

## MEMORANDUM

**TO:** Board of Directors, Massachusetts School Building Authority  
**FROM:** John K. McCarthy, Executive Director  
**SUBJECT:** Declaration of Official Intent  
**DATE:** May 29, 2013

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Pursuant to section 1.150-2 of the United States Treasury Regulations (the "Regulations"), the Massachusetts School Building Authority ("MSBA") may reimburse itself from bond proceeds for certain school project payments and project costs that were processed by the MSBA from sources other than bond proceeds. For this to be permitted, the Regulations require the issuer of the bonds to declare its intent to do so prior to the issuance of the bonds. The Regulations also require that the reimbursement be made no later than 18 months after the date of the original expenditure or the date the project was placed into service, whichever is later, and in any case, the reimbursement shall be made no more than three years after the payment date of the original expenditure. Additionally, the Regulations allow for expenditures made during the 60 days preceding such a declaration of intent to be considered eligible to be reimbursed from bond proceeds.

The MSBA has recently expended all proceeds received from the sale of the 2011 Series B bond issuance. The MSBA anticipates that the proceeds from the sale of the 2013 Series A bonds will not be received until early July 2013. The MSBA is now processing all grant payments for projects from sales tax revenues and unrestricted funds that have been received by the MSBA from the Trustee after all debt service set-aside requirements have been met. As part of prudent management of the MSBA's capital program, the MSBA plans to make approximately \$75 million of grant payments from sales tax revenues and unrestricted funds prior to the receipt of the 2013 Series A proceeds; however, it is also important for the MSBA to preserve the ability to reimburse certain capital expenditures from bond proceeds so that cash flow can be most efficiently managed with consideration for grants for capital programs, operating expenditures, and all other requirements. The Declaration of Official Intent that staff is recommending will make the necessary amount of reimbursement from the 2013 Series A bonds possible, and will allow the MSBA to determine the appropriate balance of grants being paid with either bond proceeds or sales tax revenue based on market conditions during the next three year period. The Board has previously approved declarations of intent in 2005, 2006, 2008 and 2009.