

## MEMORANDUM

To: Board of Directors, Massachusetts School Building  
From: John K. McCarthy, Executive Director  
Date: May 28, 2015  
Subject: MSBA Fiscal Year 2016 Budget

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The following is a summary of the Massachusetts School Building Authority's ("MSBA's") Fiscal Year 2016 Budget, preceded by an update of the anticipated expenditures for Fiscal Year 2015.

### Fiscal Year 2015 Year-End

Based on expenditures as of May 1, and the forecast of expenditures to-go through June 30, 2015, it is estimated that approximately 94% of the Fiscal Year 2015 Budget will be expended at the close of the fiscal year. This estimate is based upon an analysis of grant payments, vendor payments, and payroll processing to date in Fiscal Year 2015, as of May 1, and a re-forecast of the expenditures within these categories anticipated through June 30. The attached summary budget table (Attachment A) illustrates the expenditures to date, and the estimated expenditures through June 30 based on the re-forecast using actual expenditures as of May 1.

A few spending categories that are anticipated to reflect a variance at year-end from the original budgeted amount include Salaries and Benefits, Occupancy & Utilities, Cost of Issuance, and Grant Programs. Approximately 87% of the Salaries and Benefits spending category is estimated to be expended through June 30. The factors impacting the variance from budget in this category include turnover savings from staff departures during the year, and a variance from the anticipated headcount of 73 at June 30 that was forecast as part of the staffing assumption for the fiscal year. Based on current position vacancies, job postings and planned hires by June 30, a headcount of 65 is now forecast as of June 30.

The Occupancy and Utilities category is anticipated to reflect an actual expenditure of only 50% of the budgeted amount for the fiscal year. The timing and structure of the new MSBA lease at 40 Broad Street resulted in less lease expense during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of Fiscal Year 2015 than was anticipated during the budget setting process, and significantly reduced fiscal year 2015 expenditures for this category from those anticipated at the time of establishment of the forecast for this budget category.

The Cost of Issuance spending category is anticipated to reflect actual spending of approximately \$293 thousand more than originally budgeted for the category in Fiscal Year 2015. This variance is the result of the execution of the refunding and defeasance of 2005 Series A Bonds with the issuance of the 2015 Series A Refunding Bonds during Q3. A favorable interest rate environment as the fiscal year progressed presented an unanticipated opportunity to refund the only outstanding bonds of the 2005 Series A. This refunding resulted in a present value savings of \$23.6 million, or 22.5%, of the refunded par amount.

Overall, the updated forecast for Fiscal Year 2015 expenditures within the Grant Program's budget projects that the actual expenditures for Wait List grant payments through June 30 will be approximately \$19 million less than originally forecast for this category. The Wait List variance from budget reflects the most recent estimate of the amount and timing of the final grant payments for the projects that are currently in the closeout audit process. The New Program grant payment expenditures are anticipated to be approximately 95% of the budget amount at June 30.

In total, the updated forecast for remaining expenditures during Fiscal Year 2015 indicates that expenditures at year-end will total approximately 94% of the amount budgeted for the fiscal year.

The SMART dedicated sales tax revenue collections for Fiscal Year 2015 have not varied significantly to date from the amounts estimated to be necessary to reach the Commonwealth's consensus revenue estimate assumption of approximately \$772 million for the fiscal year. To date in Fiscal Year 2015, based on the sales tax collection data through April, it is estimated that collections in total have been approximately 98% of the amount necessary to be on pace to arrive at the Commonwealth's estimate for collections at fiscal year-end. Any actual variance at year-end below the original assumption for the dedicated revenue is not anticipated to be significant or impact the MSBA's financial plan, and would be more than offset by the amount that projected expenditures at June 30 are anticipated to be below the Fiscal Year 2015 budgeted amount. Additionally, the 2015 Series A Refunding will result in \$23.6 million in debt service savings to be realized through Fiscal Year 2031.

### Fiscal Year 2016 Budget

The Fiscal Year 2016 Budget that has been prepared and was presented to the Administration, Operations, and Finance Subcommittee on May 19, 2015 reflects a spending plan built upon the assumption of maintenance of existing operations and the continued efforts to fulfill the remaining positions from the Fiscal Year 2015 staffing plan. The budget that has been prepared reflects a total that is approximately 0.6% below the projected expenditures for Fiscal Year 2015. The Fiscal Year 2016 variances from Fiscal Year 2015 budgeted amounts and projected expenditures are illustrated in the summary budget table provided in Attachment A.

Within the Administrative Expense Budget category in Attachment A, the significant variance in the budget as compared to Fiscal Year 2015 projected expenditures includes approximately \$865 thousand in the Salaries and Benefits category. This variance reflects the annualizing of hires made throughout Fiscal Year 2015, and the phased hiring for positions in the Fiscal Year 2015 staffing assumption that are anticipated to remain unfilled as of June 30, 2015. The forecasted headcount at June 30, 2015 is estimated to be 65 employees. The Fiscal Year 2016 Budget includes funding for 77 employees by June 30, 2016, and is consistent with the staffing resources funded in the Fiscal Year 2015 Budget. During Fiscal Year 2015, the progress of onboarding new hires towards the established goal of 73 employees was in part offset by staff turnover and retirement throughout the fiscal year. The Fiscal Year 2016 Budget includes funding for the phased hiring during the fiscal year of the positions within the Fiscal Year 2015 staffing plan that are anticipated to be vacant at June 30, 2015. The Fiscal Year 2016 Budget also assumes that two Information Technology and two Capital Planning staff extension consultant resources are transitioned to permanent positions by June 30, 2016, and that, at the close of the fiscal year, there will not be any staff extension consultants as part of the MSBA's Fiscal Year 2017 Budget.

The Occupancy and Utilities expenditure category reflects an increase of approximately \$355 thousand over the Fiscal Year 2015 projected expenditures. This variance from Fiscal Year 2015 is the result of the reduced rent expenditure in Fiscal Year 2015 based on the timing and structure of the new 40 Broad Street lease, which reduced lease expenditures during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of Fiscal Year 2015. The Fiscal Year 2016 Budget includes funding for 12 months of lease payments for the MSBA's leased space at 40 Broad Street.

The Fiscal Year 2016 Budget continues the funding of the Other Post-Employment Benefits (OPEB) line item. While the MSBA's OPEB Trust is presently fully funded, the Fiscal Year 2016 Budget includes \$100 thousand in order to continue making measured contributions to the Trust in an effort to mitigate the potential future budgetary impacts of updated actuarial valuations.

The Project Related Legal, Audit & Professional Support Services category reflects anticipated expenditures including project commissioning and project management services. This category also includes funding for architectural services, including technical reviews and assistance with MSBA Senior Studies. New initiatives funded within this category in Fiscal Year 2016 include an estimated \$2 million for the cost of conducting a Needs Survey to update the MSBA's assessment of the condition of school facilities across the Commonwealth. Additionally, items funded in this category include the anticipated procurements for a consultant to assist with analysis of the MSBA's allocation of incentive points for the Construction Manager at Risk construction delivery method, for a consultant to assist with the

implementation of business intelligence software, and for a consultant to assist with expanding the MSBA's ability to provide assistance to districts in progressing through the MSBA Capital Pipeline process.

The Cost of Issuance expenditure category has been increased by approximately \$1.4 million over the Fiscal Year 2015 projected expenditures. This variance reflects the projected full year administrative costs of the commercial paper program established during late Q3 of Fiscal Year 2015. Additionally, funding has been included within this category for a new money bond issuance during the fiscal year and a potential refunding issuance.

The budget for Grant Programs expenditure category in Fiscal Year 2016 includes funding for the scheduled payment of approximately \$185 million of Prior Grant payments during the fiscal year, reflecting a decrease of \$12.9 million from the previous fiscal year based on the audited schedules of those former program projects. The Fiscal Year 2016 Wait List budget assumes funding for more than \$16 million in scheduled annual payments based on the audited schedule of outstanding projects, and approximately \$9 million in payments to be made following the completion of final audits for two projects currently in project closeout. The New Program grants budget for Fiscal Year 2016 reflects an increase of approximately \$2.4 million (0.4%) over Fiscal Year 2015 projected expenditures. The New Program grant budget reflects an estimate of the monthly project reimbursement requests from projects progressing through the MSBA's Capital Pipeline, and the completion of project closeout audits during the fiscal year.

In total, the Fiscal Year 2016 MSBA Administrative Operations and Grant Programs Budget is projected to decline by approximately \$4.8 million (-0.6%) from projected Fiscal Year 2015 expenditures.

The Commonwealth's consensus revenue estimate for SMART collections in Fiscal Year 2016 projects a 4.1% (\$31.4 million) increase over the Fiscal Year 2015 estimate.

The MSBA's debt service in Fiscal Year 2016 is projected to increase by approximately \$30 million to \$436 million. The MSBA plan of finance for Fiscal Year 2016 includes an assumption that the MSBA utilizes \$315 million of outstanding commercial paper program capacity at the beginning of the fiscal year in order to provide the bond proceeds necessary to support the New Program grant payments in the Capital Pipeline through the first two quarters of the fiscal year. The plan of finance assumes that a bond issuance of approximately \$125 million will be sold at the end of calendar year 2015, or early 2016, in order to raise the remainder of bond proceeds projected to be necessary to support the New Program grant payments made during Fiscal Year 2016. The plan of finance includes the continued efforts to fund approximately 20% of New Program commitments as "pay-go" in order to reduce the amount of debt issued to support the Capital Pipeline. Additionally, staff will continue to monitor appropriate opportunities for defeasance and refunding of outstanding debt during Fiscal Year 2016.

### Summary

The MSBA's projected expenditures for Fiscal Year 2015 are estimated to total approximately 94% of the budgeted amount at June 30. The MSBA's Fiscal Year 2016 Budget, as prepared, reflects a decline of less than 1% from projected Fiscal Year 2015 expenditures. The Fiscal Year 2016 Budget supports the existing operations of the MSBA, and allows for the phased hiring of Fiscal Year 2015 budgeted positions that are anticipated to be vacant at June 30, 2015. The total forecasted number of employees at June 30, 2016 of 77 reflects continued efforts and progress towards the Fiscal Year 2015 staffing plan, and includes the transition of 4 consultant staff extensions to permanent positions by the close of the fiscal year. The budget for Grant Programs is declining by 1% (\$8.1 million) in total as Prior Grant payments decline, and the New Program project payments and Waiting List payments are projected to each be approximately \$2.4 million greater than Fiscal Year 2015 expenditures.

# Attachment A

## FY2016 MSBA Administrative Operations and Grant Programs Budget

Expense Category	FY14	FY 15				FY 16					
	FY14 Final Expenditures	FY15 Budget	FY15 Expenditures (7/1-5/1)	% Expended (FY15 Budget)	FY15 Projected Expenditures	% Expended (FY15 Budget)	FY16 Budget Recommendation	Variance (FY15 Budget)	% Variance (FY15 Budget)	Variance (FY15 Projected Expenditures)	Variance (FY15 Projected Expenditures)
<b>Administrative Expense Budget</b>											
Salaries & Benefits <sup>[1]</sup>	\$ 5,442,798	\$ 6,820,548	\$ 4,844,423	71.0%	\$ 5,901,427	86.5%	\$ 6,766,138	\$ (54,411)	-0.8%	\$ 864,711	14.7%
General & Administrative Office Expenses <sup>[2]</sup>	\$ 223,655	\$ 356,729	\$ 200,772	56.3%	\$ 234,234	65.7%	\$ 314,711	\$ (42,018)	-11.8%	\$ 80,477	34.4%
Occupancy & Utilities <sup>[3]</sup>	\$ 1,059,310	\$ 1,295,038	\$ 637,374	49.2%	\$ 650,670	50.2%	\$ 1,005,314	\$ (289,724)	-22.4%	\$ 354,644	54.5%
Consulting & Professional Support Services <sup>[4]</sup>	\$ 163,194	\$ 287,061	\$ 250,583	87.3%	\$ 281,106	97.9%	\$ 215,000	\$ (72,061)	-25.1%	\$ (66,106)	-23.5%
Information Technology <sup>[5]</sup>	\$ 154,359	\$ 157,246	\$ 120,667	76.7%	\$ 141,565	90.0%	\$ 179,445	\$ 22,199	14.1%	\$ 37,880	26.8%
<b>Total Administrative Expense Budget<sup>[6]</sup></b>	<b>\$ 7,043,316</b>	<b>\$ 8,916,623</b>	<b>\$ 6,053,819</b>	<b>67.9%</b>	<b>\$ 7,209,002</b>	<b>80.8%</b>	<b>\$ 8,480,608</b>	<b>\$ (436,015)</b>	<b>-4.9%</b>	<b>\$ 1,271,606</b>	<b>17.6%</b>
Other Post Employment Benefits (OPEB) <sup>[7]</sup>	\$ -	\$ 100,000	\$ 100,000	100.0%	\$ 100,000	100.0%	\$ 100,000	\$ -	N/A	\$ -	N/A
<b>Capital Pipeline Professional Support Services &amp; Issuance Related Costs</b>											
Project Related Legal, Audit & Professional Support Services <sup>[8]</sup>	\$ 6,336,687	\$ 7,710,000	\$ 5,205,481	67.5%	\$ 6,191,030	80.3%	\$ 8,049,184	\$ 339,184	4.4%	\$ 1,858,155	30.0%
Cost of Issuance <sup>[9]</sup>	\$ 401,000	\$ 1,000,000	\$ 768,025	76.8%	\$ 1,293,025	129.3%	\$ 2,650,500	\$ 1,650,500	165.1%	\$ 1,357,475	105.0%
<b>Total Capital Program Professional Support Services</b>	<b>\$ 6,737,687</b>	<b>\$ 8,710,000</b>	<b>\$ 5,973,506</b>	<b>68.6%</b>	<b>\$ 7,484,054</b>	<b>85.9%</b>	<b>\$ 10,699,684</b>	<b>\$ 1,989,684</b>	<b>22.8%</b>	<b>\$ 3,215,630</b>	<b>43.0%</b>
Arbitrage Rebate <sup>[10]</sup>	\$ -	\$ 1,500,000	\$ 1,226,558	81.8%	\$ 1,226,558	81.8%	\$ -	\$ (1,500,000)	-100.0%	\$ (1,226,558)	-100.0%
<b>Grant Program</b>											
Prior Grants <sup>[11]</sup>	\$ 209,736,469	\$ 197,511,285	\$ 126,566,736	64.1%	\$ 197,946,924	100.2%	\$ 185,093,670	\$ (12,417,615)	-6.3%	\$ (12,853,254)	-6.5%
Waiting List <sup>[12]</sup>	\$ 32,359,840	\$ 42,131,684	\$ 22,401,115	53.2%	\$ 23,084,358	54.8%	\$ 25,489,887	\$ (16,641,797)	-39.5%	\$ 2,405,529	10.4%
New Program Grants <sup>[13]</sup>	\$ 625,549,750	\$ 610,598,153	\$ 475,463,622	77.9%	\$ 582,632,953	95.4%	\$ 585,000,000	\$ (25,598,153)	-4.2%	\$ 2,367,047	0.4%
<b>Total Grant Program</b>	<b>\$ 867,646,059</b>	<b>\$ 850,241,122</b>	<b>\$ 624,431,473</b>	<b>73.4%</b>	<b>\$ 803,664,235</b>	<b>94.5%</b>	<b>\$ 795,583,557</b>	<b>\$ (54,657,565)</b>	<b>-6.4%</b>	<b>\$ (8,080,678)</b>	<b>-1.0%</b>
<b>Grand Total - Operating Budget</b>	<b>\$ 881,427,062</b>	<b>\$ 869,467,745</b>	<b>\$ 637,785,356</b>	<b>73.4%</b>	<b>\$ 819,683,849</b>	<b>94.3%</b>	<b>\$ 814,863,849</b>	<b>\$ (54,603,896)</b>	<b>-6.3%</b>	<b>\$ (4,820,000)</b>	<b>-0.6%</b>

- [1] Total headcount as of June 30, 2014 was 65. FY15 budgeted headcount is for 73 at fiscal year end. FY15 estimated headcount at June 30, 2015 is 65.
- [2] FY16 Budget assumes headcount of 77 at June 30, 2016, and includes the transition of 2 information technology and 2 capital planning staff extensions to MSBA payroll by the close of FY16. Total headcount as of May 1, 2015 was 60.
- [3] FY15 Budget includes one-time expense associated with transition to new phone system, and that expense is now anticipated to be incurred during FY16. FY15 and FY16 budgeted amounts include approximately \$60K for training and professional development.
- [4] FY15 Budget included funding for procurement for leased office space to be completed before Q3 of FY15. The new lease for MSBA space at 40 Broad Street was signed by the MSBA in January 2015, and resulted in significantly reduced costs for FY15. FY16 Budget reflects full year annualizing of new lease executed during FY15.
- [5] FY15 expenditures include annual audited financial statements, arbitrage rebate analysis, and labor market analysis study. FY16 budget amount continues funding for annual audited financial statements, arbitrage rebate analysis, and includes funding for an update of analysis of the economic impact of MSBA's capital program.
- [6] FY16 Budget reflects transition of two consulting staff extension positions to permanent positions following the close of Q1.
- [7] FY15 Projected Expenditures variance from FY15 Budget reflects actual costs of new lease executed during Q3 that were less than anticipated in the original FY15 forecast. FY15 expenditures variance from budget also reflect staff departures that will result in a lower headcount at June 30, 2015 than anticipated in the FY15 Budget. FY16 Budget reflects full annualization of new lease, and anticipation of phased hiring throughout the fiscal year to arrive at an employee headcount of 77 at June 30, 2016.
- [8] The FY15 Budget included a transfer of an additional \$100K to the MSBA's OPEB Trust in order to mitigate the potential budgetary impacts of future actuarial valuations, and the FY16 Budget includes an additional transfer for the same purpose.
- [9] FY15 Budget and Projected Expenditures include commissioning of MSBA projects, project management services, information systems development, and architectural technical services that support the MSBA's Capital Pipeline. FY16 Budget includes funding for an update of the MSBA's Needs Survey; a statewide assessment of the condition of public school facilities.
- [10] FY15 Projected Expenditures variance from FY15 Budget reflect the execution of a refunding transaction of the 2005 Series A Bonds that was not anticipated in the original budget. FY16 Budget reflects annualization of the commercial paper program established during FY15 Q3, and assumes the execution of two bond issuances during the fiscal year.
- [11] Reflects actual arbitrage rebate made in FY15 related to earnings on the 2009 Series A bonds.
- [12] FY16 Budget reflects annual estimate of audited payments scheduled through June 30, 2016.
- [13] FY15 Projected Expenditures reflect updated estimates of payments and timing of closeouts for two final projects in project closeout audit phase. FY16 Budget includes funding for the annual payments, and anticipates the remaining project in closeout receives a final payment prior to June 30, 2016.
- [14] FY16 Budget reflects estimate of grant payments based on cash flows for projects progressing through the MSBA's Capital Pipeline.

# Massachusetts School Building Authority



## Fiscal Year 2016 MSBA Budget

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May 27, 2015

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# MSBA Grant Payments and Capital Pipeline Update

- Inherited Programs Update
- Grant Payments Update
- Capital Pipeline Update and Outlook

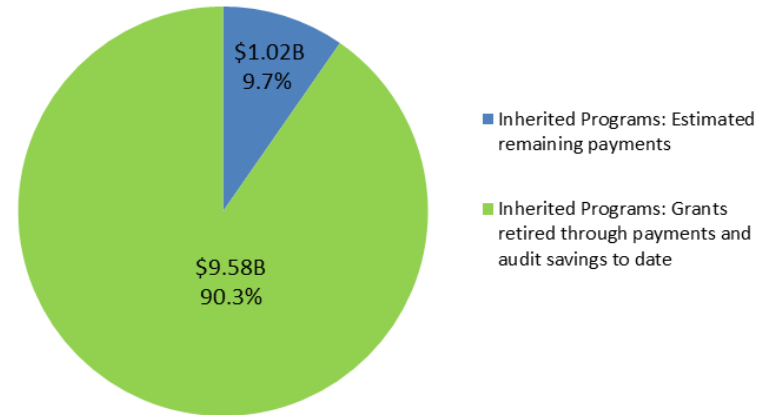


# Inherited Programs Update

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

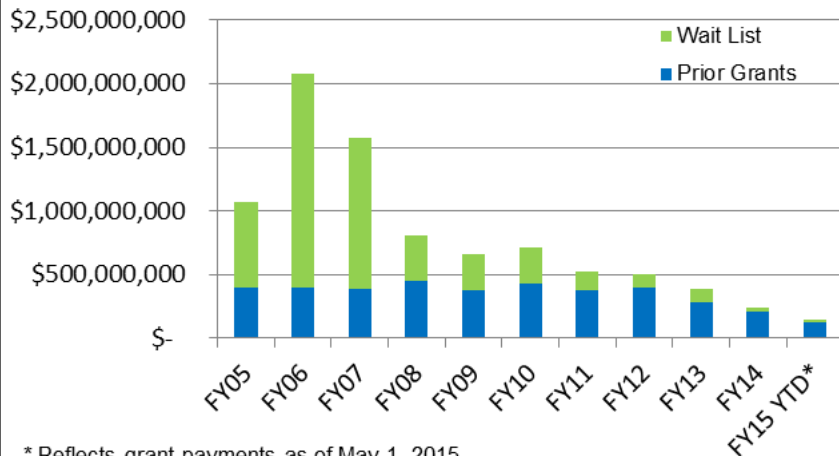
- Facilitated \$8.7 billion of grant payments to districts since FY05 towards more than 1,100 inherited projects
- Created greater certainty of remaining financial commitments towards these programs for districts

**Status: Inherited Grant Programs\***



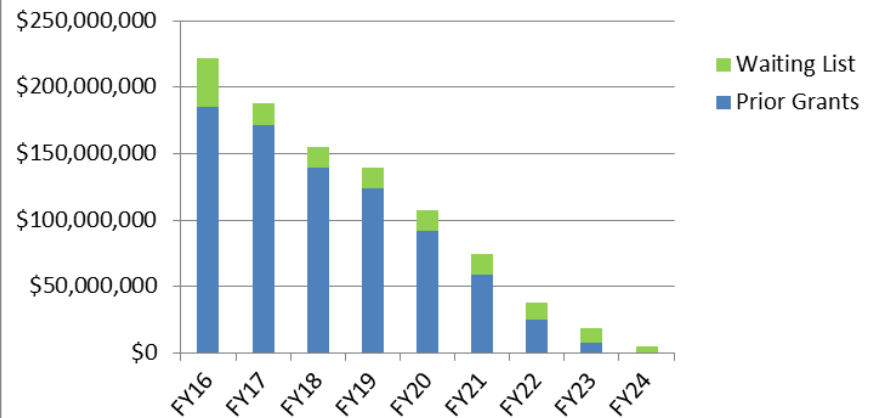
\* Reflects grant payments and audit savings as of May 1, 2015.

**Inherited Programs: Grants Payments by Fiscal Year**



\* Reflects grant payments as of May 1, 2015.

**Inherited Programs: Estimated Payments FY16-FY24**



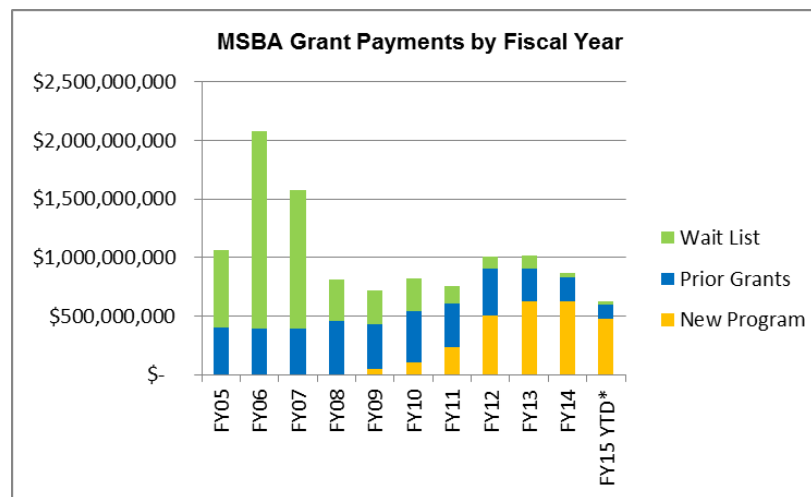




# More than \$11.3 Billion Total Grant Payments Distributed

Fiscal Year	New Program	Prior Grants	Wait List	Total by FY
FY05	\$ -	\$ 398,306,028	\$ 666,302,638	\$ 1,064,608,666
FY06	\$ -	\$ 393,546,520	\$ 1,684,328,685	\$ 2,077,875,205
FY07	\$ -	\$ 391,875,747	\$ 1,187,045,543	\$ 1,578,921,290
FY08	\$ 5,000,000	\$ 452,015,776	\$ 356,937,182	\$ 813,952,958
FY09	\$ 52,393,326	\$ 374,574,836	\$ 290,279,211	\$ 717,247,373
FY10	\$ 108,547,617	\$ 433,637,835	\$ 276,188,665	\$ 818,374,117
FY11	\$ 235,135,956	\$ 372,809,716	\$ 146,094,312	\$ 754,039,984
FY12	\$ 506,793,362	\$ 393,960,046	\$ 107,725,247	\$ 1,008,478,655
FY13	\$ 623,223,607	\$ 285,758,239	\$ 103,945,658	\$ 1,012,927,504
FY14	\$ 625,549,750	\$ 209,736,469	\$ 32,359,840	\$ 867,646,059
FY15 YTD*	\$ 475,463,622	\$ 126,566,736	\$ 22,401,115	\$ 624,431,473
<b>Total by Program</b>	<b>\$ 2,632,107,240</b>	<b>\$ 3,832,787,947</b>	<b>\$ 4,873,608,096</b>	<b>\$ 11,338,503,283</b>

- **To date, the MSBA has paid more than \$11.3 billion in grant payments to districts**
  - These payments have been made towards more than 1,575 projects in more than 330 districts
  - More than \$2.6 billion for New Program
  - More than \$3.8 billion for Prior Grants
  - More than \$4.8 billion for Wait List



\* Reflects grant payments made as of 5/1/2015.

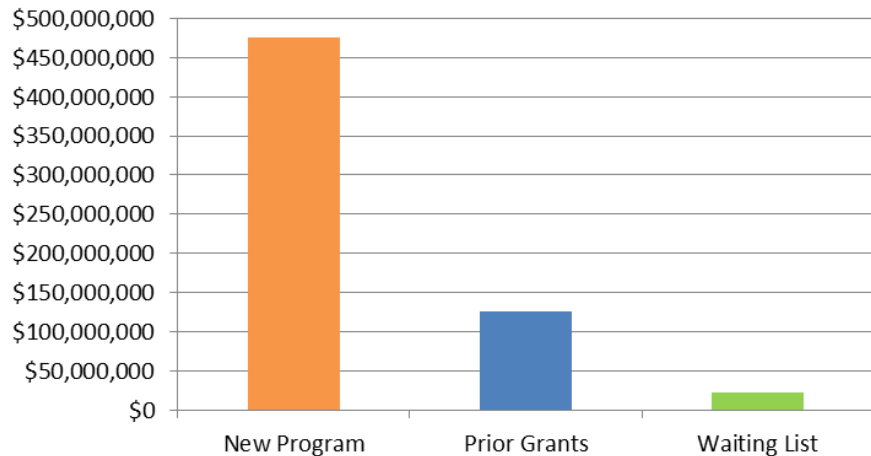


# FY15 Grant Payments Update

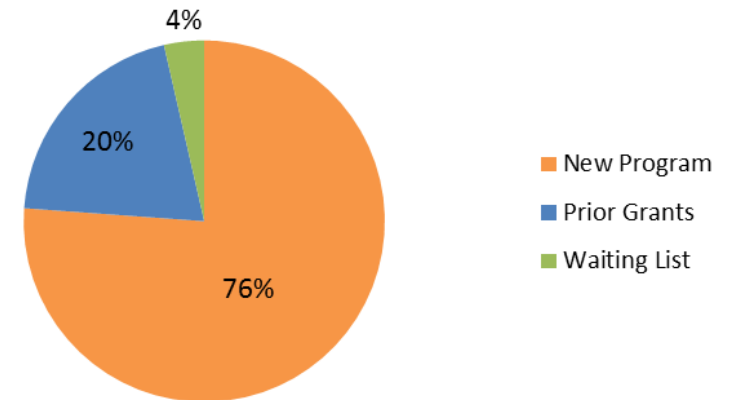
## FY2015 YTD Grant Payments Summary\*

Program	Grant Payments	# Projects	# Districts
New Program	\$ 475,463,622	203	131
Prior Grants	\$ 126,566,736	163	102
Waiting List	\$ 22,401,115	31	23
	<b>\$ 624,431,473</b>	<b>397</b>	<b>183</b>

FY2015 Grant Payments - YTD by Program



FY2015 Grant Payments - YTD % by Program



\* Reflects grant payment data as of May 1, 2015.

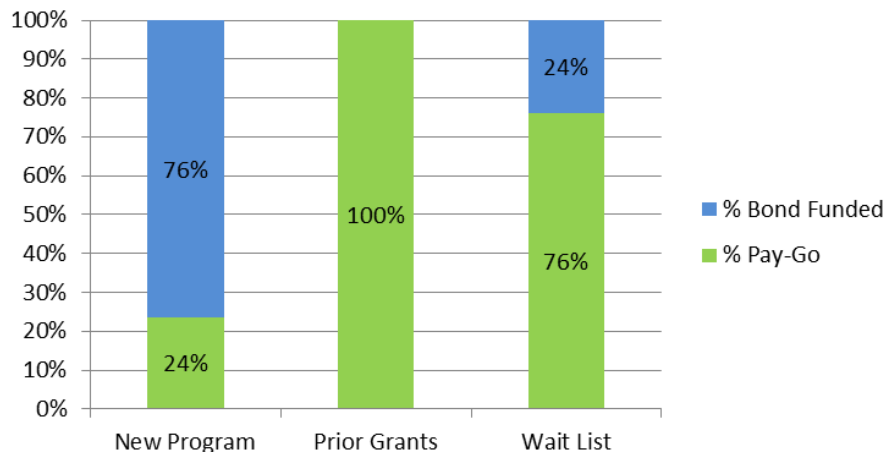
# FY15 Grant Payments: Payment Source Statistics



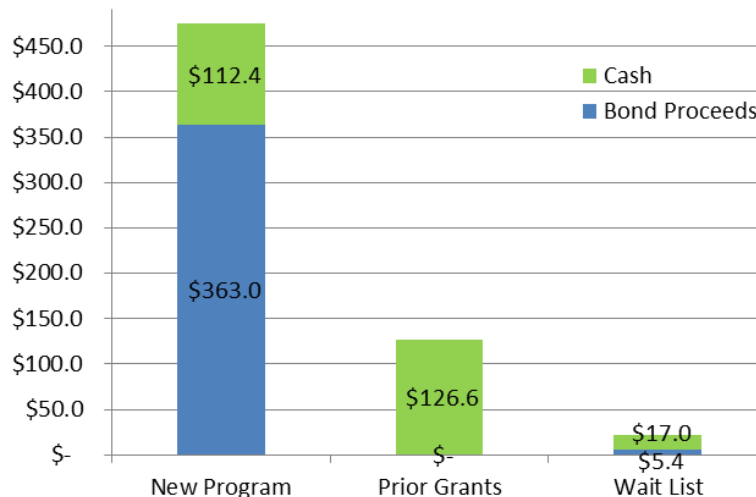
- 41% of FY15 YTD total grant payments have been made from unrestricted sales tax collections
  - 100% of Prior Grant and 76% of Wait List Grant payments
  - New Program “pay-go” of at least 20% consistent with FY15 Finance Plan

- As of May 1, \$256 million unrestricted sales tax collections have supported grant payments
  - By June 30, estimate a total of \$350 million YTD based on remaining Q4 Prior Grant payments and New Program “pay-go”


**MSBA FY15 YTD Payments: % by Source**



**MSBA FY15 YTD Payments by Program and Payment Source**



\* Reflects grant payment data as of May 1, 2015.



# MSBA Five-Year Capital Programs Outlook

Grants	FY15	FY16	FY17	FY18	FY19
Statements of Interest Submitted by Districts <sup>1</sup>	227	158			
New Program <sup>2</sup>					
Core Program Projects (# project invitations) <sup>3</sup>	\$390M (11)	\$511M (12-15)	\$517M (12-15)	\$522M (12-15)	\$528M (12-15)
Accelerated Repair (# project invitations) <sup>4</sup>	<u>\$66M (47)</u>	<u>\$50M (20-40)</u>	<u>\$50M (20-40)</u>	<u>\$50M (20-40)</u>	<u>\$50M (20-40)</u>
Estimated New Program Grant Authorizations	\$456M	\$561M	\$567M	\$572M	\$578M
Estimated New Program Ceiling <sup>5</sup>	\$539M	\$561M	\$567M	\$572M	\$578M
Inherited Programs <sup>6</sup>					
Prior Grants (# projects)	\$198M (264)	\$185M (228)	\$172M (198)	\$140M (169)	\$124M (140)
Wait List (# projects) <sup>7</sup>	<u>\$22M (29)</u>	<u>\$36M (29)</u>	<u>\$16M (27)</u>	<u>\$15M (26)</u>	<u>\$15M (26)</u>
Estimated Inherited Program Grant Payments	\$220M	\$221M	\$189M	\$156M	\$139M

<sup>1</sup> FY15 reflects calendar year 2014 Statements of Interest filed for FY15 invitation period. FY16 reflects calendar year 2015 Statements of Interest filed for FY16 invitation period.

<sup>2</sup> Reflects estimated invitations for project approvals, and assumes 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.

<sup>3</sup> FY15 represents projects approved for PS&BA through March 25, 2015 meeting of the MSBA Board of Directors, and projects anticipated to be approved for PS&BA at the June 3, 2015 meeting. Invitation assumptions are based upon grant estimates that are developed using MSBA space guidelines and available enrollments for MSBA potential projects.

<sup>4</sup> FY15 represents projects approved for PS&BA through March 25, 2015 meeting of the MSBA Board of Directors, and projects anticipated to be approved for PS&BA at the June 3, 2015 meeting. Assumes estimated grants for roof, window and boiler projects of \$500,000 - \$2.5M beyond FY15, and invitation assumption is not project-specific and is based upon previous years' authorizations.

<sup>5</sup> Assumes Commonwealth's estimated growth in SMART collections for FY15 and FY16 Consensus Revenue Estimate, and assumes 1% annual growth beyond FY16.

<sup>6</sup> 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.

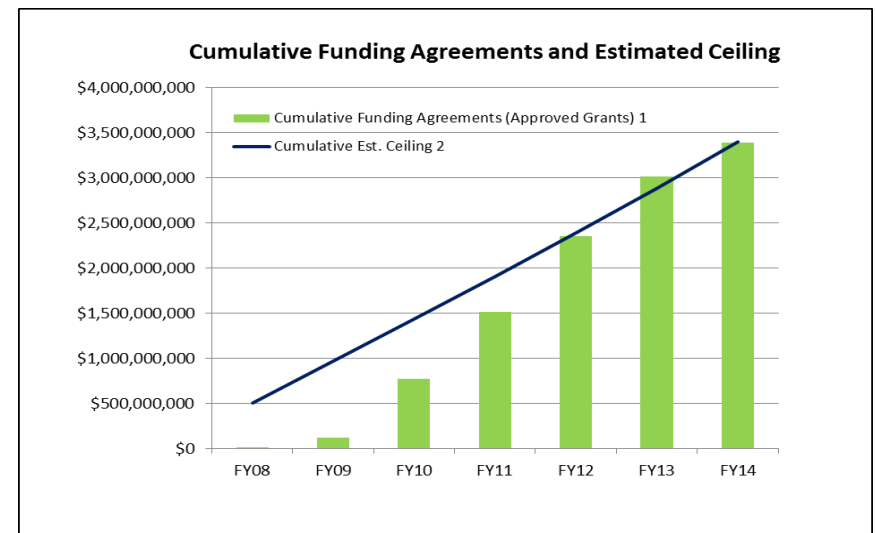
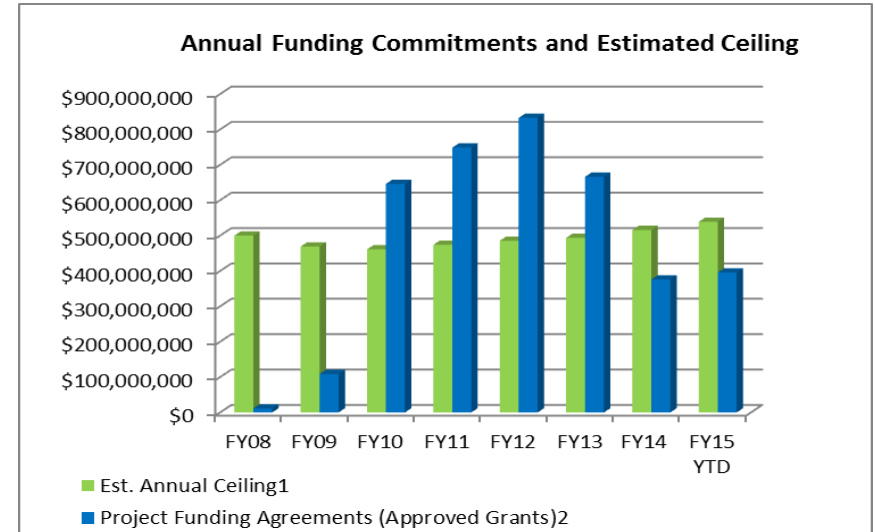
<sup>7</sup> Reflects estimated payments following project closeout audits, and remaining wait list annual payments schedule as of 4/15/2015.

# New Program Funding Commitments and Estimated Statutory Ceiling

FY	Ceiling Adjustment *	Annual Est. Ceiling
FY08	N/A	\$500,000,000
FY09	-6.2%	\$469,000,000
FY10	-1.7%	\$461,027,000
FY11	2.8%	\$473,935,756
FY12	2.4%	\$485,310,214
FY13	1.7%	\$493,560,488
FY14	4.5%	\$515,770,710
FY15 Est.	4.5%	\$538,980,392
FY16 Est.	4.1%	\$561,078,588

\* Per statute, lesser of rate of growth in dedicated sales tax revenue or 4.5%.

- New Program aligns grant funding with dedicated revenue
- Approximately \$1 billion New Program commitments currently outstanding



<sup>1</sup> Reflects Maximum Total Facilities Grant (includes budgeted project contingencies).

<sup>2</sup> Assumes lesser of dedicated sales tax growth or 4.5% per statute.



# SMART Collections Update

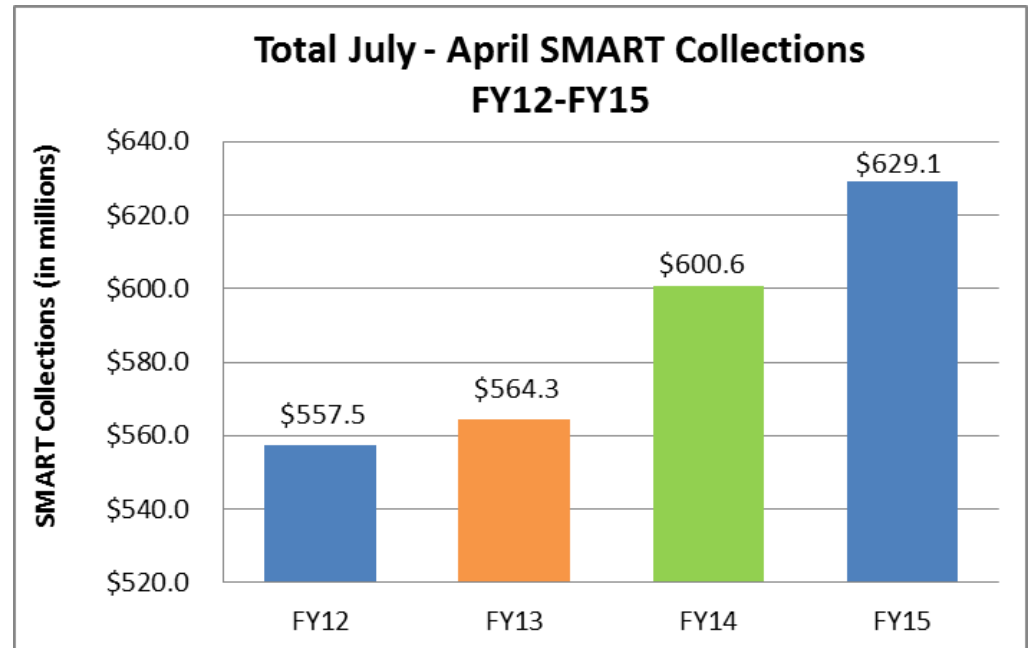
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# FY2015 Dedicated Sales Tax Collections Update



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	YTD
<b>FY14 Collections (\$ 000)</b>	64,231	60,261	56,759	61,476	57,320	59,134	71,526	53,144	54,186	62,609	600,646
<b>FY15 Collections (\$ 000) *</b>	68,214	62,366	59,553	64,652	60,072	60,703	75,691	55,434	55,680	66,720	629,086
<b>Change (\$ 000)</b>	3,983	2,105	2,794	3,176	2,753	1,569	4,165	2,291	1,494	4,111	28,440
<b>% Change</b>	6.2%	3.5%	4.9%	5.2%	4.8%	2.7%	5.8%	4.3%	2.8%	6.6%	4.7%

- FY16 SMART collections through April were approximately \$28.4 million (4.7%) greater than FY15 collections during the same period
- Collections through April in each of the last two fiscal years have exhibited more than 4.5% growth from the same period in the previous year

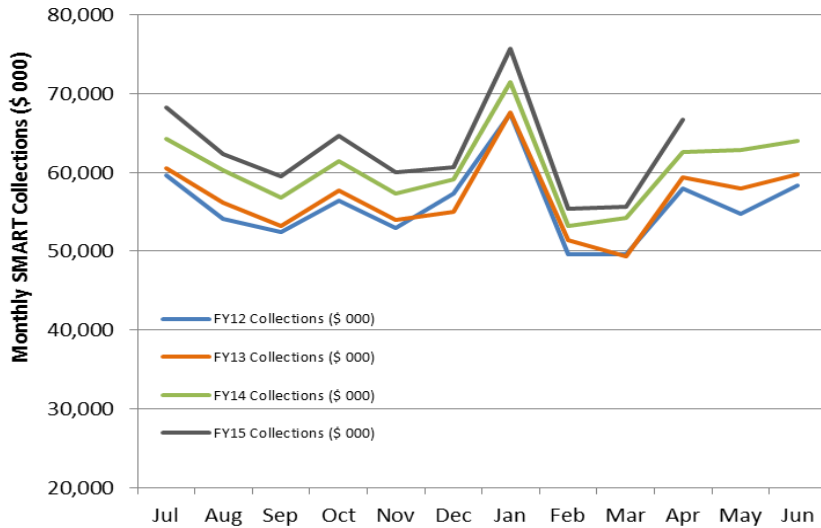


\* April 2015 collections are based on preliminary data provided by the Department of Revenue.

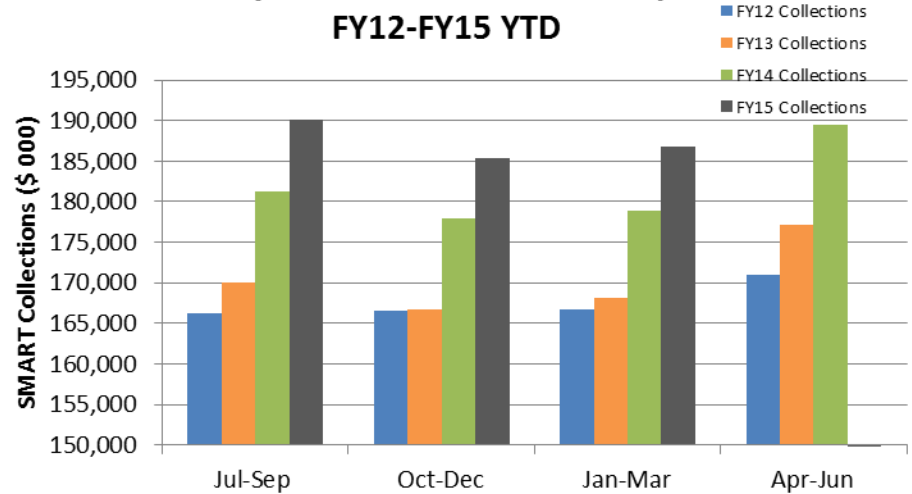


# FY2015 YTD Collections Update

## Monthly SMART Collections



## Quarterly SMART Collections Comparison



- FY15 monthly SMART data indicates collections have continued the positive growth trend experienced in recent fiscal years

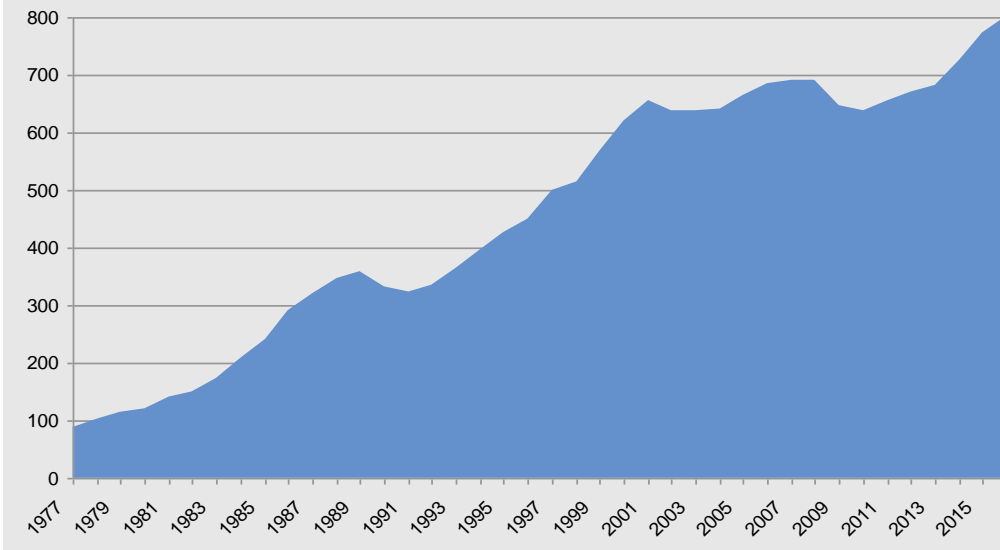
- FY15 Quarterly SMART collections for Q1- Q3 indicates each quarter in FY15 has experienced in excess of 4% growth over the same period in the previous fiscal year





# Dedicated Sales Tax Long-Term Performance

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



FY	Sales Tax Receipts <sup>1</sup>	Applicable % of Sales Tax Receipts <sup>2</sup>	% 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 <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	3,852.1	637.1	(1.7%)
2011 <sup>(5)</sup>	4,091.5	654.7	2.8%
2012 <sup>(5)</sup>	4,190.6	670.5	2.4%
2013 <sup>(5)</sup>	4,262.7	682.0	1.7%
2014 <sup>(5)</sup>	4,547.0	727.5	6.7%
2015 Est. <sup>(6)</sup>	4,825.7	772.1	6.1%
2016 Est. <sup>(7)</sup>	5,024.1	803.9	4.1%

<sup>1</sup> Total sales tax receipts after reimbursements and abate-ments, less the Statutorily Exempted Revenue.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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, \$983 million in Fiscal Year 2013, and \$1.046 billion in Fiscal Year 2014) 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.)

<sup>6</sup> Amounts for Fiscal Year 2015 are projected based on the revised tax revenue estimate of \$24.325 billion, reflecting the consensus tax revenue estimate of \$24.337 billion, adjusted for the impact of the subsequent changes affecting budgetary taxes, including changes in the General Appropriation Act (such as tax amnesty, delayed FAS109 deductions, and enhanced DOR tax enforcements), changes in economic development legislation, changes in county government financial management legislation, a Part B personal income tax rate reduction (from 5.2% to 5.15%), the elimination of gas/special fuels tax indexing to inflation, the transfer of \$5 million from tax amnesty collections to the Commonwealth Substance Abuse Fund, and a corporate and business tax amnesty program. Year-to-date collections through March 31, 2015 are approximately \$3.514 billion, as compared to approximately \$3.363 billion for the same period in Fiscal Year 2014.

<sup>7</sup> Amounts for Fiscal Year 2016 are based on the January 30, 2015 consensus tax revenue estimates of \$25.479 billion..



# Fiscal Year 2016 Budget Recommendation

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- Administrative Operations and Grant Programs
- Sources and Uses

**FY2016 MSBA Administrative Operations and Grant Programs Budget**

Expense Category	FY14	FY 15					FY 16				
	FY14 Final Expenditures	FY15 Budget	FY15 Expenditures (7/1-5/1)	% Expended (FY15 Budget)	FY15 Projected Expenditures	% Expended (FY15 Budget)	FY16 Budget Recommendation	Variance (FY15 Budget)	% Variance (FY15 Budget)	Variance (FY15 Projected Expenditures)	Variance (FY15 Projected Expenditures)
<b>Administrative Expense Budget</b>											
Salaries & Benefits <sup>[1]</sup>	\$ 5,442,798	\$ 6,820,548	\$ 4,844,423	71.0%	\$ 5,901,427	86.5%	\$ 6,766,138	\$ (54,411)	-0.8%	\$ 864,711	14.7%
General & Administrative Office Expenses <sup>[2]</sup>	\$ 223,655	\$ 356,729	\$ 200,772	56.3%	\$ 234,234	65.7%	\$ 314,711	\$ (42,018)	-11.8%	\$ 80,477	34.4%
Occupancy & Utilities <sup>[3]</sup>	\$ 1,059,310	\$ 1,295,038	\$ 637,374	49.2%	\$ 650,670	50.2%	\$ 1,005,314	\$ (289,724)	-22.4%	\$ 354,644	54.5%
Consulting & Professional Support Services <sup>[4]</sup>	\$ 163,194	\$ 287,061	\$ 250,583	87.3%	\$ 281,106	97.9%	\$ 215,000	\$ (72,061)	-25.1%	\$ (66,106)	-23.5%
Information Technology <sup>[5]</sup>	\$ 154,359	\$ 157,246	\$ 120,667	76.7%	\$ 141,565	90.0%	\$ 179,445	\$ 22,199	14.1%	\$ 37,880	26.8%
<b>Total Administrative Expense Budget<sup>[6]</sup></b>	<b>\$ 7,043,316</b>	<b>\$ 8,916,623</b>	<b>\$ 6,053,819</b>	<b>67.9%</b>	<b>\$ 7,209,002</b>	<b>80.8%</b>	<b>\$ 8,480,608</b>	<b>\$ (436,015)</b>	<b>-4.9%</b>	<b>\$ 1,271,606</b>	<b>17.6%</b>
<b>Other Post Employment Benefits (OPEB)<sup>[7]</sup></b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>100.0%</b>	<b>\$ 100,000</b>	<b>100.0%</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>N/A</b>	<b>\$ -</b>	<b>N/A</b>
<b>Capital Pipeline Professional Support Services &amp; Issuance Related Costs</b>											
Project Related Legal, Audit & Professional Support Services <sup>[8]</sup>	\$ 6,336,687	\$ 7,710,000	\$ 5,205,481	67.5%	\$ 6,191,030	80.3%	\$ 8,049,184	\$ 339,184	4.4%	\$ 1,858,155	30.0%
Cost of Issuance <sup>[9]</sup>	\$ 401,000	\$ 1,000,000	\$ 768,025	76.8%	\$ 1,293,025	129.3%	\$ 2,650,500	\$ 1,650,500	165.1%	\$ 1,357,475	105.0%
<b>Total Capital Program Professional Support Services</b>	<b>\$ 6,737,687</b>	<b>\$ 8,710,000</b>	<b>\$ 5,973,506</b>	<b>68.6%</b>	<b>\$ 7,484,054</b>	<b>85.9%</b>	<b>\$ 10,699,684</b>	<b>\$ 1,989,684</b>	<b>22.8%</b>	<b>\$ 3,215,630</b>	<b>43.0%</b>
<b>Arbitrage Rebate<sup>[10]</sup></b>	<b>\$ -</b>	<b>\$ 1,500,000</b>	<b>\$ 1,226,558</b>	<b>81.8%</b>	<b>\$ 1,226,558</b>	<b>81.8%</b>	<b>\$ -</b>	<b>\$ (1,500,000)</b>	<b>-100.0%</b>	<b>\$ (1,226,558)</b>	<b>-100.0%</b>
<b>Grant Program</b>											
Prior Grants <sup>[11]</sup>	\$ 209,736,469	\$ 197,511,285	\$ 126,566,736	64.1%	\$ 197,946,924	100.2%	\$ 185,093,670	\$ (12,417,615)	-6.3%	\$ (12,853,254)	-6.5%
Waiting List <sup>[12]</sup>	\$ 32,359,840	\$ 42,131,684	\$ 22,401,115	53.2%	\$ 23,084,358	54.8%	\$ 25,489,887	\$ (16,641,797)	-39.5%	\$ 2,405,529	10.4%
New Program Grants <sup>[13]</sup>	\$ 625,549,750	\$ 610,598,153	\$ 475,463,622	77.9%	\$ 582,632,953	95.4%	\$ 585,000,000	\$ (25,598,153)	-4.2%	\$ 2,367,047	0.4%
<b>Total Grant Program</b>	<b>\$ 867,646,059</b>	<b>\$ 850,241,122</b>	<b>\$ 624,431,473</b>	<b>73.4%</b>	<b>\$ 803,664,235</b>	<b>94.5%</b>	<b>\$ 795,583,557</b>	<b>\$ (54,657,565)</b>	<b>-6.4%</b>	<b>\$ (8,080,678)</b>	<b>-1.0%</b>
<b>Grand Total - Operating Budget</b>	<b>\$ 881,427,062</b>	<b>\$ 869,467,745</b>	<b>\$ 637,785,356</b>	<b>73.4%</b>	<b>\$ 819,683,849</b>	<b>94.3%</b>	<b>\$ 814,863,849</b>	<b>\$ (54,603,896)</b>	<b>-6.3%</b>	<b>\$ (4,820,000)</b>	<b>-0.6%</b>

[1] Total headcount as of June 30, 2014 was 65. FY15 budgeted headcount is for 73 at fiscal year end. FY15 estimated headcount at June 30, 2015 is 65. FY16 Budget assumes headcount of 77 at June 30, 2016, and includes the transition of 2 information technology and 2 capital planning staff extensions to MSBA payroll by the close of FY16. Total headcount as of May 1, 2015 was 60.

[2] FY15 Budget includes one-time expense associated with transition to new phone system, and that expense is now anticipated to be incurred during FY16. FY15 and FY16 budgeted amounts include approximately \$60K for training and professional development.

[3] FY15 Budget included funding for procurement for leased office space to be completed before Q3 of FY15. The new lease for MSBA space at 40 Broad Street was signed by the MSBA in January 2015, and resulted in significantly reduced costs for FY15. FY16 Budget reflects full year annualizing of new lease executed during FY15.

[4] FY15 expenditures include annual audited financial statements, arbitrage rebate analysis, and labor market analysis study. FY16 budget amount continues funding for annual audited financial statements, arbitrage rebate analysis, and includes funding for an update of analysis of the economic impact of MSBA's capital program.

[5] FY16 Budget reflects transition of two consulting staff extension positions to permanent positions following the close of Q1.

[6] FY15 Projected Expenditures variance from FY15 Budget reflects actual costs of new lease executed during Q3 that were less than anticipated in the original FY15 forecast. FY15 expenditures variance from budget also reflect staff departures that will result in a lower headcount at June 30, 2015 than anticipated in the FY15 Budget. FY16 Budget reflects full annualization of new lease, and anticipation of phased hiring throughout the fiscal year to arrive at an employee headcount of 77 at June 30, 2016.

[7] The FY15 Budget included a transfer of an additional \$100K to the MSBA's OPEB Trust in order to mitigate the potential budgetary impacts of future actuarial valuations, and the FY16 Budget includes an additional transfer for the same purpose.

[8] FY15 Budget and Projected Expenditures include commissioning of MSBA projects, project management services, information systems development, and architectural technical services that support the MSBA's Capital Pipeline. FY16 Budget includes funding for an update of the MSBA's Needs Survey; a statewide assessment of the condition of public school facilities.

[9] FY15 Projected Expenditures variance from FY15 Budget reflect the execution of a refunding transaction of the 2005 Series A Bonds that was not anticipated in the original budget. FY16 Budget reflects annualization of the commercial paper program established during FY15 Q3, and assumes the execution of two bond issuances during the fiscal year.

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

[11] FY16 Budget reflects annual estimate of audited payments scheduled through June 30, 2016.

[12] FY15 Projected Expenditures reflect updated estimates of payments and timing of closeouts for two final projects in project closeout audit phase. FY16 Budget includes funding for the annual payments, and anticipates the remaining project in closeout receives a final payment prior to June 30, 2016.

[13] FY16 Budget reflects estimate of grant payments based on cash flows for projects progressing through the MSBA's Capital Pipeline.



# Capital Pipeline Professional Support Services Summary

	FY14 Final Expenditures	FY15 Budget	FY15 Expenditures (7/1-5/1)	% Expended (FY15 Budget)	FY15 Projected Expenditures	% Expended (FY15 Budget)	FY16 Budget Recommendation	Variance (FY15 Budget)	% Variance (FY15 Budget)	Variance (FY15 Projected Expenditures)	% Variance (FY15 Projected Expenditures)
Commissioning Consultants <sup>[1]</sup>	\$ 3,472,150	\$ 4,000,000	\$ 3,405,627	85.1%	\$ 4,000,000	100.0%	\$ 3,800,000	\$ (200,000)	-5.0%	\$ (200,000)	-5.0%
Project Management Services <sup>[2]</sup>	\$ 2,182,373	\$ 2,300,000	\$ 1,312,430	57.1%	\$ 1,600,000	69.6%	\$ 1,250,000	\$ (1,050,000)	-45.7%	\$ (350,000)	-21.9%
Architectural Services <sup>[3]</sup>	\$ 434,839	\$ 650,000	\$ 337,636	51.9%	\$ 393,909	60.6%	\$ 680,000	\$ 30,000	4.6%	\$ 286,091	72.6%
Cost Estimating Services <sup>[4]</sup>	\$ -	\$ 200,000	\$ 1,384	0.7%	\$ 1,384	0.7%	\$ 100,000	\$ (100,000)	-50.0%	\$ 98,616	7125.4%
Audit & Other Compliance <sup>[5]</sup>	\$ -	\$ 50,000	\$ -	0.0%	\$ -	0.0%	\$ -	\$ (50,000)	-100.0%	\$ -	NA
Capital Program Information Systems <sup>[6]</sup>	\$ 247,325	\$ 135,000	\$ 148,060	109.7%	\$ 172,737	128.0%	\$ 43,184	\$ (91,816)	-68.0%	\$ (129,553)	-75.0%
Cost of Issuance <sup>[7]</sup>	\$ 401,000	\$ 1,000,000	\$ 768,025	76.8%	\$ 1,293,025	129.3%	\$ 2,650,500	\$ 1,650,500	165.1%	\$ 1,357,475	105.0%
Needs Survey <sup>[8]</sup>	\$ -	\$ -	\$ -	NA	\$ -	NA	\$ 2,000,000	\$ 2,000,000	NA	\$ 2,000,000	NA
Other <sup>[9]</sup>	\$ -	\$ 250,000	\$ 344	0.1%	\$ 23,000	9.2%	\$ 176,000	\$ (74,000)	-29.6%	\$ 153,000	665.2%
Legal <sup>[10]</sup>	\$ -	\$ 125,000	\$ -	0.0%	\$ -	0.0%	\$ -	\$ (125,000)	-100.0%	\$ -	NA
<b>Capital Program Support Services</b>	<b>\$ 6,737,687</b>	<b>\$ 8,710,000</b>	<b>\$ 5,973,506</b>	<b>68.6%</b>	<b>\$ 7,484,054</b>	<b>85.9%</b>	<b>\$ 10,699,684</b>	<b>\$ 1,989,684</b>	<b>22.8%</b>	<b>\$ 3,215,630</b>	<b>43.0%</b>

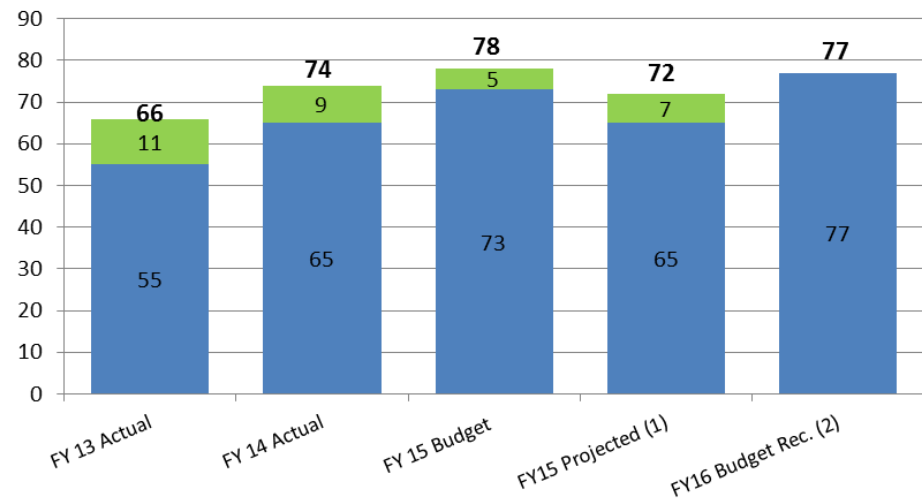
- [1] Reflects anticipated costs associated with active projects and additional commissioning contracts anticipated to be executed prior to June 30, 2016.
- [2] Project Management Services are estimated based on anticipated schedules of active projects in the Capital Pipeline. FY15 expenditures to date reflect staff extension services supporting the MSBA's oversight of the Capital Pipeline, and funding for OPM services for the Essex North Shore Agricultural and Technical School project. These services are anticipated to decline during FY16.
- [3] Architectural Services are allocated on a project specific basis as necessary for projects progressing through the Capital Pipeline. FY16 Budget reflects anticipated support services for schematic design, construction document and architectural reviews, and also includes anticipated expenditures for senior studies related to the review process for the 2015 Statement of Interest (SOI) submittals.
- [4] This category provides funds for any project specific cost estimates which may be necessary during the fiscal year, or for additional review of data related to the Capital Pipeline.
- [5] This category provides funding which may be allocated on a project specific basis to external audit firms, or temporary auditors, to assist on project audits conducted under current MSBA audit policy.
- [6] This category includes expenditures for development of Capital Pipeline support applications, including MSBA's Progress Payment System, Project Management application, and OPM Report system. FY15 Budget anticipated conversion of consultant staff extensions to permanent positions during Q3, however, that transition has been re-scheduled to occur following the close of FY16 Q1. FY16 Budget reduction reflects the reallocation of these resources to permanent staff following Q1.
- [7] FY14 Final Expenditures reflect expenditures related to the 2013 Series A in July 2013. FY15 Budget reflects 2014 Series A, 2015 Series A, 2015 Series B, and the establishment of a \$450 million commercial paper program. FY16 Budget includes funding for annualization of commercial paper program, and anticipated new money and refunding transactions to support the Capital Pipeline.
- [8] Reflects anticipated costs associated with the procurement for the MSBA's next Needs Survey assessment of public school facilities across the Commonwealth.
- [9] For Capital Pipeline professional support services which may not be specifically allocated through other cost categories. FY15 Projected Expenditures reflect anticipated expenditures for business intelligence software during Q4 that will assist in data analysis of the MSBA's Capital Pipeline.
- [10] 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.



# FY16 Budget - Staffing Forecast

- FY16 Budget Recommendation projects a headcount of 77 employees at June 30, 2015
- Maintains FY15 staffing plan and resources
  - Budget assumes that two Information Technology and two Capital Planning consultant staff extension resources transition to permanent positions during the year, and that consultant staff extension resources are reduced to zero at close of FY16

MSBA Historical and Projected Staffing and Consultant Staff Extension Resources



(1) Reflects actual s as of May 1, 2015 , and estimated impact of remaining FY 15 hires.

(2) Reflects full annualization of remaining projected FY 15 hires, and assumes FY 16 hires that were part of the FY 15 staffing plan, and reflects conversion of IT and capital consultant staff extensions to MSBA payroll by the close of FY2016.



# MSBA Sources and Uses

Beginning Fund Balance *		<u>FY15 Est.</u>	<u>FY16 Est.</u>
Restricted Debt Service Funds Beginning Balance**	\$	181,721,630	212,870,559
Restricted Debt Proceeds Beginning Balance[1]		10,325,703	10,325,703
Restricted Arbitrage Rebate Beginning Balance[2]		10,032,438	10,673,466
Unrestricted Beginning Fund Balance[3]		<u>139,600,319</u>	<u>141,418,733</u>
Total Begin Fund Balance		341,680,090	375,288,461
General Revenues/Financing Sources:			
Dedicated sales tax[4]	\$	758,266,776	801,096,852
Debt Issuance Proceeds[5]		443,920,000	440,000,000
Interest income[6]		25,376,293	23,773,930
Grant income[7]		22,453,492	22,445,514
Loan Program[8]		<u>8,918,519</u>	<u>8,536,251</u>
Total Revenues/Financing Sources		1,258,935,080	1,295,852,547
Expenditures/Expenses:			
Grant payments [9]	\$	803,664,235	795,583,557
Debt service[10]		405,642,860	435,730,029
Operations		7,209,002	8,480,608
Capital Pipeline Support Services		3,484,054	6,899,684
Commissioning		4,000,000	3,800,000
Arbitrage Rebate[11]		1,226,558	-
Other Postemployment Benefits		<u>100,000</u>	<u>100,000</u>
Total Expenditures/Expenses		1,225,326,709	1,250,593,878
Uses: Arbitrage Rebate Set-Aside[11]		1,867,586	2,141,520
Year End Fund Balance*			
Year End Restricted Debt Service Funds Balance**	\$	212,870,559	241,889,565
Year End Restricted Debt Proceeds Balance[12]		10,325,703	10,000,000
Year End Restricted Arbitrage Rebate Balance[13]		10,673,466	12,814,986
Year End Unrestricted Fund Balance		<u>141,418,733</u>	<u>155,842,580</u>
Total Year End Balance		375,288,461	420,547,130

\* Beginning and Year End fund balances do not include debt service reserve funds held by the trustee. All information is presented on a cash basis.

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

[1] Reflects remaining proceeds from 2013 Series A bonds.

[2] Reflects balances in MSBA's dedicated fund for anticipated arbitrage rebate payments.

[3] Reflects balances in non-trusteed funds.

[4] Reflects cash basis estimate based upon Commonwealth's consensus tax revenue estimate for FY15.

[5] Reflects receipt of proceeds from 2014 Series A and anticipated commercial paper issuance net of debt service reserve proceeds and underwriters' discount.

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

[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 2014 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, and reflects impact of refunding and defeasance of outstanding 2005 Series A bonds executed in December 2014 and January 2015.

[11] Reflects arbitrage rebate payment made during FY15 related to earnings on the 2009 Series A bonds.

[12] Reflects the issuance of approximately \$140 million of commercial paper notes during Q3 and Q4. Approximately \$300 million in outstanding commercial paper authorization is estimated to be available to raise proceeds at year end. Dependent upon market conditions and the pace of reimbursement requests from projects in the MSBA's Capital Pipeline, the MSBA may issue these notes prior to June 30, 2015 which would increase the projected year end debt proceeds balance.

[13] Reflects additional arbitrage rebate set aside from interest income of \$1.9 million anticipated prior to June 30, 2015.



# Debt Management Update

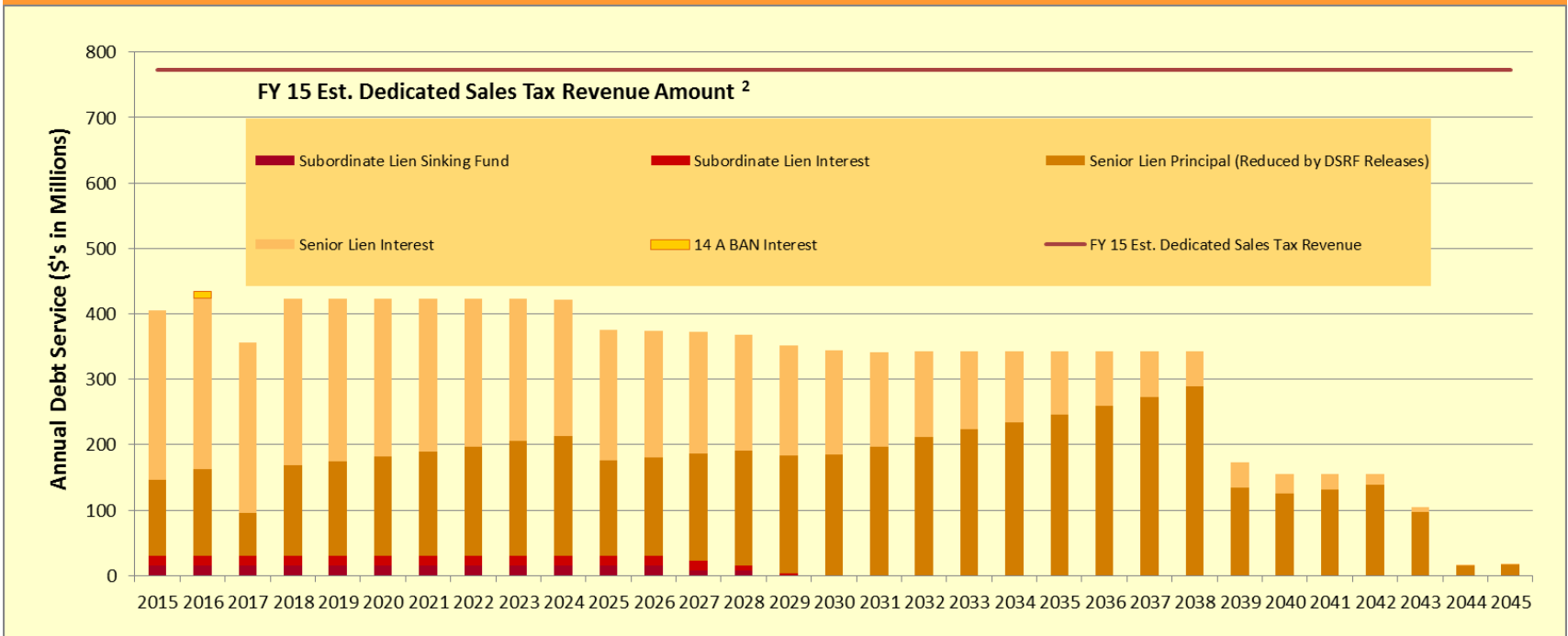
- MSBA Debt Profile and Outstanding Debt Summary
- Debt Service Coverage Ratios Update
- Debt Management Outlook



# MSBA Debt Profile

- **\$5.4 billion of Senior Lien bonds outstanding as of May 19, 2015 following close of 2015 Series B Bonds sale**
- **\$293.4 million of Subordinate Lien bonds outstanding as of May 1, 2015**
  - 100% are fixed rate Qualified School Construction Bonds (“QSCBs”)
- **\$300 million bond anticipation notes outstanding as of May 1, 2015**
  - Mature July, 16, 2015
  - Will be retired with 2015 Series B proceeds
- **\$135 million commercial paper notes outstanding as of May 1, 2015**

**MSBA Debt Service<sup>1</sup> vs. Estimated Dedicated Sales Tax Revenues<sup>2</sup>**



<sup>1</sup> Reflects debt service outstanding after the 2015 Series B Bonds and includes 2014 Series A BAN interest. 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. Does not include commercial paper notes.

<sup>2</sup> Amount for Fiscal Year 2015 is based on the Commonwealth's consensus tax revenue estimate for Fiscal Year 2015.





# MSBA Outstanding Debt

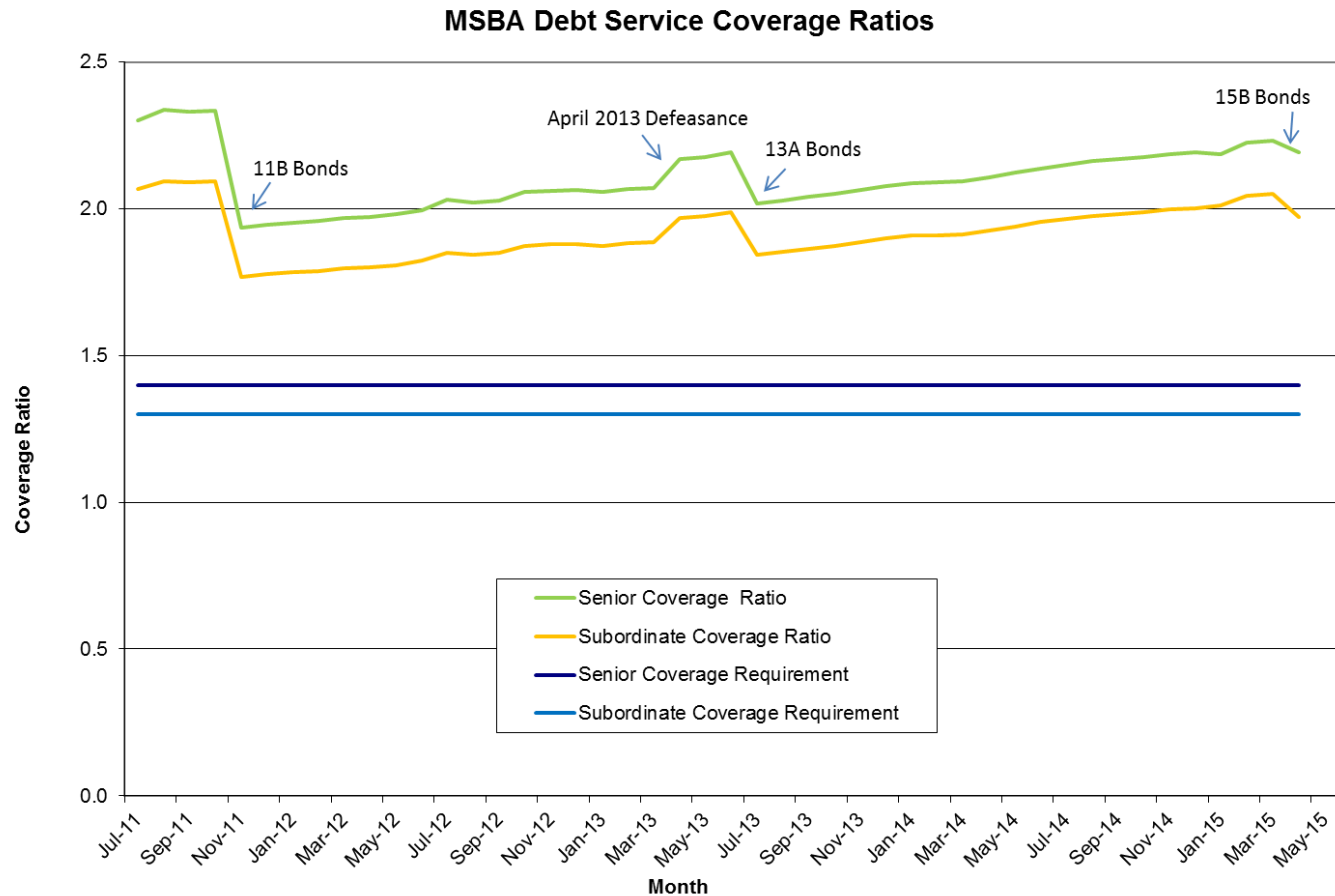
- **\$5.9 billion bonds and notes outstanding prior to the issuance of the 2015 Series B Bonds**
- **More than \$582 million in dedicated debt service reserve and sinking funds have been established for the additional security of MSBA bondholders**
  - **Debt Service Reserve Fund for 2015 Series B Bonds will be funded at 50% of maximum amount permitted by the IRS “3-prong” test**

MSBA Debt Issuance	Par Amount (in millions)	Bonds/Notes Outstanding (in millions)	Final Maturity	Purpose	Type	Lien	Debt Service Reserve & Sinking Fund Amount (in millions)	DSRF & Sinking Funds as % of Debt Outstanding
2005 Series A	\$ 2,500.0	\$ -	8/15/2030	New Money	Fixed	Senior	\$ -	-
2007 Series A	\$ 1,500.0	\$ 1,373.4	8/15/2037	New Money	Fixed	Senior	\$ 129.2	9.4%
2009 Series A	\$ 150.0	\$ 59.9	5/15/2019	New Money	Fixed	Senior	\$ 16.4	27.4%
2009 Series B	\$ 450.0	\$ 450.0	8/15/2039	New Money	Fixed	Senior	\$ 37.2	8.3%
2010 Series A	\$ 151.0	\$ 151.0	6/15/2027	New Money	Fixed	Subordinate	\$ 44.4	29.4%
2011 Series A	\$ 142.4	\$ 142.4	7/15/2028	New Money	Fixed	Subordinate	\$ 25.1	17.6%
2011 Series B	\$ 1,000.0	\$ 959.8	10/15/2041	New Money	Fixed	Senior	\$ 79.0	8.2%
2012 Series A	\$ 766.1	\$ 766.1	8/15/2030	Refunding	Fixed	Senior	\$ 86.4	11.3%
2012 Series B	\$ 916.4	\$ 916.4	8/15/2030	Refunding	Fixed	Senior	\$ 113.7	12.4%
2013 Series A	\$ 549.0	\$ 549.0	5/15/2043	New Money	Fixed	Senior	\$ 50.8	9.3%
2014 Series A (BANs)	\$ 300.0	\$ 300.0	7/16/2015	New Money	Fixed	Subordinate	\$ -	-
2015 Series A	\$ 76.3	\$ 76.3	1/15/2016	Refunding	Fixed	Senior	\$ -	-
2015 A/B/C Comm. Paper	\$ 135.0	\$ 135.0	7/13/2015	New Money	CP	Subordinate	\$ -	-
	<b>\$ 8,636.2</b>	<b>\$ 5,879.2</b>					<b>\$ 582.3</b>	<b>9.9%</b>



# Debt Service Coverage Ratios Update

- MSBA's debt service coverage ratios have benefitted from growth in the dedicated sales tax and active debt management
- Senior lien debt service coverage ratio of 2.19x following the issuance of the 2015 Series B Bonds\*
- Combined coverage ratio of 1.97x following the issuance of the 2015 Series B Bonds\*



\* Calculated pursuant to the provisions of the MSBA's trust agreement



# MSBA Debt Management Outlook

- May 19 – Close on 2015 Series B bonds to takeout \$300 million 2014 Series A Notes
- Use cash on hand to complete planned FY15 New Program “pay-go” amount of approximately \$136 million
  - More than 20% of FY15 New Program spending will be paid from non-borrowed funds
  - \$116.4 million New Program “pay-go” payments made to date in FY15
- Continue to fund a minimum of 20% of New Program grant payments as “pay-go” in FY16 and beyond
- Outstanding \$315 million of commercial paper program capacity will provide proceeds for grants into late Q2 of FY16
- Issue long term fixed rate debt in late calendar 2015 or early calendar 2016
- Monitor potential refunding of outstanding 2007A bonds
- Continue to analyze appropriate opportunities for cash defeasance of debt



# Summary

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# Summary

- Payments and audit savings have retired more than 90% of the liability from inherited programs
- Over \$1 billion in commitments currently outstanding for New Program grants
- FY16 New Program grant payments forecast = \$585 million
  - New Program grants represent approx. 73% of all grant payments estimated to be made during FY16
- SMART sales tax collections have exhibited growth in excess of 4% in FY15 year-to-date
  - Commonwealth's consensus tax revenue estimate forecasts continued growth in excess of 4% in FY16