



2014/2015 Annual Report

Massachusetts School Building Authority

My Ideal School Contest

Open to all first-grade students currently attending Massachusetts public schools, the My Ideal School Contest gets students and teachers talking about how thoughtful design and construction of local schools supports student engagement and 21st-century learning.

Students are asked to create images of what their ideal school would look like and describe three things they love about their school. Regional and grand prize winners are honored at a special ceremony at the Massachusetts State House.

Every year the 3,000 plus entries received are both thoughtful and diverse and illustrate the excitement so many children have about their school environments. The My Ideal School competition helps enhance school pride and contributes toward a lifetime of learning for Massachusetts students.

Our front cover features the 2014 winning entry from Anahi Gutierrez, who attends East Somerville Community School in Somerville. In her essay Anahi says, “Three things that inspire me at school. My friends and the teachers help me learn and they inspire me. Class dojo inspire me because they help me be good in school. Reading inspire me because they take me on an adventure and they help me learn. When friends, family and teachers inspire me I feel delighted.”

2015 Winner Sarah Parsons’ artwork is on our back cover. A student at Brimfield Elementary School in Brimfield, Sarah shares that, “My favorite school is Brimfield Elementary because you do math so you can learn. In school I like to go to read. And I like to go to music to learn to sing.”

Each contest winner received an award generously donated by the event’s sponsor, Santander Bank.



Contest winners Anahi Gutierrez (top) and Sarah Parsons (bottom)



MSBA Mission

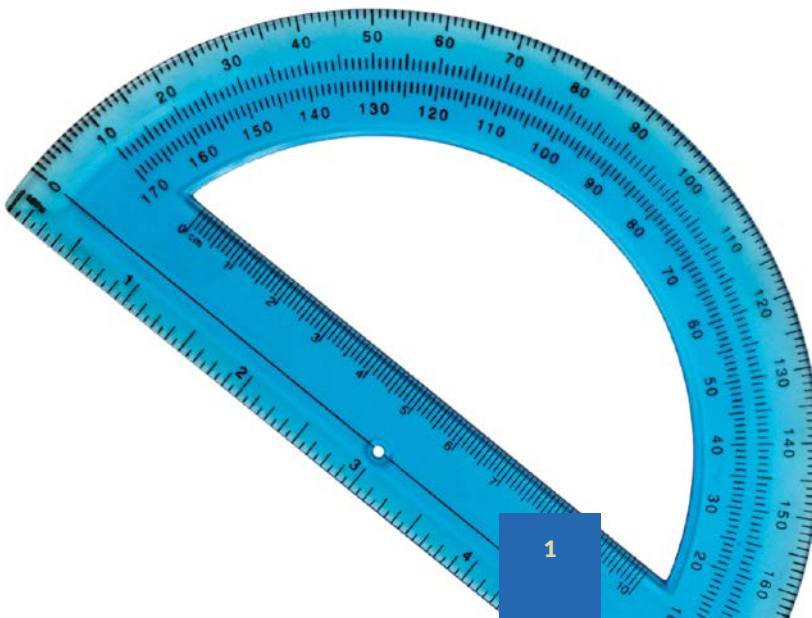
The Massachusetts School Building Authority partners with Massachusetts communities to support the design and construction of educationally-appropriate, flexible, sustainable, and cost-effective public school facilities.

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(top) Duxbury Middle School, Duxbury, Massachusetts;
(bottom) Joseph Estabrook Elementary School,
Lexington, Massachusetts—Core Program, New School



Letter from the Chair



Dear Friends,

It is my pleasure to present to you the Massachusetts School Building Authority's (MSBA) 2014/2015 Annual Report. This report is a reflection of the prior two years' accomplishments in developing sustainable, efficient, and affordable educational facilities.


At the MSBA, we are investing in 21st-century classrooms where teachers are able to provide a top-notch education for all our children. As we work with communities across the state, we want our school buildings to foster the environment needed to teach the skill sets necessary to grow our economic base.

The MSBA is committed to conserving taxpayers' resources at both the state and local levels while working with cities and towns to repair, renovate, and build facilities that serve the needs of Massachusetts students.

Over the 2014/2015 period, the MSBA invited 25 core new districts into our capital pipeline for future projects and issued almost \$1.5 billion in payments to cities and towns for school construction projects across the Commonwealth. We are committed to working with communities to ensure that they have the financial tools to move forward with their 21st-century school buildings.

I am proud of the Massachusetts School Building Authority's accomplishments and I appreciate the time, dedication, and perseverance of all the communities with which we collaborate on these very worthy endeavors. I look forward to continuing to work with our partners at the local level to maintain and improve one of the highest standards of education in the country.

Sincerely,



Deborah Goldberg
Treasurer and Receiver General
Chair of the Massachusetts School Building Authority

Board of Directors

Deborah Goldberg

*Chair, Treasurer and
Receiver General*

Richard Bertman

Founding Principal, CBT Architects

Sean R. Cronin

*Designee of the Secretary of
Administration and Finance*

Matt Deninger

*Designee of the
Commissioner of Education*

Terry Kwan

*Former Teacher and
Brookline School Committee Member*

Greg Sullivan

*Former Massachusetts
Inspector General*



Letter from the Executive Director



Dear Fellow Citizens,

Together with its Board, the Massachusetts School Building Authority works to uphold our core mission of partnering with Massachusetts communities to support the design and construction of educationally-appropriate, flexible, sustainable, and cost-effective public school facilities.

Our schools and the students they teach are the foundation of our Commonwealth's dynamic and growing economy, and it's our responsibility to ensure that those critical building blocks are sound. At the MSBA, we've spent nearly a decade working diligently to perfect and build upon a program designed to rely on both the demonstrated needs of school districts and a collaborative approach to solving those problems. It's with great pride that I report the following.

- In 2014, the MSBA made \$816 million in reimbursements and in 2015, we made \$678 million in reimbursements for school construction projects, helping cities and towns repair, renovate, and build facilities that serve the needs of Massachusetts students.
- 2014/2015 saw a combined total of 45 Core projects achieve Substantial Completion.
- A combined total of 91 Accelerated Repair Program projects were completed, consisting of roof, window/door, and boiler repairs and replacements in 2014/2015.

The Annual Report remains a testament not only to the work the MSBA accomplishes, but also to the continued partnership between the Authority and the communities it works with in an effort to build the future. As Dan Valentine of the *Salt Lake Tribune* wrote in September of 1967, "A school is a building that has four walls – with tomorrow inside." I look forward to continuing to uphold and honor our mission.

Sincerely,



Jack McCarthy
Executive Director of the Massachusetts School Building Authority



(top and bottom) Topping off ceremony at Winthrop Middle/High School, Winthrop, Massachusetts



Investing in the Future

Since 2004, the MSBA has invested more than \$11.8 billion in school buildings statewide. By partnering with local school districts and communities, we're able to support the design, construction, and repair of affordable, sustainable, and energy efficient public school facilities across the Commonwealth. Students benefit from access to modern, effective learning environments that provide a strong foundation for education.

Flexible, Efficient School Design Programs

We work with school districts to address their facilities' needs through a variety of initiatives, allowing districts to participate in the program that works best for them. Offerings include:

- The Accelerated Repair Program focuses primarily on repairing and replacing roofs, windows, doors, and boilers in otherwise structurally sound facilities.
- The Core Program funds new construction, renovations, and additions, as well as projects that require extensive repairs.
- The Model School Program allows school districts to effectively adapt and reuse the design of successful, recently constructed elementary, middle, and high schools. Districts can maximize value by taking advantage of existing, proven school designs and best practices to build schools that reflect enduring and educationally sound designs.
- Commissioning uses an independent third party to test the performance of a school's systems, such as HVAC, plumbing, and electrical, and evaluate the impact on the sustainability, occupant comfort, and efficiency of the school facility.



(left) Hingham Middle School, Hingham, Massachusetts—New Construction, Model School; (right) Field Elementary School, Weston, Massachusetts—New Construction





(top) Marshfield High School, Marshfield, Massachusetts—Core Program;
(bottom) Hingham Middle School, Hingham, Massachusetts—New Construction, Model School

\$11.8 billion
distributed to
Massachusetts school districts

1,096 final audits
for inherited and new program projects, totaling over
\$18 billion

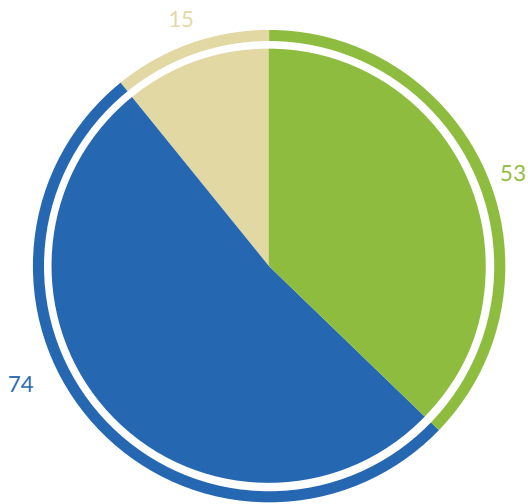
1750 site visits to **250** school districts

600,000+
students benefit from improved learning facilities



A Robust Pipeline

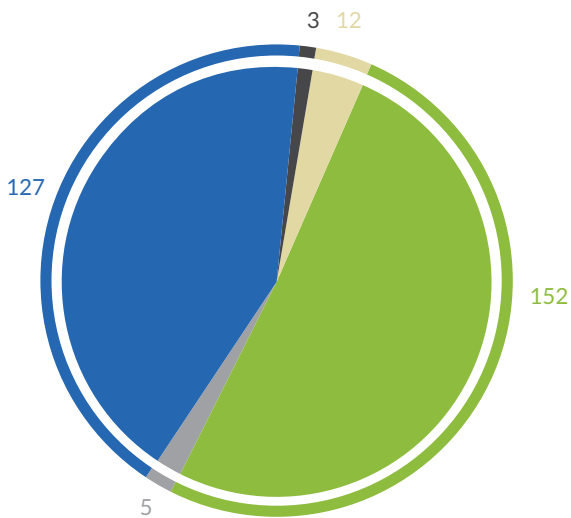
Achievements



Key

- Completed Projects/Substantial Completions
- Closeouts
- Final Audit Approvals

Initiatives



Key

- Accelerated Repairs
- Core Programs
- Green Repairs
- Waitlists
- Science Lab Initiatives

Groundbreakings 2014

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Groundbreakings 2015

9

Ribbon Cuttings 2014

18

Ribbon Cuttings 2015

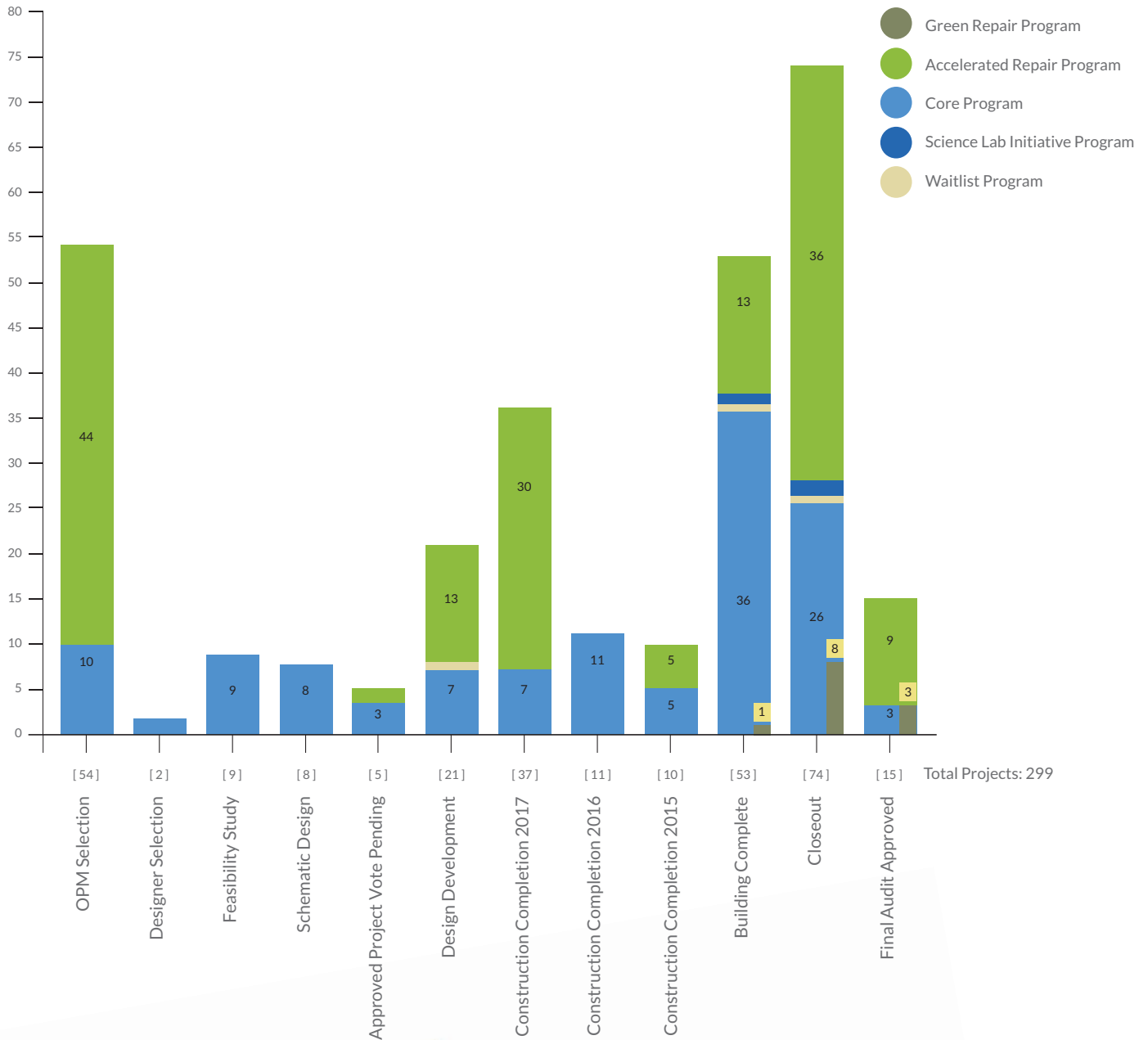
15



Northborough Elementary School Groundbreaking

Project Status

Project Status as of December 2015



7

Supporting Our Students

Statements of Interest

Submitting an SOI is the critical first step in the MSBA's program to partially fund the construction, renovation, addition, or repair of municipally or regionally owned school facilities located in cities, towns, and regional school districts. The SOI allows districts to inform us about deficiencies that may exist in a local school facility and detail how those deficiencies inhibit the delivery of the district's educational program.

Districts can submit a Statement of Interest to either our Accelerated Repair Program, which deals with facilities that may need roof, window, and/or boiler replacements, but are otherwise structurally sound, or our Core Program, which is for projects in need of a larger scope of work.

Submitting an SOI is not an invitation into the MSBA's capital pipeline; it is the first step in the MSBA's program. Moving forward in the MSBA's process requires further collaboration between the district and the MSBA.

MSBA staff reviews the submitted SOIs and works to validate the issues identified by districts. During this process, the MSBA may seek to obtain additional or clarifying information from districts and determine the appropriate level of due diligence.

If the MSBA invites a district into the Eligibility Period, which requires a vote of the MSBA Board of Directors, the district and the MSBA work collaboratively to determine potential solutions to the issues identified in the SOI.



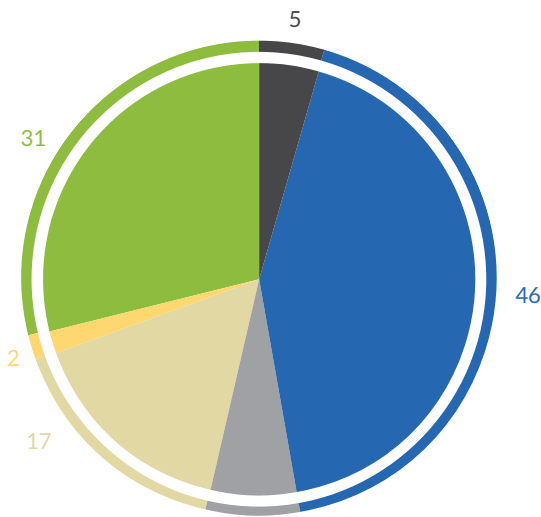
(left) Park Avenue Elementary School, Webster, Massachusetts—New Construction; (right) Monomoy Regional High School, Monomoy, Massachusetts—New Construction, Model School

How SOIs are Evaluated

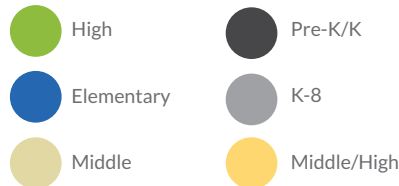
In reviewing SOIs, we work to identify those schools that face the most urgent needs. Factors include building age, amount of space per student, current and projected enrollment, condition of the major systems of the school, general building environment, and the building's appropriateness to the educational mission.

2014 SOIs by School Types–Core Program

Total SOIs: 108

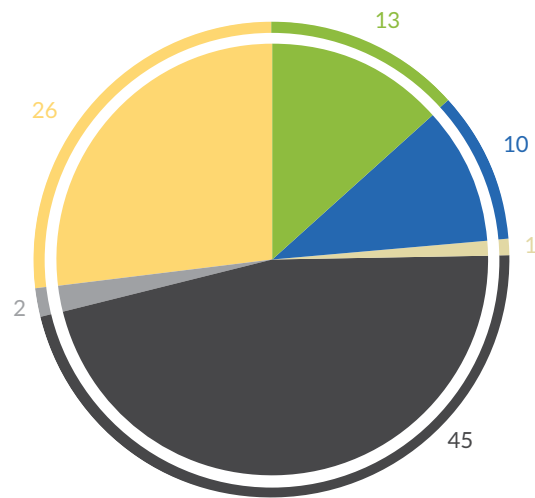


Key

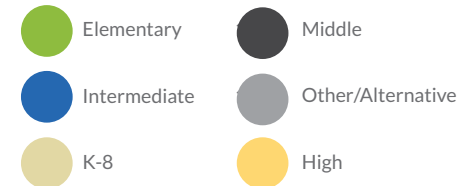


2015 SOIs by School Types–Core Program

Total SOIs: 97



Key



2014 Statements of Interest

227 SOIs submitted by 132 districts

Accelerated Repair Program
119 SOIs submitted by 60 districts

Core Program
108 SOIs submitted by 72 districts

2015 Statements of Interest

158 SOIs submitted by 96 districts

Accelerated Repair Program
61 SOIs submitted by 29 districts

Core Program
97 SOIs submitted by 67 districts

Financial Overview 2014

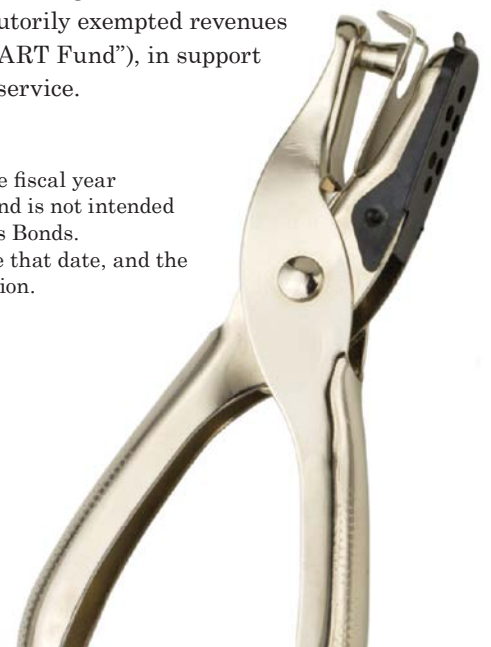
For fiscal year 2014, the Authority's primary funding sources are the portion of the Commonwealth's state-wide sales tax revenue dedicated to the MSBA, interest and grant income.

The primary component of the Authority's expenditures for fiscal year 2014 was grant payments to cities, towns and regional school districts. On a cash basis, these grant payments totaled approximately \$868 million. The other major component of the Authority's expenditures resulted from the approximately \$392 million expended, on a cash basis, on debt service and related costs from debt obligations issued by the Authority. At the end of fiscal year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns and regional school districts for 728 previously approved projects, with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.1 billion. In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding ("Waiting List projects"), with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.5 billion. The amounts the Authority will ultimately fund for approved eligible project costs will be determined through an audit of the completed project conducted by the Authority. These audits may increase or decrease the project cost estimates and will determine the actual amount to be reimbursed.

At the end of fiscal year 2014, the Authority's estimated remaining liabilities and commitments totaled approximately \$168 million for Waiting List projects, and approximately \$1.0 billion for Prior Grant projects. The Authority expects to fund its remaining share of approved eligible project costs for Waiting List projects over the next several years upon completion of an audit of each project, and Annual Waiting List payments are scheduled through fiscal year 2024. The Authority expects to fund its remaining share of approved eligible project costs for Prior Grant projects according to the schedule that was established by the then Department of Education which continues through fiscal year 2023.

With the creation of the MSBA, new grant programs for school construction, renovation and repairs were established through which communities submit monthly requests for reimbursement in order to receive grants for approved projects. These "New Program" projects are funded via a progress payment method, and a liability is generally recognized once a grantee requests reimbursement from the MSBA. Outstanding grants for projects that have approved funding agreements with the MSBA, but for which eligible project costs have not been submitted, are considered commitments of the MSBA. As of June 30, 2014, MSBA had an outstanding liability of \$177.1 million, and \$1.1 billion commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The information above was derived from the Authority's audited financial statements for the fiscal year ending June 30, 2014. This information is provided for general information purposes only and is not intended to be the basis of, and should not be relied upon in making, an investment in the Authority's Bonds. The information set forth above is dated as of a certain date and has not been updated since that date, and the Authority disclaims any duty to provide an update of any information contained in this section.



Financials 2014

Revenues	Dollars in Thousands
Dedicated sales tax	731,239
Other income	68,503
Total Revenues	799,742
Expenditures	
Grant payments to cities, towns and regional school districts*	672,436
Administration	13,558
Debt service, refunding and issuance related costs	252,254
Total Expenditures	938,248
Change in Fund Balance/Net Position	(138,506)
Assets and Deferred Outflows of Resources	
Cash and cash equivalents	151,251
Restricted funds and funds held by bond trustee	842,184
Sales tax due from the Commonwealth	121,122
Interest receivable	9,542
Grant receivable	3,452
Loan receivable	114,578
Loss on bond refunding	151,948
Total Assets and Deferred Outflows**	1,394,077
Liabilities and Fund Balance/Net Position	
Accounts payable	1,327
Grants payable to cities, towns and regional school districts	1,324,558
Outstanding Authority debt and accrued interest	5,719,924
Bond premium	510,776
Other liabilities	11,633
Total Liabilities	7,568,218
Fund Balance/Net Position	(6,174,141)
Total Liabilities and Fund Balance/Net Position	1,394,071
Waiting List and Prior Grants Project Summary	
Value of outstanding estimated Waiting List grants as of July 1, 2013	(205,551)
Value of outstanding estimated Prior Grants as of July 1, 2013	(1,213,498)
Total Amount of Estimated Outstanding Waiting List and Prior Grants	(1,419,049)
Waiting List Grant Payments/Audit Adjustments	37,163
Prior Grants Payments/Audit Adjustments	211,097
Total Amount of Grant Payments/Audit Adjustments During FY 2014	248,260
Estimated Value of Remaining Waiting List Grants as of June 30, 2014	(168,388)
Estimated Value of Remaining Prior Grants as of June 30, 2014	(1,002,401)
Total Amount of Estimated Remaining Grant Payments	(1,170,789)

The MSBA utilizes the full accrual basis of accounting, which focuses on changes in total economic resources, in the preparation of government-wide financial statements. Under the full accrual basis of accounting, changes in long-term assets and liabilities are incorporated into the financial statements.

* On a full accrual basis these grant expenditures do not include approximately \$195 million of payments made during FY 2014.

** Does not include \$2.3 million held in a separate irrevocable OPEB Trust as of June 30, 2014.

Financial Overview 2015

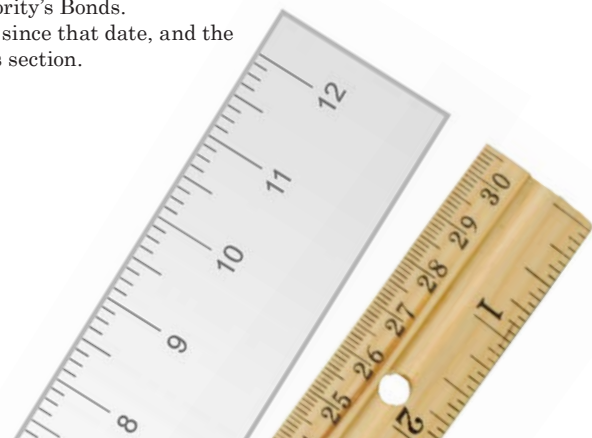
For fiscal year 2015, the Authority's primary funding sources are the portion of the Commonwealth's state-wide sales tax revenue dedicated to the MSBA, interest and grant income.

The primary component of the Authority's expenditures for fiscal year 2015 was grant payments to cities, towns and regional school districts. On a cash basis, these grant payments totaled approximately \$769 million. The other major component of the Authority's expenditures resulted from the approximately \$467 million expended, on a cash basis, on debt service and related costs from debt obligations issued by the Authority. At the end of fiscal year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns and regional school districts for 728 previously approved projects, with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.1 billion. In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding ("Waiting List projects"), with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.5 billion. The amounts the Authority will ultimately fund for approved eligible project costs will be determined through an audit of the completed project conducted by the Authority. These audits may increase or decrease the project cost estimates and will determine the actual amount to be reimbursed.

At the end of fiscal year 2015, the Authority's estimated remaining liabilities and commitments totaled approximately \$135 million for Waiting List projects, and approximately \$802 million for Prior Grant projects. The Authority expects to fund its remaining share of approved eligible project costs for Waiting List projects over the next several years upon completion of an audit of each project, and Annual Waiting List payments are scheduled through fiscal year 2024. The Authority expects to fund its remaining share of approved eligible project costs for Prior Grant projects according to the schedule that was established by the then Department of Education which continues through fiscal year 2023.

With the creation of the MSBA, new grant programs for school construction, renovation and repairs were established through which communities submit monthly requests for reimbursement in order to receive grants for approved projects. These "New Program" projects are funded via a progress payment method, and a liability is generally recognized once a grantee requests reimbursement from the MSBA. Outstanding grants for projects that have approved funding agreements with the MSBA, but for which eligible project costs have not been submitted, are considered commitments of the MSBA. As of June 30, 2015, MSBA had an outstanding liability of \$153 million, and \$1.0 billion commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

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Financials 2015

Revenues	Dollars in Thousands
Dedicated sales tax	767,361
Other income	59,754
Total Revenues	827,115
Expenditures	
Grant payments to cities, towns, and regional school districts*	525,462
Administration	13,556
Debt service, refunding and issuance related costs	241,763
Pension Expense	393
Total Expenditures	781,174
Change in Fund Balance/Net Position	45,941
Assets and Deferred Outflows of Resources	
Cash and cash equivalents	81,043
Restricted funds and funds held by bond trustee	1,155,201
Sales tax due from the Commonwealth	195,593
Interest receivable	10,781
Grant receivable	6,423
Loan receivable	107,898
Loss on bond refunding	142,805
Total Assets and Deferred Outflows**	1,699,744
Liabilities and Fund Balance/Net Position	
Accounts payable	1,827
Grants payable to cities, towns and regional school districts	1,081,019
Outstanding Authority debt and accrued interest	6,243,984
Bond premium	486,984
Other liabilities	14,130
Total Liabilities	7,827,944
Fund Balance/Net Position	(6,128,200)
Total Liabilities and Fund Balance/Net Position	1,699,744
Waiting List and Prior Grants Project Summary	
Value of outstanding estimated Waiting List grants as of July 1, 2014	(168,388)
Value of outstanding estimated Prior Grants as of July 1, 2014	(1,002,401)
Total Amount of Estimated Outstanding Waiting List and Prior Grants	(1,170,789)
Waiting List Grant Payments/Audit Adjustments	33,857
Prior Grants Payments/Audit Adjustments	200,186
Total Amount of Grant Payments/Audit Adjustments During FY 2015	234,043
Estimated Value of Remaining Waiting List Grants as of June 30, 2015	(134,531)
Estimated Value of Remaining Prior Grants as of June 30, 2015	(802,215)
Total Amount of Estimated Remaining Grant Payments	(936,746)

The MSBA utilizes the full accrual basis of accounting, which focuses on changes in total economic resources, in the preparation of government-wide financial statements. Under the full accrual basis of accounting, changes in long-term assets and liabilities are incorporated into the financial statements.

* On a full accrual basis these grant expenditures do not include approximately \$243.5 million of payments made during FY 2015.

** Does not include \$2.5 million held in a separate irrevocable OPEB Trust as of June 30, 2015.





Massachusetts School Building Authority

Funding Affordable, Sustainable, and Efficient Schools in Partnership with Local Communities

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www.MassSchoolBuildings.org



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