

Massachusetts School Building Authority

Steven Grossman
Chairman, State Treasurer

John K. McCarthy
Executive Director



Board Meeting

June 4, 2014



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Project Visits & Local Votes

- Since the March 26, 2014 Board meeting, the MSBA has visited 37 projects.
- Two Districts have voted affirmatively to appropriate feasibility funds.
- Two Districts have voted affirmatively to appropriate full project funds.

| Project Visits | | | Local Votes |
|---|---|---|---|
| Andover Assabet Valley RSD Ayer Shirley RSD Concord-Carlisle RSD Douglas Dracut Duxbury East Bridgewater Essex-North Shore RVT Franklin Georgetown Greater Lowell RSD Greater New Bedford | Greenfield Hingham Lexington Marshfield Medford Methuen Monomoy RSD Newburyport (Bresnahan) Newburyport (Nock/Molin) Norfolk County Agricultural North Reading Salem (Collins) Somerset-Berkley RSD | Southwick-Tolland-Granville RSD Springfield (Central) Springfield (Brookings) Southern Worcester County Sutton Webster West Bridgewater West Springfield Weston Williamsburg Wilmington | Amherst Hanover North Middlesex RSD Northborough |



Accelerated Repair Program Site Visits

- Since the March 26, 2014 Board meeting, the MSBA has visited 60 candidate schools across 39 districts based upon FY2014 Accelerated Repair Statements of Interest.

| Project Visits | | |
|---|--|--|
| Auburn Bellingham Bourne Brockton Dartmouth Falmouth Franklin Gardner Gill-Montague RSD Greenfield Hampden-Wilbraham Holyoke Hudson | Leominster Lynn Medfield Medway Melrose Middleborough Middleton Nashoba RSD New Bedford North Attleborough Northampton Norwood Orleans | Peabody Quincy Randolph Springfield South Shore Voc/Tec Southern Berkshire RSD Stoughton Sudbury Tri-County RSD Tyngsborough Wayland Wellesley Worcester |



Project Milestones

Since the March 26, 2014 Board meeting, the MSBA has attended five project milestone celebrations.

Groundbreaking Ceremonies

- Auburn Middle School (*Auburn*)
- Colegrove Park Elementary School (*North Adams*)
- Plains Elementary School (*South Hadley*)

Ribbon Cutting Ceremony

- Norton High School (*Norton*)

Topping Off Ceremony

- Wilmington High School (*Wilmington*)



Project Visits

Upcoming site visits anticipated in June and July:

Project Visits

Andover
Assabet Valley RSD
Ayer Shirley RSD
Concord-Carlisle RSD
Douglas
Dracut
Duxbury
Essex-North Shore RVT
Franklin
Georgetown
Greater Lowell RSD

Greater New Bedford
Greenfield
Lexington
Marshfield
Methuen
Monomoy RSD
Newburyport (Bresnahan)
Newburyport (Nock/Molin)
Norfolk County Agricultural
North Reading
Southern Worcester County

Southwick-Tolland-Granville RSD
Springfield (Brookings)
Springfield (Central)
Stoneham
Sutton
Wakefield
Webster
West Bridgewater
Weston
Williamsburg
Wilmington



Eligibility Period Project Removal | **Vote**

| District | School | Invitation Date |
|------------|-----------------------------|-----------------|
| Shrewsbury | Beal Early Childhood Center | March 26, 2014 |



Project Removal from Accelerated Repair Program | **Vote**

| District | School | Invitation Date |
|--|---------------------------------------|-----------------|
| Central Berkshire Regional School District | Berkshire Trail Elementary School | June 5, 2013 |
| Dighton-Rehoboth Regional School District | Dighton-Rehoboth Regional High School | July 31, 2013 |



Invitation to Eligibility Period | Vote

| District | School |
|----------|------------------------------------|
| Bourne | James F. Peebles Elementary School |
| Ipswich | Winthrop Elementary School |
| Millis | Clyde F. Brown Elementary School |



Invitation to Feasibility Study | Vote

| District | School |
|-----------|--------------------------------|
| Billerica | Billerica Memorial High School |
| Braintree | East Middle School |



Invitation to Accelerated Repair Program | **Vote**

| District | School |
|---|---------------------------------------|
| Auburn | Auburn Middle School |
| | Bryn Mawr Elementary School |
| Bellingham | South Elementary School |
| Brockton | Ashfield Middle School |
| | Barrett Russell School |
| | Brookfield School |
| | Gilmore School Early Childhood Center |
| Dartmouth | George H. Potter Elementary School |
| Falmouth | Lawrence School |
| Franklin County Regional Vocational Technical School District | Franklin County Technical High School |
| Gardner | Elm Street School |

Continued



Invitation to Accelerated Repair Program | **Vote**

| District | School |
|--|--------------------------------|
| Gill-Montague Regional School District | Sheffield Elementary School |
| Greenfield | Green River School |
| Hampden-Wilbraham Regional School District | Soule Road School |
| | Thornton Burgess Middle School |
| | Wilbraham Middle School |
| Holyoke | E.N. White Elementary School |
| | Morgan Community School |
| Hudson | Mulready Elementary |
| Leominster | Northwest Elementary School |
| Lynn | E. J. Harrington Elementary |
| | Connery Elementary School |
| Medfield | Ralph Wheelock School |

Continued



Invitation to Accelerated Repair Program | **Vote**

| District | School |
|----------------------------------|---|
| Medway | John D. McGovern School |
| Melrose | Herbert Clark Hoover Elementary School |
| Middleton | Fuller Meadow School |
| Nashoba Regional School District | Florence Sawyer School |
| North Attleborough | Roosevelt Avenue Elementary School |
| Northampton | Leeds Elementary School |
| | R. K. Finn Ryan Road Elementary School |
| Norwood | Cornelius M. Callahan Elementary School |
| Orleans | Orleans Elementary School |
| Peabody | John E. McCarthy Memorial School |
| Quincy | Francis W. Parker Elementary School |
| | Lincoln-Hancock Community School |

Continued



Invitation to Accelerated Repair Program | **Vote**

| District | School |
|--|--|
| Randolph | J.F. Kennedy Elementary School |
| | Randolph High School |
| South Shore Regional School District | South Shore Vocational Technical High School |
| Southern Berkshire Regional School District | Mount Everett Regional High School |
| Springfield | John F. Kennedy Middle School |
| | Kensington International School |
| Stoughton | Joseph H. Gibbons Elementary School |
| Sudbury | General John Nixon Elementary School |
| Tri-County Regional Vocational School District | Tri-County Regional Vocational Technical High School |
| Tyngsborough | Tyngsborough High School |
| Wayland | Claypit Hill School |
| Wellesley | Wellesley Middle School |

Continued



Invitation to Accelerated Repair Program | **Vote**

| District | School |
|-----------|--|
| Worcester | Clark Street Developmental Learning School |
| | Goddard School of Science and Technology |
| | Union Hill School |
| | West Tatnuck School |



Project Funding Agreement Accelerated Repair Program | **Vote**

| District | School | Scope | Total Project Budget | Estimated Maximum Total Facilities Grant |
|---------------|----------------------|-------------|----------------------|--|
| Westford | Norman E. Day School | Window/Door | \$2,420,502 | \$814,074 |
| Totals | | | \$2,420,502 | \$814,074 |



ARP Project Update

Staff supports a second extension beyond the 90-day deadline to the July 30, 2014 Board Meeting in furtherance of the School District's efforts to secure funding for the proposed project listed below.

| District | School | Recommend ARP Scope |
|--|--|---------------------|
| Pathfinder Regional Vocational Technical School District | Pathfinder Regional Vocational Technical High School | Roof |



Project Scope and Budget | **Vote**

| District | School | Project Scope | Total Project Budget | Estimated Maximum Total Facilities Grant |
|---------------|------------------------------------|--------------------|----------------------|--|
| Haverhill | Caleb Dustin Hunking Middle School | New | \$61,500,000 | \$39,639,497 |
| Lunenburg | Lunenburg High School | PS&B Rescind / New | \$72,975,321 | \$34,075,598 |
| Totals | | | \$134,475,321 | \$73,715,095 |

*See district specific slides for conditional reimbursement rate incentive point information.



Project Scope and Budget | Haverhill

Caleb Dustin Hunking Middle School

- Year Opened: 1959
- Grades: 6-8
- Agreed Upon Grade Configuration: K-8
- Agreed Upon Enrollment: 1,005
- Scope of Project: New
- Existing Square Footage: 59,555
- Proposed Square Footage: 147,996
- District Total Project Budget: \$61,500,000
- Estimated Basis Total Facilities Grant: \$50,315,356
- Reimbursement Rate*: 78.93%
- Estimated Maximum Total Facilities Grant: \$39,639,497

*The MSBA has provisionally included two (2) incentive points for energy efficiency, subject to the District meeting certain sustainability requirements for the project. If the District does not meet the requirements for energy efficiency, the District will not qualify for these incentive points, and the MSBA will adjust the reimbursement rate accordingly. The MSBA has provisionally included one (1) incentive point for the Construction Manager at Risk construction delivery method, subject to the District receiving approval from the Office of the Inspector General to utilize this method.



Project Scope and Budget | Lunenburg

Lunenburg High School

- Year Opened: 1957
- Grades: 8-12
- Agreed Upon Grade Configuration: 6-12
- Agreed Upon Enrollment: 820
- Scope of Project: New (Second Vote)
- Existing Square Footage: 98,000
- Proposed Square Footage: 169,018
- District Total Project Budget: \$72,975,321
- Basis of Estimated Total Facilities Grant: \$58,378,108
- Reimbursement Rate: 59.11%
- Estimated Maximum Total Facilities Grant: \$34,075,598



Summary of Bid Data

| Year | Number of Projects | Design Basis for Enrollment | Project Budget | Construction Budget |
|--------------------|--------------------|-----------------------------|----------------|---------------------|
| 2014 | 14 | 12,185 | \$762.0 M | \$594.0 M |
| 2015 | 3 | 1,960 | \$114.0 M | \$86.0 M |
| Grand Total | 17 | 14,145 | \$876.0 M | \$680.0 M |

Note: These numbers are based on preliminary information received from the District and are subject to further review and calculation.

- Anticipated Bids in 2014:
 - June – Peabody, Greater Lawrence RSD



Core Program

Construction Estimate vs. 2014 Bid Amount

- Seven bids received in 2014.
- Of the seven, four bids came in within the estimated budget.

| District | School | Scope | Project Type | Bid Date | Construction Estimate ** | Bid Amount ** | Variance from Construction Estimate | Reimbursement Rate | Potential Grant Variance * |
|----------------|---------------------|--------------|--------------|----------|--------------------------|---------------|-------------------------------------|--------------------|----------------------------|
| | | | | Total | \$248,751,878 | \$238,171,449 | \$10,580,429 | - | \$7,269,783 |
| Revere | William McKinley ES | New | DBB | Jan-14 | \$33,897,336 | \$31,575,000 | \$2,322,336 | 80.00% | \$1,857,869 |
| North Adams | Conte MS | New | DBB | Mar-14 | \$21,853,267 | \$21,983,496 | -\$130,229 | 80.00% | \$0 |
| Ayer Shirley | Ayer Shirley RHS | Add/Reno | CMR | Mar-14 | \$44,372,576 | \$44,375,799 | -\$3,223 | 70.25% | \$0 |
| Greater Lowell | GLRVTHS | Major Repair | CMR | Mar-14 | \$53,165,631 | \$52,472,010 | \$693,621 | 76.84% | \$532,978 |
| South Hadley | Plains ES | New | DBB | May-14 | \$21,563,821 | \$21,391,144 | \$172,677 | 62.69% | \$108,251 |
| Wachusettts | Mountview MS | New | DBB | May-14 | \$43,122,257 | \$34,887,000 | \$8,235,257 | 57.93% | \$4,770,684 |
| Chicopee | Chicopee Academy | Add/Reno | DBB | May-14 | \$30,776,990 | \$31,487,000 | -\$710,010 | 80.00% | \$0 |

*These numbers are based on preliminary information received from the district and are subject to further review and calculation.

**The construction estimate and bid amount do not include pre-construction services and alternatives.



Construction Estimate vs. Bid Amount

- **2012 Accelerated Repair Program**
 - Out of 36 projects, 36 bids have been received.
 - Of the 36, 33 bids have been reported.
 - Of the 33 projects, 28 bids came within the estimated budget.

- **2013 Accelerated Repair Program**
 - Out of the 45 projects, all 45 are scheduled to be bid in 2014.
 - Out of 45 projects, 30 bids have been received.
 - Of the 30, 15 bids have been reported.
 - Of the 15 projects, 12 bids came within the estimated budget.



Project Update |

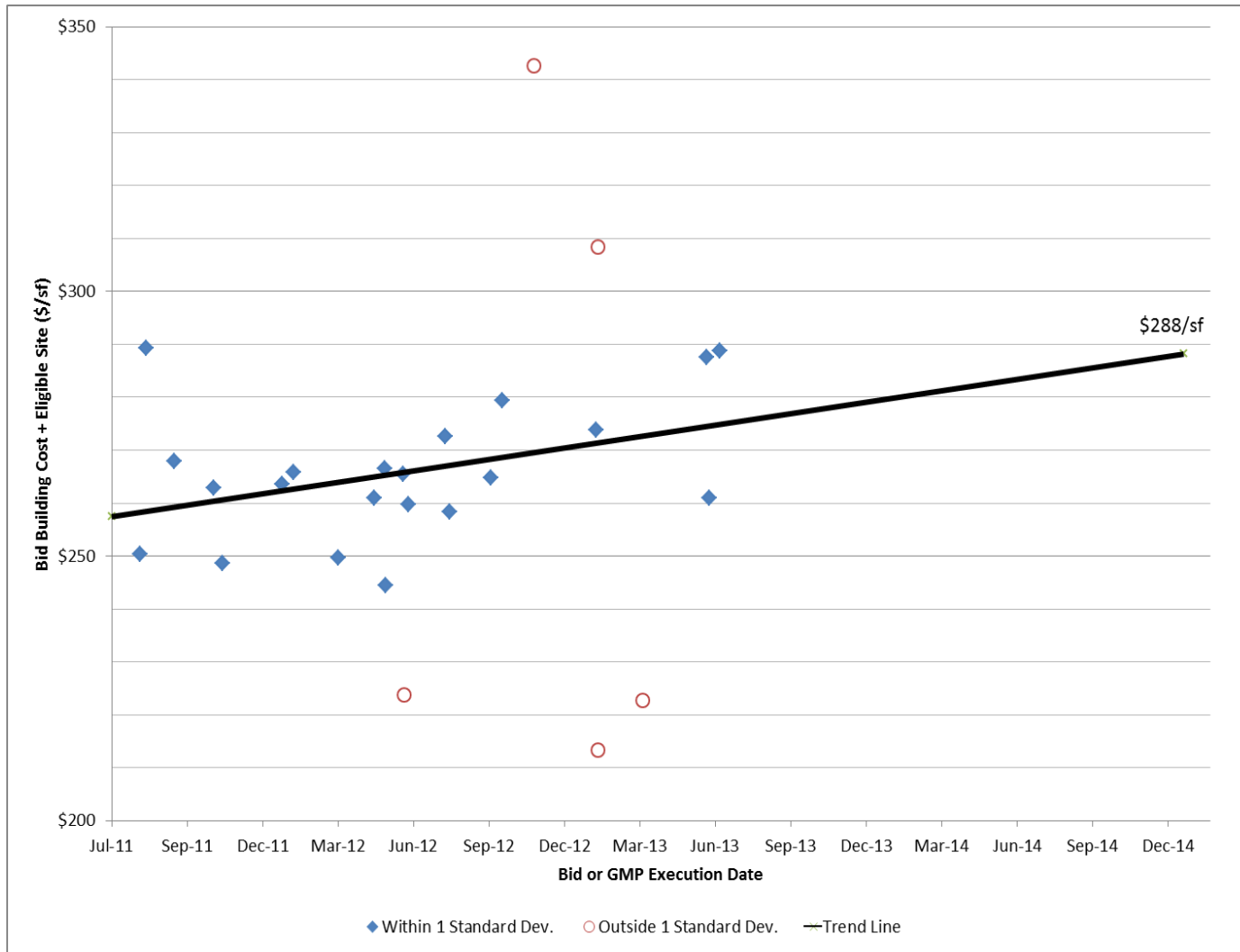
Whitman-Hanson RSD: Maquan Elementary School

Update on Project Scope and Budget Authorization

- MSBA Board approval on July 31, 2013
- Local Authorization Vote on October 7, 2013
- October 7, 2013 vote failed
- MSBA issued an extension of time to the District to conduct a re-vote
- Re-vote on January 25, 2014
- January 25, 2014 failed
- Upon review by the District's legal counsel, the January 25, 2014 was determined to have passed
- District proceeded with ballot vote May 17, 2014
- May 17, 2014 ballot vote failed



Construction Cost Trends





Statutory Limits

Chapter 70B: Section 7 Determinations to be made before board of education approves school projects; appropriation items

Section 7. There shall be a limit on the estimated amount of grants approved by the authority during a fiscal year. For fiscal year 2008, the limit shall be \$500,000,000. For each fiscal year thereafter, **the limit shall be the limit for the previous fiscal year plus the lower of the rate of growth in the dedicated sales tax revenue amount, as defined in subsection (a) of section 35BB of chapter 10, or 4.5 percent.** [Amended by Ch. 139 of the Acts of 2006, §47]



Recommendations

- Adjust current policy of funding up to \$275/sf plus eligible demolition and abatement to \$287/sf plus eligible demolition and abatement.
- Make effective for districts receiving an approval of a proposed project on or after July 30, 2014.



Audit Status Update

Former Program

| Completed Projects | Projects Currently Submitting for Reimbursement | Estimated costs remaining |
|---|---|--|
| 784 | 4 | |
| \$15.3 billion of costs submitted and audited | \$251 million of costs submitted and audited | Approx. \$14 million of costs to be submitted* |

→ \$1.4 billion in audit savings to date

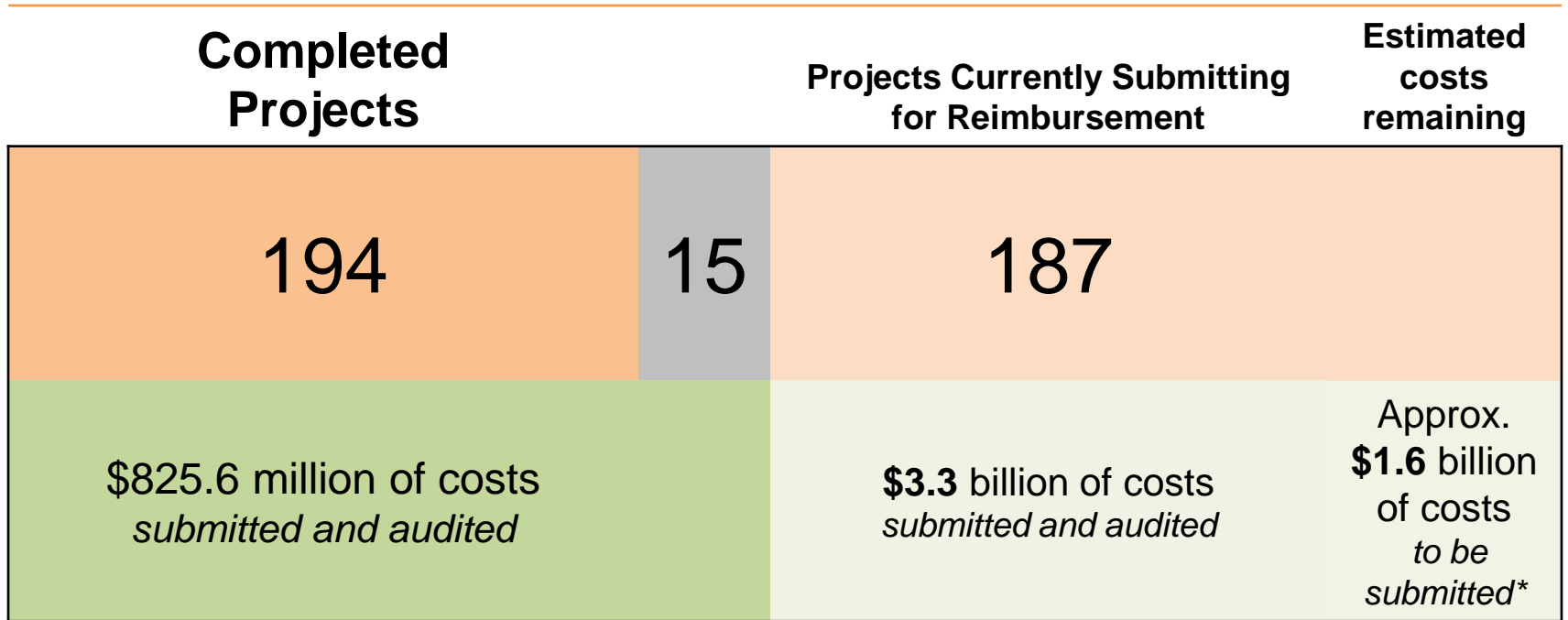
*Estimated based on Total Project Budgets from executed funding and submitted costs as of May 27, 2014



Audit Status Update

New Program

■ **Today's Vote**

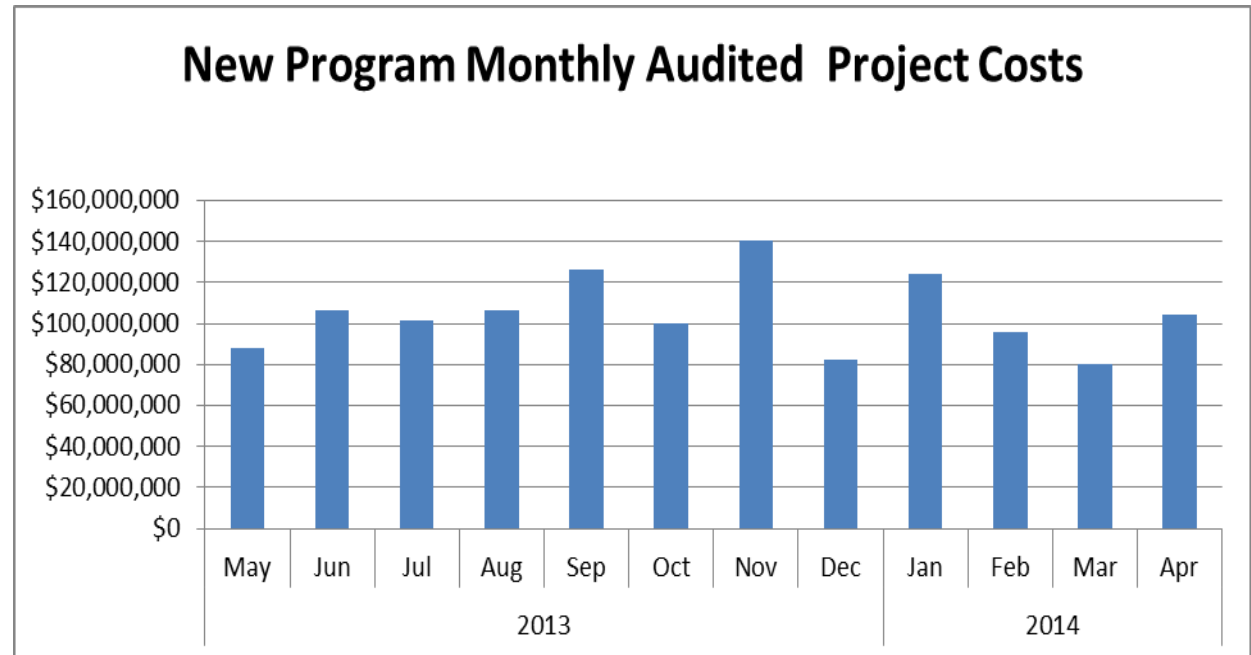


**Estimated based on Total Project Budgets from executed funding agreements and submitted costs as of May 22, 2014.*



New Program: Monthly Audited Project Costs

- Rolling 12 month submitted costs monthly average of \$104.5 million
- Total 12 Month Audited Costs = \$1.25 billion





New Program: Closeout Audits

Today's Vote: Exhibit D, Approval of Final Audits

| District | School Name | MSBA Cx | Reimb. Rate | Total Project Budget | Final Costs Submitted | Basis for Final Total Facilities Grant | Final Total Facilities Grant |
|-------------------|--------------------------------------|---------|-------------|----------------------|-----------------------|--|------------------------------|
| Attleboro | A. Irvin Studley Elementary School | X | 57.74% | \$929,715 | \$597,694 | \$597,694 | \$345,109 |
| Brookfield | Brookfield Elementary School | X | 57.74% | \$304,569 | \$268,306 | \$263,620 | \$152,214 |
| Burlington | Memorial Elementary School | X | 52.11% | \$22,055,206 | \$21,967,339 | \$20,352,323 | \$10,605,596 |
| Central Berkshire | Kitteridge Elementary School | X | 56.26% | \$250,980 | \$254,695 | \$240,357 | \$135,225 |
| Middleborough | Mary K. Goode Elementary School | X | 54.79% | \$436,526 | \$422,314 | \$419,823 | \$230,021 |
| Pioneer Valley | Northfield Elementary School | X | 56.26% | \$256,340 | \$227,589 | \$206,983 | \$116,449 |
| Pioneer Valley | Pioneer Valley Regional High School | X | 56.26% | \$240,327 | \$225,214 | \$196,202 | \$110,383 |
| Rockland | R. Stewart Esten Elementary School | X | 56.89% | \$303,830 | \$311,293 | \$256,609 | \$145,985 |
| Sandwich | Forestdale School | X | 44.69% | \$2,400,450 | \$2,240,856 | \$2,136,950 | \$955,003 |
| Sandwich | Oak Ridge School | X | 44.69% | \$2,347,650 | \$2,193,920 | \$2,084,150 | \$931,407 |
| Sharon | Sharon Middle School | X | 52.68% | \$49,534,652 | \$47,422,409 | \$39,345,693 | \$20,727,311 |
| Shrewsbury | Spring Street Elementary School | X | 50.16% | \$1,320,797 | \$1,504,839 | \$1,102,119 | \$552,823 |
| Springfield | Alice B Beal Elementary School | X | 80.00% | \$1,086,852 | \$1,073,506 | \$1,058,052 | \$846,442 |
| Sudbury | General John Nixon Elementary School | X | 36.89% | \$788,751 | \$628,540 | \$620,031 | \$228,729 |
| Taunton | H H Galligan School | X | 73.95% | \$756,741 | \$635,965 | \$635,903 | \$470,250 |
| | | | | \$83,013,386 | \$79,974,479 | \$69,516,509 | \$36,552,946 |



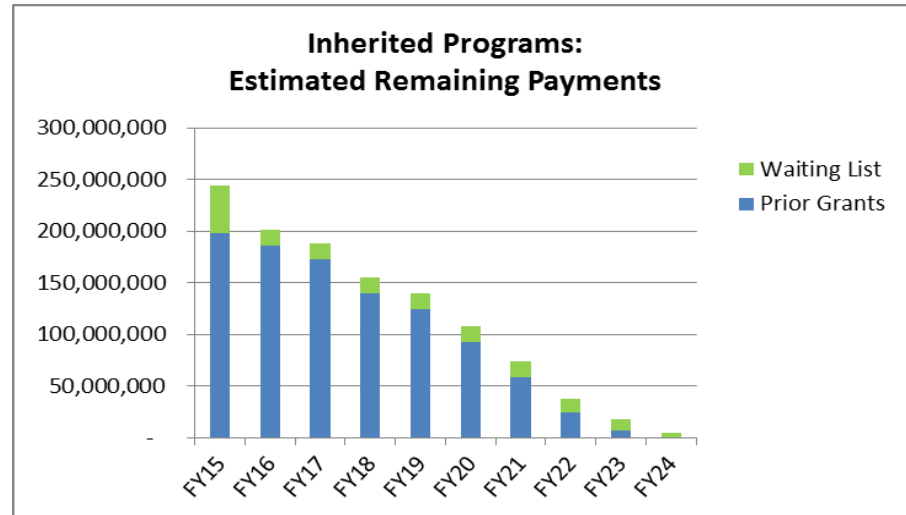
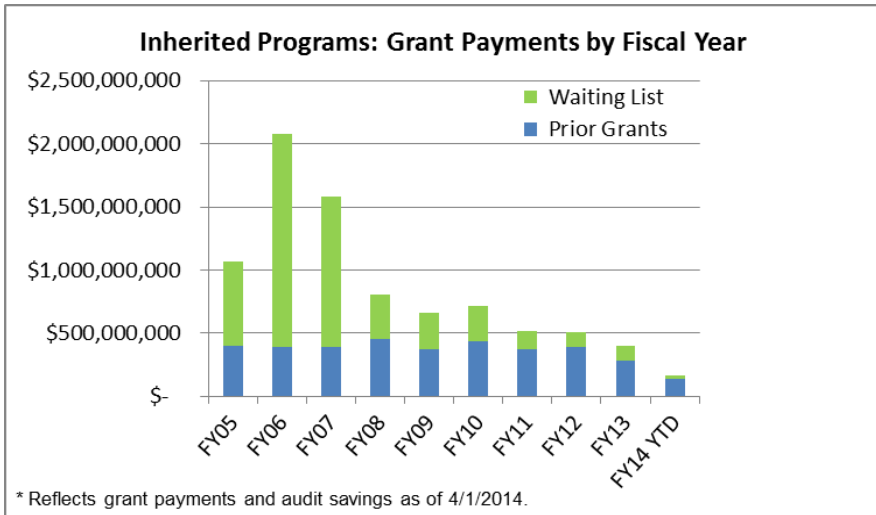
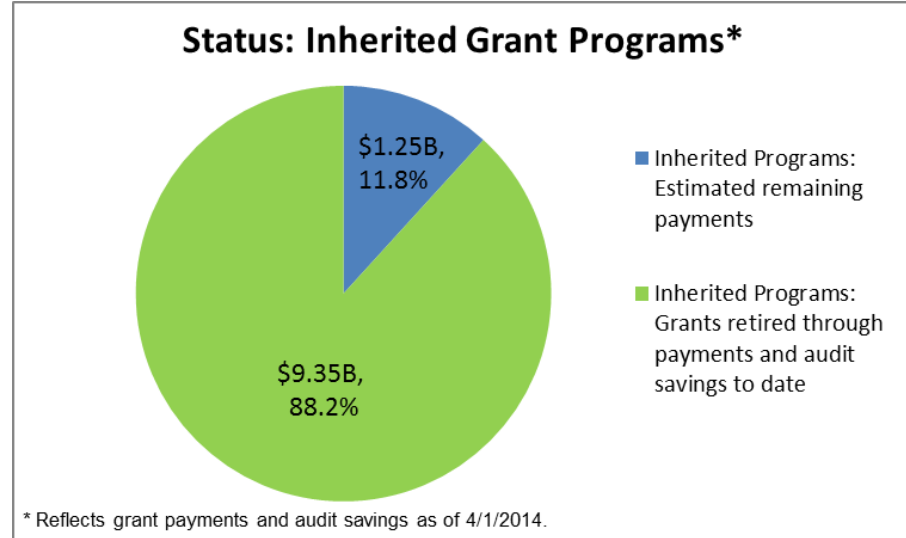
FY15 MSBA Budget



Inherited Programs Status

▪ **Efforts and commitment to eliminating the audit and funding backlog from former program have:**

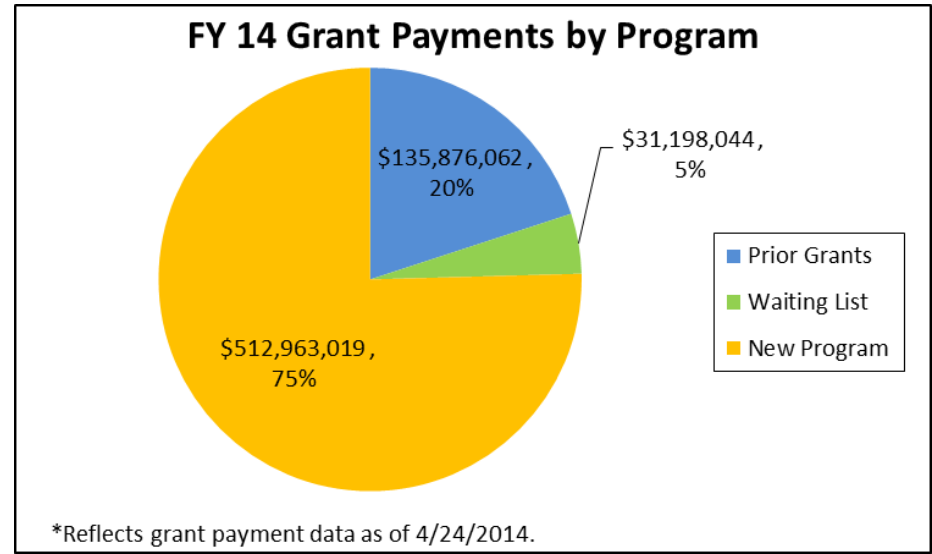
- Created greater certainty of remaining financial commitments towards these programs
- Resulted in identification of savings that will generate additional future liquidity for the MSBA that can be used to reduce debt service through pay-go financing and defeasance of outstanding debt
- Facilitated \$8.5 billion of grant payments since FY05 towards more than 1,100 inherited projects



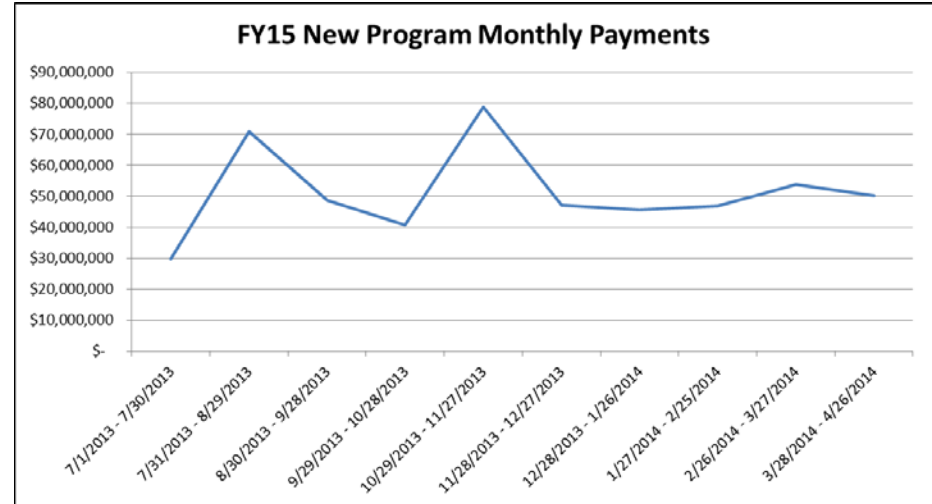


FY14 New Program Grant Payments

- More than \$512 million New Program grants paid to date in FY14
 - Payments made towards 190 projects in 131 districts
 - New Program payments represent 75% of all grant payments made in FY14



- Year-to-date monthly New Program payments average of \$51.3 million in FY14

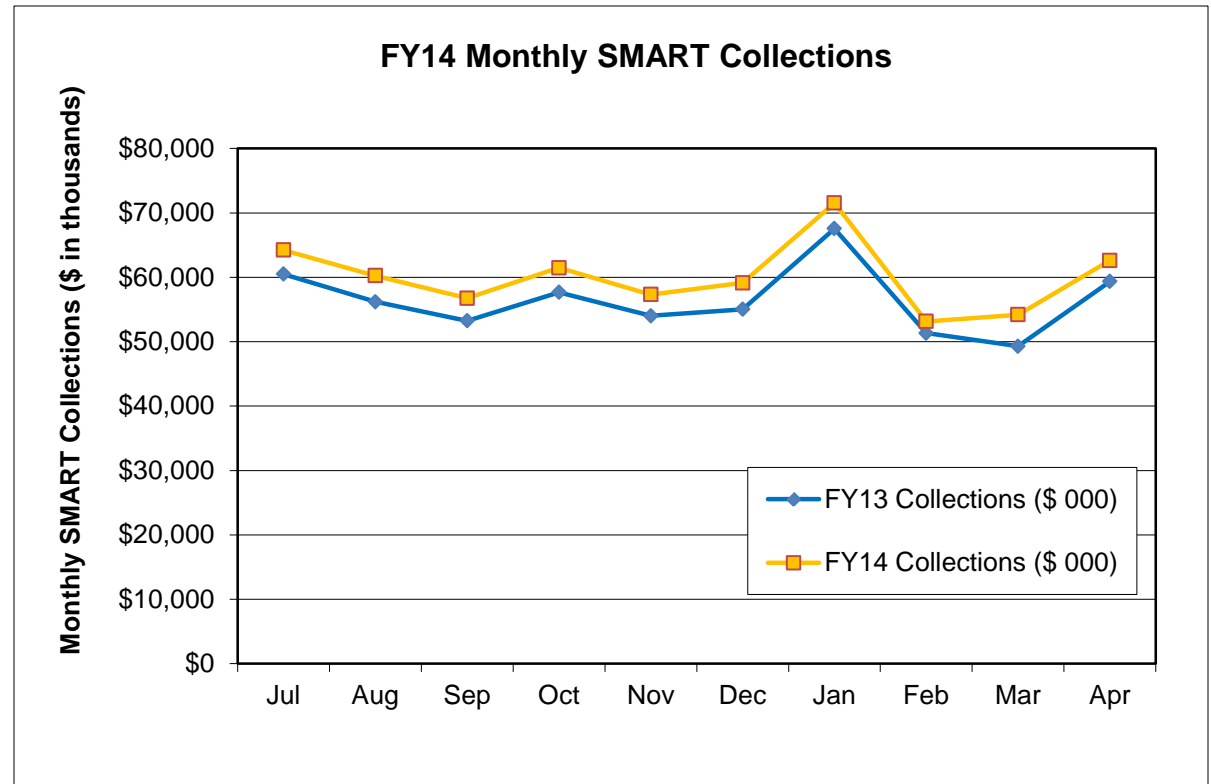




FY14 YTD Monthly SMART Collections

| Month | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | YTD |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 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 |
| FY14 Collections (\$ 000) | 64,231 | 60,261 | 56,759 | 61,476 | 57,320 | 59,134 | 71,526 | 53,144 | 54,186 | 62,609 | 600,646 |
| Change (\$ 000) | 3,717 | 4,047 | 3,505 | 3,809 | 3,289 | 4,081 | 3,964 | 1,796 | 4,875 | 3,247 | 36,331 |
| % Change | 6.1% | 7.2% | 6.6% | 6.6% | 6.1% | 7.4% | 5.9% | 3.5% | 9.9% | 5.5% | 6.4% |

- SMART collections through April were \$36.3M (6.4%) greater than collections through same period in FY13
- SMART collections in FY14 have exhibited growth each month over the same month in the previous year

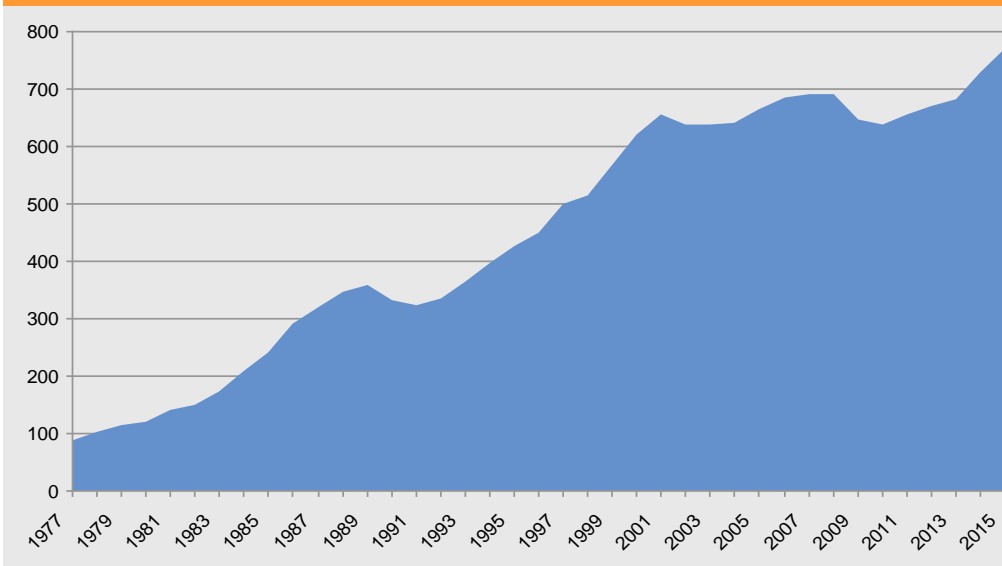




Dedicated Sales Tax Long Term Performance

- Growth in all but 6 of the last 37 years
- Strong performance across economic cycles

Dedicated 1 Cent Statewide Sales Tax (\$'s in Millions)



| 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 | 4,262.7 | 682.0 | 1.7% |
| 2014 Est. ⁽⁶⁾ | 4,552.0 | 728.3 | 6.8% |
| 2015 Est. ⁽⁷⁾ | 4,821.9 | 771.5 | 5.9% |

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

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 Fiscal Year 2010, \$918 million in Fiscal Year 2011, \$963 million in Fiscal Year 2012, and \$980 million in Fiscal Year 2013) 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 Fiscal Year 2010 and \$81.0 million in Fiscal Year 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 2014 are based on the tax revenue estimate of \$23.200 billion. The \$23.200 billion estimate reflected the January 14, 2013 consensus tax revenue estimate of \$22.334 billion, as adjusted for the impact of revenue initiatives included in the Commonwealth's Fiscal Year 2014 budget, including the impact of a subsequently enacted two-day sales tax holiday in August, 2013, and the impact of the transportation finance legislation, which was enacted on July 24, 2013. One of the provisions enacted as a part of the transportation finance legislation (sales tax on computer/software services) was repealed on September 27, 2013. Preliminary Fiscal Year-to-date collections for Sales & Use taxes through March 31, 2014 are approximately \$4.068 billion (unaudited), as compared to approximately \$3.828 billion (unaudited) for the same period in Fiscal Year 2013.

⁷ Amounts for Fiscal Year 2015 are based on the Commonwealth's consensus tax revenue estimate for Fiscal Year 2015, as released on January 14, 2014.

FY2014 Budget Update and FY2015 MSBA Administrative Operations and Grant Programs Budget Recommendation

| Expense Category | FY14 | | | FY 15 | | | | |
|--|------------------------|-----------------------------|------------------------|----------------------------|-------------------------|--------------------------|--|--|
| | FY14 Authorized Budget | FY14 Projected Expenditures | % FY14 Budget Expended | FY15 Budget Recommendation | Variance (FY14 Budget) | % Variance (FY14 Budget) | Variance (FY14 Projected Expenditures) | % Variance (FY14 Projected Expenditures) |
| Administrative Expense Budget | | | | | | | | |
| Salaries & Benefits ^[1] | \$ 6,443,148 | \$ 5,629,657 | 87.4% | \$ 6,820,548 | \$ 377,401 | 5.9% | \$ 1,190,892 | 21.2% |
| General & Administrative Office Expenses ^[2] | \$ 216,857 | \$ 212,970 | 98.2% | \$ 356,729 | \$ 139,872 | 64.5% | \$ 143,759 | 67.5% |
| Occupancy & Utilities ^[3] | \$ 1,207,998 | \$ 1,220,069 | 101.0% | \$ 1,295,038 | \$ 87,040 | 7.2% | \$ 74,969 | 6.1% |
| Consulting & Professional Support Services ^[4] | \$ 210,000 | \$ 149,958 | 71.4% | \$ 287,061 | \$ 77,061 | 36.7% | \$ 137,103 | 91.4% |
| Information Technology ^[5] | \$ 382,258 | \$ 148,314 | 38.8% | \$ 157,246 | \$ (225,012) | -58.9% | \$ 8,932 | 6.0% |
| Total Administrative Expense Budget^[6] | \$ 8,460,261 | \$ 7,360,968 | 87.0% | \$ 8,916,623 | \$ 456,362 | 5.4% | \$ 1,555,656 | 21.1% |
| Other Post Employment Benefits (OPEB)^[7] | \$ - | \$ - | N/A | \$ 100,000 | \$ 100,000 | N/A | \$ 100,000 | N/A |
| Capital Pipeline Professional Support Services & Issuance Related Costs | | | | | | | | |
| Project Related Legal, Audit & Professional Support Services ^[8] | \$ 10,473,493 | \$ 7,059,883 | 67.4% | \$ 7,710,000 | \$ (2,763,493) | -26.4% | \$ 650,117 | 9.2% |
| Cost of Issuance ^[9] | \$ 450,000 | \$ 426,000 | 94.7% | \$ 1,000,000 | \$ 550,000 | 122.2% | \$ 574,000 | 134.7% |
| Total Capital Program Professional Support Services | \$ 10,923,493 | \$ 7,485,883 | 68.5% | \$ 8,710,000 | \$ (2,213,493) | -20.3% | \$ 1,224,117 | 16.4% |
| Arbitrage Rebate^[10] | \$ - | \$ - | N/A | \$ 1,500,000 | \$ 1,500,000 | N/A | \$ 1,500,000 | N/A |
| Grant Program | | | | | | | | |
| Prior Grants ^[11] | \$ 215,069,346 | \$ 209,736,469 | 97.5% | \$ 197,511,285 | \$ (17,558,061) | -8.2% | \$ (12,225,184) | -5.8% |
| Waiting List ^[12] | \$ 80,000,000 | \$ 34,249,932 | 42.8% | \$ 42,131,684 | \$ (37,868,316) | -47.3% | \$ 7,881,752 | 23.0% |
| New Program Grants ^[13] | \$ 675,000,000 | \$ 623,376,172 | 92.4% | \$ 610,598,153 | \$ (64,401,847) | -9.5% | \$ (12,778,019) | -2.0% |
| Total Grant Program | \$ 970,069,346 | \$ 867,362,573 | 89.4% | \$ 850,241,122 | \$ (119,828,224) | -12.4% | \$ (17,121,451) | -2.0% |
| Grand Total - Operating Budget | \$ 989,453,099 | \$ 882,209,424 | 89.2% | \$ 869,467,745 | \$ (119,985,354) | -12.1% | \$ (12,741,679) | -1.4% |

[1] FY14 Budget included funding for the phased hiring of 7 additional FTEs remaining from staffing plan, and included total budgeted headcount of 71 employees at June 30, 2014. Total headcount as of April 15, 2014 is 61, and forecasted headcount at June 30, 2014 is 65 based on planned hires during FY14 Q4. FY15 Budget Recommendation reflects full annualization of FY14 hires, and 4 planned hires that are projected to remain from FY14 staffing plan at fiscal year end, and includes the transition of 2 information technology and 2 capital planning staff extensions to MSBA payroll beginning January 2015. Total forecasted headcount at June 30, 2015 is 73.

[2] FY15 Budget Recommendation reflects anticipated one-time \$65K cost associated with transition to new phone system, and includes approximately \$60K for training and professional development.

[3] FY15 Budget Recommendation reflects projection associated with procurement for leased office space to be completed before Q3 of FY15.

[4] FY15 Budget Recommendation reflects additional procurements anticipated in FY15 to assist the MSBA with document management and organizational planning.

[5] FY14 Projected Expenditures variance from FY14 Authorized Budget reflects fewer actual costs than anticipated in this category for programming. FY15 Budget Recommendation includes \$30K for purchase of business continuity software as part of MSBA's contingency planning efforts, and reflects projected transition of 2 information technology staff extensions to MSBA payroll as of January 2015.

[6] FY15 variance reflects procurement for leased office space, and also reflects annualization of FY14 staffing plan hires and phased hiring of remaining staffing plan hires in FY15.

[7] The MSBA's OPEB Trust was fully funded as of June 30, 2013, and is projected to remain fully funded as of June 30, 2014 without any additional transfer of funds. The FY15 Budget Recommendation reflects the intention of the MSBA to transfer an additional \$100K to the OPEB Trust in order to limit future budgetary impacts that may be associated with the investment performance of the OPEB Trust.

[8] FY14 procurements for vocational technical programming analysis and economic analysis of MSBA pipeline have been conducted, and planned expenditures were processed during Q3 as work against these contracts progresses. FY14 Projected Expenditures reflect \$1.1M fewer projected costs for commissioning than anticipated, \$750K fewer projected costs for project management services than originally forecasted for FY14, \$569K fewer costs than anticipated for architectural services, and \$86K more than projected for Capital Pipeline applications development. For FY15 Budget Recommendation detail in this category please see Capital Pipeline Professional Support Services Summary slide.

[9] FY14 Projected Expenditures reflect expenditures related to the 2013 Series A in July 2013. FY15 Budget Recommendation reflects anticipated debt issuance of approximately \$425M-\$475M in FY15 to support Capital Pipeline.

[10] Reflects anticipated arbitrage rebate to be made in FY15 related to earnings on the 2009 Series A bonds.

[11] FY14 Expenditures thru 4/15/14 reflect expenditures for Q1-Q3. FY14 Projected Expenditures also reflect annual payments for Q4 Prior Grant projects. FY15 Budget Recommendation reflects annual estimate of audited payments scheduled through June 30, 2015.

[12] FY14 Projected Expenditures reflect fewer than anticipated progress and closeout audit payments towards six projects still in active construction or closeout audit. FY15 Budget Recommendation assumes \$16.3M in annual payments and approximately \$25.8M in progress and closeout audit payments.

[13] FY15 Budget Recommendation reflects monthly reimbursement request projection from projects in the Capital Pipeline, as well as final payments to projects that may receive a final approved audit during FY15. FY15 anticipated variance from FY14 Projected Expenditures reflects fewer projects in design development and active construction as Capital Pipeline progresses towards steady state.



MSBA Sources and Uses

| | FY14 Est. | FY15 Est. |
|---|----------------|---------------|
| Beginning Fund Balance * | | |
| Restricted Debt Service Funds Beginning Balance** | \$ 186,834,948 | 180,404,055 |
| Restricted Bond Proceeds Beginning Balance[1] | 5,000,000 | - |
| Unrestricted Beginning Fund Balance[2] | 125,828,905 | 162,811,368 |
| Total Begin Fund Balance | 317,663,853 | 343,215,423 |
| General Revenues/Financing Sources: | | |
| Dedicated sales tax[3] | \$ 728,316,638 | 771,500,000 |
| Bond Issuance Proceeds[4] | 540,527,990 | 475,000,000 |
| Interest income[5] | 25,120,990 | 25,193,864 |
| Arbitrage Rebate Set-Aside[6] | (2,411,176) | (2,500,000) |
| Grant income[7] | 22,402,219 | 22,469,727 |
| Loan Program[8] | 8,688,062 | 8,590,864 |
| Total revenues | 1,322,644,723 | 1,300,254,455 |
| Expenditures/Expenses: | | |
| Grant payments [9] | \$ 867,362,573 | 850,241,122 |
| Debt service[10] | 408,633,729 | 412,197,603 |
| Operations | 7,360,968 | 8,916,623 |
| Commissioning | 3,816,203 | 4,000,000 |
| Capital Pipeline Support Services | 3,669,680 | 4,710,000 |
| Arbitrage Rebate Payment[11] | - | 1,500,000 |
| Loan Program[12] | 6,250,000 | - |
| Other Postemployment Benefits | - | 100,000 |
| Total expenditures/expenses | 1,297,093,153 | 1,281,665,348 |
| Year End Fund Balance* | | |
| Year End Restricted Debt Service Funds Balance** | \$ 180,404,055 | 195,345,515 |
| Year End Restricted Bond Proceeds Balance | - | - |
| Year End Unrestricted Fund Balance | 162,811,368 | 166,459,015 |
| Total Year End Balance | 343,215,423 | 361,804,530 |

*Beginning and Year End fund balances do not include debt service reserve funds held by the trustee.

**Reflects restricted Debt Service Funds held by the trustee, and available only for debt service payments made by the trustee to bondholders.

[1] Reflects pre-closing initial deposit for 2013 Series A bonds.

[2] Reflects balances in non-trusteed funds.

[3] FY14 Est. reflects Commonwealth's revised consensus tax revenue estimate for FY14.

[4] FY14 Est. reflects receipt of proceeds for from 2013 Series A issuance net of debt service reserve proceeds and underwriters' discount. FY15 Est. reflects anticipated receipt of BAN proceeds, and anticipated midyear authorization for re-establishing a Commercial Paper program.

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

[6] Reflects set-aside of estimated excess interest earnings above arbitrage yields per most recent rebate calculations.

[7] Reflects impact of sequestration on 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).

[8] Includes principal and interest received in November 2013 for executed loans, as well as one grant recapture payment.

[9] Includes grant payments made from bond proceeds as well as unrestricted sales tax revenues.

[10] Reflects gross debt service on outstanding debt including sinking fund deposits. FY14 estimate does not assume any savings that may result from advance refunding of outstanding debt.

[11] Reflects anticipated arbitrage rebate to be made in FY15 related to earnings on the 2009 Series A bonds.

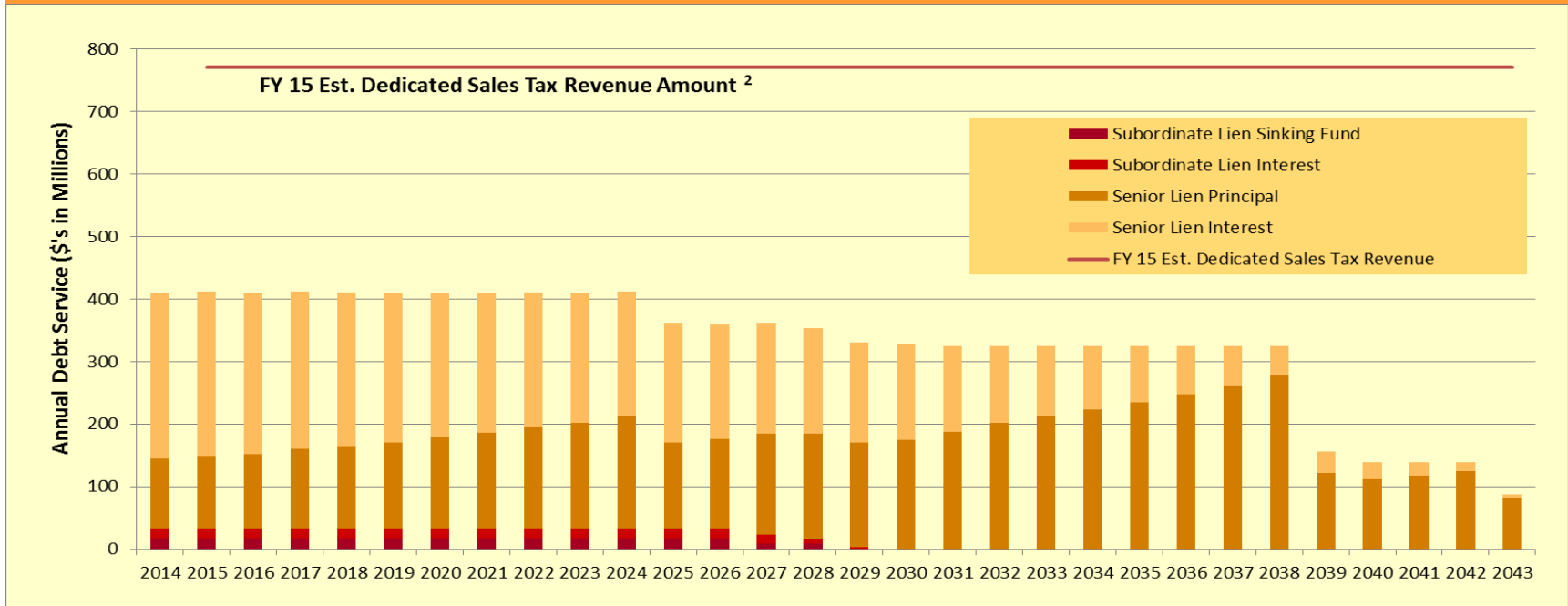
[12] FY14 reflects loan disbursement for East Somerville Community School.



MSBA – Outstanding Debt

- \$5.4 billion of Senior Lien debt outstanding as of May 1, 2014
- \$293.4 million of Subordinate Lien debt outstanding as of May 1, 2014
 - 100% of Subordinate Lien debt is from Qualified School Construction Bond (“QSCB”) issuance
- Prior to next debt issuance, FY15 gross debt service is \$412.2 million
 - 0.9% (\$3.6 million) increase over FY14

MSBA Debt Service¹ vs. Dedicated Sales Tax Revenues²



¹ Reflects debt service outstanding after the 2013 Series A and as of May 1, 2014. Debt service does not account for expected Debt Service Reserve Account or Sinking Fund earnings, or the Build America Bond and QSCB federal subsidies; however, senior principal is net of the amounts that are expected to be paid from Debt Service Reserve Account releases.

² Amount for Fiscal Year 2015 is based on the Commonwealth’s consensus tax revenue estimate for Fiscal Year 2015, as released on January 14, 2014.



Summary

- Payments and audit savings have retired more than 88% of the liability from inherited programs

- Over \$1 billion in commitments for New Program grants
 - FY15 New Program grant payments forecast = \$611 million
 - New Program grants represent approx. 72% of all grant payments estimated to be made during FY15

- SMART sales tax collections have exhibited growth in excess of 6% in FY14 year-to-date
 - Commonwealth's consensus tax revenue estimate forecasts continued growth in FY15

- FY15 Administrative Operations and Grant Programs Budget Recommendation reflects a decline of 1.4% from FY14 projected expenditures
 - Grants for inherited programs continue to decline
 - New Program grant cash flows projected to decline as Capital Pipeline approaches steady state

- Prior to next debt issuance, FY15 gross debt service is 0.9% more than FY14 gross debt service



2014 Bond Anticipation Note Issuance



2014 BANs Financing Summary

Transaction Overview

| | |
|--|---|
| Issuer | Massachusetts School Building Authority |
| Estimated Size | \$300 Million |
| Competitive Bid Date | Thursday, July 10, 2014 |
| Closing* | Thursday, July 17, 2013 |
| Security | <ul style="list-style-type: none">▪ Bond Anticipation Notes, secured by takeout bonds Authorized concurrent with BAN authorization, and pledged receipts after senior and subordinate set asides as described in the flow of funds. |
| Use of Proceeds | Capital grants |
| Current Long Term Senior Lien Ratings (Fitch/Moody's/S&P) | AA+ (Stable) // Aa2 (Stable) // AA+ (Stable) |
| Maturity* | July 15, 2015 |
| Debt Service Funding | Both principal and interest to be paid at maturity |
| Tax Status | <ul style="list-style-type: none">▪ Federally tax-exempt▪ Interest is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes |
| Continuing Disclosure | Available at http://emma.msrb.org |
| Notice of Sale | Monday June 30, 2014 |

* Preliminary, and subject to change

New MSBA Investor Relations Website – Coming Soon



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Massachusetts School Building Authority

Funding Affordable, Sustainable, and Efficient Schools in Partnership with Local Communities

Investor Relations

As stated in the agreed upon [Disclaimer](#) to this page, the purpose of this page is to provide the public with historical MSBA official statements for bond and note offerings that have been completed and other financial information. The information has been provided for the user's convenience without any representation or warranty of accuracy or completeness when posted.

If you have questions, please contact our Chief Financial Advisor, [Ken Wissman](#) or Director of Finance, [Jennifer Gonzalez](#).

- [Ratings](#)
- [Debt Service Coverage Ratios](#)
- [MSBA's page on EMMA](#)
- FY2015 MSBA Budget Presentation
- 6-digit base CUSIP: 576000
- [Pre-qualified Underwriting Syndicate](#)

| | |
|---|--|
| <h4>Trust Agreements</h4> <ul style="list-style-type: none">• Original (August 2005)• Second Supplemental• Third Supplemental• Fourth Supplemental• Fifth Supplemental• Sixth Supplemental• Seventh Supplemental• Eighth Supplemental• Ninth Supplemental• Tenth Supplemental• Eleventh Supplemental• Twelfth Supplemental | <h4>Official Statements for Outstanding Bonds</h4> <ul style="list-style-type: none">• 2005 Series A• 2007 Series A• 2009 Series A• 2009 Series B• 2010 Series A• 2011 Series A• 2011 Series B• 2012 Series A• 2013 Series A |
| <h4>Policies</h4> <ul style="list-style-type: none">• Debt Management Policy• Investment Management Policy | <h4>Financial Statements</h4> <ul style="list-style-type: none">• 2009• 2010• 2011• 2012• 2013 |

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MSBA APPLICATIONS: Enrollment Projection, Maintenance and Capital Planning, OPM Report, Pro-Pay Reimbursements, 2011 Statements of Interest

YOUR STATEMENT OF INTEREST

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