

# **AGENCY STRATEGIC PLAN**

**For the Fiscal Years 2011-2015 Period**

by

**Texas Bond Review Board**

**Governor Rick Perry, Chairman**

**Lt. Governor David Dewhurst**

**Speaker Joe Straus**

**Comptroller Susan Combs**

**July 2, 2010**

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Executive Director: 

Signed: Robert C. Kline, Executive Director

Chair Designee: 

Approved: Governor Rick Perry



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## **Statewide Vision**

Working together, I know we can accomplish our mission and achieve these priority goals for our fellow Texans:

- Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for citizenship, but also emphasizes excellence and accountability in all academic and intellectual undertakings;
- Creating and retaining job opportunities and building a stronger economy that will lead to more prosperity for our people and a stable source of funding for core priorities;
- Protecting and preserving the health, safety and well-being of our citizens by ensuring healthcare is accessible and affordable and our neighborhoods and communities are safe from those who intend us harm; and
- Providing disciplined principled government that invests public funds wisely and efficiently.

I appreciate your commitment to excellence in public service.

## **Statewide Mission**

Texas State Government must be limited, efficient and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just and responsible manner. To honor the public trust, state officials will seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

## **Philosophy of Texas State Government**

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state and its future, is more important than party, politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble; recognizing that all its power and authority is granted to it by the people of Texas and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

## **Relevant Statewide Goals and Selected Benchmarks**

Achieving the following statewide functional goals will require cost-effective borrowing for infrastructure development and renewal, the wise use of public tax dollars and an adequate capacity of tax-exempt financing:

**Education: Higher Education** — To prepare individuals for a changing economy and workforce by:

- Providing an affordable, accessible and quality system of higher education; and
- Furthering the development and application of knowledge through teaching, research and commercialization.

Selected Benchmarks:

- Texas public colleges' and universities' cost per student as a percent of the national average; and
- Percent Change in average tuition over past biennium.

**Economic Development** — To provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment and infrastructure development by:

- Promoting a favorable and fair system to fund necessary state services;
- Addressing transportation needs;
- Promoting a favorable business climate; and
- Developing a well-trained, educated and productive workforce.

Selected Benchmarks:

- Amount of capital investment made in Texas as a result of grants provided through the Texas Enterprise Fund;
- Number of new non-government, non-farm jobs created;
- Per capita gross state product;
- Texas unemployment rate;
- Percent of state highway system rated good or better based on the Pavement Management Information System Condition Score; and
- Percent reduction in traffic congestion using the Texas Transportation Institute's Travel Time Index.



**Public Safety and Criminal Justice** — To protect Texans by:

- Preventing and reducing terrorism and crime;
- Securing the Texas/Mexico border from all threats;
- Achieving an optimum level of statewide preparedness capable of responding and recovering from all hazards; and
- Confining, supervising and rehabilitating offenders.

Selected Benchmark:

- Average annual incarceration cost per inmate.

**Natural Resources and Agriculture** — To conserve and protect our state's natural resources (air, water, land, wildlife and mineral resources) by:

- Providing leadership and policy guidance for state, federal, and local initiatives;
- To maintain Texas' status as a leader in agriculture; and
- Encouraging responsible, sustainable economic development.

Selected Benchmarks:

- Acre-feet of desalinated brackish and ocean water produced for Texas;
- Percent of water conservation through decreased water usage, increased water reuse and brush control;
- Percent of Texas waters that meet or exceed safe water quality standards;
- Percent of polluted site clean-ups to protect the environment and public health;
- Percent of land that is preserved and accessible through continuation of public and private natural wildlife areas; and
- Percent of renewable energy and production of domestic fuel sources.

**General Government** — To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient and accountable state government operations;
- Ensuring the state's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

Selected Benchmarks:

- State and local taxes per capita;
- Total state spending per capita;
- Percent change in state spending, adjusted for population and inflation;
- Savings realized in state spending by making reports/ documents/ processes available on the Internet;
- Texas general obligation bond ratings;
- Issuance cost per \$1,000 in general obligation debt; and
- Affordability of homes as measured by the Texas Housing Affordability Index.

## **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.

## **External/Internal Assessment**

### ***Overview of Agency Scope and Functions***

#### **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 semi-annual 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 annually a 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 thus enable more informed decisions to be made regarding 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 Texas' bond ratings. Beginning with the report for fiscal 2008, the report will also include data from the contemporaneous Capital Expenditure Plan.

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 to 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 that changed the due dates for the Debt Affordability Study and the Local Government Debt Report. The legislation also made changes to the Private Activity Bond program that improve the program by allowing the program to stay consistent with regard to size of deals, further improve the process of allocation, and allow staff to have the flexibility to address changes that are needed for extraordinary economic or disaster scenarios.

### **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 of benefit 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 entities that issue debt and utilize Board resources to provide savings to Texas taxpayers. Information is also provided to investors in Texas debt obligations through agency activities that support their decisions to invest in the debt of Texas state and local governmental entities.

Texas has 19 state agencies and universities, as well as 3 non-profit corporations authorized to issue debt, all of which currently have debt outstanding. The segment of the Board's mission dealing with oversight of state debt issuance focuses on this group.

Texas' 1,225 cities, 254 counties and 1,025 school districts and 1,968 special districts all have authority to issue debt. Local governments had \$174.55 billion in outstanding debt as of August 31, 2009 as delineated in information available on the agency's website. Board initiatives focus on compiling this debt information in an efficient manner for policy makers and other interested parties as well as assisting these local entities when such assistance is requested.

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, the State Energy Conservation Office and the entire Legislature on matters related to monitoring state and local debt and state debt policy. Additionally, the U.S. Census Bureau 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. The BFO, as agency staff 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 2010. The agency sent out 236 requests for customers to complete the survey online and 38 responses were received for a response rate of 16.1%.

Overall, the surveys reflect that customers of the BRB were very satisfied with the services received. Details of the May 2010 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, 2010.

The link to the customer service survey is available on the agency's home page for customers to complete at any time. When new surveys are completed, they are automatically emailed to certain agency personnel. Those 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 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 9.5, and the agency currently is staffed with 9.5 FTEs including the Executive Director, 5 Financial Analysts, Accountant VII, Administrative Assistant and one part-time Accounting Technician.

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. Financial analyst workgroups meet as needed to discuss matters relating to workload distribution, data maintenance and cross-training.

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

### **Fiscal Aspects**

Agency appropriations for fiscal years 2008 and 2009 totaled \$596,423 for each year. Agency appropriations for fiscal years 2010 and 2011 totaled \$596,423 for each year.

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. During fiscal years 2008 and 2009, the state received as unappropriated General Revenue, receipts of \$770,884 and \$457,408 respectively, in application fees associated with this program. As of June 2010 the program had provided a total of only \$487,973 in unappropriated General Revenue receipts, but application fees for fiscal 2012 and 2013 are anticipated to be significantly higher than in past years.

During calendar year 2004, the 78<sup>th</sup> Legislature mandated the agency to increase fees associated with 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 this study.

The agency's appropriation is highly personnel sensitive with approximately 93% of its budget allocated for salaries. In the past agency cost reductions have been achieved by disseminating the agency's information on the web and thereby reducing printing and mailing costs, reducing staff, not filling authorized positions, scaling back training and travel costs and reducing general operating costs wherever possible.

Although 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 F 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 raise additional budgetary concerns.

### **Service Population Demographics**

Studies indicate that Texas will experience 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 2009, more than \$3.99 billion in new debt was borrowed by Texas state issuers. During fiscal year 2009, local entities issued \$18.34 billion in new financings, including approximately \$6.89 billion to be used for education. Other primary purposes were 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 2009 low interest rates contributed to the issuance of \$799.3 million in refundings of existing state debt. These include refundings for savings, restructuring existing debt and converting short-term to long-term maturities. On the local level, governments issued \$7.74 billion in refunding bonds during fiscal year 2009 and \$10.30 billion during fiscal 2008.

As of August 31, 2009, the state had a total of \$34.08 billion in outstanding debt. Local governments had approximately \$174.55 billion in debt outstanding as of August 31, 2009.

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 may flatten due to limitations on state funding;
- 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 has continued to improve the dissemination of information produced by the Bond Finance Office through its website at [www.brb.state.tx.us](http://www.brb.state.tx.us). The benefits of establishing a presence on the Internet have included increased availability of information to the general public and bond finance community, increased communication with our customers and decreased costs associated with printing and mailing.

A variety of agency reports, including the agency's Annual Report, the state's Capital Expenditure Plan and Debt Affordability Study are no longer mailed but are now made available on the agency's website. BFO staff strives to keep all agency online information current so that agency customers can obtain current information on-line 24/7. This system also enables BFO staff to provide local government debt information in a searchable format allowing customers to access desired information in an efficient manner. Local government debt data has been on the agency's website since 2000 and state debt data has been online since 2003.



HB 1516 – 79<sup>th</sup> Texas Legislature mandates data center consolidation under the Department of Information Resources. Pending the implementation of this legislation at smaller agencies, including the BRB, the BFO does not anticipate making any significant information technology purchases other than software upgrades.

When funds become available, staff anticipates upgrading its databases from Filemaker Pro to Microsoft Access 2007. The agency anticipates that this upgrade will increase efficiency for the agency's data collection and reporting process and enable the databases to integrate with the website to make a wider breadth of more current data available to customers.

Additional future plans for the agency's information technology also include assuring that all systems implement new technology and minimize agency downtime by replacing hardware at five-year intervals. Further, the agency's goal is to provide training in all systems so that each staff member is fully capable of utilizing the implemented technology.

### **Economic Variables**

After rebounding from the economic downturn of fiscal 2002-2003, the Texas' economy started losing momentum in the second half of fiscal 2007 and continued losing momentum through the 2008-2009 biennium. The Comptroller's 2010-2011 Certification Revenue Estimate states that this slowdown is expected to produce a 9.5% drop in expected general purpose spending funds available into the 2010-2011 biennium. Although the state's economy declined it managed to stay ahead of the nation. As the state rebounds, growth should resume but at a more modest pace.

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

The 80<sup>th</sup> Legislature required the Board, in conjunction with the Legislative Budget Board to prepare annually a 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 thus enable more informed decisions to be made regarding 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 Texas' bond ratings. Beginning with the report for fiscal 2008, the report will also include data from the contemporaneous Capital Expenditure Plan.

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

Use of tax-exempt debt is not protected under the U.S. Constitution. 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 types of 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 \$90 per capita or \$225 million, whichever is greater. Due to Texas' large population, to

date the per capita ceiling has yielded the greater number. Beginning January 1, 2003, the state ceiling was indexed to inflation.

In 1990 the state's ceiling was \$849.6 million, but by 2010 the ceiling had grown to \$2.23 billion. The volume cap for Texas has thus increased by 162.5% from 1990 to 2010 due to Texas' increasing population. However, it is important to note that from 2005 to 2010, the volume cap allotted to Texas has grown by 23.9%, but during the same time period unused volume cap ("carryforward") has grown by 297.4%, from \$799.5 million to \$3.18 billion. The total effective size of the state's volume cap and carryforward reached \$5.41 billion in 2010.

On October 3, 2008, the President of the United States signed into law the Heartland Disaster Tax Relief Act of 2008 (the "Act"), which included changes to the federal tax law designed to provide economic relief to the Hurricane Ike Disaster Area. The Act allows for the issuance of certain tax exempt, qualified Hurricane Ike disaster area bonds to provide financing in the Hurricane Ike disaster area, through December 31, 2012. The Governor must designate such bonds as qualified Hurricane Ike disaster area bonds on the basis of providing assistance to areas in the order in which such assistance is most needed. The BRB has signed a Memorandum of Understanding with the Governor's Office outlining its administrative role of processing applications and record keeping for the Hurricane Ike disaster area bonds.

In February 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) created four new types of bonding authority and expanded authority under three existing programs. The four new types of bonding authority created are 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 are Qualified Zone Academy Bonds (QZAB), Qualified Energy Conservation Bonds (QECB) and Clean Renewable Energy Bonds. The BRB may be designated by the Governor as the administrator of RZEDBs, RZFBs, and QECBs.

With the passage of ARRA, the agency expects that issuance in independent school district debt will increase. The anticipated increase will be due to the newly created BAB, QSCB and the expanded volume cap on QZAB programs. QZABs provide funding for school repairs and renovation and certain other activities for eligible schools and may not be used for new construction, while QSCBs and BABs provide funding for new construction as well as renovation.

### **Impact on 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 to fund 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 81st Legislature provided the Texas Public Finance Authority with the appropriations to issue a total of \$4.00 billion in new debt. The Texas Cancer Research Institute constituted the majority of TPFA's new authority with \$3.00 billion authorized for cancer research and prevention over 10 years. Although bonds sold under this authority continue to be issued, such issuance will cause only slightly increased time requirements on BFO staff analysts in reviewing and analyzing issuance applications and in tracking debt service for reporting requirements.

Other statutory changes could also 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 by allowing it to respond to the announcement of new federal bond programs.

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

As of June 2010 the agency has no current or outstanding court cases.

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

The local government section of the BRB has benefited from statutory changes to reporting requirements for local government bond issuers. Specifically, Chapter 1202.008, Texas Government Code has aided in the collection of data on bonds issued by local governmental units. Such data must be reported to the Public Finance Division of the Attorney General's Office that in turn forwards it to the BRB for inclusion in the BFO's databases.

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

The agency is recognized for being responsive to requests for information and for its reports. However, because the agency must accurately manage significant amounts of data for its analysis and reporting activities, it is important that staff develop and refine procedures and systems that facilitate these processes. The use of current technology has advanced the agency's functions for processing data, but it is critical that staff receive periodic training to enhance 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.

In August 2009, Standard & Poor's upgraded the state's general obligation debt from AA to AA+. S&P cited the state's strong and diverse economy coupled with its projected surplus in the state's Rainy Day Fund of \$9.0 billion. In March 2010, Fitch and Moody's recalibrated their municipal ratings that resulted in Texas receiving an upgrade to AAA from AA+ from Fitch and an upgrade to Aaa from Aa1 from Moody's.

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 22 through administrative and legislative action, the volume of issuance continues to be steady along with the continued need for oversight and coordination of bond issuances.

The requirement that each proposed state bond issue be reviewed at bimonthly meetings of the Board allows coordination of state bond issues without unduly restricting an issuer's access to the credit markets. To help protect the proceeds of bond sales, state issuers must submit to the Board a

detailed plan for administration and disbursement of bond proceeds as well as investment provisions, including specific provisions for the safety and security of those proceeds.

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 bonds. 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.

The Board continues to encounter financing transactions that require in-depth scrutiny. Examples of these are the financing of affordable housing, especially multifamily properties through various programs of the Texas Department of Housing and Community Affairs and the Texas State Affordable Housing Corporation. These transactions are very complex and involve many outside parties and intricate financial structures. Other transaction elements requiring close review include use of derivative products in state bond financing, use of electronic competitive bidding and increased disclosures as required by the U.S. Securities and Exchange Commission.

The Texas Constitution contains an amendment that prohibits authorization of additional debt payable from general revenue once the threshold of debt service as defined in the amendment paid from unrestricted general revenue has been met. 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 required 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 by the Texas Department of Housing and Community Affairs and 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", i.e., required to follow the formal approval process. If the Board chooses not to require the issuer to follow the formal approval procedure within that time period, the issuer may proceed to issue the debt.

During fiscal 2010, the Board plans to adopt rules that increase 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.

### **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 effectively met its goal to ensure that public officials have access to current information regarding local government debt issuance, finance and debt management. Before the files were made available on the website, the agency published the Texas Local Government Debt Report which was costly to produce and deliver.

Chapter 1202.008 requires the Office of the Attorney General, Public Finance Division to give information to the Board at the time bonds for local entities are approved. Through this information process, the Board is effectively meeting the requirements of Chapter 1231.062.

The 76<sup>th</sup> and successive Legislatures have also charged the BRB with providing "...technical assistance to school districts entering into bonded indebtedness or lease-purchase agreements..." Despite budgetary constraints, the agency strives to meet this mandate by providing local school debt information to school business officials at annual meetings of the Texas Association of School Business Officials (TASBO).

To maintain an efficient system of collecting and reporting debt issuance and debt-outstanding information on over 4,400 local government entities, as well as addressing statutory mandates regarding local debt reporting and analysis, the BRB has:

- streamlined 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) with a simplified review and data entry process that enables staff to focus on improved analysis and communication efforts;
- reduced the size of the Texas Local Government Debt Report. The BRB remains in compliance 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, debt ratio and population data by government type at fiscal year end. To more accurately quantify customer service

contacts, users of the searchable database and the number of files downloaded are logged on a monthly basis as part of the calculation for an outcome performance measure.

Since fiscal 2006, staff stability in the local government strategy and resulting efficiencies enabled more prompt completion of fiscal year-end data compilation for website presentation. Data collection and reporting is now maintained on more than 4,400 local government entities; thus documentation and periodic review of procedures by personnel is paramount to maintaining clean data and program success.

### **Private Activity Bond Cap Allocation**

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.

The BRB primarily allocates the state's volume cap by a lottery process held at the end of October. Lottery 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 Texas 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 person is often asked to participate on panels at conferences, resulting in a strain on the agency's limited travel budget.

As described in a previous section, 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 2010 program year is \$2.23 billion. From 2005 to 2010, the volume cap allotted to Texas has grown by 23.9%. During the same time period, unused volume cap ("carryforward") has grown 297.4%, from \$799.5 million to \$3.18 billion. The total effective size of the state's volume cap and carryforward reached \$5.41 billion in 2010.

## **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 2008-2009**

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.

# **Technology Resources Planning**

## **Part 1: Technology Assessment Summary**

- 1.a Describe agency plans to strengthen and/or expand its capabilities through the initiatives described in Statewide Technology Goal 1.

The agency upgraded its data cable to CAT5e and invested in a Cisco router per DIR's request in anticipation of obtaining Enterprise Messaging Services and future participation in the Data Center Consolidation project. Since that time the agency has had to purchase a new SonicWall router because the Cisco router was not functioning properly. The agency will evaluate the shared infrastructure capabilities and will participate if it has the funds and the upgrades to provide improvements for the agency.

- 1.b Describe agency plans to strengthen and/or expand its capabilities through other initiatives that leverage enterprise or multi-agency services and infrastructure, including managed services, shared applications, internal consolidation efforts, and procurement strategies.

The agency planned to participate in DIR's managed messaging (e-mail) program, but the service is no longer available. The agency is always looking for ways to strengthen and expand its capabilities and will look at opportunities as they arise.

- 2.a Provide an update on the agency's progress in implementing strategies to align with the *State Enterprise Security Plan*.

The agency continues to use all resources available to maintain a secure environment. The agency currently uses anti-virus software as well as utilizing DIR's Controlled Penetration Test to help the agency identify weaknesses in its computer infrastructure. DIR also provides spam filtering of our e-mail server to minimize malicious e-mails.

- 2.b Describe the agency's identity management strategies in place or planned.

The agency plans to continue to ensure that appropriate access levels to critical data are granted to each individual within the agency.

- 3.a Describe the agency's plans to expand or enhance access to its services and promote citizen engagement through online services and emerging technologies.

The agency plans to continue to expand and enhance its information accessibility on its website and using any emerging technology. The agency's website has been upgraded to comply with DIR's accessibility policy and will continue to improve its website access for all its customers.

- 3.b Describe initiatives planned or in process that will facilitate access to agency information and public data.

The agency plans to update its software to manipulate data more efficiently and effectively and integrate its data more effectively with our website.

- 4.a Describe agency plans to implement or enhance workplace productivity and to leverage collaboration tools.

The agency plans to implement reporting tools that would automate many tasks and allow for data to be delivered in electronic formats to make data manipulation less cumbersome.

- 4.b Describe agency strategies to develop and deploy applications more efficiently (i.e., through Cloud Computing, Software as a Service, Application Toolkits, Legacy System Modernization).

The agency will evaluate ways to deploy applications efficiently on an as needed basis.

- 4.c Describe agency strategies to enhance information asset management practices.

The agency will continue to manage its data in a logical manner and work on creating best practices for digital data management and storage as necessary.

- 4.d Describe agency practices or plans to enhance the use and sharing of information with agency business partners.

As the agency continues to update its software and hardware it will explore ways that it can use and share information among its business partners.

## Part 2: Technology Initiative Alignment

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RELATED SSP STRATEGY (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
1 Transformation and consolidation of agency data center operations into the State Data Center	All Objectives	1-1 1-4	Planned Planned	Enhanced disaster recovery mechanism; improved service delivery through relief from maintenance chores related to keeping the agency's IT systems up and running through problem resolution, routine maintenance, system maintenance and enhanced and expanded e-mail services	
2 Increase the public's ability to access and analyze state and local government debt, and the public use of tax-exempt private activity bond proceeds	All Objectives	4-1	Current	Ensures that the agency's most current data are readily accessible, usable, searchable and readily retrievable for all customers	
3 Increase efficiency of internal databases	All Objectives	4-1	Planned	Allow data to be gathered more easily, produce more informative reports, and manage the agency's data more effectively	

## **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:

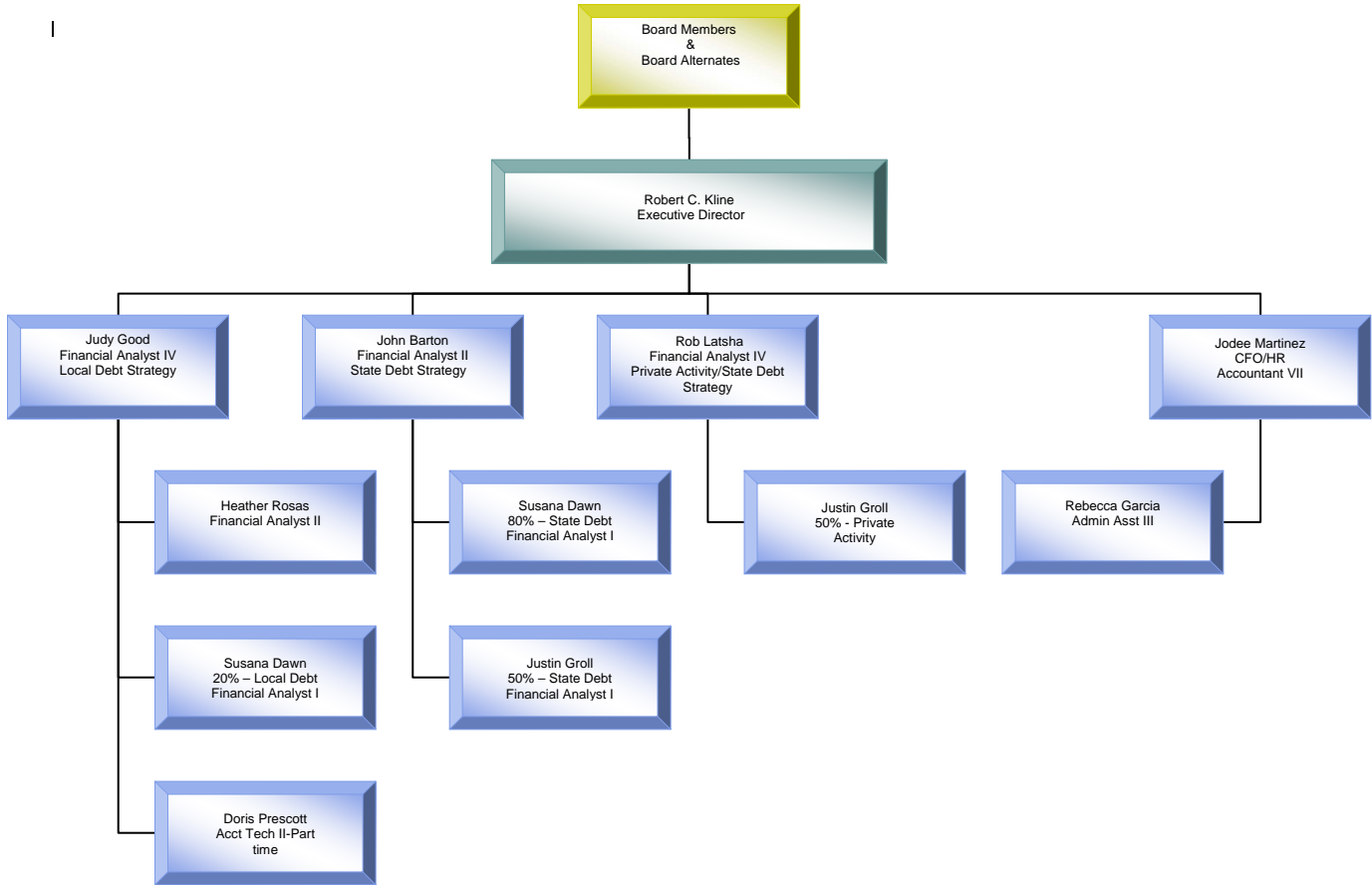
- continuing internal research on state and local debt, capital planning and methods of finance;
- legislative hearings on private activity bond use;
- requests and concerns of individual agency clients and consultants (state issuers, bond counsels, financial advisors and underwriters, minority consultants, 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;
- review and approval of draft document by management;
- review of draft document by Board staff; and
- final approval of the Strategic Plan by the Board.



# Appendix B – Current Organizational Chart



## Appendix C – 5-Year Outcome Projections

<b>Outcome</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</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.

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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

**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.

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**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.

---

### 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.

---

**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.

---

**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.

---

**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.

---

## **Appendix E – Workforce Plan**

<b>I. Agency Overview</b>
---------------------------

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 9.5 budgeted FTEs. Through improved cross-training and efficiencies realized from database integration and utilization of the Internet by staff and those we serve, the current staff size is expected to adequately serve the continuously expanding demands of our customers. Staffing position titles and/or core responsibilities may change from time to time based upon legislative mandates and diversity of customer demands.

### **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 increasingly widespread use of swaps and other interest rate management agreements have dictated increased vigilance toward issuance of new debt, requiring staff to be even more thorough in analyzing 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 2010 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.

## **II. Current Workforce Profile (Supply Analysis)**

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 worker 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: state and local debt financing, debt affordability, 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:

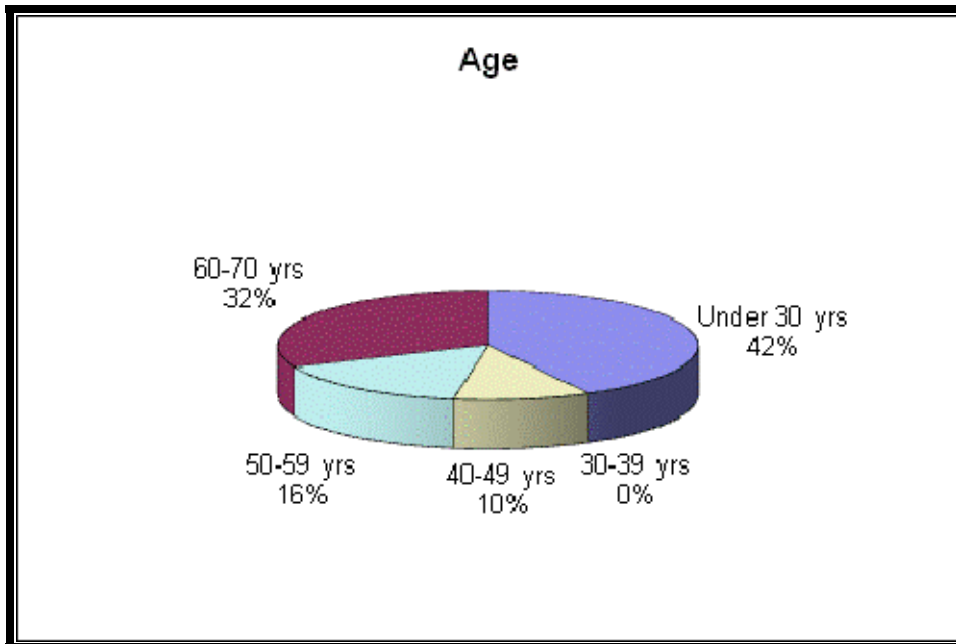
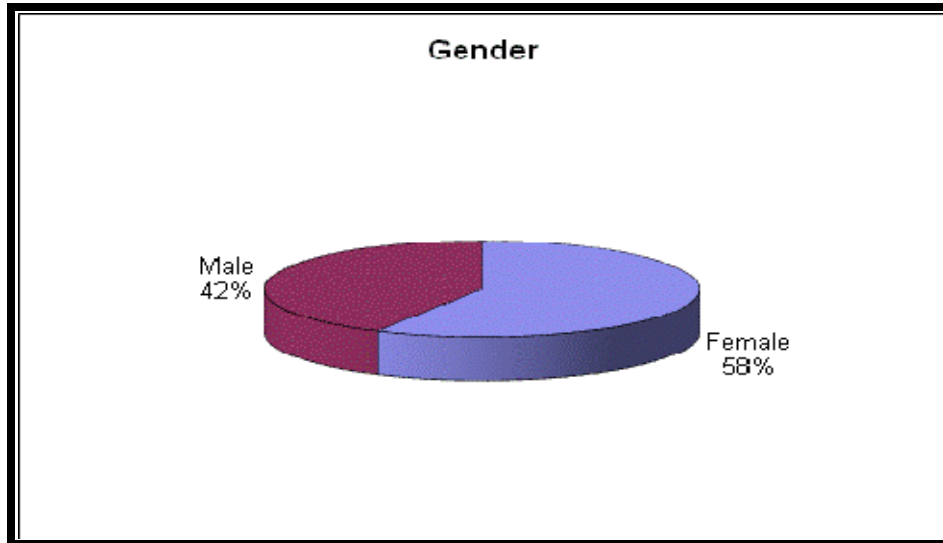
Customer Service	Database Development/Maintenance
Problem Solving	Debt Financing/Information Analysis
Communication	State Agency Administrative Management

### **B. Demographics**

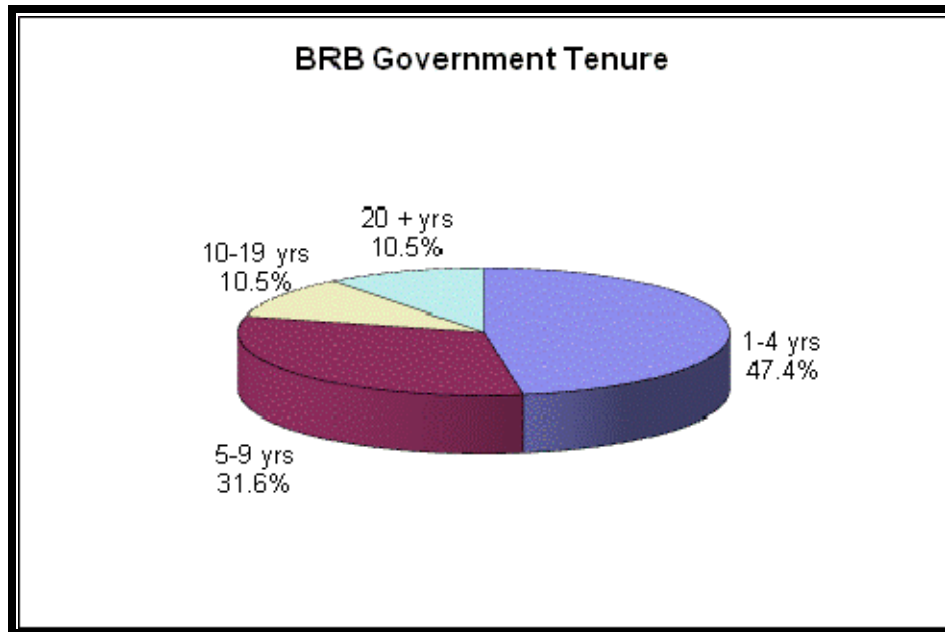
The following charts profile the agency's workforce as of June 2010. The BRB workforce is comprised of 42 percent males and 58 percent females. With a median age of 48 years, BRB staff has an average tenure with the agency of 6.9 years. This figure is somewhat skewed by the fact that the

one staff member has 20.6 years of BRB experience. Not considering this position, the average experience with the agency is 4.9 years.

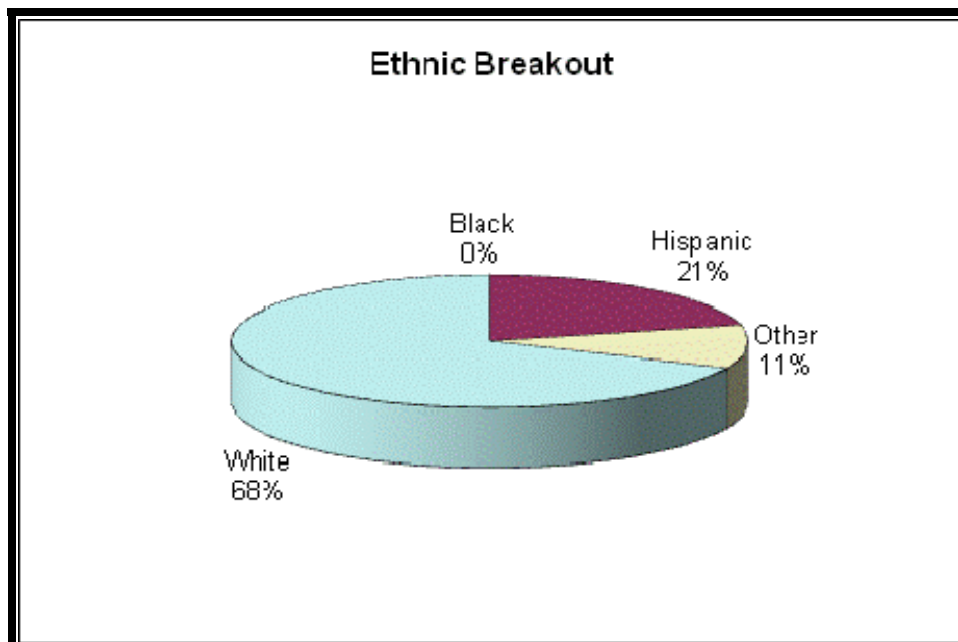
Workforce Breakdown







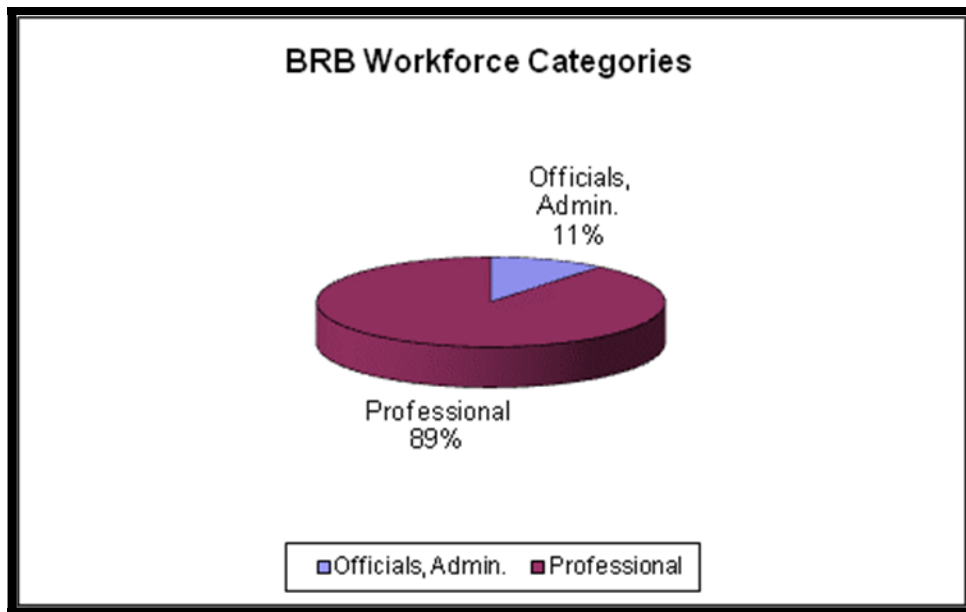
A profile of the staff's ethnic breakdown and Job Category distribution as of June 2010 follows. The BRB's staff is fairly diverse and comparable to statewide workforce statistics in the selected categories. The BRB ethnic data are also consistent with the statewide averages when considering the Professional Job Category for Hispanic-Americans and Females employed.



The agency workforce is categorized as either Officials/Administration (1) or Professional (8.5) 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%	0%	40%
Profess. (P)	0%	17%	21%	21%	58%	57%

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



The Bond Review Board's high ratio of official and professional staff is due to the agency's focus on financial transactions. The Officials/Administrative position consists of the Executive Director. Professional positions are classified as Financial Analysts (6 positions, one for each of the four strategies with some overlap), one Accountant VII, one Administrative Assistant and one half-time Accounting Technician. The latter two staff are responsible for financial data reporting and other administrative support.

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

### Workforce Skills

There are four financial analysts in the state debt strategy. The most long-tenured has been with the agency nearly 9.7 years and serves as a senior resource for the state strategy and Private Activity Bond Allocation Program administrator. He possesses specific institutional knowledge regarding state financing structure and reporting.

The other three state financial analysts have been with the agency for 2.4 years, 2.2 years and 2 years, respectively. The longest-tenured has advanced quickly as a valuable resource for the state strategy and also assists with management of the network IT systems. The latter two work in the state strategy; one is cross-trained in the local government strategy and the other in the private activity bond program. Due to the highly specialized nature of this program, one of the financial analysts on the state debt strategy will always be cross-trained in the private activity bond strategy.

The financial analyst in the local debt strategy has been with the agency 20.6 years and is a highly-valued resource with extensive institutional knowledge of the agency's local and state financial analysis and reporting. This person provides continuous training for the other financial analysts. The other local debt financial analyst has been with the agency for 3.7 years and has gained a thorough knowledge of the local debt strategy. The part-time accounting technician has nearly 2 years' tenure. This position has been usually filled on a part-time basis by college students; however, to establish a greater continuity and institutional knowledge base, the agency filled the position with a permanent part-time employee in July 2008. This has proved to be a beneficial strategy resulting in workflow efficiencies.

The Accountant VII has extensive experience in accounting and administrative functions and supervises the administrative assistant. 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 gain experience and knowledge, they become more marketable and often advance their careers by obtaining employment elsewhere.

According to the State Auditor's Office, the turnover rate for Texas state employees is 14.4 percent in 2009, the lowest rate the state has experienced in the last five fiscal years. By comparison, the BRB experienced an average turnover of 20 percent over the past five years, from a low of 12 percent during FY 2006 to a high of 50 percent during the third quarter of FY 2008. Strategic merit initiatives were implemented and slowed this trend, 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 the expertise of 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 working in the state strategy assists in the day-to-day management of the network system in addition to other duties. This person has agency tenure of 2.4 years.

Turnover becomes more acute for the BRB when the agency must replace long-tenured employees. One staff member retiring in early FY 2011 after nearly 21 years of service, has irreplaceable experience in a key position and extensive institutional knowledge.

### **III. Future Workforce Analysis**

Increasing demand for financings throughout the state 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

Increased financing demands due to infrastructure needs and population growth are expected to be met by the current level 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 and essential skills for future positions include:

- Consistent, reliable and courteous interaction with the agency's customers
- Compatibility and cooperation among agency staff
- Financial/information analysis skills
- 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 the organization’s duties and functions
- Employees become disillusioned with the repetitive workload and/or requirements for static output
- 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 vacancy periods while searching for appropriate job applicants translate to 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 30-35 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 develop 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.</li> <li>→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.</li> </ul>

	<p>Provide training with the state or other training entities, giving the employee the advantage of networking as well as upgrading their knowledge.</p> <p>→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.</p>
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Goal	Recruit a dependable and competent workforce
Action Steps	<p>→Train and teach managers how to recruit and retain quality staff.</p> <p>→Make sure pay scale of positions advertised are within state parameters as well as competitive with other public and private corporations.</p>

Current job classifications are appropriate for known future functional requirements. As of June 2010 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 to meet changes in the level of services demanded by the BRB’s customers.

**Appendix F –  
Survey of Organizational Excellence Results**



*The Survey of Employee Engagement*

**Bond Review Board**



*Executive Summary*

**2010**



# Executive Summary

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## Introduction

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**Thank you** for your participation in the Survey of Employee Engagement (SEE). We trust that you will find the information helpful in your leadership planning and organizational development efforts. As an organizational climate assessment, the SEE represents an employee engagement measurement tool based on modern organizational and managerial practice and sound theoretical foundations. In short, the SEE is specifically focused on the key drivers relative to the ability to engage employees towards successfully fulfilling the vision and mission of the organization.

Participation in the SEE indicates the willingness of leadership and the readiness of all employees to engage in meaningful measurement and organizational improvement efforts. The process is best utilized when leadership builds on the momentum initiated through the surveying process and begins engagement interventions using the SEE data as a guide. Contained within these reports are specific areas of organizational strengths and of organizational concern.

**The SEE framework** initially consists of a series of items to ascertain the demography of the respondents. The purpose is to measure whether or not a representative group of respondents participated. The second section contains 71 primary items. These are used to assess essential and fundamental aspects of how the organization functions, the climate, potential barriers to improvement, and internal organizational strengths. The items are all scored on a five-point scale from Strongly Disagree(1) to Strongly Agree(5) and are averaged to produce various summary measures - Constructs, Climate indicators, and the Synthesis Score.

The SEE has 14 Constructs which capture the concepts most utilized by leadership and those which drive organizational performance and engagement. These constructs are: Supervision, Team, Quality, Pay, Benefits, Physical Environment, Strategic, Diversity, Information Systems, Internal Communication, External Communication, Employee Engagement, Employee Development, and Job Satisfaction. In the Climate section of the reports are the Climate indicators: Atmosphere, Ethics, Fairness, Feedback, and Management.

The overall survey score, or Synthesis score, is a broad indicator for overall comparison with other entities and when available, over time.

## Survey Administration Profile:

---

**Collection Period:**

01-11-2010 through 01-22-2010

**Collection Method:**

All employees took the survey online.

**Additional Items and Categories** (if applicable) may be used to target areas specific to the organization. Refer to the Appendix of the Data Report for a complete listing.

**Survey Liaison:**

Jodee Martinez (512) 463-9890  
Chief Financial Officer  
300 West 15th St.  
Austin, TX 78701

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## Organization Profile

### Bond Review Board

#### Organizational Leadership:

ID: 352

- Robert Kline, Executive Director



Synthesis Score:

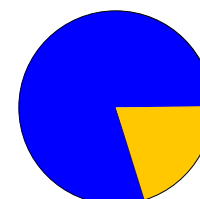
4.46

The Synthesis Score is an average of all survey items and represents the overall score for the organization. For comparison purposes, Synthesis scores typically range from 3.25 to 3.75.

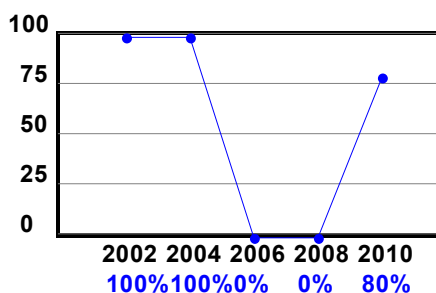
## Response Rates

### Overall Response Rate

Out of the 10 employees who were invited to take the survey, 8 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems. At 80%, your response rate is considered high. High rates mean that employees have an investment in the organization, want to see the organization improve, and generally have a sense of responsibility to the organization. With this level of engagement, employees have high expectations from Leadership to act on the survey results.



■ Responded 80%  
■ Did Not Respond 20%



### Response Rate Over Time

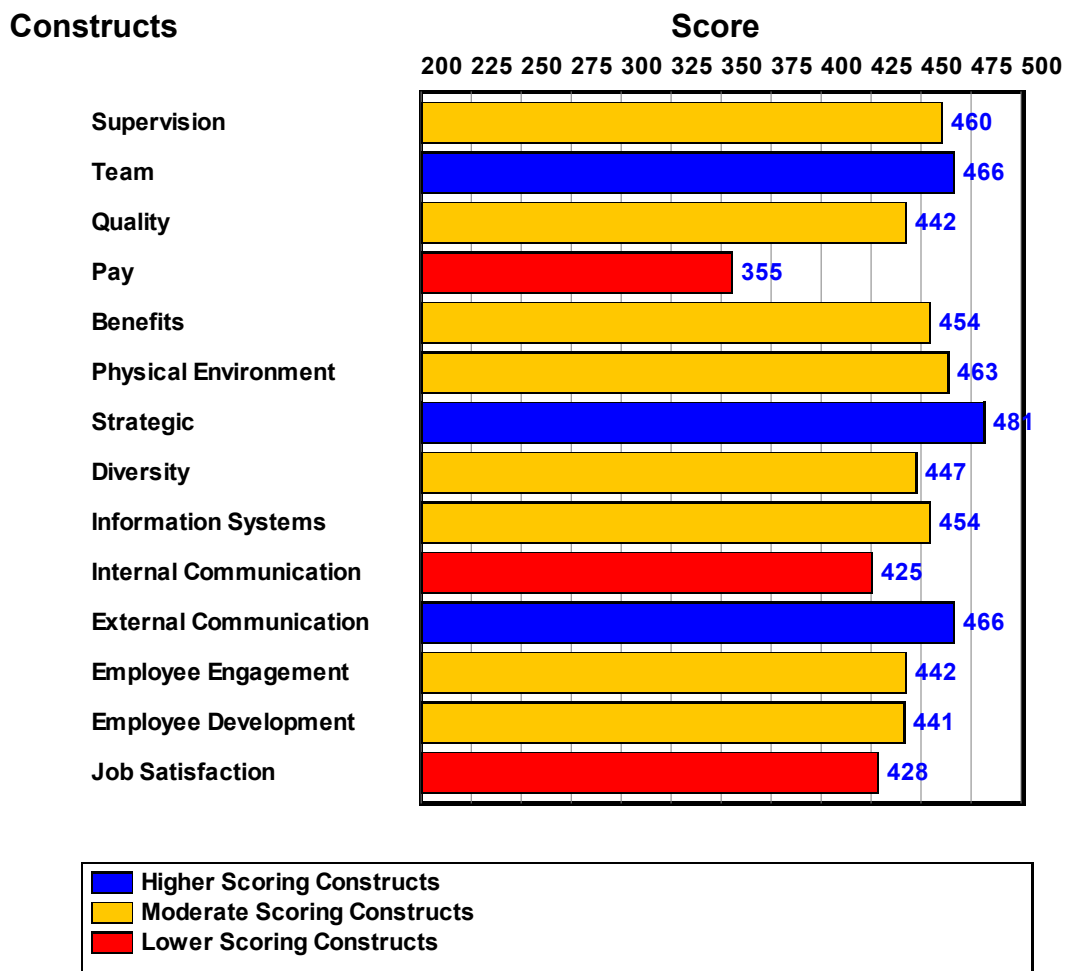
One of the values of participating in multiple iterations of the survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound and the online administration option is used, rates tend to plateau around the 60 to 65 percent level. A sharp decline in your response rate over time can be a significant indicator of a current or potential developing organizational problem.



## Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 3 highest scoring constructs are blue, the 3 lowest scoring constructs are red, and the remaining 8 constructs are yellow.

Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



## Organizational Typology: Areas of Strength

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**The following Constructs are relative strengths for the organization:**

### **Strategic**

**Score: 481**

The Strategic construct reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities.

High scores indicate employees view the organization as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment. Maintaining these high scores will require leadership to continually assess the ability of the organization and employees at all levels to test programs against need and to continue to have rapid feedback from the environment.

### **Team**

**Score: 466**

The Team construct captures employees' perceptions of the people within the organization that they work with on a daily basis to accomplish their jobs (the work group or team). This construct gathers data about how effective employees think their work group is as well as the extent to which the organization supports cooperation among employees.

High Team scores indicate that employees view their work groups as effective, cohesive, and open to the opinions of all its members. Maintaining these high scores will require leadership to ensure employees are actively involved in their work groups and have opportunities to contribute to goal setting and other work processes.

### **External Communication**

**Score: 466**

The External Communication construct looks at how information flows into the organization from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of organizational members to synthesize and apply external information to work performed by the organization.

High scores indicate that employees view their organization as communicating effectively with other organizations, its clients, and those concerned with regulation. Maintaining these high scores will require leadership to be alert to change and maintain strong and responsive tools to assess the external environment.



## Organizational Typology: Areas of Concern

---

**The following Constructs are relative concerns for the organization:**

### **Pay**

**Score: 355**

The Pay construct addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package 'holds up' when employees compare it to similar jobs in other organizations.

Average scores suggest that pay is not a central concern or reason for satisfaction or discontent. In some situations pay does not meet comparables in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Cost of living increases may cause sharp drops in purchasing power and as a result, employees will view pay levels as unfair. Remediating Pay problems requires a determination of which of the above factors are serving to create the concerns. Use the employee feedback sessions to make a more complete determination of the factors that influence your Pay score.

### **Internal Communication**

**Score: 425**

The Internal Communication construct captures the organization's communications flow from the top-down, bottom-up, and across divisions/departments. It addresses the extent to which communication exchanges are open, candid, and move the organization toward goal achievement.

High scores indicate that employees view communication with peers, supervisors, and other parts of the organization as functional and effective. Appropriate communication technology is available and useful. Maintaining these high scores will require continual attention to communication needs and technology.

### **Job Satisfaction**

**Score: 428**

The Job Satisfaction construct addresses employees' attitudes about the overall work situation. This construct looks at the degree to which employees intrinsically like their jobs and the total work environment. It focuses upon both the job itself and the availability of resources to do the job.

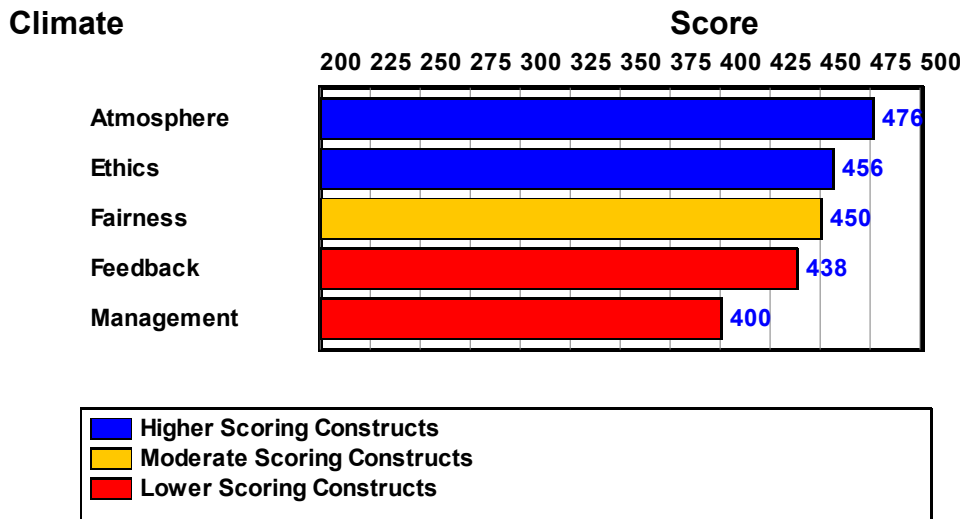
High scores indicate that employees are pleased with working conditions and their opportunity to make accomplishments at work. Maintaining satisfaction requires vigilance by supervisors and regular communication with all employees.



# Climate Analysis

The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. The appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. Moreover, it is an organization with proactive management that communicates and has the capability to make thoughtful decisions. Climate Areas have been color coded to highlight the organization's areas of strength and areas of concern. The 2 highest scoring climate areas are blue (Atmosphere, Ethics), the 2 lowest scoring climate areas are red (Management, Feedback), and the remaining climate area is yellow (Fairness).

Each Climate Area is displayed below with its corresponding score. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



### Climate Definitions:

**Atmosphere:** The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.

**Ethics:** An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.

**Fairness:** Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

**Feedback:** Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.

**Management:** The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.



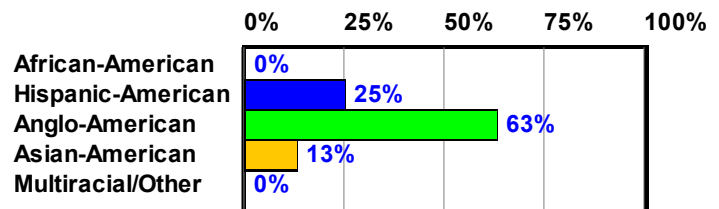
## Participant Profile

Demography data help one to see if the Survey response rate matches the general features of all employees in the organization. It is also an important factor in being able to determine the level of consensus and shared viewpoints across the organization. It may also help to indicate the extent to which the membership of the organization is representative of the local community and those persons that use the services and products of the organization. Charts and percentages are based on valid responses.

**\*Please note that there may be a slight variation between the percentages presented here and those found in the Data Report. This is due to respondents who chose not to answer particular demographic items. All available demographic responses are reported in your Data Report.**

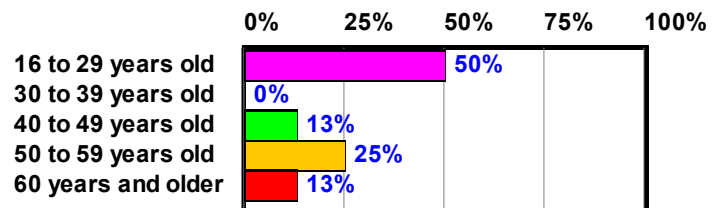
### Race/Ethnic Identification

Racial/Ethnic diversity within the workplace provides resources for innovation. A diverse workforce helps ensure that different ideas are understood, and that the community sees the organization as representative of the community.



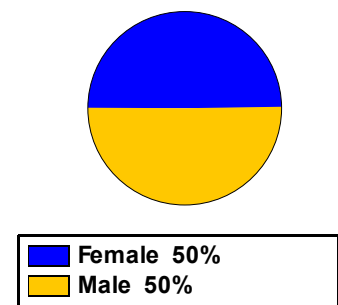
### Age

Age diversity brings different experiences and perspectives to the organization, since people have different challenges and resources at various age levels. Large percentages of older individuals may be a cause of concern if a number of key employees are nearing retirement age.



### Gender

The ratio of males to females within an organization can vary among different organizations. However, extreme imbalances in the gender ratio when compared to actual gender diversity within your organization should be a source of concern and may require immediate attention as to why one group is responding at different than anticipated rates.





## Benchmark Data and Other Resources

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### Benchmark Categories:

**Benchmark Data** composed of the organizations participating in the survey are provided in your reports. Benchmarks are used to provide a unit of comparison of organizations of similar mission and size. If you selected to use organizational categories, internal benchmarks between categories as well as over time data illustrate differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at [www.survey.utexas.edu](http://www.survey.utexas.edu). The most current benchmark data are provided in your report. To get a better idea of how this organization compares to others like it, we provide three types of benchmark data: organizations with a similar size, similar mission, and organizations belonging to a special grouping. **The Benchmark Categories for this organization are:**

**Organization Size:** Size category 1 includes organizations with less than 26 employees.

**Mission Category:** Mission 1/10 (General Government)

The General Government category includes organizations involved in the general operating procedures of the government.

**Special Grouping:** None

### Reporting and Other Resources:

**A Data Report** accompanies this summary. The data report provides greater detail than the executive summary. The data report is largely a quantitative report of the survey responses. Demographic data are presented in percentages and real numbers. Construct means and benchmark comparison numbers are provided on all variables. Item data are broken into mean, frequency counts, standard deviations, and number of respondents. Item benchmark data are also displayed.

**Electronic Reports** are provided in two formats. First, all executive and data reports are included in pdf files for ease in distribution and for clear printability. This file format is widely used, and a free pdf reader called Adobe Acrobat reader is available from [www.adobe.com](http://www.adobe.com). The second type of electronic reports are in Microsoft Excel format. These reports are construct and item survey data in a flat spreadsheet format. This allows the user to sort highs and lows, search for individual items, or create custom reports from the survey data.

**Using the Survey as a Catalyst** for organizational improvement is essential to the survey process. The survey creates momentum and interest. At the end of the executive summary report is a series of suggested next steps to assist in these efforts. Also, we have captured several presentations from other organizations that have used the data in strategic planning, organizational improvement, and employee engagement initiatives. Please visit us at [www.survey.utexas.edu](http://www.survey.utexas.edu) for additional survey resources.

**Additional Services** are available from our group. We conduct 360-Degree leadership and supervisory evaluations, special leadership assessments, customer and client satisfaction surveys along with the ability to create and administer a variety of custom hardcopy and online survey instruments. Consultation time for large presentations, focus groups, or individual meetings is available as well. For additional information, please contact us at anytime.



## Next Steps: Interpretation and Intervention

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After the survey data has been compiled, the results are returned to the survey liaison, executive director, and board or commission chair approximately one to two months after data collection stops. These individuals are strongly encouraged to share results with all survey participants in the organization. Survey results are provided in several formats to provide maximum flexibility in interpreting the data and sharing the data with the entire organization. The quick turnaround in reporting allows for immediate action upon the results while they are still current.

The Executive Summary provides a graphical depiction of the data. Graphical data can easily be reproduced in a company newsletter or website. For additional detailed data, the Data Report is useful for examining survey data on the individual item level. Response counts, averages, standard deviations, and response distributions are provided for each item. Excel files provide electronic access to scores. Scores can be sorted in various ways to help determine strengths and areas of concern. The electronic data can also be used by Excel or other software to create additional graphs or charts. Any of these formats can be used alone or in combination to create rich information on which employees can base their ideas for change.

Benchmark data provide an opportunity to get a true feel of the organization's performance. Comparing the organization's score to scores outside of the organization can unearth unique strengths and areas of concern. Several groups of benchmarks are provided to allow the freedom to choose which comparisons are most relevant. If organizational categories were used, then internal comparisons can be made between different functional areas of the organization. By using these comparisons, functional areas can be identified for star performance in a particular construct, and a set of "best practices" can be created to replicate their success throughout the organization.

These Survey Data provide a unique perspective of the average view of all that took the Survey. It is important to examine these findings and take them back to the employees for interpretation and to select priority areas for improvement. This also provides an opportunity for the organization to recognize and celebrate areas that members have judged to be areas of relative strength. By seeking participation and engaging people on how the organization functions, you have taken a specific step in increasing organizational capital. High organizational capital means high trust among employees and a greater likelihood of improved efforts and good working relationships with clients and customers.

### **Ideas for getting employees involved in the change process:**

- Hold small focus groups to find out how the employees would interpret the results
- Conduct small customized follow-up surveys to collect additional information including comments
- Provide employees with questionnaires/comment cards to express their ideas

### **Ideas for sharing data with the organization:**

- Publish results in an organizational newsletter or intranet site
- Discuss results in departmental meetings
- Create a PowerPoint presentation of the results and display them on kiosks



## Timeline

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### February and March: Interpreting the Data

- Data are returned to survey liaisons, executive directors and board members
- Review Survey data including the Executive Summary with executive staff
- Develop plans for circulating all the data sequentially and provide interpretations for all staff

### April: Distributing Results to the Entire Organization

- Implement the plans for circulating the data to all staff
- Create 3 to 4 weekly or monthly reports or organization newsletters
- Report a portion of the constructs and items, providing the data along with illustrations pertinent to the organization
- Select a time to have employees participate in a work unit group to review the reports as they are distributed to all staff, with one group leader assigned to every group. The size of the groups should be limited to about a dozen people at a time. A time limit should be set not to exceed two hours.

### May: Planning for Change

- Designate the Change Team composed of a diagonal slice across the organization that will guide the effort
- Identify Work Unit Groups around actual organizational work units and start each meeting by reviewing strengths as indicated in the data report. Brainstorm on how to best address weaknesses
- Establish Procedures for recording the deliberations of the Work Unit Group and returning those data to the Change Team
- Decide upon the Top Priority Change Topic and Methods necessary for making the change. Web-based Discussion Groups and Mini-Surveys are convenient technologies
- First change effort begins
- Repeat for the next change target

### June and Beyond: Implementation and Interventions

- Have the Change Team compile the Priority Change Topics and Methods necessary for making the change and present them to the executive staff
- Discuss the administrative protocols necessary for implementing the changes
- Determine the plan of action and set up a reasonable timeline for implementation
- Keep employees informed about changes as they occur through meetings, newsletters, or intranet publications
- Resurvey to document the effectiveness of the change

