

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: December 5, 2024
RE: FY 2025 Budget Amendment Recommendation

As indicated at the May 29, 2024, Board Business Meeting, staff are providing an update to the FY 2025 Budget for two items: 1) Additional staff for the Finance Department, and 2) Additional budget required for the move associated with the lease execution. This memorandum serves to provide an update on the status of the two items and a staff recommendation for an amendment to the FY 2025 Budget.

Discussion

This memorandum recommends the following:

Additional staff - Finance Department

At the May 29, 2024, Board Business meeting, staff recommended an increase to the salary budget for FY 2025 to \$13,029,517. This represented an increase in the MSBA's FTE count to 125, comprised of 116 FTEs and 9 Co-op positions. This substantive increase in staff is the first step in a staged staff increase necessary to support the August 2023 legislation that increased the MSBA's annual cap from \$897 million to \$1.2 billion and allows for the Accelerated Repair Program grants, including new heat pump grants, to be approved outside the annual cap.

The MSBA's program has already seen the effect of the legislation with the higher number of invitations approved in December 2023, the re-launch of the 2024 Accelerated Repair Program in January 2024, the highest number of invitations ever approved for the Accelerated Repair Program in October 2024, the continuation of higher invitations to the Core Program, and the ongoing expedited study with the intent to open the Accelerated Repair Program including heat pump projects in January 2025. Staff are continuing to prioritize recruitment to ensure that the MSBA will be properly staffed to manage this increased workload. Since May 29, 2024, the MSBA has hired 13 new staff with 5 staff transitioning out of the MSBA bringing the FTE count to 93. Presently, there are 13 active recruitments underway with staff actively interviewing.

As part of the FY 2023 audit of the financial statements, the external auditor recommended that the MSBA hire a consultant to assist the MSBA with certain accounting responsibilities, preparation of the workpapers for the financial statements, and an assessment and recommendation for any additional staffing and/or resources the MSBA may need for the Finance Department. As this assessment was scheduled to commence in June 2024, staff did not recommend any additional staff for the Finance Department as part of the FY 2025 Budget.

The assessment of the Finance Department was completed in October 2024 and includes 41 recommendations for process and system improvements as well as a suggested

update to the organizational structure. Staff are prioritizing the recommendations for the review of the Finance Team Structure. The report provides the framework for the structure and makes suggestions for updates. Staff are currently reviewing and building upon existing job descriptions to account for all roles in the accounting/finance process. The report offers an approach to organizing the team, although initial conversations indicate that other approaches could also be valuable.

As recommended in the assessment, at this time, staff recommend adding an FTE position for a Senior Accountant, reporting to the Director of Budget and Finance Administration. This recommendation increases the FY 2025 FTE count from 125 to 126, comprised of 117 FTEs and 9 Co-op positions. An analysis of the FY 2025 Budget indicates that this position can be added without increasing the budget.

As staff conclude the review of all Finance Department job descriptions, recommendations for additional positions and additional restructuring will be considered in conjunction with the new Chief Financial Officer. Final recommendations for staffing levels for the Finance Department, beyond the additional position noted above, would be anticipated in the staff's presentation of the FY 2026 Budget.

Budget for costs associated with the new office lease

At the time the FY 2025 Budget was presented at the May 29, 2024, Board Business Meeting, the final decision regarding the office lease and office location had not been made. Given the status of the lease review, staff summarized in its recommendation that some of the lease and move-related costs were not included in the FY 2025 Budget. Instead, these budget items would be presented as a budget amendment at mid-year so the costs would be representative of the final lease decision. Staff recognized that, as both of the lease locations included a reduction in square footage, either selection would result in additional costs to build out the space as well as to relocate either in a one-time move and/or in a phased renovation.

The new lease at 10 Post Office Square was approved by the Board of Directors on August 28, 2024. Staff recommended this location as it provided the lowest annual and overall term costs as well as providing a turnkey approach and a discretionary allowance toward the Owner's build costs. Since lease approval, staff have finalized the lease and commenced working closely with the Landlord and its Designer to complete the schematic design process. In addition, staff have expedited the consultant contracts needed to design for security, audiovisual, telephone and data requirements, as well as fixed furniture and equipment. Staff now have supporting information to provide an estimate for these costs, which are being presented in this Budget amendment recommendation. Staff note that similar costs would have been incurred if the MSBA had selected the current office location with a reduced square foot configuration.

The estimated budget for costs related to the office relocation to 10 Post Office Square is \$2,681,575, as enumerated below. The budget includes contingency as representative of a schematic design level.

Item	Estimated Budget
Legal	\$25,605.00
Design	\$179,200.00
Construction	\$952,000.00
Move	\$80,000.00
FF&E	\$1,070,000.00
Add/Alts	\$25,000.00
Subtotal	\$2,331,805.00
Contingency (15%)	\$349,770.00
Total Project Cost	\$2,681,575.00

Recommendation

Staff recommend that the FY 2025 Budget be amended to include:

- 1) an additional FTE for the Finance Department bringing the MSBA’s FY 2025 FTE count to 126, with no additional increase in the salary budget, which recommendation does not require a Board vote; and
- 2) an increase of \$2,681,575 to the MSBA’s Operating Budget, which recommendation is being presented to the Board for approval. With this recommendation, the MSBA’s FY 2025 Operating Expenses would increase by \$2,681,575 from \$32,868,596 to \$35,550,171. Correspondingly, the MSBA’s FY 2025 Total Operating and Capital Budget would increase from \$879,968,596 to \$882,650,171.