

Massachusetts School Building Authority

Steven Grossman, State Treasurer
Chairman

Jack McCarthy
Executive Director



FY14 MSBA Budget Recommendation



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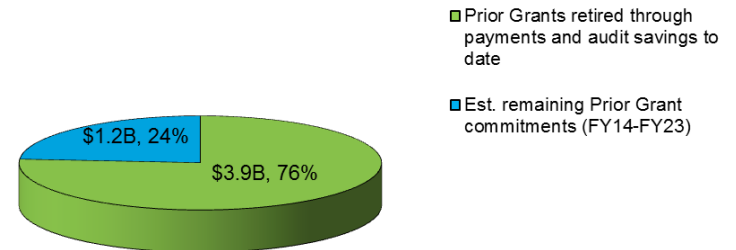
1. **MSBA Grant Programs Update**
2. SMART Collections Update
3. FY14 Administrative Operations and Grants
Budget Recommendation
4. Debt Service Update



Inherited Programs Status

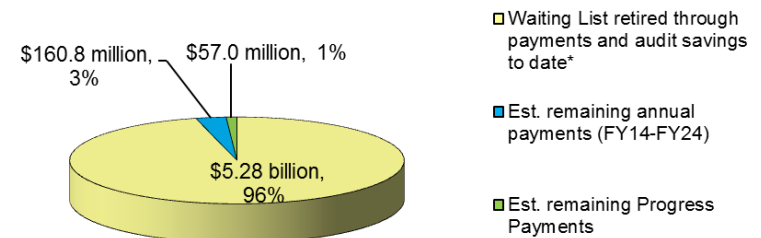
- **MSBA's proactive and aggressive management of inherited projects eliminated the uncertainty associated with the former program**
 - More than \$9.2 billion of estimated inherited financial commitments from former program have been retired through payments and audit savings
 - Approximately \$1.4 billion inherited commitments outstanding
 - More than \$1.3 billion of outstanding inherited commitments will be paid from cash and not from debt issuance
 - 76% of the total inherited Prior Grant financial commitment retired to date. 100% of the projects have completed and approved final audits
 - 96% of the total inherited Waiting List financial liability and commitment retired to date. 98% of the projects have completed and approved final audits

Status of \$5.1B Inherited Prior Grants



* Includes payments and audit savings as of 5/30/2013.

Status of \$5.5B Inherited Waiting List

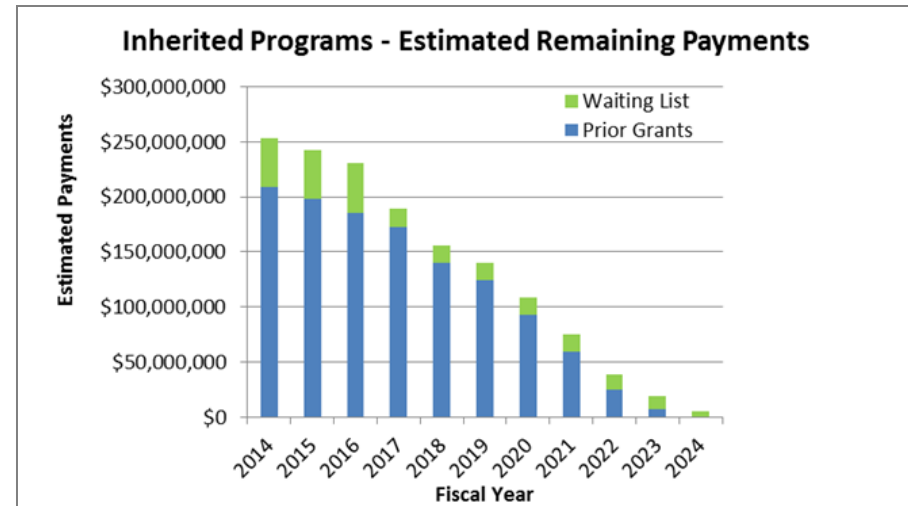
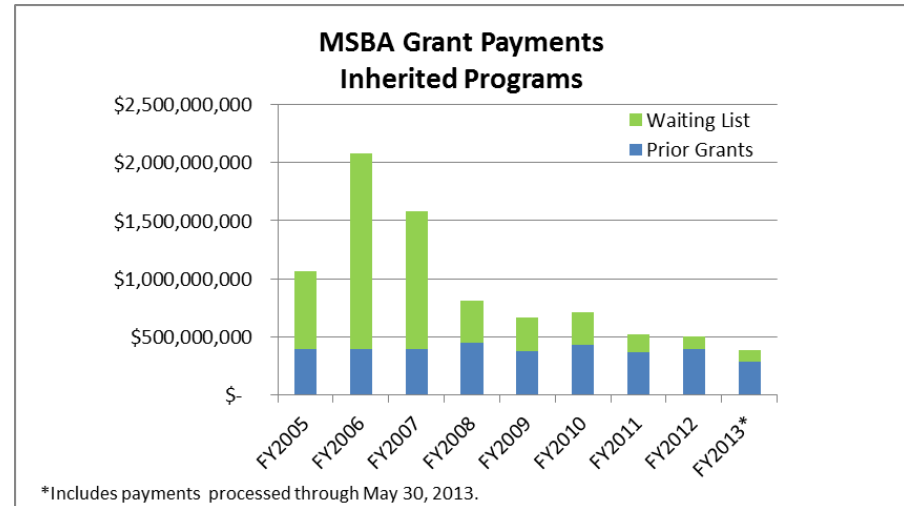


* Includes payments and audit savings as of 5/30/2013.



Inherited Programs Status

- **Efforts and commitment to eliminating the audit and funding backlog from former program have:**
 - Created greater certainty of remaining financial commitments towards these programs
 - Resulted in identification of savings that will generate additional future liquidity for the MSBA that can be used to reduce debt service through pay-go financing and defeasance of outstanding debt
 - Facilitated more than \$8.3 billion in grant payments made by the MSBA since FY05 towards more than 1,100 inherited projects

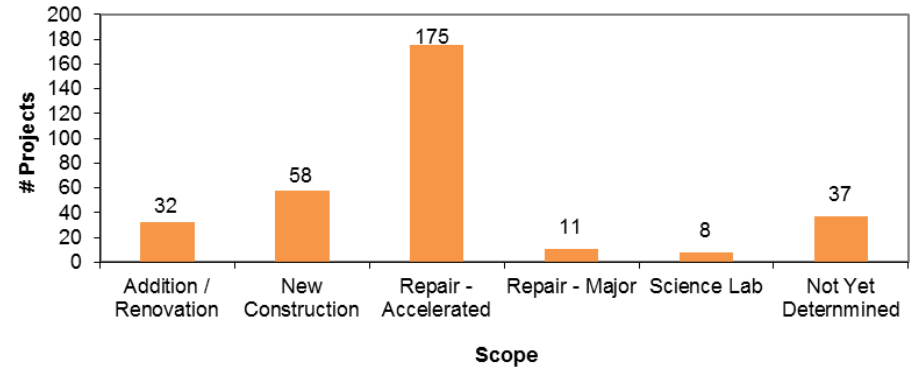




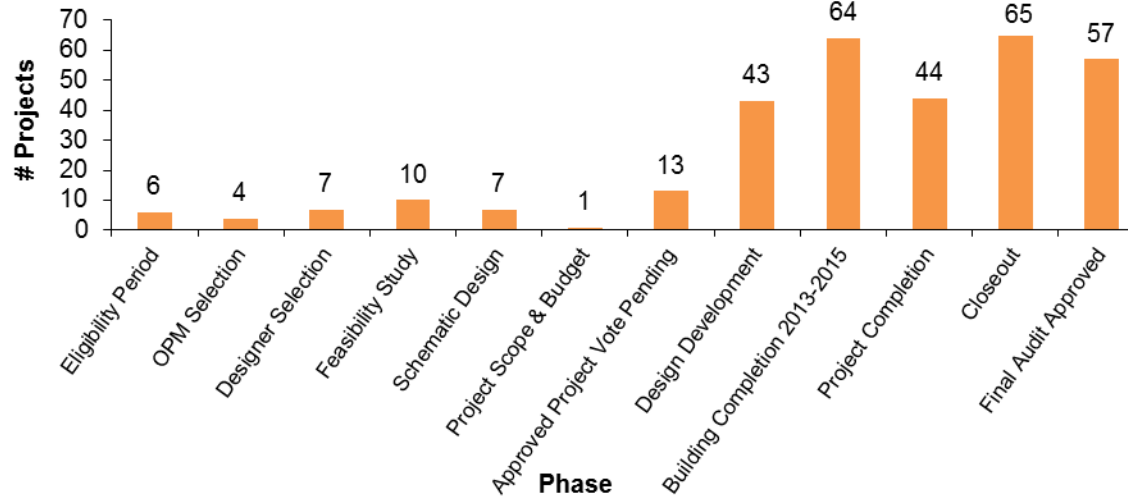
Proven New Program Process

- **Successful implementation of New Program procedures and guidelines has enabled projects to progress through pipeline**
- **Approximately \$1.4 billion current funding commitments forecast to be paid out through fiscal year 2017**

MSBA Capital Pipeline - Projects by Scope



MSBA - New Program Project Status

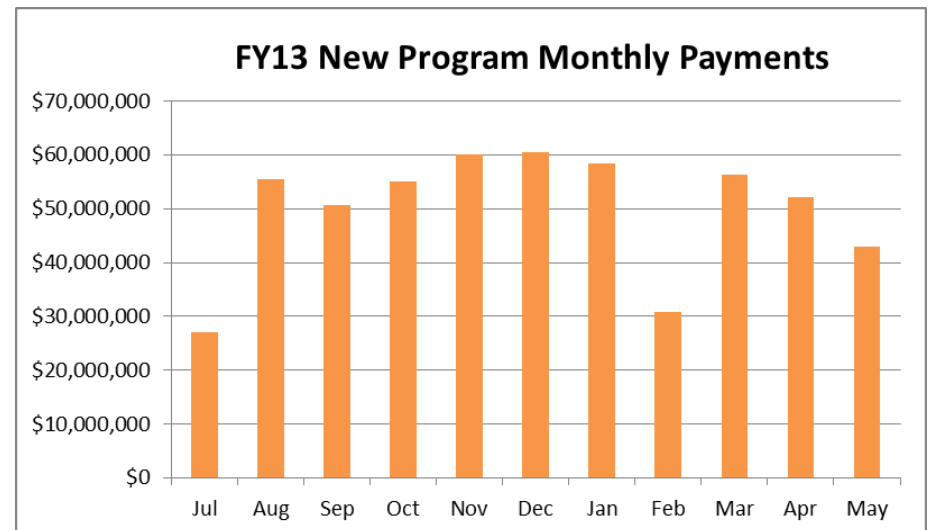
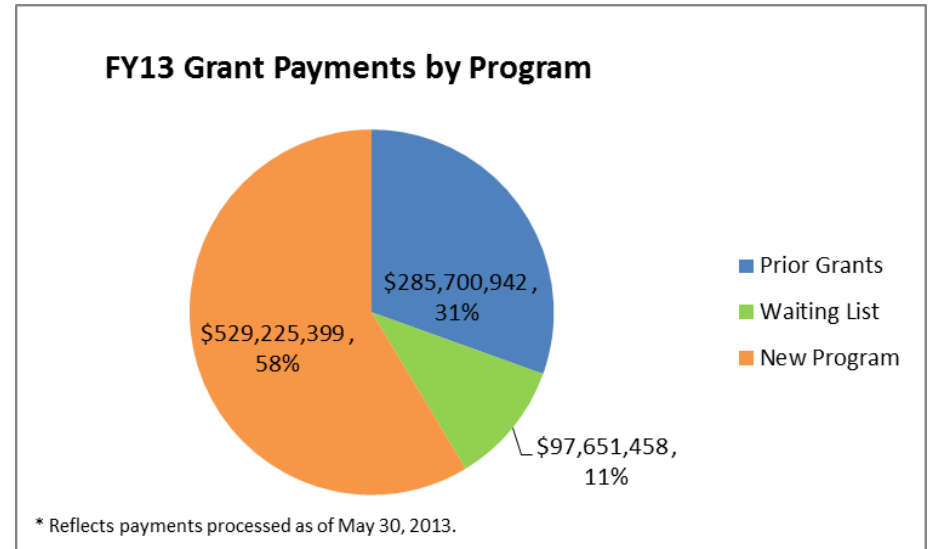




FY13 New Program Grant Payments

- More than \$549 million New Program grants paid to date in FY13
 - Payments made towards 260 projects in 148 districts
 - Represents 58% of all grant payments made in FY13

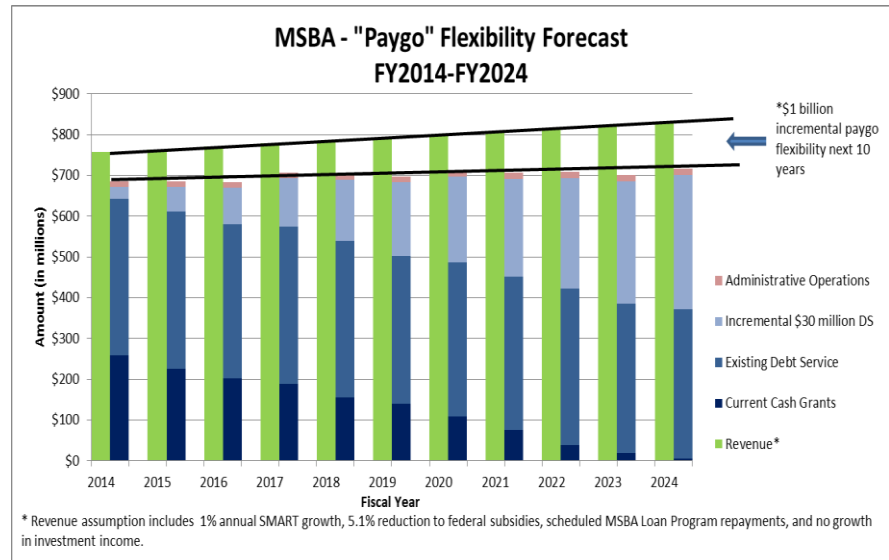
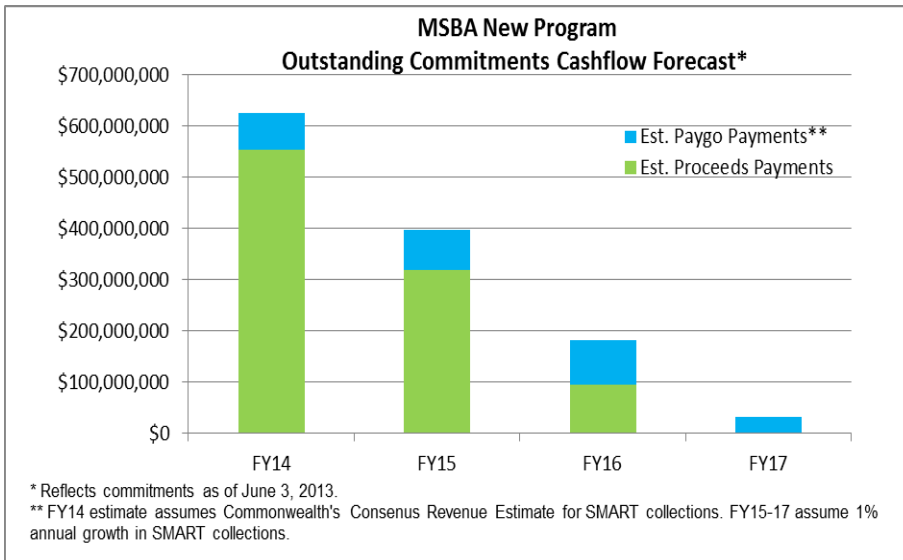
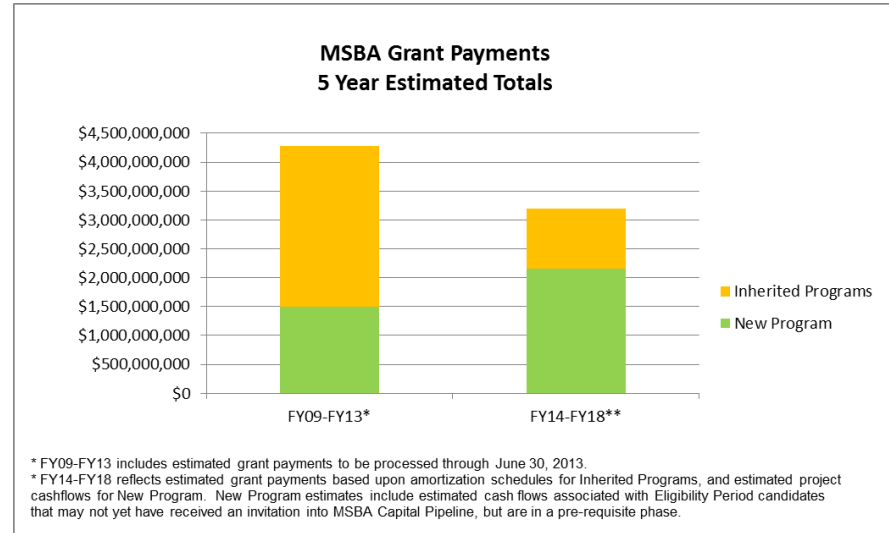
- Year-to-date monthly New Program payments average of \$50 million in FY13





MSBA - A Look Ahead

- MSBA debt issuance and total grant payments are projected to decline due to significant progress towards retirement of inherited obligations**
- Responsible financial planning practices position the MSBA to reduce future borrowing through “paygo” flexibility**
 - Additional “paygo” projected to reduce MSBA borrowing by more than \$1 billion during the next decade
- MSBA anticipates funding more than 20% of outstanding New Program commitments as “paygo”**





MSBA Five Year Capital Programs Outlook

Grants	FY13	FY14	FY15	FY16	FY17	FY18
Statements of Interest Submitted by Districts ¹	280	200				
New Program ²						
Core Program Projects (# project invitations) ³	\$398M (17)	\$474M (12-25)	\$479M (12-25)	\$484M (12-25)	\$489M (12-25)	\$494M (12-25)
Accelerated Repair (# project invitations) ⁴	\$37M (36)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)
Science Lab Initiative (# project invitations)	<u>\$47M (8)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated New Program Grant Authorizations	\$482M	\$499M	\$504M	\$509M	\$514M	\$519M
Estimated New Program Ceiling ⁵	\$494M	\$499M	\$504M	\$509M	\$514M	\$519M
Inherited Programs ⁶						
Prior Grants (# projects)	\$286M (327)	\$209M (290)	\$198M (264)	\$186M (228)	\$172M (198)	\$140M (169)
Wait List (# projects) ⁷	<u>\$113M (46)</u>	<u>\$49M (31)</u>	<u>\$28M (28)</u>	<u>\$17M (27)</u>	<u>\$17M (27)</u>	<u>\$16M (26)</u>
Estimated Inherited Program Grant Payments	\$395M	\$258M	\$226M	\$203M	\$189M	\$156M

¹ FY13 reflect calendar year 2012 Statements of Interest filed for FY13 invitation period. FY14 reflects calendar year 2013 Statements of Interest filed for FY14 invitation period.

² FY13 reflects actual Estimated Maximum Facilities Grant through June Board meeting. FY14 and beyond reflect estimated invitations for project approvals, and assume districts have the ability to complete work through schematic design within an average timeframe, and are able to obtain local funding approvals for a proposed project. Assumes 1% annual growth in dedicated sales tax collections from Commonwealth's estimated FY13 collections.

³ Assumes average grants for major elementary, middle and high school projects of \$19M-\$41M. Invitation assumption is not project-specific, and is based upon average grants only.

⁴ Assumes average grant for roof, window and boiler projects of \$500,000 - \$2.5M. Invitation assumption is not project-specific, and is based upon average grants only.

⁵ Assumes Commonwealth's estimated FY13 collections, and 1% annual growth beyond FY13.

⁶ Reflects estimated grant payments based upon payment schedule of final project audit, revised payment schedule as a result of district refunding, or estimated remaining progress payment reimbursements.

⁷ FY13 estimated remaining payments through 6/30/13. FY14 and beyond reflects estimated closeout audit calendar as of 4/16/13 and remaining wait list annual payments schedule as of 5/29/13.



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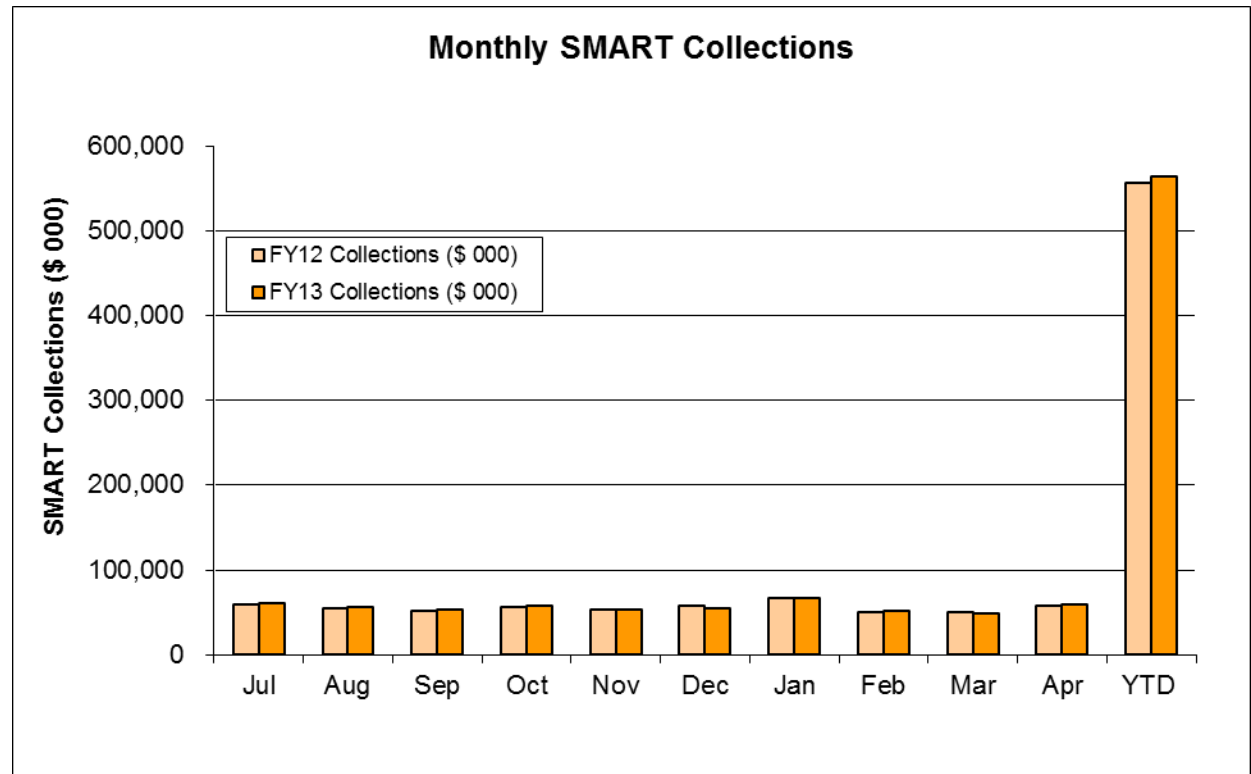
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FY13 YTD Monthly SMART Collections

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	YTD
FY12 Collections (\$ 000)	59,646	54,111	52,414	56,434	52,892	57,303	67,440	49,632	49,645	57,959	557,477
FY13 Collections (\$ 000)	60,514	56,214	53,253	57,667	54,031	55,053	67,562	51,348	49,312	59,362	564,315
Change (\$ 000)	868	2,103	839	1,232	1,138	(2,250)	122	1,716	(333)	1,403	6,838
% Change	1.5%	3.9%	1.6%	2.2%	2.2%	-3.9%	0.2%	3.5%	-0.7%	2.4%	1.2%

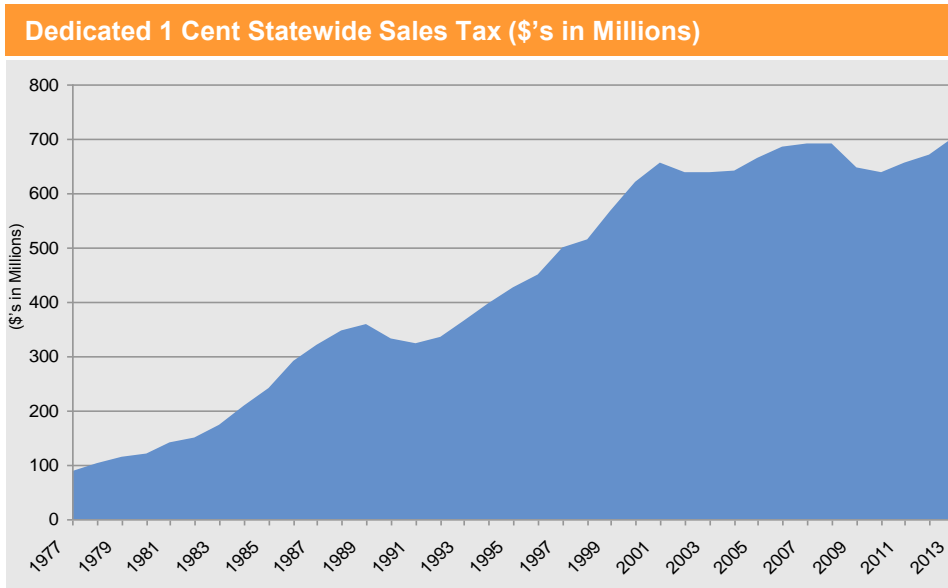
- SMART collections through April were \$6.8M (1.2%) greater than collections through same period in FY12
- With the exception of two months, SMART collections in FY13 have exhibited growth each month over the same month in the previous year





Historical Sales Tax Collections and FY14 Outlook

- Growth in all but 6 of the last 37 years
- Strong performance across economic cycles
- FY14 Consensus Revenue Estimate forecast assumes 3.1% growth



FY	Sales Tax Receipts ¹	Applicable % of Sales Tax Receipts ²	% Increase/Decrease
1977	\$441.8	\$88.4	27.2%
1978	520.7	104.1	17.8%
1979	577.8	115.6	11.0%
1980	608.4	121.7	5.3%
1981	704.2	140.8	15.7%
1982	753.1	150.6	7.0%
1983	865.3	173.1	14.9%
1984	1,041.8	208.4	20.4%
1985	1,209.5	241.9	16.1%
1986	1,452.1	290.4	20.1%
1987	1,600.0	320.0	10.2%
1988	1,733.3	346.7	8.3%
1989	1,787.1	357.4	3.1%
1990	1,660.5	332.1	(7.1%)
1991	1,617.7	323.5	(2.6%)
1992	1,682.3	336.5	4.0%
1993	1,821.0	364.2	8.2%
1994	1,978.8	395.8	8.7%
1995	2,137.0	427.4	8.0%
1996	2,252.1	450.4	5.4%
1997	2,494.7	498.9	10.8%
1998 ⁽³⁾	2,572.4	514.5	3.1%
1999	2,833.0	566.6	10.1%
2000	3,107.2	621.4	9.7%
2001	3,273.0	654.6	5.3%
2002	3,193.9	638.8	(2.4%)
2003 ⁽⁴⁾	3,196.0	639.2	0.1%
2004	3,211.1	642.2	0.5%
2005	3,330.8	666.2	3.7%
2006	3,420.2	684.0	2.7%
2007	3,458.9	691.8	1.1%
2008	3,453.8	690.8	(0.1%)
2009	3,239.0	647.8	(6.2%)
2010 ⁽⁵⁾	3,852.1	637.1	(1.7%)
2011 ⁽⁵⁾	4,091.5	654.7	2.8%
2012	4,190.6	670.5	2.4%
2013 ⁽⁶⁾	4,264.4	682.3	1.8%
2014 ⁽⁷⁾	4,397.5	703.6	3.1%

¹ Total sales tax receipts after reimbursements and abatements, less the Statutorily Exempted Revenue. Please see POS.

² These data are presented as an estimate of historical Dedicated Sales Tax Revenue Amount based on historical sales tax receipts, and represent a 1% sales tax.

³ In January 1998, the payment schedule for businesses with tax liabilities greater than \$25,000 per year was changed to simplify the time period on which such payments are based. While the timing change did not affect the amount of tax owed by the affected businesses, the new payment schedule caused a one-time delay in receipt of tax revenues realized in FY 1998. According to DOR, approximately \$105 million less in sales tax revenue was collected in FY 1998 as a result of this change.

⁴ A tax amnesty program was in effect for a portion of FY 2003 which, according to DOR, generated approximately \$42 million of sales and use tax revenues.

⁵ Reflects additional revenue due to sales tax rate increase from 5.0% to 6.25% (estimated by DOR to be approximately \$739 million in FY 2010 and \$918 million in FY 2011), and elimination of sales tax exemption for alcoholic beverages for the period between August 1, 2009 and January 1, 2011 (estimated by DOR to be \$96.6 million in FY 2010 and \$81.0 million in FY 2011, of which amounts \$15.5 million and \$13.0 million, respectively, are included in the Dedicated Sales Tax Revenue Amount for each respective year).

⁶ Amounts for Fiscal Year 2013 are based on the tax revenue estimate of \$21.496 billion, which was revised from the \$22.011 billion budget estimate of the Commonwealth's Executive Office for Administration and Finance on December 4, 2012. The \$22.011 billion estimate reflected the January 12, 2012 consensus tax revenue estimate of \$21.950 billion, as adjusted for the impact of revenue initiatives included in the Commonwealth's Fiscal Year 2013 budget, including the impact of a subsequently enacted two-day sales tax holiday in August, 2012. Preliminary Fiscal Year-to-date collections through March 31, 2013 are approximately \$3.155 billion (unaudited), as compared to approximately \$3.122 billion (unaudited) for the same period in Fiscal Year 2012.

⁷ Amounts for Fiscal Year 2014 are based on the January 14, 2013 consensus tax revenue estimate of \$22.334 billion.



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FY14 Administrative Operations and Grant Program Recommendation

Expense Category	FY12	FY13				FY14				
	FY12 Final Expenditures	FY13 Budget	FY13 Est. Actual	Variance	% Variance	FY14 Budget Recommendation	Variance Est. Actual	% Variance Est. Actual	Variance FY13 Budget	% Variance FY13 Budget
Administrative Expense Budget										
Salaries & Benefits ^[1]	\$ 4,391,662	\$ 5,909,845	\$ 5,082,116	\$ (827,728)	-14.0%	\$ 6,467,594	\$ 1,385,477	27.3%	\$ 557,749	9.4%
General & Administrative Office Expenses ^[2]	\$ 197,091	\$ 198,840	\$ 234,441	\$ 35,600	17.9%	\$ 216,857	\$ (17,584)	-7.5%	\$ 18,017	9.1%
Occupancy & Utilities ^[3]	\$ 947,535	\$ 1,189,048	\$ 1,025,161	\$ (163,887)	-13.8%	\$ 1,207,998	\$ 182,837	17.8%	\$ 18,950	1.6%
Consulting & Professional Support Services	\$ 202,482	\$ 207,242	\$ 204,754	\$ (2,488)	-1.2%	\$ 210,000	\$ 5,246	2.6%	\$ 2,758	1.3%
Information Technology ^[4]	\$ 259,695	\$ 282,282	\$ 409,696	\$ 127,414	45.1%	\$ 382,258	\$ (27,438)	-6.7%	\$ 99,976	35.4%
Total Administrative Expense Budget^[5]	\$ 5,998,466	\$ 7,787,257	\$ 6,956,168	\$ (831,089)	-10.7%	\$ 8,484,707	\$ 1,528,539	22.0%	\$ 697,450	9.0%
Other Post Employment Benefits (OPEB)^[6]	\$ 350,000	\$ 160,000	\$ -	\$ (160,000)	-100.0%	\$ -	\$ -		\$ (160,000)	-100.0%
Capital Program Professional Support Services										
Project Related Legal, Audit & Professional Support Services ^[7]	\$ 6,299,505	\$ 11,793,000	\$ 8,269,736	\$ (3,523,264)	-29.9%	\$ 10,473,493	\$ 2,203,756	26.6%	\$ (1,319,508)	-11.2%
Cost of Issuance ^[8]	\$ 669,808	\$ 1,023,500	\$ 991,489	\$ (32,011)	-3.1%	\$ 450,000	\$ (541,489)	-54.6%	\$ (573,500)	-56.0%
Total Capital Program Professional Support Services	\$ 6,969,313	\$ 12,816,500	\$ 9,261,225	\$ (3,555,275)	-27.7%	\$ 10,923,493	\$ 1,662,267	17.9%	\$ (1,893,008)	-14.8%
Grant Program										
Prior Grants ^[9]	\$ 393,960,046	\$ 257,111,868	\$ 285,700,942	\$ 28,589,074	11.1%	\$ 215,069,346	\$ (70,631,596)	-24.7%	\$ (42,042,522)	-16.4%
Waiting List ^[10]	\$ 110,220,287	\$ 221,908,512	\$ 112,651,458	\$ (109,257,054)	-49.2%	\$ 80,000,000	\$ (32,651,458)	-29.0%	\$ (141,908,512)	-63.9%
New Program Grants ^[11]	\$ 504,299,522	\$ 600,000,000	\$ 612,730,600	\$ 12,730,600	2.1%	\$ 675,000,000	\$ 62,269,400	10.2%	\$ 75,000,000	12.5%
Total Grant Program	\$ 1,008,479,855	\$ 1,079,020,380	\$ 1,011,083,000	\$ (289,845,892)	-26.9%	\$ 970,069,346	\$ (41,013,654)	-4.1%	\$ (108,951,034)	-10.1%
Grand Total - Operating Budget	\$ 1,021,797,633	\$ 1,099,784,137	\$ 1,027,300,393	\$ (294,392,256)	-26.8%	\$ 989,477,545	\$ (37,822,848)	-3.7%	\$ (110,306,592)	-10.0%

[1] FY13 Budget included funding for the phased hiring of 13 additional FTEs, for a forecasted total headcount of 69 employees as of June 30, 2013. Total headcount as of May 9, 2013 is 59. Estimated headcount as of June 30, 2013 based upon hires in process and anticipated postings is 62. FY14 includes phased hiring for the remaining six positions from the FY13 staffing plan that are not anticipated to be filled prior to June 30, 2013 and also includes one additional request for a Project Field Coordinator position in FY14. Total forecasted headcount at June 30, 2014 is 71. Variance from budgeted amount reflects pace of hiring slightly less than forecasted phasing, as well as turnover savings from five transitions during FY13.

[2] FY13 Est. Actual reflects costs for FF&E for additional leased space.

[3] FY13 Est. Actual reflects actual lease costs for additional space at 40 Broad Street less than forecast in FY13 Budget Authorization. FY14 Budget Recommendation includes annualization of additional leased office space at 40 Broad Street executed in Q3 of FY13 in order to implement staffing plan for effective oversight priority from strategic planning effort.

[4] FY13 Est. Actual includes the MSBA's contribution towards the Commonwealth's Open Checkbook transparency initiative.

[5] FY14 variance reflects annualization of additional leased space at 40 Broad Street, and also reflects annualization of FY13 staffing plan hires and phased hiring of remaining staffing plan hires in FY14.

[6] On June 28, 2012, the FY12 transfer of \$350K, combined with the \$1.4 million previously set aside by the MSBA, was transferred to the Health Care Security Trust (HCST) to fully fund the MSBA's OPEB obligation as of 6/30/12. The updated actuarial valuation completed in May 2013, for data as of December 31, 2012, indicates that there is no required FY13 or FY14 contribution towards unfunded OPEB liability, as the outstanding liability has been fully funded based on the contributions and earnings to date.

[7] FY13 Est. Actual variance from FY13 Budget due to updated commissioning payments forecast of approximately \$1.2 million less than original FY13 forecast. FY13 Est. Actual variance from original budget also reflects \$1.1 million less than anticipated expenditures on Architectural Services, and \$456 thousand less than anticipated on Project Management Services. Additionally, the procurement for Cost Estimating Services resulted in a work order that expended \$420 thousand less than original budgeted amount, and the applications development effort from the Capital Pipeline systems are forecast to require \$196 thousand less than assumed in FY13 budget.

[8] FY13 Est. Actual reflects expenditures related to 2012 refundings and anticipated expenditures for the 2013 Series A in June 2013.

[9] FY13 Est. Actual reflects annual payments processed for Q1-Q4 Prior Grant projects, and also includes payments associated with Prior Grant current refundings of approximately \$59.9 million.

[10] FY13 Est. Actual includes payments made through May 9, 2013, including \$41.4 million Progress Payments, \$20.8 million Waiting List annual payments processed, and current refunding lump sum payments of \$34.7 million.

FY14 Budget Recommendation includes assumption of \$20.8 million annual Waiting List payments and approximately \$60 million of estimated progress payments towards the 8 remaining projects still in active construction or closeout audit.

[11] FY14 Budget Recommendation reflects anticipated monthly reimbursement requests from projects in the Capital Pipeline as well as final payments to projects that may receive a final approved audit during FY14.



Capital Pipeline Professional Support Services Summary

	FY12 Final Expenditures	FY13 Budget	FY 13 Est. Actual	Budget Variance	% Variance	FY14 Budget Recommendation Budget	Variance (FY13 Budget)	% Variance (FY13 Budget)	Variance (FY13 Est. Actual)	% Variance (FY13 Est. Actual)
Commissioning Consultants ^[1]	4,221,242	6,200,000	5,007,785	(1,192,215)	-19.2%	5,000,000	(1,200,000)	-19.4%	(7,785)	-0.2%
Project Management Services ^[2]	1,422,570	2,750,000	2,393,401	(356,599)	-13.0%	3,060,000	310,000	11.3%	666,599	27.9%
Architectural Services ^[3]	366,861	1,693,000	589,397	(1,103,603)	-65.2%	1,520,000	(173,000)	-10.2%	930,603	157.9%
Cost Estimating Services ^[4]	-	500,000	78,756	(421,244)	-84.2%	250,000	(250,000)	-50.0%	171,244	217.4%
Audit & Other Compliance ^[5]	4,578	50,000	39,640	(10,360)	-20.7%	50,000	-	0.0%	10,360	26.1%
Capital Program Information Systems ^[6]	283,066	350,000	157,832	(192,168)	-54.9%	165,493	(184,507)	-52.7%	7,661	4.9%
Cost of Issuance ^[7]	669,808	1,023,500	991,489	(32,011)	-3.1%	450,000	(573,500)	-56.0%	(541,489)	-54.6%
Other ^[8]	1,188	125,000	2,925	(122,075)	-97.7%	303,000	178,000	142.4%	300,075	10259.0%
Legal ^[9]	-	75,000	-	(75,000)	-100.0%	125,000	50,000	66.7%	125,000	
Capital Program Support Services	6,969,313	12,766,500	9,261,225	(3,505,275)	-27.5%	10,923,493	(1,843,007)	-14.4%	1,662,267	17.9%

[1] FY13 Budget reflects anticipated increase associated with additional 83 contracts estimated to be executed during FY13 for projects in the Capital Pipeline.

[2] Project Management Services are estimated based on anticipated schedules of active projects in the Capital Pipeline. FY14 Budget reflects anticipated increase in OPM services associated with the EssexNorth Shore Agricultural & Technical School project.

[3] Architectural Services are allocated on a project specific basis as necessary for projects progressing through the Capital Pipeline. FY13 Est. Actual reflects less utilization than anticipated in original FY13 Budget. FY14 Budget includes anticipated increased utilization of specialized support services for schematic design and construction document reviews, and also includes anticipated expenditures for senior studies related to the review process for 2013 SOI submittals.

[4] FY13 Est. Actual reflects actual expenditures for procurement that facilitated a review of benchmark data for projects in Capital Pipeline. FY14 Budget reflects anticipated expenditures associated with furthering the benchmark data analysis that was initiated in FY13. These funds may also be allocated for any project specific cost estimates which may be necessary during the fiscal year.

[5] FY13 Est. Actual reflects expenditures for 2 temporary staff during FY13 Q1 that supported reviews of weekly reimbursement requests. FY14 Budget Recommendation includes funding which may be allocated on a project specific basis to external audit firms to assist on project audits conducted under current MSBA audit policy.

[6] FY13 Est. Actual reflects adjusted forecast for allocation of expenditures for development of Capital Pipeline support applications. FY14 Budget Recommendation anticipates expenditures for continued development of Progress Payment, Project Management and Enrollment applications.

[7] FY13 Est. Actual reflects expenditures related to 2012 refundings and anticipated expenditures for the 2013 Series A in June 2013.

[8] For Capital Pipeline professional support services which may not be specifically allocated through other cost categories. FY13 YTD expenditures reflect costs associated with insurance risk management consultants. FY14 Budget Recommendation also includes funding for procurements associated with the analysis of vocational technical projects in the MSBA Capital Pipeline, and an analysis of the impact of the MSBA's Capital Pipeline on the labor market.

[9] This expenditure category includes funding for the costs, if any, that the MSBA may incur associated with litigation regarding projects in the Capital Pipeline. There is no litigation currently pending against the Authority. FY14 Budget Recommendation also includes funding for regulations review.



MSBA Sources and Uses

	<u>FY13 Est.</u>	<u>FY14 Est.</u>
Beginning Fund Balance		
Restricted Bond Proceeds Beginning Balance[1]	\$ 582,746,501	-
Unrestricted Beginning Fund Balance[2]	<u>259,973,392</u>	<u>120,576,192</u>
Total Begin Fund Balance	842,719,893	120,576,192
General revenues:		
Bond Issuance Proceeds[3]	\$ -	545,581,013
Dedicated sales tax[4]	682,303,902	703,595,038
Interest income[5]	22,817,024	22,817,024
Grant income[6]	24,213,068	23,159,800
Arbitrage Rebate Set-Aside[7]	(6,753,022)	-
Loan Program[8]	<u>8,847,402</u>	<u>8,688,063</u>
Total revenues	731,428,374	1,303,840,938
Expenditures/expenses:[9]		
Grant payments	\$ 1,011,083,000	970,069,346
Commissioning	5,007,785	5,000,000
Capital Pipeline Support Services	4,253,440	5,923,493
Operations	6,956,168	8,484,707
Loan Program[10]	-	6,250,000
Defeasance	28,852,124	-
Debt service[11]	<u>397,419,558</u>	<u>406,688,590</u>
Total expenditures/expenses	1,453,572,075	1,402,416,135
Year End Restricted Bond Proceeds Balance	\$ -	-
Year End Unrestricted Fund Balance	<u>120,576,192</u>	<u>22,000,995</u>
Year End Balance	120,576,192	22,000,995

[1] FY13 includes proceeds remaining from 2011 Series A and 2011 Series B issuances. Assumes 2013 Series A closes in July 2013.

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

[2] Reflects balances in non-trusteed funds.

[3] FY14 Est reflects projected receipt of net proceeds for grants from 2013 Series A issuance.

[4] FY13 Est. and FY14 Est. reflect January 14, 2013 consensus tax revenue estimate.

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

[6] Reflects annual interest subsidies estimated 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] Reflects set-aside for projected rebate of interest earnings above arbitrage yields.

[8] Includes principal and interest received in November 2012, and principal and interest scheduled to be received on November 1, 2013 for all executed loans.

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

[10] FY14 includes anticipated loan disbursement for East Somerville Community School.

[11] Reflects gross debt service on outstanding debt. FY14 estimate is inclusive of estimated 2013 Series A issuance. Does not reflect any savings that may result from advance refunding of outstanding debt.



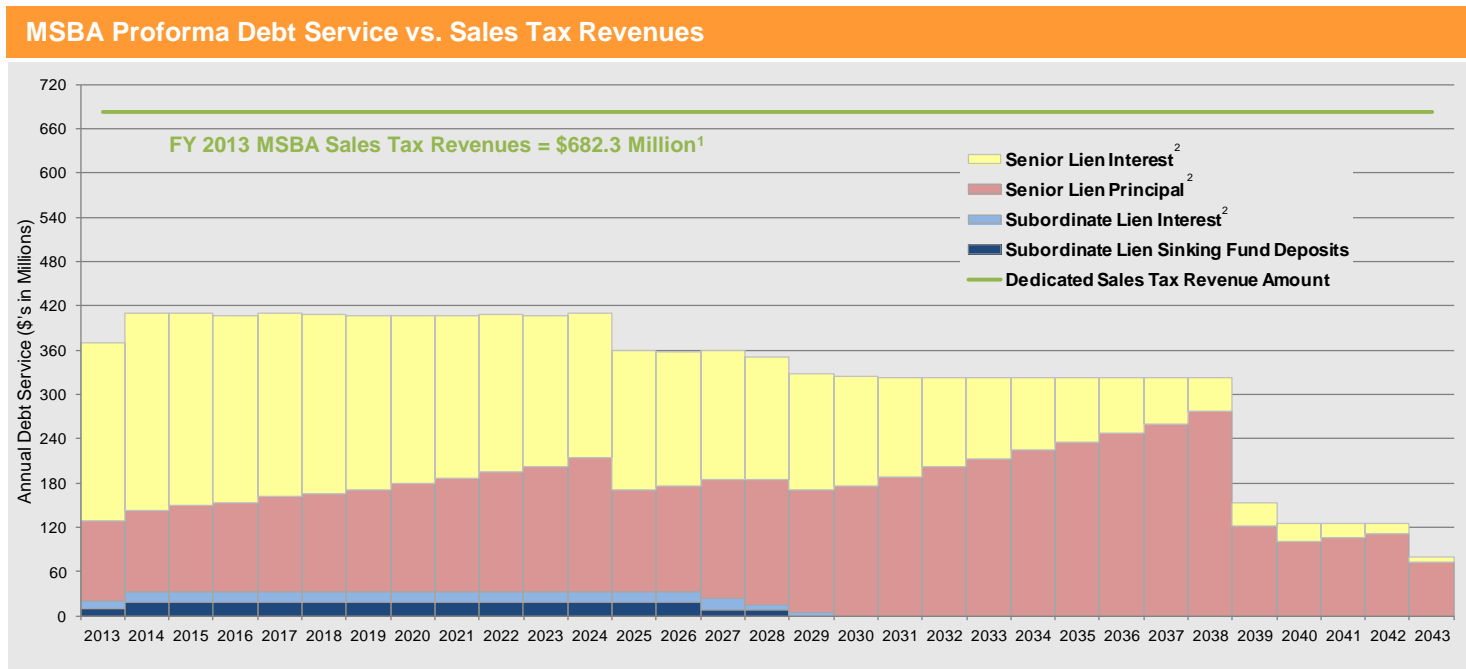
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MSBA Debt Profile

- Prior to the 2013 Series A, MSBA has approximately \$4.9 billion of Senior Lien debt outstanding and \$293 million of Subordinate Lien debt outstanding
- Gross FY14 debt service for senior and subordinate lien following 2013 Series A issuance is estimated at \$406.7 million
 - Net debt service estimated increase of \$20.4 million (6.1%) from FY13
- 100% of MSBA's debt portfolio comprises fixed rate debt



¹ Amounts for Fiscal Year 2013 are based on the tax revenue estimate of \$21.496 billion, which was revised from the \$22.011 billion budget estimate of the Commonwealth's Executive Office for Administration and Finance on December 4, 2012. The \$22.011 billion estimate reflected the January 12, 2012 consensus tax revenue estimate of \$21.950 billion, as adjusted for the impact of revenue initiatives included in the Commonwealth's Fiscal Year 2013 budget, including the impact of a subsequently enacted two-day sales tax holiday in August, 2012.

² Debt service does not account for expected Debt Service Reserve Account earnings and the Federal BAB and QSCB subsidies; however, debt service is net of the amounts that are expected to be paid from Debt Service Reserve Account releases.



Summary

- Inherited Programs grants declining and New Program reaching steady state
- New Program grants will increasingly represent largest allocation of grant funds in FY14
- Conservative financial planning practices position the MSBA to reduce borrowing for capital programs
- Statewide sales tax has a robust history and has exhibited modest growth now for three consecutive fiscal years
- Administrative operations will continue to represent less than 1% of all expenditures in FY14
- 2013 Series A issuance will continue to reflect conservative approach

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: John K. McCarthy, Executive Director
SUBJECT: MSBA Fiscal Year 2014 Budget Recommendation
DATE: May 29, 2013

The Massachusetts School Building Authority Administration, Operations, and Finance Subcommittee met on Thursday, May 23, 2013.

The MSBA's Chief Financial Officer presented a detailed overview of the FY2014 budget recommendations. After some general discussion, Subcommittee member Rob Dolan made a motion to recommend the MSBA FY2014 budget as presented to the Administration, Operations, and Finance Subcommittee to the full MSBA Board of Directors for its approval. Chairman Grossman seconded the motion and Treasurer Grossman and Rob Dolan unanimously agreed to recommend the FY2014 budget as presented to the Subcommittee to the full MSBA Board of Directors.