

MEMORANDUM

To: Board of Directors, Massachusetts School Building Authority
From: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
Date: October 04, 2018
Subject: MSBA Fiscal Year 2019 Budget Expenditures-to-Date

The following is a summary of the Massachusetts School Building Authority (the “MSBA”) expenditures for Fiscal Year 2019 spending through October 04, 2018.

Spending on Salaries & Benefits is at 22.3% of budget and reflects hires made during Fiscal Year 2019 in accordance with the staffing plan and reflects turnover within the year. During Fiscal Year 2019, the progress of onboarding new hires towards the established goal of 79 employees was offset by staff turnover. As of October 4, 2018, MSBA has 74 employees. There are positions currently posted, and we hope to fill additional positions by the end of Fiscal Year 2019.

General & Administrative Office Expenses is at 18% of budget and reflects travel and professional development, training, leases for copiers and the postage machines, ongoing Trustee fees, and office equipment and furniture.

Occupancy & Utilities is at 27.6% of budget and reflects the base rent and real estate taxes under the tenant agreement, parking, storage, insurance, and electricity for Fiscal Year 2019.

Consulting & Professional Support Services is at 39.6% of budget and reflects expenditures for legal services, external auditors, IT consultants, arbitrage rebate, verification, and actuarial services.

Information Technology is at 10.6% of budget and reflects costs for web hosting, anti-virus protection, firewalls, system maintenance, software, and hardware.

The MSBA now has several former employees (or their beneficiaries) that are eligible for Other Postemployment Benefits (OPEB) and two retirees that are currently receiving benefits. An actuarial analysis has been performed as of December 31, 2017 and rolled forward to June 30, 2018 (or the end of Fiscal Year 2018) for purposes of updating the valuation for Fiscal Year 2018 and preparation of the MSBA’s financial statements. The calculation prepared for the 2018 financial statements reflects that the MSBA’s plan is slightly overfunded by the amount of \$357,000. In Fiscal Year 2017, the plan had a small Unfunded Actuarial Accrued Liability and the Fiscal Year 2018 final expenditures reflect the transfer of \$500,000 to the OPEB Trust on November 1, 2017 to comply with the OPEB Trust Committee’s smoothing policy, adopted in April 2017.

Per the MSBA’s policy, a transfer of \$100,000 to the OPEB Trust is anticipated in Fiscal Year 2019.

Project Related Professional Support Services is at 10.1% of budget and reflects the categories provided in the discussion of Attachment B below.

Cost of Issuance is at 39.9% of budget and reflects the expenditures related to the issuance of the 2018 Series B Bonds.

An arbitrage rebate yield reduction payment of approximately \$365,000 was projected for the 2012 Series B in Fiscal Year 2018, but the calculations performed by the rebate consultant indicated no liability for this calculation period. A rebate payment on the 2009A bonds of approximately \$1,000,000 is projected in Fiscal Year 2019 and reflected in the Fiscal Year 2019 budget.

Prior Grants is at 24.3% of budget and reflects first quarter payments paid to Districts on 9/12/18. For Districts that request a present value payment to reduce the amount of refunding bonds they will issue in Fiscal Year 2019, \$25 million in funding is available to make lump sum payments for this purpose.

Waiting List is at 78.1% of budget and reflects annual payments paid to Districts on 9/12/18. For Districts that request a present value payment to reduce the amount of refunding bonds they will issue in Fiscal Year 2019, \$10 million in funding is available to make lump sum payments for this purpose.

Capital Pipeline Program Grants at is at 20.7% of budget and reflects monthly requests from Districts and final payments for audits approved at the June and August board meetings.

The Department of Elementary and Secondary Education is working with Districts that have applied for Digital Connections Partnership Schools grants. Funds have been set aside in the MSBA's MMDT account for any loan applications received during Fiscal Year 2019 for such purpose.

Attachment B provides additional detail on the Capital Pipeline Professional Support Services. Commissioning is at 12.3% of budget for Fiscal Year 2019 and reflects spending on active projects in the pipeline.

Architectural Services is at 16.5% of budget for Fiscal Year 2019 and reflects support services for schematic design, construction document and architectural reviews, and senior studies related to the review process for Statement of Interest (SOI) submittals. Most of the expenditures are expected to be incurred during the second, third and fourth quarters of Fiscal Year 2019.

Funds were budgeted for Capital Program Information Systems, however payments for these IT consultant support services were specific to the 2016 School Survey and are reflected on the School Survey line item.

Funds for School Survey are budgeted at \$100,000 for Fiscal Year 2019, which reflects anticipated costs of finalizing the 2016 School Survey.

Funds for Post Occupancy Survey are budgeted at \$500,000 for Fiscal Year 2019 and reflect anticipated expenditures for related consultant services in Fiscal Year 2019.

Attachment C contains charts that compare Fiscal Year 2019 year-to-date spending with a straight-line benchmark for the budget categories of Salaries and Benefits, Total Administrative Expenses, Project Related Professional Support Services and Capital Pipeline Grant payments.

Expenditures-to-date in Fiscal Year 2019 reflect 14 weeks of spending by the Authority. During this period, 22.6% of the MSBA's annual budget has been expended as compared to a year-to-date benchmark of 25%. The two categories that are trending ahead of the benchmark reflect expenditures for those categories made primarily in the first quarter; including funds for the independent auditor reviewing the Authority's annual financial statements (anticipated to be fully expended by the end of the second quarter) and Cost of Issuance associated with the issuance of 2018 Series B bonds in July 2018.