

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: June 15, 2021
Subject: MSBA FY 2021 Budget Expenditures-to-Date and Year-End Projections

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for FY 2021 through June 4, 2021, reflecting approximately 11 months of spending. Also included is a projection of Authority-wide expenditures through June 30, 2021.

FY 2021 spending to date on Salaries and Benefits are \$7,413,765 or 87.7% of the budget. The FY 2021 budget includes the full annual salary for existing employees, assumes 7 new employees for the full year, 3 new employees for a half year as well as an additional 4.7 positions funded for the Post-Occupancy Evaluation program. FY 2021 spending by year-end is projected at \$8.1 million or 95.4% of the total budgeted amount.

FY 2021 spending to date on General & Administrative Office Expenses is \$245K or 64% 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. We anticipate FY 2021 year-end spending to be \$283K or 74% of the total budgeted amount.

FY 2021 spending to date on Occupancy & Utilities is \$1,292,403 or 101.36% 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. Spending is higher than the benchmark of 92.3% due to the timing of premium payments for MSBA's insurance plans, which are required to be paid in full at the beginning of the fiscal year and somewhat difficult to project. We anticipate spending approximately \$1.4 million or 109.8% of the total budgeted amount for Occupancy and Utilities expenses by fiscal year end.

FY 2021 spending to date on Consulting & Professional Support Services is \$232K or 78% 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. FY 2021 year end expenditures in this line item are anticipated to be \$279K or 94% of the total budgeted amount.

FY 2021 spending to date on Information Technology is \$475K or 48% of the budget. The FY 2021 budget includes \$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 projection for FY 2021 year end is \$741K or 75% of the total budgeted amount.

The OPEB Trust Committee amended the adopted a smoothing policy in March of 2021. The OPEB Trust Committee regularly reviews the effectiveness of the smoothing policy. The Trust voted at its third quarter meeting to increase the minimum annual budget request from \$100,000 to \$250,000 in consideration of a projected increase in retirees, as well as market fluctuations and changes in the valuation calculation. Here is the language of the updated smoothing policy:

To maintain fully funded status, the MSBA will request a budget of \$250,000 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 \$250,000 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 smoothing policy in place for FY 2021, the recommendation was to transfer \$100,000 to the OPEB Trust in FY 2021. An additional \$100,000 was included to provide a cushion for market volatility that may impact the calculation of the MSBA's next annual OPEB valuation, which is completed in December. Pursuant to a vote of the OPEB Trust, the MSBA transferred \$200,000 to the OPEB Trust fund on November 1.

FY 2021 spending to date on Project Related Professional Support Services is \$4,571,028 or 90%. FY 2021 reflects the budgeted line items discussed in Attachment B below.

FY 2021 spending to date on Cost of Issuance is \$1,330,197 or 133% of the budget. The FY 2021 budget included \$1,000,000 as an estimate of expenditures related to the costs associated with issuing new money and/or refunding bonds in FY 2021. The Authority took advantage of favorable market conditions to execute 3 series of bonds; one for new money and two advanced taxable refunding bond issues.

In March 2020, The Authority executed a defeasance, including bonds from the 2015 Series D Bonds and was also able to postpone a rebate payment owed on the 2015 Series D Bonds until January 2020, as well as reduce the projected amount due by \$300K. The defeasance of these bonds further eliminated an estimated \$3 million rebate payment that would have been due in 2025. The FY 2021 budget reflected a projected rebate payment of approximately \$1.7 million associated with the 2015 Series D Bonds; the amount of the actual rebate payment made in January 2021 was \$1.3 million or approximately 81% of the total budgeted amount.

FY 2021 spending to date on Prior Grants is \$34,470,395 or 67% 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, Quarter 2 payments were processed at the end of December 2020 and Quarter 3 payments were processed in March 2021. We Quarter 4 payments will be paid in June 2021.

FY 2021 spending to date on Waiting List projects is \$14,535,071 or 100% 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 which was moved to the Capital Pipeline Program to accommodate potentially greater than anticipated grant payments through the end of the fiscal year. Payments for Waiting List Projects are made each year at the end of the first quarter of the fiscal year and were made at the end of September 2020.

FY 2021 spending to date on Capital Pipeline Program Grants is \$623 million or 83% of the budget. The FY 2021 budget was based on cash flows submitted by the Capital Planning team reflecting an increase in demand for reimbursement requests from Districts due to a significant number of projects in the Design Development and Construction Phases, as well as funding for Accelerated Repair Program projects. FY 2021 year end spending on Capital Pipeline Program is projected to come in at \$752 million or 99.5% of the total budgeted amount, including the \$15 million originally budgeted for lump sum payments. We do not anticipate any funds to be expended for lump sum payments through the end of the fiscal year.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. FY 2021 spending to date on Commissioning is \$2,653,615 or 89% of the budget. FY 2021 budget reflects estimates for existing projects and newly invited projects. FY 2021 Year end spending is projected to be \$2,941,689 million or 98% of the total budgeted amount.

FY 2021 spending to date on Architectural Services is \$433K or 59% of the budget. The FY 2021 budget includes costs associated with Senior Study, Technical Services and the Post Occupancy Evaluation program. No additional spending in this line item is anticipated through fiscal year end.

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 \$128K or 37% of the budget. The FY 2021 budget includes funding for Post Occupancy, Technical Services, Support Services and/or COVID-19 analysis. No additional spending in this line item is anticipated through fiscal year end.

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.