

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: December 7, 2021
Subject: FY 2022 Budget Update

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for FY 2022 through November 26, 2021, reflecting spending for approximately five months of the fiscal year.

The FY 2022 budget for Salaries and Benefits includes the full annual salary for existing employees, assumes 9 new employees for the full fiscal year, a current total of 76 employees (including 1 Part-time temporary employee) and 10 open positions. FY 2022 spending to date is \$3,540,843 or 37.75% of the total budgeted amount.

The FY 2022 budget for General & Administrative Office Expenses provides funds for the Post Occupancy Survey, professional development and training, tuition reimbursement, travel to sites for ongoing projects as well as commuting to the office due to the hybrid/remote work schedule. FY 2022 spending to date is \$109K or 26.7% of the budgeted amount.

The FY 2022 budget for Occupancy & Utilities includes costs associated with the office lease, general liability insurance, leased parking spaces, storage, taxes and office cleaning. FY 2022 spending to date is approximately \$540K or 37.5% of the budgeted amount.

The FY 2022 budget for Consulting & Professional Support Services provides funding for the MSBA's annual audited financial statements, arbitrage rebate analysis and legal services not specifically related to a bond issue and/or associated with projects in litigation. FY 2022 spending-to-date is \$148K or 36.8% of the budgeted amount.

The FY 2022 budget for Information Technology includes annual recurring expenses related to the implementation of new financial and budgeting software, costs related to the cloud, website development, phone, internet, and other licenses and software programs. FY 2022 spending-to-date is \$193K or approximately 23.9% of the budgeted amount.

The OPEB Trust Committee amended the adopted a smoothing policy in March of 2021. The OPEB Trust Committee regularly reviews the effectiveness of the smoothing policy. The Trust voted at its FY 2021 third quarter meeting to increase the minimum annual budget request from \$100,000 to \$250,000 in consideration of a projected increase in retirees, as well as market fluctuations and changes in the valuation calculation. Here is the language of the updated smoothing policy:

To maintain fully funded status, the MSBA will request a budget of \$250,000 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 \$250,000 to \$500,000 until fully funded status is reached again. MSBA will be reimbursed annually for actual premiums rather than estimated premiums.

Per the MSBA's smoothing policy in place for FY 2021, an additional \$100,000 was included to provide a cushion for market volatility that could impact the calculation of the MSBA's next annual OPEB valuation, which was completed in December 2020. Pursuant to the related vote of the OPEB Trust, the MSBA transferred \$200,000 to the OPEB Trust fund on November 1, 2020. In FY 2022, \$250,000 is budgeted to fund the annual contribution, which was transferred on October 29, 2021.

FY 2022 Project Related Professional Support Services spending-to-date is \$1,623,553 or 33.9% and reflects the budgeted line items discussed in Attachment B below.

The FY 2022 budget reflects anticipated costs for new and refunding bond issues and debt related financial transactions. FY 2022 spending for Cost of Issuance expenses is \$563K or 28.2% of the budgeted amount.

The Authority made an arbitrage rebate payment of \$1.3 million in January 2021 related to the 2015 Series D Bonds. The Authority does not anticipate any arbitrage rebate liability in FY 2022.

The FY 2022 budget for Prior Grants reflects the existing schedule of annual prior grants payments at \$21,766,437. Prior Grant payments are made quarterly. The first quarterly payments in FY 2022 were made at the end of September 2021 in the amount \$3,355,027 or 15.4% of the budgeted amount.

The FY 2022 budget for Waiting List projects reflects the existing schedule of annual payments, as well as the capacity to fund \$10 million in lump sum payments for a total of \$22,533,988. Payments for Waiting List Projects were made at the end of September 2021 in the amount of \$12,533,998 or 55.6% of the budgeted amount.

The FY 2022 budget is based on cash flows submitted by the Capital Planning team reflecting a continued increase in demand for reimbursement requests from Districts due to a significant number of projects in the Design Development and Construction Phases, as well as funding for Accelerated Repair Program projects. FY 2022 spending to date on the Capital Pipeline Program is \$244,697,390 or 27.9% of the budgeted amount.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. The FY 2022 budget for Commissioning reflects estimates for existing projects and newly invited projects. FY 2022 spending-to-date is \$1,456,621 or 45.5% of the budgeted amount.

The FY 2022 budget includes funding for costs associated with Professional Management Services of \$500K, to date there have been no expenditures charged to this line item.

The FY 2022 budget for Architectural Services includes costs associated with Senior Study, Technical Services and the Post Occupancy Evaluation program. FY 2022 spending-to-date is \$130K or 16.9% of the budgeted amount.

The FY 2022 budget does not include funding for a School Survey. The MSBA is in the beginning planning phases for the next survey, which is not expected to be completed until FY 2023 or later.

The FY 2022 budget for the Post Occupancy Survey includes funding for Post Occupancy, Technical Services, Support Services and/or COVID-19 analysis. FY 2022 spending to date is \$37K or 11.7% of the budgeted amount.

Attachment C includes a chart reflecting spending-to-date for FY 2022 by percentage of the total amount budgeted for each major budget category: Salaries and Benefits, Total Administrative Expenses, Project Related Professional Support Services and Costs of Issuance (COI), and Capital Pipeline Grant payments.