Massachusetts School Building Authority

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FY2012 Budget Recommendations

MSBA Board of Directors Meeting

June 8, 2011

www.MassSchoolBuildings.org



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Executive Summary



Executive Summary

- The MSBA's administrative and capital program support budgets have been level funded for the last four fiscal years
  - During this period workload associated with the capital pipeline has increased by over 300%
- FY2012 budget recommendation is approximately $150 million less than the FY2011 Board approved budget
  - Represents 12% decrease from FY2011 Board approved budget
  - Most of the decline is the result of the MSBA's commitment to expedite funding for the Waiting List projects, and continued commitment to the inherited Prior Grants
- While the total FY2012 budget recommendation is approx. $150M less than FY2011, there are some increases necessary to address the increasing workload associated with the New Program Capital Pipeline:
  - Approximately $1M increase in the administrative budget
  - Approximately $2M increase in the capital program support services budget
- The MSBA's administrative budget expenditures represent less than 1% of total budgeted operational and grant expenditures



MSBA Grant Payments Update



Over $622 million in grants paid in FY2011 towards 465 project in 225 districts

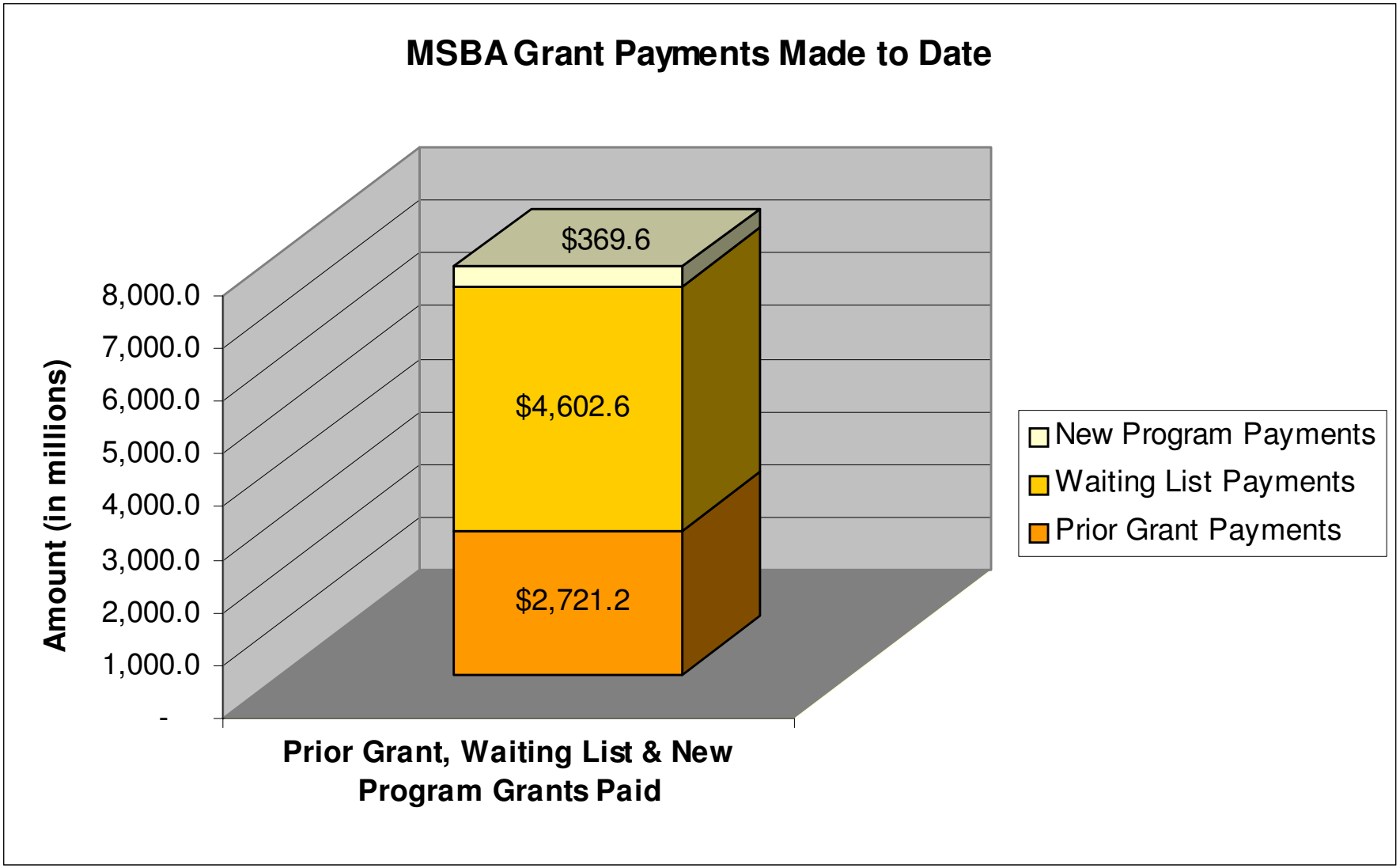
- 326 projects in New Program Capital Pipeline
  - $204M New Program grants paid YTD in FY2011 towards 101 projects benefiting 90 districts
- $277M paid out YTD through Prior Grants program
  - Grants towards 301 projects benefiting 164 districts
- $141M paid out YTD to expedited Waiting List projects
  - Payments towards 63 projects benefiting 45 districts



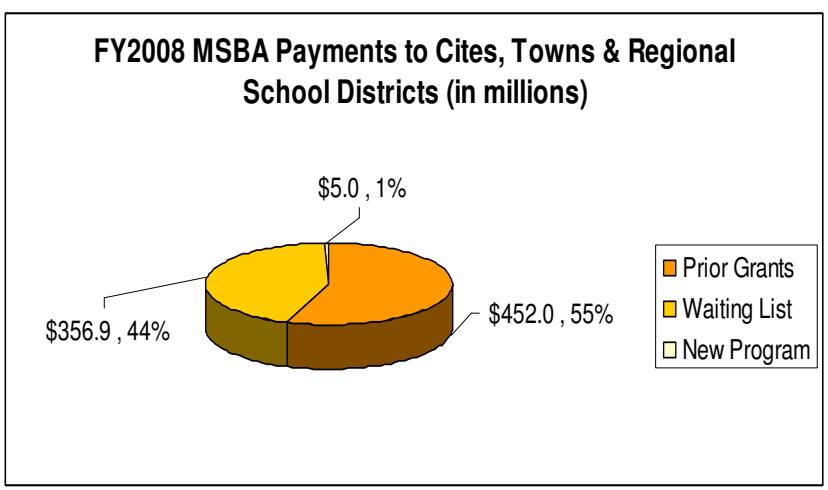
The MSBA projects to make approximately $1.1B in grant payments during FY2012

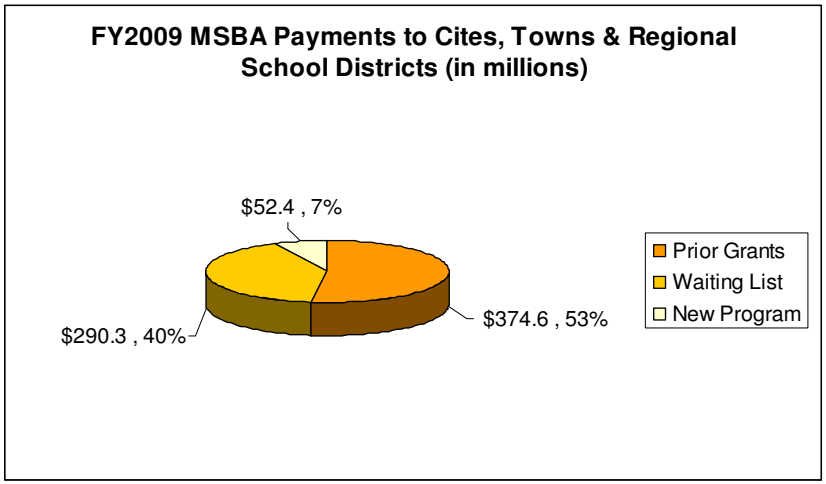
- Estimated $600M New Program grant payments, including Green Repair, to approx. 295 projects benefiting 177 districts
- Approx. $258M in grants for the Prior Grants program
  - Grants towards 380 projects benefiting 161 districts
- Approx. $233M to expedited Waiting List projects
  - Payments towards 64 projects benefiting 42 districts

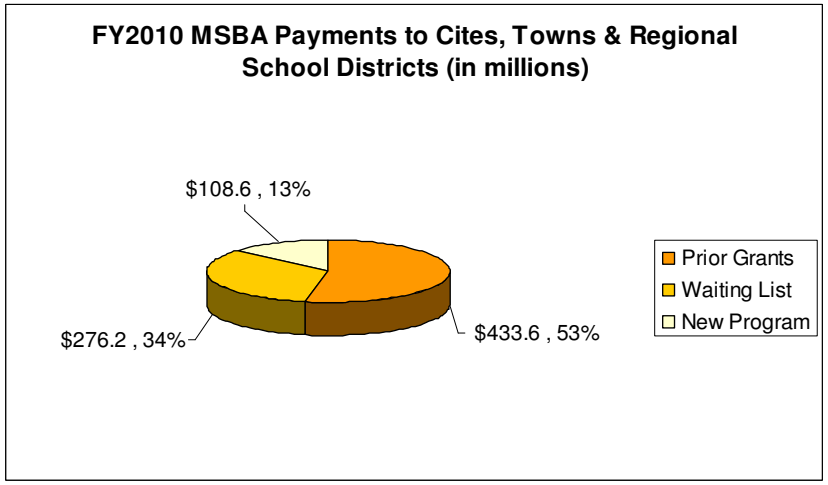
The MSBA has made over $7.6 billion in grants to cities, towns and regional school districts since 2004

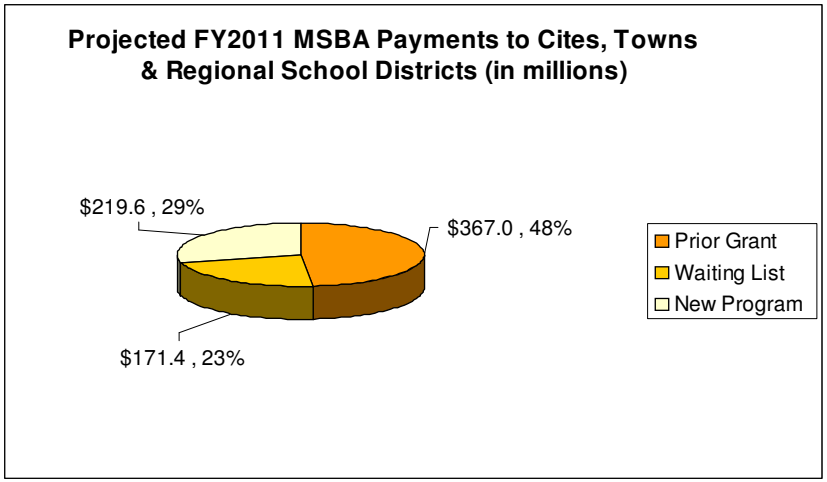


MSBA grant payment activity continues to shift from inherited programs to New Program grants











Waiting List Liability & Prior Grant Commitments Update

Waiting List Liability Update

Original Estimated Liability - 2004	$4.1B
Unanticipated Increase to Liability - 2005	$1.4B
Total Waiting List Liability	$5.5B

Audit Savings to Date	$392M
Payments Made to Date	$4.6 B
Remaining Liability	$508M

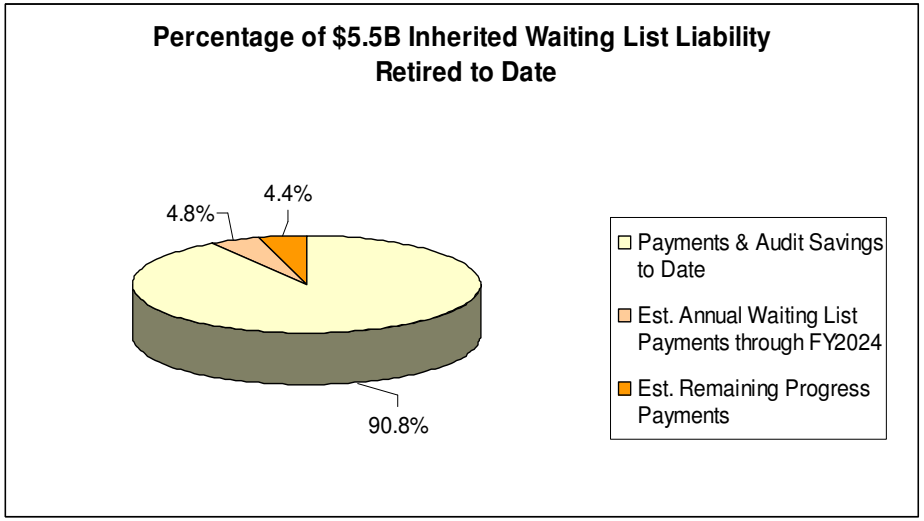
Remaining Annual Payments	$263M
Remaining Progress Payments	$245M

Prior Grant Commitments Update

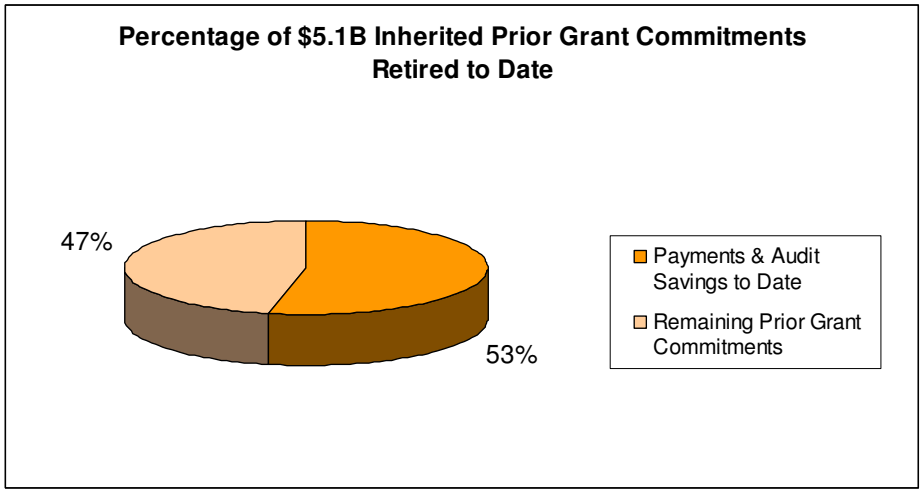
Original Estimated Prior Grant Commitment	$5.1B
Audit Savings to Date	$400M
Payments to Date	$2.7B
Remaining Commitment (FY12-FY23)	$2.0B

The MSBA has retired more than 76% of inherited liabilities and commitments during its first six years of operation

- Over 90% of inherited Waiting List liability retired to date



- Over 53% of inherited Prior Grant commitments retired to date

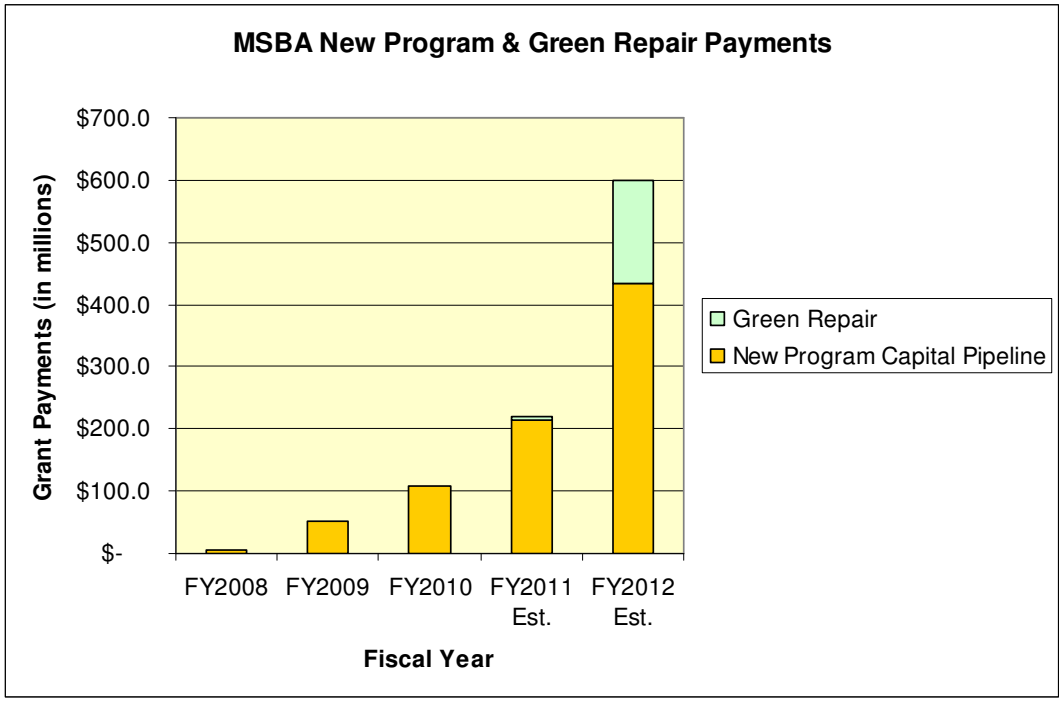




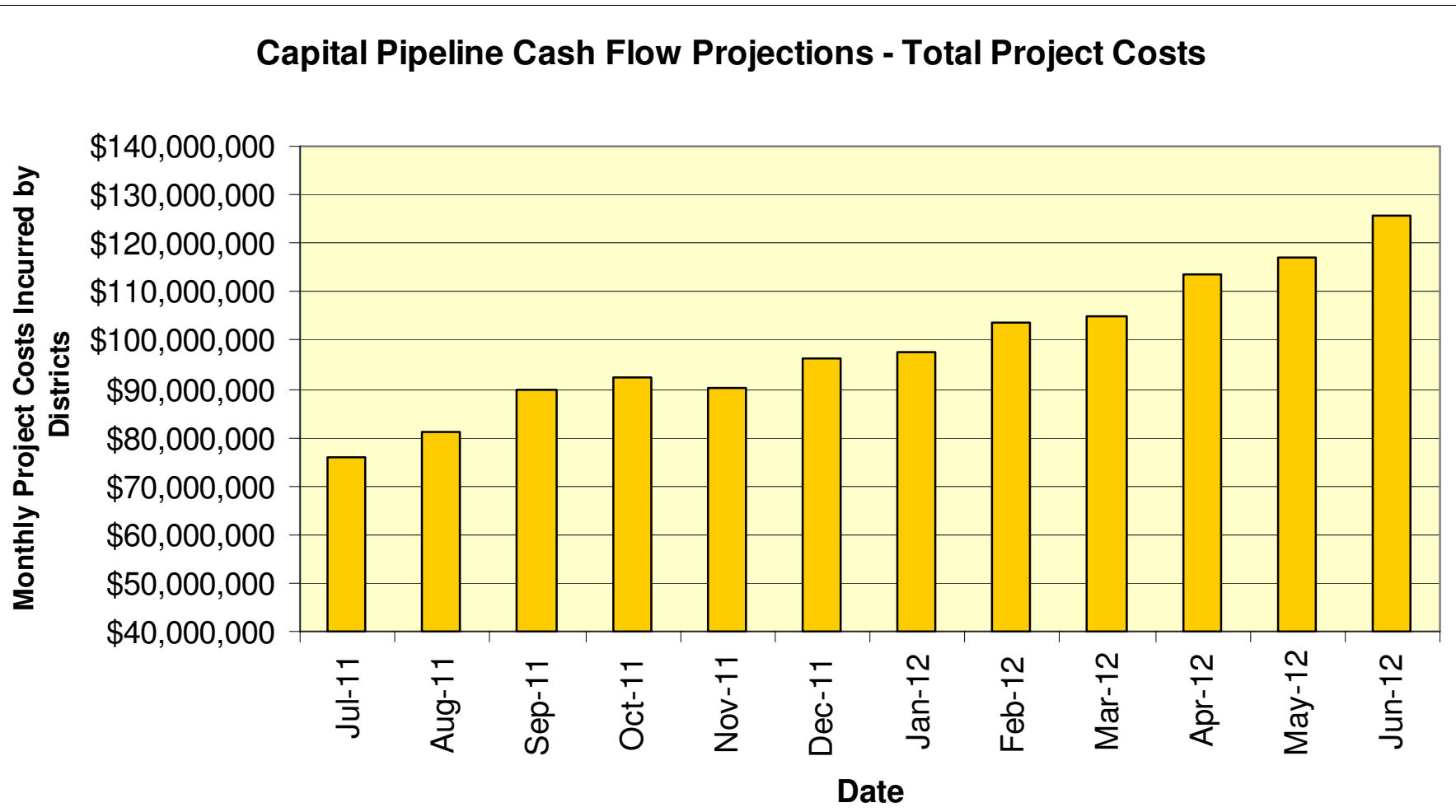
New Program Update

MSBA's New Program project payments continue to increase as projects advance through the Capital Pipeline

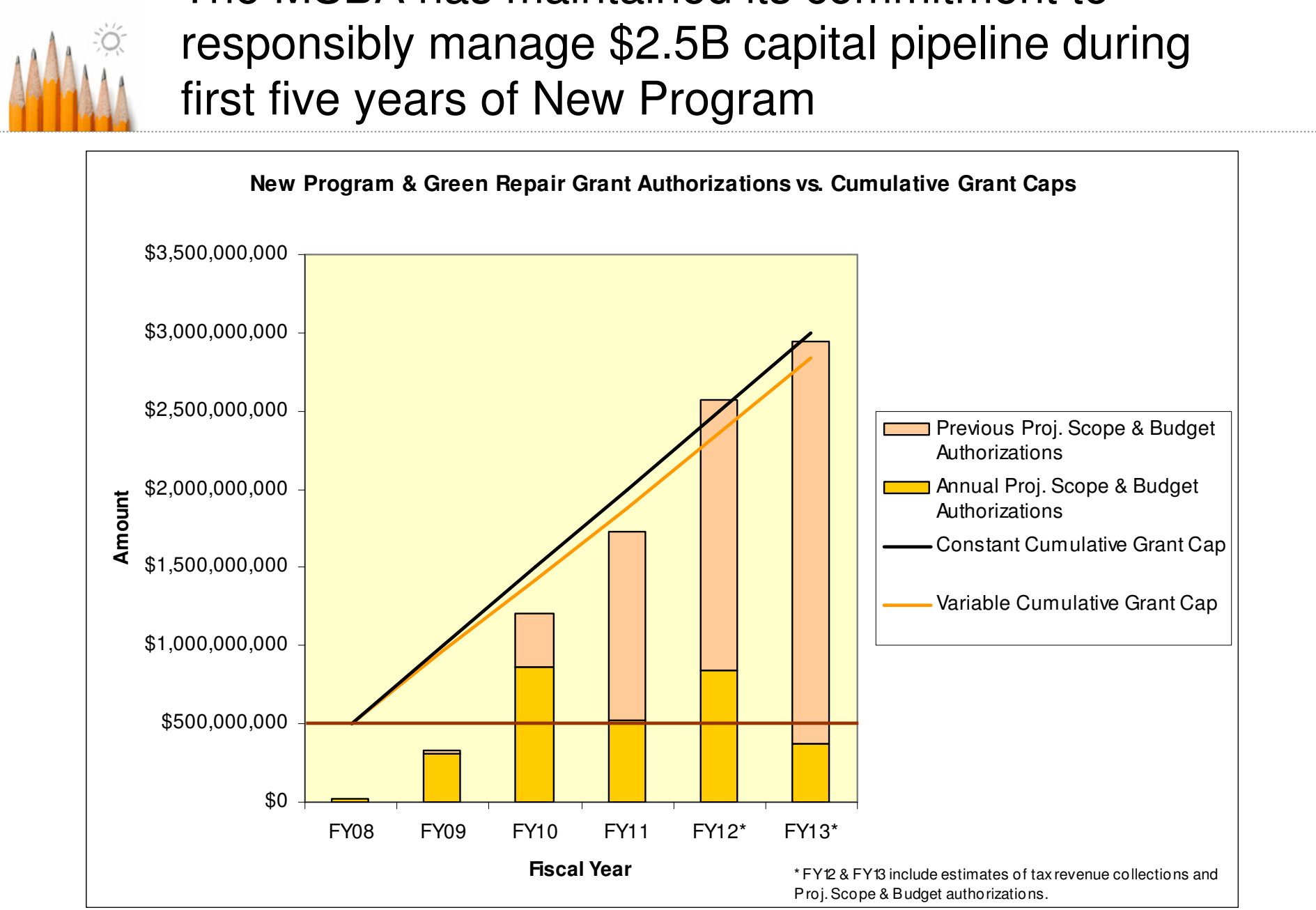
Capital Pipeline Project Status	# Projects
Local Clearance	25
Green Repair Program	33
OPM Selection	38
Designer Selection	23
Feasibility Study	47
Preferred Schematic	5
Project Scope & Budget	5
Approved Project Vote Pending	31
Design Development	44
Construction	45
Building Completion	2
Closeout	28
	326



MSBA's New Program Capital Pipeline is estimated to generate over $1.2B in project costs during FY2012, as projects continue to progress through the Capital Pipeline



The MSBA has maintained its commitment to responsibly manage $2.5B capital pipeline during first five years of New Program

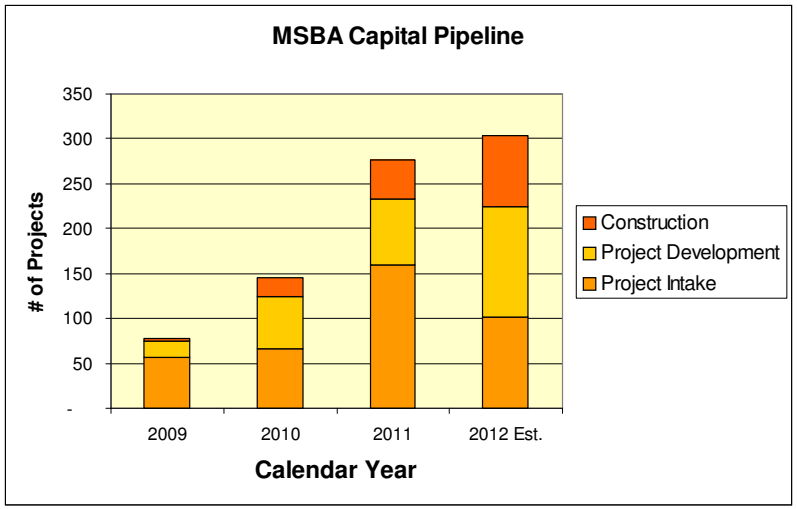


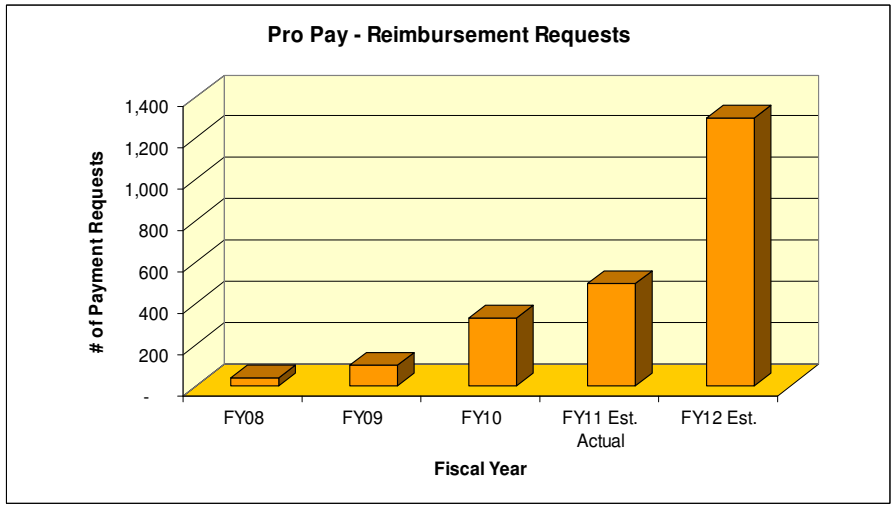


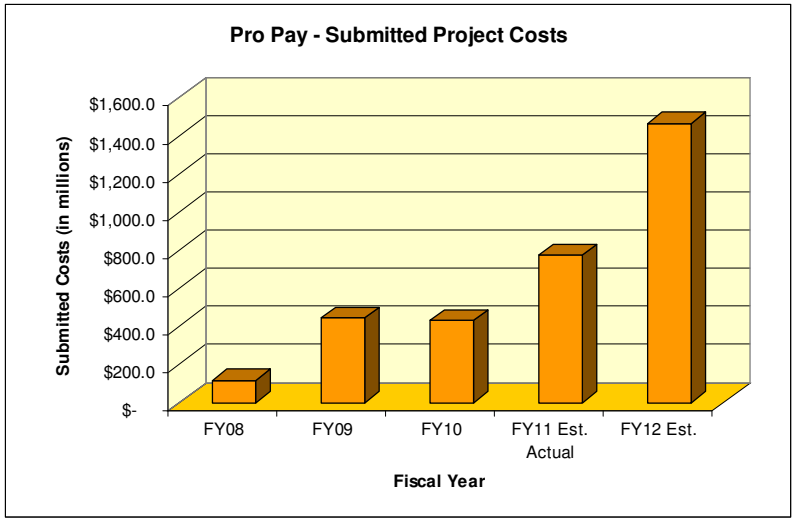
The MSBA's New Program Capital Pipeline process has generated more than $577 million savings through avoided project costs to date

Savings from MSBA Process - Not Including Bid Savings	
Project Count	119
District Requested Enrollment	82,447
Projected Enrollment	79,953
Square Footage Avoided	465,823
Savings Generated from MSBA Enrollment Projection	85,946,591
Original District Budget Submission	3,608,277,399
Agreed Upon Budget After MSBA Due Diligence Process	3,439,032,385
Savings Generated by MSBA Process	169,245,014
MSBA Reimbursable Budget (after excluding non-core academic spaces)	3,116,451,729
Savings From MSBA Focus on Core Academic Areas	322,580,656
Total Savings from MSBA Process	577,772,261

Workload associated with the New Program Capital Pipeline has increased by over 300% since 2009



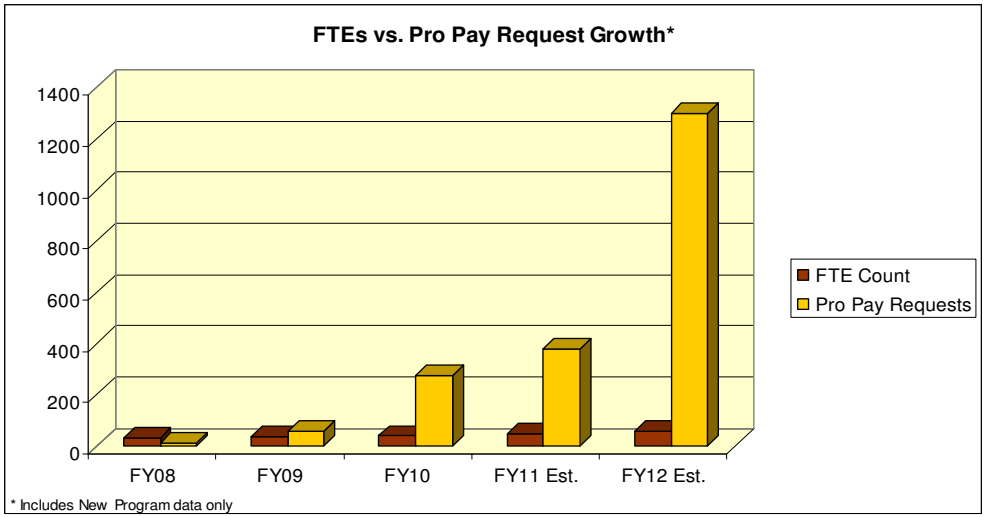


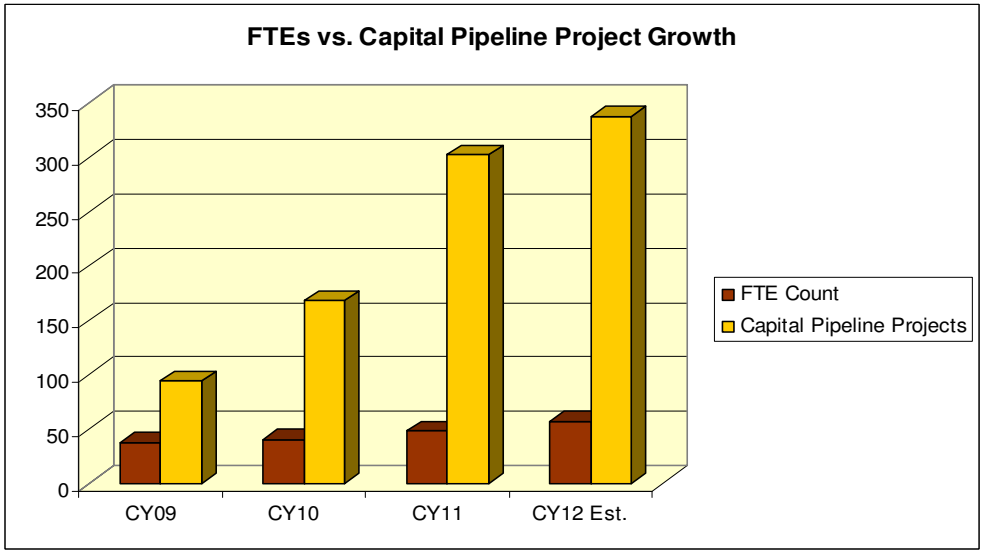




Growth in the MSBA's Capital Pipeline has significantly outpaced MSBA staffing levels

- MSBA staffing has not ramped up to meet the demands associated with the maturing Capital Pipeline
- The number of projects and associated reimbursement requests have increased significantly during the last few fiscal years, while FTE counts have changed only modestly during that time







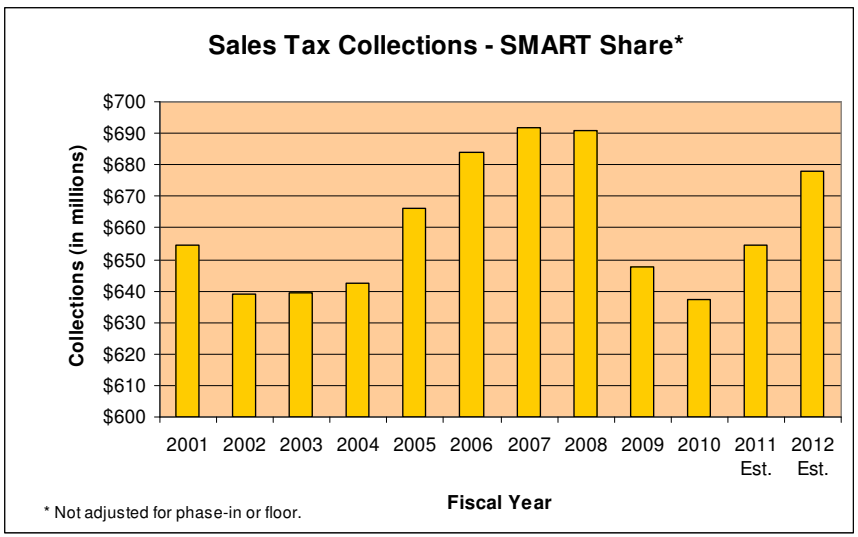
Sales Tax, Finance & Debt Service Update

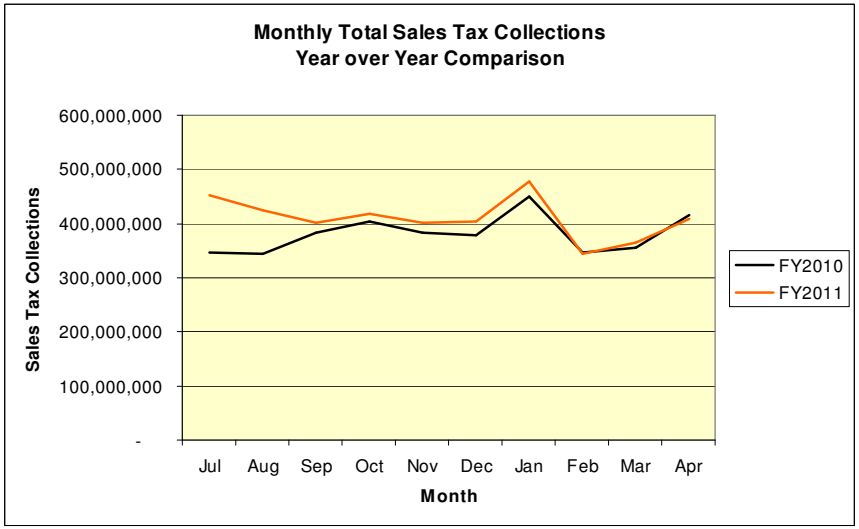


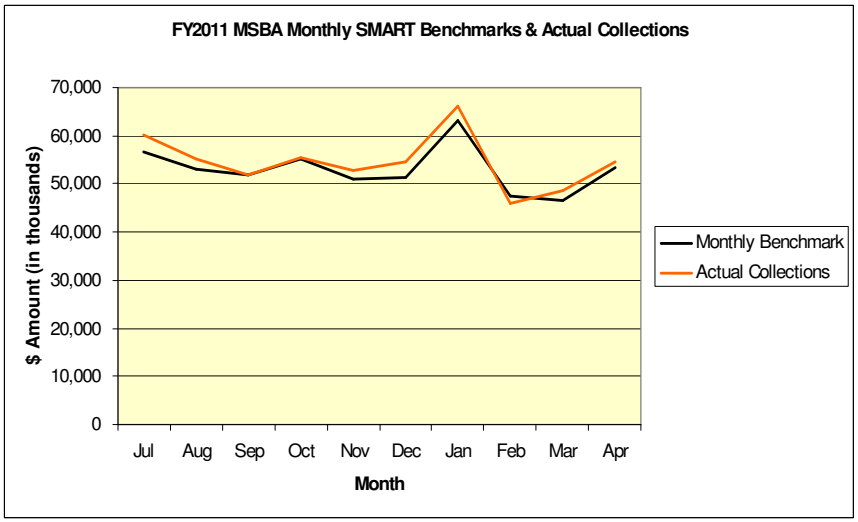
FY2011 Sales Tax Update

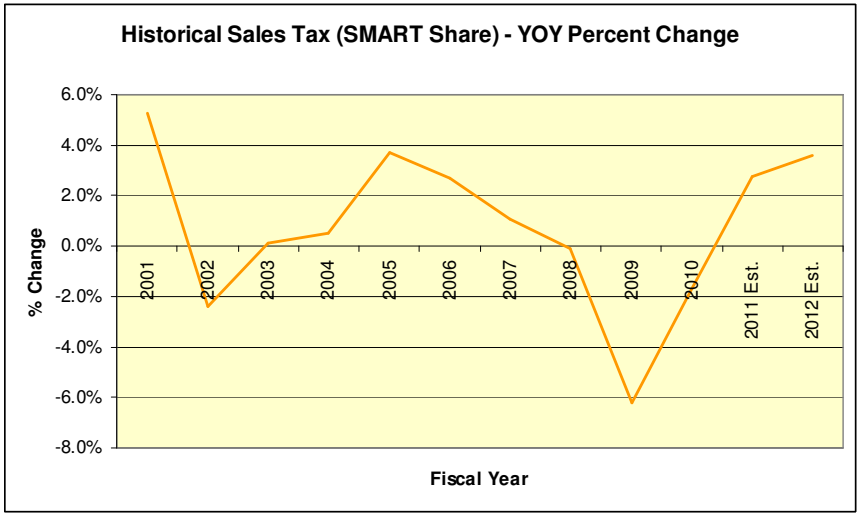
- First year of fully phased-in dedicated revenue
  - FY2011 and beyond the MSBA receives 1 cent of the 6.25% sales tax
  - November 2010 Question 1 ballot initiative repealed sales tax on alcohol sold at retail effective Jan. 1, 2011
    - Est. impact of $7.5M in foregone SMART collections in FY2011
- FY2011 SMART collections tracking towards approximately $655M
  - Year-to-date collections have exceeded benchmarks by $15.9M (3.0%)
  - $655M would represent approx. 2.8% growth over FY2010
  - Consistent with updated FY2011 Consensus Revenue Estimate of $655M used by Administration, House and Senate

SMART collections indicate sales tax collections have begun a recovery from recession lows









FY2012 MSBA Finance Outlook

SMART Fund Sales Tax Collections

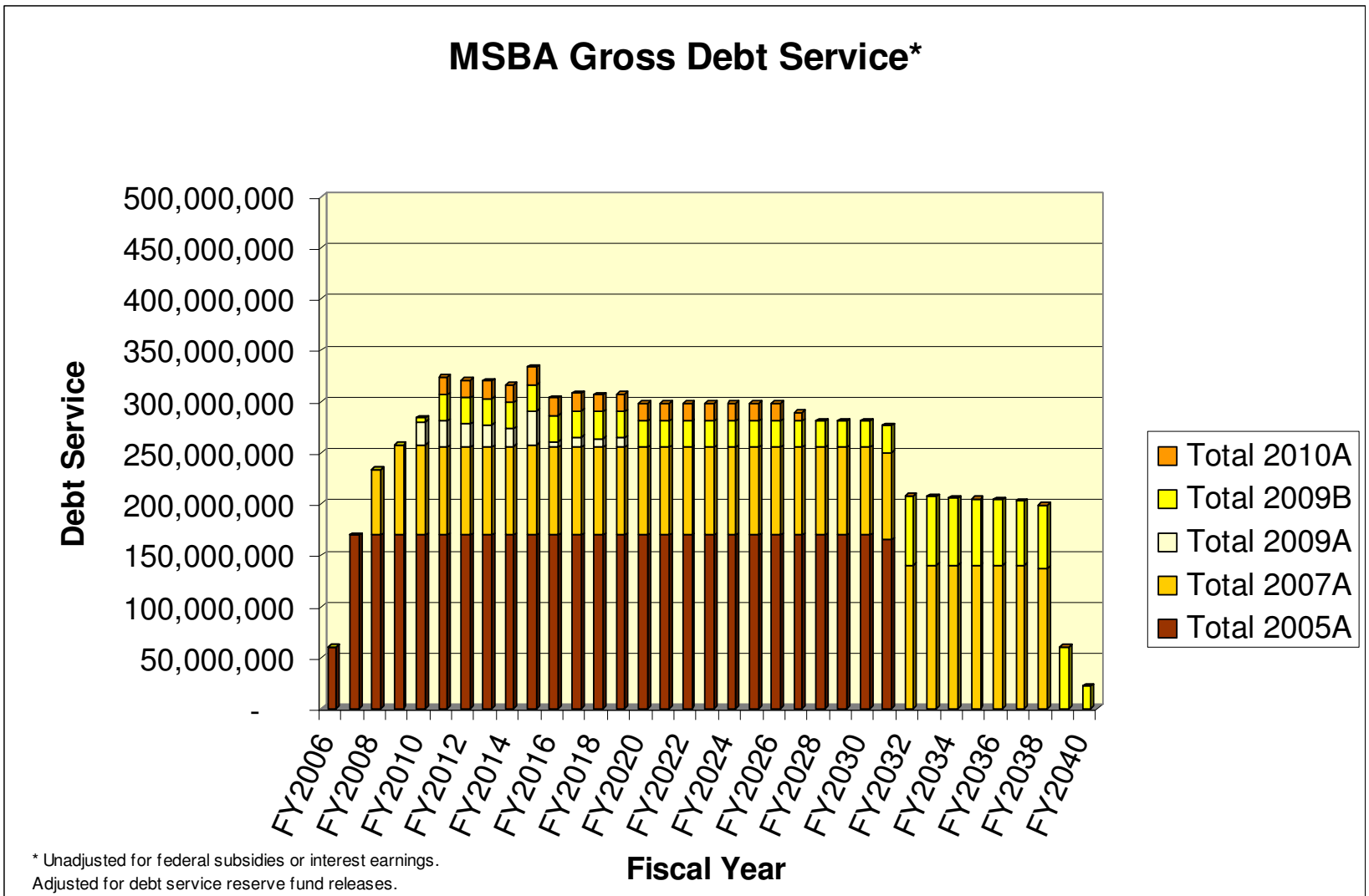
- FY2012 Consensus Revenue Estimate assumes approx. 3.6% growth to $678M

FY2012 Anticipated Borrowings

- Issue approx. $140M remaining QSCB allocation during FY2012 Q1

- Issue approx. $500M in addition to QSCB during FY2012 Q2

MSBA has issued a par amount of $4.75B in bonds, and debt service remains on $4.4B outstanding





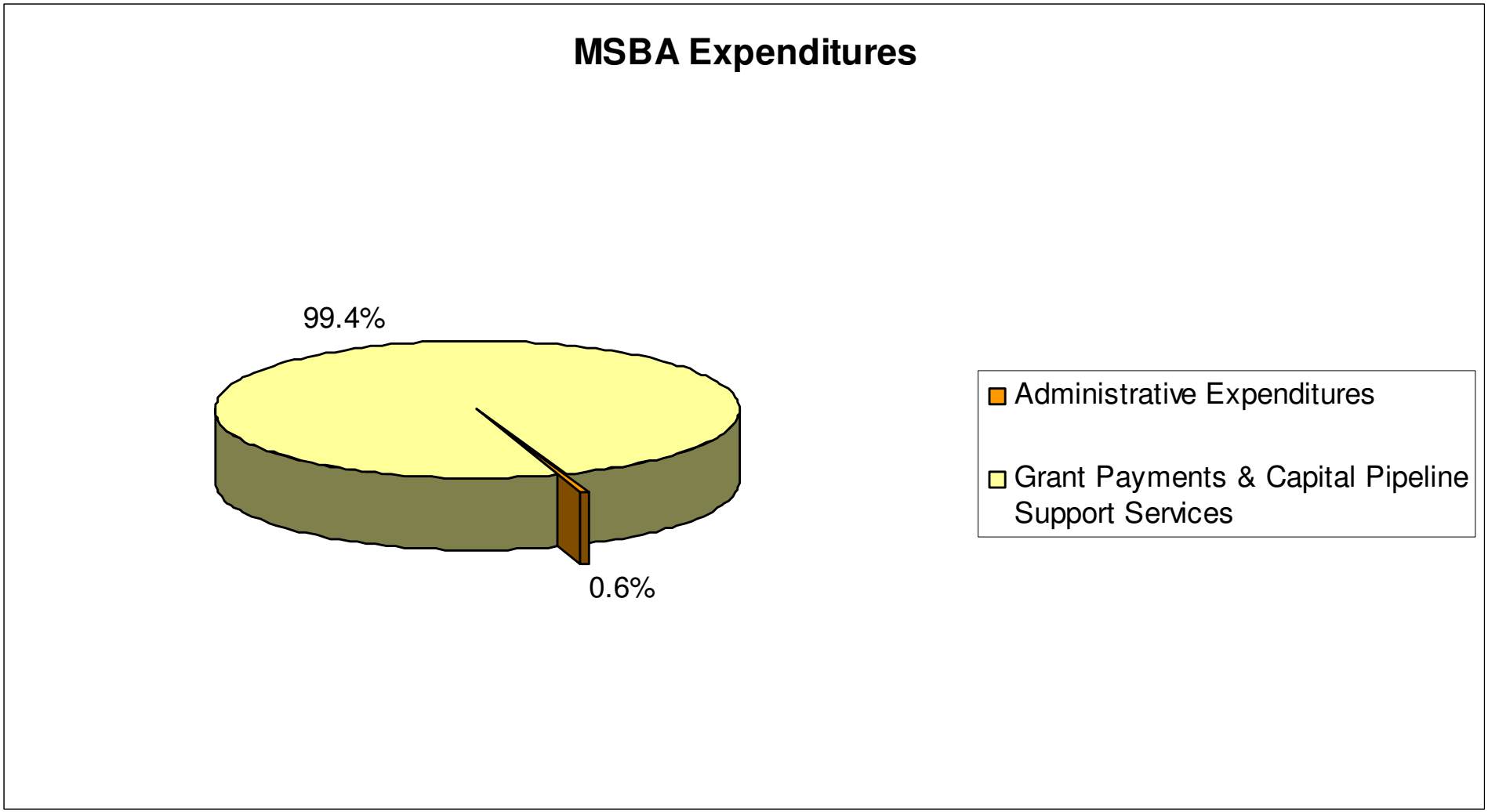
FY2012 Operations & Grant Programs Recommendations

FY2012 MSBA Operations & Grant Program Budget Recommendations

Expense Category	FY2012 Budget
Administrative Expense Budget	$ 6,821,647
Other Post Employment Benefits (OPEB)	$ 350,000
Capital Program Professional Support Services	$ 11,250,000
Grant Programs	$ 1,090,542,624
Total Operating Budget	**$ 1,108,964,271**

- FY12 Total Administrative Expense Budget, inclusive of OPEB authorization, reflects less than 1% of total FY12 budgeted expenditures
- FY12 Administrative Expense Budget does not include any salary increases
- FY12 Administrative Expense Budget reflects full annualization of 47.9 FY11 FTEs, including conversion of information technology contractors to FTEs. It also includes assumption of 100% annualization for one additional FY12 FTE, and 50% annualization for eight additional FY12 FTEs in order to meet increased workload associated with Capital Pipeline
- FY12 Capital Program Professional Support Services budget includes a $2M increase for commissioning contracts and a $475K increase for forensic audit initiative. It also reflects $200K in savings from conversion of information technology contractors to MSBA employees
- FY12 Grant Programs budget includes:
  - $258M for FY12 Prior Grant payments
  - $233M for FY12 Waiting List payments, including $24M for annual payments
  - $600M for FY12 New Program Grants, which reflects payments projected to approximately 195 additional projects in FY12, representing a total of 295 projects benefiting 177 school districts

Administrative expenditures represent less than 1% of total budgeted expenditures



Capital Pipeline Professional Support Services Summary

	FY2010 Board Approved	FY2011 Board Approved	FY2012 Budget Recommendation
Commissioning Consultants[1]	2,500,000	2,500,000	4,500,000
Project Management Services	2,000,000	2,000,000	2,000,000
Architectural Services	1,750,000	1,975,000	1,975,000
Cost Estimating Services	1,000,000	1,000,000	1,000,000
Audit & Other Compliance[2]	500,000	25,000	500,000
Capital Program Information Systems[3]	500,000	625,000	425,000
Cost of Issuance	250,000	375,000	375,000
Green School Advisor	225,000	225,000	225,000
Other	175,000	175,000	175,000
Legal	75,000	75,000	75,000
Capital Program Support Services	**8,975,000**	**8,975,000**	**11,250,000**

[1] FY12 budget amount reflects increase necessary to support projected increase of approximately 70 additional commissioning contracts for New Program and Green Repair projects.
[2] FY12 budget amount reflects $475K increase to support forensic audit initiative.
[3] FY12 budget amount reflect $200K reduction as a result of contractor conversion to FTEs.



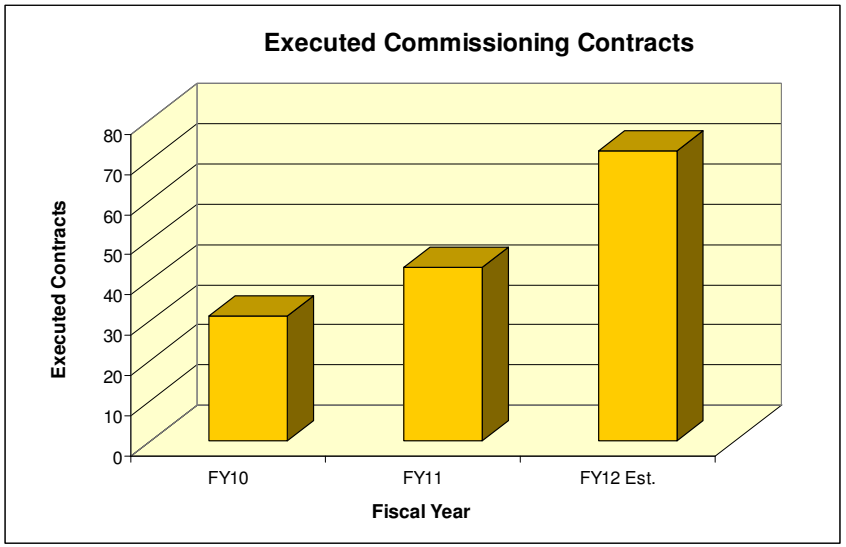
Capital Pipeline Support Services - Commissioning

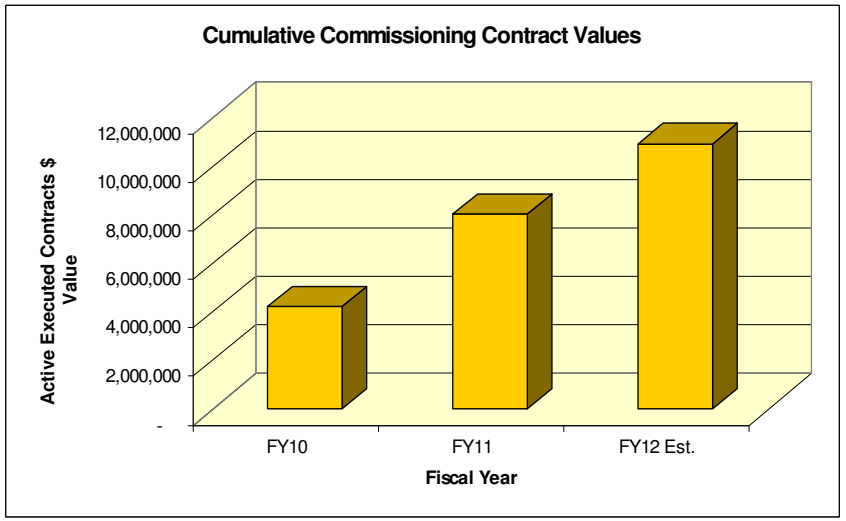
The MSBA requires and pays for the entire cost of building commissioning for all MSBA-funded projects

- Independent third party testing a building's systems and materials, and the operation of the building as a whole
- MSBA commissioned buildings undergo an intensive quality assurance process that begins during design and continues through construction, occupancy, and operations
- Commissioning ensures that the new building operates efficiently, and as the owner intended
- Commissioning also prepares the building staff to operate and maintain building systems and equipment

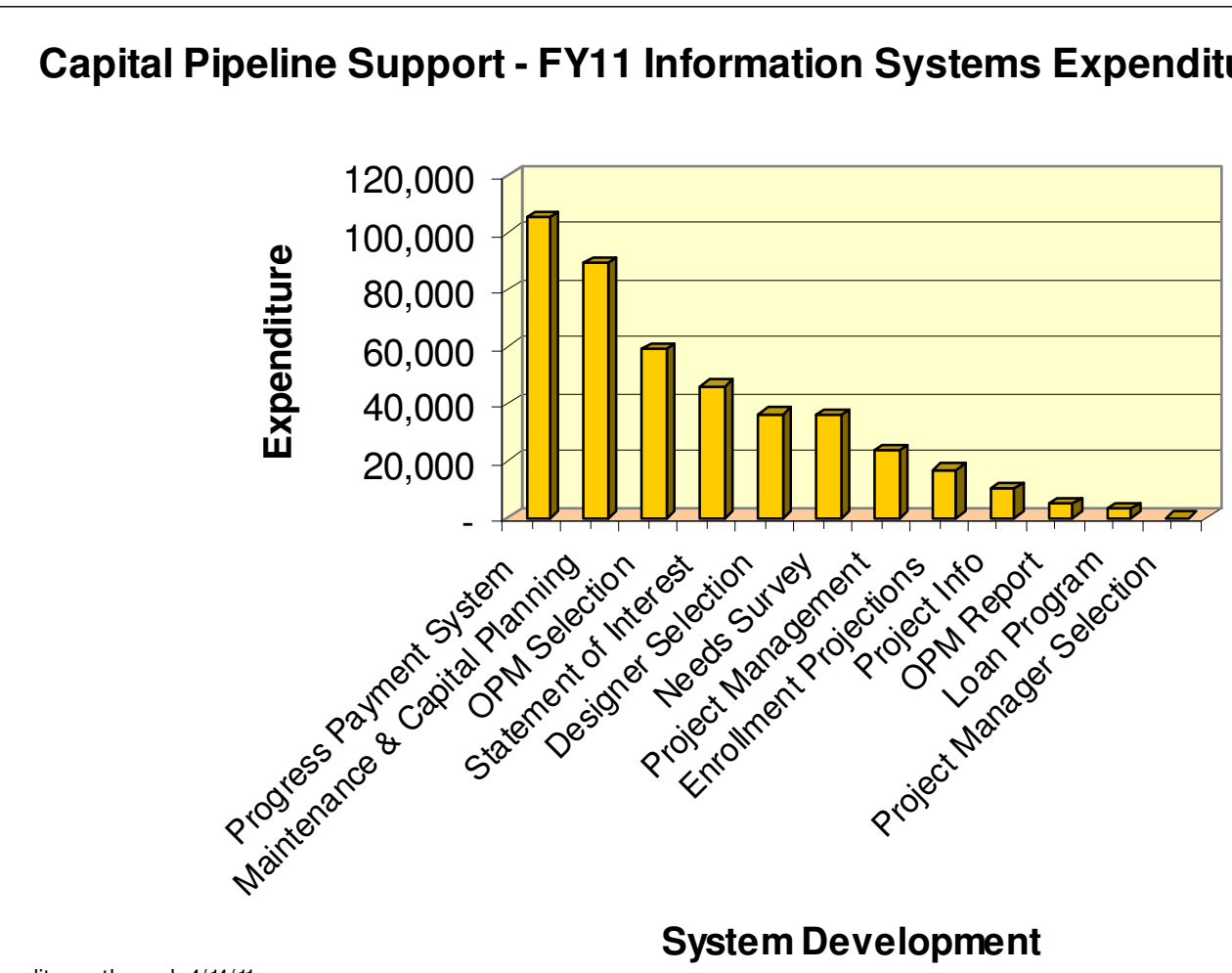
Capital Pipeline Support Services - Commissioning

- In FY2012, it is estimated that the number of active commissioning contracts and cumulative contract values each will have more than doubled since FY2010 as the Capital Pipeline and Green Repair Program mature



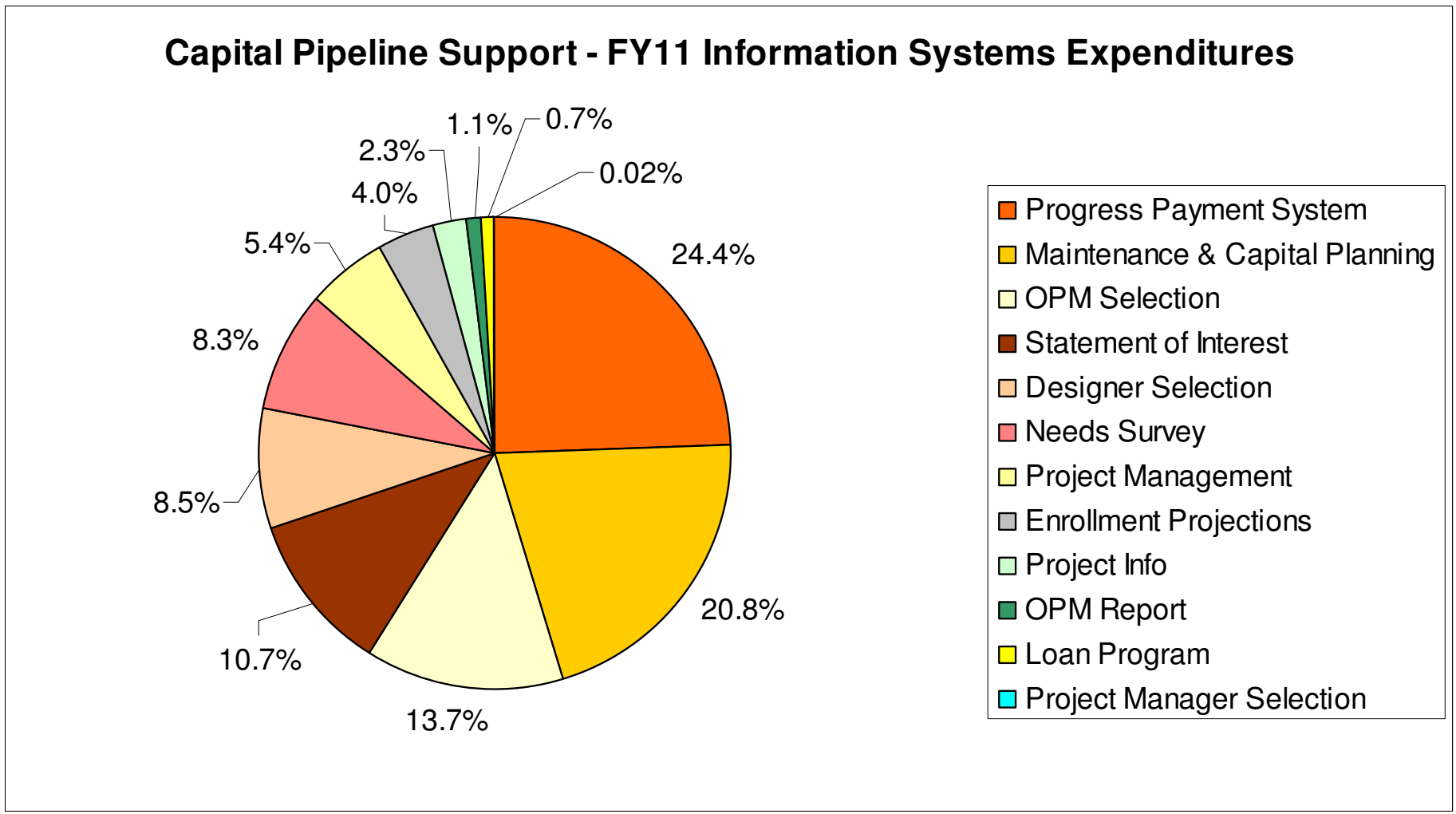


Capital Pipeline Support Services – Information Systems



*Reflects actual expenditures through 4/14/11.

Capital Pipeline Support Services – Information Systems





Summary & New Initiatives



Summary

- New Program has matured as inherited liabilities continue to be retired
- Sales tax beginning to show signs of recovery from recession lows
- Inherited grant programs are estimated to decline by approximately $250M in FY2012
- MSBA administrative and capital pipeline support budgets have been level funded for the last four fiscal years
  - FY2012 proposed increase of $3.3M over FY2011 budget authorization will provide necessary resources to support the capital pipeline
- MSBA continues to manage scarce resources efficiently
  - Grants to districts represent approx. 99% of all expenditures



In addition to the increase in project workload, the MSBA anticipates several new initiatives in FY12

- Capital Pipeline/New Program Initiatives
  - 270 day “eligibility period”
  - Failed vote policy review
  - Forensic audit investigations
  - FF&E/technology policy review
  - Construction Management at Risk analysis
  - Standard pricing for feasibility studies
- Organizational Initiatives
  - Regulations & bylaws update
  - Variable rate debt analysis
  - Awards program development