

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: April 2, 2019
Subject: MSBA Fiscal Year 2019 Budget Expenditures-to-Date

The following is a summary of the Massachusetts School Building Authority (the "MSBA") expenditures for Fiscal Year 2019 spending through March 15, 2019.

Spending on Salaries & Benefits is at 63.8% of budget and reflects hires made during Fiscal Year 2019 in accordance with the staffing plan and reflects turnover within the year. During Fiscal Year 2019, the progress of onboarding new hires towards the established goal of 79 employees was offset by staff turnover. As of March 15, 2019, MSBA has 73 employees. There are positions currently posted, and we hope to fill additional positions by the end of Fiscal Year 2019.

General & Administrative Office Expenses is at 59.4% of budget and reflects travel and professional development, training, leases for copiers and the postage machines, ongoing Trustee fees, and office equipment and furniture.

Occupancy & Utilities is at 78.0% of budget and reflects the base rent and real estate taxes under the tenant agreement, parking, storage, insurance, and electricity for Fiscal Year 2019.

Consulting & Professional Support Services is at 53.8% of budget and reflects expenditures for legal services, external auditors, IT consultants, arbitrage rebate, verification, and actuarial services.

Information Technology is at 33.7% of budget and reflects costs for web hosting, anti-virus protection, firewalls, system maintenance, software, and hardware.

Per the MSBA's policy, a transfer in the amount of \$100,000 was made to the OPEB Trust on November 1, 2018.

Project Related Professional Support Services is at 38.4% of budget and reflects the categories provided in the discussion of Attachment AB below.

Cost of Issuance is at 44.4% of budget and reflects the expenditures related to the issuance of the 2018 Series B Bonds. We have begun the planning process for the MSBA's next bond issue, and at this time anticipates the issuance and settlement of the bonds to occur in early Fiscal Year 2020.

An arbitrage rebate yield reduction payment of approximately \$365,000 was projected for the 2012 Series B in Fiscal Year 2018, but the calculations performed by the rebate consultant indicated no liability for this calculation period. A rebate payment on the 2009A bonds of approximately \$1,000,000 is projected in Fiscal Year 2019 and is reflected in the Fiscal Year 2019 budget. The actual rebate amount due will be calculated in May of 2019 for payment in early June 2019.

Prior Grants is at 39.0% of budget and reflects first and second quarter payments paid to Districts through January 2019. The amount for Prior Grants does not include the most recent payment of approximately \$19.5 million which was made after the date of this report on March 27, 2019. For

Districts that request a present value payment to reduce the amount of refunding bonds they will issue in Fiscal Year 2019, \$25 million in funding is available to make lump sum payments for this purpose.

Waiting List is at 85% of budget and reflects annual payments paid to Districts on 9/12/18.

For Districts that request a present value payment to reduce the amount of refunding bonds they will issue in Fiscal Year 2019, \$10 million in funding is available to make lump sum payments for this purpose.

Capital Pipeline Program Grants at is at 61.1% of budget and reflects monthly requests from Districts and final payments for audits approved at the June, August, October, December and February board meetings.

The Department of Elementary and Secondary Education is working with Districts that have applied for Digital Connections Partnership Schools grants. Funds have been set aside in the MSBA's MMDT account for any loan applications received during Fiscal Year 2019 for such purpose.

Attachment B provides additional detail on the Capital Pipeline Professional Support Services. Commissioning is at 47.0% of budget for Fiscal Year 2019 and reflects spending on active projects in the pipeline.

Architectural Services is at 49.1% of budget for Fiscal Year 2019 and reflects support services for schematic design, construction document and architectural reviews, and senior studies related to the review process for Statement of Interest (SOI) submittals. Most of the expenditures have or are expected to be incurred during the second, third and fourth quarters of Fiscal Year 2019.

Funds were budgeted for Capital Program Information Systems, however payments for these IT consultant support services were specific to the 2016 School Survey and are reflected on the School Survey line item.

Funds for School Survey is at 17.0% of budget for Fiscal Year 2019, which reflects anticipated costs of finalizing the 2016 School Survey.

Funds for Post Occupancy Survey are budgeted at \$500,000 for Fiscal Year 2019 and reflect anticipated expenditures for related consultant services in Fiscal Year 2019.

Attachment C contains charts that compare Fiscal Year 2019 year-to-date spending with a straight-line benchmark for the budget categories of Salaries and Benefits, Total Administrative Expenses, Project Related Professional Support Services and Capital Pipeline Grant payments.

Expenditures-to-date in Fiscal Year 2019 reflect approximately 9 months of spending by the Authority. During this period, 55.9% of the MSBA's annual budget has been expended as compared to a year-to-date benchmark of 69.2%.