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

ON THE COVER

First-grader Gianna DeMello of Joseph C. Chamberlain School in Taunton was the winner of the 2013 My Ideal School Contest. In her essay, Gianna said, “My school has the best teachers, great friends and gourmet food!” As the contest winner, Gianna received an award donated by Santander Bank, which sponsored the contest.
Dear Friends,

I’m delighted to share the Massachusetts School Building Authority’s 2013 Annual Report with you. I am honored to serve as Chair of the Board of Directors of the MSBA as it works with communities across the Commonwealth to develop educational facilities that enable our students to meet the demands of the 21st century economy.

In 2013, the MSBA made $800 million in reimbursements for school construction projects, helping cities and towns repair, renovate and build facilities that serve the needs of Massachusetts students. Delivering on a commitment we made to the people of Springfield when disaster struck, we also began the reconstruction of the Elias Brookings K-8 Museum Magnet School and completed repairs to the Mary A. Dryden Veterans Memorial School, both of which were ravaged by the tornado in June 2011.

Working collaboratively with local partners, we have been successful in moving dozens of school projects from concept to reality. We completed work on six of the eight projects in our innovative $72 million Science Lab Initiative, with bids for all eight projects coming in within their estimated budgets. Forty-seven projects in 26 districts moved forward in our Accelerated Repair Program, 32 of which were ready for funding approval at the January 2014 board meeting.

2013 marked the 10th anniversary of the MSBA’s creation, and we are proud to have disbursed more than $10 billion to Massachusetts schools during that time. We were thrilled to celebrate this important milestone with events at the Massachusetts State House and at schools throughout the Commonwealth. As we focus on the next decade, we look forward to continuing to support new and improved educational opportunities in cities and towns across Massachusetts.

Sincerely,

Steven Grossman
Treasurer and Receiver General
Chair of the Massachusetts School Building Authority

2013 BOARD OF DIRECTORS

Steven Grossman
MSBA Chair
Massachusetts Treasurer and Receiver General

Richard Bertman
Founding Principal, CBT Architects

Rob Dolan
Designee of the Secretary of Administration and Finance
Director of Finance, Executive Office for Administration and Finance

Mary Grassa O’Neill
Senior Lecturer and Acting Director, Programs in Professional Education, Harvard University

Terry Kwan
Former Teacher and Brookline School Committee Member

Tom Moreau
Designee of the Commissioner of Education

Greg Sullivan
Former Massachusetts Inspector General
Dear Fellow Citizens,

2013 marked the MSBA’s 10th year in pursuit of our core mission, which is to partner with Massachusetts communities to support the design and construction of educationally appropriate, flexible, sustainable and cost-effective public school facilities. Our successful achievement of that goal has revitalized school facilities throughout the Commonwealth.

2013 was a highly productive year for the Authority, as we:

- Reached the milestone of $10 billion in reimbursements to Massachusetts school districts
- Funded 30 Core Program and Science Lab Initiative projects with estimated construction costs of $972.6 million
- Approved funding for 47 Accelerated Repair Program projects with combined construction budgets of over $83.3 million
- Maintained an active capital pipeline of more than 300 projects
- Continued to keep project costs under control, with 23 of the 30 bids and Guaranteed Maximum Prices received coming in within their original estimates — a success rate of more than 75%

Looking back over our first decade of achievement, I am proud of the hard work and dedication of MSBA staff and of our continued efforts to partner with communities on school projects. A local school committee member recently put it best, at the presentation of designs for his city’s upcoming middle school. “Once in a generation,” he said, “a city gets a moment to define itself and say ‘this is who we are.’ This seems to be one of those moments.” We at the MSBA are deeply privileged to have been part of that moment, and of similar occasions in communities throughout the state.

Sincerely,

Jack McCarthy
Executive Director of the Massachusetts School Building Authority

OPM REVIEW PANEL

Francis X. Callahan
President, Massachusetts Building Trades Council, AFL-CIO

Dominic D’Eramo
P.E., American Council of Engineering Companies of Massachusetts

Bernard Feldstein
AIA Emeritus

Mary A. Gately
Director of Market Services, Associated General Contractors of Massachusetts

Steven Joyce
Political Director, New England Regional Council of Carpenters

Michael J. Lambert
Director of Design and Construction Services, DCAM Office of Planning, Design and Construction

Jack McCarthy
Executive Director, MSBA

Michael McNally
President, Maverick Construction

Mary Pichetti
Director of Capital Planning, MSBA

John Robertson
Director of Legislative Division, Massachusetts Municipal Association

Carl B. Sciple
P.E., CCM

Jeffrey Sullivan
Painters and Allied Trades District Council 35

The Honorable Michael Sullivan
Marketing Director, Sullivan Insurance & Real Estate; Former Mayor, City of Lawrence

Michael Tranghese
Secretary/Treasurer, Massachusetts Laborers District Council

The Honorable Jack Yunits
Director of Municipal Partnerships, The Liberty Square Group; Former Mayor, City of Brockton

DESIGNER SELECTION PANEL

Bernard Feldstein, Chair
AIA Emeritus

Michael L. McKimmey, Vice Chair
P.E.

Russell Bartash
Public Member

Karl Brown
AIA; Senior Architect, MSBA

Joseph Buckley
P.E.; Chief Engineer, MSBA

James H. Crissman
FAIA

Barbara Hansberry
Deputy Executive Director, MSBA

Maureen A. McCaffrey
P.E.; LEED AP; Director, Real Estate, MIT Investment Management Company

Leo F. Peters
P.E.; DEE; American Council of Engineering Companies of Massachusetts

Zaida Roshandel
LEED AP BD+C; Senior Project Manager, MSBA

Charles N. Tseckares
FAIA; Principal, CBT/Childs Bertman Tseckares, Inc.; Boston Society of Architects

Ken Wexler
Chairman, Elaine Construction Co., Inc.; Associated General Contractors of Massachusetts

Vacant
Construction Industry Representative (MA Building Trades Council Designee)
STATEMENTS OF INTEREST

Submitting a Statement of Interest (SOI) is the critical first step in the MSBA’s school construction grant program. The SOI allows a district to inform us about deficiencies that may exist in a school facility and how those deficiencies inhibit achievement of the district’s educational goals.

The MSBA reviews the entire cohort of received SOIs before determining which proposals to move forward into the capital pipeline. The MSBA grant program is a non-entitlement, competitive program. Grants are distributed by the MSBA Board of Directors based on need and urgency, as expressed by the district and validated by the MSBA.

201 SOIs submitted
71 new filings
130 renewals
117 school districts submitted SOIs

“With this necessary final piece in place in 2011, we were off and running by tearing down our old temporary labs and erecting our wonderful temporary modular classrooms. Now, nearly 30 months later, we stand here ready to ceremoniously reopen our wonderful new facility.”

Leominster High School Principal Thomas Browne
MODELING EXCELLENCE
Since its 2008 launch, 18 school districts have participated in the Model School Program, taking advantage of proven, sustainable and flexible school designs. Franklin High School, Monomoy Regional High School and Somerset-Berkeley Regional High School are just three examples of the Model School Program’s success.

BENEFITS OF MODEL SCHOOLS
- Proven designs meeting certain criteria contain many best practices that should be perpetuated in school design
- Adaptation of an existing design, versus development of a completely new design, simplifies the design process and results in reduced design fees
- The design and bid schedule is compressed
- Except for unforeseen site conditions, reuse of the design can limit construction change orders
- Tested designs enhance predictability of project cost and performance, resulting in improved quality control
- Districts have the opportunity to “touch and feel” spaces prior to selecting a model

SUPPORTING THE INNOVATION ECONOMY
In 2013, eight new schools joined the Science Lab Initiative, helping more Massachusetts students prepare for the demands of the 21st century economy. To date, more than $72 million in science lab projects have been funded across the Commonwealth.

Students at Melrose High School are enjoying the improved learning environment in their new science labs. The 18,000 square-foot area features new computers, enhanced lighting, eye safety equipment, and flexible learning tools that allow instructors to accommodate a variety of science and technology lessons and projects.

“Every decision made about this complex is done with the kids in mind. It is rewarding to know as we watch all of this happening around us that for at least the next 50 years the students of Marshfield will have this first-rate educational facility in the community and will benefit from all it has to offer.”

Marshfield High School Principal Robert Keuther
10 YEARS, $10 BILLION
In the decade since its inception, the MSBA has invested more than $10 billion in school buildings statewide. Partnering with local school districts and communities, we’ve supported the design and construction of educationally appropriate, flexible, sustainable and cost-effective public school facilities. We believe that our sustainable and innovative planning model will continue to serve the Commonwealth with quality school facilities that provide a strong foundation for education.

REACHING THE $10 BILLION FINISH LINE
Our $10 billion investment in school building statewide includes numerous projects. Here are three projects that moved MSBA across the $10 billion finish line in 2013.

METHUEN HIGH SCHOOL
The school was renovated at a cost of nearly $99 million, with a commitment of up to $64.5 million in funding from the MSBA. The project entailed major renovations to existing portions of the school and the addition of approximately 47,800 square feet of new space.

JAMES MADISON MORTON MIDDLE SCHOOL, FALL RIVER
The new Morton Middle School replaced the previous Morton School, which was built in 1924, with a completely modernized 130,600 square-foot facility serving over 600 students. The MSBA has committed to paying up to $36.9 million toward the Morton Middle School project.

LAKE VIEW SCHOOL, WORCESTER
The $1,435,093 Lake View School project consists of repairs to windows, doors and roof in the 27,900 square-foot school. The project is being conducted as part of our Accelerated Repair Program, which focuses on energy-saving repairs to extend the working lives of schools that are otherwise structurally, functionally and educationally sound. The MSBA is contributing 80% of eligible expenses toward the project, for a total grant of up to $1,119,530. In addition, the MSBA is working with Worcester on nine other school projects.

$10.3 billion distributed to Massachusetts school districts
over 170 core program projects
962 final audits for new program projects, totaling over $15.9 billion
Over $1.4 billion in audit savings
600,000+ students benefit from improved learning facilities

Almost every community in the Commonwealth has benefited immensely from this $10 billion investment. We’ve visited many of these communities and have seen firsthand how modern, state-of-the-art learning environments are better preparing students to compete and flourish in the Commonwealth’s innovation economy.”

MSBA Treasurer Steven Grossman
I’ve received overwhelming support for this from neighbors, friends and constituents. I think it’s going to be a great thing for the city.”

Peabody School Committee Member Jared Hochman
It feels unbelievably exciting. I’m very, very grateful to the community for supporting the project.”

Sherwood Middle School Principal Jane Lizotte
PROJECT STATUS

- Green Repair Program
- Accelerated Repair Program
- New Program Project
- Science Lab Initiative Project
- Waitlist Projects

- OPM Selection: 4
- Designer Selection: 2
- Feasibility Study: 10
- Schematic Design: 46
- Project Scope & Budget: 2
- Approved Project Vote Pending: 7
- Design Development: 23
- Building Completion 2015: 13
- Building Completion 2014: 33
- Project Completion: 48
- Closeout: 83
- Final Audit Approved: 39
A YEAR OF ACCOMPLISHMENTS
- $800 million distributed to Massachusetts cities, towns and regional school districts
- 300+ projects maintained in capital pipeline
- 4,638 jobs created
- 248 project site visits
- 41 milestone events:
  - 19 groundbreakings
  - 5 topping-out ceremonies
  - 17 ribbon cuttings

WHAT’S HAPPENING NOW
At the end of 2013, MSBA is participating in 46 school capital improvement projects currently under construction. MSBA-funded projects currently affect over 11.2 billion square feet of school infrastructure. These projects include:
- 8 projects in accelerated programs
- 38 Core Program projects
  - 10 elementary schools
  - 8 Middle and Middle/High School
  - 20 High Schools

57,433 students will benefit from current MSBA-funded projects

“\nThe MSBA are really fiscally responsible. They work for the taxpayers so they’re very aware of what is going on.”

North Middlesex Regional School District Superintendent Joan Landers
Submit a Statement of Interest

**Module 1: Prerequisite Requirements**

**Preparation**
- Initial Compliance Certification
- School Building Committee
- Educational Profile & Enrollment Process
- Maintenance & Capital Planning Documents
- Local Authorization of Funding

**Module 2: Forming the Project Team**

**Module 3: Feasibility Study**

**Module 4: Schematic Design**

**Module 5: Funding the Project**

**Module 6: Detailed Design**

**Module 7: Construction**

**Module 8: Completing the Project**

**Project Completion & Commissioning**

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**Project Completion & Commissioning**

**MSBA Core Program Process Overview**

**MSBA Accelerated Repair Program Process Overview**

This will be an outstanding place for kids to learn for decades to come. It’s a great investment in our community and I couldn’t be more proud or grateful.”

Shrewsbury Superintendent Joe Sawyer

For fiscal year 2013, the Authority’s primary funding sources are the portion of the Commonwealth’s statewide sales tax revenue dedicated to the MSBA, interest and grant income.

The primary component of the Authority’s expenditures for fiscal year 2013 was grant payments to cities, towns and regional school districts. On a cash basis, these grant payments totaled approximately $1.0 billion. The other major component of the Authority’s expenditures resulted from the $393 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 2013, the Authority’s estimated remaining liabilities and commitments totaled approximately $206 million for Waiting List projects, and approximately $1.2 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. 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 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, 2013, the MSBA had an outstanding liability of $131.7 million, and $1.4 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, 2013. 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.
### Financial Overview 2013

#### Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Dollars in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated sales tax</td>
<td>735,450</td>
</tr>
<tr>
<td>Other income</td>
<td>8,041</td>
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<tr>
<td>Total Revenues</td>
<td>743,491</td>
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#### Expenditures

<table>
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<tr>
<th>Category</th>
<th>Dollars in Thousands</th>
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<tbody>
<tr>
<td>Grant payments to cities, towns and regional school districts *</td>
<td>639,049</td>
</tr>
<tr>
<td>Administration</td>
<td>14,390</td>
</tr>
<tr>
<td>Debt service, refunding and issuance related costs</td>
<td>256,063</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>909,502</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>(166,011)</td>
</tr>
</tbody>
</table>

#### Assets and Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>130,764</td>
</tr>
<tr>
<td>Funds held by bond trustee</td>
<td>751,331</td>
</tr>
<tr>
<td>Sales tax due from the Commonwealth</td>
<td>113,172</td>
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<tr>
<td>Interest receivable</td>
<td>9,317</td>
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<tr>
<td>Grant receivable</td>
<td>3,426</td>
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<tr>
<td>Loan receivable</td>
<td>114,792</td>
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<tr>
<td>Other assets</td>
<td>117</td>
</tr>
<tr>
<td>Loss on bond refunding</td>
<td>161,371</td>
</tr>
<tr>
<td>Total Assets and Deferred Outflows **</td>
<td>1,284,290</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>1,374</td>
</tr>
<tr>
<td>Grants payable to cities, towns and regional school districts</td>
<td>1,519,768</td>
</tr>
<tr>
<td>Outstanding Authority debt and accrued interest</td>
<td>5,280,822</td>
</tr>
<tr>
<td>Bond premium</td>
<td>502,437</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>15,524</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,319,925</td>
</tr>
<tr>
<td>Net Deficit</td>
<td>(6,035,635)</td>
</tr>
</tbody>
</table>

#### Waiting List and Prior Grants Project Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of outstanding estimated Waiting List grants as of July 1, 2012</td>
<td>(328,803)</td>
</tr>
<tr>
<td>Value of outstanding estimated Prior Grants as of July 1, 2012</td>
<td>(1,511,510)</td>
</tr>
<tr>
<td>Total Amount of Estimated Outstanding Waiting List and Prior Grants</td>
<td>(1,840,313)</td>
</tr>
<tr>
<td>Waiting List Grant Payments/Audit Adjustments</td>
<td>123,252</td>
</tr>
<tr>
<td>Prior Grants Payments/Audit Adjustments</td>
<td>298,012</td>
</tr>
<tr>
<td>Total Amount of Grant Payments/Audit Adjustments During FY 2013</td>
<td>421,264</td>
</tr>
<tr>
<td>Estimated Value of Remaining Waiting List Grants as of June 30, 2013</td>
<td>(205,551)</td>
</tr>
<tr>
<td>Estimated Value of Remaining Prior Grants as of June 30, 2013</td>
<td>(1,213,498)</td>
</tr>
<tr>
<td>Total Amount of Estimated Remaining Grant Payments</td>
<td>(1,419,049)</td>
</tr>
</tbody>
</table>

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 $341 million of payments made during FY 2013 for Prior Grants and Wait List Projects.

**Does not include $1.8 million held in a separate irrevocable OPEB Trust.