

Massachusetts School Building Authority

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FY13 Budget Recommendations



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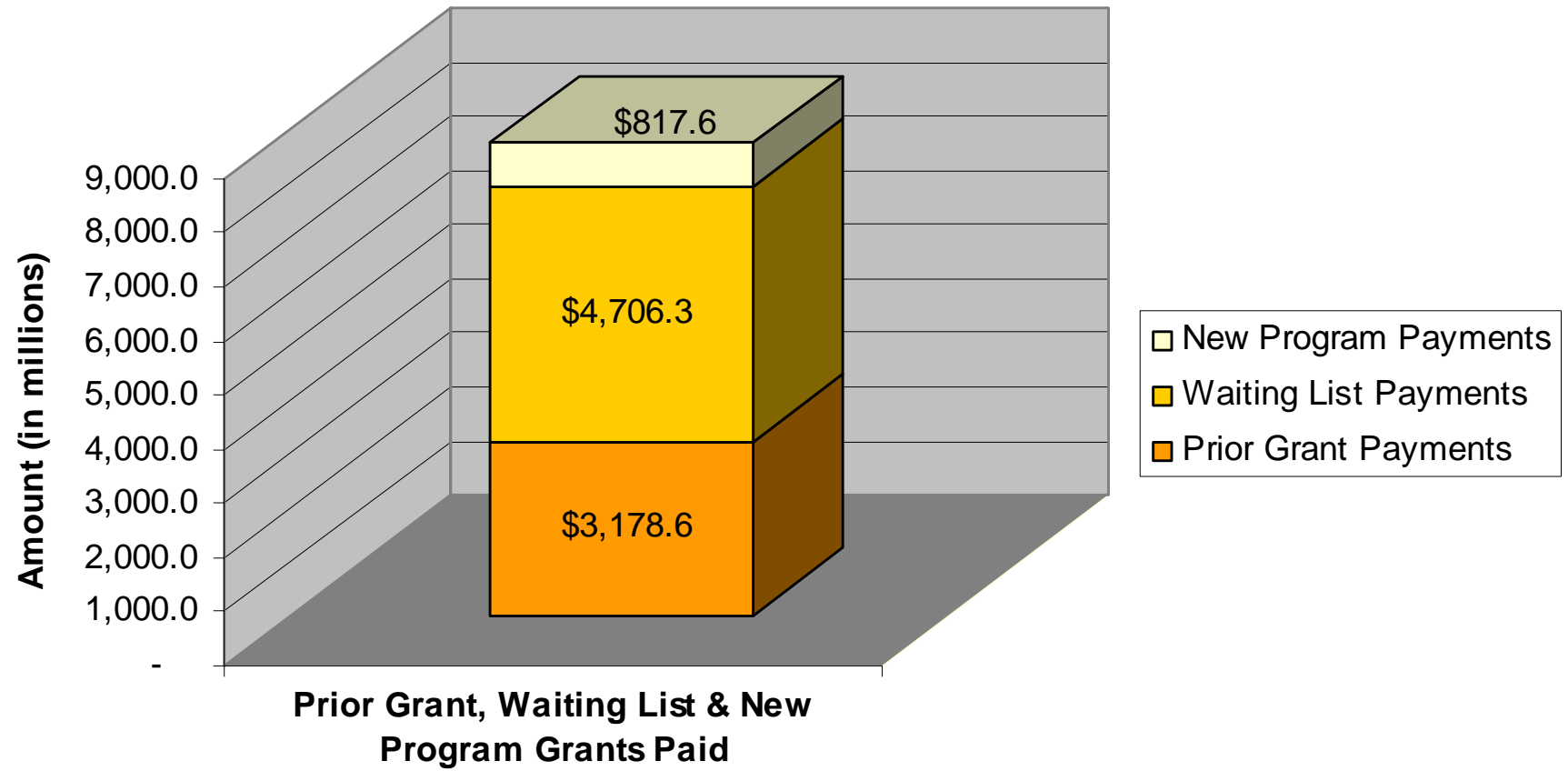


Grant Payments and Programs Update



More than \$8.7 billion in grants paid to cities, towns and regional school districts since 2004

MSBA Grant Payments Made to Date





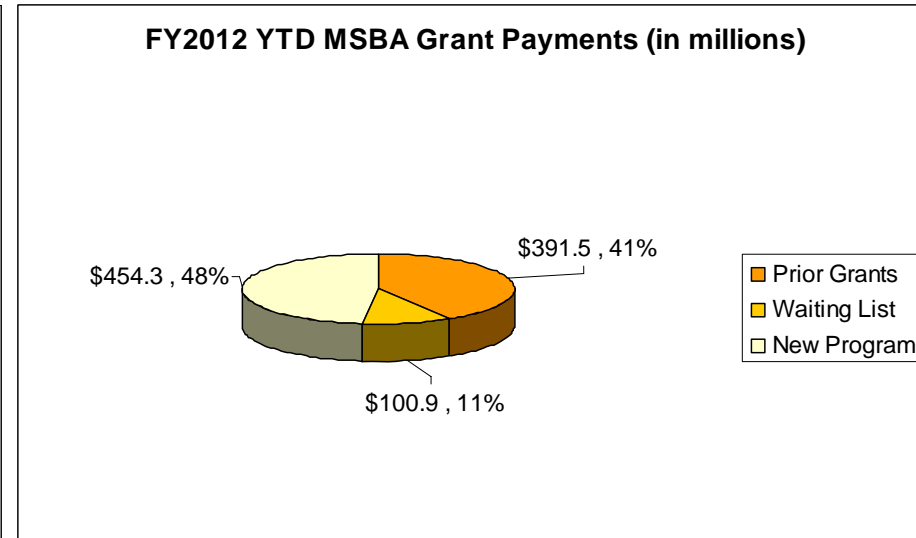
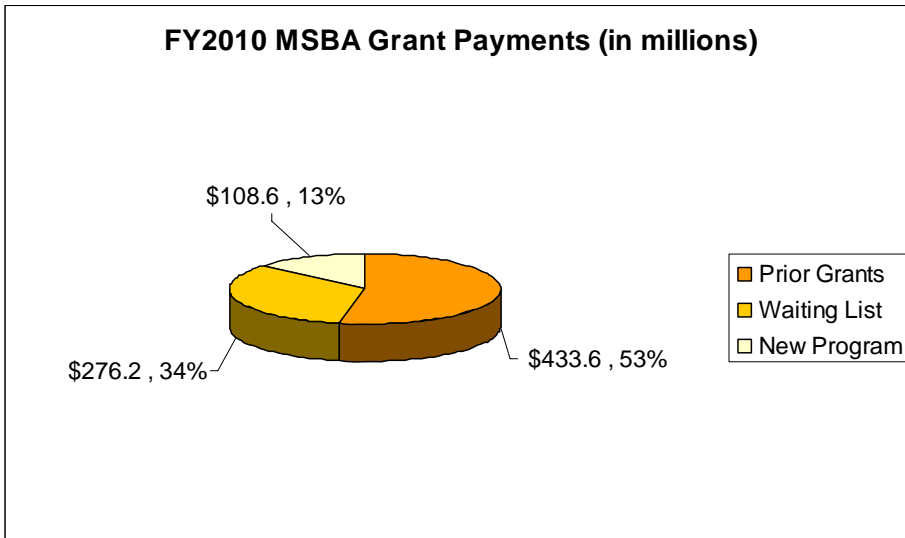
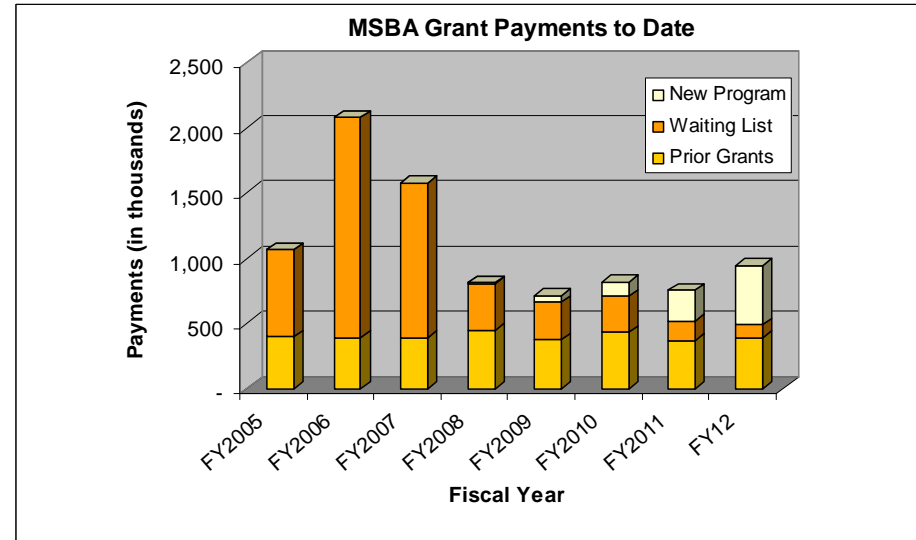
FY12 Project Payments Update

- FY12 year-to-date \$877 million project payments towards 653 projects in 240 districts
 - New Program: \$414 million towards 232 projects in 145 districts
 - Prior Grants: \$362 million towards 372 projects in 160 districts
 - Waiting List: \$101 million towards 49 projects in 33 districts



Grant Payments Update

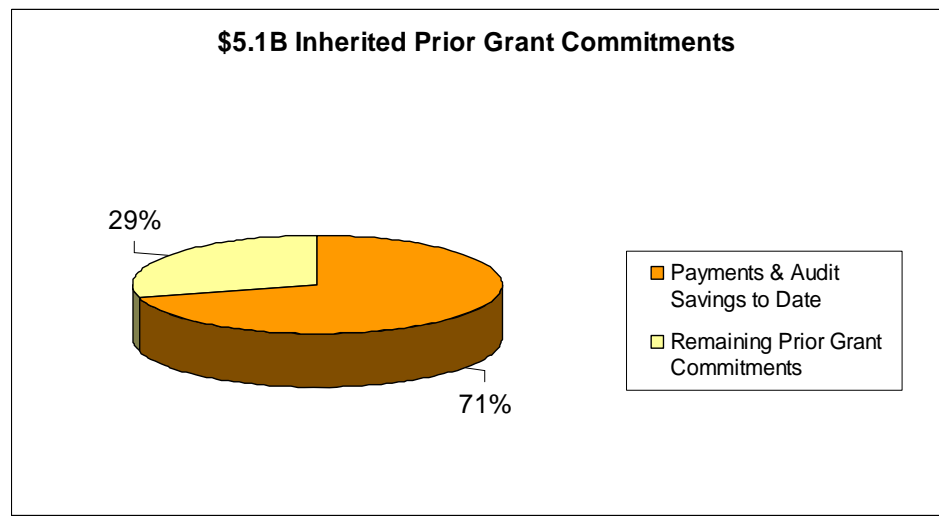
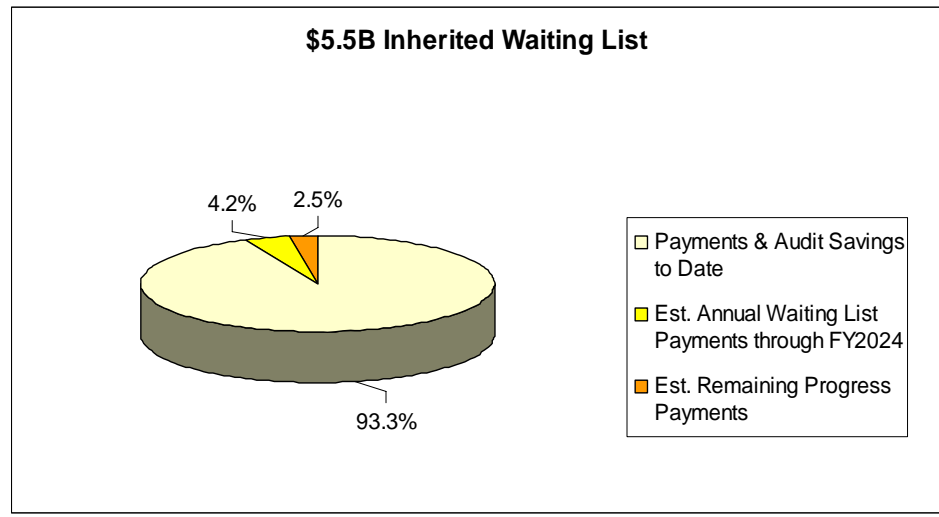
- Grant payments in FY12 are estimated to reach \$1.02 billion
- New Program payments are estimated to represent more than \$500 million of the \$1.02 billion in FY12 estimated grant payments
- Payments for New Program projects represent increasing percentage of all grant payments as projects progress through Capital Pipeline






Inherited Liabilities Update

- More than 90% of inherited Waiting List liability retired to date
- More than 70% of inherited Prior Grant commitments retired to date





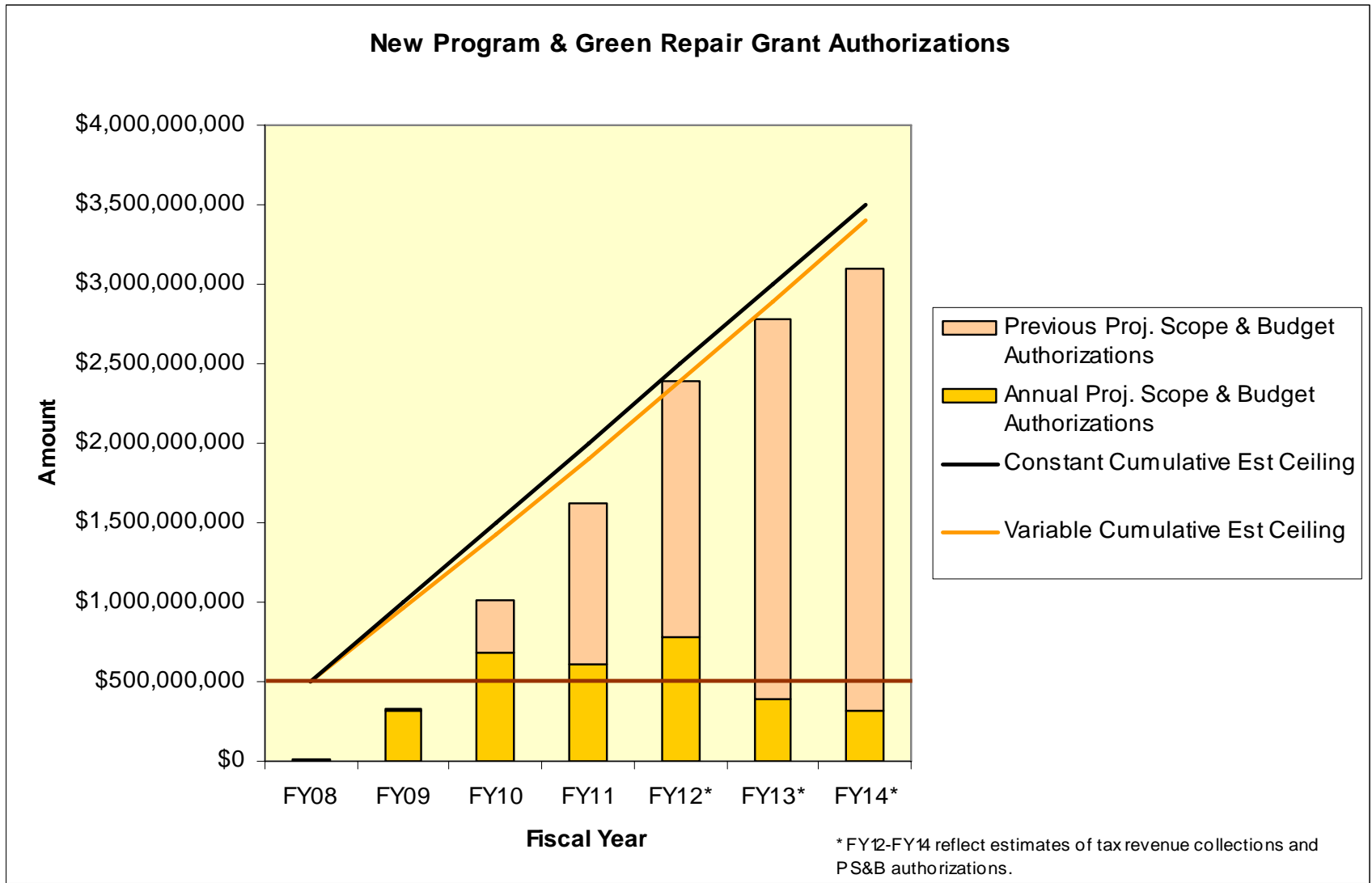
Activity across Capital Pipeline phases will continue to produce high volume of reimbursement requests and grant payments

- More than 110 projects in active construction
- More than 90 projects in consultant selection through design development
- 15 projects completing prerequisites in Eligibility Period and seeking to enter Capital Pipeline

Status	# Projects
Eligibility Period	15
OPM Selection	32
Designer Selection	2
Feasibility Study	13
Preferred Schematic	9
Project Approved Vote Pending	3
Design Development	34
Construction	112
Project Complete	24
Closeout	75
Final Audit Approval	23



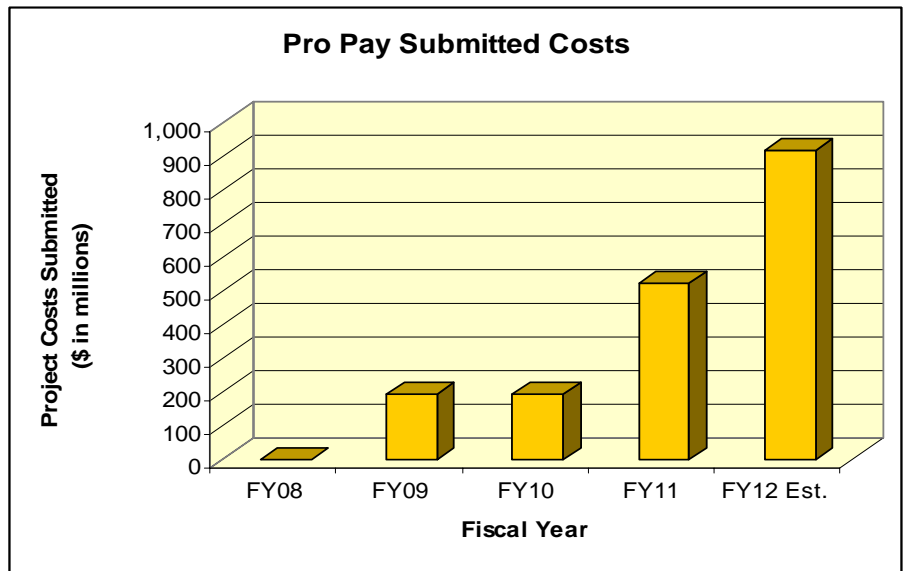
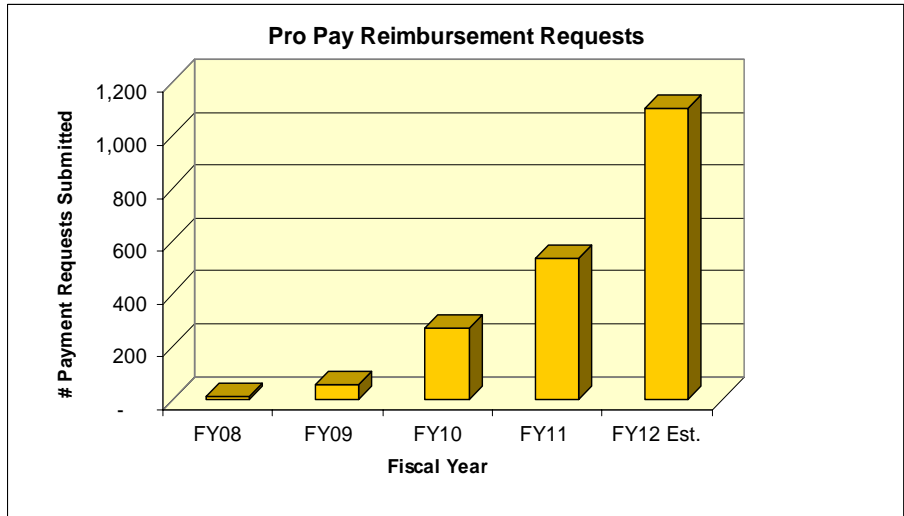
Capital Pipeline Authorizations Update





Capital Pipeline – Pro-Pay Snapshot

- Pro-Pay activity continues to increase as the New Program projects progress through the Capital Pipeline into active construction
- Estimated that FY12 activity in Pro-Pay will exceed 1,000 requests and approach \$1 billion in submitted project costs





Sales Tax and Debt Service Update



FY12 Sales Tax Update

- FY12 SMART collections tracking towards approximately \$669 million
 - Year-to-date collections have exceeded benchmarks by \$5.1 million (0.8%)
 - \$669 million would represent approx. 2.2% growth from FY11



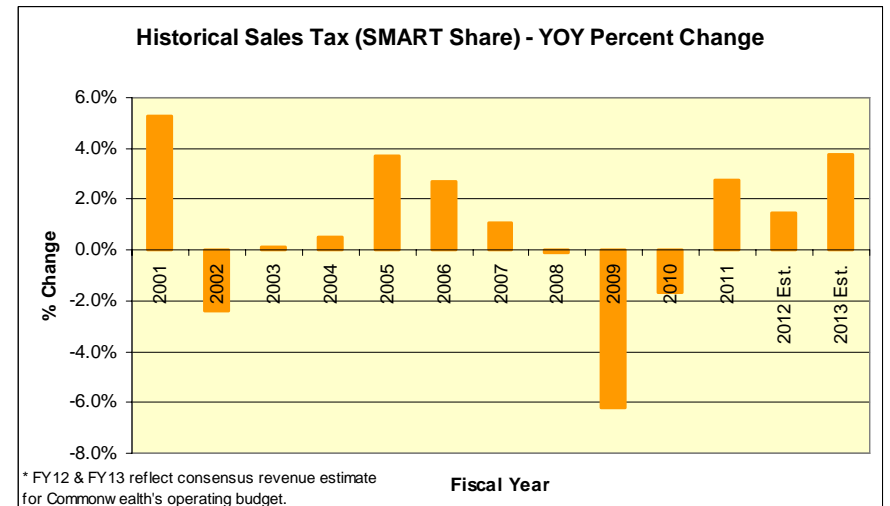
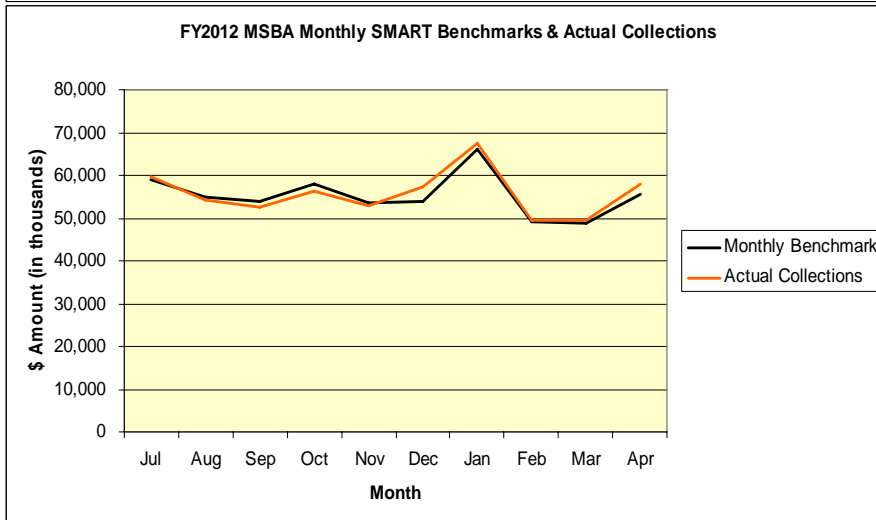
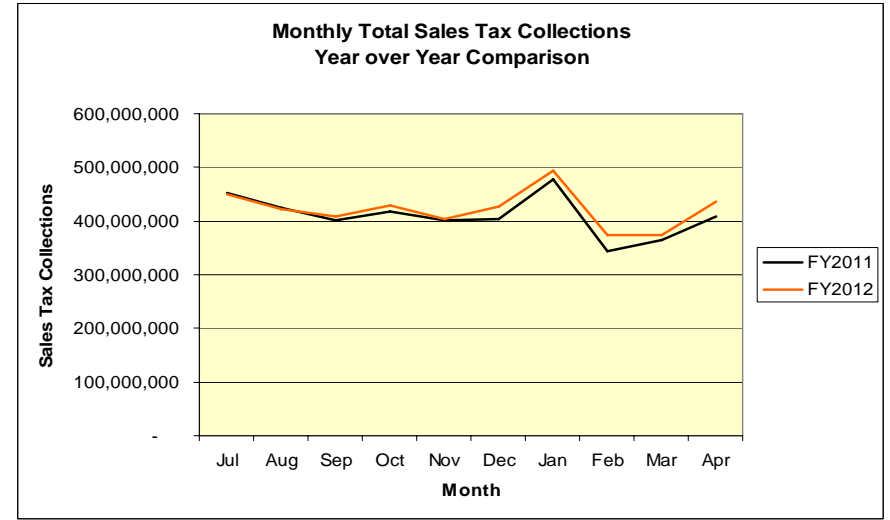
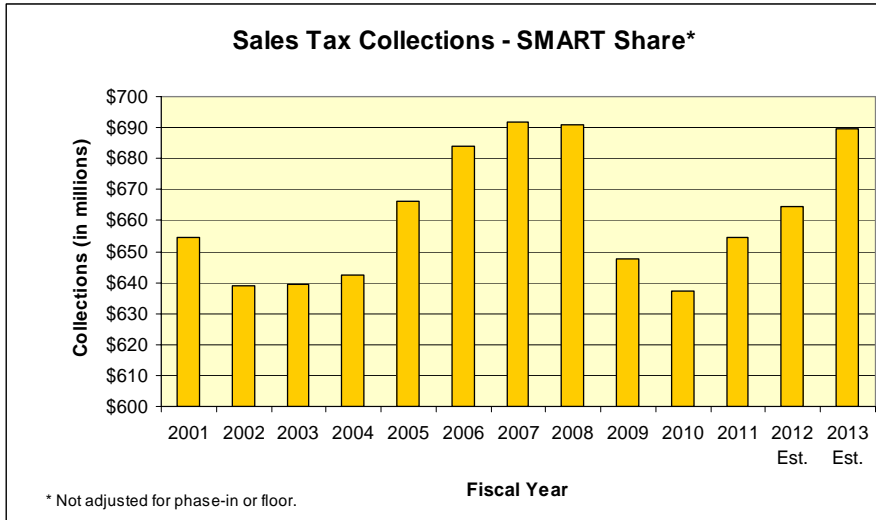
FY13 SMART Forecast

- FY13 Consensus Estimate for SMART
 - \$689.4 million
 - Approx. 3.8% growth from FY12 estimate
 - Represents approx. \$25 million growth

- Proposed elimination of sales tax exemption for candy and soda
 - FY13 House 2 includes language
 - Staff will monitor budget process to determine any impact



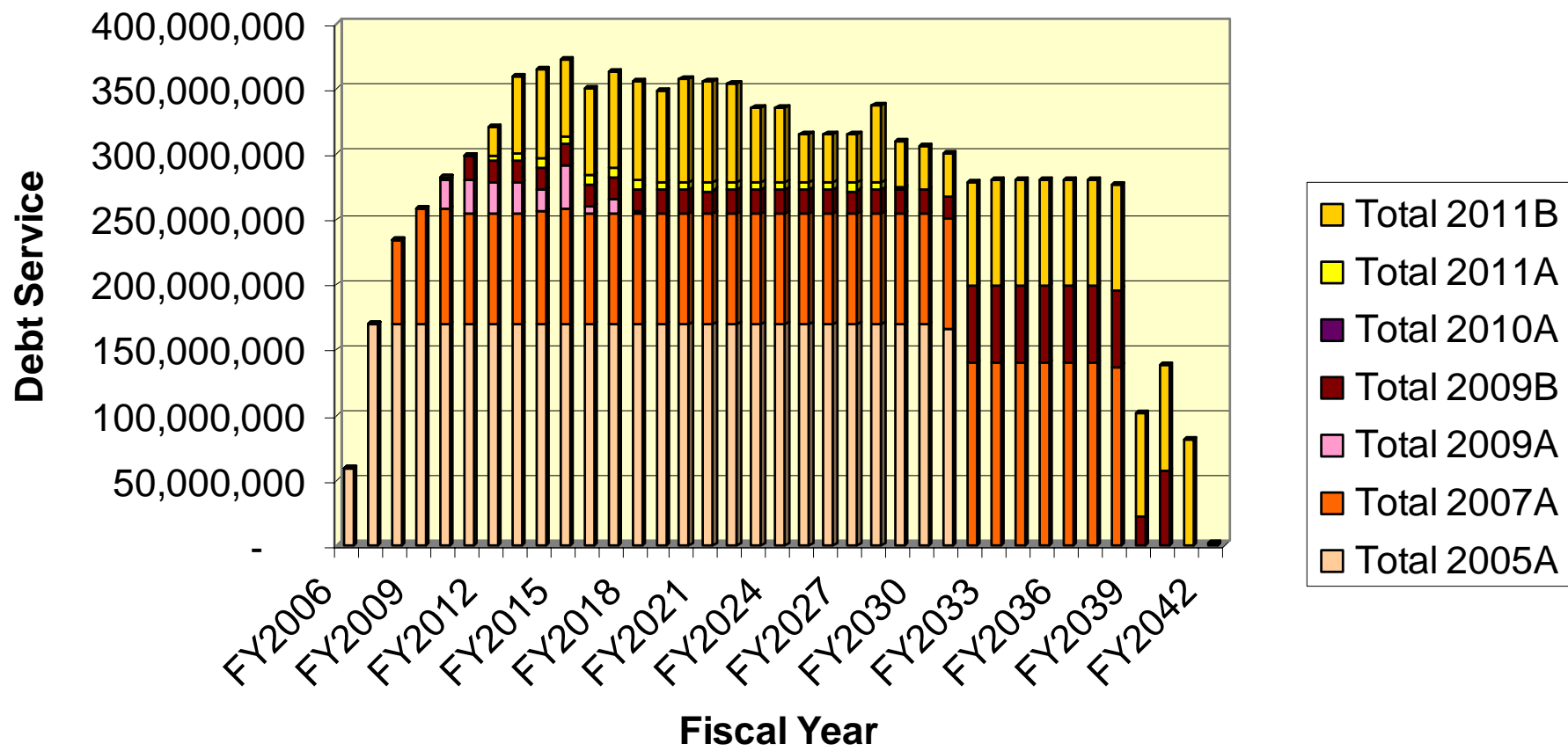
SMART collections indicate sales tax collections have begun a recovery from recession lows





Debt Service on \$5.89 billion MSBA Bonds Issued to Date

MSBA Debt Service



* Adjusted for federal interest subsidies and debt service reserve releases.



FY13 Operations and Grant Programs Budget Recommendations



FY13 Budget Recommendations

- Administrative budget expenditures continue to represent less than 1% of total budget expenditure authorization
- \$1.07 billion estimated grant payments represent more than 98% of requested expenditure authorization
- FY13 Budget Recommendations include:
 - Estimated \$6.2 million for commissioning
 - Significant value added to capital project at 100% MSBA cost
 - Annualization of 9 FTEs funded through FY12 staffing plan
 - Phased hiring plan for 13 additional FTEs
 - Will facilitate effective oversight priority as increasing number of major projects progress through Capital Pipeline
 - Required contribution to continue to fully fund OPEB obligation
 - Cost of bond issuance associated with anticipated series of refundings and new money issuance

FY2013 MSBA Operations & Grant Program Budget Recommendations



Expense Category	FY 2012				FY 2013		
	FY2012 Budget	FY2012 Est. Actual	Est. Variance	% Variance	FY2013 Budget Recommendation	Variance	% Variance
Administrative Expense Budget							
Salaries & Benefits ^[1]	\$ 5,155,359	\$ 3,910,440	\$ (1,244,920)	-24.1%	\$ 5,909,845	\$ 754,485	14.6%
General & Administrative Office Expenses ^[2]	\$ 191,532	\$ 190,273	\$ (1,259)	-0.7%	\$ 198,840	\$ 7,308	3.8%
Occupancy & Utilities ^[3]	\$ 949,014	\$ 950,271	\$ 1,257	0.1%	\$ 1,189,048	\$ 240,035	25.3%
Consulting & Professional Support Services ^[4]	\$ 201,537	\$ 225,302	\$ 23,765	11.8%	\$ 207,242	\$ 5,705	2.8%
Information Technology ^[5]	\$ 324,204	\$ 282,282	\$ (41,923)	-12.9%	\$ 282,282	\$ (41,923)	-12.9%
Total Administrative Expense Budget^[6]	\$ 6,821,647	\$ 5,558,568	\$ (1,263,079)	-18.5%	\$ 7,787,257	\$ 965,610	14.2%
Other Post Employment Benefits (OPEB)^[7]	\$ 350,000	\$ 350,000	\$ -	\$ -	\$ 160,000	\$ (190,000)	-54.3%
Capital Program Professional Support Services							
Project Related Legal, Audit & Professional Support Services ^[8]	\$ 10,875,000	\$ 6,423,912	\$ (4,451,088)	-632.4%	\$ 11,793,000	\$ 918,000	8.4%
Cost of Issuance ^[9]	\$ 375,000	\$ 1,018,474	\$ 643,474	171.6%	\$ 1,023,500	\$ 648,500	172.9%
Total Capital Program Professional Support Services	\$ 11,250,000	\$ 7,442,386	\$ (3,807,614)	-33.8%	\$ 12,816,500	\$ 1,566,500	13.9%
Grant Program							
Prior Grants ^[10]	\$ 257,987,496	\$ 390,676,894	\$ 132,689,398	51.4%	\$ 257,111,868	\$ (875,628)	-0.3%
Waiting List ^[11]	\$ 232,555,128	\$ 129,436,520	\$ (103,118,608)	-44.3%	\$ 221,908,512	\$ (10,646,616)	-4.6%
New Program Grants ^[12]	\$ 600,000,000	\$ 502,037,999	\$ (97,962,001)	-16.3%	\$ 600,000,000	\$ -	0.0%
Total Grant Program	\$ 1,090,542,624	\$ 1,022,151,413	\$ (68,391,211)	-6.3%	\$ 1,079,020,380	\$ (11,522,244)	-1.1%
Grand Total - Operating Budget	\$ 1,108,964,271	\$ 1,035,502,367	\$ (73,461,904)	-6.6%	\$ 1,099,784,137	\$ (9,180,134)	-0.8%

[1] FY12 budget included funding for 9 additional FTEs to increase total MSBA staff to 56 FTEs, however, due to leadership transition and strategic planning efforts these hires were deferred until final two quarters of FY12. FY13 Budget Recommendation includes funding for the phased hiring of 13 additional FTEs throughout FY13, which will increase MSBA total FTEs to 69 by FY13 year end.

[2] FY13 Budget Recommendation reflects estimated cost for record storage due to the increasing volume of Board approved projects that can be archived off-site.

[3] FY13 Budget Recommendation reflects anticipated leasing of additional square footage of office space in order to implement staffing plan for effective oversight priority from strategic planning effort.

[4] FY12 Est. Actual variance reflects one-time expenditure associated with strategic planning and performance management effort. FY13 Budget Recommendation variance reflects savings from FY12 one-time costs associated with strategic planning. FY13 Budget Recommendation also reflects anticipated cost associated with RFR for new contract for annual financial audit.

[5] FY12 Est. Actual and FY13 Budget Recommendation reflect the conversion of two IT consultants to FTEs during FY12.

[6] FY12 Est. Actual variance reflects delayed phasing of FY12 staffing plan to accommodate strategic planning effort. FY13 Budget Recommendation reflects anticipated change in expenditures associated with implementation of strategic planning priorities including staffing plan to implement effective oversight priority. FY13 Budget Recommendation also includes anticipated expenditures associated with the increasing volume of active projects in the Capital Pipeline, active construction site visits and records management costs. See footnotes [1-5] for additional information.

[7] With the FY12 transfer of \$350 thousand, the MSBA has set aside \$1.7 million in order to fully fund estimated OPEB obligation as of 6/30/12. The MSBA anticipates the transfer of these funds to the Health Care Security Trust (HCST) for investment following a meeting of the Board of the HCST on 6/19/12. FY13 Budget Recommendation reflects estimated normal cost of OPEB assuming full funding of current obligation by 6/30/12.

[8] Please see footnotes for Capital Pipeline Professional Support Services slide for explanation of variances in these cost categories.

[9] FY12 Est. Actual variance from budget reflects issuance of 2011 Series A (\$142 million), 2011 Series B (\$1 billion), and potential issuance of a refunding series in June 2012. FY13 Budget Recommendation includes estimate for costs associated with multiple refunding opportunities, and one new project funding issuance (approx. \$500 million).

[10] Estimated annual amount pursuant to the Prior Grant payment schedule, and includes anticipated payments associated with current refundings of approximately \$25 million. Total outstanding liability for FY14-FY23 is approximately \$1.3 billion.

[11] FY12 Est. Actual variance from budget reflects slower than anticipated requests for reimbursement from some Waiting List projects. FY13 Budget recommendation includes estimated annual amount pursuant to the Waiting List annual payment schedule, as well as anticipated payments related to current refundings for Waiting List projects of approximately \$75 million. Total outstanding liability for Waiting List is approximately \$370 million, including annual payments FY14-FY24 of approximately \$202 million.

[12] FY12 Est. Actual reflects New Program payments to more than 230 projects benefiting 145 school districts. FY13 Budget Recommendation includes anticipation of more than 1,000 reimbursement requests from over 200 projects.



MSBA Sources & Uses

	<u>FY12 Est.</u>	<u>FY13 Est.</u>
Begin Fund Balance		
Restricted Bond Proceeds Beginning Balance[1]	\$ 118,303,813	594,254,581
Unrestricted Beginning Fund Balance[2]	<u>252,924,034</u>	<u>263,268,517</u>
Total Begin Fund Balance	371,227,847	857,523,098
General revenues:		
Bond Issuance Proceeds[3]	\$ 1,156,143,519	500,000,000
Dedicated sales tax[4]	664,300,000	689,400,000
Interest income[5]	26,462,429	26,762,429
Grant income[6]	20,484,274	24,213,068
Arbitrage Rebate[7]	(10,354,593)	-
Loan Program[8]	<u>7,960,257</u>	<u>8,847,402</u>
Total revenues	1,864,995,886	1,249,222,899
Expenditures/expenses:[9]		
Grant payments	\$ 1,022,151,413	1,079,020,380
Commissioning	4,028,304	6,200,000
Capital Pipeline Support Services	3,414,082	6,616,500
Operations	5,908,568	7,947,257
Loan Program[10]	5,946,543	5,000,000
Debt service[11]	<u>337,251,725</u>	<u>407,146,800</u>
Total expenditures/expenses	1,378,700,635	1,511,930,937
Year End Restricted Bond Proceeds Balance	\$ 594,254,581	287,528,055
Year End Unrestricted Fund Balance	<u>263,268,517</u>	<u>307,287,005</u>
Year End Balance	857,523,098	594,815,060

[1] FY12 Est includes proceeds from 2010 Series A issuance. FY13 Est includes proceeds from 2011 Series A and 2011 Series B issuances.

These amounts do not include funds held by the Trustee to meet debt service reserve requirements.

[2] Reflects balances in non-trusted funds.

[3] FY12 Est includes proceeds from 2011 Series A and 2011 Series B issuances net of debt service reserve funds.

[4] FY12 and FY13 based on most recent Consensus Revenue Estimate available for the Commonwealth's operating budget.

[5] Includes estimated earnings on all debt service funds held by the Trustee as well as unrestricted funds.

[6] Reflects annual interest subsidies scheduled to be received from the federal government related to the 2009 Series A (Build America Bonds) and 2010 Series A and 2011 Series A (Qualified School Construction Bonds).

[7] FY12 reflects rebate of interest earnings above arbitrage yield on the 2005 Series A.

[8] Includes FY12 actual principal and interest received in November 2011, and principal and interest scheduled to be received on November 1, 2012 for all executed loans.

[9] Please see MSBA Operations & Grant Expenditure budget slide for detailed information regarding expenditure categories.

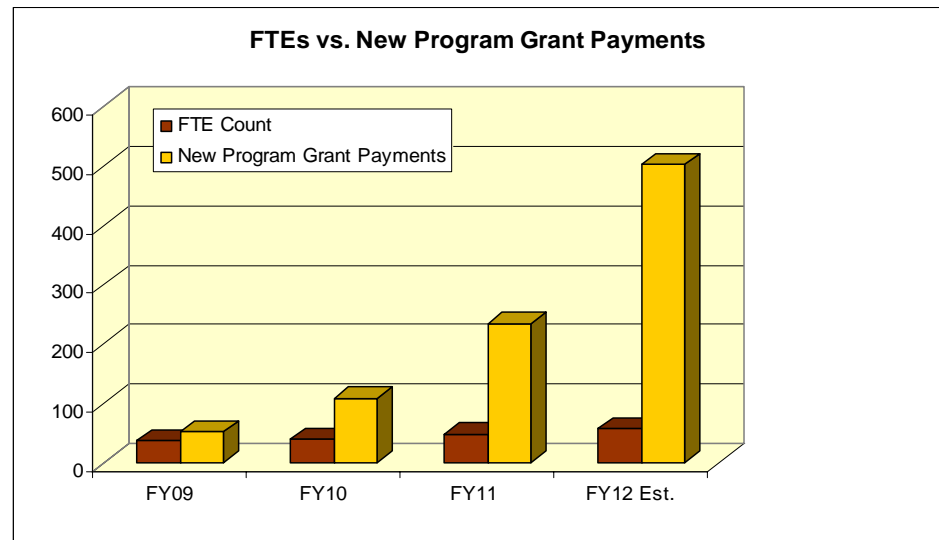
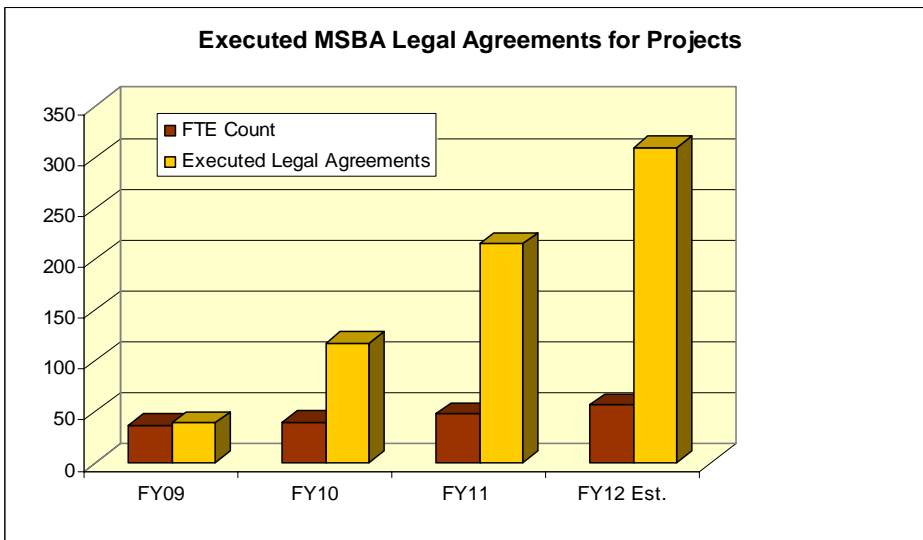
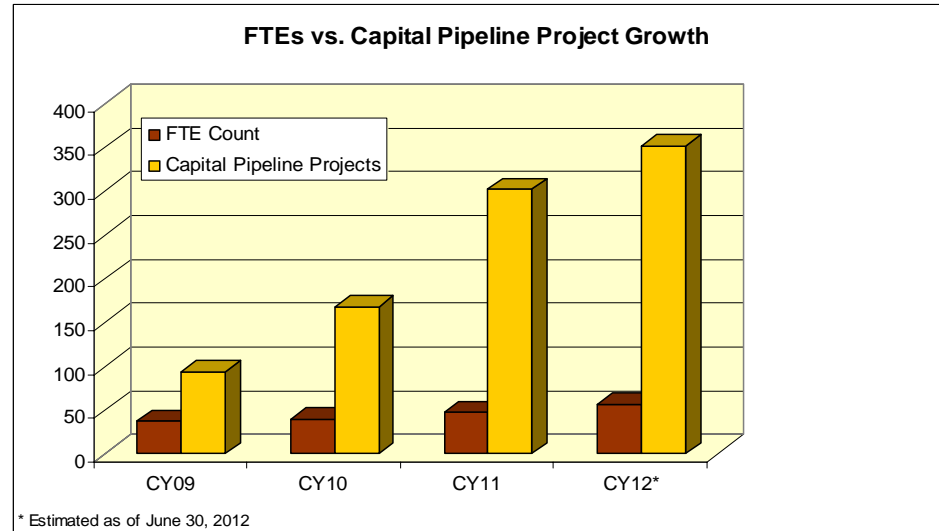
[10] FY12 reflects loan executed for Cambridge Rindge and Latin School, and FY13 includes anticipated execution of remaining loan authorization for Worcester North High School.

[11] Reflects gross debt service on outstanding debt. FY13 includes assumed debt service on additional \$500 million issuance. Does not reflect any savings that may result from advance refunding of outstanding debt.

Capital Pipeline Activity vs. Staff Resources



- # of projects in Capital Pipeline has significantly outpaced staffing to support Capital Pipeline activity across the organization
- FY12 and FY13 resource plans are intended to facilitate the effective oversight of \$2.5 billion Capital Pipeline





FY12 and FY13 Resource Plan

	FTE Count
FY11 Snapshot (used to build FY12 budget)	47.9
FY12 Budgeted	56.9
FY12 FTEs Gained/Lost as of 4/30/12	-0.6
Snapshot as of 4/30/12	47.3
Projected New Hires for Q4 of FY12	9
Expected Year End FTE Count	56.3
Additional FTEs Planned for FY13	13
Proposed FY13 Budgeted	69.3

- Director of Finance (*backfill*)
- Director of HR
- Director of Construction Management (*backfill*)
- Project Manager (2)
- Director of IT (*backfill*)
- Administrative Assistant
- Audit Analyst

Q1	Contracts Specialist Data/QA Manager
Q2	Project Manager (2) Commissioning Project Mgr Data Analyst
Q3	Project Manager (2) Field Coordinator (2)
Q4	Project Manager (2) Field Coordinator

Key assumptions:

- FY12 hiring plan successfully executed
- Current projects move through the pipeline as expected and 15 new projects are invited to Eligibility Period annually
- Recommendations for effective oversight undertaken
- Current workforce, including consultants, continue
- FY14 total resources (staff and consultants) expected to remain consistent with FY13 proposed resources



FY12 and FY13 Resource Plans Support Effective Oversight of Capital Pipeline

MSBA provides **effective oversight** to construction projects so that they benefit from accumulated experience and competencies towards better use of limited resources, requiring:

OPMs	OPM Selection Panel ensuring pre-selection involvement of MSBA and joint decision making Formal MSBA evaluation process with clear metrics and data-driven performance assessments
Construction Administration	Site visits increased during peak construction to 1 per month Project managers able to commit 20 hours/project/month Project SWAT team and QA/QC team
Change Orders	Cap for change order allowance Change order data published on website to DSP and OPM Review Panels and part of consultant evaluation process
Designers	Formal MSBA evaluation process with clear metrics and data-driven performance assessments with designers after Schematic Design, bidding, and final audit
Commissioning Consultant	Resources to increase review and oversight of commissioning Publication of data from commissioning agents
Standard Contracts	Standard construction general conditions and general requirements contract (Issue RFS) Enforcement of standard contracts (including on-going audit and implementation)
Cost Data	Development and publication of bid and final project data sheets
Public School Data and Best Practices	Master Schedule and monthly Project Advisories QA/QC team to evaluate: commissioning results, consultant evaluations, change orders