

## 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 13, 2023  
Subject: MSBA Fiscal Year 2023 Budget Update

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The following is a summary of the Massachusetts School Building Authority's ("MSBA's") Fiscal Year 2023 expenditures through June 9, 2023. The Fiscal Year 2023 detailed budget report accompanying this memorandum reflects significant revision and expansion of the MSBA's general ledger chart of accounts in connection with the implementation of its new financial accounting and budgeting software. Therefore, this report identifies Fiscal Year 2022 expenditures through June 30, 2022, and the approved budget for Fiscal Year 2023 in much greater detail by line item in the larger categories of Total Administrative, Total Capital Pipeline and Total Grant program expenses. The sum of Total Administrative and Total Capital Pipeline expenses reflects Total Operating Expenses, and with the addition of the Total Grant Program, Total Operating and Capital expenses.

As part of the engineering of the new financial accounting system, the general ledger chart of account codes, which represent specific line-item categories of administration and operating expenses, was re-designed to align expense types and departmental functions more specifically. The purpose of this effort was to streamline the accounting and financial reporting of the MSBA's operations.

Therefore, the comparison of Fiscal Year 2022 expenses to Fiscal Year 2023 administrative and operating expenditures, while not significantly different, is not an exact comparison due to some categories of expenses having been realigned as between the two fiscal years. Total Grant Program expenses remain the same as there are only three-line items in this budget category – Capital Pipeline Payments, Prior Grant Payments, and Wait List Payments.

On May 24, 2023, the Board approved the Authority's Fiscal Year 2024 Budget. The Fiscal Year 2024 Budget, as adopted by the Board, has been reflected in the budget report attached to this memorandum. Administrative and operating expenditures as between Fiscal Year 2023 and Fiscal Year 2024 (when and as reported in the new fiscal year) will be aligned with the Authority's revised general ledger chart of account codes.

### **Administrative Expenses**

Total Administrative Expenses through June 9, 2023, are \$10.2 million or 82% of the total amount budgeted for Fiscal Year 2023.

Salary expenditures through June 9, 2023, are \$7 million or 83% of the total amount budgeted for Fiscal Year 2023. For Fiscal Year 2023, the budget of \$8.4 million includes 74 full-time employees, 12 open full-time positions MSBA-wide at 13 weeks, a 2% cost of living adjustment estimated at \$151K (or COLA), \$100K for merit adjustments, \$100K for pay equity/promotions, 4 Co-Ops, 2 Finance Fellows and 1 Ward Fellow at 12 weeks paid. COLA adjustments for this fiscal year were implemented in July 2022. In addition, \$983K for employee benefits is included in the Fiscal Year 2023 budget. Previously and in Fiscal Year 2022 the budget for employee benefits was calculated using 11% of total full-time

salaries; in Fiscal Year 2023 the budget for employee benefits was pro-rated in the new budgeting system based on the total full-time employees.

Occupancy and Utilities The lease for office space was budgeted at \$1,417,000 in Fiscal Year 2023; the amount expended to date is \$1.3 million representing 91% of the budgeted amount.

Utilities were budgeted at \$43K in Fiscal Year 2023; to date the total amount spent was \$24K or approximately 56% of the total budgeted amount.

The budget for Fiscal Year 2023 for OPEB is \$250,000 with the objective of maintaining fully funded status. Funds were transferred to the OPEB Trust on November 1, 2022.

### **Operating Expenses**

Capital Pipeline Support Services expenditures through June 9, 2023, are \$4.02 million or 46% of the total amount budgeted for Fiscal Year 2023. Existing budget line items such as for Financial Advisory services, Legal services, External Audit fees, etc. have been moved to this expense category for Fiscal Year 2023 that were not included in this category in the budget for Fiscal Year 2022. Additionally, the Fiscal Year 2023 budget includes new funding for Project Management Support Services (\$1.6 million), a Disparity Study, an Internal Control Review as well as IT-related priorities.

### **Total Operating Expenses**

The Fiscal Year 2023 approved amount for Total Operating Expenses (which includes Administrative Expenses and Capital Pipeline Expenses) is \$21.2 million. Total expended to date is \$15 million or 71% of the total budgeted amount.

### **Grant Program**

#### **Capital Pipeline Grants**

Through June 9, 2023, expenditures for Capital Pipeline Grants are approximately \$572 million, or 78% of the total budgeted amount of \$735 million budgeted for Fiscal Year 2023.

#### **Legacy Projects**

Prior Grants: The total amount expended through June 9, 2023, is \$7.3 million, or approximately 100% of the total budgeted amount of \$7.3 million for Fiscal Year 2023. Prior Grant payments are made quarterly, and these projects have been fully paid off as of December 2022.

Waiting List: The total amount expended through June 9, 2023 is \$10.7 million, or approximately 52% of the total budgeted amount of \$20.7 million for Fiscal Year 2023. Waiting List payments are made in the first quarter of the fiscal year which will be fully paid off in Fiscal Year 2024.

### **Total Operating and Capital Budget**

The total amount of the Fiscal Year 2023 approved budget is \$784.3 million, to date the total amount spent is approximately \$605 million or 77% of the annual budgeted amount.