

Massachusetts School Building Authority



Massachusetts School Building Authority

- An independent public Authority, created by Chapter 208 of the Acts of 2004,
 - composed of a 7 member board, chaired by State Treasurer Tim Cahill, 4 professional educator/design-construction industry professionals appointed by Treasurer Cahill, ANF and ESE
- What we do:
 - Use our dedicated sales tax funds to pay down and audit approximately \$11 Billion from 2004-2023 for 1156 projects authorized under the former SBA program and finance the \$5.5B, 423 project wait list;
 - Effectively manage, plan and create a new financially sustainability of school building construction grant program;
 - Use the remaining resources after paying down inherited SBA debts to equitably spread across the Commonwealth for school construction grants

First 4 Years: Significant Progress Made

MSBA's accomplishments to date:

- Made over \$5.9 Billion in payments to cities, towns, and regional school districts
 - Under the former program, the state would have taken decades to make most of these payments
- Of the 428 projects on the Waiting List:
 - 407 Wait list projects have received a payment or have been completely paid off
 - 354 Wait list projects received a final Board Approved Audit
 - 53 Wait list projects are in various stages of audit
 - 9 Wait list projects still have not started
 - 12 Wait list projects were removed under the Grant Conversion Program
- Completed and Board Approved 727 audits of the 800 audit backlog inherited from the former program. The completed audits have:
 - Saved the taxpayers of Massachusetts over \$795 Million
 - Generated over \$2.3 Billion in avoided local interest costs
- Completed first ever capital survey of 1,817 schools in the Commonwealth
- Completed most comprehensive revision of program regulations in 60 years
- Developed and implemented a “pay-as-you-build” Progress Payment System for projects. The new Progress Payment System:
 - Provides municipalities with much needed cash flow as projects are built
 - Reduces the amount of debt a city, town or regional school district needs to issue
- Commenced the reformed grant program for school renovation and construction projects
 - In FY2008, the MSBA received and reviewed 423 Statements of Interest from 163 school districts and has made over 400 visits to more than 140 school districts as part of the MSBA's review and due diligence process
 - In FY2009, the MSBA received 47 new Statements of Interest from 25 additional districts
- Moved the first round of potential projects into the \$2.5 Billion 5-year capital pipeline

New Announcement

- Accelerated local aid payments for 3rd and 4th quarter

BENEFITS:

- Will pay \$166 Million in payments to over 130 cities, towns and regional school districts by January 30, 2009. (rather than March-June)
- Will provide much needed cash at time of budget crisis and looming local aid cuts.
- MSBA remains committed to work with cities and towns during the fiscal crisis

Proposed Federal Stimulus

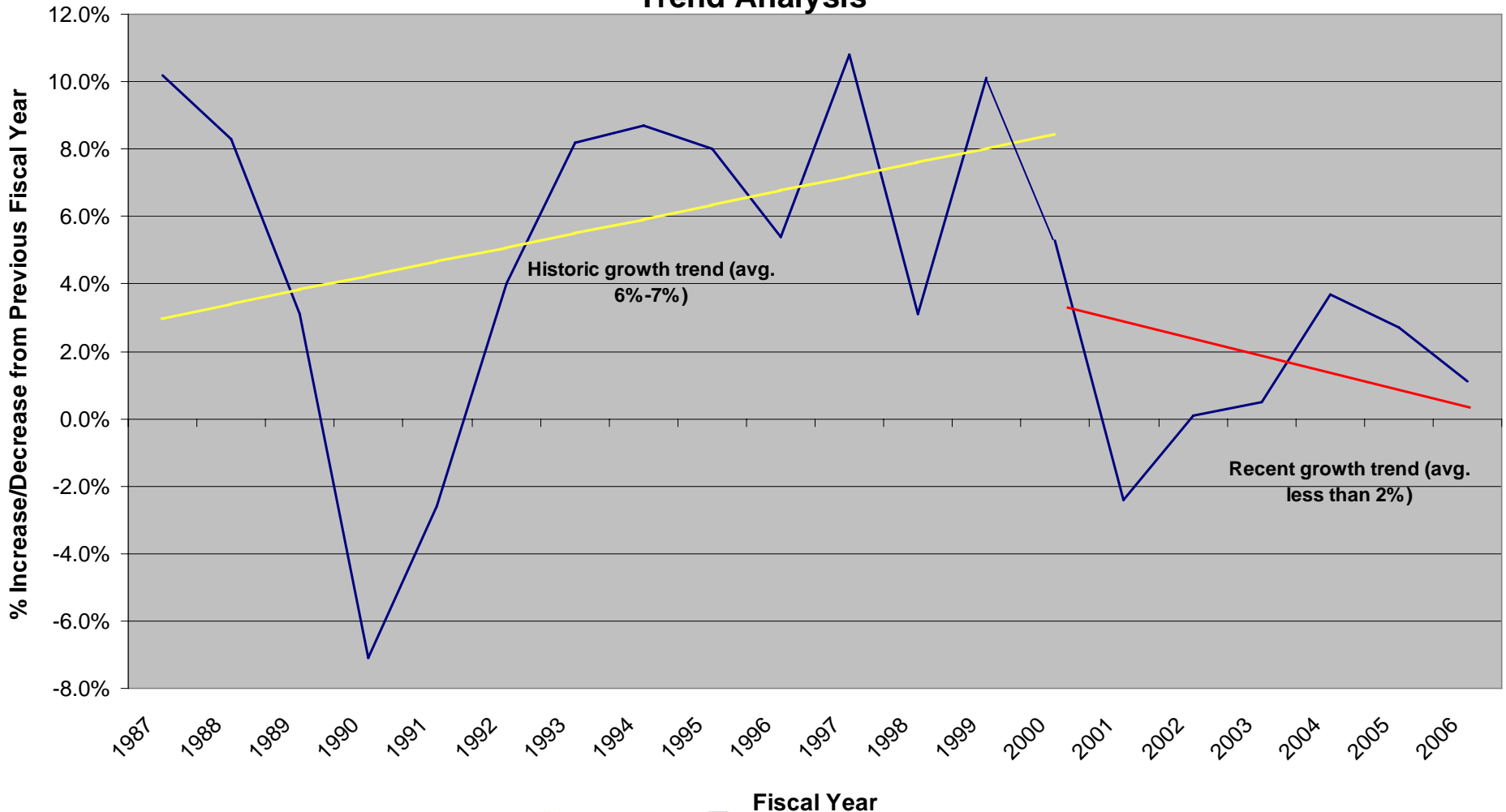
- Pressure to spend on “shovel ready” within next 6 months
- Projects could be accelerated under “Model/Accelerated Design” methods or bulk repair program
- Letter from Treasurer Cahill to Governor Patrick, Speaker DiMasi, Senate President Murray urging 2 things:
 - Use of federal stimulus funds to support local share of projects in pipeline
 - Use of federal stimulus funds for a Vocational Ed “New Deal” for improvements to these buildings

Dedicated Sales Tax and Budget



Recent Sales Tax Growth Trend

Historical Commonwealth Sales Tax Growth Trend Analysis



Sales Tax Dedicated to the MSBA's School Renovation and Construction Program

- The Commonwealth has dedicated 1 cent of the statewide 5 cent sales tax to the MSBA
 - Does not include any meals tax collections
 - Meals tax collections are the only sales tax category that continue to show positive growth
- Commonwealth provided a guaranteed floor for the SMART Fund through FY2009
 - Without this guarantee, the MSBA would not have received \$75M over the last few fiscal years
- Sales tax receipts in FY2009 continue to come in below projections and may result in the Commonwealth's General Fund owing nearly \$100M in order to achieve the guarantee from the Commonwealth
- Unlike the MBTA, the guaranteed floor is not permanent for the MSBA and ends this fiscal year
- MSBA will never promise funds that they can't deliver. Program will be curtailed to meet available resources.

MSBA Fiscal Prognosis: \$2B less than anticipated in original finance plan, but....

- MSBA discovered an additional \$1.4B in liabilities not assumed in original finance plan for Waiting List projects, plus dedicated \$150M for the Wait List Loan Program
- MSBA finance model assumed 4.5% growth in sales tax revenues for original finance plan
- Actual sales tax growth since FY2004 has been on average approximately 2%
- Original finance plan contemplated the MSBA would have approximately \$600M more dollars than are projected to be available in the first seven years of the program
- Combination of sluggish sales tax and increased liabilities has resulted in a \$2B hole not assumed in the original finance plan that MSBA now has to manage

....but MSBA will still have \$2.5B to commit to projects as promised

FY 2009 Monthly Dedicated Sales Tax Collections

FY2009 Sales Tax Collections - SMART Fund				
Month	Guaranteed Floor	Actual / Estimate	Difference	%
Jul	60,340	54,635	(5,705)	-9.5%
Aug	57,340	51,216	(6,123)	-10.7%
Sep	55,112	49,283	(5,829)	-10.6%
Oct	62,294	51,847	(10,447)	-16.8%
Nov	53,264	46,809	(6,455)	-12.1%
Dec	58,960	46,059	(12,901)	-21.9%
Jan	67,349	58,203	(9,146)	
Feb	49,007	42,352	(6,655)	
Mar	54,777	47,338	(7,439)	
Apr	58,014	50,136	(7,878)	
May	59,232	51,188	(8,044)	
Jun	66,609	57,563	(9,046)	
Total	702,300	606,631	(95,669)	-13.6%

- Year-to-date actual collections are (-\$47.5M) below estimate necessary to reach guaranteed floor
- Collections have missed monthly estimates by 13.6% on average
- If trend continues, Commonwealth will need to transfer approximately \$96M from General Fund to make up shortfall in THIS FISCAL YEAR for FY09

Sales Tax Dedicated to the MSBA's School Renovation and Construction Program

Fiscal Year	Phase-in %	Guaranteed Floor	SMART Fund Sales Tax Collections	General Fund Subsidy to Reach Floor	MSBA Enabling Legislation Sales Tax Growth Assumption (4.5% Growth)	Assumed 4.5% Growth vs. Actual
2005		395.7				
2006	70%	488.7	478.8	9.9	489.3	10.5
2007	78%	557.4	539.6	17.8	569.7	30.1
2008	85%	634.7	587.1	47.6	648.8	61.7
2009	90%	702.3	606.6	95.7	717.9	111.3
2010	95%		623.4		791.8	168.4
2011	100%		662.8		871.0	208.2
Total				171.0		590.2

Note: Figures for SMART Fund Sales Tax Collections for FY2009-FY2011 are estimates. Figure for FY2009 General Fund Subsidy for Floor is an estimate.

Total MSBA Budget Capacity is Reliant on Sales Tax Growth

Sales Tax Growth Assumption	Estimated Total Amount of Grants Funded in the next 30 years
0%	5,600,000,000
1%	8,100,000,000
2%	10,500,000,000
3%	13,800,000,000
4%	21,200,000,000

The former SBA program committed \$20B over the last 20 years to school construction.

This slide shows that at 0% sales tax growth only \$5.6B will be available for new projects until 2025....

MSBA FY2010 Estimated Finance Plan

	Original 2004 Enabling Legislation Finance Plan FY2010	Current Estimate FY2010	Difference
Revenue			
Estimated Dedicated Sales Tax Revenue - (No Guaranteed Floor)	791.8	623.4	(168.4)
Expenditures			
Prior Grants	326.4	326.4	-
Existing Debt Service on \$5.5B Waiting List	257.7	257.7	-
Estimated Debt Service for New Program	40.0	40.0	-
Operations - (less than 1% of Revenues)	6.0	6.0	-
Technical Assistance to Cities & Towns and Project Related Expenses	9.0	9.0	-
Subtotal Expenditures	639.2	639.2	-
Estimated Surplus/(Deficit)	152.6	(15.8)	(168.4)

How will MSBA Succeed in meeting pipeline needs?

- Never promise what we can't afford to pay for
- Work with cities, towns and regional school districts to create educationally sound and fiscally responsible school facilities
- Think creatively for solutions. Past examples of innovations that have generated savings, created efficiencies and have helped the MSBA and cities, towns and regional school districts reach goals on school facilities.
 - ProPay system - gets reimbursement cash to cities and towns within 15 days of audit review
 - Audit program – has generated approximately **\$800M** in savings
 - Low Interest Loan Program – will provide approximately **\$150M** in 2% loans to Waiting List communities to get projects completed and has the added benefit of saving local communities over **\$90M** in avoided interest costs
 - Grant Conversion Program – will provide approximately **\$125M** in relief to Waiting List communities to get projects completed
 - Model Schools Program - Innovative new program that is educationally sound, cost effective, saves time in design development and gets shovel in the ground sooner which saves both the local district and the MSBA money
 - Saved approximately **\$26M** in Norwood.
 - Use of Model School Program ideals has saved approximately **\$50M** in Wellesley
 - Regulations Revisions to focus on Core Academic Spaces – remove focus on “grand” spaces, spectator amenities and other spaces that do not have direct relation to educating students or are not in regular use throughout the school day by a majority of the student population.



Statements of Interest

The New Process

The MSBA's enabling statute places tremendous emphasis on planning, due diligence and prioritization of scarce Authority resources. The statute and MSBA regulations also require collaboration between local districts and the MSBA during all phases of the process.

1. Identify the Problem

- Local community identifies deficiencies in school facilities through the Statement of Interest process

2. Validate the Problem

- MSBA and local community work together to validate deficiencies identified
- Requires the MSBA and the city, town or regional school district to agree on the problem

3. Evaluation of potential solutions

- MSBA and local community work in collaboration to identify potential solutions
- Solution must fit within the MSBA's available funding, long-term capital plan and will be prioritized based on the priorities established in G.L. c.70B § 8

4. Confirm the solution

- MSBA and local community agree on solution and appropriate course of action

5. Implement the agreed upon solution

- MSBA and local community continue collaboration through design and construction

MSBA Board Actions

2007/2008 SOI Process

Based on the MSBA diagnostic analysis and input from the Facilities Assessment Subcommittee, the Board has taken the following actions since November, 2007:

- Feasibility Invitation	41
- Preferred Schematic Option	11
- Repair Assessment	19
- Model School	2
- Project Scope Invitation	20
- Planning	12
- Regionalization Assessment	9
- Regional Vocational/Technical HS	8
- Hold	38
Total	160

FY2009 Statement of Interest - Summary

The window for filing/refreshing a Statement of Interest (SOI) closed on November 15, 2008.

The MSBA is reviewing all submissions for compliance with requirements and completeness.

The numbers in the following chart may change as the MSBA continues its review process.

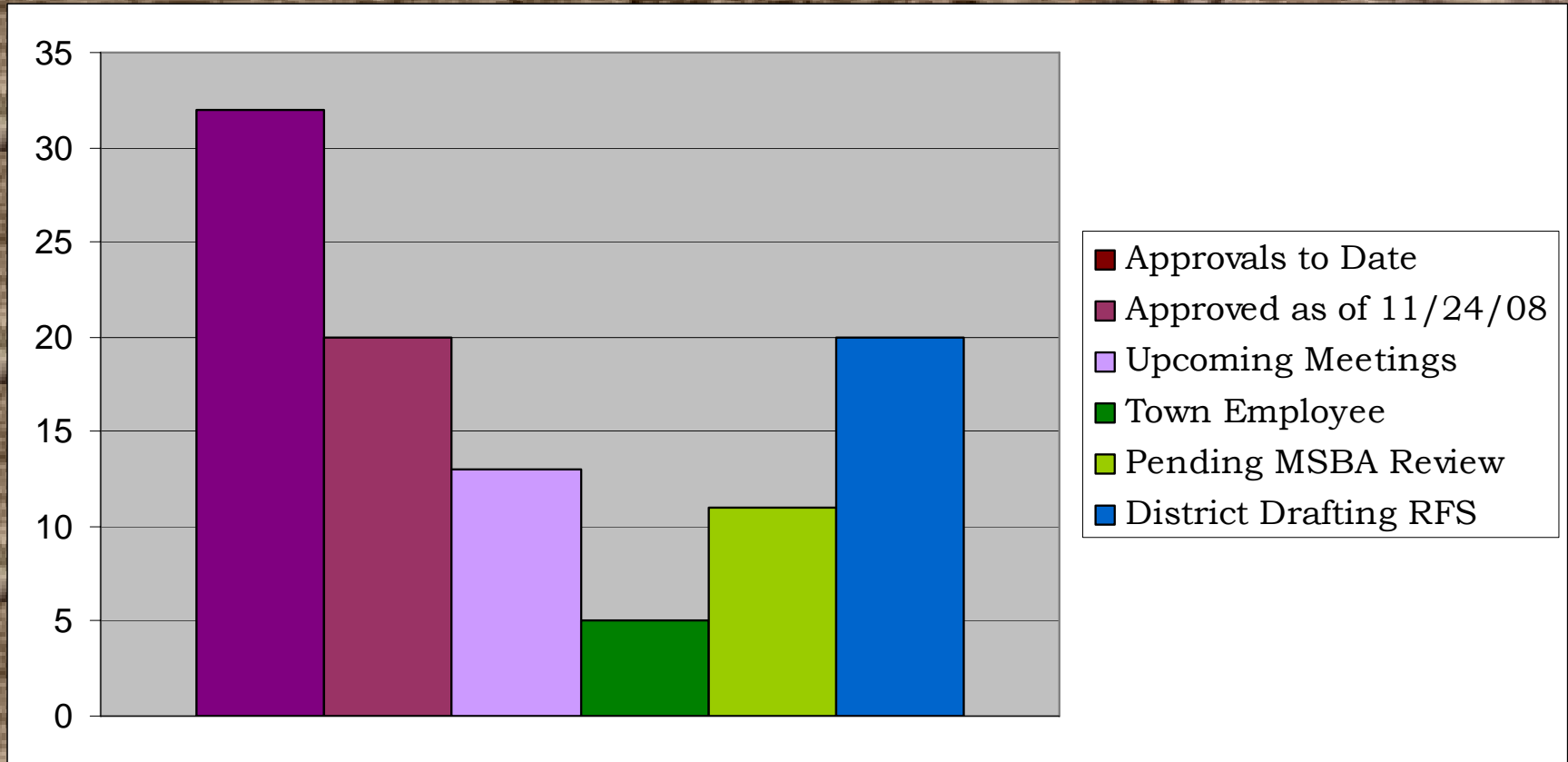
New SOI	47
FY2008 Refreshed SOI	183
<u>Pending Submissions</u>	<u>12</u>
Total FY2009 Submissions	242

FY2008 SOI NOT refreshed	101
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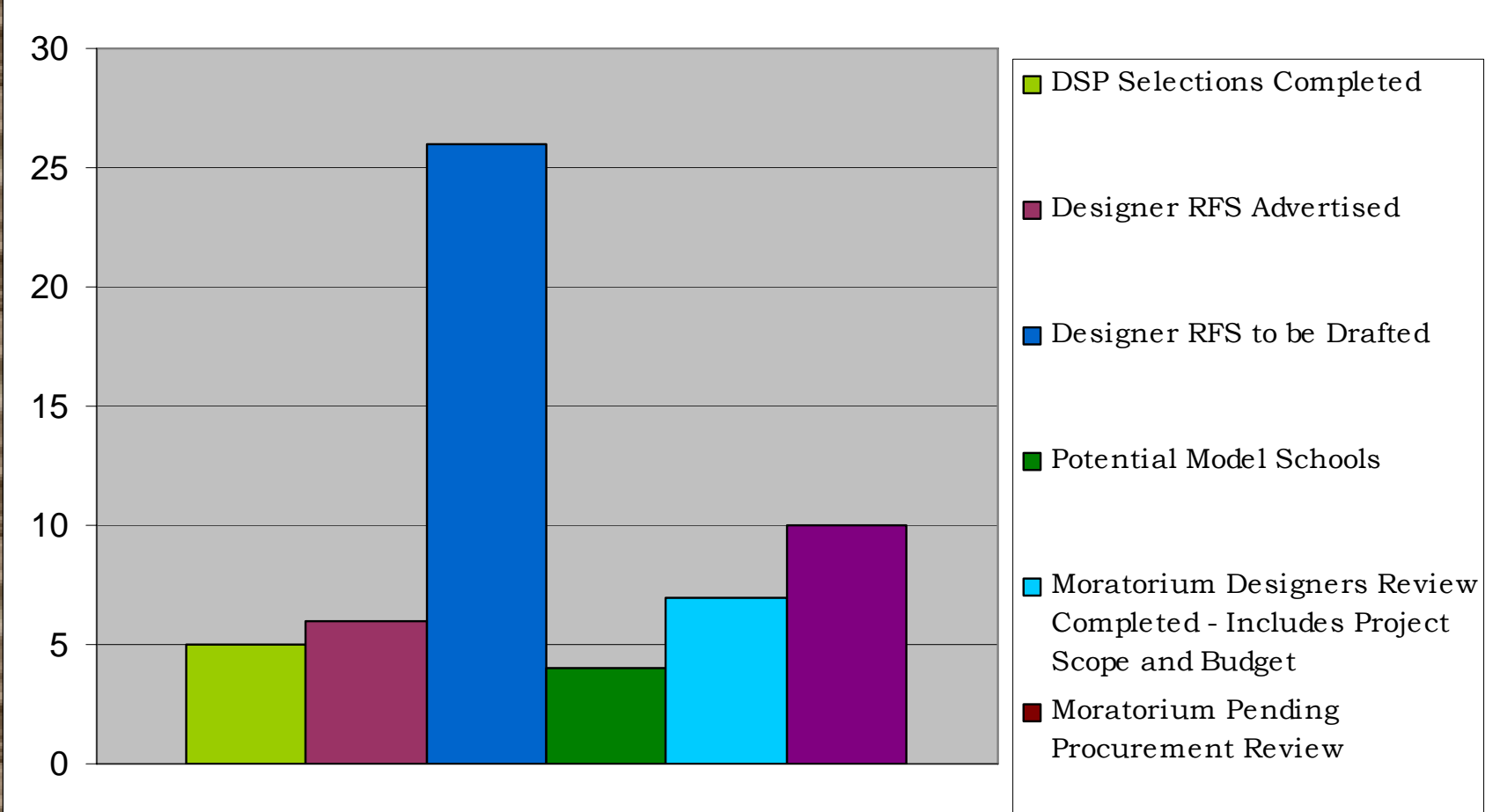
Ongoing Projects



Owner's Project Manager Status



Designer Selection Status



Districts By Category

Local Clearance:

- Abington
- Attleboro (R)
- Auburn
- Boston
- Chelsea (R)
- Dracut
- Fairhaven
- Florida (R)
- Gardner
- Granby
- Holbrook
- Hopkinton
- Hudson
- Leominster (R)
- Maynard
- Medford (R)
- Medway (R)
- Narragansett
- North Adams
- Oxford
- Uxbridge
- Winchester
- Winthrop

Total: 23

OPM Selection:

- Adams-Cheshire
- Ashburnham-Westminster
- Douglas
- Hamilton-Wenham
- Longmeadow
- Marblehead
- Nashoba
- Peabody
- Quincy
- Sharon
- South Shore (R)
- Southbridge
- Southwick-Tolland
- Sutton

Total: 14

Designer Selection:

- Andover
- Billerica
- Carver
- Danvers
- Dedham
- Easthampton
- Fitchburg (R)
- Grafton
- Hampden-Wilbraham
- Marshfield (R)
- Methuen
- Natick
- Norfolk
- Plymouth
- Rochester
- Shrewsbury
- Sturbridge
- Tewksbury
- Woburn

Total: 19

R = Repair

Districts By Category

Feasibility Study - Schematic:

- Berlin-Boylston
- Brookline
- Burlington
- Carlisle
- Essex Agricultural Tech
- Foxborough (R)
- Littleton (R)
- Rockland
- Wayland

Total: 9

Project Scope and Budget:

- Belmont
- Braintree (R)
- Hadley (R)
- Middleton

Total: 4

Design Development:

- Avon (R)
- Duxbury (R)
- Hanover
- Marblehead
- Norwood
- Wellesley

Total: 6

R = Repair

Districts By Category

Construction:

- Beverly
- Hingham
- Manchester Essex

Total: 3

Audit:

- Acton
- Bedford
- Blue Hills (R)
- Concord
- East Longmeadow
- Lakeville (R)
- Leicester (R)
- Milford (R)
- North Reading
- Northborough (R)
- Sherborn (R)
- Tyngsborough (R)
- West Bridgewater (R)

Total: 13

Complete:

- Chelmsford
- Shawsheen (R)


Total: 2

R = Repair

Putnam Voc-Tech High School, Springfield

21st
CENTRAL
SOUTH
SCHOOL





Feasibility Study Stage for Major Projects

- GOAL -

Avoiding Wasteful
Mistakes of the Past:
Adhere to thoughtfully
developed scope, schedule
and budget...and commit
that to writing!

PROJECT SCOPE:

Every Square Foot Costs Money to Build

- Policy Question:
 - Should Towns be able to build whatever project they want as long as MSBA share is equitable and MSBA doesn't pay for those elements of project that are ineligible?
- Answer:
 - When a project loses MSBA oversight, project scope and costs skyrocket.
 - Segregating costs on a project is problematic and MSBA will end up subsidizing ineligible project elements
 - **BUT:** MSBA has been flexible with Districts as they come through our process but some things will be too expensive to support...

PROJECT SCOPE:

Every Square Foot Costs Money to Build

- **How large or small does the building need to be?**
= Enrollment
 - Enrollments are dropping across the state for a majority of districts
 - New construction costs \$70,000 to \$115,000 per student
 - When projected enrollments do not materialize, that's another districts roof, classroom addition, science lab not done
- **Projected Enrollments need to be realistic**
 - Some recently built schools are half empty, districts requesting to close
 - Some districts cannot afford the cost of maintaining recently built larger schools
- MSBA will not authorize a project for further development until enrollment is agreed upon with the District
- MSBA had a task force of superintendents to develop our online enrollment model, available for every district
- MSBA will work with districts to accommodate local enrollment idiosyncrasies....
- ...but will not engage in wishful thinking.

PROJECT SCOPE:

Site Prep Delays Projects in Many Cases

- New school siting is difficult, particularly in urban areas
- Haste to get projects moving on academic schedules leads to mistakes
 - Several newer projects had inadequate site investigation or hastily scoped solutions
 - Foundation problems (sinking school)
 - Test borings done on wrong part of site (per chlorate stream under new bldg)
 - Asbestos removal or demolition not included in original budget
 - Provision of water/sewer and utilities not factored into budget
 - MSBA demands answers to these questions prior to movement on projects....

PROJECT SCOPE:

Educational Plan

Realistic and Affordable Education Plan

- MSBA developed square footage space guidelines that are flexible, but not to be abused
 - These guidelines were developed in conjunction with MASS, MASC, BSA.
 - Allows a proposed school to grow or shrink based on projected enrollment
 - MSBA in 2006 did a statewide listening tour to garner information about spaces in buildings that were important to students and teachers
 - What we heard? Core classroom sizes, special ed, science labs all too small and need to be larger
 - What are districts telling us now? Cut the core classroom size and SPED to accommodate admin space or community space
- If your educational plan reasonably is in excess of the guidelines, we will accommodate
- MSBA has to focus on core academic spaces, not athletic spectator amenities, community spaces or seldom used spaces
- Prove to MSBA that there is a budget to support new educational programs that are new to district
- MSBA and District need to assess whether there is empty capacity that could solve the problem for the district...
 - Classrooms long used as storage, but district insisted new addition necessary
- Laying teachers off to pay for capital construction is illogical

PROJECT SCOPE:

Focus on Attractive, Utilitarian Design

- Variegated Rooflines that leak
- Grand atria in the front entrances
- Copper clad facades...

**These elements cost money
and do not educate children.**

- Model School Program has provided us with examples of attractive design that have low change orders and still work years later
- MSBA wants lasting construction, but many cities and towns and MSBA are still paying for costly projects that didn't last

Once the MSBA and the District agree upon the most cost effective and educationally sound option identified in the Feasibility Study, the MSBA will allow the District to proceed with developing the Preferred Schematic Design Option which shall include, but not be limited to:

- A detailed scope of the Proposed Project;
- Architectural and site drawings;
- A description of the major building construction systems which are proposed for the Proposed Project;
- A detailed budget cost estimate;
- A projected cash-flow;
- Permitting requirements;
- A proposed project design and construction schedule including consideration of phasing of the Proposed Project; and
- Sustainable design goals including minimization of environmental and transportation impacts and ways the Proposed Project can meet those goals and elements of construction or demolition waste that would be recyclable.

Preferred Schematic Design

Vote Requirements

The MSBA will require a very specific form and language for local votes, including the feasibility study vote. The format of votes must be approved by the MSBA prior to adoption.

- One Project – One Vote
- Vote must be a separate, stand alone vote
 - Vote cannot be lumped in with any other school facility projects or municipal projects
- Vote must be project specific and must include descriptions of:
 - Project Site – street location, parcel, orientation on parcel where possible
 - Project Scope – New, Renovation, Addition, Repair, square footage, project components
 - Total Project Costs – Local Share, MSBA grant
- Vote must include language acknowledging that:
 - the MSBA grant program is a non-entitlement program
 - the MSBA grant program is a discretionary program based on need, as determined by the MSBA
 - the school facility that is the site of the project will remain in use as an educational facility for the instruction of school children
 - any project costs in excess of the MSBA grant are the sole responsibility of the city, town or regional school district
- The MSBA's standards for votes apply to any local votes that may be required:
 - Appropriations Vote
 - Debt Authorization Vote
 - Override Vote (if any)
 - Debt Exclusion Vote (if any)

Model School Pilot Program

- **EDUCATIONALLY SOUND** ● **EFFICIENT** ●
- **EQUITABLE** ● **EFFECTIVE** ●

*Using proven, effective designs to
create 21st century educational
environments*



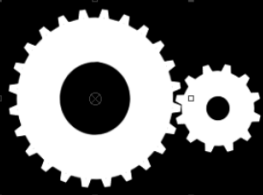
Overview

- The MSBA will pre-qualify a group of model schools/Designers.
- The MSBA will work in collaboration with school districts participating in the Pilot Program to select one of the pre-qualified model schools and its Designer.
- The Designer of the selected model school will adapt the design to a suitable site within the school district and tailor the design to the required design enrollment and programmatic needs of the district.
- The goal is to minimize redesign of the selected Model School and maximize the value of an existing proven design.
- Use of Model School designs may lead to more reimbursement points for a district.
- Reviewed by Office of Inspector General and Attorney General.

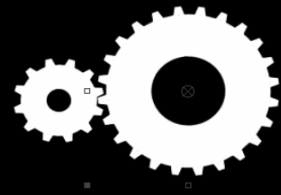
Objectives

- The MSBA believes the adaptation of existing successful designs will have many benefits:
 - Deliver effective schools by capitalizing on proven solutions
 - Perpetuate cost-effective designs and best practices
 - Make design process more efficient and enhance design coordination
 - Compress design/bid schedule reducing the impact and uncertainty of inflation on project costs
 - Limit construction change orders

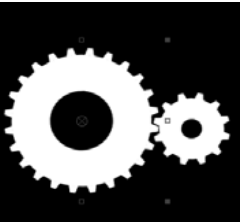




How will the pilot program work?



- Not every school project will be ideal for a “Model School” approach
- Out of 500 potential projects, there are at least a few that will work...
- Ideal conditions for Model School potential: MSBA and District agree that a new school is necessary; MSBA and district agree on enrollment, district has a clean, level buildable site available, and the educational plan is similar and can be accommodated by the Model School
- **BENEFIT TO DISTRICT:** 5% additional reimbursement points, faster shovels in the ground, cost and time savings...



- Norwood and MSBA agreed that a new school was preferred option
- Norwood projected cost prior to Model School: \$100M for 1100 student building
- Norwood elected to use the Whitman Hanson HS design
- New Cost: \$73.9M, not including costs borne by community for stadium



Norwood High School



Current Norwood High School

New Norwood High School Design



Architecture Involution LLC

New Norwood High School

- Wellesley planned for new high school during moratorium
- May, 2008: Wellesley voters had choice: \$175M reno or \$160M new HS
- MSBA and Wellesley applied Model School principles to project scope
- New Wellesley HS budget: \$110M, not including locally desired extras



Standard Contracts and Procedures



Standard Contracts and Procedures

Standard procedures and guidelines assist the local communities by

- **Avoiding costly litigation**
- **Expediting consultant selection by providing standard requests for services**
- **Providing a Model RFS and a contract which meets MSBA expectations and statute requirements**

The standard contract provides

- **Standard expectations of responsibilities for a school project**
- **Definition of roles and responsibilities of the project participants - OPM, Designer, Contractor, Commissioning Consultant, Owner**
- **Provides contract provisions addressing Owner's concerns and liabilities**
- **Uniformity and predictability for the design and owner's project manager community**
- **Properly define interface with MSBA and its procedures**

STANDARD DESIGN CONTRACT

- FORCES DESIGN TO BUDGET
- Reinforces the importance of updated cost estimates and project controls
 - Standard expectation on deliverables in accordance with MSBA guidelines

OWNER'S PROJECT MANAGER CONTRACT

- Clearly defines the key role as expected by the MSBA and the Owner for communication, project controls and the substantive role required to properly administer the contract
- Defines communication role and responsibilities for both the Owner and the MSBA
- Includes independent cost estimates

BENEFITS:

Facilitates negotiation and contract execution - Saves time & money

MSBA standard contracts protect the best interest of the District, unlike industry contracts which protect the interest of the vendors



Tasks FOR Success



- Maintenance
- Science Labs
- Technology
- Vocational Technical High Schools
- Regionalization
- Owner's Project Managers
- Construction Contract Documents



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Questions?

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