

MEMORANDUM

To: Board of Directors, Massachusetts School Building Authority
From: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
Mary L. Pichetti, Executive Director, Deputy Chief Executive Officer
Date: August 22, 2023
Subject: MSBA Fiscal Year 2023 Year-End and Fiscal Year 2024 Budget Update

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") Fiscal Year 2023 expenditures through June 30, 2023 and an update of the MSBA's Fiscal Year 2024 expenditures through August 11, 2023.

As part of the engineering of the new financial accounting system, the general ledger chart of account codes, which represent specific line-item categories of administration and operating expenses, was re-designed to align expense types and departmental functions more specifically. The purpose of this effort was to streamline the accounting and financial reporting of the MSBA's operations.

Therefore, the comparison of Fiscal Year 2022 expenses to Fiscal Year 2023 administrative and operating expenditures, while not significantly different, is not an exact comparison due to some categories of expenses having been realigned as between the two fiscal years. Total Grant Program expenses remain the same as there are only three-line items in this budget category – Capital Pipeline Payments, Prior Grant Payments, and Wait List Payments.

On May 24, 2023, the Board approved the Authority's Fiscal Year 2024 Budget. The Fiscal Year 2024 Budget, as adopted by the Board, has been reflected in the budget report attached to this memorandum. Administrative and operating expenditures as between Fiscal Year 2023 and Fiscal Year will be aligned with the Authority's revised general ledger chart of account codes.

Administrative Expenses

Total Administrative Expenses through June 30, 2023 were \$11 million or 88% of the total amount budgeted for Fiscal Year 2023. Total Administrative Expenses through August 11, 2023 were \$1.3 million or 9% of the total amount budgeted for Fiscal Year 2024.

Salary expenditures through June 30, 2023 were \$7.5 million or 90% of the total amount budgeted for Fiscal Year 2023. Salary expenditures through August 11 were \$974K or 10% of the total amount budgeted for Fiscal Year 2024. For Fiscal Year 2024, the Salary budget of \$9.8 million includes 75 full-time employees, 12 open full-time positions MSBA-wide with varied start dates, a 4% cost of living adjustment estimated at \$494K (or COLA), a 3% Merit/Pay Equity and Promotion adjustment at 6 months of \$124K, and 11 current and open Co-Op/Fellow positions at varying start dates. COLA adjustments for this fiscal year were implemented effective July 2, 2023. In addition, \$1.03 million for employee benefits is included in the Fiscal Year 2024 budget, taking into consideration prior spending and an overall inflation factor of 4.8%.

Occupancy and Utilities The lease for office space was budgeted at \$1.42 million in Fiscal Year 2023; the amount expended through fiscal year end was \$1.3 million representing 91% of the budgeted amount.

The amount budgeted for the office lease in Fiscal Year 2024 is \$1.46 million, and to date a total of \$253K has been spent, or approximately 17.4%.

Utilities were budgeted at \$43K in Fiscal Year 2023; \$24K or 56% was expended through June 30, 2023. The budget for utilities in Fiscal Year 24 is \$50K and to date a total of 4.3K or 8.6% of the budgeted amount has been spent.

The budget for Fiscal Year 2024 for OPEB is \$250,000 with the objective of maintaining fully funded status. Funds were transferred to the OPEB Trust on November 1, 2023.

Operating Expenses

Capital Pipeline Support Services expenditures through June 30, 2023, are \$4.8 million or 54% of the total amount of \$8.8 million budgeted for Fiscal Year 2023. Existing budget line items such as Financial Advisory services, Legal services, External Audit fees, etc. were moved to this expense category in Fiscal Year 2023. The amount budgeted for Capital Pipeline Support Services for Fiscal Year 2023 is \$8.6 million; to date there has been no significant spending in this budget category due to the cyclical timing of invoices for work completed in June of the prior fiscal year not being submitted until July of the current fiscal year.

Total Operating Expenses

Fiscal Year 2023 expenditures through June 30 for Total Operating Expenses (which includes Administrative Expenses and Capital Pipeline Expenses) was \$15.7 million or 74% of the total amount budgeted of \$21.2 million. Total Operating Expenses to date are \$1.3 million or 5.8% of the total amount budgeted for Fiscal Year 2024 of \$22.3 million.

Grant Program

Capital Pipeline Grants

Expenditures for Capital Pipeline Grants through the end of Fiscal Year 2023 were \$601.3 million or 82% of the total amount of \$818.6 million budgeted. Expenditures for Capital Pipeline grants to date are \$55.9 million or 6.8% of the total \$818.6 million budgeted for Fiscal Year 2024.

Legacy Projects

Prior Grants: The total amount expended through the end of Fiscal Year 2023 was \$7.3 million, or approximately 100% of the total budgeted amount of \$7.3 million for Fiscal Year 2023. Prior Grant payments are made quarterly, and these projects have been fully paid off as of December 2022.

Waiting List: The total amount expended through the end of Fiscal year 2023 is \$10.7 million, or approximately 52% of the total budgeted amount of \$20.7 million for Fiscal Year 2023. Waiting List payments are made in the first quarter of the fiscal year. The amount budgeted for Fiscal Year 2024 is \$5 million and this program will be fully paid off in September 2023.

Total Operating and Capital Budget

The total amount of the Fiscal Year 2023 approved budget was \$784.3 million; as of June 30, 2023 the Authority expended \$635 million or approximately 81% of that budgeted amount. The Authority's total

overall budget (including operating and capital expenditures) for Fiscal Year 2024 is \$846 million and was adopted by the Board in May 2023. To date, the total amount expended is \$57.2 million or approximately 6.8% of the amount budgeted overall for Fiscal Year 2024.