

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: August 18, 2020
Subject: MSBA FY 2020 Year-End Results and FY 2021 Budget Expenditures-to- Date

The following is a summary of the Massachusetts School Building Authority's ("MSBA's") expenditures for Fiscal Year 2020 at June 30, 2020 and expenditures for Fiscal Year 2021 spending through August 7, 2020; at the end of the first five weeks of the new fiscal year.

FY 2020 spending on Salaries and Benefits finished at 94.7% of budget or \$7,558,621. The FY 2020 budget assumed fully staffed with 79 employees as of June 30, 2020 there were 69 employees and 3 coops. 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 is \$864,634 or 10.2% of the budget.

FY 2020 spending on General & Administrative Office Expenses finished at 95.4% of budget or \$325,168. 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 is \$29,212 or 7.6% of the budget.

FY 2020 spending on Occupancy & Utilities finished at 102.3% of budget or \$1,251,391. 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 is \$214,431 or 16.8% of the budget.

FY 2020 spending on Consulting & Professional Support Services finished at 75.8% of budget or \$220,955. 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 spending to date is \$192,070 or 64.8%; this number is overstated due to legal costs that should have been charged to Costs of Issuance but were transferred after the cut-off date of this report.

FY 2020 spending on Information Technology finished at 41.2% of budget or \$160,792. 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. FY 2021 spending to date is \$12,391 or 1.3% of the budget.

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 2020 spending on Project Related Professional Support Services finished at 79.8% or \$3,375,077. FY 2021 spending to date is \$461,400 or 11.3% of the budget. FY 2021 reflects the categories provided in the discussion of Attachment B below.

FY 2020 spending on Cost of Issuance finished at 62.6% of budget or \$751,136. The FY 2021 budget includes \$1,000,000 as an estimate of expenditures related to two bond issues in FY 2021. FY 2021 spending to date is \$174,450 or 17.4% of the budget.

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 in December 2020, and may be different than the estimate of the budgeted amount.

FY 2020 spending on Prior Grants finished at 89.6% of budget or \$82,146,976. The FY 2021 budget reflects the existing schedule of annual prior grants payments. Prior Grant payments are made quarterly; the first quarterly payment in FY 2021 will be processed at the end of September 2020.

FY 2020 spending on Waiting List finished at 95.7% of budget or \$16,561,813. 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, the payment for FY 2021 will be processed at the end of September 2020.

FY 2020 spending on Capital Pipeline Program Grants finished at 100.1% of budget or \$613,489,987. The Fiscal Year 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. FY 2021 spending to date is \$52,141,814 or 7% of the budget.

Attachment B provides additional detail regarding the Capital Pipeline Professional Support Services. FY 2020 spending on Commissioning finished at 82.0% of budget or \$2,622,555. FY 2021 reflects estimates for existing projects and newly invited projects. FY 2021 spending to date is \$264,290 or 8.8% of the budget.

FY 2020 spending on Architectural Services finished at 66.1% of budget or \$499,060. FY 2021 budget includes costs associated with Senior Study, Technical Services and Post Occupancy Evaluation program. FY 2021 spending to date is \$105,680 or 14.4% of the budget.

FY 2020 spending on School Survey finished at 40.7% of budget or \$8,144. 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 2020 spending on Post Occupancy Survey finished at 82.5% of budget or \$212,033. The FY 2021 budget includes funding for Post Occupancy, Technical Services, Support Services and/or COVID-19 analysis. FY 2021 spending to date is \$65,431 or 18.7% of the budget.

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 Capital Pipeline Grant payments.