

MEMORANDUM

TO: MSBA Board of Directors

FROM: Maureen Valente, Chief Executive Officer and John K. McCarthy, Executive Director / Deputy CEO

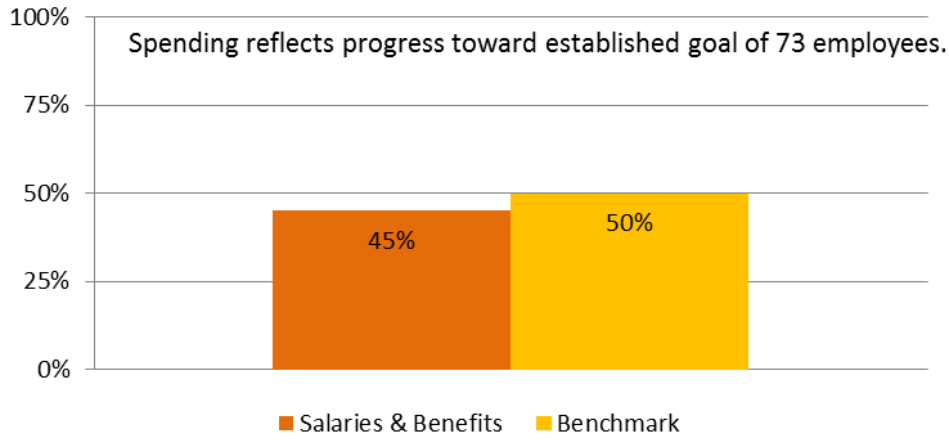
DATE: January 14, 2016

RE: Budget Update Through The Month Ending December 31, 2015

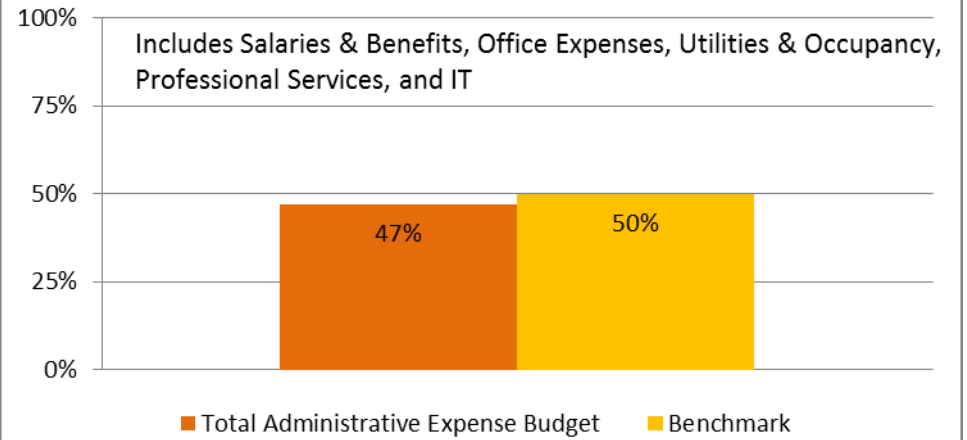
The following is a summary of the Massachusetts School Building Authority's ("MSBA's") FY16 year to date spending under the Administrative Operations and Grant Programs Budget through December 31, 2015.

We will present an update of projected FY 2016 spending and initial proposals for the FY 2017 budget recommendation at the next board meeting. We are hoping a business meeting for the Board will be scheduled in February, and if so, will allow additional time for budget discussion.

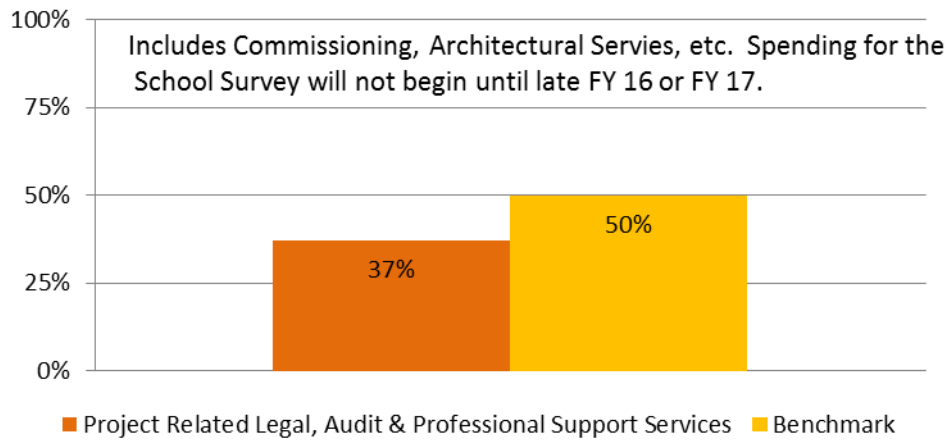
FY 16 Year to Date Spending



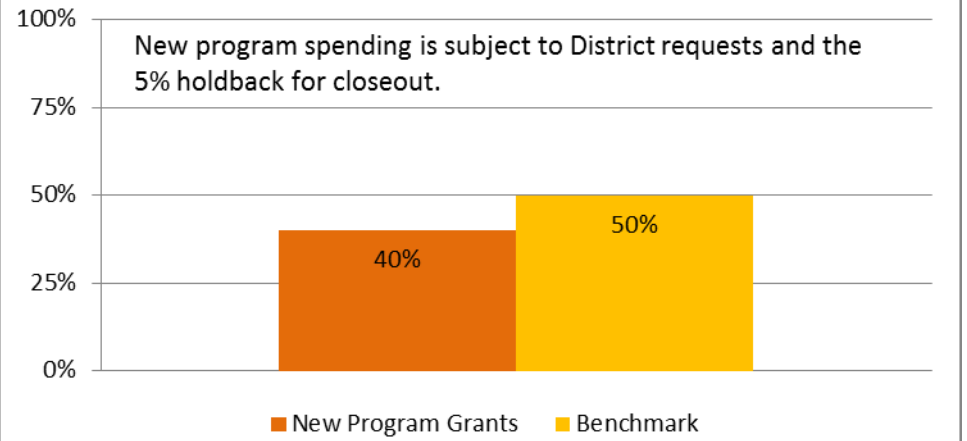
FY 16 Year to Date Spending



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FY 16 Year to Date Spending



MSBA Administrative Operations and Grant Programs Budget

Expense Category	FY 15			FY 16		
	FY15 Budget	FY15 Expenditures (7/1-6/30)	% Expende d (FY15 Budget)	FY16 Budget	FY16 YTD Expenditures 7/1-12/31	%(FY16 Budget)
Administrative Expense Budget						
Salaries & Benefits ^[1]	\$ 6,820,548	\$ 5,771,037	84.6%	\$ 6,766,138	\$ 3,049,057	45.1%
General & Administrative Office Expenses ^[2]	\$ 356,729	\$ 232,517	65.2%	\$ 314,711	\$ 120,092	38.2%
Occupancy & Utilities ^[3]	\$ 1,295,038	\$ 652,516	50.4%	\$ 1,005,314	\$ 667,695	66.4%
Consulting & Professional Support Services ^[4]	\$ 287,061	\$ 252,937	88.1%	\$ 215,000	\$ 100,358	46.7%
Information Technology ^[5]	\$ 157,246	\$ 143,785	91.4%	\$ 179,445	\$ 50,733	28.3%
Total Administrative Expense Budget^[6]	\$ 8,916,623	\$ 7,052,793	79.1%	\$ 8,480,608	\$ 3,987,935	47.0%
Other Post Employment Benefits (OPEB)^[7]	\$ 100,000	\$ 100,000	100.0%	\$ 100,000	\$ -	0.0%
Capital Pipeline Professional Support Services & Issuance Related Costs						
Project Related Legal, Audit & Professional Support Services ^[8]	\$ 7,710,000	\$ 6,219,824	80.7%	\$ 8,049,184	\$ 2,341,204	29.1%
Cost of Issuance ^[9]	\$ 1,000,000	\$ 932,954	93.3%	\$ 2,650,500	\$ 1,646,217	62.1%
Total Capital Program Professional Support Services	\$ 8,710,000	\$ 7,152,778	82.1%	\$ 10,699,684	\$ 3,987,422	37.3%
Arbitrage Rebate^[10]	\$ 1,500,000	\$ 1,226,558	81.8%	\$ -	\$ 11,842,422	n/a
Grant Program						
Prior Grants ^[11]	\$ 197,511,285	\$ 197,946,924	100.2%	\$ 185,093,670	\$ 83,857,227	45.3%
Waiting List ^[12]	\$ 42,131,684	\$ 26,534,249	63.0%	\$ 25,489,887	\$ 20,561,882	80.7%
New Program Grants ^[13]	\$ 610,598,153	\$ 544,518,569	89.2%	\$ 585,000,000	\$ 234,812,904	40.1%
Total Grant Program	\$ 850,241,122	\$ 768,999,742	90.4%	\$ 795,583,557	\$ 339,232,013	42.6%
Grand Total - Operating Budget	\$ 869,467,745	\$ 784,531,871	90.2%	\$ 814,863,849	\$ 359,049,792	44.1%

[1] Total headcount as of June 30, 2014 was 65. Total headcount as of June 30, 2015 was 58. Total headcount as of December 31, 2015 was 60. FY16 Budget assumes headcount of 77 at June 30, 2016, and includes the transition of 2 information technology and 2 capital planning staff extensions to MSBA payroll by the close of FY16.

[2] FY15 Budget included one-time expense associated with transition to new phone system, and that expense has been incurred during FY16. FY16 budgeted amounts include approximately \$65K for training and professional development.

[3] FY15 Budget included funding for procurement for leased office space to be completed before Q3 of FY15. The new lease for MSBA space at 40 Broad Street was signed by the MSBA in January 2015, and resulted in significantly reduced costs for FY15. FY16 Budget reflects full year annualizing of new lease executed during FY15.

[4] FY15 expenditures include annual audited financial statements, arbitrage rebate analysis, and labor market analysis study. FY16 budget amount continues funding for annual audited financial statements, arbitrage rebate analysis, and includes funding for an update of analysis of the economic impact of MSBA's capital program.

[5] FY16 Budget reflects transition of two consulting staff extension positions to permanent positions following the close of Q1.

[6] FY15 Expenditures variance from FY15 Budget reflects actual costs of new lease executed during Q3 that were less than anticipated in the original FY15 forecast. FY15 expenditures variance from budget also reflects staff departures that will result in a lower headcount at June 30, 2015 than anticipated in the FY15 Budget. FY16 Budget reflects full annualization of new lease, and anticipation of phased hiring throughout the fiscal year to arrive at an employee headcount of 77 at June 30, 2016.

[7] The FY15 Budget included a transfer of an additional \$100K to the MSBA's OPEB Trust in order to mitigate the potential budgetary impacts of future actuarial valuations, and the FY16 Budget includes an additional transfer for the same purpose.

[8] FY15 Budget and Expenditures include commissioning of MSBA projects, project management services, information systems development, and architectural technical services that support the MSBA's Capital Pipeline. FY16 Budget includes funding for an update of the MSBA's Needs Survey; a statewide assessment of the condition of public school facilities.

[9] FY15 Expenditures variance from FY15 Budget reflect the execution of a refunding transaction of the 2005 Series A Bonds that was not anticipated in the original budget. FY16 Budget reflects annualization of the commercial paper program established during FY15 Q3, and assumes the execution of two bond issuances during the fiscal year.

[10] Reflects actual arbitrage rebate made in FY15 related to earnings on the 2009 Series A bonds, and actual arbitrage rebate made in FY 16 for the 2005 Series A bonds.

[11] FY16 Budget reflects annual estimate of audited payments scheduled through June 30, 2016.

[12] FY15 Expenditures reflect updated estimates of payments and timing of closeouts for two final projects in project closeout audit phase. FY16 Budget includes funding for the annual payments, and anticipates the remaining project in closeout receives a final payment prior to June 30, 2016.

[13] FY16 Budget reflects estimate of grant payments based on cash flows for projects progressing through the MSBA's Capital Pipeline.

Capital Pipeline - Project Related Support Services Detail

	FY15 Budget	FY15 Expenditures (7/1-6/30)	% Expended (FY15 Budget)	FY16 Budget	FY16 YTD Expenditures (7/1-12/31)	% of FY16 Budget
Commissioning Consultants ^[1]	\$ 4,000,000	\$ 4,150,823	103.8%	\$ 3,800,000	\$ 1,516,347	39.9%
Project Management Services ^[2]	\$ 2,300,000	\$ 1,519,176	66.1%	\$ 1,250,000	\$ 579,761	46.4%
Architectural Services ^[3]	\$ 650,000	\$ 371,594	57.2%	\$ 680,000	\$ 241,709	35.5%
Cost Estimating Services ^[4]	\$ 200,000	\$ 1,384	0.7%	\$ 100,000	\$ -	0.0%
Audit & Other Compliance ^[5]	\$ 50,000	\$ -	0.0%	\$ -	\$ -	n/a
Capital Program Information Systems ^[6]	\$ 135,000	\$ 176,504	130.7%	\$ 43,184	\$ 3,388	7.8%
Cost of Issuance ^[7]	\$ 1,000,000	\$ 932,954	93.3%	\$ 2,650,500	\$ 1,646,217	62.1%
Needs Survey ^[8]	\$ -	\$ -	NA	\$ 2,000,000	\$ -	0.0%
Other ^[9]	\$ 250,000	\$ 344	0.1%	\$ 176,000	\$ -	0.0%
Legal ^[10]	\$ 125,000	\$ -	0.0%	\$ -	\$ -	n/a
Capital Program Support Services	\$ 8,710,000	\$ 7,152,778	82.1%	\$ 10,699,684	\$ 3,987,422	37.3%

- [1] Reflects anticipated costs associated with active projects and additional commissioning contracts anticipated to be executed prior to June 30, 2016.
- [2] Project Management Services are estimated based on anticipated schedules of active projects in the Capital Pipeline. FY15 expenditures reflect staff extension services supporting the MSBA's oversight of the Capital Pipeline, and funding for OPM services for the Essex North Shore Agricultural and Technical School project. These services are anticipated to decline during FY16.
- [3] Architectural Services are allocated on a project specific basis as necessary for projects progressing through the Capital Pipeline. FY16 Budget reflects anticipated support services for schematic design, construction document and architectural reviews, and also includes anticipated expenditures for senior studies related to the review process for the 2015 Statement of Interest (SOI) submittals.
- [4] This category provides funds for any project specific cost estimates which may be necessary during the fiscal year, or for additional review of data related to the Capital Pipeline.
- [5] This category provides funding which may be allocated on a project specific basis to external audit firms, or temporary auditors, to assist on project audits conducted under current MSBA audit policy.
- [6] This category includes expenditures for development of Capital Pipeline support applications, including MSBA's Progress Payment System, Project Management application, and OPM Report system. FY15 Budget anticipated conversion of consultant staff extensions to permanent positions during Q3, however, that transition has been re-scheduled to occur following the close of FY16 Q1. FY16 Budget reduction reflects the reallocation of these resources to permanent staff following Q1.
- [7] FY15 Budget reflects 2014 Series A, 2015 Series A, 2015 Series B, and the establishment of a \$450 million commercial paper program. FY16 Budget includes funding for annualization of commercial paper program, and anticipated new money and refunding transactions to support the Capital Pipeline.
- [8] Reflects anticipated costs associated with the procurement for the MSBA's next Needs Survey assessment of public school facilities across the Commonwealth.
- [9] For Capital Pipeline professional support services which may not be specifically allocated through other cost categories. FY15 Expenditures reflect anticipated expenditures for business intelligence software during Q4 that will assist in data analysis of the MSBA's Capital Pipeline.
- [10] This expenditure category includes funding for the costs, if any, that the MSBA may incur associated with litigation regarding projects in the Capital Pipeline. There is no litigation currently pending against the Authority.