

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 20, 2020
Subject: MSBA FY 2021 Budget Expenditures-to-Date

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for FY 2021 spending through October 9, 2020; the end of the first quarter of the new fiscal year.

FY 2021 spending to date on Salaries and Benefits are \$2,163,043 or 25.9% of the budget. The FY 2021 budget includes the full annual salary for existing employees, assumes 7 new employees for the entire Fiscal Year and 3 new employees for half of the Fiscal Year, an additional 4.7 positions funded for the Post-Occupancy Evaluation program.

FY 2021 spending to date on General & Administrative Office Expenses is \$69,845 or 18.3% of the budget. The FY 2021 budget provides additional capacity for training a larger number of staff, travel to site for ongoing projects and the Post Occupancy Survey and increases in subscriptions, such as Bloomberg.

FY 2021 spending to date on Occupancy & Utilities is \$435,492 or 34.2% of the budget. The FY 2021 budget reflects monthly payments under the lease and a small amount to cover increases in electricity and real estate taxes.

FY 2021 spending to date on Consulting & Professional Support Services is \$164,697 or 55.5% of the budget. The FY 2021 budget provides funding for the MSBA's annual audited financial statements, arbitrage rebate analysis and legal services not specifically related to a bond issue. The spending in this category is higher than the benchmark due to the execution of two bond issues in the first quarter of FY21; the most recent a competitively bid taxable advance refunding that closed October 8, 2020.

FY 2021 spending to date on Information Technology is \$54,843 or 5.5% of the budget. The FY 2021 budget includes an additional \$600,000 for first year implementation of new financial software, costs related to the cloud, website development, phone, internet, and other licenses and software programs.

The OPEB Trust Committee adopted a smoothing policy in April 2017. The OPEB Trust Committee regularly reviews the effectiveness of the smoothing policy. Here is the language of the current policy:

To maintain fully funded status, the MSBA will request a budget of \$100,000 unrestricted funds be deposited to the OPEB Trust. Deposits are invested at the beginning of the month, so transfers should be scheduled for the 1st. If a future actuarial report indicates there is an unfunded portion, the MSBA may request a budget allocation annually between \$100,000 to \$500,000 until fully funded status is reached again. MSBA will be reimbursed annually for actual premiums rather than estimated premiums.

Per the MSBA's current smoothing policy, the recommendation is to transfer \$100,000 to the OPEB Trust in FY 2021, however, an additional \$100,000 is included to provide a cushion for market volatility that may impact the calculation of the MSBA's annual OPEB valuation, which is completed in December.

FY 2021 spending to date on Project Related Professional Support Services is \$1,230,565 or 30.1%. FY 2021 reflects the categories provided in the discussion of Attachment B below.

FY 2021 spending to date on Cost of Issuance is \$839,890 or 83.1% of the budget. The FY 2021 budget includes \$1,000,000 as an estimate of expenditures related to the costs associated with issuing new money and/or refunding bonds in FY 2021.

In March 2020, The Authority executed a defeasance, including bonds from the 2015 Series D Bonds and was able to postpone the rebate payment owed on the 2015 Series D Bonds until December 2020 and reduce the estimated amount due by \$300K. The defeasance of these bonds also eliminated an estimated \$3 million rebate payment that would have been due in 2025. The FY 2021 budget reflects an estimated rebate payment of approximately \$1.7 million associated with the 2015 Series D Bonds in December 2020. The amount of the actual rebate payment will be calculated when it is due, and may be different than the estimate of the budgeted amount.

FY 2021 spending to date on Prior Grants is \$14,435,046 or 28.1% of the budget. The FY 2021 budget reflects the existing schedule of annual prior grants payments. Prior Grant payments are made quarterly; the first quarterly payments in FY 2021 were processed at the end of September 2020.

FY 2021 spending to date on Waiting List is \$14,535,071 or 49.2% of the budget.. The FY 2021 budget reflects the existing schedule of annual payments, as well as the capacity to fund \$15 million in lump sum payments. Payments for Waiting List Projects are made each year at the end of the first quarter, quarterly payments for the first quarter of FY 2021 were processed at the end of September 2020.

FY 2021 spending to date on Capital Pipeline Program Grants is \$180,021,659 or 24.3% of the budget. The FY 2021 budget was based on cash flows submitted which show an increase in demand for reimbursement requests from Districts that have projects that are currently in Design Development and Construction Phase as well as funding for Accelerated Repair Program projects.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. FY 2021 spending to date on Commissioning is \$942,454 or 31.4% of the budget. FY 2021 budget reflects estimates for existing projects and newly invited projects.

FY 2021 spending to date on Architectural Services is \$196,680 or 26.7% of the budget. FY 2021 budget includes costs associated with Senior Study, Technical Services and the Post Occupancy Evaluation program.

The FY 2021 budget did not include funding for a School Survey. The MSBA is in the beginning planning phases for the next survey, which is not expected to be completed until FY 2022 or later.

FY 2021 spending on Post Occupancy Survey to date is \$65,431 or 18.7% of the budget. The FY 2021 budget includes funding for Post Occupancy, Technical Services, Support Services and/or COVID-19 analysis.

Attachment C includes a chart reflecting FY 2021 spending to date by percentage of the total amount budgeted for each major budget category: Salaries and Benefits, Total Administrative Expenses, Project Related Professional Support Services and Costs of Issuance (COI), and Capital Pipeline Grant payments.