agency Operating and Capital Budget, as presented, attached and part of the minutes of this meeting.

There being no further business before the MassDevelopment Board, upon motion duly made and seconded, the meeting was adjourned at 11:32 a.m.