

NRSD-Sponsored Meeting with MSBA Executive Director Jack McCarthy
Tuesday, November 19, 2019 at 6pm at the Nauset Region High School

(Orleans Finance Committee Chairman Lynn Bruneau (“LB”) attended the meeting and wrote the following notes based on the meeting.)

Mr. McCarthy was introduced by Greg Levasseur, NRSD Building Project Chairman, who noted that there should be no “what if” questions during the Q&A session.

Mr. McCarthy began with some general background information about himself and the MSBA program. He joined the MSBA in September 2011 as the Deputy Director and was named Executive Director in January 2012. The MSBA was established in 2004 by the State as a legislative response to a State audit. Many school building projects were unaudited; many had over-due expenses; many expenses were paid only when the State had sufficient funds.

The MSBA was created with two primary objectives - to “clean up the mess” (there was a \$10.1 billion back-log of school project costs - which now has been reduced to under \$300mm) - and secondly, to establish a new, more responsive program - a “pay-as-you-go” program for funding school projects. He noted that 1 cent of every amount of sales tax collected in the State goes to the school building fund - thus a dedicated revenue source - now at \$800mm.

He said that projects should borrow what-is-needed-plus to ensure project liquidity. He noted that the pay-as-you-go approach saves substantial interest costs for the school districts.

The MSBA is a quasi-public authority. They report to a Board of Directors, chaired by the State Treasurer. He named a number of the members on the Board and noted the backgrounds of most of these individuals - including the former Town Administrator from Eastham. He also noted who is responsible for appointing how many of the 7 members of the Board. (I did not capture all of this information - but presume that it is available on the MSBA website.) A point that he was making/trying to make was that the Board members have “town” experience, and “school” experience.

He said that he “understand(s) a lot of what (we) go through”.

- LB margin notes right here: what about demographics - declining student population; aging residents/taxpayers w/ declining income for many. What about cost of construction on Cape Cod - not built into project pricing. What if we were to stop the project now?

He referred to the “Statement of Interest” filed to initiate our process. The MSBA grant process is a competitive process. There are clearly defined rules to follow which must be followed strictly/carefully. Last year, 83 schools/districts applied; 12 were “accepted” into the program. He referred to the “core” program and then an “accelerated repair” program.

Since 2004, \$14 billion has been paid as the State share for school building/construction projects. He said that NRSD has qualified for 37.95% of eligible costs to be reimbursed. He said “he does not pay for” swimming pools, stadiums, field houses (aka gymnasiums). The MSBA focus is on academics. There are limits on square footage; there are some caps. He said they pay \$333/square foot of construction costs. It was never meant for the MSBA to cover full costs.

- LB margin note right here: but they don't factor in construction cost variance - higher costs on Cape and perhaps elsewhere (eg, likely in downtown Boston)

He referred to the feasibility study process that NRSB/others have/had to go through - look at cost to bring school up to code; look at mix of new and renovation; look at totally new building. They like to see lots of effort researching these options.

He said our next submission is due January 2. He also cautioned about sharing too many numbers too soon (cost estimates). Spring Town Meetings will be voting on decision to accept MSBA "offer". Funding will be debt exclusion. There are 312 MSBA-funded projects in the pipeline now.

What if the vote fails (he posed this hypothetical question)? The MSBA Board votes on the project and makes a specific "offer" to the District in February 2020. The towns would then "accept" or "reject" the offer - to appropriate the money or not. There can be no "counter-offers" from the District or the towns.

- LB margin note here: MSBA grant sets the money - but how much detail is in this "offer"? How much detail is the District agreeing to? This becomes LB second question below.

Question and Answer Period

Lynn Bruneau / Orleans Finance Committee Chairman - LB starts by thanking him for coming; also thanks efforts of NRSB Building Project Committee - naming Easley, Levasseur, Ron Collins; recognizes efforts of Superintendent Tom Conrad and School Committee; also efforts of Brewster Finance Committee - Question: NRHS current has 921 students, including 219 "Choice" students and 86 "Tuition" students - thus a "net" of just over 600 "local" students. Proposed school is for 905 students; yet studies all show declining school-age population. "Choice" students only pay \$5k "tuition" and "Tuition" students only pay \$18.4k yet cost-to-educate is \$20k-\$25k/student or more - with no contribution toward debt service. The State sets the "Choice" reimbursement rate. It seems like the MSBA is committing us to a school larger than needed by the population of the 4 towns who will be paying for the school project. Why has the MSBA set the enrollment so high?

McCarthy: he isn't a good math person.... They count the "Choice" students in the school now. A different department at the State level sets the "Choice" reimbursement amount - not the MSBA. The MSBA treats "Choice" and "Tuition" students the same. If they're here now, the MSBA assumes the same number would be here going forward. There are also education program reasons to include "Choice" and "Tuition" students.

LB realization: there was no "magic" to the MSBA development of the enrollment number; they looked at the current enrollment and rounded down. There was no comprehensive study of any kind.

Kevin Galligan / Orleans Selectman - thanks all involved; provided a brief history of the beginning of the Nauset school district, going back to 1956 when the high school was in Orleans, then Eastham and Wellfleet joined, and eventually Brewster. The District was started in 1960; Brewster joined in 1966. The current high school opened in January 1972.

Mr. Galligan asked why not get Truro and Provincetown into the District now - to get them involved in funding?

McCarthy - adjustments to region have to be done prior to start of project. He can't see it happening without delaying the project.

LB note: if there were other delays in the project, perhaps that w/ allow time for adding T&P to the region.

Brian Kavanaugh / Orleans resident w/ kids in the school system - noted importance of schools; likely largest local employer overall. Noted that all 4 towns have other big/costly projects in process and/or pending. Ref to wealth/income of some in towns - but also noted income gaps. Referred to decline in student population in K-5 over past 20+ years and in 9-12 population. Population statistics don't support new school number (905). Ref to high per student costs. Ref also to decline in number of students/families paying for school. Can we get two schools for price of one (eg, new Middle School too)?

McCarthy - start with establishing school enrollment and project unfolds from there. Time to talk about enrollment is past. (There will be) no debate here about enrollment. (Enrollment was) decided in 2017. "Enrollment is what it is." Mr. McCarthy then noted that the MSBA was very protective of its AA+ bond rating and too much mind-changing (LB word) would create concerns w/ bonding agencies.

Pete Dahl / Brewster Finance Committee - question about reimbursement rate

McCarthy - initially set at feasibility study; then could be adjusted at February 2020 when MSBA ties down grant/offer number.

Pete Dahl - could rate go up?

McCarthy - State statute sets the reimbursement rate - based on wealth factor, income factor, and free-and-reduced lunch factor. Thus during the time period, it might vary minutely.

Regional school impact? McCarthy - if NRSB had added others to the region, we would get "points". "Choice" is not in the formula. Further side comments about "actual" reimbursement and per-square-foot rate but not audible (to LB).

Bob Young / Brewster Finance Committee - question about regional "points".

McCarthy - base rate of reimbursement, plus various incentive points (eg, for a "green" building).

Further discussion - last year, 83 applicants, 12 accepted into program. Each year, program starts over. Most urgent/neediest get in. What "attributes" contributed to NRSB qualifying quickly for program? McCarthy couldn't remember specifically - he guessed - age of building(s); possibly accommodations for special needs students; possibly Chapter 74 equipment.

Any occasion where projects were invited to participate and voters said "no" and then District came back with a new proposal? McCarthy - ref to Carver - took 3 years to get back into program. Lincoln - took 7 years, still not in so they are going forward alone, without MSBA. McCarthy noted that school projects are all the same (LB phrasing) - elementary vs. middle school vs. high school. Any one year, the "mix" of these may vary - it could be all elementary schools in a given year. There are no "demerits" for a "no" vote by the towns.

Chris Easley / Chairman of the NRSD School Committee - question about pros and cons of DBB project management vs Construction Management at Risk (CMR) and separate question about why Districts might “go it alone” vs seeking an MSBA project.

McCarthy - latter first: ref to Newton - 3 elementary schools; MSBA projects for first 2, then did last “alone” but modeled MSBA project approach. Project management question - Easley had noted a previous 1% discount for using CMR approach - but discount is no longer available. CMR may be better for an occupied addition/renovation project. Noted that use of OPM (owner’s project manager) came out of construction project reform efforts.

Brian Kavanaugh / Orleans resident - ref to Monomoy project - 700 students - ref to articles stating or implying that MSBA required them to add 8th grade to Monomoy.

McCarthy / Levasseur - (brief defensive comments)

Levasseur - one more question (just after 7pm).....

Lynn Bruneau / Orleans Finance Committee - “grant offer” is scheduled for February 2020. How much detail will be included in that offer? How much detail will towns be reviewing to approve at Town Meetings and ballot box? Noted that schematic design is due in December.

McCarthy - towns will be expected to accept project offer as made - no “counter-offers”. (Based on discussion - likely still at “schematic design” level - concept of addition/renovation vs. completely new building; not regarding the color of the curtain in the auditorium, etc.).

Final Question / Virtually Inaudible (to LB) - question/comments might have been about special needs individual, based on reply/comments by McCarthy.

Meeting ended approximately 7:10pm

Lynn Bruneau / Orleans Finance Committee Chairman
November 19, 2019