

2016-2017 Annual Report

Massachusetts School Building Authority



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.

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MY IDEAL SCHOOL CONTEST

Open to all first-grade students currently attending Massachusetts public schools, the My Ideal School Contest gets students and teachers talking about how thoughtful design and construction of local schools supports student engagement and 21st-century learning.

Students are asked to create images of what their ideal school would look like and describe three things they love about their school. Regional and grand-prize winners are honored at a special ceremony at the Massachusetts State House.

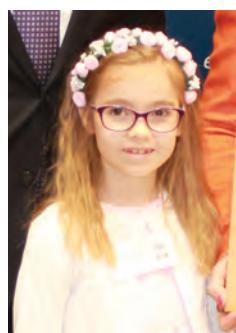
ON THE COVER



Marlee Thrasher of East Somerville Community School, Somerville, MA, was the 2016 winner of the My Ideal School Contest. In her essay, she said, "My ideal school would have recess almost all day. The library would have an aquarium and a tree house. School would also serve cake for lunch and snack. The walls would be made of chocolate pudding."

Contest winner Marlee Thrasher

ON THE BACK COVER



2017's My Ideal School Contest winner, Mariya Stytsenko from the Newton School in Greenfield, said "Newton School is a great place to learn because the teachers are helpful! Newton School would be even greater if everyone in the whole school would always be loving, kind, and helpful. Also, it would be cool if our school had dinosaurs, pirates (sic), skeletons, and was made of rainbows!"

Contest winner Mariya Stytsenko





LETTER FROM THE CHAIR

Dear Friends,

It is my pleasure to present to you the Massachusetts School Building Authority's (MSBA) 2016-2017 Annual Report. This report is a reflection of the prior two years' accomplishments in developing sustainable, efficient, and affordable educational facilities.

At the MSBA, we are investing in 21st-century classrooms where teachers are able to provide a top-notch education for all our children. Since our inception, the MSBA has participated in, or is currently working on, over 600 projects state-wide and has made over \$13.4 billion in reimbursements for school construction projects. This investment can be seen at school facilities in every corner of the Commonwealth.

Over the 2016-2017 period, the MSBA invited 32 new districts into our Core Programs for future projects and invited 85 districts into our Accelerated Repair Program. Over this period we issued almost \$1.2 billion in payments to cities and towns for school construction projects across the Commonwealth. We are committed to working with communities to ensure that they have the financial tools to move forward with their 21st-century school buildings.

I am proud of the Massachusetts School Building Authority's accomplishments and I appreciate the time, dedication, and perseverance of all the communities with which we collaborate on these very worthy endeavors. I look forward to continuing to work with our partners at the local level to maintain and improve one of the highest standards of education in the country.

Sincerely,

Deborah Goldberg

Treasurer and Receiver General of the Commonwealth
Chair, Massachusetts School Building Authority

Board of Directors

Deborah Goldberg

Chair, Treasurer and Receiver General
of the Commonwealth

Anne Brockelman

Senior Associate, Perry Dean Rogers
Partners Architects

Sean R. Cronin

Designee of the Secretary of Administration
and Finance, Director of Finance

Matt Deninger

Designee of the
Commissioner of Education

Terry Kwan

Former Teacher and Brookline School
Committee Member

Greg Sullivan

Former Massachusetts Inspector General

Sheila Vanderhoef

Former Town Administrator for Eastham





LETTER FROM THE EXECUTIVE DIRECTOR

Dear Readers,

The Annual Report serves as a testament not only to the work the MSBA accomplishes, but also to the continued partnership between the Authority and the communities it works with in an effort to build the future for the Commonwealth's students. Together with the Board, the Massachusetts School Building Authority has spent the past 14 years working to uphold our core mission of partnering with Massachusetts communities to support the design and construction of educationally-appropriate, flexible, sustainable, and cost-effective public school facilities.

Our program is designed to rely on both the demonstrated needs of school districts and a collaborative approach to solving those problems, while honoring our mission. It is with great pride that I report the following:

- In 2016, the MSBA made \$599 million in reimbursements and in 2017, we made \$596 million in reimbursements for school construction projects, helping cities and towns repair, renovate, and build facilities that serve the needs of Massachusetts students.
- 2016-2017 saw a combined total of 10 Core projects achieve Substantial Completion.
- A combined total of 44 Accelerated Repair Program projects were completed.

Our schools and the students they teach are the foundation of our Commonwealth's dynamic and growing economy, and it is our responsibility to ensure that these critical building blocks are sound.

I look forward to continuing to support and enable communities that have an interest in partnering with the MSBA, to achieve access to the 21st-century learning environments that they not only need but deserve.

Sincerely,

Jack McCarthy

Executive Director

Massachusetts School Building Authority



(top and bottom) Hurld Wyman Elementary School, Woburn, Massachusetts and Lincoln Street Elementary School, Northborough, Massachusetts



Supporting Communities



HIGGINS MIDDLE SCHOOL

The new, state-of-the-art Higgins Middle School in Peabody provides students with the technology and equipment they will use later in high school and college. New science labs, art studios, and wireless access in every classroom help prepare students for the modern workforce. Opened in September 2016.

WINTHROP MIDDLE/ HIGH SCHOOL

The new Winthrop Middle/High School combines two schools in one building, with shared core facilities and two separate wings for students. The school was awarded LEED Gold certification for its environmentally friendly learning space. Opened in September 2016.

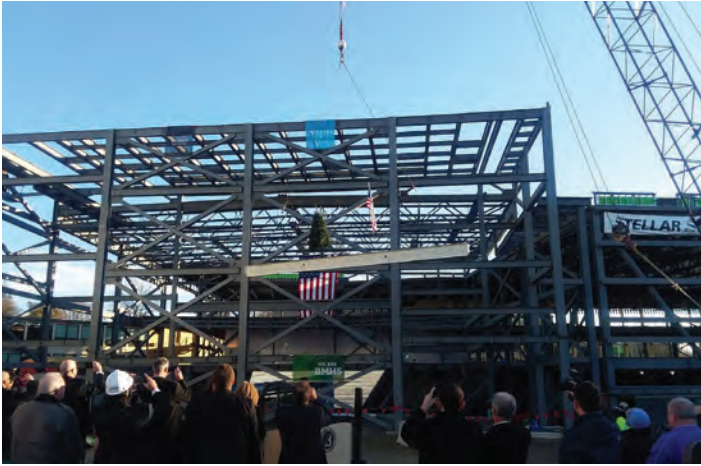


PLYMOUTH SOUTH HIGH SCHOOL

More than 1,000 students are being educated at the new Plymouth South High School. With a technical studies program, theater, gym, and two-story library, the school supports students in academic and vocational studies. Opened in June 2017.



Supporting Communities



BILLERICA MEMORIAL HIGH SCHOOL

Local officials and residents attended the “topping out” ceremony for the new Billerica Memorial High School, which will serve 1,600 students in grades 8 through 12 as well as the district’s preschool program. The Billerica Memorial High School will open in the Spring of 2019.

DEDHAM EARLY CHILDHOOD CENTER

State Treasurer and MSBA Chair, Deborah Goldberg, was joined by local students at the groundbreaking of the Dedham Early Childhood Center. The Dedham Early Childhood Center will open in the Spring of 2019.



WEST STREET ELEMENTARY SCHOOL

Granby’s new Elementary School will serve as the town’s only elementary school, serving over 400 students. Opened in the Fall of 2018.



Project Status

CAPITAL PIPELINE OVERVIEW

2016



- Eligibility Period 18
- Consultant Selection 42
- Feasibility Study & Schematic Design 44
- Design Development 28
- Construction 57
- Building Complete 44
- Closeout 73
- Final Audit 25

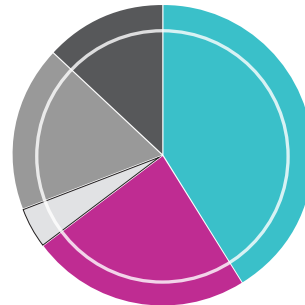
2017



- Eligibility Period 10
- Consultant Selection 24
- Feasibility Study & Schematic Design 64
- Design Development 27
- Construction 52
- Building Complete 41
- Closeout 79
- Final Audit 33

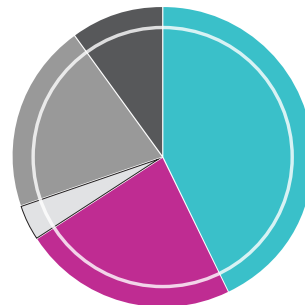
STATEMENTS OF INTEREST

2016



- SOIs Submitted 156
- Core Program SOIs Submitted 89
- Core Program Invitations 17
- Accelerated Repair SOIs Submitted 67
- Accelerated Repair Invitations 49

2017



- SOIs Submitted 156
- Core Program SOIs Submitted 83
- Core Program Invitations 15
- Accelerated Repair SOIs Submitted 73
- Accelerated Repair Invitations 36

FINANCIAL OVERVIEW 2016

For fiscal year 2016, the Authority's primary funding sources are the portion of the Commonwealth's state-wide sales tax revenue dedicated to the MSBA, interest and grant income.

The primary component of the Authority's expenditures for fiscal year 2016 was grant payments to cities, towns and regional school districts. On a cash basis, these grant payments totaled approximately \$622 million. The other major component of the Authority's expenditures resulted from the approximately \$742 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 2016, the Authority's estimated remaining liabilities and commitments totaled approximately \$115 million for Waiting List projects, and approximately \$614 million 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, and Annual Waiting List payments are scheduled through fiscal year 2024. 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, 2016, MSBA had an outstanding liability of \$156 million, and \$ 1.0 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, 2016. 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 2016

Revenues	Dollars in Thousands
Dedicated sales tax	799,359
Other income	109,541
Total Revenues	908,900
Expenditures	
Grant payments to cities, towns and regional school districts*	421,961
Administration	14,965
Debt service, refunding and issuance related costs	233,445
Pension Expense	1,214
Total Expenditures	671,585
Change in Fund Balance/Net Position	237,315
Assets and Deferred Outflows of Resources	
Cash and cash equivalents	214,519
Restricted funds and funds held by bond trustee	1,093,041
Sales tax due from the Commonwealth	131,051
Interest receivable	8,995
Grant receivable	3,489
Loan receivable	99,278
Other assets	116
Loss on bond refunding	178,697
Total Assets and Deferred Outflows**	1,729,186
Liabilities and Fund Balance/Net Position	
Accounts payable	1,824
Grants payable to cities, towns and regional school districts	880,537
Outstanding Authority debt and accrued interest	6,160,799
Bond premium	574,256
Other liabilities	2,655
Total Liabilities	7,620,071
Fund Balance/Net Position	(5,890,885)
Total Liabilities and Fund Balance/Net Position	1,729,186
Waiting List and Prior Grants Project Summary	
Value of outstanding estimated Waiting List grants as of July 1, 2015	(134,531)
Value of outstanding estimated Prior Grants as of July 1, 2015	(802,215)
Total Amount of Estimated Outstanding Waiting List and Prior Grants	(936,746)
Waiting List Grant Payments/Audit Adjustments	19,312
Prior Grants Payments/Audit Adjustments	188,258
Total Amount of Grant Payments/Audit Adjustments During FY 2016	207,570
Estimated Value of Remaining Waiting List Grants as of June 30, 2016	(115,219)
Estimated Value of Remaining Prior Grants as of June 30, 2016	(613,957)
Total Amount of Estimated Remaining Grant Payments	(729,176)

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 \$200 million of payments made during FY 2016.

** Does not include \$2.67 million held in a separate irrevocable OPEB Trust as of June 30, 2016.

FINANCIAL OVERVIEW 2017

For fiscal year 2017, the Authority's primary funding sources are the portion of the Commonwealth's state-wide sales tax revenue dedicated to the MSBA, interest and grant income.

The primary component of the Authority's expenditures for fiscal year 2017 was grant payments to cities, towns and regional school districts. On a cash basis, these grant payments totaled approximately \$612 million. The other major component of the Authority's expenditures resulted from the approximately \$470 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 2017, the Authority's estimated remaining liabilities and commitments totaled approximately \$93 million for Waiting List projects, and approximately \$408 million 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, and Annual Waiting List payments are scheduled through fiscal year 2024. 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, 2017, MSBA had an outstanding liability of \$180 million, and \$949 million 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.

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FINANCIALS 2017

Revenues	Dollars in Thousands
Dedicated sales tax	817,856
Other income	10,554
Total Revenues	828,410
Expenditures	
Grant payments to cities, towns and regional school districts*	411,318
Administration	12,933
Debt service, refunding and issuance related costs	254,340
Pension Expense	1,643
Total Expenditures	680,234
Change in Fund Balance/Net Position	148,176
Assets and Deferred Outflows of Resources	
Cash and cash equivalents	236,394
Restricted funds and funds held by bond trustee	1,277,537
Sales tax due from the Commonwealth	138,072
Interest receivable	9,013
Grant receivable	3,464
Loan receivable	92,841
Other assets	103
Loss on bond refunding	168,237
Total Assets and Deferred Outflows**	1,925,661
Liabilities and Fund Balance/Net Position	
Accounts payable	1,411
Grants payable to cities, towns and regional school districts	679,490
Outstanding Authority debt and accrued interest	6,362,442
Bond premium	622,492
Other liabilities	2,535
Total Liabilities	7,668,370
Fund Balance/Net Position	(5,742,709)
Total Liabilities and Fund Balance/Net Position	1,925,661
Waiting List and Prior Grants Project Summary	
Value of outstanding estimated Waiting List grants as of July 1, 2016	(115,219)
Value of outstanding estimated Prior Grants as of July 1, 2016	(613,957)
Total Amount of Estimated Outstanding Waiting List and Prior Grants	(729,176)
Waiting List Grant Payments/Audit Adjustments	21,938
Prior Grants Payments/Audit Adjustments	206,169
Total Amount of Grant Payments/Audit Adjustments During FY 2017	228,107
Estimated Value of Remaining Waiting List Grants as of June 30, 2017	(93,281)
Estimated Value of Remaining Prior Grants as of June 30, 2017	(407,788)
Total Amount of Estimated Remaining Grant Payments	(501,069)

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 \$201 million of payments made during FY 2017.

** Does not include \$3.09 million held in a separate irrevocable OPEB Trust as of June 30, 2017.

2016-2017 Annual Report

Massachusetts School Building Authority



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

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