

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: August 17, 2021
Subject: MSBA FY 2021 Final Year-End Expenditures and FY 2022 Budget Expenditures-to-Date

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for FY 2022 through July 30, 2021, reflecting spending for the first month of the new fiscal year. Also reflected are the final year-end expenditures for FY 2021.

FY 2021 final spending for Salaries and Benefits was \$8,224,636 or 97.3% of the budgeted amount. The FY 2022 budget includes the full annual salary for existing employees, assumes 9 new employees for the full fiscal year, a current total of 79 employees (including 1 Co-op and 2 finance fellows) and 7 open positions. FY 2022 spending to date is \$597K or 6.4% of the total budgeted amount.

FY 2021 final spending for General & Administrative Office Expenses was \$277K or 72.5% of the budgeted amount. The FY 2022 budget 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 \$14K or 3.3% of the budgeted amount.

FY 2021 final spending for Occupancy & Utilities was \$1,292,653 or 101.4% of the budgeted amount. The FY 2022 budget 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 \$100K or 7% of the budgeted amount.

FY 2021 final spending for Consulting & Professional Support Services was \$233K or 79% of the budgeted amount. The FY 2022 budget 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 \$45K or 11% of the budgeted amount.

FY 2021 final spending for Information Technology was approximately \$600K or 61% of the budgeted amount. The FY 2022 budget 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 \$5K or approximately 1% 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, 2021. In FY 2022, \$250,000 is budgeted to fund the annual contribution, which will be transferred on November 1, 2022.

Final FY 2021 final spending for Project Related Professional Support Services was \$4,723,089 or 92.9% of the budgeted amount. FY 2022 spending-to-date is \$237K or 3.5% and reflects the budgeted line items discussed in Attachment B below.

FY 2021 final spending for Cost of Issuance expenses was \$1,333,197 or 133% of the budgeted amount as the Authority was able to take advantage of favorable market conditions and execute 3 series of bonds; one for new money and two advanced taxable refunding bond issues. The FY 2022 budget reflects anticipated costs for new and refunding bond issues and debt related financial transactions. FY 2022 spending-to-date is \$3K.

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.

FY 2021 final spending on Prior Grants was \$51,283,428 or 100% of the budgeted amount. The FY 2022 budget 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 will be made at the end of September 2021.

FY 2021 final spending for Waiting List projects was \$14,535,071 or 100% of the budget. The FY 2022 budget 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 are made each year at the end of the first quarter of the fiscal year and will be made at the end of September 2021.

FY 2021 final spending for Capital Pipeline Program Grants was \$691 million or 91.5% of the budget. 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 \$46,743,402 or 5.3% of the budgeted amount.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. FY 2021 final spending for Commissioning was \$2,765,204 or 92.2% of the budgeted amount. The FY 2022 budget reflects estimates for existing projects and newly invited projects. FY 2022 spending-to-date is \$154K or 4.8% 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.

FY 2021 final spending for Architectural Services was \$441K or 60% of the budget. The FY 2022 budget includes costs associated with Senior Study, Technical Services and the Post Occupancy Evaluation program. FY 2022 spending-to-date is \$57K or 7.4% 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.

FY 2021 final spending for the Post Occupancy Survey was \$158K or 45% of the budgeted amount. The FY 2022 budget includes funding for Post Occupancy, Technical Services, Support Services and/or COVID-19 analysis. FY 2022 spending to date is \$24K or 7.5% of the budgeted amount.

Attachment C includes a chart reflecting final spending for FY 2021 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, as well as spending-to-date in FY2022 reflected in the same format.