

# **AGENCY STRATEGIC PLAN**

**For the Fiscal Years 2017-2021 Period**

by

**Texas Bond Review Board**

**Governor Greg Abbott, Chairman**

**Lt. Governor Dan Patrick**

**Speaker Joe Straus**

**Comptroller Glenn Hegar**

**June 24, 2016**



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**Executive Director:** \_\_\_\_\_

**Signed: Robert C. Kline, Executive Director**

**Chair Designee:** \_\_\_\_\_

**Approved: Governor Greg Abbott**



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## **Agency Mission**

The mission of the Bond Review Board covers three distinct aspects of state finances:

- to ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes;
- to support and enhance the debt-issuance and debt-management functions of state and local entities; and
- to administer the state's private activity bond allocation.

## **Agency Philosophy**

To pursue its mission, the Bond Review Board will conduct itself professionally, both within the agency and with those served. The Board will ensure that an ethical and open exchange of information exists to support efficient and sound debt management policies for state and local governments. Through sound management practices, it will provide its customers and employees with an atmosphere that cultivates a cooperative spirit, fosters productivity and promotes equal opportunity.

## **Overview of Agency Goals and Action Plan**

### **Statutory Basis**

The Texas Bond Review Board (BRB) was established by the 70<sup>th</sup> Legislature in 1987. Statutory authority is Chapter 1231, Texas Government Code. The Board is comprised of the Governor, as Chairman, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. Board approval is required for Texas state bonds issued after September 1, 1987.

### **Historical Perspective**

In fiscal year 1988, the BRB formulated rules and began approval of all state bonds and lease-purchase transactions with a principal amount greater than \$250,000 or a stated term of longer than five years.

Subsequent legislative mandates charged the Board with additional responsibilities: collect and maintain state and local debt data, analyze the status of local government debt and report findings to the Legislature and administer the state's Private Activity Bond Allocation Program.

The Attorney General is required to collect information on bonds issued by political subdivisions of the state and to forward it to the Board for its report on state and local debt statistics (Chapter 1202, Texas Government Code).

Each entity issuing state bonds must report specified information to the BRB regarding bond transactions. The Board then produces an annual bond report and a bond transaction report on historically underutilized businesses. Data on authorized-but-unissued state bond authority are included in the Board's annual bond report.

Chapter 1372, Texas Government Code, provides for administration of the state's Private Activity Bond Allocation Program. The program has been administered by the Board since January 1, 1992.

The 77<sup>th</sup> and subsequent Legislatures have required the Board to compile a statewide capital expenditure plan, beginning with the FY2002-2003 biennium. This plan identifies capital needs of the state and financing alternatives. The 77<sup>th</sup> Legislature also directed the BRB to adopt a formal debt policy and develop guidelines to ensure that state debt is prudently managed and to provide guidance to issuers of state securities. After review by both the Board and stakeholders, the BRB's debt-issuance policies were posted on the agency's website in December 2003.

The 80<sup>th</sup> Legislature required the Board, in conjunction with the Legislative Budget Board to prepare an annual state Debt Affordability Study. This study provides the state leadership with a basis to assess the impact of bond programs on the state's fiscal position and make more informed decisions on financing proposals and capital spending priorities. The study's secondary goal is to provide a methodology to measure, monitor and manage the state's debt in order to protect its bond ratings.

The 80<sup>th</sup> Legislature also passed legislation that requires state issuers to provide the Board, upon request a state agency's Request for Proposals for professional services before contracting for such services. The legislation also requires the Board to adopt statewide policies that help the Board and

state issuers evaluate the potential risks and impact on the state finances of interest rate management (swap) agreements.

The 81<sup>st</sup> Legislature passed legislation that changed the due dates for the Debt Affordability Study and the Local Government Statistical Report. The legislation also changed the Private Activity Bond Allocation Program to increase the program's project limits to keep up with larger transaction sizes, improve the process of allocation and provide staff the flexibility to address changes as needed for extraordinary economic or disaster scenarios.

The 82<sup>nd</sup> Legislature 1<sup>st</sup> Called Special Session enacted legislation that exempts from BRB approval debt issued by higher education institutions with a credit rating of AA- or higher.

The 83<sup>rd</sup> Legislature appropriated funds for the 2014-15 biennium for the BRB to upgrade its state and local databases and publish the Local Government Annual Report. In February 2014, staff began working with a custom software development company to create a turnkey solution for the migration and consolidation of agency databases into a new database with ad-hoc reporting capabilities that will facilitate real-time access to multiple years of current and historical debt data. This database upgrade will improve the collection and reporting of state and local debt information and allow staff to respond more efficiently to ad-hoc requests and conduct more detailed debt analysis. BRB staff plans to integrate the new database with the agency website.

The 83<sup>rd</sup> Legislature also appropriated funds for the agency to hire additional staff to assist with its increasing workload. On September 1, 2013, staff began reconciling its local debt databases from fiscal year 2003 to create a more comprehensive framework of local debt outstanding. With additional staff, the agency completed the process of identifying (1) all certificate of obligation debt outstanding, (2) all capital appreciation bond debt outstanding, (3) all existing debt to be included within the debt outstanding totals of each local issuer, and (4) all cash defeasances that have occurred.

In December 2015 the BRB published its fifth consecutive Local Government Annual Report that analyzes debt issued by seven different types of local governments: public school districts, cities, counties, community and junior college districts, water districts, health and hospital districts, and other special districts. This report meets the requirements of TGC §1231.062.

### **Affected Populations**

An important mission of the BRB is to ensure proper and cost-effective financing of state capital investment that supports state government services beneficial to all Texans. In the most general sense Texas taxpayers are the Board's service population.

The Board's interactive customers are state and local issuers that utilize Board resources to provide savings to Texas taxpayers. Information is also provided to investors through agency activities that support investments in state and local governmental entities.

Texas has 19 state agencies and universities, as well as 4 non-profit corporations authorized to issue debt, all of which currently have debt outstanding. The Board focuses on this group for its mission to provide oversight for state debt issuance.



Texas' 1,229 cities, 254 counties, 1,021 school districts and more than 2,000 special districts all have authority to issue debt. As described in information available on the agency's website, local governments had \$212.03 billion in outstanding debt as of August 31, 2015. Board initiatives focus on compiling this debt information in an efficient manner for policymakers and other interested parties as well as assisting local entities as requested. BRB approval is not required for local debt issuances.

Customers of the private activity function include issuers, borrowers and professional consultants for the various types of private activity bonds. These tax-exempt bonds are used for single family housing, multifamily housing, state-voted issues, student loans, industrial development, solid-waste disposal facilities, hazardous-waste disposal facilities and sewage facilities.

Other agency customers include the Governor's Office of Budget, Planning and Policy, the Legislative Budget Board, the Office of the Comptroller of Public Accounts, the State Auditor's Office, the Texas Education Agency, the Texas Department of Transportation as well as other debt issuing agencies, the State Energy Conservation Office and the entire Legislature on matters related to monitoring state and local debt and state debt policy. Additionally, credit rating agencies are agency customers as is the U.S. Census Bureau that collects state and local government debt data from the BRB to use in various federal reports.

From the standpoint of service provided, it is important to distinguish the Board from the agency that supports it. Staff of the Bond Finance Office (BFO) provides direct assistance to the members of the Board and their staff. In that respect, Board members are the primary customers for the BFO.

## **Main Functions**

Legislative mandates establish three distinct functions for the Board:

- oversight and reporting of state bond issuance and coordination of the debt-management and capital-planning processes for the state;
- reporting on local bonded indebtedness including the collection, maintenance and analysis of this data to provide access to current information to the public and the state leadership; and
- allocation of Texas' federal authorization to issue private activity bonds in accordance with state statutes.

## **Public's Perception**

The BRB conducted an online customer service survey in May 2016. The agency sent out 234 requests for customers to complete the survey online, and 45 responses were received for a response rate of 19.2% comparable to the rate of 17.3% for the last biennium.

Overall, the surveys reflect that customers of the BRB were very satisfied with the services received. Details of the May 2016 survey process are outlined in the agency's Customer Service Report as submitted to the Governor's Office of Budget, Planning & Policy and the Legislative Budget Board on June 1, 2016.

A link to the customer service survey is available on the agency's home page for customers to complete at any time. New surveys are automatically emailed to certain agency personnel, and surveys that

require further attention or contain complaints are directed to the Executive Director who serves as the agency's customer relations representative.

Since March 2000 the agency's Compact with Texans provides all agency customers with information regarding the level and quality of customer service to which they are entitled and should expect. The compact is posted on the website and is emphasized during orientation for new BRB employees.

### **Organizational Aspects**

The agency's office is located in the William P. Clements, Jr. State Office Building, 300 West 15th Street, Suite 409, Austin, Texas 78701.

The current number of approved positions is 10, and the agency currently is staffed with 10 FTEs including the Executive Director, Director I, two Financial Analysts, Accountant VII, two Accountant I, one Accountant II and two Research Specialists I.

Office organization is divided into three functional areas: state debt, local debt and private activity bond allocation with a member of the professional staff leading each area. For the most part, the remaining staff divides their time in support of these main functions. Agency workgroups meet weekly to discuss matters relating to workload distribution, data maintenance and cross-training.

An in-depth staffing analysis and workforce plan (Appendix E) describes anticipated challenges in maintaining exemplary service to our customers.

### **Fiscal Aspects**

Agency appropriations for fiscal years 2014 and 2015 totaled \$1,024,860 and \$865,910 respectively. Capital Budget for fiscal years 2014 and 2015 totaled \$341,300 and \$186,716 for Database upgrade. Agency appropriations for fiscal years 2016 and 2017 totaled \$784,160 and \$815,161.

Although the agency is funded solely from the state's general revenue fund, it generates revenue through the receipt of application fees associated with the Private Activity Bond Allocation Program (PAB). During fiscal years 2014 and 2015 the state received unappropriated general revenue of \$438,485 and \$696,698, respectively in application fees associated with the PAB. As of May 2016 the program had provided a total of \$710,655 in unappropriated general revenue, and application fees for fiscal 2016 and 2017 are anticipated to exceed prior levels.

During calendar year 2004, the 78<sup>th</sup> Legislature mandated the BRB to increase its fees associated with PAB multifamily housing applications. The larger fee is to be distributed with a \$1-\$4 split between the BRB and the Texas Department of Housing and Community Affairs (TDHCA), respectively. The BRB's portion is to be swept into general revenue while TDHCA's portion is to be used to fund a study on affordable housing. To date no funds have been appropriated for a study.

The agency's appropriation is highly personnel sensitive with approximately 92% of its budget allocated for salaries. The BRB strives to work as efficiently as possible, the impact of possible limitations on funding for training, travel and professional fees must be analyzed in terms of staff turnover, customer service and internal efficiencies. Appendix E includes a discussion about salary requirements for a responsive workforce. Recovery of risk-management costs due other agencies, the statewide cost allocation plan and e-procurement costs all raise additional budgetary concerns.

## **Service Population Demographics**

Studies indicate that Texas will experience continuing significant population growth over the next five years. State and local requirements for infrastructure needs are driving future capital financing projections. While the basic indicator of infrastructure spending is population growth, the relationship is not direct since certain additions to infrastructure can be delayed for years after the growth occurs.

Past population migration to the state's suburban areas forced many small and medium-sized communities to increase financing for certain infrastructure. Some needs related to population growth, such as classrooms cannot be delayed. In addition, infrastructure such as roads, bridges and water treatment systems put in place during a boom period may, for safety or other reasons need repair or replacement during later periods of economic challenge.

During fiscal year 2015, state issued new-money bonds totaled \$3.94 billion. Also, during fiscal year 2015, local entities issued new-money bonds in the amount of \$15.62 billion including \$7.49 billion for education. Borrowing for other primary purposes included transportation, water and sewer facilities, general-purpose government, power and combined utility systems, health-related facilities, economic development, prison and detention facilities, funds for pension obligation liabilities, recreational facilities, solid-waste facilities, commerce, fire and public safety and computer technology.

During fiscal year 2015 low interest rates contributed to the issuance of \$5.23 billion in state refunding bonds to reduce interest costs, restructure existing debt and convert short-term debt to long-term maturities. Local governments issued \$10.61 billion and a record \$23.16 billion in refunding bonds during fiscal 2014 and 2015, respectively.

As of August 31, 2015 the state had \$47.09 billion in total debt outstanding and local governments had approximately \$212.03 billion in total debt outstanding. The five-year growth rate for state and local debt outstanding is 16.25% and 10.2%, respectively.

If long-term growth in the state's population occurs as predicted, the following effects on infrastructure development and debt issuance can be expected:

- Public school construction will increase, especially in high-growth areas, and the repair, renovation and replacement of temporary facilities with permanent facilities may become the focus of school construction;
- Construction at colleges and universities will increase due to new authorizations of Tuition Revenue Bonds by the 84<sup>th</sup> Legislature;
- Continued high growth in many suburban areas will result in continued new infrastructure needs in these locations;
- Construction and debt financing for water and sewer, transportation and general-purpose government facilities will continue;
- Continued public support for low-cost student loans, affordable housing and economic development will be needed;

- As the population of senior citizens increases, spurred by retiring baby boomers, new health-related and leisure-time facilities will be needed.

## **Technological Developments**

Staff continues to work with the Department of Information Resources to maintain compliance with state technology requirements and align operations with the State Strategic Plan for Information Resource Management (Plan). The Plan has the following goals: 1.) Reliable & Secure Services, 2.) Mature IT Resources Management, 3.) Cost-Effective & Collaborative Solutions, 4.) Data Utility and 5.) Mobile & Digital Services. The agency uses this plan as a framework when making IT decisions and has made improvements in several areas.

Connectivity is an objective under the strategic goal of Reliable & Secure Services. The agency has recently upgraded its network infrastructure to handle increased data capacity and emerging technologies, such as VoIP. The upgrade included new switches, cat 6 cabling, and installation of a fiber trunk line. The agency continues to evaluate bandwidth consumption to mitigate future network congestion and ensure efficient, cost-effective delivery of agency services.

Due to the agency's small size and funding, Mature IT Resources Management is an important focus. IT funding is determined by the Executive Director and Chief Financial Officer based on the needs of the agency. All projects are budgeted and reviewed in detail to evaluate the costs and benefits of the project and forecast future funding requirements. The agency's IT support is provided by an IT consultant available on an as-needed basis through an interagency contract with another state government agency. This allows the agency to conserve its IT budget and provide for the operation of its IT systems.

Under the Plan's strategic objective of Cost-Effective & Collaborative Solutions, the agency has recently made improvements in the objectives of Legacy Modernization and Cloud Services. Staff has been working with a custom software development company to create a turnkey solution for the migration and consolidation of the agency's legacy databases into a new database with ad-hoc reporting capabilities that will facilitate real-time access to multiple years of current and historical debt data. This database upgrade will improve the collection and reporting of state and local debt information and allow staff to respond more efficiently to ad-hoc requests and conduct more detailed debt analysis. Additionally, the agency has upgraded its business productivity suite to Microsoft Office 365 which provides continuous updates of its core operating software. Under this model the agency has constant access to technical support, improved security features and the most efficient software programs.

The agency has begun the use of cloud services to manage certain of its data hosting by deploying website hosting to Amazon Web Services and email hosting to Microsoft Office 365. This provides the agency with additional flexibility in managing its IT operations and precludes the need to maintain the agency's web and mail servers in-house. It also eliminates service interruptions due to maintenance or agency power outages.

Open Data is an objective under the Plan's strategic goal of Data Utility. Under this objective the agency posts its data online in standard, easy to read formats for use by the public. These formats include downloadable spreadsheets, searchable databases and documents and reports in pdf format provided through the BFO website at [www.brb.texas.gov](http://www.brb.texas.gov). The website has been recently redesigned

and upgraded to provide greater ease of use by the public. Links to information on the agency's programs and debt statistics are available in multiple spots simplifying navigation by users. The benefits of establishing a presence on the web have included increased availability of information to the general public and bond finance community, increased communication with our customers and decreased agency administrative costs.

A variety of agency reports, including the agency's Annual Report, Local Annual Report, Capital Expenditure Plan and Debt Affordability Study are available on the agency's website. BFO staff strives to keep all online data and information current to provide agency customers current information 24/7. This posting process also enables BFO staff to provide local government debt information in a searchable format and enables customers to efficiently access desired information. Local government debt data has been posted on the agency's website since 2000, and state debt data has been posted online since 2003.

The agency is constantly working to improve its offering of digital services. Currently the agency accepts reports from state and local government issuers in electronic and paper format. The agency has online forms for submitting customer surveys and notices of intent to issue bonds. The agency posts electronic archives of debt information online. Future plans for digital services include an online debt reporting tool to improve the efficiency of debt reporting and processing.

To assure that all systems implement new technology and minimize agency downtime, the agency plans to replace hardware at five-year intervals as well as provide training in all systems so that each staff member is capable of utilizing the implemented technology.

### **Economic Variables**

The Texas economy started losing momentum in the second half of fiscal 2007 and continued to decline through the fiscal 2008-2009 biennium. Texas began recovering in fiscal 2011, and since then its economy has fared comparatively better than the nation's as a whole. The Comptroller's 2016-2017 Certification Revenue Estimate states that Texas will have an estimated \$110.31 billion available for general-purpose spending in the 2016-17 biennium, 6.4 percent more than in the 2014-15 biennium.

The 77<sup>th</sup> Legislature mandated the BFO to produce a comprehensive, biennial statewide Capital Expenditure Plan in an effort to better assess and anticipate the impact of debt service on the state's budget.

The 80<sup>th</sup> Legislature required the Board, in conjunction with the Legislative Budget Board to prepare an annual state Debt Affordability Study. This study provides the state's leadership with a basis to assess the impact of bond programs on the state's fiscal position and make more informed decisions on financing proposals and capital spending priorities. The study's secondary goal is to provide a methodology to measure, monitor and manage the state's debt in order to protect its bond ratings.

### **Impact of Federal Statutes/Regulations**

Use of tax-exempt debt is not protected under the U.S. Constitution, and the provisions of the Tax Reform Act of 1986 effectively minimized many of the benefits previously available to issuers and holders of tax-exempt debt. Arbitrage requirements increased administrative burdens associated with accounting for bond proceeds. Refunding restrictions decreased the ability of state and local

governments to take advantage of decreases in interest rates. The alternative minimum-tax provision and bank-deductibility changes made tax-exempt bonds less attractive to certain investors.

The Tax Reform Act of 1986 also made substantial changes in the use of private activity debt. The Act narrowed the definition of projects eligible for tax-exempt financing and imposed a volume ceiling on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. For Texas, the volume ceiling imposed by the Act is currently \$100 per capita or \$296.8 million, whichever is greater. Due to Texas' large population, to date the per capita ceiling has yielded the larger number. Beginning January 1, 2003, the state ceiling was indexed to inflation.

In 1990 the state's ceiling was \$849.6 million, but by 2016 the ceiling had grown to \$2.75 billion. The volume cap for Texas has thus increased by 223.3% from 1990 to 2016 due to Texas' increasing population. It is also important to note that from 2012 to 2016, the volume cap allotted to Texas has grown 12.6%, additionally; during the same time period unused volume cap ("carryforward") has increased by 29.3%, from \$2.95 billion to \$3.81 billion. The total effective size of the state's volume cap and carryforward reached \$6.56 billion in 2016.

In February 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created four types of bonding authority and expanded authority under three existing programs. The four types of bonding authority created were Build America Bonds (BAB), Recovery Zone Economic Development Bonds (RZEDB), Recovery Zone Facility Bonds (RZFB) and Qualified School Construction Bonds (QSCB). The three expanded programs were Qualified Zone Academy Bonds (QZAB), Qualified Energy Conservation Bonds (QECCB) and Clean Renewable Energy Bonds. The BRB was designated by the Governor as the administrator of RZEDBs, RZFBs, and QECCBs. Except for QECCB, the federal authority for all ARRA bonding authority has expired.

### **Impact of Anticipated State Statutory Changes**

Statutory changes relating to additional debt-issuance authority are expected to have a minimal impact on the agency's operations. The 81<sup>st</sup> Legislature appropriated funds for additional general obligation debt that was approved by the voters at the November 2007 general election. These include Senate Joint Resolution (SJR) 64 to finance \$5.00 billion for transportation projects; SJR 57 to finance \$500.0 million for student loans; and SJR 20 to finance \$250.0 million for water projects of the 80<sup>th</sup> Legislature. Additionally, the 81<sup>st</sup> Legislature provided the Texas Public Finance Authority with the authority to issue a total of \$4.00 billion in new debt, \$3.00 billion of which is designated for the Cancer Prevention Research Institute of Texas for cancer research and prevention. Although issuances under these authorizations continue, the time required for staff to analyze issuance applications and track debt service for them has been absorbed into the overall mix of staff functions.

Other statutory changes could have an impact on the BRB. Statutory changes affecting the Private Activity Bond Allocation Program that are designed to either make policy changes or to clarify the current statute are frequently introduced during legislative sessions. With the passage of Senate Bill (SB) 2064 during the 81<sup>st</sup> Legislative Session, improvements were made to the program by providing issuers with increased flexibility during difficult market conditions such as those experienced during fiscal 2009. In addition, SB 2064 increased the responsibilities of the BRB in connection with the announcement of new federal bond programs.

The 82<sup>nd</sup> Legislature 1<sup>st</sup> Called Special Session enacted Senate Bill (SB) 5 that exempts from BRB approval debt issued by higher education institutions with a credit rating of AA- or higher. Although this change has reduced the time needed for oversight of debt issued by most higher education institutions, this workload reduction has been more than offset by workload increases caused by increased focus on local government indebtedness. The workload in that strategy has increased because of the additional data BRB is collecting for each local debt issuance and the additional interest in the area generated with the increased amount of local debt incurred over the years. In addition, current staff continues to be cross-trained, to support the state, private activity bonding and local government strategies.

The 83<sup>rd</sup> Legislature appropriated debt service for the 2014-15 biennium for the Texas Transportation Commission to issue \$2 billion of Prop 12 GO debt, for the Cancer Prevention and Research Institute of Texas (CPRIT) to issue \$600 million in GO debt and for Texas Public Finance Authority (TPFA) to issue \$146.2 million in GO debt for various state agencies. Senate Joint Resolution (SJR) 1 of the Regular Session proposed the creation of a State Water Implementation Fund that would be administered, without further appropriation, by the Texas Water Development Board (TWDB). HB 1025 authorized the transfer of \$2 billion from the state's Economic Stabilization Fund (ESF), also known as the Rainy Day Fund, to implement the state's water plan. Voters approved the proposed amendments to the Texas Constitution at the November 5, 2013 bond election.

The 84th Legislature authorized the issuance of \$767.7 million of revenue bonds for the Texas Facilities Commission (TFC) for North Austin and Capitol Complex projects. The bonds are anticipated to be repaid with lease payments from TFC subject to biennial appropriation by the Legislature. Such lease payments were appropriated for the 2016-2017 biennium. The 84th Legislature also authorized \$3.10 billion in tuition revenue debt (TRB) with the passing of HB 100. Historically, the legislature has appropriated funds in an amount equal to all or a portion of the debt service on TRB debt issued. Additionally, the 84<sup>th</sup> Legislature passed HB 122 which limits the issuance of debt secured by the Texas Mobility Fund solely to refundings or issuances that replace variable-rate debt.

### **Impact of Current and Outstanding Court Cases**

As of June 2016 the agency has no current or outstanding court cases.

### **Impact of Local Governmental Requirements**

Statutory changes to reporting requirements for local government bond issuers have facilitated data collection for the local government strategy. The Public Finance Division of the Attorney General's Office receives the transcripts for all state and local debt issued, and pursuant to Chapter 1202.008, Texas Government Code, data for most local government issues is provided to the BRB along with an Additional Transcript Requirements Form for inclusion in the agency's databases. To respond to increasingly detailed questions from the general public, state leadership, and the Legislature regarding transparency for local debt issuances, staff has made revisions to the Additional Transcript Requirements Form to require more detail on specific costs of issuance for local issuers. These new data requirements more closely mirror the information provided by state issuers.

### **Self-Evaluation and Opportunities for Improvement**

The BRB is recognized for being responsive to requests for information and for its reports. However, because the agency must manage significant amounts of data for its analysis and reporting activities, staff must continually develop and refine procedures and systems that facilitate these processes. In

this connection staff must receive periodic training to maintain and enhance critically needed skills and knowledge in this important area.

### **Oversight of State Bond Issuance**

The BRB's oversight responsibility was developed to ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state's credit ratings. The agency has no oversight over local debt issuance.

Texas continues to maintain a AAA rating from all three major rating agencies. S&P's last action on Texas' GO rating was to affirm its AAA rating and stable outlook on April 22, 2016. Moody's last action on Texas' GO rating was to affirm its Aaa rating and stable outlook on April 27, 2016. Fitch's latest action on Texas' GO rating was to affirm its AAA rating and stable outlook on April 28, 2016.

When the Board was created in 1987, Texas had 41 state bond issuers with no coordination of market access, no consistency in official statement reporting and no standards regarding issuance costs. Although the number of issuers has been reduced to 23 through administrative and legislative action, the complexity of issuances continues to increase along with the continued need for oversight.

The requirement that proposed state debt issues must be reviewed at bi-monthly meetings of the Board provides coordination for state debt issuance without unduly restricting an issuer's access to the credit markets. In addition, state issuers must submit to the Board a detailed report on the various cost of issuance fees incurred from each bond sale as well as a semi-annual report summarizing all outstanding debt of the issuer so that Board staff can update and verify state debt information.

The Board and its staff analyze and report to the Legislature, rating agencies, bond community and general public on overall state debt, economic and financial conditions and trends and developments in the credit markets. Accurate and consistent reporting is crucial in order to facilitate the marketing of Texas debt. This is accomplished through the Board's Annual Report, produced since 1988 which includes credit-market trends affecting Texas bonds issued during the year along with detail on total state debt outstanding, debt-service requirements and costs of issuing state debt. The staff also assists the State Comptroller in the preparation of Appendix A of the state's General Obligation Official Statement.

Staff also annually prepares the Debt Affordability Study which provides the state leadership with a basis to assess the impact of bond programs on the state's fiscal position and thus enable more informed decisions on financing proposals and capital spending priorities. The study's secondary goal is to provide a methodology to measure, monitor and manage the state's debt in order to protect its bond ratings. Additionally, staff prepares a state Capital Expenditure Plan biannually before each session to help legislators better assess and anticipate the impact of future debt service on the state's budget.

The Board continues to review state financing transactions that require in-depth scrutiny. Examples of these are the financings for affordable housing, especially multifamily properties, charter school transactions and financings for energy savings performance contracts. Other transactions requiring close review include those using interest rate management agreements or those involving financial restructurings. These transactions are very complex and involve many outside parties and intricate financial structures.



The Texas Constitution contains an amendment (often referred to as “Constitutional Debt Limit”) that prohibits authorization of additional debt payable from general revenue after the threshold of debt service as defined in the amendment has been reached. This amendment states that additional state-supported debt may not be authorized if the maximum annual debt service payable from general revenue, including authorized-but-unissued debt exceeds five percent of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years. The Board is required to monitor, report and issue certifications regarding this constitutional item.

The 80<sup>th</sup> Legislature passed legislation that requires state issuers to provide the Board, upon request, a copy of their request for proposal for professional services no later than the date it was published. The legislation also requires the Board to adopt statewide policies that help the Board and state issuers evaluate the potential risks and impact on the issuer’s and the state’s finances of interest rate management (swap) agreements.

The Board’s impact on issuance costs is limited by the fact that its oversight is exercised as a final step before the issuer’s debt is sold. Because specific statutes reserve the issuer’s right to make decisions regarding hiring of consultants, determination of method of sale, fees, minority participation and the like, the Board is prevented from directly influencing the actual structuring of state debt issues.

The agency has enhanced the application process by providing electronic copies of application forms for state debt issuers and for agencies that file applications for lease-purchase transactions. Issuers now submit Notices of Intent using the agency’s online form.

During fiscal 2003, the Board adopted rules that allow for the exemption from formal approval for bond transactions meeting certain criteria. Specifically, exempt bond issues include those that do not draw on the general revenues of the state, such as conduit transactions issued by the Texas Department of Housing and Community Affairs and the Texas Public Finance Authority Charter School Finance Corporation as well as general revenue-backed debt that does not have a history of requiring general revenue draws, such as bonds issued by the Texas Veterans’ Land Board. Issuers of these bonds are required to file a Notice of Intent with the BFO. Upon receipt of this notice the BFO prepares a financial analysis of the transaction and forwards it to the Board after which the Board has six days to determine if the issuers should be “called in” for full review, i.e., required to follow the formal approval process. If the Board chooses not to call the transaction in within that time period, the issuer may proceed to issue the debt.

During fiscal 2010, the Board adopted rules that increased the amount of information that it receives from issuers who have entered into swap transactions.

The agency is always receptive to suggestions that would facilitate the review process for Board representatives. Agency staff will continue to identify potential financing techniques or program initiatives that could result in more cost-effective transactions for the state.

The 82<sup>nd</sup> Legislature 1<sup>st</sup> Called Special Session enacted Senate Bill (SB) 5 that exempts from BRB approval debt issued by higher education institutions with a bond rating of AA- or higher. This change results in less oversight of debt for higher education institutions.

## **Local Government Services**

Reporting of local debt statistics is required by statute (Texas Government Code, Chapter 1231.062). By providing downloadable files which are accessible on the agency website, the BRB has met its goal to ensure that public officials have access to current information regarding local government debt issuance, finance and debt management.

The Board's Local Government Annual Report analyzes debt issued by seven different types of local governments: public school districts, cities, counties, community and junior college districts, water districts, health and hospital districts, and other special districts. This report meets the requirements of TGC §1231.062.

To maintain an efficient system of collecting and reporting debt issuance and debt-outstanding information on over 4,700 local government entities, as well as addressing statutory mandates regarding local debt reporting and analysis, the BRB has:

- Continually worked to streamline the local government debt database (including the debt of school districts, counties, community/junior colleges, cities, health/hospital districts, water districts and other special districts) to create a simplified review and data entry process that enables staff to focus on improved analysis and communication efforts;
- Created the Local Government Annual Report that provides greater detail on all seven categories of local debt information collected and complies with the statutory biennial reporting requirements for local debt by placing this information on the agency's website, thereby increasing availability and reducing costs; and
- Expanded local government debt information on the agency's website. Visitors to the site can access and download spreadsheets that contain debt outstanding data, detailed cost of issuance data, debt ratios, bond election information and population data by government type at fiscal year-end. As part of the calculation for an outcome-based performance measure, the agency keeps a log of the users of the searchable database and the number of files downloaded each month.

Data collection and reporting is now maintained on more than 4,700 local government entities. As a result, documentation and periodic review of staff procedures is paramount to maintaining accurate and consistent data analysis and reporting.

## **Private Activity Bond Allocation Program**

The goal of this program is to ensure that the private activity bond cap authorized for Texas state and local entities is allocated in a manner consistent with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas. The BRB is responsible for drafting rules and application guidelines to ensure compliance with statutory and federal requirements for the program. The agency does not have in-house counsel but relies heavily for legal support from the Public Finance Division of the Office of the Attorney General.

Applications are thoroughly reviewed to ensure compliance with federal and statutory requirements. State statute determines the annual set-asides for each of the six subceilings: mortgage revenue bonds,

state-voted issues, qualified small issue industrial development bonds, residential rental projects, student loan bonds and all other issues.

The Legislature mandates program changes in the six subceilings periodically to maintain an equitable process and to distribute volume cap to meet the needs of Texas. However, as the program's administrator, the BRB also has the ongoing challenge of identifying issues that need to be addressed by the legislature to assure that the program continues to meet its goals. With the passage of SB 2064 during the 81<sup>st</sup> Legislative Session, improvements were made to the Private Activity Bond Program by providing issuers with increased flexibility during difficult market conditions such as those experienced during fiscal 2009. In addition, SB 2064 increased the responsibilities of the BRB by allowing it to respond to the announcement of new federal bond programs.

The BRB must keep its staff up-to-date on federal and statutory issues that affect the success of the Private Activity Bond Allocation Program. The program administrator attends seminars and conferences to remain current with the changing policies of tax-exempt private activity bond issuance. This staff is often asked to participate on panels at conferences, straining the agency's limited travel budget.

As described above, Texas' increasing population directly affects the calculation of the state's increasing volume cap under the private activity bond program. The volume cap for the 2016 program year is \$2.75 billion. From 2012 to 2016, the volume cap allotted to Texas has grown by 12.6%. Additionally, during the same time period, unused volume cap ("carryforward") has increased 29.3%, from \$2.95 billion to \$3.81 billion. The total effective size of the state's volume cap and carryforward reached \$6.56 billion in 2016.

### **Use of Historically Underutilized Businesses**

The Bond Finance Office's principal operating expenditures include consumables and supplies necessary to conduct business and limited travel to relevant association conferences as dictated by budget constraints.

The office primarily purchases through the state supply store and through state contracts. Expenditures are limited due to budgetary constraints; however, the BFO uses its best efforts to obtain quotations and make acquisitions from Historically Underutilized Business firms as outlined in the agency's long-range plan.

### **Performance Benchmarking**

The recommended benchmarks shown below are the result of a planning process that incorporated a variety of planning procedures and techniques. The benchmarking process used these resources and planning tools:

- ongoing internal research on state and local debt, capital planning and methods of finance;
- requests and recommendations of members of the Board and Board staff; and
- dialogue with industry experts, rating agencies and colleagues from other state agencies and colleagues in other states.

Specific planning procedures included:

- a series of brainstorming sessions among key staff members;
- ongoing discussions and input from professional staff;
- review and approval of draft documents by professional staff; and
- review of all draft documents by agency board.

**Benchmark — Goal 1:**

***Net tax-supported state debt per capita***

This ratio demonstrates the relationship between the state’s debt outstanding payable from tax revenue and the state’s population and is calculated by dividing the net tax-supported state debt outstanding by the total estimated number of residents of the state. Net tax-supported debt does not include any debt that is self-supporting, debt that is serviced by another unit of government, appropriate sinking funds or short-term operating debt.

Available sources for comparable measures include an annual *Medians - Selected Indicators of Municipal Performance* publication by Moody’s Investors Service. The State Indicators and Rankings section includes debt-per-capita ratios for all fifty states as well as median and mean calculations for this category. Similar comparisons are available from other municipal debt rating agencies such as Standard and Poor’s and Fitch Ratings.

This benchmark corresponds to the General Government statewide priority goal which is “Ensure the state’s bonds attain the highest possible bond rating; and conservatively manage the state’s debt.” The statewide benchmarks in this category that apply are:

- Texas general obligation bond ratings
- Issuance cost per \$1,000 in general obligation debt

Agency initiatives to accomplish this goal include the review of state bond issues, statewide capital expenditure planning and debt issuing guidelines.

Goal one is to “Ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state’s credit ratings.”

**Benchmark — Goal 2:**

***Debt-ratio medians for tax-supported debt for Texas school districts, counties, cities, water districts and other special districts compared to national medians for these same governments based on Moody’s medians***

Texas local governments are among the primary issuers of tax-supported debt in Texas. Moody’s Investors Service annually publishes medians for tax debt per capita and debt-to-taxable values for these same governments (if rated by Moody’s) in its annual *Medians - Selected Indicators of Municipal Performance*. The debt indicators and performance ratios contained in this publication have been chosen from among those most commonly used by analysts in the municipal bond industry.

The statewide goal that corresponds to goal two is the General Government goal “to support effective, efficient and accountable state government operations.” The applicable statewide benchmark for this category is:

- Texas general obligation bond ratings
- Issuance costs per \$1,000 in general obligation debt

Goal two is to “Ensure that public officials have access to current information regarding local government debt issuance, finance and debt management.”

### **Benchmark — Goal 3:**

#### ***Percentage of State’s Private Activity Volume Cap Used for Each Purpose or Subceiling***

The Private Activity Bond Program is administered on a calendar-year basis in accordance with federal and state mandates. Calculating this benchmark on a calendar-year basis provides the most relevant, comparable and useful information. The percentage is calculated by dividing the amount of private activity bonds used for a specific purpose by the total amount of volume cap available for a given year.

Available sources for comparable measures include information available from corresponding offices in each state that handle private activity bonds, as well as an annual summary prepared by *The Bond Buyer*, the leading daily national publication for public finance. Allocation comparisons with other states’ programs help to measure the effectiveness of Texas’ allocation program. The information compiled provides assistance in formulating policy for Texas.

This benchmark corresponds to the Economic Development statewide priority goal which is “to provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment and infrastructure development.” Private Activity Bonds provide a low-cost financing mechanism to private entities that serve a public purpose. The statewide benchmarks in this category that apply are:

- Per capita gross state product;
- Texas unemployment rate; and
- Net number of new non-government, non-farm jobs created.

Goal three is to “Ensure that the authorization to issue private activity bonds for Texas state and local entities is allocated consistently with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas.”

## **Agency Goals**

- Goal 01** Ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state's credit ratings.
- Goal 02** Ensure that public officials have access to current information regarding local government debt issuance, finance and debt management.
- Goal 03** Ensure that the authorization to issue private activity bonds for Texas state and local entities is allocated consistently with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas.
- Goal 04** Establish and carry out policies governing purchasing and contracting that will foster meaningful and substantive inclusion of historically underutilized businesses.

## **Objectives, Strategies and Performance Measures**

- Goal 01** Ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state's credit ratings.

### **Objective 01**

Analyze and approve the issuance of state debt securities that meet the highest standards for financial feasibility, comply with the state's debt-issuance policies and minimize total borrowing costs.

### **Outcome Measure 01**

Percentage of state agencies in compliance with the statewide Capital Expenditure Plan reporting requirements

### **Strategy 01**

Review each Texas BRB project application to ensure proper legal authorization, accurate and adequate disclosure, appropriate use of call provisions, bond insurance and other provisions which affect marketability.

### **Output Measure 01**

Number of state bond issues and lease-purchase projects reviewed.

### **Strategy 02**

Analyze and report to the Legislature, rating agencies and other interested parties on Texas' debt burden, creditworthiness and Capital Expenditure Plan. Analyze and report to the Legislature and other policy makers actions that would raise the state's bond rating and/or lower state borrowing costs.

### **Output Measure 01**

Number of responses to debt information requests.

### **Output Measure 02**

Number of capital expenditure plan projects reviewed.

**Explanatory/Input Measures 01**

Average issuance costs per \$1,000 general obligation debt issued.

**Explanatory/Input Measures 02**

Percent of general revenue utilized for general obligation and revenue bond debt service.

**Explanatory/Input Measures 03**

Texas' GO bond rating

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**Goal 02** Ensure that public officials have access to current information regarding local government debt issuance, finance and debt management.

**Objective 01**

Inform state and local policy makers on effective debt issuance and management.

**Outcome Measure 01**

Percent of local government information provided electronically through website access.

**Strategy 01**

Collect, maintain and analyze data on the current status of and improvements to local government debt issuance, finance and debt management. Report findings to the Legislature, other state officials and local policy makers.

**Output Measure 01**

Number of local government financings analyzed.

**Efficiency Measure 01**

Average issuance costs per \$1,000 debt issued by local governments.

**Explanatory/Input Measure 01**

Number of local governments issuing debt.

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**Goal 03** Ensure that the authorization to issue private activity bonds for Texas state and local entities is allocated consistently with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas.

**Objective 01**

Maximize the public use of tax-exempt private activity bond proceeds by issuing 100% of the state's available private activity bond allocation in a manner that is consistent with federal regulations, the state's statute and the agency's guidelines. Ensure that volume cap is distributed to the different project types in the percentages mandated by the state Legislature for any given program year.

**Strategy 01**

Administer the private activity bond allocation program efficiently and effectively to ensure the total utilization of the state's annual private activity bond allocation according to federal regulations and compile and analyze the results of each allocation in an annual report.

**Output Measure 01**

Number of applications reviewed.

**Output Measure 02**

Number of allocations issued.

**Output Measure 03**

Amount of allocation issued.

**Explanatory/Input Measure 01**

Amount of demand for private activity bond allocation program.

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**Goal 04** Establish and carry out policies governing purchasing and contracting that will foster meaningful and substantive inclusion of historically underutilized businesses.

**Objective 01**

To include historically underutilized businesses (HUBs) in at least 30% of the total value of purchases and contracts awarded annually by the agency by fiscal year 2012.

**Outcome Measure 01**

Percentage of total dollar value of purchases & contracts awarded to HUBs.

**Strategy 01**

Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing and contracts.

**Output Measure 01**

Number of HUB suppliers and contractors contacted from bid proposals.

**Output Measure 02**

Number of HUB purchases and contracts awarded.

**Output Measure 03**

Dollar value of HUB purchases and contracts awarded.

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**Long-Range Plan**

Wherever possible, bids, whether formal or informal, will be obtained through use of the Texas Comptroller's of Public Accounts Procurement and Support Services Division certified master bidders list.

Bid procedures for delegated purchases shall be as stated in CPA's Procurement Manual, with bids to be obtained from a minimum of three vendors, two of which must be HUBs.

The Texas Bond Review Board will remain actively committed to fair and impartial good-faith efforts to foster HUB participation.



## **HUB Activity/Participation Report - Fiscal Years 2018-2019**

The Bond Review Board's expenditures for purchasing and contracts, other than those through the Texas Comptroller's of Public Accounts Procurement and Support Services Division and the Department of Information Resources are limited. Discretionary dollar amounts available for other acquisitions are a very small percentage of the agency's total budget that primarily consists of personnel costs.

Due to the small size of the agency budget and staff, most expenditures are made directly with or through other agencies. Standard equipment items are obtained through the Comptroller of Public Accounts' automated purchases program that includes the Texas Correctional Industries program and the Texas Industries for the Blind and Handicapped program. The Department of Information Resources is used for cooperative contract acquisitions and information services. The ultimate source for these acquisitions is often a HUB vendor. The Bond Review Board has no input in award of the contracts.

Staff continues to seek methods to increase HUB expenditures through expansion of procedures outlined in its long-range plan.

## **Redundancies and Impediments**

Service, Statue, Rule or Regulation (Provide Specific Citation, if applicable)	Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations	Provide Agency Recommendation for Modification or Elimination	Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change
n/a	n/a	n/a	n/a

## **Technology Resources Planning**

<b>1. Initiative Name:</b>	
Local and State Government Bond Tracking and Reporting System	
<b>2. Initiative Description:</b>	
In February, 2014, staff began working to create a turnkey solution for the migration and consolidation of agency databases into a new database with ad-hoc reporting capabilities that will facilitate real-time access to multiple years of current and historical debt data. In June 2016 staff began using the new database in tandem with the old system as part of its internal testing and verification process.	
<b>3. Associated Project(s):</b>	
<b>Name</b>	<b>Status</b>
Bonds database	In Progress as of February 2014
Local database	In Progress as of February 2014
<b>4. Agency Objective(s):</b>	
This database upgrade will improve the collection and reporting of state and local debt information and allow staff to respond more efficiently to ad-hoc requests and conduct more detailed analysis on Texas' overall debt picture.	
<b>5. Statewide Technology Priority(ies):</b>	
<ul style="list-style-type: none"> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• P8 – Open Data</li> </ul>	
<b>6. Guiding Principles:</b>	
The new database will eventually allow more data to be available on the agency website thus allowing more data available to the public.	
<b>7. Anticipated Benefit(s):</b>	
This project will improve the efficiency and accuracy of data collection and allow the agency to produce reports in a timelier manner. Additionally, citizens as well as public officials should have access to more data about outstanding state and local debt.	
<b>8. Capabilities or Barriers:</b>	
As a small agency BRB outsources its IT services through an interagency contract with the Texas Public Finance Authority and has only limited resources to collaborate with the software development company hired to upgrade the agency databases.	

## **Appendix A – Agency Planning Process**

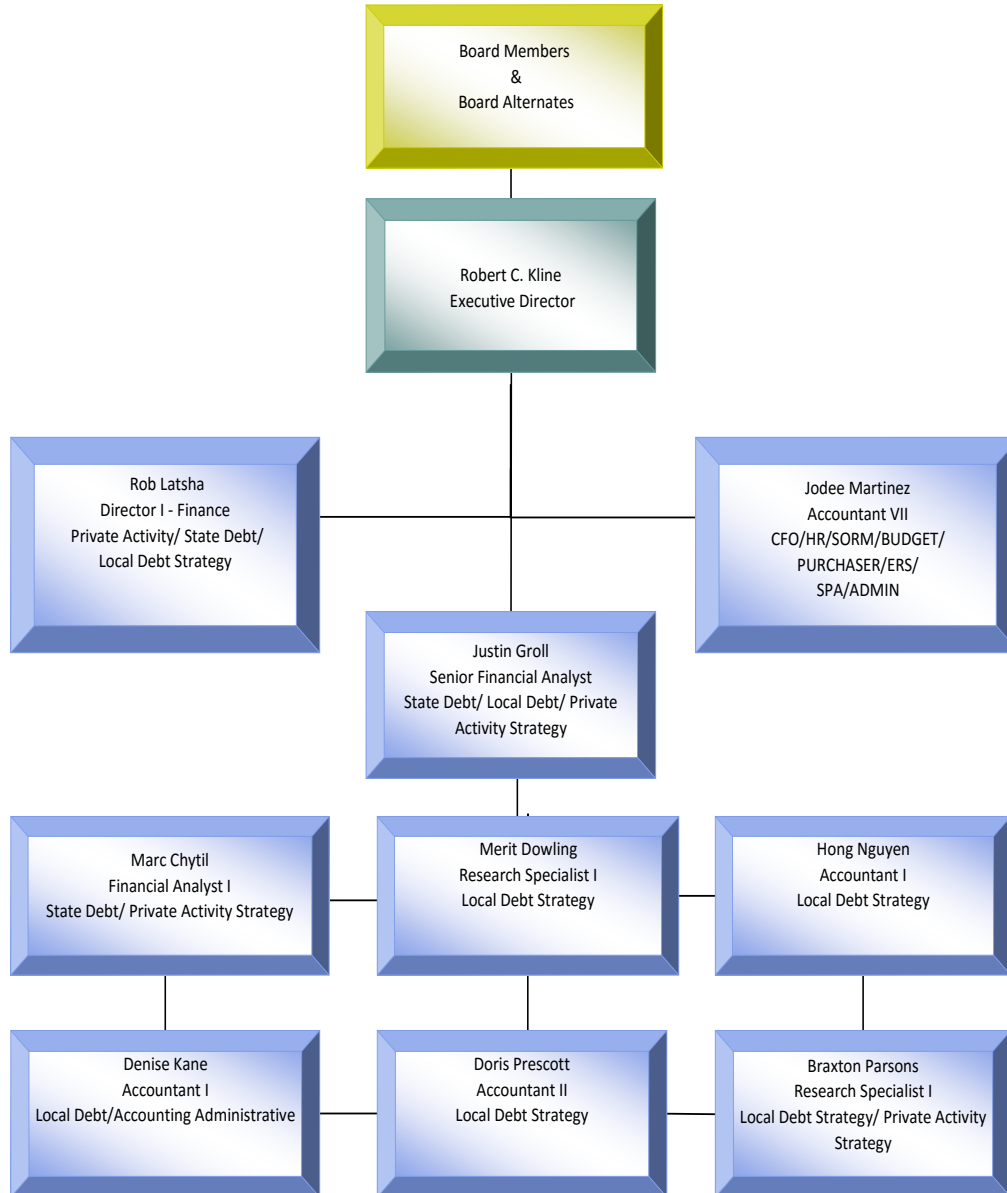
The Bond Review Board’s strategic planning process used a variety of planning procedures and techniques. The internal/external assessment utilized these resources and planning tools:

- continuing internal research on state and local debt, capital planning and methods of finance;
- legislative hearings on private activity bond use;
- requests and concerns of individual agency clients and consultants (state issuers, bond counsels, financial advisors and underwriters, minority consultants, school superintendents and staff of other agencies);
- requests and recommendations of members of the Board and Board staff;
- communications with industry experts, including rating agency staff, bond researchers and colleagues from state agencies and colleagues in other states;
- surveys sent to customers of the three functional areas; and
- meetings involving agency staff, Board staff, participation by staff of the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board.

Specific planning procedures included:

- a series of brainstorming sessions among staff members;
- review of goals, objectives and strategies at the functional level;
- ongoing discussions and input from professional staff;
- meetings with staff of the Governor’s Office of Budget, Planning and Policy and the Legislative Budget Board; and
- review and approval of draft document by management.

# Appendix B – Current Organizational Chart



## Appendix C – 5-Year Outcome Projections

<b>Outcome</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Goal 01</b>					
01 percentage of state agencies in compliance with the statewide Capital Expenditure Plan reporting requirements	N/A	98%	N/A	98%	N/A
<b>Goal 02</b>					
01 percent of local government information provided electronically through website access	98%	98%	98%	98%	98%

## Appendix D – List of Measure Definitions

### Goal 01

*Ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state's credit ratings.*

**Objective 01:** Analyze and approve the issuance of state debt securities that meet the highest standards for financial feasibility, comply with the state's debt-issuance policies and minimize total borrowing costs.

**Outcome Measure 01:** Percentage of State Agencies in Compliance with the statewide Capital Expenditure Plan (CEP) Reporting Requirements.

**Short Definition:** Percentage of state agencies and higher education institutions that have submitted capital project information for inclusion in the statewide CEP or notification that they do not anticipate projects that meet the reporting criteria.

**Purpose/Importance:** Legislation was passed in 1997 requiring the BRB to develop a comprehensive statewide CEP. Also, the CEP will help the state's effort to increase its bond rating.

**Source/Collection of Data:** Staff will enter this data in the agency's CEP contacts database. All state agencies and higher education institutions appropriated funds are required to submit projects to the BRB for inclusion in the statewide CEP, according to specific reporting criteria. Currently, the CEP project information is due each even-numbered year.

**Method of Calculation:** Divide the total number of agencies that submit project information plus the number of agencies that respond that they don't meet the reporting criteria by the total number of agencies required to report.

**Data Limitations:** Dependent on state agencies' compliance with state statutes.

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

*Strategy 01: Review each Texas Bond Review Board project application to ensure proper legal authorization, accurate and adequate disclosure, appropriate use of call provisions, bond insurance and other provisions which affect marketability.*

**Output Measure 01:** Number of State Bond Issues and Lease-Purchase Projects Reviewed

**Short Definition:** All state bond issues and lease-purchase projects that are greater than \$250,000 and /or with a term of five years or more, with the exception of Permanent University Bonds, require BRB approval and are reviewed by BRB staff.

**Purpose/Importance:** Bond issues and lease-purchase projects are reviewed to ensure proper legal authorization, accurate and adequate disclosure, appropriate use of call provisions, bond insurance and other provisions of the projects.

**Source/Collection of Data:** Staff will collect data from all bond issues and lease-purchase projects reviewed and will maintain this information in the agency's Bond database.

**Method of Calculation:** This information is extracted from an agency's database on a quarterly basis. For calculation purposes, all projects reviewed by the BRB are counted regardless of whether or not the Board approves the issue/project.

**Data Limitations:** Limited by the number of bond issues and Master Lease Purchase Program projects submitted.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

*Strategy 02: Analyze and report to the Legislature, rating agencies, and other interested parties on Texas' debt burden, creditworthiness and Capital Expenditure Plan. Analyze and report to the Legislature and other policy makers action that would raise the state's bond rating and/or lower state borrowing costs.*

**Output Measure 01:** Number of Responses to Debt Information Requests

**Short Definition:** Number of responses regarding debt information (i.e., published material, item specific information, informational reports and formal written communications) that is provided to rating agencies, bond counsel, state agencies and other third-party users.

**Purpose/Importance:** The purpose of this measure is to assess the workload associated with the dissemination of debt information.

**Source/Collection of Data:** Staff enters this information into the agency "perform" database.

**Method of Calculation:** This information is a manual count taken from the agency "perform" database on a quarterly basis.

**Data Limitations:** Number of requests for debt information.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

**Output Measure 02:** Number of Capital Expenditure Plan Projects Reviewed

**Short Definition:** The number of Capital Expenditure Plan (CEP) projects submitted and reviewed for completion and accuracy by BRB staff.

**Purpose/Importance:** This is a relatively new responsibility for the BRB and will require a substantial amount of staff time. This measure will assist in tracking the workload associated with meeting the statewide CEP requirements. The information affects the state's bond ratings.

**Source/Collection of Data:** Staff tracks data from all CEP projects reviewed in the agency data\_entry\_assignments/.xls spreadsheet. All state agencies and higher education institutions appropriated funds are required to submit projects to the BRB for inclusion in the statewide CEP, according to specific reporting criteria. Currently, the CEP project information is due each even-numbered year.

**Method of Calculation:** A count of the total CEP projects is obtained from the agency data\_entry\_assignments/.xls database for the reporting period.

**Data Limitations:** Limited by the number of capital projects submitted.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

**Explanatory/Input Measure 01:** Average Issuance Costs per \$1,000 General Obligation Debt Issued

**Short Definition:** The average cost of issuing \$1,000 in bonds by the state of Texas.

**Purpose/Importance:** Issuance costs are composed of the fees and expenses paid to consultants and underwriters to market bonds to investors. This is commonly calculated in the bond market to determine the up-front cost of issuing bonds. This measure is important because it allows the agency to compare the state's issuance costs to other states and the national average. The Bond Review Board reviews estimated costs of issuance at the time of application by an issuer. The estimates may be compared to other similar issues in size and complexity. Approval of bond transactions includes a limit of costs of issuance to the estimated or revised amounts.

**Source/Collection of Data:** State issuers are required to submit a final report which includes costs of issuance, within 60 days of delivery of state bonds. The costs submitted are then compared to the estimated amount. Generally, actual costs are lower than the approved cap. In the event that an issuer expects to exceed its budget, the issuer must file for an amendment for approval by the Board.



**Method of Calculation:** This measure will be calculated by dividing the total issuance costs paid by the number of \$1,000 bonds issued.

**Data Limitations:** None

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Lower than target.

---

**Explanatory/Input Measure 02:** Percent of General Revenue utilized for General Obligation and Revenue Bond Debt Service.

**Short Definition:** Percent of unrestricted general revenue utilized for debt service payment of general obligation and revenue bonds.

**Purpose/Importance:** This measure reflects the state's debt service obligations as a percentage of unrestricted general revenue and how it impacts the state's constitutional debt limit.

**Source/Collection of Data:** The debt service information on general obligation, revenue bond and lease purchase agreements greater than \$250,000 is collected from the issuers and is tracked in the agency's debt service spreadsheet. The unrestricted general revenue data is compiled by the Comptroller of Public Accounts and published annually in its Cash Report.

**Method of Calculation:** This measure is calculated at fiscal year-end. The numerator is the annual debt service payments on general obligation bonds, revenue bonds, and lease-purchase transactions greater than \$250,000 that are paid from unrestricted general revenue (self-supporting debt obligations are excluded).

The denominator is the unrestricted general revenue at fiscal year-end as disclosed by the Comptroller of Public Accounts.

**Data Limitations:** Dependent on the number of bond issues and Master Lease Purchase Program projects approved.

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Lower than target.

---

**Explanatory/Input Measure 03:** Texas' General Obligation Bond Rating

**Short Definition:** This measure reports the average of the general obligation (GO) bond ratings of the State assessed by the three major credit rating agencies, i.e. Moody's, Standard and Poor's, and Fitch.

**Purpose/Importance:** This measure will report the average of Texas' GO bond ratings as reported by the three credit rating agencies, i.e. Moody's, Standard and Poor's, and Fitch.

**Source/Collection of Data:** Staff will track information regarding the state's ratings through reports from the credit rating agencies, i.e. Moody's, Standard and Poor's, and Fitch and "Conversion of Investment Grade Alpha Ratings" spreadsheet.

**Method of Calculation:** To calculate an average, numerical values were assigned to each of the "investment grade" alpha ratings with 1 being the highest (Aaa/AAA/AAA) and 10 being the lowest (Baa3/BBB-/BBB-) in that range. These values are in the "Conversion of Investment Grade Alpha Ratings" spreadsheet. Credit rating agencies consider four primary factors when rating a state's debt: 1) Economic – the state's income, employment, economic diversity and demographics; 2) Financial – revenues, cost structure, balance sheet health and liquidity; 3) Debt – debt ratios and debt security and structure; and 4) Management – budget development and management practices; constitutional constraints, initiatives and referenda; executive branch controls; mandates to maintain a balanced budget; rainy day funds; and political polarization.

**Data Limitations:** Affected by the State's debt policies, financial condition, economy, revenues and expenditures.

**Calculation Type:** Non-cumulative

**New Measure:** Yes

**Desired Performance:** Lower than target.

---

## Goal 02

*Ensure that public officials have access to current information regarding local government debt issuance, finance and debt management.*

**Objective 01:** Inform state and local policy makers on effective debt issuance and management.

**Outcome Measure 01:** Percent of local government information provided electronically through website access

**Short Definition:** Gauging the method of dissemination of local government debt information to customers

**Purpose/Importance:** Information is disseminated in two distinct ways: 1) Directly, requiring staff time in dealing with customers; and 2) Indirectly, or website access of information by customers, requiring little or no staff time once the data is posted.

This measure will monitor the percent of customers that receive local government data via the agency's website indicating that data is being efficiently distributed with a minimal amount of staff time.

**Source/Collection of Data:** To assess the customer demand for local government debt information and the method of dissemination (direct or indirect). There are two data sources accessed: 1) an internal "perform" database where the number of direct contacts are tracked, and 2) automatically-created monthly web logs associated with the agency's website that track file downloads and searchable database users by IP address (indirect). The data retrieved are used to calculate this outcome measure.

**Method of Calculation:** The percentage is determined by the following calculation: (number of customers receiving data electronically through website access) divided by (number of customers receiving data electronically through website access + number of direct contacts) X 100. The resulting percentage is reported.

**Data Limitations:** No, the measure is considered to offer reliable information on accessibility of data. It is possible to obtain an unduplicated count of local government web users.

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

*Strategy 01: Collect, maintain and analyze data on the current status of and improvements to local government debt issuance, finance, and debt management. Report findings to the Legislature, other state officials and local policy makers.*

**Output Measure 01:** Number of local government financings analyzed.

**Short Definition:** Analysis of individual local government financings closed during fiscal year.

**Purpose/Importance:** This measure provides information regarding number of bond issues analyzed by staff. Analysis includes issuance and interest costs of local government bond issuance and cash and present value savings of refundings.

**Source/Collection of Data:** Information collected by the Office of the Attorney General – Public Finance Division for the Bond Review Board.

**Method of Calculation:** The "Issue Login" database is maintained specifically for logging in each local government transaction. A date is entered into the Structuring Layout by the reviewer when analysis is complete. A query is made to this date field and the resulting number is reported.

**Data Limitations:** This measure is dependent upon the number of financings submitted.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

---

**Efficiency Measure 01:** Average issuance costs per \$1,000 debt issued by local governments.

**Short Definition:** For local government bond issuance, normal issuance costs include bond counsel, financial advisor, printing, underwriter's spread and miscellaneous costs. Final closing costs will be used for the evaluation.

**Purpose/Importance:** The agency is charged with the task of collecting, analyzing, and reporting of information on the debt of local political subdivisions in Texas (Texas Government Code, Chapter 1231.062). This measure provides a point of comparison.

**Source/Collection of Data:** The "Issue Login" database is maintained specifically for logging in each local government transaction. When analysis of a transaction is complete, the Cost Analysis field is used to indicate that the issue will be used in the cost analysis report. A query is made to this field for all completed issues. The report is printed and the following calculation is made.

**Method of Calculation:** Total costs of issuance (financial advisor, bond counsel, rating agencies, underwriting spread, etc.) divided by (total par amount of bonds/\$1,000).

**Data Limitations:** This measure is dependent upon the number of financings submitted with complete cost of issuance information.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Lower than target.

---

**Explanatory/Input Measure 01:** Number of local governments issuing debt.

**Short Definition:** At the end of each fiscal year, a count will be made of the number of governments in each category (city, county, ISD, etc.) that have issued debt during the fiscal year.

**Purpose/Importance:** This measure evaluates the number of governments that must issue debt to finance their current needs.

**Source/Collection of Data:** The "Issue Login" database is designed specifically for logging in each local government transaction from data obtained from the Attorney General.

**Method of Calculation:** The Issue Closing Date field is used to indicate the issue closing date, thereby allowing a query by fiscal year. A query is made to this field for all local government issues. The report

is printed. Issuers with more than one issue listing are marked, counted, and subtracted from the total count to determine the number (unduplicated) of local governments issuing debt.

**Data Limitations:** None

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Lower than target.

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### Goal 03

*Ensure that the authorization to issue private activity bonds for Texas state and local entities is allocated consistently with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas.*

**Objective 01:** Maximize the public use of tax-exempt private activity bond proceeds by issuing 100% of the state's available private activity bond allocation in a manner that is consistent with federal regulations, the state's statute and the agency's guidelines. Ensure that volume cap is distributed to the different project types in the percentages mandated by the State Legislature for any given program year.

*Strategy 01: Administer the Private Activity Bond Allocation Program efficiently and effectively to ensure the total utilization of the state's annual private activity bond allocation according to federal regulations and compile and analyze the results of each allocation in an annual report.*

**Output Measure 01:** Number of Applications Reviewed

**Short Definition:** Total number of private activity bond applications reviewed during the period.

**Purpose/Importance:** This measure will allow the agency to assess the total project demand for the Program. Tax-exempt private activity bonds provide issuers and private enterprises a means to finance certain projects at a lower cost. Demand for this Program has grown exponentially compared to the increases in volume cap.

**Source/Collection of Data:** This information is tracked in the Private Activity Bond [current program year] Summary database by the Program Administrator. A review includes an in-depth analysis of the scope, structure, and calculation components of a project submission, subject to rules and regulation of the Private Activity Bond Allocation Program.

**Method of Calculation:** This measure will be calculated as the sum of all applications reviewed.

**Data Limitations:** Number of applications received.

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

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**Output Measure 02:** Number of Allocations Issued

**Short Definition:** Total number of projects that received an allocation for issuance of tax-exempt private activity bonds.

**Purpose/Importance:** This measure reflects the total number of projects that were financed through private activity bonds.

**Source/Collection of Data:** This information is tracked in the Private Activity Bond [current program year] Summary database by the Program Administrator.

**Method of Calculation:** This measure will be calculated as the sum of all applications that received a certificate of reservation of the volume cap allocation and those that received a certificate of allocation.

**Data Limitations:** Number of applications received and the amount of federal allocation

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

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**Output Measure 03:** Amount of Allocation Issued

**Short Definition:** Total amount of private activity bonds issued by all projects that received an allocation.

**Purpose/Importance:** This measure reflects the total dollar amount of issued private activity bonds.

**Source/Collection of Data:** This information is tracked in the Private Activity Bond [current program year] Summary database by the Program Administrator.

**Method of Calculation:** This measure will be calculated as the sum of all allocations given.

**Data Limitations:** Federal allocation amount

**Calculation Type:** Cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

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**Explanatory/Input Measure 01:** Amount of Demand for Private Activity Bond Allocation Program.

**Short Definition:** Total amount of private activity bond allocation requested in applications reviewed.

**Purpose/Importance:** This measure will be indicative of the total demand for private activity bonds.

**Source/Collection of Data:** This information is tracked in the Private Activity Bond [current program year] Summary database by the Program Administrator.

**Method of Calculation:** This measure will be calculated as the sum of all amounts requested in each application reviewed.

**Data Limitations:** Number of applications received and project amounts requested.

**Calculation Type:** Non-cumulative

**New Measure:** No

**Desired Performance:** Higher than target.

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## Appendix E – Workforce Plan Texas Bond Review Board July 2016

### I. Agency Overview

The Texas Bond Review Board was created by the Texas Legislature in 1987 and operates under the statutory authority of Chapter 1231, Texas Government Code. The Board is comprised of the Governor, as Chair, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts.

The agency mission is carried out through broad activities that include oversight and reporting of state bond issuance and coordination of debt-management and capital-planning processes for the state; collecting, maintaining and analyzing data on local government bonded indebtedness and allocating the state's federal authorization to issue private activity bonds.

The agency occupies space in the William P. Clements, Jr. State Office Building in Austin, Texas.

The Bond Review Board has 10.0 budgeted FTEs and is fully-staffed.

#### A. Agency Mission

The mission of the Texas Bond Review Board is: to ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes; to support and enhance the debt-issuance and debt-management functions of state and local entities; and to administer the state's private activity bond allocation.

#### B. Strategic Goals and Objectives

The Bond Review Board has three Goals:

##### Goal 1

Ensure that Texas state debt is issued in a cost-effective manner supported by sound debt-management policies that protect the state's credit ratings.

##### Objective

Analyze and approve the issuance of state debt securities that meet the highest standards for financial feasibility, comply with the state's debt-issuance policies and minimize total borrowing costs.

##### Strategies

- Review each Texas Bond Review Board project application to ensure proper legal authorization, accurate and adequate disclosure, and appropriate use of call provisions, bond insurance and other provisions which affect marketability.
- Analyze and report to the Legislature, rating agencies, and other interested parties on Texas' debt burden, creditworthiness and Capital Expenditure Plan. Analyze and report to the Legislature and



other policy makers, actions that would raise the state's bond rating and/or lower state borrowing costs.

## **Goal 2**

Ensure that public officials have access to current information regarding local government debt issuance, finance, and debt management.

### **Objective**

Inform state and local policy makers on effective debt issuance and management.

### **Strategy**

Collect, maintain and analyze data on the current status of and improvements to local government debt issuance, finance, and debt management. Report findings to the Legislature, other state officials and local policy makers.

## **Goal 3**

Ensure that the authorization to issue private activity bonds for Texas state and local entities is allocated consistently with legislative mandates, in the most equitable manner possible and in the best interest of the people of Texas.

### **Objective**

Maximize the public use of tax-exempt private activity bond proceeds by issuing 100% of the state's available private activity bond allocation in a manner that is consistent with federal regulations, the state's statute and the agency's guidelines. Ensure that volume cap is distributed to the different project types in the percentages mandated by the state Legislature for any given program year.

### **Strategy**

Administer the Private Activity Bond Allocation Program efficiently and effectively to ensure the total utilization of the state's annual private activity bond allocation according to federal regulations and compile and analyze the results of each allocation in an annual report.

## **C. Anticipated Changes in Strategies**

The BRB anticipates several changes that will significantly impact the agency's business and workforce.

### *Business Trends*

Economic factors and transaction complexity, including the increased use of more complex financial structures and interest rate management agreements have dictated the need for increased vigilance toward issuance of new debt and state financial transactions. In addition, market conditions favor refunding certain existing debt, making a heavier workload for both state and local data management. As interest rates rise, applications to finance single-family mortgages and waste-disposal projects are expected to increase as housing finance corporations and other entities seek additional tax-exempt financing opportunities.

As a result of increased infrastructure needs and anticipated growth in the state’s population, the agency anticipates an increase in the volume and complexity of state financings.

Legislative Changes

The Legislature recognizes the importance of debt management and relies on the oversight provided by the Bond Review Board and its staff. As of June 2016 the agency does not foresee changes in its mission, strategies and goals over the next five years. However, new mandates that impact the agency’s current workload or that result in significant shifts in job responsibilities could affect staff’s ability to continue delivering high-quality service to its customers.

Past legislative action related to administrative processes such as financial reporting, human resources/benefits management, purchasing, risk management and information resources management that requires specific training and/or certification will require diligence in recruiting and retaining qualified administrative staff.

<b>II. Current Workforce Profile (Supply Analysis)</b>
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The BRB remains focused on its most important assets, its employees. The agency realizes the need for a highly skilled and versatile workforce to provide quality services to its customers. The BRB also realizes the need for ongoing training to enable staff to sharpen its skills and remain current on developments affecting the agency’s mandated goals. Such training not only benefits the staff but the agency as well by increasing productivity and enhancing performance.

**A. Skills**

Every employee is valuable to the success of agency operations. Each FTE, including administrative staff performs more than one critical function that supports one of the following: review and analysis of state and local debt financing, reports on debt affordability and capital expenditure planning and allocation of private activity bonds.

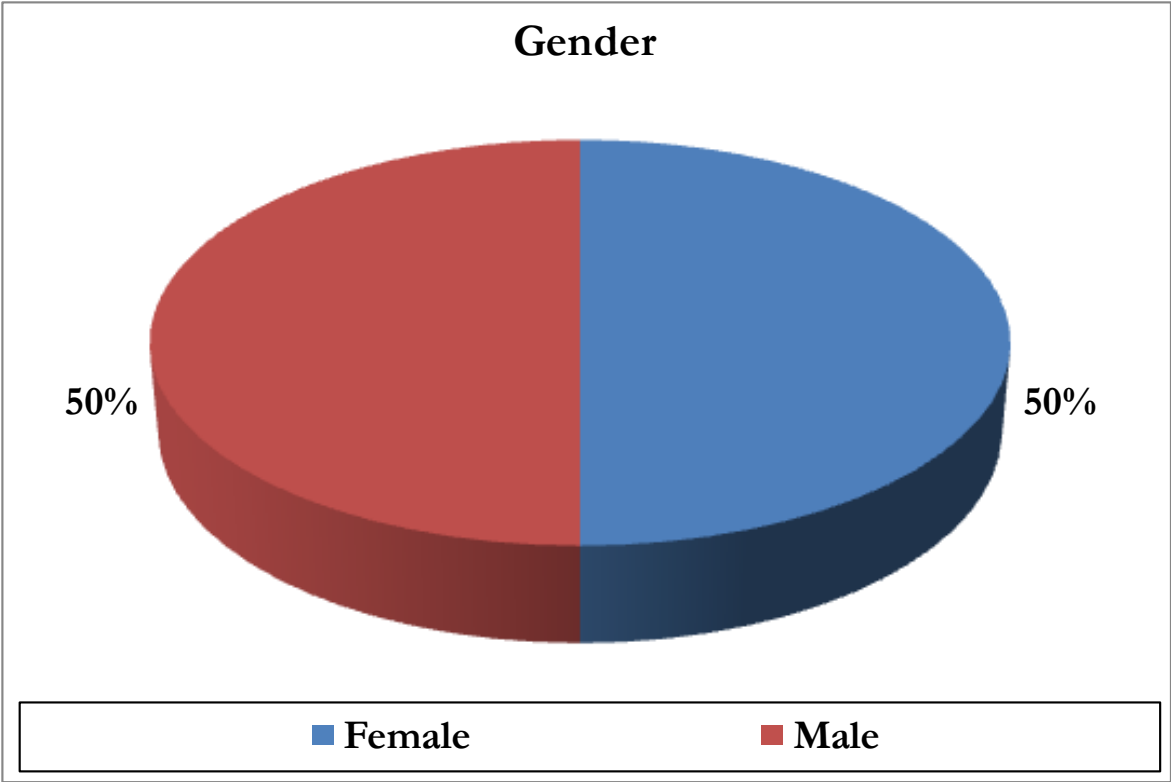
Certain critical skills are required for the agency’s staff to execute on mandated strategies. Critical skills are:

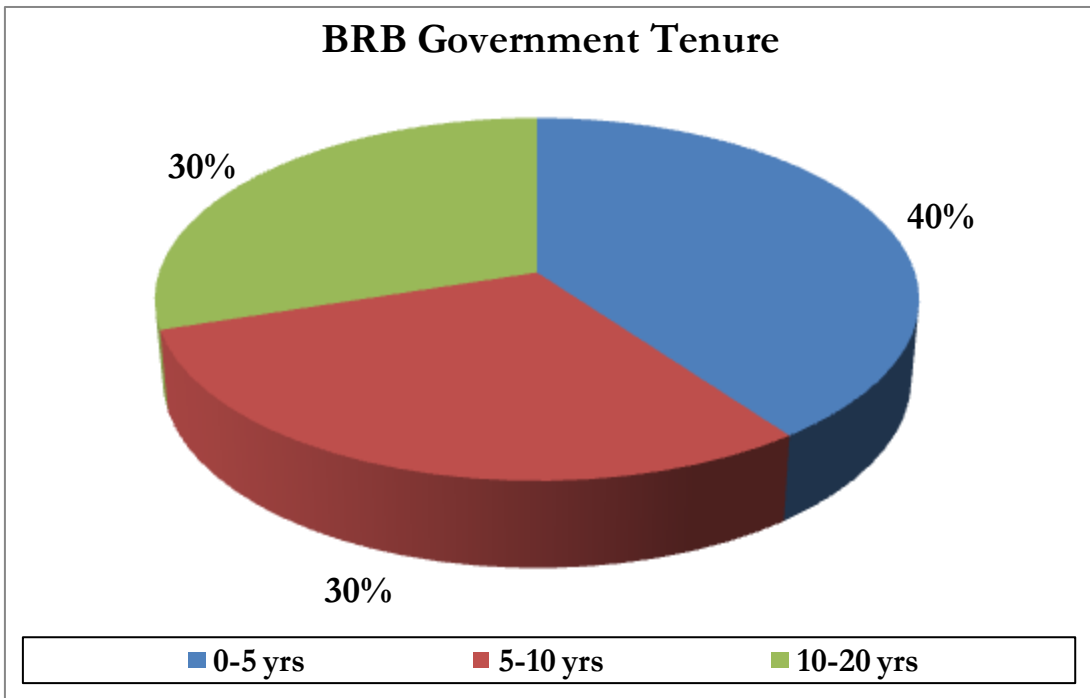
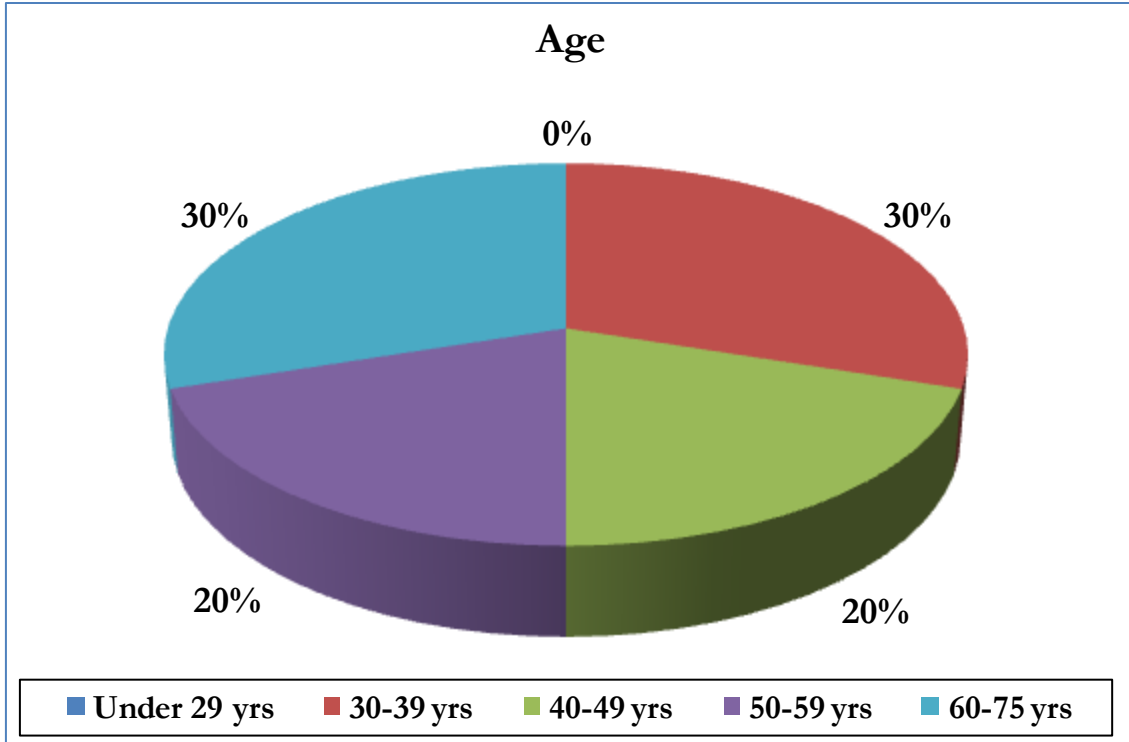
Customer Service	Database Development/Maintenance
Problem Solving	Debt Financing/Information Analysis
Communication	State Agency Administrative Management

**B. Demographics**

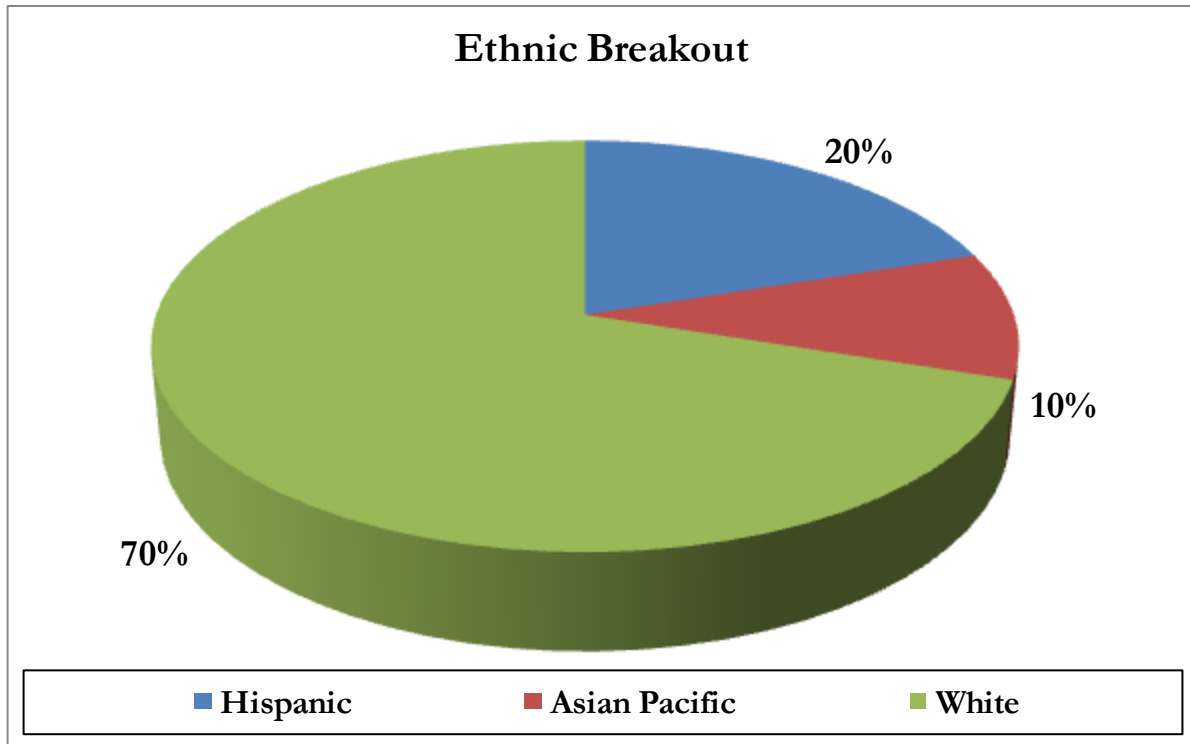
The following charts profile the agency’s workforce as of June 2016. The BRB workforce is comprised of 50 percent males and 50 percent females. With a median age of 50.9 years, BRB staff has an average tenure with the agency of 5.56 years.

*Workforce Breakdown*





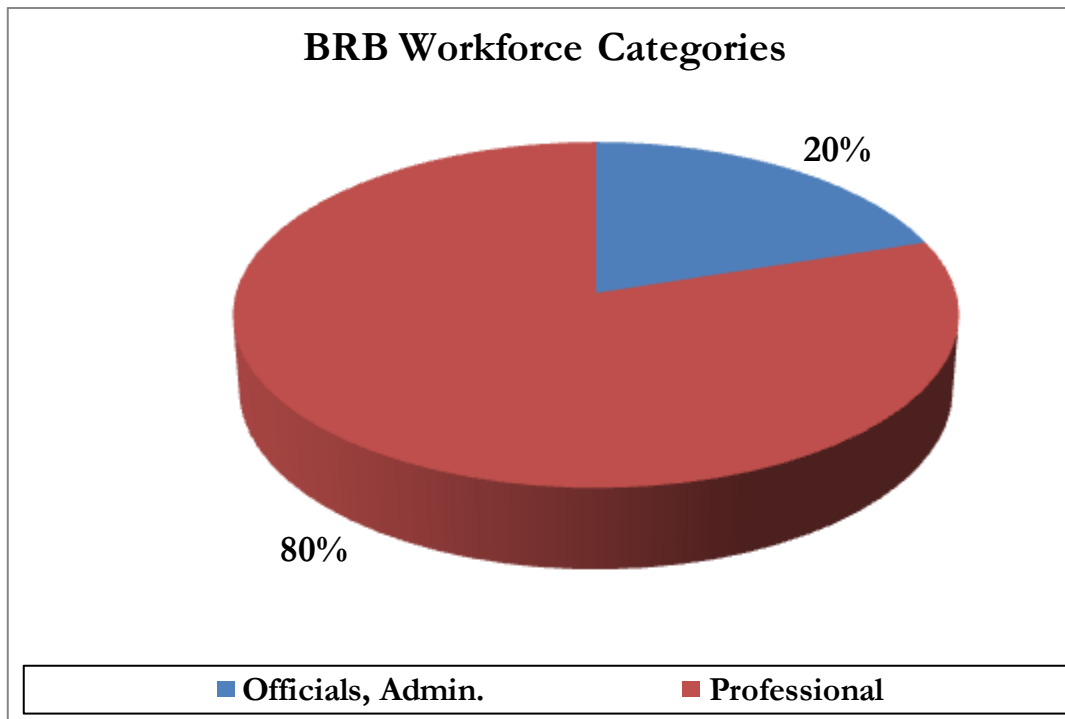
A profile of the staff's ethnic breakdown and Job Category distribution as of June 2016 follows. The BRB's staff is fairly diverse and comparable to statewide workforce statistics in the selected categories. The BRB ethnic data are also consistent with the statewide averages when considering the Professional Job Category for Hispanic-Americans and Females employed.



The agency workforce is categorized as either Officials/Administrators (2.0) or Professional (8.0) as described below.

Job Categories	African American	African American	Hispanic American	Hispanic American	Females	Females
	<b>BRB</b>	<b>*State%</b>	<b>BRB</b>	<b>*State%</b>	<b>BRB</b>	<b>*State%</b>
Officials, Admin (A)	0%	11%	0%	19%	10%	40%
Profess. (P)	0%	17%	20%	21%	50%	57%

Source Document: Equal Employment Opportunity Commission's National Employment Summary by Job Category by State.



The Bond Review Board’s high ratio of officials and professionals on staff is due to the agency’s focus on financial transactions. The Officials/Administrator position consists of the Executive Director. Professional positions are classified as Director I – Finance (one position), Senior Financial Analyst (one position), Financial Analyst II (one position), Acct VII (one position), Acct II (one position), Acct I (two positions), and Research Specialist I (two positions).

### **C. Workforce Skills and Turnover**

#### Workforce Skills

The Bond Review Board maintains a practice of cross-training staff. The agency currently has three financial analysts trained in the State Debt strategy, Private Activity Bond strategy and Local Debt Strategy. The longest-tenured staff member has been with the agency nearly 16.5 years and serves as a senior resource for the state strategy and as Private Activity Bond Allocation Program administrator. He possesses specific institutional knowledge regarding state and local financing structure and reporting and administers the private activity bond program.

The other state financial analyst has been with the agency for 7.11 years and has advanced quickly as a valuable resource for the state and local debt strategies. He is also trained to assist with administering the private activity bond program.

The financial analyst in the state debt strategy and local debt strategy has been with the agency for 3 years.

The Accountant VII has extensive experience in accounting and administrative functions. Her tenure is 22.5 years with the State of Texas. In addition to several other administrative functions, this employee serves as the agency's lead in budgeting and financial reporting, HR, payroll and benefits coordinator, risk manager, business manager and is a Certified Texas Purchaser.

### Turnover

Because of the years of experience necessary to gain an understanding of the agency's work and become a contributing staff member, turnover problems are particularly problematic for the BRB. Finding and retaining experienced personnel is a continual challenge. As staff members gain experience and knowledge, they become more marketable and often obtain employment elsewhere to advance their careers.

According to the State Auditor's Office, the turnover rate for Texas state employees is 21.6 percent in 2015, the highest rate the state has experienced since FY 2009. By comparison, the BRB experienced an average turnover of 15 percent over the past five years. Strategic merit initiatives were implemented to slow turnover, but salary limitations and the lack of opportunities for career growth through internal advancement, inherent in a small agency are expected to continue to limit the agency's ability to attract and retain the most qualified employees, particularly at program administration and executive staff levels.

The agency must continue to manage and maintain its own information resources network without the benefit of a dedicated IT position. Budget permitting, an interagency contract allows the agency to access a Systems Support Specialist employed by another agency on an as-needed basis. The Executive Director is the designated information resources manager, and a financial analyst assists in the day-to-day management of the network system in addition to other duties.

Turnover becomes more acute for the BRB when the agency must replace long-tenured employees. Two key staff members are eligible to retire. With combined service of nearly 35 years, they have extensive experience and irreplaceable institutional knowledge in two key positions.

## **III. Future Workforce Analysis**

Increasingly complex state financings coupled with increasing demands on the local strategy will have a direct impact on the agency workload. A decline in qualified applicants interested in public sector career paths will present additional challenges. Agency workforce factors are outlined below.

### Critical Functions

Retaining key staff members and providing intensive training and cross-training will be required to address demands created by new mandates.

### Expected Workforce Changes

Increased use of technology will ensure efficient communication with the agency's customers. Additional cross-training and documentation in the agency's functional and administrative areas will assist with the transition of new staff. Due to experience and certification requirements for certain administrative staff, continuing external training and recruitment of experienced applicants will be necessary to replace such staff.

#### Anticipated Increase/Decrease in Number of Employees Needed to Do the Work

BRB staff continues to process increasingly complex state financings and increasing amounts of local debt data for agency customers. However, as the two recently-hired staff (Research Specialist I and Accountant I) become trained, and the database upgrades are completed, the increased agency workload is expected to be met by the current level of FTE's.

#### Future Workforce Skills Needed

To effectively and efficiently administer the duties and responsibilities of the agency, the BRB relies on a competent and knowledgeable staff. In addition to basic competencies of the workforce, additional essential skills needed for future positions include:

- Financial/information analysis skills
- Compatibility and cooperation among agency staff
- Consistent, reliable and courteous interaction with the agency's customers
- Work management skills
- Strategic planning skills.

Some anticipated limitations to attracting and retaining the right employees are:

- Insufficient number of appropriately qualified applicants apply to an open position
- Applicants with outstanding skills and prior experience do not embrace work in the public sector and/or the organization's duties and functions
- Employees become disillusioned with the repetitive workload and/or static output requirements
- Limited budget available for salary and merit increases and/or improved benefits in the face of competition from other government agencies and the private sector
- Lengthy periods with open position(s) while searching for appropriate job applicants result in heavier workload and burnout for remaining staff.

## **IV. Gap Analysis**

#### Anticipated Surplus or Shortage of Workers or Skills

An analysis of trends in the BRB's workforce indicates turnover is the agency's primary area of concern. As a result of attrition caused by competition from public and private sectors, the BRB is expected to experience a turnover rate in key staff of 40-50 percent over the next four years. The problem is exacerbated by vacancy periods that have lasted as long as five months because budget constraints have limited the agency's ability to offer competitive salaries. To address this issue, the BRB must maintain a succession and retention plan.



## V. Strategy Development

Goal	Maintain current staff
Motivation Strategy	Keep staff well-trained and current on data and information relevant to their job (program, technical or administrative). A motivated staff will be more productive and contented, leading to longer tenure.
Action Steps	<ul style="list-style-type: none"> <li>→ Evaluate employees on at least an annual basis to give objective and fair performance feedback.</li> <li>→ Let employees know that a performance evaluation is an important part of career development and does not necessarily result in a merit increase or a reprimand.</li> <li>→ Make sure all employees understand that a merit increase is not based on good performance of prescribed job duties but is a reward for outstanding performance.</li> <li>→ Make sure to apply the merit policy consistently and equitably.</li> <li>→ Good communication between employee and management is key - be sure the employee understands his/her assignments and boundaries.</li> <li>→ Give employees the opportunity to discuss issues or concerns when the need arises and address the issues/concerns in a meaningful manner.</li> <li>→ Allow employees who are seeking new challenges to work on special projects, cross-train or carry out developmental tasks while management also evaluates their ability to perform their regularly assigned workload.</li> <li>→ Update in-house training for all issues pertinent to the agency's success. Provide training with the state or other training entities to enable the employee to upgrade their knowledge and take advantage of networking opportunities.</li> <li>→ Balance the pay scales of experienced vs. newly-hired employees who are performing similar duties – recognize the value of agency tenure in employees who perform in an exemplary manner and serve as trainers.</li> </ul>

Goal	Recruit a dependable and competent workforce
Action Steps	<ul style="list-style-type: none"> <li>→ Train and teach managers how to recruit and retain quality staff.</li> <li>→ Make sure pay scale of positions advertised are within state parameters as well as competitive with other public and private sector positions.</li> </ul>

Current job classifications are appropriate for known future functional requirements. As of June 2016 the organizational structure and division of duties adequately address basic business needs and strategic objectives.

As financings become more complex, the agency must recruit financial analysts with increasing levels of education and analytical background in public finance. The current complement of financial analysts has the critical skills and experience required to assess the need for shifts in agency job functions across all three strategies to meet changes in the level of services demanded by the BRB's customers.