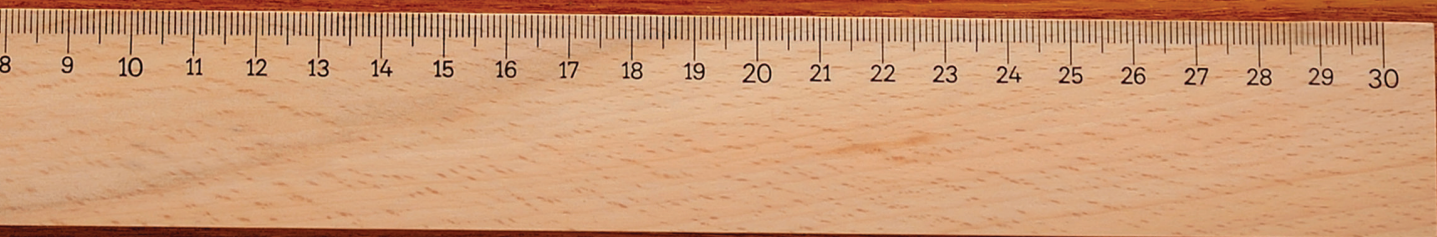


MASSACHUSETTS SCHOOL BUILDING AUTHORITY

Annual Report 2012



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.

On the cover



First-grader Yeva Medvedeva of Waterford Street School in Gardner was the winner of the 2012 My Ideal School Contest. Yeva says her ideal school is a place where “I could make new friends at school and playing.” She adds that “I love my teachers, because they are friendly and kind.” As the contest winner, Yeva received an award donated by Sovereign Bank, which sponsored the contest.

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2012

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MASSACHUSETTS TREASURER
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FOR ADMINISTRATION AND FINANCE

TERRY KWAN
FORMER TEACHER AND BROOKLINE
SCHOOL COMMITTEE MEMBER

Dear Friends,

As Treasurer of the Commonwealth and Chair of the MSBA's Board of Directors, I'm pleased to present the Massachusetts School Building Authority's 2012 Annual Report.

The MSBA is committed to conserving taxpayers' resources at both the state and local levels. We regularly work with communities to develop educational facilities that address the needs of a 21st century curriculum while ensuring that these projects are also cost-effective. Our schools and the kids they teach are the foundation of our Commonwealth's dynamic and growing economy, and we have to ensure that those critical building blocks are sound.

2012 has been a year of numerous repair, renovation and reconstruction projects. We approved funding for projects at Springfield and Westfield schools impacted by the 2011 tornado, delivering fast-tracked aid to communities ravaged by an unforeseen natural disaster. Additionally, in the first full year of our Accelerated Repair Program, we collaborated with 23 school districts on 33 projects.

The year also saw a great deal of innovation. We opened four high schools constructed under our Model School Program, which uses previously successful school designs in order to save time and money. We also approved the first projects in our Science Lab Initiative, awarding more than \$15 million in funding for laboratory upgrades to ensure our children get the science education they'll need to compete in a global marketplace.

Effective fiscal management throughout 2012 allowed us to expedite over \$46 million in payments to 40 districts to help them meet their cash flow needs in the face of a challenging economy. By year's end, we made more than \$1 billion in reimbursements for school construction projects overall, bringing the total since the MSBA's creation in 2004 to \$9.5 billion.

I am proud of the MSBA's accomplishments and I am grateful to have played a role in building sustainable, efficient and affordable schools for our children. In 2013, we'll continue to work with our partners at the local level to maintain and improve one of the highest standards of education in the country.

Sincerely,



Steven Grossman

Treasurer and Receiver General

Chair of the Massachusetts School Building Authority

From the Executive Director



Dear Fellow Citizens,

During the course of our considerable activity in 2012, we at the MSBA strove to keep our core mission in mind. That is, "To partner with Massachusetts communities to support the design and construction of educationally-appropriate, flexible, sustainable and cost-effective public school facilities." The MSBA had ample opportunity to fulfill that charge, this past year.

During 2012:

- We funded 25 core projects, representing total construction costs of \$979.2 million.
- We maintained an active capital pipeline with over 300 projects in progress.
- We were cost efficient, having 75% of our projects come in at or under the estimated budgets.
- We streamlined community engagement by introducing our 270-day eligibility period. Six projects have already benefited from this improvement to our process.

Since 2004, the MSBA has significantly improved the way Massachusetts oversees and finances school construction projects. It has been my pleasure to receive many messages of appreciation regarding our Board of Directors' and staff's dedicated work from our constituents, school administrators, facilities professionals, teachers and students. None of these improvements would have been possible without their efforts. I am proud to pass along some of the comments in this year's report.

Looking to the future, I'm reminded of what one local official said at a ribbon-cutting in April 2012: "Children are the heart of a neighborhood." I couldn't agree more. That's why we remain committed to our partnership with Massachusetts communities as we work together to provide the best, most educationally-appropriate schools possible for the children of our Commonwealth.

Sincerely,

A handwritten signature in black ink that reads "Jack McCarthy". The signature is fluid and cursive.

Jack McCarthy

Executive Director of the Massachusetts School Building Authority

Executive Director Jack McCarthy reads to students at Mather Elementary School in Boston.



Winchester student Dylan Schein puts the first shovel in the ground on the new Vinson-Owen Elementary School project, as Executive Director McCarthy and local officials look on!



Paying Attention to Detail

Our Designer Selection Panel and Owner's Project Manager (OPM) Review Panel provide careful oversight to ensure that Commonwealth taxpayers, communities and students get the investments they deserve.

2012 Advisory Board

Greg Beeman

President/CEO, Associated Builders and Contractors, Massachusetts Chapter

Edward Bouquillon

Superintendent-Director, Minuteman Regional Vocational Technical School District

The Honorable Suzanne M. Bump

Massachusetts State Auditor

Francis X. Callahan

President, Massachusetts Building Trades Council, AFL-CIO

James H. Crissman

FALA, Boston Society of Architects

Sean Cronin

Deputy Town Administrator, Brookline

Dominic D'Eramo

PE., American Council of Engineering Companies of Massachusetts

Philip Katz

Massachusetts Teachers Association and Massachusetts Federation of Teachers

Monica Lawton

Executive Director, Associated Subcontractors of Massachusetts

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Executive Director, MSBA

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Public Policy Director, Boston Society of Architects

Robert Petrucelli

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The Honorable Gregory W. Sullivan

Former Massachusetts Inspector General

Michael Widmer

President, Massachusetts Taxpayers Foundation

OPM Review Panel

Francis X. Callahan

President, Massachusetts Building Trades Council, AFL-CIO

Dominic D'Eramo

PE., 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

PE., CCM

Jeffrey Sullivan

Painters and Allied Trades District Council 35

The Honorable Michael Sullivan

Owner, T.A. Sullivan Agency; 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. McKimney, Vice Chair

PE.

Russell Bartash

Public Member

Gordon Borek

PE.

Karl Brown

ALA; Senior Architect, MSBA

Joseph Buckley

PE.; Chief Engineer, MSBA

James H. Crissman

FALA

Leo J. Fahey

Business Manager/Financial Secretary-Treasurer, Local 537, Pipefitters Association of Boston

Jack McCarthy

Executive Director, MSBA

Holly McClanan

Associate General Counsel, MSBA

Leo F. Peters

PE.; DEE; American Council of Engineering Companies of Massachusetts

Charles N. Tseckares

FALA; Principal, CBT/Childs Bertman Tseckares, Inc.; Boston Society of Architects

Ken Wexler

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

Foundation

HELPING TO ENSURE SUCCESS

2012 Statements of Interest

Submitting a Statement of Interest (SOI) is the critical first step in the MSBA's program for education capital improvement grants. It allows a district to inform us about deficiencies that may exist in a local school facility and how those deficiencies inhibit the delivery of the district's educational program.

Of the 280 Statements of Interest received in 2012, 64 resulted in invitations into the MSBA Capital Pipeline.

The Eligibility Period

The MSBA is always looking for new, innovative ways to engage the community and facilitate its partnership with districts. That's why, in 2012, we incorporated the new Eligibility Period as the first of eight modules in our school construction process. The Eligibility Period is a 270-day timeframe during which preliminary project requirements are addressed.

The Eligibility Period formalizes and streamlines the beginning of the grant process, helping the MSBA determine early on whether or not a district is capable of managing and funding a project. It also provides districts with a definitive schedule in which to identify their planning and budgetary needs.

After review of district-submitted SOIs, proposals showing the potential for a successful collaboration with the Authority are presented for an approval vote from the Board of Directors. A successful vote initiates the Eligibility Period. Upon successful completion of Eligibility Period requirements, the proposed project becomes eligible to receive a Board invitation to conduct a Feasibility Study.



The MSBA process is founded on collaborative engagement with Massachusetts school districts. At a meeting of the MSBA Board of Directors, Board Members Christine Lynch and Richard Bertman and MSBA staff listen to comments from local leaders about their proposed MSBA project.

Dedication

ENGAGING SCHOOL DISTRICTS

The MSBA continues to develop the tools communities need to help them play their role in the design, planning, financing and maintenance of top-notch schools.



MSBA Executive Director Jack McCarthy and Project Manager Paul Fowkes, as well as Local Uxbridge officials, survey construction at Uxbridge High School.

Reaching out to Communities

The "Your School" online database lets you see what MSBA-supported projects are in your district, providing the latest news and helpful information on every public school in Massachusetts.

The Geographic Information System (GIS) is a comprehensive mapping tool that allows you to look up projects by town and project type.

Building Schools that Build Communities: Monomoy Regional High School

In December 2010, the Cape Cod towns of Chatham and Harwich voted to regionalize their school systems to create the Monomoy Regional School District. Faced with shifting economic tides and a 1962 high school that once had an outer wall torn off by a hurricane, Monomoy students were in immediate need of a new facility to prepare them for the demands of the 21st century. Partnering with the MSBA, Monomoy District leaders designed a school based on the model school design of Ashland High School, which was then tailored to the educational and architectural needs of Chatham and Harwich.

In September 2012, the completed budget and schematic design were presented to the people of Chatham and Harwich. The voters approved the project by an overwhelming margin. More good news followed a few months later when construction bids for the school came in \$5 million lower than originally expected!

Monomoy celebrated this long-awaited success by expanding the groundbreaking ceremony for Monomoy Regional High School into a Coming Together Ceremony for the two towns. Superintendent Dr. Carolyn Cragin captured the spirit of the day when she said, "this is not just about building a school, but about building a school community." Her thoughts were echoed by Treasurer Grossman, who noted that "it took ingenuity, creativity and hard work to get to this point."

The event was made complete when 52 Monomoy students poured buckets of soil into the construction site, while students from the high school played the Crosby, Stills, Nash and Young classic, "Teach Your Children."



Monomoy Regional High School groundbreaking

Revitalization

RESPONSIBLE SPENDING FROM EXPLORING NEW IDEAS AND PRESERVING PROVEN APPROACHES

Science Lab Initiative

Communities need to prepare their students for the rapidly-developing demands of the economy of the 21st century. In 2011, the MSBA launched the \$60-million Science Lab Initiative to help school districts meet those demands. This innovative program equips high school facilities with cutting-edge, prototype-designed science labs. In 2012, the MSBA invited 11 districts into the Initiative. By the end of the year, more than \$15 million in Science Lab Initiative grants had been approved, with another \$31 million on track for approval at the January 2013 Board Meeting. These grants are providing vital assistance for projects with combined budgets totaling over \$72 million.

Accelerated Repairs

The MSBA's Accelerated Repair Program supports energy-efficient and cost-saving upgrades targeted primarily at roofs, windows and boilers. In 2012, we approved \$12 million in Accelerated Repair Program grants, with a further \$19 million ready for approval at the January 2013 Board meeting. These grants are supporting projects throughout the state with combined budgets totaling over \$52 million.



ROOF REPAIR WORK AT NORTH ANDOVER'S ANNIE SARGENT ELEMENTARY SCHOOL



NEW BOILERS WERE INSTALLED AT SALEM'S SALTONSTALL ELEMENTARY SCHOOL

"It is really a step up from the other school. I can't wait to use the science labs, considering we didn't really have any before."

— Rockland Student Julia DiCienzo speaking at the grand opening of Rogers Middle School

Model Schools

In September of 2012, Plymouth, Natick, Hampden-Wilbraham and Tewksbury celebrated ribbon-cuttings at some of the first high schools built under the MSBA's innovative Model School Program. Launched in 2008, the program maximizes the value of existing, proven school designs to shorten project schedules and reduce costs.

Instead of reinventing the wheel for every new school, the Model School Program adapts and re-uses the design of successful, recently constructed elementary, middle and high schools. Model schools are efficient to design, easy to maintain and contain optimal classroom and science lab space. Substantial savings, faster construction schedules and additional reimbursement rate incentive points often make all the difference in a school district's ability to afford new facilities. Since its creation, eighteen school districts have participated in the program as growing numbers of communities have seen the advantages of proven, sustainable and flexible school designs.



"The Model School Program is a tremendous program. It's cost-saving, it's time-saving. And we appreciate the MSBA for their leadership on that."

— Somerset Berkley Regional High School Building Committee Chairman Richard Fenstermaker

Cultivation

Helping districts conserve resources

In projects as sweeping as school construction and repair, there are vast numbers of details to master—each with the potential to impact costs, scheduling and long-term performance of a facility. The MSBA allows districts to rely upon the highest standards of professional experience and oversight for their project, typically resulting in lower overall costs and better outcomes than would otherwise have been the case. The MSBA oversees large numbers of ongoing projects every year, accelerating the learning curve and quickly adopting best practices in construction, planning, project management, maintenance and finance.

At the end of 2012, MSBA grants are expected to supply over \$1.7 billion in vitally-needed funding towards projects currently under construction.

These projects include:

$$12 + 13 + 19 = 44$$

ELEMENTARY SCHOOLS	MIDDLE AND MIDDLE/HIGH SCHOOL	HIGH SCHOOLS	CORE PROGRAM AND WAITING LIST PROJECTS
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**13 GREEN REPAIR
PROGRAM PROJECTS**

2.9 BILLION

TOTAL ESTIMATED CONSTRUCTION COST

10 BILLION SQ FT

MSBA-FUNDED PROJECTS CURRENTLY UNDER CONSTRUCTION

54,868 STUDENTS

BENEFIT FROM THE WORK CURRENTLY BEING DONE IN
MSBA-FUNDED PROJECTS

"The kids are absolutely the winners, here."

— Superintendent-Director Mary Jo Santoro reacting to local approval of funding for upgrades to Greater Lowell Technical High School

Project Status as of December 2012

Core Program:	99
Wait List:	1
Green Repair:	13
Accelerated Repair:	33
Science Lab Initiative:	8
Project Complete/ Substantial Completion:	49
Closeout:	72
Final Audit Approved:	48
Total Projects:	323



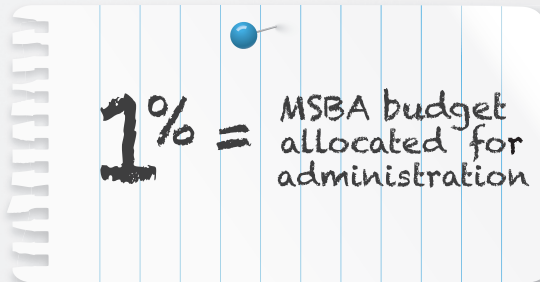
Realization

Taking stock of the results

The benefits of our process can be seen in dollars saved and in the newly-built or efficiently-renovated schools that house our state's most vital resource: its students. Here are some facts that define our approach and impact:



\$9.5 Billion distributed to Massachusetts school districts since 2004



600,000+ have benefited from improved learning facilities since 2004

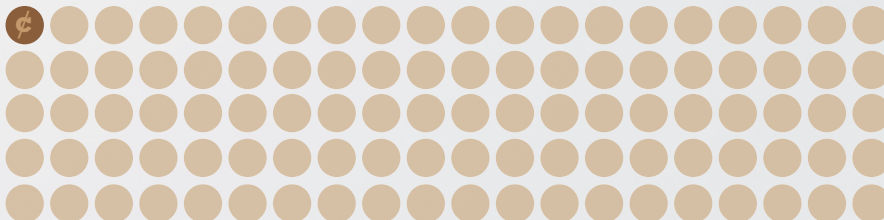


OVER 660 SITE VISITS made to more than 240 school districts as part of our review and due-diligence process



119+ FINAL AUDITS for new program projects totalling over \$379 million

Over **155 CORE PROGRAM PROJECTS** approved since 2004



We receive a one percent statewide sales tax drawn from the existing 6.25% Massachusetts sales tax

"Words can't explain how happy I am. I'm proud that Dracut residents stepped up to support another school ... It's a huge investment that benefits every kid that will attend that school for the next 40 years."

— Dracut parent Renee Dion, Jr

2012 Achievements

This year's highlights

- ✓ 25,000 students will benefit from MSBA-funded infrastructure improvements that went out to bid in 2012
- ✓ \$1 billion in payments were made to Massachusetts cities, towns and regional school districts
- ✓ 25 core program projects were approved with combined estimated construction budgets of more than \$979 million
- ✓ 11 new projects were invited into our new Science Lab Initiative to upgrade science and technology facilities
- ✓ The Accelerated Repair Program successfully completed its first full year in operation, with 33 projects approved or ready for imminent approval
- ✓ \$2.1 billion in costs were carefully audited within the 212 projects we are managing

"I think I am the luckiest person in the world, now. This is a middle school and high school we can all be 'Bulldog' proud of."

— Beth Bohn, Principal of Rogers Middle School in Rockland



Clockwise from left:

Steel work at Morton Middle School, Fall River

Topping out ceremony, Methuen High School

Treasurer Grossman and MSBA Project Manager Chris Alles take part in a groundbreaking ceremony at Somerset Berkley Regional High School

Financial Overview 2012

For fiscal year 2012, the MSBA's primary funding sources are the portion of the Commonwealth's statewide sales tax revenue dedicated to the Authority, interest and grant income.

The primary component of the Authority's expenditures for fiscal year 2012 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 \$337 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 (Prior Grant 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 2012, the Authority's estimated remaining liability totaled approximately \$329 million for Waiting List projects and approximately \$1.5 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.

In Fiscal Year 2012, the MSBA established an irrevocable trust for the purposes of accumulating assets to pay for future other post-employment benefits (OPEB). During Fiscal Year 2012, the MSBA transferred \$1.8 million to the OPEB Trust Fund to fully fund it. As of June 30, 2012, the MSBA had no OPEB liability.

The information above was derived from the Authority's audited financial statements for the fiscal year ending June 30, 2012. 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 2012 (Dollars in thousands)

REVENUES

Dedicated Sales Tax	670,494
Other Income	100,418
Total Revenues	770,912

EXPENDITURES

Grant payments to Cities, Towns, and Regional School Districts*	576,906
Administration	11,526
Debt Service	238,883
Total Expenditures	827,315
Fund Balance	(56,403)

ASSETS

Cash and Cash Equivalents	843,653
Funds held by Bond Trustee	772,526
Sales Tax due from the Commonwealth	58,289
Interest Receivable	9,449
Grant Receivable	3,412
Loan Receivable	121,257
Other Assets	35,325
Total Assets**	1,843,911

LIABILITIES

Accounts Payable	1,635
Grants Payable to Cities, Towns and Regional School Districts	1,893,646
Outstanding Authority Debt and Accrued Interest	5,533,494
Bond Premium	276,670
Other Liabilities	8,090
Total Liabilities	7,713,535
Net Deficit	(5,869,624)

WAITING LIST AND PRIOR GRANTS PROJECT SUMMARY

Value of Outstanding Estimated Waiting List Grants as of July 1, 2011	(447,969)
Value of Outstanding Estimated Prior Grants as of July 1, 2011	(1,932,856)
Total Amount of Grants	(2,380,825)

Waiting List Grants Paid	119,166
Prior Grants Paid	421,346
Total Amount of Grant Payments/Audit Adjustments During FY 2012	540,512

Estimated Remaining Waiting List Grants as of June 30, 2012	(328,803)
Estimated Remaining Prior Grants as of June 30, 2012	(1,511,510)
Total Amount of Estimated Remaining Grant Payments	(1,840,313)

* On a full accrual basis these grant expenditures do not include approximately \$431 million of payments made during FY 2012 for Prior Grants and Waiting List projects.

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

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.



Massachusetts School Building Authority

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

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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