

MEMORANDUM

To: Board of Directors, Massachusetts School Building Authority
From: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
Date: October 22, 2019
Subject: Fiscal Year 2020 Budget Expenditures-to-Date

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for FY 20 through October 18, 2019.

FY 20 spending on Salaries & Benefits to date is \$2,116,194 or 26.2% of the budgeted amount for the year.

General & Administrative Office Expenses, reflecting travel and professional development, training, tuition reimbursement, leases for copiers and the postage machines, ongoing Trustee fees, and office equipment and furniture is \$85,183 to date or 35.4% of the FY 20 budgeted amount.

Occupancy & Utilities reflects the base rent and real estate taxes under the tenant agreement, parking, storage, insurance, and electricity. Expenditures to date are \$423,238 or 34.6% of the FY 20 budget for this category.

Consulting & Professional Support Services reflects legal services, external auditors, IT consultants and arbitrage rebate, verification, and actuarial services. To date in FY 20, \$91,868 or 48.0% of the FY 20 budgeted amount has been spent on these services.

Information Technology reflects web hosting, anti-virus, firewall, system maintenance, software, and hardware. Additionally, the FY 20 budget includes funding for cloud migration, the MSBA's website, new financial software, phone and internet services, software licenses for Tableau and Munex, anti-virus firewall, website hosting and Lynda.com. Expenditures to date are \$29,085 or 5.9% of the amount budgeted for FY 20.

The OPEB Trust Committee adopted a smoothing policy in April 2017. The OPEB Trust Committee regularly reviews the effectiveness of the smoothing policy. Here is the language of the current policy:

To maintain fully funded status, the MSBA will request a budget of \$100,000 unrestricted funds be deposited to the OPEB Trust. Deposits are invested at the beginning of the month, so transfers should be scheduled for the 1st. If a future actuarial report indicates there is an unfunded portion, the MSBA may request a budget allocation annually between \$100,000 to \$500,000 until fully funded status is reached again. MSBA will be reimbursed annually for actual premiums rather than estimated premiums.

The amount recommended and budgeted for FY 20 (typically transferred on November 1) was \$200,000; \$100,000 per the smoothing policy and an additional \$100,000 to provide a cushion

for market volatility that may impact the calculation of the MSBA's annual OPEB valuation, which is completed in December and rolled forward as of June 30, 2019. On the basis of a \$500,000 contribution in FY 18, the Trust was calculated to be overfunded by (\$226,000) at June 30, 2019. In consideration of market volatility this year, the OPEB Trust Committee voted at its most recent meeting for the transfer of \$200,000 on November 1, 2019 to the Trust.

Expenditures for Project Related Professional Support Services (reflected in the categories provided in the discussion of Attachment B below) to date are \$1,488,756 or 35.2% of the total budgeted for FY 20.

The FY 20 budget includes funds for the costs of issuance for two bond issues. The MSBA issued its 2019 Series A Bonds in July 2019 and expenses for cost of issuance was \$330,000; of that amount \$283,568 has been paid to date. The MSBA is currently preparing for the issuance of taxable advance refunding bonds in November 2019 and anticipates issuing new money bonds in late FY 20.

The FY 20 budget includes \$1,300,000 for a rebate payment for the 2015D bonds that was estimated by the MSBA's rebate consultant as of June 30, 2018. The rebate consultant's report as of June 30, 2019 estimates this payment at approximately \$1.7 million. The computation for the actual amount due will be made on January 31, 2020.

Prior Grants reflects all scheduled quarterly payments which were paid to Districts through the end of each fiscal year. The amount budgeted for FY 20 totals \$106,722,962. This amount also includes \$15 million in capacity for Districts that issue current refundings in FY 20. To date, \$23,168,327 in payments have been made on Prior Grants.

Waiting List projects are paid once annually in September. The total budgeted amount for FY 20 was \$15,298,965 million; \$15,220,435 was paid in September 2019. The annual payment schedule for Waiting List projects ends in FY 24.

Capital Pipeline Program Grants at reflects monthly requests from districts and final payments for audits approved at board meetings throughout the fiscal year. The total amount budgeted for Capital Pipeline Program Grants for FY 20 is \$550,000,000, of which to date \$169,090,610 or 30.7% has been expended.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. Overall, to date a total of \$1,247,791 or 35.9% of the amount budgeted for Capital Pipeline Professional Support Services has thus far been expended.

In FY 20 a total of \$1,101,339 or 34.4% of the budgeted amount of \$3,200,000 for Commissioning services has been expended.

Funding was provided for Capital Program Information Systems in FY19, however no expenditures were made against this line item through June 30, 2019. No funding was budgeted for in FY 20.

In FY 20, \$20,000 has been budgeted to close out the FY 19 School Survey, to date \$8,144 or 40.7% of the total budgeted amount has been expended.

Post-Occupancy Survey budgeted amount for FY 20 is \$257,000; of that amount \$138,308 or 53.8% has been expended to date.

A chart comparing the FY 20 year-end spending with a straight-line benchmark for Salaries and Benefits, Total Administrative Expenses, Project Related Professional Support Services, and Capital Pipeline Grant payments is reflected in Attachment C.

Expenditures to date in FY 20 reflect nearly 3 months (or almost one full quarter) of spending by the Authority. During this period 30.8% of the annual budget has been expended, which is slightly above the Authority's FY 20 first quarter budget benchmark of 30.77%.