TEXAS PUBLIC FINANCE AUTHORITY

# STRATEGIC PLAN

# 2015-2019

## PROVIDING COST-EFFECTIVE FINANCING FOR THE STATE OF TEXAS

# STRATEGIC PLAN

**FISCAL YEARS 2015 – 2019**

BY

**TEXAS PUBLIC FINANCE AUTHORITY**

| BOARD MEMBER | TERM EXPIRES | HOMETOWN |
|---|---|---|
| BILLY M. ATKINSON, JR., CHAIR | FEBRUARY 2017 | SUGAR LAND |
| RUTH C. SCHIERMEYER, VICE CHAIR | FEBRUARY 2019 | LUBBOCK |
| GERALD B. ALLEY, SECRETARY | FEBRUARY 2019 | ARLINGTON |
| MARK W. EIDMAN | FEBRUARY 2015 | AUSTIN |
| WALKER N. MOODY | FEBRUARY 2019 | HOUSTON |
| RODNEY K. MOORE | FEBRUARY 2015 | LUFKIN |
| ROBERT T. RODDY, JR. | FEBRUARY 2017 | SAN ANTONIO |

JUNE 30, 2014

SIGNED: Lee Deviney                                        DATE: 6/30/14
LEE DEVINEY, EXECUTIVE DIRECTOR

APPROVED: Billy M. Atkinson                                DATE: 6/5/14
BILLY M. ATKINSON, JR., CHAIR

# TABLE OF CONTENTS

# STATEWIDE MISSION AND PHILOSOPHY

## THE MISSION OF TEXAS STATE GOVERNMENT

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 must 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!*

## THE 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.

# Statewide Goals and Benchmarks

## STATEWIDE PRIORITY GOAL FOR 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.

## STATEWIDE BENCHMARKS

- Total state taxes per capita
- Total state spending per capita
- Percent change in state spending, adjusted for population and inflation
- State and local taxes per capita
- Ratio of federal dollars received to federal tax dollars paid
- Number of state employees per 10,000 population
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format
- Funded ratio of statewide pension funds
- Texas general obligation bond ratings
- Issuance cost per $1,000 in general obligation debt
- Affordability of homes as measured by the Texas Housing Affordability Index

# TEXAS PUBLIC FINANCE AUTHORITY
# MISSION AND PHILOSOPHY

## MISSION

The mission of the Texas Public Finance Authority is to provide the most cost-effective financing available to fund capital projects, equipment acquisitions, and programs as authorized by the Texas Legislature.

## PHILOSOPHY

The Texas State Constitution prohibits public debt except when the people of Texas give their specific approval by amending the Constitution. The Texas Public Finance Authority is mindful that it must maintain a delicate balance between the State's conservative fiscal tradition and the use of carefully managed debt, as a tool to achieve sound financial management. The issuance of debt by the Texas Public Finance Authority must strictly conform to the intent and direction of the Texas Legislature, and constitutional and statutory authorization.

The Texas Public Finance Authority will provide the highest quality service to meet the needs of its client agencies. The Authority will also continually develop financial expertise and make it available to other state agencies and branches of state government. Agency operations are conducted in a manner that displays the highest ethical standards, encourages the personal and professional development of its employees and implements sound financial management practices for the State of Texas.

# TEXAS PUBLIC FINANCE AUTHORITY
# EXTERNAL AND INTERNAL ASSESSMENT

## OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

*Statutory Basis, Historical Perspective and Functions*

The Texas Public Finance Authority (the "Authority" or "TPFA") was initially created by the Legislature in 1983 as the Texas Public Building Authority (Art. 601d, VTCS, now codified as Chapter 1232, Texas Government Code). Its original purpose was to issue revenue bonds to provide funds for the construction and renovation of office buildings in Travis County in order to relieve the State's reliance on leased office space. The agency's mission was expanded in 1987 in response to the State's need to rapidly increase its prison, youth corrections and mental health facilities through the issuance of general obligation bonds. The name of the agency was changed at that time to the Texas Public Finance Authority to reflect the agency's enlarged charter. The Authority's offices are currently located in the William P. Clements State Office Building in Austin.

The scope of the Authority's functions has grown steadily since its inception and the Authority is now one of the largest issuers of bonds in the State. It has issued over $18.7 billion of general obligation and revenue debt on behalf of numerous state agencies, universities and other entities as directed by the Legislature. There is currently $3.8 billion of debt outstanding and under administration. Although the majority of the debt issued by the Authority is to fund capital projects such as facilities and equipment, in recent years the Authority has also provided financing to support other public purpose projects, such as the Texas Cancer Prevention and Research Institute, financing for charter school and insurance pool financing.

As the largest issuer of general revenue supported debt in the state, the Authority uses a variety of debt management tools and financing vehicles to manage the State's interest rate exposure, including long-term fixed-rate bonds, short-term debt such as commercial paper, and refinancing tools such as cash defeasances and advance refunding bonds. From 1986 to date, the Authority has refinanced approximately $3.5 billion of obligations, reducing general revenue supported debt service and providing savings to the state of over $194.6 million.

Pursuant to Texas Government Code, Chapter 1232 (the Authority's enabling Act), and Chapters 1401 and 1403, the Authority issues general obligation and revenue bonds for designated State agencies and maintains the Master Lease Purchase Program ("Master Lease" or "MLPP"), a revenue commercial paper program used primarily to finance equipment acquisitions by State agencies and institutions of higher education. Additionally, in other statutes, the Legislature may authorize a bond issue and may designate the Authority to issue those bonds. A description of the Authority's client agencies and financing programs is provided in Exhibit I.

In addition to the programs listed in Exhibit I, in 2004, the Authority's Board of Directors created the Texas Public Finance Authority Charter School Finance Corporation (the "Corporation" or "TPFA CSFC"), pursuant to Section 53.351 of the Education Code, to issue revenue bonds on behalf of open-enrollment charter schools. In 2005, the Corporation formed a consortium with the Texas Education Agency and the Texas Charter School Association (formerly the Resource Center for Charter Schools) to apply for a grant from the U.S. Department of Education to provide credit enhancement grants to eligible charter schools for facilities funding. The Consortium received a $10 million grant, which is used to fund debt service reserve funds for bonds issued on behalf of open-enrollment charter schools. TPFA staff provides administrative support services to the Corporation in fulfilling its two objectives: issuing debt for charter schools and awarding credit enhancement grants. To date, the Corporation has issued 27 charter school series of bonds.

The Authority also administers the Master Lease program to finance capital equipment and improvements, such as computers, telecommunications systems, software, vehicles and energy performance contracts for state agencies and institutions of higher education. The Authority's Master Lease program is funded with tax-exempt commercial paper, a short-term variable rate financing instrument, with approximately 362 leases outstanding, totaling $54,830,320.

*Affected Populations/Public Perception*
During its 40-year history, the Authority has been authorized to issue debt on behalf of over 28 state agencies and universities ("client agencies"). The Authority's key service populations are its client agencies and, indirectly, the citizens served by those organizations. Further, the Authority and its Charter School Finance Corporation also issues debt for charter schools throughout the state and for other entities as directed by the Legislature.

Furthermore, because it is one of the primary state bond issuers, the Authority plays a major role in shaping the public finance industry's perception of the state's debt issuance practices. The industry includes financial advisors, bond counsel, underwriters, investors, credit analysts, rating agencies and federal regulators. The Authority strives to contain costs of issuance such as professional fees and underwriting spreads and to provide opportunities for participation by historically underutilized businesses serving as bond counsel, financial advisor and underwriters. The Authority uses its financial expertise and resources to structure and market debt issues to achieve the overall lowest true interest cost for its client agencies.

Exhibit I

**Texas Public Finance Authority**
**Client Agencies and Debt Financing Programs**

**Client Agencies**

1. Texas Military Department (formerly Adjutant General, Office of and Texas Military Facilities Commission)
2. Aging and Disability Services, Texas Department of
3. Agriculture, Texas Department of
4. Agriculture Finance Authority, Texas
5. Cancer Prevention and Research Institute of Texas
6. Criminal Justice, Texas Department of
7. Environmental Quality, Texas Commission on (formerly Texas Low-Level Radioactive Waste Disposal Authority)*
8. Facilities Commission, Texas
9. Health and Human Services Commission, Texas
10. Health Services, Texas Department of State
11. Historical Commission, Texas
12. Insurance, Texas Department of*
13. Juvenile Justice Department, Texas (formerly Texas Youth Commission and Texas Juvenile Probation Commission )
14. Midwestern State University
15. Military Preparedness Commission, Texas (Texas Military Value Revolving Loan Fund)
16. National Research Laboratory Commission, Texas (Superconducting Super Collider Project)*
17. Parks and Wildlife Department, Texas
18. Preservation Board, Texas State
19. Public Safety, Texas Department of
20. School for the Blind and Visually Impaired, Texas
21. School for the Deaf, Texas
22. State Technical College System, Texas* *(per 82nd Legislature, optional use of TPFA as issuer)*
23. Stephen F. Austin State University *(per 82nd Legislature, optional use of TPFA as issuer)*
24. Texas Southern University
25. Transportation, Texas Department of (Governor's Office – Colonia Roadway Grant Program)
26. Windstorm Insurance Association, Texas
27. Workers' Compensation Commission, Texas*
28. Workforce Commission, Texas

**Active Commercial Paper Programs**

1. Master Lease Purchase Program – for financing capital equipment acquisitions and improvement projects
2. General Obligation (Series 2008) – for certain state government construction projects
3. General Obligation (Series 2009A/B) – for the Cancer Prevention and Research Institute of Texas Grant Program

*Inactive or debt no longer outstanding

It is crucial for the Authority to remain committed to these efforts, particularly as the agency responds to meet the changing needs of its client agencies and the economic and regulatory environment of the public finance industry continues to become more complex, regimented and challenging. With the increased scrutiny and demand by regulatory agencies, issuers will be held to a higher level of post-issuance monitoring, compliance, and reporting to ensure financings remain in strict conformance with state guidelines and federal tax and securities law. To meet these demands, the Authority must: 1) increase client agency training and compliance monitoring and 2) adapt its current practice of monitoring and managing its debt from a traditional spreadsheet environment to a fully automated technology solution.

## ORGANIZATIONAL ASPECTS

*Workforce, Organizational Structure and Geographical Location*

The Texas Public Finance Authority is a small state agency, which may be staffed by up to fourteen, full-time employees. The Authority is headed by an Executive Director recently hired by the Board of Directors, effective June 16, 2014. Other key executive staff include the General Counsel, Deputy Director and the Director of Business Administration. In FY2014 the agency lost its Executive Director, General Counsel and four additional long-time employees creating a knowledge gap and increased stress on remaining staff which, for a period of several months numbered only five regular full-time employees. With the selection of an Executive Director in June 2014, the Authority began the process of rebuilding its staff and anticipates being fully staffed during the first quarter of FY2015. As of June 25, 2014, the Authority's staff consists of four executive and/or management personnel and 6.5 professional staff supplemented with 3 temporary personnel. Subject to budget constraints and the availability of qualified applicants, five vacant positions will be filled in early FY2015. All of the positions are classified positions, except the Executive Director, which is an exempt position. The Authority's workforce is diverse and is comprised of five males – one Hispanic and four Anglo's, and five females - two Black, one Hispanic, one Anglo and one Asian. As the organizational chart enclosed in Appendix B illustrates, the Authority's small size dictates a relatively flat organizational structure, consisting of executive staff and two teams: the finance/accounting team, and the business operations team.

The agency is governed by a seven-member Board appointed by the Governor. Current Board members reside in Austin, Arlington, Houston, Lubbock, Lufkin, Sugar Land, and San Antonio. The Board is required by statute to meet quarterly; however, the Board typically meets on a monthly basis provided there is business to conduct. The current budget provides funding for 10 meetings each year. All agency personnel are located in the William P. Clements State Office Building in Austin. There are no field offices.

*Service Population*

The Authority's service population includes the other state agencies on whose behalf the Authority provides financing. TPFA client agencies are located primarily in Austin; however, these agencies support facilities that serve citizens throughout the state. For example, the Authority's largest client agencies include the Texas Facilities Commission, the Texas Department of Criminal Justice, the Department of Public Safety, the Texas Parks and Wildlife Department, the Department of Aging and Disability Services and the Department of State Health Services, each of which has numerous facilities located throughout the state. The Authority also issues general obligation bonds for the Texas Military Preparedness Commission to make loans to eligible "defense dependent" communities throughout the state and the Colonia Roadway Grant Program for counties along the border region of the state. Additionally, the Authority has issued for university client agencies located in Houston, Wichita Falls, Nacogdoches and other locations, and the Authority has financed state facilities and office buildings in El Paso, Corpus Christi, Houston, Waco, Fort Worth, Tyler and San Antonio and other cities throughout the state. The Authority's Charter School Finance Corporation may issue debt for charter schools throughout the state. Finally, the Authority is the statutory debt issuer for the Texas Windstorm Insurance Association which serves the coastal region of the state.

*Human Resources*

The Authority's human resources have historically been a significant strength. A small agency charged with a highly technical function involving billions of public dollars and protection of the state's credit requires the services of personnel with extensive expertise in finance, accounting, budgeting, information systems and legal issues such as municipal bond and public finance laws, federal regulatory laws, contract administration and employment law. It is essential for the agency to maintain this expertise through recruitment, training and continuing education to develop broader staff expertise in municipal debt finance to meet the challenges placed on bond issuers in today's changing financial market. It is critical for Authority to continually develop staff expertise to meet these new challenges and adapt to expanding workload requirements as the agency moves to automate its debt management function to accommodate these demands. Information technology will have an increasing role in the Authority's day-to-day operations, particularly in the area of post issuance monitoring and compliance, to enhance the ability of staff to perform this critical function.

As part of the Strategic Planning process, the Authority has completed a Workforce Plan (the "Plan"). The Plan, which is included as Appendix E, is based on staffing as of August 31, 2013. Approximately 60 percent of the Authority's workforce has at least ten years of service with the agency, or extensive related experience in Texas state government. Turnover is an important issue because in a small agency, each person must perform multiple responsibilities across more than one functional area. The Authority's small size provides limited opportunities for advancement and its limited financial resources make it difficult to remain competitive with the private sector and other state agencies in the area of salary. Recruiting difficulties are compounded because private sector financial industry employees are more highly compensated, not only as compared to comparable public sector jobs, but also when compared to other private sector job categories.

As the Authority recruits and rebuilds its human resources, a recognized barrier is the salary ceiling for its executive staff as compared to other state debt issuers, creating salary compression for other positions at the agency. As a result, employees who otherwise may have a high degree of job satisfaction have left the agency simply to sustain career progression and to earn higher compensation. Turnover may become especially crucial to the Authority in the next five years when retirement could cost the agency some of its remaining experienced and tenured employees. Vacancies offer an opportunity for the agency to evaluate the organization's functions and staff resources, to provide new challenges and motivate remaining employees, and to maximize limited resources for salaries and compensation; however, to address its aging workforce and limited financial resources, the agency will utilize each vacancy as an opportunity to reevaluate its needs and resources, and make appropriate changes on a case-by-case basis.

As the Authority transitions to a more modernized and systematic approach to debt management, technology will change the way work is performed. For example, the Authority's current process requires the manual entry of information from client agencies into spreadsheets for analysis. This requires Authority's staff time devoted to verifying data input rather than analyzing the data. Improved information technology solutions to replace paper filings would result in more efficient and accurate debt management, improve compliance with both state and federal regulatory agencies and permit Authority and client agency personnel to perform additional highly productive duties at each of their respective agencies.

*Capital Assets*

Typically, the Authority's only expenses for capital assets are for information technology resources, which are supported on an ongoing basis by in-house staff and, when needed, outside consultants and do not exceed the $25,000 minimum in the state's definition of a capital budget item. As information technology plays an increasing role in the Authority's day-to-day operations and as major enhancements are implemented to fully automate the Authority's debt management system, the Authority must dedicate additional resources to enhance this critical agency function and may necessitate the need for additional capital funding for this endeavor.

*HUB Participation*

It is the Authority's policy to meet or exceed the guidelines promulgated by the Legislature and the Texas Comptroller of Public Accounts regarding the use of Historically Underutilized Businesses (HUBs). This includes the use of HUBs in key roles in the bond issuance process, such as financial advisors, bond counsel, financial printers, and bond underwriters, as well as in the agency's day-to-day administrative procurements. The Authority's Supplemental Summary HUB Reports for FY 2012 and FY 2013 provide a more detailed description of the Authority's past efforts and accomplishments in this regard, as referenced in Appendix F.

*Consultants*
To enhance and complement staff resources, the Authority regularly contracts with outside professionals as authorized by its enabling statute for the issuance of bonds. Bond counsel and financial advisory services are procured to assist the staff in structuring bond issues. In addition, separate financial advisory contracts are in place: one to calculate arbitrage rebate liability on outstanding bond issues to ensure compliance with federal tax law and another to assist the Authority with developing comprehensive monitoring and compliance training materials for client agencies

*Organizational Change*
As a small agency, the Authority must remain flexible in its staffing and organizational structure to provide staff development, fulfill the needs of its client agencies and respond to legislative authorization, all within its limited staff and financial resources. When vacancies occur, the agency evaluates its needs and resources, and makes appropriate changes as necessary. Other factors may result in further organizational and staffing changes in the next biennium, including: adjustments to the agency's operating budget, retirement eligibility within the existing workforce, changes in workload resulting from implementing a fully automated debt management solution, and increased monitoring and compliance responsibilities as a result of greater regulatory scrutiny.

## FISCAL ASPECTS

The Authority's budget consists of two components, agency operations and debt service for General Obligation Bonds, each of which are discussed in greater detail below.

*Operating Budget Trends*
In an effort to absorb a portion of the state's growing cost of state paid health insurance premiums during challenging economic times, the 83rd Legislature required each agency to contribute toward state paid benefit costs. The largest expenditures in the Authority's operating budget are for salaries and wages, including longevity benefits, plus the one percent of payroll for state paid insurance premiums, and one-half of a percent to the state retirement fund, which must be absorbed within existing resources as no additional funding was provided. Salaries and wages generally represent about 90% of the agency's administrative budget; however, in the current biennium the agency has experienced difficulty attracting individuals with the necessary skills to fill vacancies at current salary levels. Salary lapses will be used to increase salaries in the 2nd year of the biennium in order to attract, hire and retain the most qualified, skilled candidates. The second largest component of the Authority's operating budget is travel for Board meetings and travel for staff development. The third largest category of expenses is for information resources and telecommunications. The Authority's replacement cycle for information resources equipment is currently three years and, as mentioned previously and as further discussed under Technological Developments, additional resources to transition the Authority's debt management function to a more modernized approach utilizing a technology solution is critical to the agency's continued success.

*Method of Finance – Operating Budget*
For the FY2014-2015 biennium, the Authority's operating budget is funded from general revenue. Previously, the agency's budget was funded from MLPP administrative fees collected from other state agencies, or from a set-aside of revenue bond proceeds. A decline in revenue bond authorization and alternative equipment financing options induced a decline in state agency participation in MLPP. These changing conditions require that the agency seek additional General Revenue or seek alternative funding for agency operations in the coming FY2016-2017 biennium.

*Debt Service Budget*
Most of the debt service on bonds and other debt obligations issued by the Authority is paid from general revenue. General Obligation Bond Debt Service is appropriated directly to the Authority in provisions contained in various Articles of the General Appropriations Act ("GAA"). These appropriations are summarized in a rider in the Authority's appropriation bill pattern in the GAA.

Revenue bond debt service is appropriated differently. Lease payments for revenue bond-financed projects and equipment are appropriated to the various state agencies on whose behalf the Authority has issued revenue bonds. The client agencies transfer these lease payments to the Authority pursuant to rider language in the GAA. The Authority then collects lease payments in the State Lease Fund and transfers those funds into the appropriate debt service funds immediately prior to paying debt service on the bonds.

Exhibit IIa shows projected general revenue supported debt service, which consists of approximately $2.3 billion in outstanding general obligation and lease revenue debt. Debt service on currently outstanding debt declines rapidly beginning in FY 2016. Exhibit IIb details the outstanding debt service and estimated debt service on remaining bond authorizations that are appropriated and unissued and unappropriated and unissued. This graph illustrates the significant impact to future debt service of the $3.0 billion of general obligation debt that voters approved in 2007 for the Cancer Prevention and Research Institute of Texas (CPRIT).

The Authority's debt management policies require debt repaid from general revenue to be amortized with a 20-year level principal repayment structure. This policy applies to both fixed and variable rate debt, so even though commercial paper has a flexible maturity date, the Authority typically makes an annual principal payment on its commercial paper. It has also been the Authority's practice to use any surplus appropriation for General Obligation Debt Service to prepay general obligation debt. Although a level principal repayment structure creates higher debt service payments in the earlier years, it ultimately results in a lower borrowing cost as compared to level debt service and creates more capacity for additional debt in future years.

Although the Board has a comprehensive swap policy, the Authority has not entered into any interest rate swaps or other financial derivative products to date.

*Comparisons to Other States*
According to *Moody's 2014 State Debt Medians Report*, Texas continues to have a relatively low debt burden, particularly among large populous states. Texas ranks 38th among all states in net tax-supported debt per capita, at $614 per capita compared to a nationwide median of $1,054, and 40$^{th}$ in net-tax supported debt as a percent of personal income, at 1.5%, compared to a national median of 2.6%. It should be noted that Texas's debt has increased over the past decade: Moody's 2004 State Debt Medians ranked Texas 46$^{th}$ and 47$^{th}$ in net-tax supported debt per capita and in net-tax supported debt as a percent of personal income, respectively, and 42$^{nd}$ and 43$^{rd}$ in 2005. Moody's noted that nationally, debt levels rose modestly 0.4% in 2013 compared to the 6.5% average annual growth of the past decade and 1.3% growth rate in 2012. Nationally, debt growth is expected to remain low in 2014 due to conservative sentiment about debt despite the need for large investments after years of low capital spending. Additionally, uncertainties about the strength of the national economic recovery and the federal fiscal policy still linger.

The Texas Bond Review Board reported in December 2013 that general revenue supported debt service represented only 1.34% of unrestricted general revenue. Although Texas has a relatively low debt burden, and debt service on general revenue supported debt remains a small portion of the state's operating budget, it is important for state debt issuers such as the Authority to remain diligent in the development of and adherence to sound debt management practices and new financing techniques to ensure debt service costs are as low as possible. Long-term, centralized planning is an important component of capital budgeting and debt management because decisions made today will have financial implications for as many as twenty years in the future (the amortization period for most fixed rate debt). Implementation of the statewide debt affordability study, capital expenditure plan, statewide debt management policies and improved debt management monitoring systems will help the State serve as a good steward of debt and taxpayer dollars.

As one of the primary issuers of general revenue supported debt, it is the Authority's responsibility to ensure the debt is structured, marketed and administered to achieve the lowest possible all-in cost of borrowing. The Authority accomplishes this by using commercial paper, issued in small tranches, to fund client agency projects, refunding during periods of low interest rates, defeasing bonds with surplus revenues, and using a level principal repayment structure for general revenue supported debt. As the amount of general revenue supported debt issued by the State increases, the Authority must continue to develop and implement such practices and upgrade automated monitoring systems to maintain the State's low debt burden. The Authority's Board of Directors frequently reviews its debt management policies to ensure that the policies further achieve this goal. The Authority's debt management policies are consistent with the statewide policies adopted by the Texas Bond Review Board.

Texas Public Finance Authority
Total Combined General Revenue Supported Debt Service
**Includes Voter Authorized and Appropriated Debt**

**as of 7/31/14**

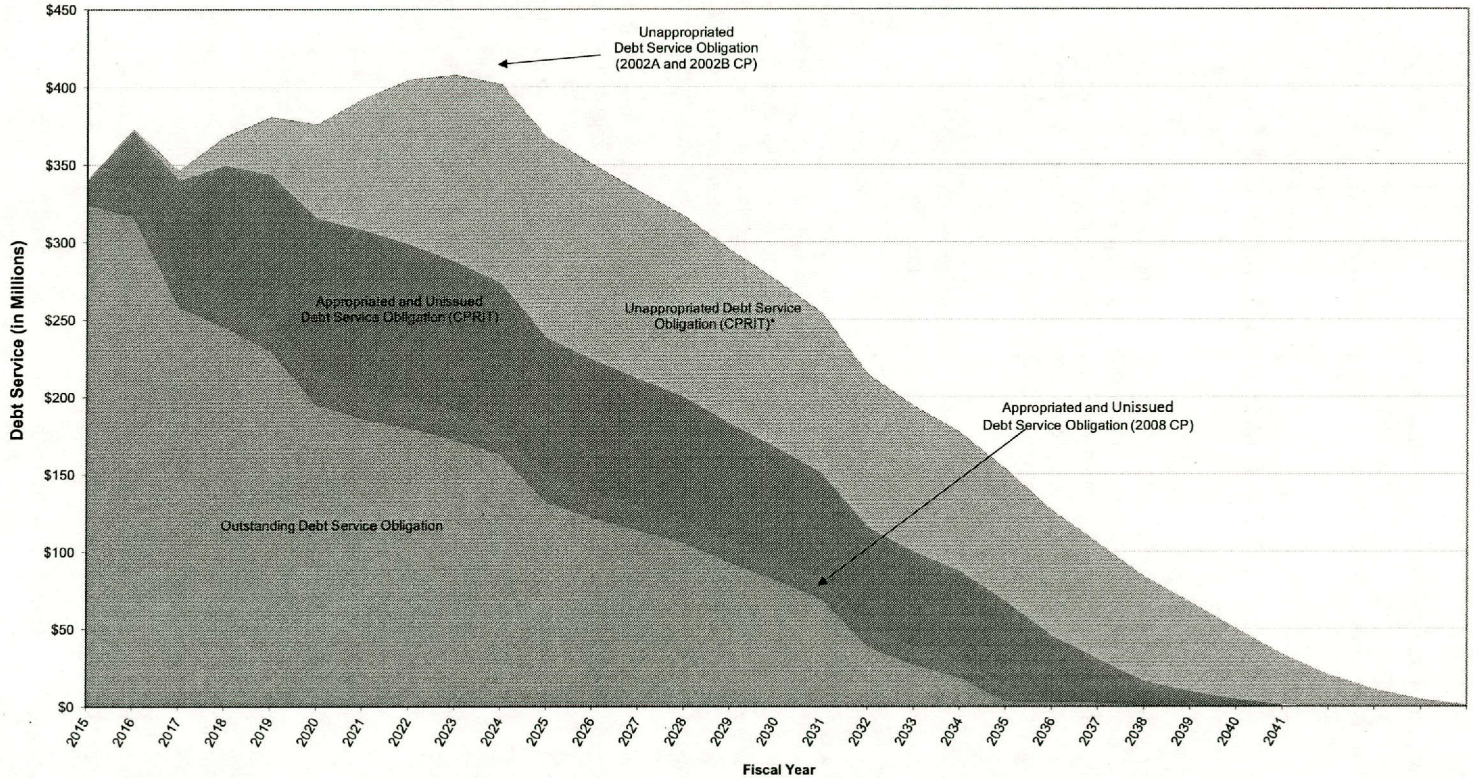
| | General Obligation Bonds | | | Revenue Bonds | | | | **Total Fixed Rate Debt Service** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| FY | Principal | Interest | Debt Service | Principal | Interest | Debt Service | FY | Principal | Interest | Debt Service |
| 2015 | 169,846,745 | 118,395,893 | 288,242,639 | 29,930,000 | 5,258,555 | 35,188,555 | 2015 | 199,776,745 | 123,654,448 | 323,431,194 |
| 2016 | 199,185,000 | 84,744,144 | 283,929,144 | 26,565,000 | 3,850,191 | 30,415,191 | 2016 | 225,750,000 | 88,594,335 | 314,344,335 |
| 2017 | 153,630,000 | 77,343,256 | 230,973,256 | 22,140,000 | 2,671,477 | 24,811,477 | 2017 | 175,770,000 | 80,014,733 | 255,784,733 |
| 2018 | 150,985,000 | 70,991,402 | 221,976,402 | 19,415,000 | 1,678,047 | 21,093,047 | 2018 | 170,400,000 | 72,669,449 | 243,069,449 |
| 2019 | 151,420,000 | 64,547,066 | 215,967,066 | 10,165,000 | 975,517 | 11,140,517 | 2019 | 161,585,000 | 65,522,582 | 227,107,582 |
| 2020 | 127,780,000 | 58,441,418 | 186,221,418 | 5,960,000 | 616,374 | 6,576,374 | 2020 | 133,740,000 | 59,057,792 | 192,797,792 |
| 2021 | 127,560,000 | 52,870,664 | 180,430,664 | 2,990,000 | 417,846 | 3,407,846 | 2021 | 130,550,000 | 53,288,510 | 183,838,510 |
| 2022 | 127,830,000 | 47,010,724 | 174,840,724 | 2,715,000 | 288,963 | 3,003,963 | 2022 | 130,545,000 | 47,299,687 | 177,844,687 |
| 2023 | 128,130,000 | 40,991,182 | 169,121,182 | 1,390,000 | 168,662 | 1,558,662 | 2023 | 129,520,000 | 41,159,844 | 170,679,844 |
| 2024 | 124,500,000 | 34,954,509 | 159,454,509 | 1,435,000 | 103,504 | 1,538,504 | 2024 | 125,935,000 | 35,058,013 | 160,993,013 |
| 2025 | 100,045,000 | 29,565,755 | 129,610,755 | 455,000 | 36,377 | 491,377 | 2025 | 100,500,000 | 29,602,132 | 130,102,132 |
| 2026 | 94,935,000 | 24,861,812 | 119,796,812 | 455,000 | 12,126 | 467,126 | 2026 | 95,390,000 | 24,873,937 | 120,263,937 |
| 2027 | 91,615,000 | 20,299,793 | 111,914,793 | - | - | - | 2027 | 91,615,000 | 20,299,793 | 111,914,793 |
| 2028 | 88,295,000 | 15,847,586 | 104,142,586 | - | - | - | 2028 | 88,295,000 | 15,847,586 | 104,142,586 |
| 2029 | 79,595,000 | 11,675,967 | 91,270,967 | - | - | - | 2029 | 79,595,000 | 11,675,967 | 91,270,967 |
| 2030 | 72,380,000 | 7,992,664 | 80,372,664 | - | - | - | 2030 | 72,380,000 | 7,992,664 | 80,372,664 |
| 2031 | 63,035,000 | 4,845,286 | 67,880,286 | - | - | - | 2031 | 63,035,000 | 4,845,286 | 67,880,286 |
| 2032 | 34,110,000 | 2,702,019 | 36,812,019 | - | - | - | 2032 | 34,110,000 | 2,702,019 | 36,812,019 |
| 2033 | 23,870,000 | 1,509,507 | 25,379,507 | - | - | - | 2033 | 23,870,000 | 1,509,507 | 25,379,507 |
| 2034 | 16,485,000 | 675,977 | 17,160,977 | - | - | - | 2034 | 16,485,000 | 675,977 | 17,160,977 |
| 2035 | 1,830,000 | 279,015 | 2,109,015 | - | - | - | 2035 | 1,830,000 | 279,015 | 2,109,015 |
| 2036 | 1,935,000 | 171,713 | 2,106,713 | - | - | - | 2036 | 1,935,000 | 171,713 | 2,106,713 |
| 2037 | 2,045,000 | 58,283 | 2,103,283 | - | - | - | 2037 | 2,045,000 | 58,283 | 2,103,283 |
| Total | 2,131,041,745 | 770,775,634 | 2,901,817,379 | 125,485,000 | 18,855,528 | 144,340,528 | | 2,256,526,745 | 789,631,162 | 3,046,157,908 |

| | Appropriated and Issued General Obligation Commercial Paper | | | Appropriated and Unissued General Obligation Debt | | | | **Total General Revenue Supported Debt Service** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| FY | Principal | Interest | Debt Service | Principal | Interest | Debt Service | FY | Principal | Interest | Debt Service |
| 2015 | - | 900,000 | 900,000 | - | 15,789,980 | 15,789,980 | 2015 | 199,776,745 | 140,344,429 | 340,121,174 |
| 2016 | 1,000,000 | 956,712 | 1,956,712 | 18,277,068 | 37,369,456 | 55,646,523 | 2016 | 245,027,068 | 126,920,503 | 371,947,571 |
| 2017 | 1,000,000 | 904,110 | 1,904,110 | 31,648,297 | 50,689,668 | 82,337,965 | 2017 | 208,418,297 | 131,608,511 | 340,026,807 |
| 2018 | 1,000,000 | 1,024,932 | 2,024,932 | 42,469,546 | 61,978,894 | 104,448,440 | 2018 | 213,869,546 | 135,673,274 | 349,542,820 |
| 2019 | 1,000,000 | 964,932 | 1,964,932 | 48,320,355 | 66,017,595 | 114,337,950 | 2019 | 210,905,355 | 132,505,109 | 343,410,464 |
| 2020 | 1,000,000 | 907,397 | 1,907,397 | 53,134,514 | 67,796,359 | 120,930,873 | 2020 | 187,874,514 | 127,761,549 | 315,636,063 |
| 2021 | 1,000,000 | 844,932 | 1,844,932 | 56,573,608 | 65,469,480 | 122,043,088 | 2021 | 188,123,608 | 119,602,921 | 307,726,529 |
| 2022 | 1,000,000 | 784,932 | 1,784,932 | 57,541,780 | 61,442,198 | 118,983,978 | 2022 | 189,086,780 | 109,526,817 | 298,613,597 |
| 2023 | 1,000,000 | 724,932 | 1,724,932 | 57,541,780 | 57,288,258 | 114,830,038 | 2023 | 188,061,780 | 99,173,034 | 287,234,813 |
| 2024 | 1,000,000 | 666,740 | 1,666,740 | 57,541,780 | 53,278,957 | 110,820,736 | 2024 | 184,476,780 | 89,003,709 | 273,480,489 |
| 2025 | 1,000,000 | 604,932 | 1,604,932 | 57,541,780 | 48,980,379 | 106,522,158 | 2025 | 159,041,780 | 79,187,442 | 238,229,222 |
| 2026 | 1,000,000 | 544,932 | 1,544,932 | 57,541,780 | 44,826,439 | 102,368,218 | 2026 | 153,931,780 | 70,245,308 | 224,177,087 |
| 2027 | 1,000,000 | 484,932 | 1,484,932 | 57,541,780 | 40,672,499 | 98,214,278 | 2027 | 150,156,780 | 61,457,224 | 211,614,003 |
| 2028 | 1,000,000 | 426,082 | 1,426,082 | 57,541,780 | 36,617,674 | 94,159,454 | 2028 | 146,836,780 | 52,891,342 | 199,728,122 |
| 2029 | 1,000,000 | 364,932 | 1,364,932 | 57,541,780 | 32,364,619 | 89,906,398 | 2029 | 138,136,780 | 44,405,517 | 182,542,297 |
| 2030 | 1,000,000 | 304,932 | 1,304,932 | 57,541,780 | 28,210,679 | 85,752,458 | 2030 | 130,921,780 | 36,508,275 | 167,430,054 |
| 2031 | 1,000,000 | 244,932 | 1,244,932 | 57,541,780 | 24,056,739 | 81,598,518 | 2031 | 121,576,780 | 29,146,956 | 150,723,736 |
| 2032 | 1,000,000 | 185,425 | 1,185,425 | 57,541,780 | 19,956,392 | 77,498,171 | 2032 | 92,651,780 | 22,843,835 | 115,495,615 |
| 2033 | 1,000,000 | 124,932 | 1,124,932 | 57,541,780 | 15,748,859 | 73,290,639 | 2033 | 82,411,780 | 17,383,297 | 99,795,077 |
| 2034 | 1,000,000 | 64,932 | 1,064,932 | 57,541,780 | 11,594,919 | 69,136,699 | 2034 | 75,026,780 | 12,335,827 | 87,362,607 |
| 2035 | 1,000,000 | 4,932 | 1,004,932 | 57,541,780 | 7,440,979 | 64,982,759 | 2035 | 60,371,780 | 7,724,926 | 68,096,705 |
| 2036 | - | - | - | 39,264,712 | 4,419,627 | 43,684,339 | 2036 | 41,199,712 | 4,591,339 | 45,791,051 |
| 2037 | - | - | - | 25,893,483 | 2,384,800 | 28,278,283 | 2037 | 27,938,483 | 2,443,082 | 30,381,565 |
| 2038 | | | - | 15,072,234 | 1,187,676 | 16,259,909 | 2038 | 15,072,234 | 1,187,676 | 16,259,909 |
| 2039 | | | - | 9,221,425 | 460,002 | 9,681,427 | 2039 | 9,221,425 | 460,002 | 9,681,427 |
| 2040 | | | - | 4,407,266 | 99,980 | 4,507,246 | 2040 | 4,407,266 | 99,980 | 4,507,246 |
| 2041 | | | - | 968,172 | 5,968 | 974,140 | 2041 | 968,172 | 5,968 | 974,140 |
| Total | 20,000,000 | 12,035,507 | 32,035,507 | 1,150,835,593 | 856,149,073 | 2,006,984,666 | | 3,425,492,338 | 1,655,037,851 | 5,080,530,189 |

Note 1: Fixed rate debt includes all long term debt excluding university and TWC issuances.
Note 2: Revenue debt service appropriated to client agencies. (Excludes revenue debt service financed by park and laboratory fees.)
Note 3: Unissued debt assumes the issuance of Commercial Paper.
Note 4: Assumptions TX Const., Art. III, Sec. 49-l, 50-f, & 50-g: level principal payments with a 20 year maturity with a 5.0% interest rate for FY 2016-2017 and 6.0% thereafter.
Note 5: Assumptions for TX Const., Art. III, Sec. 67: level principal payments with a 20 year maturity,taxable debt issued at 7.0% interest rate for FY 2016-2017 and 7.5% thereafter.

Exhibit IIb

# Texas Public Finance Authority
## Debt Service Supported by General Revenue
### Including Revenue and General Obligation Bonds
### as of 7/31/14




*Unappropriated debt service is based on CPRIT expenditure estimates provided in June 2014.

1. Includes all issued TPFA General Revenue supported debt, and amounts appropriated and unissued as authorized by Art. III, Sec. 49-l, 50-f, 50-g, 67 (CPRIT) of the Texas Constitution.
   a. General Revenue Dedicated is appropriated for Art. III, Sec. 49-n (TMVRLP) and debt service is repaid by loan payments
   b. General Revenue Dedicated is appropriated for Sec. 67 (CPRIT) debt for FY 2014-2015. Prior to FY 2012 General Revenue was appropriated for CPRIT debt service.
2. Unissued debt assumes the issuance of Commercial Paper.
   a. CP Assumptions TX Const., Art. III, Sec. 49-l, 50-f, & 50-g: level principal payments with a 20 year repayment schedule and a 5% interest rate thru FY 2017 and 6% thereafter.
   b. CP Assumptions for TX Const., Art. III, Sec. 67: level principal payments with a 20 year repayment schedule, 7% taxable interest rate FY 2016 through FY 2017 and 7.5% thereafter.
3. Excludes amounts unissued as authorized by Art III. Sec. 49-n (TMVRLP).
4. Excludes University debt.

## SERVICE POPULATION DEMOGRAPHICS

As mentioned previously, the Authority's service population consists of its client agencies and the service populations supported and served by those agencies. The Authority's service population continues to expand as the Legislature authorizes the Authority to issue additional debt for new client agencies.

## TECHNOLOGICAL DEVELOPMENTS

*Impact and Management*

To ensure the Authority's financings remain in strict conformance with state guidelines and federal tax and securities law, the Authority's primary area of focus must shift to meet these demands by converting its current practice of monitoring and managing its debt from a traditional spreadsheet environment to a more systematic approach utilizing a fully automated technology solution. This will enhance the agency's ability to monitor and manage debt through the debt life cycle beginning with a client agency's need to finance a project to the retirement of debt for that project -- a cradle to grave approach.

The Authority's current process requires the manual input of bond proceeds expenditures and other information from client agencies to spreadsheets for analysis, with a large portion of staff resources devoted to verifying data input rather than analyzing the data itself. Improved information technology solutions to replace paper filings of monthly status reports and spreadsheets currently used by Authority personnel would result in improved debt management and improve compliance with both state and federal regulation. Authority and client agency personnel, alike, would be freed to perform more productive duties at each of their respective agencies. In addition to maximizing staff resources, automating this function will enhance post-issuance monitoring and compliance efficiencies by potentially decreasing the amount of interest earnings the State is required to rebate to the Internal Revenue Service ("IRS"). In addition to maximizing financial and staff resources, an automated debt management solution will permit Authority staff to timely and more accurately respond to general inquiries related to overall outstanding debt and outstanding debt by project.

As the Authority strives to streamline and automate functions, attracting adequately trained staff is key not only to identifying information technology needs and implementing solutions, but also to being able to use the new technology to improve operations. Furthermore, a skilled IT staff is essential to ensure that adequate security measures and practices are in place and kept up-to-date. Computer hardware and software upgrades have enhanced the Authority's network security and telecommuting capabilities and the Authority continues to use its website to communicate with other state agencies, private sector consultants, investors, and the public; therefore, it will be crucial that the agency market its new website address as a result of the Department of Information Resources migration to the texas.gov domain.

## ECONOMIC VARIABLES

As the State's population and economy continue to grow, so do constituent demands for facilities and services in areas such as education, public recreation, health and human services, criminal justice, and transportation. There is increasing demand in each of these functions for new facilities and repair and renovation of aging infrastructure. In addition to providing brick and mortar financing, the Authority continues to provide financing for new programs including funding cancer research. The Authority's financing programs are a resource that the State can choose to use to fund its needs as influenced by economic conditions.

Beginning in 2008, and to the present time, the financial markets and the global economy have experienced unprecedented change starting with the near meltdown of the global capital markets, the financial collapse of municipal bond insurers and the sudden, temporary freeze in liquidity for short-term debt, such as commercial paper. In 2009, the financial sector stabilized, and federal initiatives such as the Build America Bond ("BABs") program provided a much-needed boost to the public finance sector. To stimulate BAB sales, the federal government provided a direct cash subsidy to issuers that lowered the interest cost. In spite of a 2011 downgrade of US government debt by Standard & Poor's ("S&P"), on September 27, 2013, the same rating agency upgraded its State of Texas general obligation credit rating from AA+ to AAA. As of August 2014, Texas's general obligation debt carried a rating of Aaa/AAA/AAA by the three major credit rating agencies Moody's, S&P and Fitch, respectively.

In times of historically low interest rates, the Authority attempts to leverage the State's high credit rating to refinance debt to reduce debt service. Similarly, in high interest rate cycles, the Authority must take advantage of and more closely manage short-term and variable rate financing vehicles such as commercial paper. The prudent use of debt and the management of debt service are important factors in the State's budget process and the Authority must continue to closely monitor economic and interest rate trends, as well as shifts in the capital markets to optimize its long-term management of the State's debt. As the Authority moves further into its fifth decade of existence, it has now experienced times of economic growth as well as recession and is able to adapt and respond to the type of capital financing most appropriate to meet the State's fiscal and budgetary resources.

## IMPACT OF FEDERAL STATUTES/REGULATIONS

The Authority's primary method of capital financing is through the sale of tax-exempt bonds and commercial paper. Because the interest income from these securities is not taxable under federal law, they are attractive to certain types of investors and carry lower interest rates than taxable securities. Changes in federal tax law can alter the attractiveness of the tax-exempt status of the securities and the cost of financing for the State. Other regulations such as the arbitrage rebate provisions of the Internal Revenue Code have a significant impact on the way the Authority tracks the investment and expenditure of bond proceeds. Therefore, the Authority constantly monitors federal legislative developments through market publications, trade associations, industry organizations and professionals to assess the impact of such proposals.

Historically, the tax-exempt securities market has not been highly regulated. However, recently federal agencies such as the Securities and Exchange Commission ("SEC"), the IRS, and the Municipal Securities Rulemaking Board ("MSRB") have increased their scrutiny of the tax-exempt market participants, including issuers, consultants and broker/dealers. Additionally, the enactment of the American Recovery and Reinvestment Act of 2009 ("ARRA") created several new debt instruments that are available to municipal debt issuers. ARRA created BABs, which are long-term bonds are taxable bonds whereby the bondholder receives a federal income tax credit equal to 35% of the interest paid by the issuer, or for direct payment BABs, the issuer receives a 35% interest subsidy payment directly from the federal government. The Authority's ARRA federal receipts became subject to an 8.7% sequestration reduction imposed on issuers filing with the IRS on or after March 1, 2013. The latest IRS update on September 30, 2013, indicates that payments processed on or after October 1, 2013, will be subject to a 7.2% sequestration amount.

Although BABs offer a direct financial incentive for municipal issuers to use this form of long-term debt, the increased monitoring and compliance issues require increased use of agency resources to comply with these new demands. BABs along with additional federal regulations and legislation such as the Dodd-Frank Wall Street Reform and Consumer Protection Act has created an increased interest by federal oversight agencies in municipal issuers with regard to monitoring and compliance functions. The SEC has hired new staff to monitor municipal issuances and the IRS has created a Compliance Questionnaire with which to monitor BABs issuers and the expenditure of BABs proceeds to ensure they are expended on qualifying projects. The Authority issued $181,780,000 in direct pay BABs in 2009, which has resulted in an increase in staff's work directly associated with the federal monitoring and compliance activities of the use of BABs proceeds.

In addition, ARRA created "Qualified School Construction Bonds" or "QSCBs," which also offer investors a federal income tax credit. Generally, each state receives an allocation of the federal subsidy authority for issuing QSCBs. Allocations made to open-enrollment charter schools in Texas have increased agency staff's work on financings approved by the TPFA CSFC. As a result of the allocation grants, the TPFA CSFC saw a dramatic increase in the number of requests for financings on behalf of open enrollment charter schools. This is characterized in the sheer volume of bond series the Corporation issued between the period beginning May 2010 through December 2011, totaling 15 as compared to issuing only 12 bond series prior to the QSCB program.

## OTHER LEGAL ISSUES

The mission and performance of the Authority were under sunset review by the 82nd Legislature to consider fundamental changes needed to the agency's mission or operations, look for possible duplication in services, and assess the agency's need for continuance for another 12 years. As a result of this review, the Legislature passed, and the Governor signed, legislation which allows for the Authority's continuance as an independent agency through September 1, 2023, and requires that the agency adopt standard rulemaking and alternative dispute resolution policies. Additionally, the Authority's sunset legislation removes the Authority as exclusive issuer for Stephen F. Austin State University and authorizes the Authority to contract with the Texas State Technical College System and other general academic teaching institutions to issue bonds on the system's or institution's behalf and authorizes the agency to be reimbursed for the services it provides to those entities. Finally, the Authority's statute and Health and Safety Code, Section 102.257 was modified to no longer require that funds for multi-year grants awarded by the Cancer Prevention and Research Institute of Texas ("CPRIT") be escrowed, permitting the Authority to stagger CPRIT's debt issuance on an as needed basis following approval by the Authority's Board and the Bond Review Board.

## SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

In the past year, the Texas Public Finance Authority has used several mechanisms to evaluate how well it is achieving its mission to provide efficient and cost-effective financing to the state, including: an Internal Risk Assessment, a Customer Satisfaction Survey, performance measures, ongoing monitoring of interest rates on fixed and variable rate debt programs, and periodic rating reports on the State's credit position from three nationally recognized rating agencies. The results are summarized below.

**Customers - a customer satisfaction survey measured customer and client agency perceptions.** The Authority places a high priority on its commitment to providing high quality service to client agencies and making its expertise available to other state agencies. The Authority holds client agency training and orientation sessions to educate client agencies, legislative oversight agencies, and legislative staff about the bond issuance process and ongoing administration of bonds and bond proceeds and one-on-one meetings with individual client agencies, as needed or requested. The 2014 Customer Satisfaction Survey tool was distributed to obtain client agencies' perspectives on the services provided by the Authority in meeting its mission. A combined 95% of customers responded as agreeing or strongly agreeing that they were satisfied with their overall experience with the Authority. The Authority's 2014 Report on Customer Service was published June 1, 2014, and is included as Appendix G.

**Business Operations – the Internal Risk Assessment comprehensively prioritized and evaluated the agency's business processes.** The review included issuing debt, ongoing debt administration, bond covenant and tax law compliance, finance and accounting, information technology, human resources and purchasing. Procedures are routinely evaluated for continued relevance and effectiveness to ensure compliance with bond covenants and federal tax law, primarily in fund administration and arbitrage rebate compliance. As a small agency that does not have an internal auditor, the agency finds the Risk Assessment a valuable tool for assessing its risks as mandated by the Texas Internal Auditing Act, Government Code chapter 2102.

**Debt issuance - the Authority prepares a monthly report to monitor the financing costs of fixed and variable rate debt.** This report compares the true interest cost of fixed rate debt and the weighted average maturity, interest rate and dealer performance of variable rate debt to the appropriate interest rate index. An example is included in Exhibit IV. The report is posted on the agency website and included in the monthly briefing materials provided to the Authority's Board of Directors. In addition, as previously mentioned, the Authority's debt programs are reflected in the State's overall debt portfolio and is reviewed by the major rating agencies each time debt is issued.

Each of these evaluation tools indicate the Authority has several opportunities for improvement in the near future, including:

- Careful monitoring of developments in the global capital markets and economy to ensure the State has access to capital at cost-effective rates and diligent risk assessment to prudently manage the State's debt.

- Improving information technology, by adopting an automated debt management system and using the integrated accounting system, remote access for successful telecommuting and flexible work schedules, and making other improvements to ensure the highest quality standards for the Authority's work product.

- Staying abreast of security measures, particularly in the area of information technology.

- Assuring that staff has access to the most current and relevant information available about financial markets and municipal finance as is available to financial consultants so that staff is able to effectively monitor and evaluate the work of its consultants and to ensure that staff is able to provide the best advice to the State.

- Increase marketing efforts to raise awareness and continued use of the Master Lease Program to ensure it remains an efficient and cost-effective financing tool for all state agencies.

- Issuing debt in a manner that is cost-effective yet within sound debt management principles that reflect the Authority's role as steward of the State's general revenue supported debt and the taxpayer's money.

Fundamentally, the Authority must implement a fully automated debt management system, automate internal workflow, and evaluate information flow and procedures within the agency to ensure that employees understand how their work fits into the larger work of the agency. Adequate training and cross-training will also be required to ensure that high quality work is accomplished efficiently. Furthermore, the Authority must evaluate compensation levels to address salary compression that begins with its executive staff and career enhancing opportunities to ensure it can attract and retain a talented workforce. This goal can be a challenge for a small agency, which not only has limited financial resources, but also limited opportunities to promote and provide career ladder development to deserving employees. Finally, the Authority must continue to stay on the edge of developments in the public finance community and remain committed to providing the most efficient, cost-effective financing for its client agencies, and ultimately the citizens of Texas.

# Agency Goals, Objectives, Strategies and Measures - Fiscal Years 2014-2015

<u>Goal A:</u> To provide financing for capital construction projects and equipment, as authorized by the Legislature, for client agencies to assist them in meeting their goals while ensuring those issuances are accomplished cost effectively and the resulting obligations are monitored and managed in the most efficient manner possible.

| | |
|---|---|
| **Objective A.1.** | To provide timely and cost effective funding for client agencies at the lowest possible cost. |
| **Outcome A** | Percent of bond debt issues completed within 120 days of request for financing. |
| **Outcome B** | Percent of commercial paper debt issues completed within 90 days of request for financing. |
| **Strategy A.1.1.** | Analyze and process applications for debt financing submitted by client agencies and issue debt to provide financing in an efficient and cost-effective manner. |
| **Output Measure A** | Number of requests for financings approved. |
| **Output Measure B** | Total dollar amount of requests for financings approved. |
| **Output Measure C** | Total number of new Master Lease Purchase Program lease contracts processed. |
| **Output Measure D** | Total dollar amount of new Master Lease Purchase Program lease contracts processed. |
| **Efficiency Measure A** | Average issuance cost per $1,000 of bonds issued. |
| **Efficiency Measure B** | Average ongoing commercial paper costs. |
| **Explanatory Measure A** | Total issuance costs incurred. |
| **Explanatory Measure B** | Total dollar amount of issues. |
| **Explanatory Measure C** | Present Value Savings on Refunded Bonds |
| **Objective A.2.** | To manage and monitor 100% of bond proceeds and covenants and to pay 100% of the outstanding debt service which is due, on time. |
| **Strategy A.2.1.** | Manage bond proceeds and monitor covenants to ensure compliance. |
| **Output Measure A** | Number of financial transactions including debt service payments. |
| **Explanatory Measure A** | Total number of Master Lease Purchase Program lease contracts managed. |
| **Explanatory Measure B** | Total dollar amount of Master Lease Purchase Program lease contracts managed. |
| **Strategy A.2.2.** | Make general obligations bond debt service payments on time. |

**Goal B:** To maintain the Texas Public Finance Authority's policy through which purchasing and contracting through historically underutilized businesses will meet or exceed those guidelines and goals promulgated by the Legislature and the Texas Comptroller of Public Accounts.

| | |
|---|---|
| **Objective B.1:** | To include historically underutilized businesses at a rate that meets or exceeds the annual procurement utilization goals set forth in the Comptroller's rules, which are adopted and incorporated herein (23.6% for professional services, 24.6% for other services and 21% for commodities contracts). |
| **Outcome A:** | Percent of total number of value of purchasing and contracts awarded to HUBs. |
| **Strategy:** | Maintain the Authority's policy of meeting or exceeding state guidelines for HUB purchasing and contracting through actions including, but not limited to, the following:<br>a. Using the Comptroller's HUB directory to identify HUBs and include them on bid lists and RFP mailing lists<br>b. Including qualified HUBs in the Underwriting Pool for negotiated bond sales<br>c. Requiring bidders on competitive bond sales to make a good faith effort to include HUBs in the syndicate, if a syndicate is formed<br>d. When appropriate, using HUBs as Bond Counsel and Financial Advisor<br>e. When appropriate, using HUBs for other bond issuance services such as printers, verification agents, etc.<br>f. Soliciting bids from HUB firms for administrative purchases<br>g. Seeking to identify firms eligible for HUB certification and, when able, assisting them in becoming certified |
| **Outputs:** | Number of HUB vendors and contractors contacted for bids<br>Number of HUB purchases and contracts awarded<br>Dollar value of HUB contracts and purchases<br>Number of HUB firms submitting competitive bids or participating in syndicates for competitive bid sale of bonds<br>Number of HUBs included in syndicate for negotiated sale of bonds |

# TECHNOLOGY INITIATIVE ALIGNMENT

| TECHNICAL INITIATIVE | RELATED AGENCY OBJECTIVE | RELATED SSP STRATEGY/(IES) | STATUS | ANTICIPATED BENEFIT(S) | INNOVATION, BEST PRACTICE BENCHMARKING |
|---|---|---|---|---|---|
| 2. Automate Debt Management | All Objectives | P-2, P-3, P-8 | Planned | Improved efficiencies, reporting sharing, and data management | |
| 2. Maintain/Update Internal Databases. | All Objectives | P2 | Current | Faster access to agency's data and improved reporting capabilities. | |
| 3. Upgrade the Authority's hardware, software, and systems to support efficient and secure operations. | All Objectives | P-2, P4, P7, | Current | Reduce risk of unauthorized access, improved response time, and fewer code bases to support. | |
| 4. Enhance external Website functionality for better self service application and communication. | All Objectives | P-8 | Current | Improved reporting for external clients. | |

# APPENDICES

A. Description of Agency's Planning Process

B. Current Organization Chart

C. Five-Year Projections for Outcomes

D. Performance Measure Definitions

E. Workforce Plan

F. Historically Underutilized Business Reports

G. Customer Service Report

## Appendix A
## Texas Public Finance Authority Planning Process

The Authority's strategic planning process began in 1992 and has been reviewed and updated every two years. In order to develop the strategic plan presented in this document, the Authority reviewed the statewide mission and goals promulgated earlier this year to select the relevant statewide goals that the Authority supports.

The process for developing the external/internal assessment, goals and strategies involved: consulting with "client agencies" to anticipate and plan for their future financing needs; consulting with the Authority's financial advisors, rating agencies and financial markets; consultations with external oversight entities; internal review of budget, staff, technology and other resource requirements; conducting a Risk Assessment and completing a Customer Satisfaction Survey; development of the strategic plan; and, review and adoption by the Authority's Board of Directors.

# Appendix B
# TPFA Organization Chart

*Texas Public Finance Authority*
*Organizational Chart*
*as of June 25, 2014*

**Texas Public Finance Authority Board of Directors**

**Charter School Finance Corporation Board of Directors**

**Lee Deviney, Executive Director**
Board Relations
Bond Transactions
Agency Operations

**John Hernandez, Deputy Director**
**Finance/Accounting/IR Team Leader**
Finance, Accounting and Information Resources
Bond Transactions
Information Resource Manager
Risk Assessment

**Pamela Scivicque, Director of Business Administration**
**Business Administration Team Leader**
Business Operations
Paying Agent/Debt Service
USAS and State Property Accounting Manager
State Reporting Requirements
Risk Manager
HUB Coordinator

**General Counsel**
Bond Transactions
Ethics and Fraud Prevention
Open Meetings
Human Resources
EEO

Finance

**John Barton**
Review Arbitrage Rebate Compliance
Review Monitor Exp of Bond Proceeds
Commercial Paper Program Admin
Debt Service Budget
Client Agency Debt Management Liaison

**Financial Analyst**
Financial Systems Administrator
Monitor Exp of Bond Proceeds
Debt Service Budget
Charter School Finance

**Financial Analyst - MLPP**
Master Lease Purchase Program
Commercial Paper Program
Client Agency Debt Management Liaison

**Financial Analyst**
Monitor Exp of Bond Proceeds
Arbitrage Rebate Compliance
Financial Systems Support

Accounting

**Loan Nguyen**
Accounting Operations
USAS / General Ledger
Annual Financial Report Lead

Information Resources

**Eric Benson**
Information Resources

Budget

**Ricky Horne**
Admin Budget Tracking
Performance Measure Tracking
Legislative Reporting Assist
Accounting

Accounting/Purchasing

**Charlie Cannon**
A/P Agency Operations
State Property Accounting Assisant
Payroll/Timekeeping
Human Resources/Benefits
Workers' Compensation Claims

**Accounts Payable/Purchasing Agent**
Purchasing
A/P Bond Admin/COI Expenditures
USAS Data Entry
HUB Tracking and Reporting

Bond Admin Assistant

**Bond Administration Assistant**
Executive Assistant to Executive Staff
Legislative Support
Travel Coordinator
Bond Transaction Support

# Appendix C
# Five-Year Projections for Outcomes
# Fiscal Years 2015 - 2019

| OUTCOME | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|
| Percent of bond debt issues completed within 120 days of request for financing | 50% | 50% | 50% | 50% | 50% |
| Percent of commercial paper debt issues completed within 90 days of request for financing | 100% | 100% | 100% | 100% | 100% |
| Percent of total value of purchasing and contracts awarded to HUB's: | | | | | |
| Professional Services | 23.6% | 23.6% | 23.6% | 23.6% | 23.6% |
| Other Services | 24.6% | 24.6% | 24.6% | 24.6% | 24.6% |
| Commodities | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |

# Appendix D
# Texas Public Finance Authority
# Performance Measure Definitions
# Fiscal Years 2016 - 2017

**Objective A.1.: To Provide Timely and Cost-Effective Funding for Client Agencies at the Lowest Possible Cost**

| **Outcome Measure A** | **Percent of Bond Debt Issues Completed Within 120 Days of Request for Financing** |
|---|---|
| Short Definition: | An issue is considered complete when the bond issue closes and funds are available for the client agency's use. In most circumstances, funding will be provided within 120 days of the approval of a request for financing by the TPFA Board. |
| Purpose/Importance: | Financing must be accomplished in a timely manner to serve the needs of the client agency. |
| Source/Collection of Data: | Board minutes (date of Approval of Request for Financing); Bond Documents (closing date). |
| Method of Calculation: | This measure is calculated by determining, for each bond issue, the number of days between the date the request for financing was approved by the TPFA Board and the date of funding, and then taking the number of issues accomplished within 120 days and dividing it by the total number of issues during the period. |
| Data Limitations: | The amount of time required to fulfill a request for financing depends on how soon the client agency submits the request for financing, the complexity of the transaction, and market conditions. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Outcome Measure B | Percent of Commercial Paper Debt Issues Completed Within 90 Days of Request for Financing |
|---|---|
| Short Definition: | An issue is considered complete when the funds are available for the client agency's use. In most circumstances, funding will be provided within 90 days of the approval of a request for financing by the TPFA Board. |
| Purpose/Importance: | Financing must be accomplished in a timely manner to serve the needs of the client agency. |
| Source/Collection of Data: | Board minutes (date of Approval of Request for Financing); Bond Review Board Approval Letter. |
| Method of Calculation: | This measure is calculated by determining, for each commercial paper issue, the number of days between the date the request for financing was approved by the TPFA Board and the date of Bond Review Board approval, and then taking the number of issues accomplished within 90 days and dividing it by the total number of issues during the period. |
| Data Limitations: | The amount of time required to fulfill a request for financing depends on how soon the client agency submits the request for financing, the complexity of the transaction, and market conditions. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

**Strategy A.1.1.: Analyze and process applications for debt financing submitted by client agencies and issue debt to provide financing in an efficient and cost effective manner.**

| **Output Measure A** | **Number of Requests for Financings Approved** |
|---|---|
| Short Definition: | Actual number of request for financings (for bond issues and commercial paper), refundings, and cash defeasances approved. A financing is approved when the TPFA Board votes to approve the request for financing or, if there is no request for financing, selects a method of sale. |
| Purpose/Importance: | Measures agency activity and workload. |
| Source/Collection of Data: | Board Minutes, Agency Records, including monthly Staff Report to the Board. |
| Method of Calculation: | This measure is calculated by totaling the number of requests for financings, defeasances, and refundings approved. |
| Data Limitations: | The number of issues requested and approved is dependent on the number of financing requests submitted by client agencies and the number of projects approved by the Legislature. The number of refundings depends on the interest rate environment and federal tax law. |
| Calculation Type: | Cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| **Output Measure B** | **Total Dollar Amount of Requests for Financings Approved** |
|---|---|
| Short Definition: | Actual dollar amount of requests for financing (for bond issues and commercial paper), refundings, and cash defeasances approved. A financing is approved when the TPFA Board votes to approve the request for financing or, if there is no request for financing, selects a method of sale. |
| Purpose/Importance: | Measures agency activity, service to client agency, and workload. |
| Source/Collection of Data: | Board Minutes, Agency Records, including the monthly Staff Report to the Board. |
| Method of Calculation: | This measure is calculated by totaling the dollar amount of requests for financings, defeasances, and refundings approved. |
| Data Limitations: | The total dollar amount of requests received and approved is dependent on the amount of requests by client agencies and projects approved by the Legislature. |
| Calculation Type: | Cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Output Measure C | Total Number of New Master Lease Purchase Program Lease Contracts Processed |
|---|---|
| Short Definition: | This measure reflects the total number of new Master Lease Purchase Program lease contracts processed during the reporting period. |
| Purpose/Importance: | Measures agency activity, service to client agencies, and workload |
| Source/Collection of Data: | Agency records, Lease Management System Database. |
| Method of Calculation: | This measure is calculated by totaling the number of new Master Lease Purchase Program lease contracts processed during the reporting period. |
| Data Limitations: | The total number of new Master Lease Purchase Program lease contracts processed is dependent on the amount of requests by client agencies, projects approved by the Legislature, and client agencies invoicing practices. |
| Calculation Type: | Cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Output Measure D | Total Dollar Amount of New Master Lease Purchase Program Lease Contracts Processed |
|---|---|
| Short Definition: | This measure reflects the total dollar amount of new Master Lease Purchase Program lease contracts processed during the reporting period. |
| Purpose/Importance: | Measures agency activity, service to client agencies, and workload. |
| Source/Collection of Data: | Agency records, Lease Management System Database. |
| Method of Calculation: | This measure is calculated by totaling the dollar amount of new Master Lease Purchase Program lease contracts processed during the reporting period. |
| Data Limitations: | The total dollar amount of new Master Lease Purchase Program lease contracts processed is dependent on the amount of requests by client agencies and projects approved by the Legislature. |
| Calculation Type: | Cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Efficiency Measure A | Average Issuance Cost per $1,000 of Bonds Issued |
|---|---|
| Short Definition: | Issuance costs include financial advisory fees, bond counsel fees, printing of official statements, printing of bonds or notes, rating agency fees, trustee fees, paying agent/registrar fees, escrow agent fees, verification agent fees and other miscellaneous costs paid at closing, typically, from bond proceeds. |
| Purpose/Importance: | Measures cost effectiveness of financing. |
| Source/Collection of Data: | Invoices from financial advisors, bond counsel, rating agencies and printers, etc., agency accounting records indicating payment of such invoice, Bond Transaction Reports filed with the Bond Review Board. |
| Method of Calculation: | This measure is calculated by taking the total costs of issuance of all bond issues, excluding commercial paper, and dividing it by the total par amount of all bond issues, in thousands of dollars. |
| Data Limitations: | The par amount and number of bond issues is dependent on the financing requests received from client agencies and projects approved by the Legislature. Delays in receipt of invoices for costs of issuance. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Lower than target |

| Efficiency Measure B | Average Ongoing Commercial Paper Cost |
|---|---|
| Short Definition: | Fees include dealer and/or remarketing agent fees, rating agency fees, liquidity or letter of credit fees, bond counsel and financial advisor and other miscellaneous issuance costs of the program. |
| Purpose/Importance: | Measures cost effectiveness of financing. |
| Source/Collection of Data: | Invoices from dealers, remarketing agents, liquidity providers, rating agencies, financial advisors, bond counsel, agency accounting records indicating payment of such invoices and the amount of commercial paper outstanding during the reporting period (commercial paper tracking spreadsheets). |
| Method of Calculation: | This measure is calculated by dividing ongoing fees related to the commercial paper programs incurred during the period by the weighted average amount of commercial paper outstanding during the same period. |
| Data Limitations: | Delays in receipt of invoices. The size of program (weighted average amount of commercial paper outstanding) depends on the number of financing requests submitted by client agencies and the number of projects approved by the Legislature. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Lower than target |

| Explanatory Measure A | Total Issuance Costs Incurred |
|---|---|
| Short Definition: | Issuance costs include financial advisory fees, bond counsel fees, printing of official statements, printing of bonds or notes, rating agency fees, trustee fees, paying agent/registrar fees, escrow agent fees, verification agent fees and other miscellaneous costs paid at closing, typically from bond proceeds, for all bond issues. |
| Purpose/Importance: | Measures cost effectiveness of financing. |
| Source/Collection of Data: | Invoice from financial advisors, bond counsel, rating agencies and printers, etc.; agency accounting records indicating payment of such invoices; Bond Transaction Reports filed with the Bond Review Board. |
| Method of Calculation: | This measure is calculated by totaling all the issuance costs for all bond issues during the reporting period. |
| Data Limitations: | Delays in receipt of invoices. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Lower than target |

| Explanatory Measure B | Total Dollar Amount of Issues |
|---|---|
| Short Definition: | The total principal amount of all bonds issued during the reporting period. |
| Purpose/Importance: | Measures agency workload. |
| Source/Collection of Data: | Agency records, Bond Transcripts. |
| Method of Calculation: | This measure is calculated by totaling the principal amount of all bonds issued during the reporting period. |
| Data Limitations: | The par amount and number of bond issues is dependent on the financing requests received from client agencies and projects approved by the Legislature. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Explanatory Measure C | Present Value Savings on Refunded Bonds |
|---|---|
| Short Definition: | The net present value savings is the dollar amount of the total reduction in debt service, net of issuance costs, accrued interest, cash contributions or reserve fund contributions, discounted at the true interest cost of the refunding bonds. |
| Purpose/Importance: | Measures cost effectiveness of refunding bond series. |
| Source/Collection of Data: | Agency Records, Verification Report from Bond Transcript. |
| Method of Collection: | To express present value savings as a percentage of the refunding transaction, this measure is calculated by dividing the net present value savings (as described in the definition) by the par amount of the refunded bonds. The net present value savings is calculated by the financial advisor or underwriter. |
| Data Limitations: | Refunding opportunities depend on interest rate environment and federal tax law. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

**Objective A.2.: To manage and monitor 100% of bond proceeds and covenants and to pay 100% of the outstanding debt service which is due, on time.**

**Strategy A.2.1.: Manage bond proceeds and monitor covenants to ensure compliance.**

| Output Measure A | Number of Financial Transactions Including Debt Service Payments |
|---|---|
| Short Definition: | Financial transactions include debt service payments, transfers of interest earnings from unappropriated, transfers of interest earnings between bond funds, transfers to client agencies for construction expenditures, transfers from MLPP participatory agencies and other agencies for debt service purposes, and other miscellaneous transactions related to the measure. |
| Purpose/Importance: | Financial transactions are required to be made to allow for the management of bond proceeds and monitoring of bond covenants. While some of the financial transactions are not specifically stipulated in the bond documents, the transactions must be made to remain in compliance with those documents. Measures agency workload. |
| Source/Collection of Data: | USAS Accounting Records (Journal Vouchers, Budget Vouchers, Expenditure Vouchers, MLPP Vouchers, Travel Vouchers, Debt Service Payment Vouchers, etc.) |
| Method of Calculation: | This measure is calculated by totaling the number of financial transactions on each voucher, including debt service payments, processed during the reporting period. |
| Data Limitations: | The number of financial transactions can be affected by: the number of funds opened, the number of bond issues, the number of projects authorized by the Legislature and the number of requests for financing from client agencies. |
| Calculation Type: | Cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Explanatory Measure A | Total Number of Master Lease Purchase Program Lease Contracts Managed |
|---|---|
| Short Definition: | This measure reflects the total number of active Master Lease Purchase Program leases as of the last day of the reporting period. |
| Purpose/Importance: | Measures agency activity and workload. |
| Source/Collection of Data: | Agency records, Lease Management System database. |
| Method of Calculation: | This measure is calculated by totaling the number of active Master Lease Purchase Program lease contracts managed on the last day of reporting period. |
| Data Limitations: | The number of active Master Lease Purchase Program leases is determined by client agency requests and legislative appropriation. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

| Explanatory Measure B | Total Dollar Amount of Master Lease Purchase Program Lease Contracts Managed |
|---|---|
| Short Definition: | This measure reflects the total dollar amount of active Master Lease Purchase Program lease contracts managed. |
| Purpose/Importance: | Measures agency activity and workload. |
| Source/Collection of Data: | Agency records, Lease Management System database. |
| Method of Calculation: | This measure is calculated by totaling the dollar amount of Master Lease Purchase Program lease contracts managed as of the last day of the reporting period. |
| Data Limitations: | The total dollar amount of Master Lease Purchase Program lease contracts processed is dependent on the amount of requests by client agencies and approved by the Legislature. |
| Calculation Type: | Non-cumulative |
| New Measure: | No |
| Desired Performance: | Higher than target |

**Strategy A.2.2.: Make General Obligation Bond Debt Service Payments on Time.**

# Appendix E
# Workforce Plan

# TEXAS PUBLIC FINANCE AUTHORITY
# WORKFORCE PLAN

## I. Agency Overview

The Texas Public Finance Authority (the "Authority") was initially created by the Legislature in 1983 as the Texas Public Building Authority (Art. 601d, VTCS, now codified as Chapter 1232, Texas Government Code). Its original purpose was to issue revenue bonds to provide funding for the construction and renovation of office buildings in Travis County to relieve the State's reliance on leased space. The agency's mission was expanded in 1987 in response to the State's need to rapidly increase its prison, youth correction, and mental health facilities through the issuance of general obligation bonds. Also in 1987, the Legislature authorized the use of revenue bonds to purchase existing office buildings, if the cost of purchase was found to be less than comparable construction costs, and the name of the Authority was changed to reflect its enlarged charter.

Since its inception, the scope of the Authority's functions has increased significantly. In 1987, forty-two State agencies were authorized to issue bonds. There was little or no coordination among these various issuers regarding market access, structuring of documents or standards regarding the hiring of professional consultants. Consolidation of bond issuance authority was first mandated by the Legislature in 1991 and further consolidation of debt issuance, much of it through the Authority, has continued since that time. At this time, approximately twenty state agencies and institutions of higher education are authorized to issue debt, including the Authority, which has issued debt on behalf of twenty-six different entities.

With the increase in scope of work, the Authority's workforce also has increased from only one employee at its inception to a peak of 15 FTEs. In the current biennium, the agency is authorized a maximum of 14 FTEs. All agency personnel are located in the William P. Clements State Office Building, Austin, Texas. A copy of the Authority's organizational chart illustrating the agency's size and structure is included as Appendix A.

### *A. Agency Mission*

***The mission of the Texas Public Finance Authority is to provide the most cost-effective financing available to fund capital projects, equipment acquisitions, and programs as authorized by the Texas Legislature.***

### *B. Strategic Goals and Objectives*

The primary functions of the agency are identified in three strategies. ***Analyze Financings and Issue Debt*** includes the issuance of debt to satisfy financing requests from client agencies. This measure is supported by the Executive Director, General Counsel, Deputy Director, Master Lease Purchase Program Coordinator, Financial Analyst, and certain administrative staff. ***Manage Bond Proceeds*** includes ongoing debt administration such as payment of debt service and monitoring bond proceeds for IRS tax compliance. This measure is supported by all Authority staff. ***Bond Debt Service Payments*** is directly administered through the bond management function.

Below are the Authority's goals and objectives.

| | *Analyze Financings and Issue Debt* |
|---|---|
| **Objective A.1.** | • To provide timely and cost-effective funding for client agencies at the lowest possible cost. |
| **Strategy A.1.1.** | • Analyze and process applications for debt financing submitted by client agencies and issue debt to provide financing in an efficient and cost-effective manner. |

| | |
|---|---|
| | *Manage Bond Proceeds* |
| **Objective A.2.** | • To manage and monitor 100% of bond proceeds and covenants and to pay 100% of the outstanding debt service which is due, on time. |
| **Strategy A.2.1.** | • Manage bond proceeds and monitor covenants to ensure compliance. |
| | *Bond Debt Service Payments* |
| **Strategy A.2.2.** | • Make general obligation bond debt service payments on time. |

### *C. Anticipated Changes in Strategies*

The Authority does not anticipate a change in strategies unless dictated by actions taken in future legislative sessions. Over the last several years, the Authority has experienced an increase in the number and total dollar amount of requests for financing as a result of new debt programs authorized by the Legislature. Accordingly, it has organized staff functions to administer the requests for financings, make subsequent debt service payments, and undertake the necessary ongoing debt administration and monitoring that these programs require.

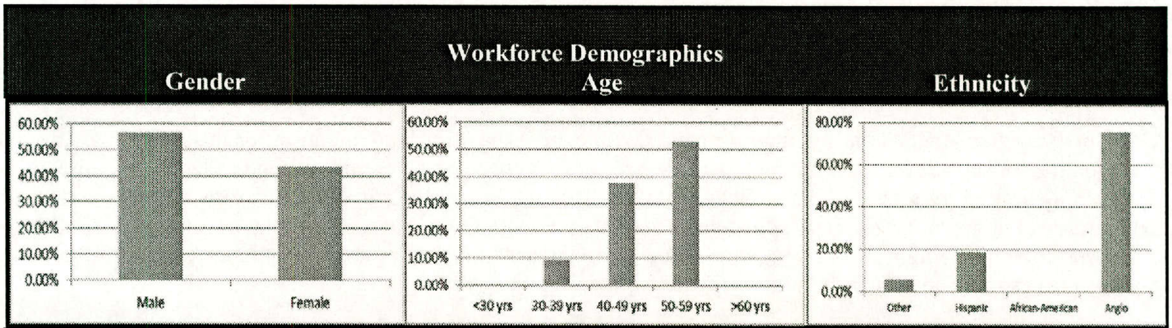
## II. Current Workforce Profile (Supply Analysis)

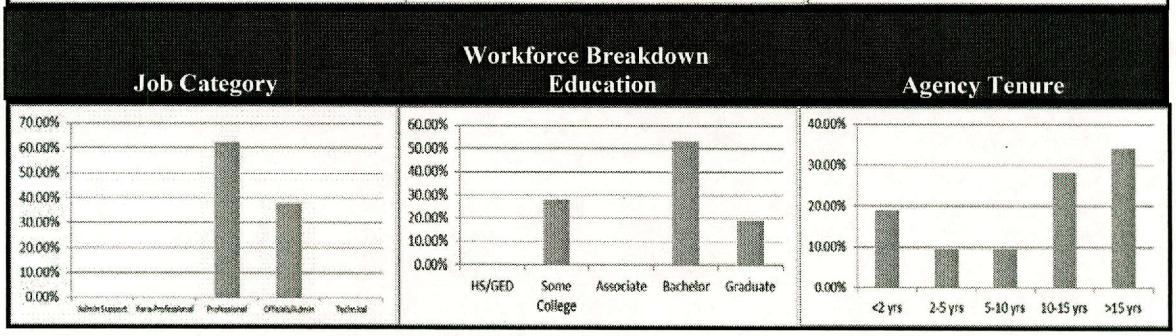
### *A. Critical Workforce Skills*

The Authority is fortunate to have personnel with extensive expertise in finance, accounting, budgeting, information systems, contracting and legal issues affecting the agency's administrative functions as well as municipal finance. It is important for the agency to maintain this expertise through training and continuing education, and to develop broader and more technically proficient staff expertise in municipal finance to meet the challenges in today's global financial market. Staff must have access to the same information that is available to experts in private industry in order to offer to the Authority's board of directors, the best advice and affirm that the best financial decisions are made for the Authority's debt issuances. With the increased scrutiny and demand by regulatory agencies including the Municipal Securities Rulemaking Board, the Securities and Exchange Commission, and the Internal Revenue Service, issuers will be held to a higher level of post issuance monitoring and compliance to ensure financings remain in strict conformance with state guidelines and federal tax and securities law. As a result, information technology will have an increasing role in the Authority's day-to-day operations, particularly in the area of post issuance monitoring and compliance. While technology may help lessen certain burdens on staff resources; additional training and technical resources must be dedicated to this area to ensure that staff may efficiently and proficiently use automated tools.

### *B. Workforce Demographics*

The following charts illustrate the agency's workforce demographics consisting of classified full-time, part-time, and exempt employees as of August 31, 2013. The Authority has 10.625 employees, including 4 officials and 6.625 professionals. The agency's workforce is diverse, as indicated by its ethnic composition including two Hispanics, eight Anglos and .625 Asians, of which, 56.7 percent are male and 43.53 percent are female. Approximately 90.59% of the agency's personnel are over the age of forty. Approximately 71.8 percent of the workforce has at least five years of service with the agency, of which, 9.41 percent have between five and ten years tenure. Over half of the agency's workforce has been with the agency more than ten years, while 2 individuals, representing 18.2 percent of the workforce, have less than two years of service with the Authority.




The Authority is committed to recruiting and retaining qualified, highly-skilled, visionary professionals in order to fill vacant positions with individuals that enhance and complement the agency's current workforce skills, while also addressing future goals to fill potential workforce gaps.

### *C. Education*

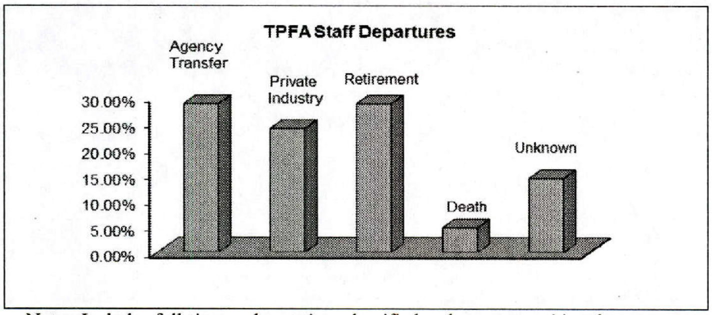
As the workforce demographic analysis indicates, 71.76 percent of the Authority's workforce have college degrees with approximately 19 percent of these holding graduate degrees. Currently, 28.24 percent of the agency's workforce does not possess college degrees; however, all of those employees have some level of college education. The agency has offered tuition reimbursement and provides flexible work schedules as an incentive to employees to complete their degree programs but limited resources for tuition reimbursement makes that program easily sacrificed during challenging economic times. Although the tuition reimbursement program is not currently funded, the within available resources, the Authority does provide employees with opportunities for continuing professional education and on-the-job training through seminars and conferences.

### *D. Employee Turnover*

Turnover is an important issue in any organization but can be critical in a small agency where staff performs multiple responsibilities across many functional areas. Vacancies offer an opportunity for the agency to evaluate the organization's functions and staff resources, to provide new challenges and motivate remaining employees, and to maximize limited resources for salaries and compensation. Turnover may become especially crucial to the Authority in the next five years when retirement could cost the agency some of its most experienced and skilled employees. To address its ageing workforce and limited financial resources, the agency will utilize each vacancy as an opportunity to reevaluate its needs and resources, and make appropriate changes on a case-by-case basis.

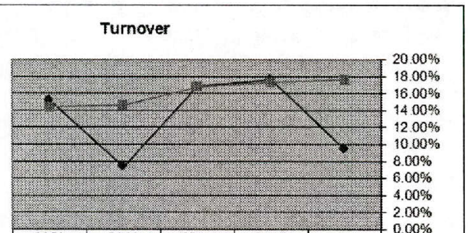
Since the agency began tracking staff departures in 1998, twenty-one individuals have terminated employment with the Authority for a variety of reasons. As depicted in the graph below, approximately 29 percent of these employees separated from the Authority to take positions at other state agencies and, while this is a loss for the agency, it serves as an overall benefit to the state because the initial training investment is preserved. Six employees, representing approximately 29 percent of the twenty-one departures, represent staff having retired from the Authority. The agency rehired two employees who had previously separated employment from the agency, one following retirement and another after taking some time to start a family. Through these rehires, individuals were able to transition into familiar job responsibilities with minimal interruption to agency operations and minimal investment in additional training costs. Finally, another 24 percent have separated employment from the Authority to take positions in the private sector.

As a small agency, the Authority must remain flexible in its staffing and organizational structure to provide opportunities for staff development, to address the needs of its client agencies and respond to legislative directives, all within its limited resources. Several factors may result in further organizational and staffing changes in the next biennium, including: appropriation adjustments, legislative initiatives that consolidate or outsource functions, retirement eligibility within the existing workforce, and increased monitoring and compliance responsibilities as a result of greater municipal finance industry regulatory scrutiny.




Note: Includes full-time and part-time classified and exempt position departures

The graph below compares the Authority's turnover trends to that of the State over a five-year period. The Authority's turnover data is computed on the basis of its FTE count of all employees, including part-time and exempt employees as compared to the statewide average, which is calculated using full-time classified employees only.




| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| TPFA Turnover Rate | 15.20% | 7.37% | 16.82% | 17.59% | 9.41% |
| Statewide Turnover | 14.40% | 14.60% | 16.80% | 17.30% | 17.60% |

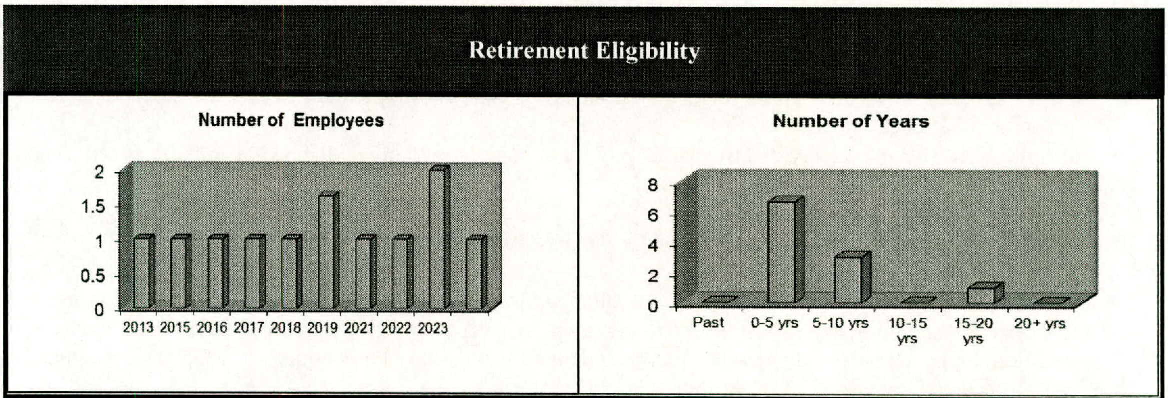
Note: Statewide turnover includes fulltime classified employees as compared to TPFA turnover, which reflects full-time, part-time, classified and exempt employees.

The Authority enjoyed the benefit of remaining below the statewide turnover rate in two of the last five years. The 2009 spike and the 2011 elevation occurred following two retirements and a vacancy in the executive director position. In 2012, the agency experienced an increase to just above the statewide average following turnover in two additional positions. The Authority continues to make flexible schedules and telecommuting opportunities available to staff, and to authorize tuition reimbursement when the budget has allowed. However, as agency personnel reach retirement eligibility, there is no incentive that the agency can offer to encourage these employees to defer retirement

### *E. Retirement Eligibility*

Since 1998, six of the twenty-one employment separations were the result of retirement, including one employee who retired in 2003, but returned to work in the same position for six years before retiring again in August 2009. Two additional Authority personnel retired in 2010. In the short term, it is not anticipated that retirements will account for a significant number of separations, however, this trend is likely to change as the agency continues to experience low turnover through natural attrition while the tenure of existing staff increases. As retirements occur, positions may be reclassified to acquire a more advanced skill set or job duties may be absorbed by remaining employees to allow for future growth and development opportunities within the agency. In a small agency, a loss of twenty percent of agency staff is significant. Moreover, in the next five years, the majority of the Authority's workforce will become eligible to retire. Therefore, it will be critical to ensure that institutional knowledge and expertise is passed on through cross-training and mentoring efforts to avoid a loss of resources when separation occurs.

The following charts examine the potential loss of Authority employees due to retirement.




Note: Retirement estimates are based on USPS employment history and do not include available leave balances or future leave accruals.

### III. Future Workforce Profile (Demand Analysis)

The Authority's greatest workforce demand lies in its need to automate its debt management function from a traditional spreadsheet environment to a more modern, systematic approach, and to enhance its monitoring and compliance efforts to accommodate the increased scrutiny and demands placed on issuers by state and federal regulatory agencies and tax and securities laws. The implementation of the system in FY2015 will create efficiencies in preparing and responding to information requests, and enhance staff's ability to monitor and manage debt through the debt lifecycle. The project lifecycle begins when a client agency need to finance a project is identified and the cycle ends with the retirement of debt that financed that particular project.

The increasing use of technology in all aspects of the Authority's workplace is critical to the achievement of the Authority's mission and will include: 1) replacing paper documents with electronic media; 2) increased security measures for data protection; 3) future implementation of the state's enterprise resource planning solution, ProjectONE; and, 4) as described above the automation of the Authority's debt management function. This effort will require the agency to provide appropriate employee training and will require improvement in business processes and the possible restructuring of business units. These trends will increase the workload of information technology staff, and will also require that functional staff performing these responsibilities adapt to a more technical environment and may necessitate that vacancies be filled with individuals possessing greater technical skills than subject-matter specific skills to meet this demand. It will also be important that future workforce additions compliment the Authority's existing staff to include individuals who possess critical thinking abilities, technical writing skills, and the ability to adapt to an ever changing work environment.

### *A. Critical Functions*

- Debt issuance and monitoring functions may change workforce needs if there are major changes in debt authorization by future legislatures or additional mandates in federal compliance or reporting laws related to municipal finance.
- Ongoing and progressive technological advancements to modernize the Authority's debt management function will change the way many job functions are performed.

### *B. Expected Workforce Changes*

- Implementation of a new information technology solution for debt management will require that employees have advanced technology skills.
- Increasing oversight by state agencies and federal regulatory mandates will require employees to perform a greater level of post issuance monitoring and compliance.
- Enhanced post issuance monitoring and compliance throughout the debt life cycle will require that staff perform additional responsibilities in conjunction with automating certain functions.
- Increases in the number of conduit issuances for charter schools and other increases in debt authorization will shift agency resources to meet this challenge.
- Employees will require increased cross-training in functional and technical areas.
- New skill sets may be required when the Authority is slated to implement the state's enterprise resource planning solution, ProjectONE.
- Employee retention incentivized by market pay for accumulating knowledge, skills and ability will result in greater compression on the salary budget.

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

- Enhanced post issuance monitoring and compliance throughout the debt life cycle will require that current staff perform additional responsibilities in conjunction with automating certain functions and may require additional FTE resources Increased post issuance monitoring and compliance requirements throughout the debt life cycle may also require additional FTE resources.
- Future technological enhancements to general ledger, budgeting and electronic procurement systems with the implementation of ProjectONE and to maintain information sharing and reporting requirements with the Comptroller of Public Accounts and state and federal oversight agencies may lead to efficiencies but also require additional FTE resources.

### *D. Future Workforce Skills Needed*

To fully exploit necessary technological changes, TPFA will need staff able to identify, develop, implement and fully utilize technology to streamline operations. These developments, in addition to the Authority's core finance functions will require staff with the following skills:

- Financial analysis
- Expertise in debt management and issuance
- Knowledge of the municipal securities industry
- Accounting
- Budgeting
- Legal, including securities and tax law
- Information Resources
- Database design and management
- Project management
- Contract management
- Business process analysis and re-engineering

## IV. Gap Analysis/Strategy Development

### *A. Anticipated Surplus or Shortage of Workers or Skills*

As positions become vacant in the future due to attrition, the agency may consider hiring individuals with the potential for advancement within the organizational structure. However, it is important that the agency maintain a workforce with strong analytical skills, and superior communication and technical writing skills. The subject matter of the agency's core functions require sophisticated personnel who can represent the Authority and the State well when working with bond counsel, financial advisors, underwriters, rating agencies and other participants in the global financial marketplace as well as with its client agencies in matters of post issuance compliance and monitoring to maintain the tax exempt status of the outstanding debt.

Two critical challenges facing the agency are in the areas of compensation and opportunity for advancement within the agency. Because the Authority is a small state agency, there are often limited opportunities for promotions and it is difficult for the Authority to remain competitive with the private sector and other state agencies in the area of salary, particularly because private sector employees in the financial industry are typically highly compensated when compared to other private sector jobs. With current financial resources Authority cannot match the compensation of similar positions offered at other state agencies, particularly agencies and institutions of higher education that issue debt or manage investments. With respect to workforce compensation, the Authority is squeezed from three directions: 1) limited agency salary budget; 2) employee related costs that are borne by the agency, reducing funds that could be used for merit and promotion pay ; and 3) the salary cap for the agency's exempt position creates salary compression for managers, professionals and line staff. Authority employees, who otherwise may have a high degree of job satisfaction, have left the agency in order to sustain their career development and to enjoy higher compensation.

Another area of potential shortfall is in technological expertise. As the Authority transitions to a more modernized and systematic approach to debt management, technology will have a larger role in the day-to-day operations of the agency. Development in this area includes not only the technical positions required to identify, design, and deploy new technologies, but also the basic skills of all employees required to utilize new technology to its maximum potential. For example, the Authority's current bond proceeds monitoring process requires the manual entry of information from client agencies into spreadsheets for analysis. This requires staff time devoted to verifying data input rather than analyzing the data. Improved information technology solutions to replace paper filings of monthly status reports and spreadsheets currently used by Authority personnel would result in better debt management and improve compliance with both state and federal regulation and would avail Authority and client agency personnel, alike, to perform more highly productive duties at each of their respective agencies. As a result, even the lowest entry level positions at the Authority will need to have basic competency in using software and database management. Similarly, as the state moves forward with developing its enterprise resource planning solution, ProjectONE, these systems often require individuals with a higher degree of skill; thus, the agency will examine its workforce further when the agency is selected for implementation. Professional positions will continue to require additional training in the latest trends in the securities industry, as well as, the expanding regulatory environment. Finally, as the agency's web page becomes a more integral component of its contact with other state agencies and the general public, the time and resources required to maintain this resource will also increase.

## V. Strategy Development

In order to address many of the deficits between the current workforce and future demands, TPFA has developed several goals for the current workforce plan. These are based on a range of factors identified through analyzing the agency and its workforce.

| Gap | *Retention/Recruitment* |
|---|---|
| **Goal** | Enhance current workforce stability to ensure institutional knowledge is not lost when experienced personnel leave as a result of retirement or other attrition factors and to effectively recruit and retain a qualified and diverse future workforce. |
| **Rationale** | Focus on hiring and retaining employees who demonstrate the ability to develop competencies that allow them to progress into more advanced positions. |
| **Action Steps** | • Institute succession planning and identify critical workforce skills needed to fill future vacancies within its current workforce.<br>• Continue agency-wide cost effective cross training initiatives.<br>• Establish a recruitment plan to attract a qualified and diverse applicant pool.<br>• Utilize all compensation and benefit options available to retain skilled, qualified, and talented employees. |
| *Gap* | *Compensation* |
| **Goal** | Make salaries competitive with private sector and other state agencies, particularly debt issuers and investment pools. |
| **Rationale** | Although most employees tend to consider the "whole package" when evaluating job satisfaction, ultimately, employment decisions are driven by financial compensation. As public sector employees shoulder a greater share of benefit costs, the salary component of the compensation package must rise to stay competitive with private sector compensation packages. The Authority must have a competitive pay scale to attract and retain talented employees, who often have skills highly valued in the private sector. |
| **Action Steps** | • Secure additional financial resources through the legislative appropriations process to attract and retain the appropriate level of personnel for vacant positions.<br>• Continue to offer other benefits such as flexible work schedules, telecommuting, tuition reimbursement and wellness programs to enhance financial compensation. |
| *Gap* | *Technological Skills* |
| **Goal** | Ensure all employees can fully utilize current and new technology as the agency moves to automate its debt management function. |
| **Rationale** | The Authority must ensure that all employees have the basic skills required to utilize new technology to its maximum potential. |
| **Action Steps** | • Retain and recruit talented information technology ("IT") staff.<br>• Provide ongoing training to existing IT staff via state-agency sponsored seminars.<br>• Develop in-house training programs for non-IT staff as new technology is developed and implemented. Involve non-IT staff in design phase of new technology to ensure that technology meets needs.<br>• Provide outside training to all staff to stay abreast of industry developments.<br>• Seek co-operative opportunities with other small agencies to obtain staff training. |
| *Gap* | *Critical Thinking and Technical Writing* |
| **Goal** | Ensure any new personnel possess the ability to analyze data, make sound judgment decisions, and communicate findings in a clear, concise, and unambiguous written manner. |
| **Rationale** | The Authority must ensure that employees possess technical skills and functional abilities that allow for future growth and development within the organization. |
| **Action Steps** | • Recruit and retain individuals with the ability to make sound decisions and communicate effectively from sources such as local colleges and universities, including developing possible hires by utilizing internship opportunities.<br>• Provide ongoing training both in-house and externally, as budget and time permit, to further grow and develop existing staff skills in these fundamental areas. |

| *Gap* | *Enhanced Monitoring and Compliance* |
|---|---|
| ***Goal*** | Ensure any new hires possess the interpersonal skills necessary to interface with client agency personnel throughout the debt life cycle, beginning at project planning and development in order to assess debt issuance needs and monitor the timely expenditure of bond proceeds to meet IRS expenditure benchmarks through the retirement of the debt, while ensuring long-term compliance with bond financing agreements. |
| ***Rationale*** | The Authority must ensure that bond funds are expended in accordance with bond documents and that projects are monitored and managed in strict conformance with state guidelines and federal tax and securities laws. |
| ***Action Steps*** | • Recruit and retain individuals with the necessary interpersonal skills to communicate effectively with client agency personnel either from resources within state government or with students from local colleges and universities that may be looking for a possible internship.<br>• Provide ongoing training in-house and externally, as budget and time permit, to further grow and develop existing staff skills in these fundamental areas. |

*Attachment A: TPFA Organizational Chart*

Attachment A

*Texas Public Finance Authority*
*Organizational Chart*
*as of 8/31/2013*

**Texas Public Finance Authority**
**Board of Directors**

**Charter School Finance Corporation**
**Board of Directors**

**Robert P. Coalter, Executive Director**
Board Relations
Bond Transactions
Agency Operations

**Paula Hatfield, Executive Assistant**
Executive Assistant to Executive Staff & Board of Directors
Legislative Support
Human Resources/Benefits Coordinator
Workers' Compensation Claims Coordinator

**Susan K. Durso, General Counsel**
Bond Transactions
Ethics and Fraud Prevention
Open Meetings
Human Resources
EEO

**John Hernandez, Deputy Director**
**Finance/Accounting/IR Team Leader**
Finance, Accounting and Information Resource
Bond Transactions
Information Resource Manager
Risk Assessment

**Pamela Scivicque, Business Manager**
**Business Administration Team Leader**
Business Operations
Paying Agent/Debt Service
USAS and State Property Accounting Manager
State Reporting Requirements
Risk Manager
HUB Coordinator

Finance

**John Barton**
Review Arbitrage Rebate Compliance
Review Monitor Exp of Bond Proceeds
Commercial Paper Program Admin
Debt Service Budget

**Loan Nguyen ***
Monitor Exp of Bond Proceeds
Arbitrage Rebate Compliance

**Chris Gilliland**
Master Lease Program Administrator
Commercial Paper Trades

Accounting

**Ophelia Guerrero**
Accounting Operations
USAS / General Ledger
Annual Financial Report Lead

Information Resources

**Eric Benson**
Information Resources

Budget

**Ricky Horne**
Admin Budget Tracking
Performance Measure Tracking
Legislative Reporting Assist
Accounting

Accounting/Purchasing

**Vacant**
A/P Agency Operations
State Property Accounting Assisant
Payroll/Timekeeping
Travel Coordinator

**Vacant**
Purchasing
A/P Bond Admin/COI Expenditures
USAS Data Entry
HUB Tracking and Reporting

Bond Admin Assistant

**Vacant**

*3/4 position effective 9/1/07

## Appendix F
## Historically Underutilized Business (HUB) Reports

The following HUB information describes the agency's good faith efforts and overall results.

# Texas Public Finance Authority



Mailing Address:
Post Office Box 12906
Austin, Texas 78711-2906

Physical Address:
300 West 15th Street, Suite 411
Austin, Texas 78701

Telephone: (512) 463-5544
Facsimile: (512) 463-5501
www.tpfa.state.tx.us

Supplemental Summary for the FY 2012 Annual HUB Report for Agency 347

In compliance with Texas Government Code, Chapter 2161, the Board of the Authority has adopted the Comptroller's rules, and more detailed procedures for HUB participation goals in bond issues, in compliance with the published rules. These procedures are included in the Authority's strategic plan and reflected in its underwriting policies.

For Fiscal Years 2013 - 2015 negotiated bond underwritings, the Board has selected a pool of 24 firms that includes one HUB firm and five minority and/or woman-owned firms. Under the Authority's contracts for professional services required for bond issues, the Board also selected a pool of nine law firms, two of which are HUBs, to be selected to serve as bond counsel on a bond issue by bond issue basis during Fiscal Years 2013-2015. During the FY 2012 reporting period, $2,475,595 or 97.59% of the Authority's total expenditures were related to costs of issuance and the ongoing administration of bonds, including fees associated with the substitution of liquidity providers on four commercial paper programs. Such expenses include fees for bond ratings, paying agents, escrow agents, insurance premiums, legal and financial services, private liquidity services, and arbitrage rebate compliance to satisfy bond covenants. These services are only available from a few large corporations and select law firms; therefore, limited HUB and/or minority firms are available to provide such services. Also included in the Authority's total expenditures are amounts for commercial paper liquidity support from private sector service providers. Liquidity fees represent approximately 38% of the Authority's total expenditures related to the issuance and ongoing administration of bonds. Historically, liquidity fees were excluded from the Authority's total expenditures, since such services were provided by the Comptroller's office. However, during this reporting period, the Comptroller was unable to provide these services; therefore, the Authority negotiated for substitute liquidity providers on four of its five commercial paper programs to replace the loss of state-supported liquidity. As a result, the Authority's overall expenditures reflect an increase in ongoing bond administration costs.

The Authority is committed to purchasing goods and services from HUB and minority-owned businesses and continues to utilize the CPA Central Master Bidders List to locate available HUBs.

Please contact me at (512) 463-5544 should you have any questions.

Robert P. Coalter
Executive Director

CONSOLIDATED REPORT FOR
347 TEXAS PUBLIC FINANCE AUTHORITY

04-Oct-2012

| PROCUREMENT CATEGORY | TOTAL EXPENDITURES | TOTAL $/% SPENT WITH NON HUBS | TOTAL $/% SPENT WITH HUBS | ANNUAL PROCUREMENT GOAL % |
|---|---|---|---|---|
| HEAVY CONSTRUCTION | $00 | $00 / 0.00% | $00 / 0.00% | 11.20% |
| BUILDING CONSTRUCTION | $00 | $00 / 0.00% | $00 / 0.00% | 21.10% |
| SPECIAL TRADE | $00 | $00 / 0.00% | $00 / 0.00% | 32.70% |
| PROFESSIONAL SERVICE | $1,584,798 | $1,584,798 /100.00% | $00 / 0.00% | 23.60% |
| OTHER SERVICE | $935,991 | $935,991 /100.00% | $00 / 0.00% | 24.60% |
| COMMODITY PURCHASING | $16,052 | $3,323 / 20.70% | $12,729 / 79.30% | 21.00% |
| | $2,536,842 | $2,524,113 / 99.50% | $12,729 / 0.50% | |

CONSOLIDATED REPORT FOR
THE STATE OF TEXAS

| PROCUREMENT CATEGORY | TOTAL EXPENDITURES | TOTAL $/% SPENT WITH NON HUBS | TOTAL $/% SPENT WITH HUBS | ANNUAL PROCUREMENT GOAL % |
|---|---|---|---|---|
| HEAVY CONSTRUCTION | $4,279,600,352 | $4,179,827,122 / 97.67% | $284,961,770 / 6.66% | 11.20% |
| BUILDING CONSTRUCTION | $1,523,103,672 | $1,466,850,612 / 96.31% | $362,394,729 / 23.79% | 21.10% |
| SPECIAL TRADE | $492,961,126 | $362,216,755 / 73.48% | $151,982,860 / 30.83% | 32.70% |
| PROFESSIONAL SERVICE | $518,334,916 | $475,133,349 / 91.67% | $80,744,863 / 15.58% | 23.60% |
| OTHER SERVICE | $3,313,620,388 | $2,967,178,374 / 89.54% | $573,823,088 / 17.32% | 24.60% |
| COMMODITY PURCHASING | $3,914,500,970 | $3,453,246,812 / 88.22% | $493,596,516 / 12.61% | 21.00% |
| | $14,042,121,426 | $12,904,453,026 / 91.90% | $1,947,503,829 / 13.87% | |

** ANALYSIS OF AWARDS FOR
347 TEXAS PUBLIC FINANCE AUTHORITY

| CERTIFIED HUB GROUP FOR HUB CREDIT | TOTAL # AND % OF HUB VIDS RECEIVING AWARDS | TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS |
|---|---|---|
| ASIAN PACIFIC | 1/ 25.00% | $11,937 / 93.78% |
| BLACK | 1/ 25.00% | $750 / 5.89% |
| WOMAN | 2/ 50.00% | $42 / 0.33% |
| TOTAL | 4/100.00% | $12,729 /100.00% |

** ANALYSIS OF AWARDS FOR
THE STATE OF TEXAS

| CERTIFIED HUB GROUP | # OF VIDS ELIGIBLE FOR HUB CREDIT, % | # OF MALES, % | # OF FEMALES, % | TOTAL # AND % OF HUB VIDS RECEIVING AWARDS | TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS |
|---|---|---|---|---|---|
| ASIAN PACIFIC | 1246/ 7.34% | 809/ 11.94% | 437/ 4.28% | 294/ 6.33% | $185,601,133 / 9.53% |
| BLACK | 3313/ 19.51% | 2055/ 30.34% | 1258/ 12.32% | 453/ 9.75% | $228,859,071 / 11.75% |
| HISPANIC | 5094/ 29.99% | 3696/ 54.57% | 1398/ 13.69% | 1407/ 30.27% | $472,129,826 / 24.24% |
| NATIVE AMERICAN | 321/ 1.89% | 213/ 3.14% | 108/ 1.06% | 88/ 1.89% | $32,855,142 / 1.69% |
| WOMEN | 7011/ 41.28% | 0/ 0.00% | 7011/ 68.65% | 2406/ 51.76% | $1,028,058,655 / 52.79% |
| TOTAL | 16985/100.00% | 6773/100.00% | 10212/100.00% | 4648/100.00% | $1,947,503,829 /100.00% |

** THE ANALYSIS IS BASED ON THE TOTAL # OF VENDOR ID NUMBERS THAT WERE ELIGIBLE TO RECEIVE HUB CREDIT.
TOTAL # OF CERTIFIED HUBS FOR THE PERIOD OF FY2012 IS 16844.

SUCH AS, 1246 (7.34%) OF VID NUMBERS ELIGIBLE TO RECEIVE HUB CREDIT WERE ASIAN PACIFIC OWNED BUSINESSES, 809 (11.94%) WERE ASIAN PACIFIC MALE OWNED BUSINESSES AND 437 (4.28%) WERE ASIAN PACIFIC FEMALE OWNED BUSINESSES. 294 (6.33%) AWARDS WERE MADE TO ASIAN PACIFIC OWNED BUSINESSES, TOTALING $185,601,133.00 (9.53%) OF THE TOTAL DOLLARS AWARDED TO HUBS.

## FISCAL YEAR 2012 ANNUAL HUB REPORT
## TOTAL NUMBER OF BUSINESSES PARTICIPATING IN STATE BOND ISSUANCES
(Agency List Includes State of Texas Bond Issuers Only)

| AGENCY # | AGENCY NAME | AS | | BL | | HI | | AI | | WO | HUB | GRAND |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | M | F | M | F | M | F | M | F | F | TOTAL | TOTAL* |
| 305 | GENERAL LAND OFFICE | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 11 |
| 332 | TX DEPT OF HOUSING & COMM AFFAIRS | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 22 |
| 347 | TEXAS PUBLIC FINANCE AUTHORITY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| 580 | TEXAS WATER DEVELOPMENT | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 22 |
| 601 | TEXAS DEPARTMENT OF TRANSPORTATION | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 4 |
| 710 | THE TEXAS A&M UNIVERSITY SYSTEM | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 17 |
| 720 | THE UNIVERSITY OF TEXAS SYSTEM | 0 | 0 | 2 | 0 | 3 | 0 | 0 | 0 | 0 | 5 | 34 |
| 768 | TEXAS TECH UNIVERSITY SYSTEMS | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 6 |
| 769 | UNIVERSITY OF NORTH TEXAS SYSTEM | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 5 |

**TOTAL BOND ISSUANCES: 133**

**Total number of Bond Issuances to HUBs and Non-HUBs*

**The Texas Public Finance Authority issues bonds on behalf of the following agencies:

Texas Department of Criminal Justice
Texas Military Facilities Commission
Texas Parks and Wildlife Department
Texas Youth Commission
Stephen F. Austin State University
State Preservation Board
Texas Department of State Health Services
Texas Department of Mental Health and Mental Retardation
TIERS/EBT (Texas Integrated Eligibility Redesign System/Electronic Benefits Transfer)
Texas National Research Laboratory Commission
Texas State Technical College
Midwestern State University
Texas Southern University
Texas Facilities Commission
Workers' Comp Insurance Fund

**Legend: AS = Asian Pacific American; BL = Black American; HI = Hispanic American; AI = Native American; WO = American Woman; M = Male; F = Female**

# TEXAS PUBLIC FINANCE AUTHORITY



**PHYSICAL ADDRESS:**
300 West 15th Street, Suite 411
Austin, Texas 78701
**MAILING ADDRESS:**
Post Office Box 12906
Austin, Texas 78711-2906
**TELEPHONE:** (512) 463-5544
**FACSIMILE:** (512) 463-5501

**EXECUTIVE DIRECTOR**
Robert P. Coalter

Supplemental Summary for the FY 2013 Annual HUB Report for Agency 347

In compliance with Texas Government Code, Chapter 2161, the Board of the Authority has adopted the Comptroller's rules, and more detailed procedures for HUB participation goals in bond issues, in compliance with the published rules. These procedures are included in the Authority's strategic plan and reflected in its underwriting policies.

The Board has selected a pool of 24 firms that includes one HUB firm and five minority and/or woman-owned firms for Fiscal Years 2013 - 2015 negotiated bond underwritings. Under the Authority's contracts for professional services required for bond issues, the Board also selected a pool of nine law firms, two of which are HUBs, to be selected to serve as bond counsel on a bond issue by bond issue basis during Fiscal Years 2013-2015. During this reporting period, $1,528,558 or 96.21% of the Authority's total expenditures were related to costs of issuance and the ongoing administration of bonds, including fees for private liquidity providers on four commercial paper programs. Such expenses also include fees for bond ratings, paying agents, financial services, private liquidity services, arbitrage rebate compliance, and insurance premiums to satisfy bond covenants. These services are only available from a few large corporations; therefore, limited HUB and/or minority firms are available to provide such services. Although state-supported liquidity is provided during this reporting period, fees for terminating private liquidity facilities are reflected in the agency's overall expenditures, reflecting an increase in ongoing bond administration costs. During this reporting period, the Authority completed three financing transactions. Two of the three had HUB participation. The private placement transaction was completed using 100% minority owned placement agent, and the second transaction had minority participation of 20.2% of the total underwriting takedown fees, and 100% minority participation in printing costs.

The Authority is committed to purchasing goods and services from HUB and minority-owned businesses and continues to utilize the CPA Central Master Bidders List to locate available HUBs.

Please contact me at (512) 463-5544 should you have any questions.

Robert P. Coalter
Executive Director

CONSOLIDATED REPORT FOR 10-Oct-2013
347 TEXAS PUBLIC FINANCE AUTHORITY

| PROCUREMENT CATEGORY | TOTAL EXPENDITURES | TOTAL $/% SPENT WITH NON HUBS | TOTAL $/% SPENT WITH HUBS | ANNUAL PROCUREMENT GOAL % |
|---|---|---|---|---|
| HEAVY CONSTRUCTION | $00 | $00 / 0.00% | $00 / 0.00% | 11.20% |
| BUILDING CONSTRUCTION | $00 | $00 / 0.00% | $00 / 0.00% | 21.10% |
| SPECIAL TRADE | $00 | $00 / 0.00% | $00 / 0.00% | 32.70% |
| PROFESSIONAL SERVICE | $902,300 | $902,300 /100.00% | $00 / 0.00% | 23.60% |
| OTHER SERVICE | $643,262 | $643,262 /100.00% | $00 / 0.00% | 24.60% |
| COMMODITY PURCHASING | $42,984 | $26,616 / 61.92% | $16,368 / 38.08% | 21.00% |
| | $1,588,547 | $1,572,178 / 98.97% | $16,368 / 1.03% | |

CONSOLIDATED REPORT FOR
THE STATE OF TEXAS

| PROCUREMENT CATEGORY | TOTAL EXPENDITURES | TOTAL $/% SPENT WITH NON HUBS | TOTAL $/% SPENT WITH HUBS | ANNUAL PROCUREMENT GOAL % |
|---|---|---|---|---|
| HEAVY CONSTRUCTION | $4,461,624,826 | $4,371,979,360 / 97.99% | $219,557,561 / 4.92% | 11.20% |
| BUILDING CONSTRUCTION | $1,513,029,286 | $1,438,048,565 / 95.04% | $368,775,749 / 24.37% | 21.10% |
| SPECIAL TRADE | $512,156,296 | $384,441,137 / 75.06% | $163,815,154 / 31.99% | 32.70% |
| PROFESSIONAL SERVICE | $669,379,821 | $613,520,704 / 91.66% | $135,408,748 / 20.23% | 23.60% |
| OTHER SERVICE | $3,492,286,133 | $3,063,798,289 / 87.73% | $599,178,112 / 17.16% | 24.60% |
| COMMODITY PURCHASING | $3,988,354,949 | $3,548,784,598 / 88.98% | $476,865,213 / 11.96% | 21.00% |
| | $14,636,831,314 | $13,420,572,657 / 91.69% | $1,963,600,540 / 13.42% | |

** ANALYSIS OF AWARDS FOR
347 TEXAS PUBLIC FINANCE AUTHORITY

| CERTIFIED HUB GROUP FOR HUB CREDIT | TOTAL # AND % OF HUB VIDS RECEIVING AWARDS | TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS |
|---|---|---|
| ASIAN PACIFIC | 1/ 20.00% | $6,986 / 42.68% |
| WOMAN | 4/ 80.00% | $9,381 / 57.32% |
| TOTAL | 5/100.00% | $16,368 /100.00% |

** ANALYSIS OF AWARDS FOR
THE STATE OF TEXAS

| CERTIFIED HUB GROUP | # OF VIDS ELIGIBLE FOR HUB CREDIT, % | # OF MALES, % | # OF FEMALES, % | TOTAL # AND % OF HUB VIDS RECEIVING AWARDS | TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS |
|---|---|---|---|---|---|
| ASIAN PACIFIC | 1222/ 7.29% | 803/ 12.01% | 419/ 4.16% | 293/ 6.42% | $191,282,930 / 9.74% |
| BLACK | 3303/ 19.70% | 1998/ 29.88% | 1305/ 12.95% | 423/ 9.26% | $224,284,135 / 11.42% |
| HISPANIC | 5103/ 30.44% | 3679/ 55.03% | 1424/ 14.13% | 1399/ 30.63% | $491,724,379 / 25.04% |
| NATIVE AMERICAN | 310/ 1.85% | 206/ 3.08% | 104/ 1.03% | 85/ 1.86% | $22,445,666 / 1.14% |
| WOMEN | 6825/ 40.71% | 0/ 0.00% | 6825/ 67.73% | 2367/ 51.83% | $1,033,863,429 / 52.65% |
| TOTAL | 16763/100.00% | 6686/100.00% | 10077/100.00% | 4567/100.00% | $1,963,600,540 /100.00% |

** THE ANALYSIS IS BASED ON THE TOTAL # OF VENDOR ID NUMBERS THAT WERE ELIGIBLE TO RECEIVE HUB CREDIT.
TOTAL # OF CERTIFIED HUBS FOR THE PERIOD OF FY2013 IS 16636.

SUCH AS, 1222 (7.29%) OF VID NUMBERS ELIGIBLE TO RECEIVE HUB CREDIT WERE ASIAN PACIFIC OWNED BUSINESSES, 803 (12.01%) WERE ASIAN PACIFIC MALE OWNED BUSINESSES AND 419 (4.16%) WERE ASIAN PACIFIC FEMALE OWNED BUSINESSES. 293 (6.42%) AWARDS WERE MADE TO ASIAN PACIFIC OWNED BUSINESSES, TOTALING $191,282,930.00 (9.74%) OF THE TOTAL DOLLARS AWARDED TO HUBS.

## FISCAL YEAR 2013 ANNUAL HUB REPORT
## TOTAL NUMBER OF BUSINESSES PARTICIPATING IN STATE BOND ISSUANCES
(Agency List Includes State of Texas Bond Issuers Only)

| AGENCY # | AGENCY NAME | AS | | BL | | HI | | AI | | WO | HUB | GRAND |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | M | F | M | F | M | F | M | F | F | TOTAL | TOTAL* |
| 332 | TX DEPT OF HOUSING & COMM AFFAIRS | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 21 |
| 347 | TEXAS PUBLIC FINANCE AUTHORITY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24 |
| 580 | TEXAS WATER DEVELOPMENT BOARD | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 24 |
| 601 | TEXAS DEPARTMENT OF TRANSPORTATION | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 | 22 |
| 710 | THE TEXAS A&M UNIVERSITY SYSTEM | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 21 |
| 758 | TX STATE UNIV SYST BOARD OF REGENTS | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 6 |
| | | | | | | | | | | | TOTAL BOND ISSUANCES: | 118 |

**Total number of Bond Issuances to HUBs and Non-HUBs*

**The Texas Public Finance Authority issues bonds on behalf of the following agencies:

Texas Department of Criminal Justice
Texas Military Facilities Commission
Texas Parks and Wildlife Department
Texas Juvenile Justice Department
Stephen F. Austin State University
State Preservation Board
Texas Department of State Health Services
TIERS/EBT (Texas Integrated Eligibility Redesign System/Electronic Benefits Transfer)
Texas National Research Laboratory Commission
Texas State Technical College
Midwestern State University
Texas Southern University
Texas Facilities Commission
Texas Workers' Comp Insurance Fund

**Legend: AS = Asian Pacific American; BL = Black American; HI = Hispanic American; AI = Native American; WO = American Woman; M = Male; F = Female**

# Appendix G
# Report on Customer Service

# TEXAS PUBLIC FINANCE AUTHORITY

## REPORT ON CUSTOMER SERVICE

JUNE 1, 2014

## TABLE OF CONTENTS

# REPORT ON CUSTOMER SERVICE

## INTRODUCTION

The Texas Public Finance Authority ("TPFA" or "Authority") developed customer service standards, adopted its Compact with Texans, and conducted its first customer satisfaction survey as part of the statewide strategic planning process in 2002. Each biennium since, the Authority has surveyed its customers to evaluate the services the agency provides and to identify opportunities for improvement as a cornerstone of its strategic planning process.

The Authority endeavors to provide the highest quality of service to its customers and is pleased to present its fiscal year 2014 customer service report.

## INVENTORY OF EXTERNAL CUSTOMERS BY STRATEGY

While most state agencies directly serve the general public, the Authority's customers consist of other state agencies and state entities on whose behalf the Authority issues debt. These customers are referred to collectively as "client agencies." The agency's key service functions it provides to its customers are: capital financing through bond issuance, commercial paper issuance, and the Master Lease Purchase Program (MLPP); bond debt administration, financial reporting, and agency operations, such as accounting, budgeting, and fixed assets. These specific customer service elements are based on the Authority's strategies in the 2014-2015 General Appropriations Act (GAA) as outlined below.

A. Goal: FINANCE CAPITAL PROJECTS

A.1.1. Strategy: ANALYZE FINANCINGS AND ISSUE DEBT

A.2.1. Strategy: MANAGE BOND PROCEEDS

A.2.2. Strategy: BOND DEBT SERVICE PAYMENTS

Authority staff identified contacts within the various client agencies performing functions that inter-relate to the Authority's mission. Executive staff screened the list to determine those individuals or organizations that constitute "customers" from which meaningful data could be collected cost effectively. The list of contacts consists of 260 individuals at 58 client and oversight agencies, which represent the following groups:

- Staff involved in requesting capital financing;
- Staff participating in MLPP;
- Staff involved in debt administration;
- Staff involved in financial reporting;
- Staff working with Legislative and oversight agencies; and,
- Staff involved with agency operations.

Although the Authority has completely overhauled its survey instrument over time, the basis of its survey remains the same in 2014. The Authority's survey measures the following four customer service categories: Financing Services, Other Services, General Information and Educational Training. Financing Services is a measurement of how the Authority meets its mission to provide the most cost effective financing available to fund capital projects, equipment acquisitions, and programs as authorized by the Texas Legislature through bonds, commercial paper, and the Master Lease Purchase Program. Other Services measures the quality of customer service provided to individuals in the area of debt administration, financial reporting, legislative assistance, agency operations, and other specifically identified services. General Information is a measurement of other customer service quality elements identified in the Authority's Compact with Texans, and the final area of the Authority's survey is designed to measure the quality and effectiveness of Authority-sponsored Educational Training.

This year, Authority staff evaluated the survey instrument before modifying it slightly to replace a Financing Services question from the prior reporting period with one that measures the customer service experience more closely related to the agency's mission, i.e., issuing debt in a timely manner. Additionally, the question pertaining to previous attendance of TPFA training sessions is excluded from the Educational Training section in the Authority's 2014 survey as it did not add value to the customer service experience.

Throughout this report, a few comparisons to prior year surveys are made; however, due to significant changes in the survey over time, overall comparisons survey comparisons are not included.

## INFORMATION GATHERING METHODOLOGY

Monday, March 3, 2014, the Authority distributed notification of its web-based customer satisfaction survey by electronic mail. Survey responses were due two weeks later on Monday, March 17, 2014. As in previous years, customers were provided options to submit their survey anonymously on-line, or by regular mail, electronic mail, or facsimile. Of the 20 survey responses received, 18 customers submitted their responses through the web-based system and two customers submitted surveys via electronic mail. The agency's web server captured response data in a web form, the data were copied to an internal file server and finally imported to Excel where the data were grouped and sorted. A copy of the Authority's Customer Satisfaction Survey is attached as Exhibit I.

Authority staff developed survey questions to evaluate Financing Services, Other Services, Educational Training, and specific statutorily-required customer satisfaction elements (websites, complaint-handling processes, service timeliness, and printed information) captured under General Information. Financing Services and Other Services were also evaluated for customer service deliverables. Evaluation criteria for each survey question were based on a standard Likert Scale utilizing the following measures: strongly agree, agree, neutral, disagree, and strongly disagree.

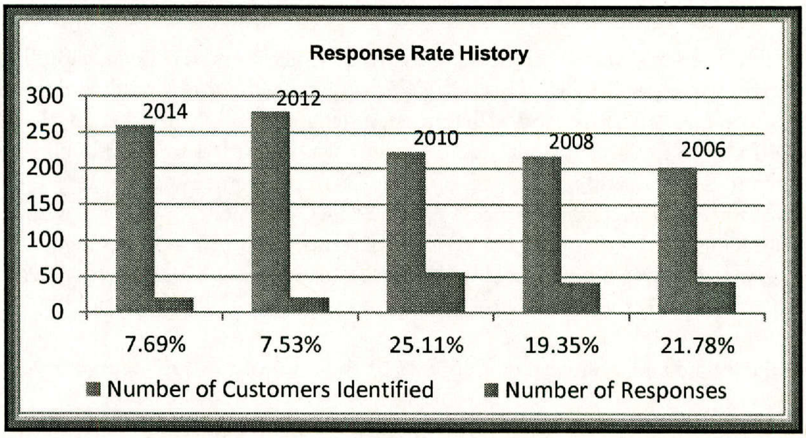
The survey instrument included a "Comments Section" under three service evaluation areas for customers to provide quantifiable details for ratings of "strongly agree" or "strongly disagree." Also, customers previously attending Authority-sponsored training were asked to indicate in a separate comment section to specify any future training needs.

## RESPONSE RATE

Over the years, the Authority has attempted to increase its survey response rate by expanding its customer list and in 2006, legislative offices and oversight agencies were added to the customer list. Further efforts to increase the response rate were attempted in 2010 when the Authority marketed its survey by appending a survey response request to all outgoing emails sent to customers during the survey period. Despite these efforts, the response rate remains relatively flat between 2006 through 2010 reflecting only a modest increase in 2010 to 25.11% before dropping significantly in 2012 to 7.53%. The Authority's response rate remains relatively flat in 2014 at 7.69%.

Survey Response Data for Fiscal Year 2014 is attached as Exhibit II.

Below is a chart depicting the response rate history for the Authority's Customer Satisfaction Survey for 2014 with comparative totals over the last five biennia.

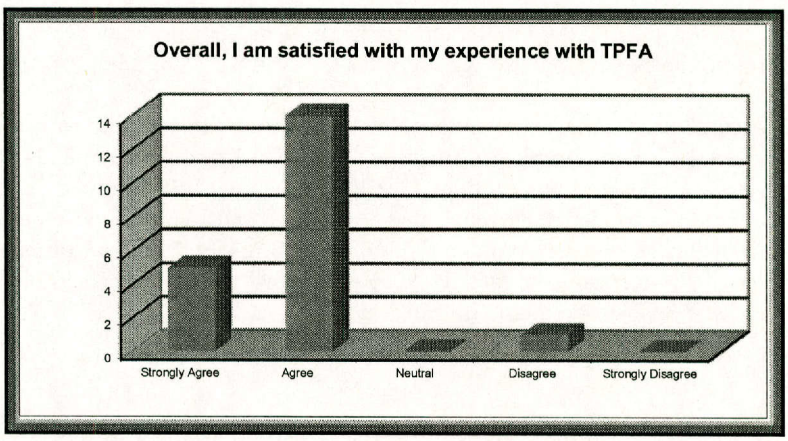



## SURVEY RESULTS

*Overall Results*

Although the Authority's survey response rate continues to decline, the responses continue to yield high satisfaction ratings for services provided to client agencies with a combined 95% of respondents strongly agreeing (25%) or agreeing (70%) as being satisfied with their overall experience with the Authority.

These high satisfaction ratings coincide with the positive written feedback from the agency's customers as reflected in this year's survey results, including one customer commenting "overall a great job" while another "good, professional staff." Below is a table expressing overall customer satisfaction results.



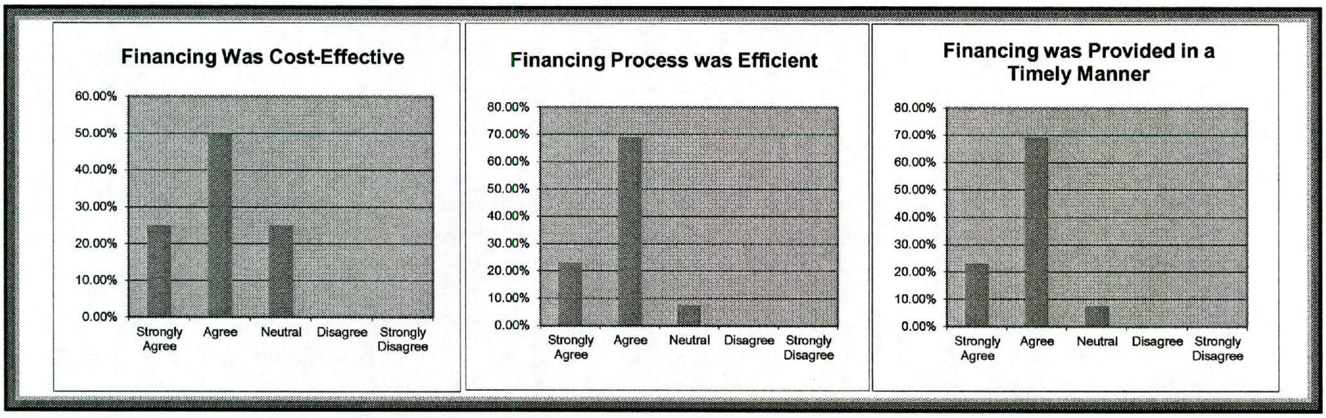

Most customer comments and satisfaction ratings this year as well as prior years reflect overwhelmingly positive remarks; however, one customer's ratings were not reflective of satisfactory service in the Other Services and General Information categories. Although the option to provide written comments was permitted for the agency to improve future service delivery in these areas, no comments were submitted. Specific ratings for each of the four service categories are discussed in greater detail below.

*Financing Services*

In fiscal year 2014, the Authority's survey captures data from customers receiving capital financing for projects through bonds, commercial paper, or MLPP. This particular service element is directly linked to the agency's mission of issuing debt in the most cost effective and efficient manner and funds provided to client agencies in a timely manner as previously noted, the 2014 customer service survey was modified to include all three of these important elements in the Financing Services category. Fiscal year 2014 customer survey results reflect high customer satisfaction for the Authority's financing services provided to its client agencies, with a combined 75% of respondents strongly agreeing (25%) or agreeing (70%) that the Authority's financings are cost effective and a combined 92.31% of respondents strongly agreeing (23.08%) or agreeing (69.23%) that the Authority's financing process is both efficient and provided in a timely manner.

Below are the results indicating client agencies' perceptions of the Authority's Financing Services.

**TPFA FINANCING SERVICES RESULTS**




The Authority attributes these results to the tenure and expertise of its staff combined with previous client agency orientation training sessions and other customer driven services the Authority provides.

One hundred percent of customers agree that Authority staff responds satisfactorily to questions or requests for information, and provide accurate and complete information. Also, 100% of respondents rate Authority staff as responsive, knowledgeable, courteous and professional. Similar results are echoed in relation to communication and timeliness with 100% of the respondents agreeing that Authority staff communicate effectively and provide information timely. Additionally, all seven respondents submitting comments relative to Financing Services are of a positive nature. Examples of these comments include "TPFA staff has always been helpful and professional," and "staff is knowledgeable and responsive to requests for information."

*Other Services*

Other Services captures data for customers receiving services related to debt administration, annual financial reporting, legislative assistance, agency operations and specific customer service areas identified by individual survey respondents. Results for Other Services show that 94.12% of customers agree that Authority staff: are knowledgeable; demonstrate a willingness to assist; respond to requests for information satisfactorily; provide accurate and complete information; communicate effectively; and, provide information timely. A combined 100% of customers agree that staff were courteous and professional. Of the nine respondents providing written feedback in 2014, all comments are complimentary of Authority staff in the Other Services area, including one response that "staff is knowledgeable and responsive to requests for information" while another response indicates that "the staff is always ready to assist and help when we have questions or need clarification."

*General Information*

This section reflects specific customer satisfaction elements addressed in statute that are not captured elsewhere in this report. Such elements include customer experience with the Authority's website, complaint-handling process, and responsiveness to general inquires of Authority personnel. Customer service results for general information inquiries involving telephone calls, e-mails or letters reflect customer satisfaction is 94.44%, which is similar to Financing Services and Other Services, as described above. One customer comments that "I have always received prompt responses to questions and requests that I submit by email or in phone calls. I rely heavily on the expertise and knowledge of the staff."

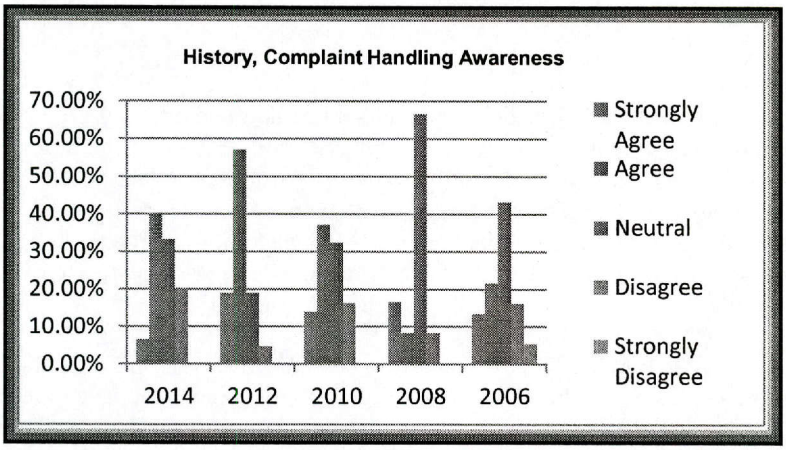
Below is a table of customer service results as it relates to the Authority's website over the last five biennia. The overall average agreement expressed in this table is computed by combining the categories of strongly agree and agree. Based on the 2014 survey responses, 75% of customers are in agreement that the Authority's website is easy to use and well-organized while 81.25% are in agreement that the website is current and up-to-date, results of which are down from the previous year. From 2006 to 2008, overall satisfaction with the agency's website reflects an upward trend in customer satisfaction before declining to an all-time low in 2010. The Authority's reached its highest average agreement in 2012 before leveling out to 85.15% of customers agreeing that the website is current, easy to use and well organized.

**RESULTS REGARDING TPFA's WEBSITE**

| | 2014 | 2012 | 2010 | 2008 | 2006 |
|---|---|---|---|---|---|
| **Information is current and up-to-date** | | | | | |
| Strongly Agree | 12.50% | 26.32% | 36.96% | 29.17% | 27.78% |
| Agree | 68.75% | 73.68% | 45.65% | 70.83% | 50.00% |
| Neutral | 12.50% | 0.00% | 17.39% | 0.00% | 22.22% |
| Disagree | 6.25% | 0.00% | 0.00% | 0.00% | 0.00% |
| Strongly Disagree | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Easy to use and well organized** | | | | | |
| Strongly Agree | 12.50% | 15.79% | 34.04% | 25.00% | 30.56% |
| Agree | 62.50% | 78.95% | 44.68% | 70.83% | 41.67% |
| Neutral | 18.75% | 5.26% | 19.15% | 4.17% | 25.00% |
| Disagree | 6.25% | 0.00% | 2.13% | 0.00% | 0.00% |
| Strongly Disagree | 0.00% | 0.00% | 0.00% | 0.00% | 2.78% |
| **Average, Overall Agreement** | **85.15%** | **97.37%** | **80.67%** | **97.22%** | **75.00%** |

As an issuer of municipal debt, the Authority uses its website to communicate to the bond market, rating agencies, and other stakeholders while also providing sufficient resources for client agencies and legislative offices. Like most state agencies, the Authority is challenged with organizing vast amounts of resources on its website related to its financing programs, processes, outstanding debt, and a multitude of statutorily required reports and links. The Authority will continue to seek additional ways to improve customer experience when visiting the Authority's website.

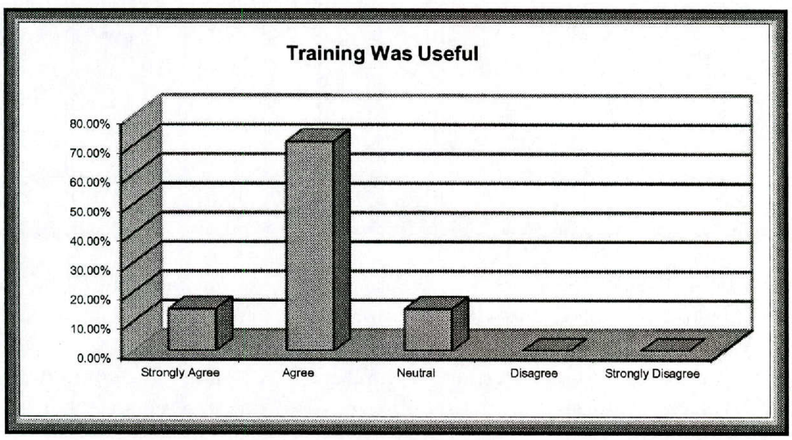
Survey results from 2012 indicate the highest percentage of customers to date responding as being familiar with the Authority's complaint handling process; however, in 2014, this decreased to below 50% of customers responding to the survey indicating familiarity with this aspect of the Authority's business practice. Below is a chart reflecting historical responses from customers on complaint handling awareness.




These results indicate that the percentage of customers familiar with the complaint handling process has increased dramatically since 2008, but the Authority has not received any formal complaints since the implementation of the program in 2000. In an effort to increase familiarity with this portion of the agency's processes, the Authority's Compact with Texans was included in the distribution of its 2014 Customer Satisfaction Survey. Customers have previously commented on their lack of familiarity with the Authority's complaint handling process because they have no reason to file a complaint.

*Educational Training*

The Authority continues to conduct training sessions for legislative and oversight agencies, client agency training and other more specialized training sessions, as needed. Client agency training is designed to familiarize agencies with the bond issuance process, including the time-line needed to structure financings, and the documents that must accompany the financing request. Some 85.71% of customers responding to the 2014 survey indicate that Authority-sponsored training is useful.




Customers responding to the survey were also provided an opportunity to specify any future training needs. Of the two customers providing feedback, one of which indicates a need for refresher training on how to request bond financing while the other suggests that future training focus on the details of federal restrictions on bond project financings.

## ANALYSIS OF FINDINGS

The survey results indicate that, overall, Authority customers are satisfied with the services that the agency provides. The Authority continues to receive exemplary ratings in carrying out its mission to provide its customers with the most cost effective, efficient and timely financings. Staff responsiveness, knowledge, courtesy and professionalism, precision, and timeliness reflect similar results. The agency attributes these results to the tenure and expertise of Authority's staff and previously customer training sessions frequented by its client agencies.

The Authority will continue to seek ways to improve the overall customer service experience of individuals contacting the agency by phone and those visiting the agency's website and will conduct more specialized training sessions to further increase client agencies' knowledge of the financing process and post issuance compliance requirements.

The Authority is extremely pleased with the results of the survey and will continue to seek ways to maintain the high level of service its customers have come to expect in carrying out the agency's mission.

## CUSTOMER SERVICE CONTACT INFORMATION

| | |
|---|---|
| Customer Service Representative: | John Hernandez, Interim Executive Director |
| Agency: | Texas Public Finance Authority |
| Physical Address: | 300 West 15th Street, Suite 411, Austin, TX 78701 |
| Mailing Address: | P.O. Box 12906, Austin, TX 78711-2906 |
| Phone Number: | 512.463.5544 |
| Fax Number: | 512.463.5501 |
| Email Address: | john.hernandez@tpfa.state.tx.us |
| Hours of Operation: | Monday – Friday 8:00 a.m. to 5:00 p.m. |

## CUSTOMER SERVICE PERFORMANCE MEASURES DEFINITIONS AND FISCAL YEAR 2014 RESULTS

| | | |
|---|---|---|
| **Outcome Measure** | **Percentage of Surveyed Customer Respondents (Client Agencies) Expressing Overall Satisfaction with Financing Services Received** | 95.00% |
| Short Definition | The percent of state agencies and institutions (staff involved in requesting financing, budgeting, accounting, and legislative offices) who report overall satisfaction with services on surveys conducted by the Texas Public Finance Authority (TPFA). TPFA services focus on cost-effective capital financing for capital projects and equipment acquisitions. | |
| Purpose/Importance | This measure provides valuable information to agency management on the level and quality of services provided to client agencies and cost to Texas taxpayers. | |
| Source/Collection of Data | Surveys conducted by the TPFA. | |
| Method of Calculation | The calculation for this measure is the total number of clients who respond that they are satisfied with TPFA services by answering "Strongly Agree" or "Agree," divided by the total number of clients who respond to the survey. | |
| Data Limitations | None | |
| Calculation Type | Non-cumulative | |
| New Measure | No | |
| Desired Performance | Higher than target. | |

| | | |
|---|---|---|
| **Outcome Measure** | **Percentage of Surveyed Customer Respondents Identifying Ways to Improve Service Delivery** | 0% |
| Short Definition | The percent of state agencies and institutions (staff involved in requesting financing, budgeting, accounting, and legislative offices) that identify ways to improve service delivery in the survey. | |
| Purpose/Importance | This measure provides valuable information to agency management on the level and quality of services provided to client agencies and cost to Texas taxpayers. | |
| Source/Collection of Data | Surveys conducted by the TPFA. | |
| Method of Calculation | The calculation for this measure is the total number of clients who included comments for improving service delivery. | |
| Data Limitations | None | |
| Calculation Type | Non-cumulative | |
| New Measure | No | |

| | | |
|---|---|---|
| Desired Performance | Target | |

| **Output Measure** | **Number of Customers (Client Agencies) Surveyed** | 20 |
|---|---|---|
| Short Definition | The number of state agencies and institutions (staff involved in requesting financing, budgeting, accounting, and legislative offices) who are surveyed by TPFA. | |
| Purpose/Importance | This measure reflects the accuracy of the survey | |
| Source/Collection of Data | Surveys conducted by TPFA. | |
| Method of Calculation | Number of agencies surveyed | |
| Data Limitations | None | |
| Calculation Type | Non-Cumulative | |
| New Measure | No | |
| Desired Performance | Higher than target. | |

| **Efficiency Measure** | **Cost Per Customer Surveyed** | $0.00 |
|---|---|---|
| Short Definition | The average cost per survey (one survey sent to each staff person involved in requesting financing, budgeting, accounting, and legislative offices). Costs include, but are not limited to, postage, materials and staff time. | |
| Purpose/Importance | This measure reflects the cost efficiency of the survey and weighs the cost of surveying a customer group to the potential benefits of the information. | |
| Source/Collection of Data | Surveys conducted by the TPFA and compiled cost reports. | |
| Method of calculation | The total cost (as defined in the short definition) to administer the survey divided by the total number of surveys mailed. | |
| Data Limitation | No direct costs. Allocation of indirect costs (staff time, overhead) not available. | |
| Calculation Type | Non-cumulative | |
| New Measure | No | |
| Desired Performance | Lower than target. | |

| | | |
|---|---|---|
| Desired Performance | Target | |

| **Output Measure** | **Number of Customers (Client Agencies) Surveyed** | 20 |
|---|---|---|
| Short Definition | The number of state agencies and institutions (staff involved in requesting financing, budgeting, accounting, and legislative offices) who are surveyed by TPFA. | |
| Purpose/Importance | This measure reflects the accuracy of the survey | |
| Source/Collection of Data | Surveys conducted by TPFA. | |
| Method of Calculation | Number of agencies surveyed | |
| Data Limitations | None | |
| Calculation Type | Non-Cumulative | |
| New Measure | No | |
| Desired Performance | Higher than target. | |

| **Efficiency Measure** | **Cost Per Customer Surveyed** | $0.00 |
|---|---|---|
| Short Definition | The average cost per survey (one survey sent to each staff person involved in requesting financing, budgeting, accounting, and legislative offices). Costs include, but are not limited to, postage, materials and staff time. | |
| Purpose/Importance | This measure reflects the cost efficiency of the survey and weighs the cost of surveying a customer group to the potential benefits of the information. | |
| Source/Collection of Data | Surveys conducted by the TPFA and compiled cost reports. | |
| Method of calculation | The total cost (as defined in the short definition) to administer the survey divided by the total number of surveys mailed. | |
| Data Limitation | No direct costs. Allocation of indirect costs (staff time, overhead) not available. | |
| Calculation Type | Non-cumulative | |
| New Measure | No | |
| Desired Performance | Lower than target. | |

**Texas Public Finance Authority (TPFA)**
**Customer Service Survey 2014**

TPFA's mission is to meet our client agencies' financing needs in the most cost-effective and efficient manner possible. In an effort to determine how we may better serve you, we appreciate your feedback and request that you complete this survey on or before **Monday, March 17**. Please feel free to forward this survey to other staff in your agency, as appropriate.

You may complete the survey online using the button indicated below, or you may submit a hard copy to TPFA by fax (512/463-5501), Interagency Mail (TPFA, Clements BLDG, Suite 411), or submit an attachment by email (survey@tpfa.state.tx.us).

**Please indicate the type of service or financing received from TPFA (check all that apply).**

Financing

- ☐ Bonds
- ☐ Commercial Paper
- ☐ Master Lease Purchase Program

Other Services

- ☐ Debt Administration (draws, debt service, etc.)
- ☐ Financial Reporting (AFR)
- ☐ Legislative Assistance/Response
- ☐ Agency Operations (ABEST, USAS, Budget, Payroll, Accounting, SPA)
- ☐ Other Service (please specify) ______________________________

**Financing Services (Includes Bonds, Commercial Paper, Master Lease Purchase Program)**

**Financing was cost-effective.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Financing process was efficient.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Financing was provided in a timely manner.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff were knowledgeable.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff were courteous and professional.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff satisfactorily responded to questions or requests for information.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff provided accurate, complete information.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff communicated effectively.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff provided information timely.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Financing – For ratings of "Strongly Agree" or "Strongly Disagree," please add comments.**

**Other Services (Includes Debt Administration, Financial Reporting, Legislative Assistance, Agency Operations)**

**Staff were knowledgeable.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff demonstrated a willingness to assist.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff were courteous and professional.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff satisfactorily responded to questions or requests for information.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff provided accurate, complete information.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff communicated effectively.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Staff provided information timely.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Other Services – For ratings of "Strongly Agree" or "Strongly Disagree," please add comments.**

## General Information

**Information on TPFA's website is current and up-to-date.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**The TPFA website is easy to use and well organized.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**I am aware that TPFA has a complaint-handling process.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**My telephone call, email, or letter was responded to in a reasonable amount of time.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**Overall, I am satisfied with my experience with TPFA.**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**General Information – For ratings of "Strongly Agree" or "Strongly Disagree," please add comments.**

## Educational Training

**I found TPFA training sessions useful. (Answer, only if you have attended TPFA sponsored training sessions.)**
○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree ○ N/A

**In the box below, please specify the type of TPFA training of interest to your agency that you would like to attend in the future.**

**Survey Response Data**
**Results for FY 2014**

**EXHIBIT II**

## FINANCING SERVICES

**Financing was cost effective.**

| | | | |
|---|---|---|---|
| Strongly Agree | 3 | 25.00% | 75.00% |
| Agree | 6 | 50.00% | |
| Neutral | 3 | 25.00% | |
| Disagree | 0 | 0.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 12 | 100.00% | |

**Financing process was efficient.**

| | | | |
|---|---|---|---|
| Strongly Agree | 3 | 23.08% | 92.31% |
| Agree | 9 | 69.23% | |
| Neutral | 1 | 7.69% | |
| Disagree | 0 | 0.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 13 | 100.00% | |

**Financing was provided in a timely manner.**

| | | | |
|---|---|---|---|
| Strongly Agree | 3 | 23.08% | 92.31% |
| Agree | 9 | 69.23% | |
| Neutral | 1 | 7.69% | |
| Disagree | 0 | 0.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 13 | 100.00% | |

## FINANCING AND OTHER SERVICES

**Staff were knowledgeable.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 8 | 53.33% | 100.00% | 6 | 35.29% | 94.12% |
| Agree | 7 | 46.67% | | 10 | 58.82% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**Staff were courteous and professional.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 9 | 60.00% | 100.00% | 10 | 58.82% | 100.00% |
| Agree | 6 | 40.00% | | 7 | 41.18% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**Staff demonstrated a willingness to assist.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | N/A | 0.00% | 0.00% | 8 | 47.06% | 94.12% |
| Agree | N/A | 0.00% | | 8 | 47.06% | |
| Neutral | N/A | 0.00% | | 0 | 0.00% | |
| Disagree | N/A | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | N/A | 0.00% | | 0 | 0.00% | |
| Total | 0 | 0.00% | | 17 | 100.00% | |

**Staff satisfactorily responded to questions or requests for information.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 8 | 53.33% | 100.00% | 6 | 35.29% | 94.12% |
| Agree | 7 | 46.67% | | 10 | 58.82% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**Staff provided accurate, complete information.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 7 | 46.67% | 100.00% | 6 | 35.29% | 94.12% |
| Agree | 8 | 53.33% | | 10 | 58.82% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**Staff communicated effectively.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 5 | 33.33% | 100.00% | 6 | 35.29% | 94.12% |
| Agree | 10 | 66.67% | | 10 | 58.82% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**Staff provided information timely.**

| | Financing Services | | | Other Services | | |
|---|---|---|---|---|---|---|
| Strongly Agree | 6 | 40.00% | 100.00% | 7 | 41.18% | 94.12% |
| Agree | 9 | 60.00% | | 9 | 52.94% | |
| Neutral | 0 | 0.00% | | 0 | 0.00% | |
| Disagree | 0 | 0.00% | | 1 | 5.88% | |
| Strongly Disagree | 0 | 0.00% | | 0 | 0.00% | |
| Total | 15 | 100.00% | | 17 | 100.00% | |

**GENERAL INFORMATION**

**Information on TPFA's website is current and up to date.**

| | | | |
|---|---|---|---|
| Strongly Agree | 2 | 12.50% | 81.25% |
| Agree | 11 | 68.75% | |
| Neutral | 2 | 12.50% | |
| Disagree | 1 | 6.25% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 16 | 100.00% | |

**The TPFA website is easy to use and well organized.**

| | | | |
|---|---|---|---|
| Strongly Agree | 2 | 12.50% | 75.00% |
| Agree | 10 | 62.50% | |
| Neutral | 3 | 18.75% | |
| Disagree | 1 | 6.25% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 16 | 100.00% | |

**I am aware that TPFA has a complaint-handling process.**

| | | | |
|---|---|---|---|
| Strongly Agree | 1 | 6.67% | 46.67% |
| Agree | 6 | 40.00% | |
| Neutral | 5 | 33.33% | |
| Disagree | 3 | 20.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 15 | 100.00% | |

**My telephone call, email, or letter was responded to in a reasonable amount of time.**

| | | | |
|---|---|---|---|
| Strongly Agree | 5 | 27.78% | 94.44% |
| Agree | 12 | 66.67% | |
| Neutral | 0 | 0.00% | |
| Disagree | 1 | 5.56% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 18 | 100.00% | |

**Overall, I am satisfied with my experience with TPFA.**

| | | | |
|---|---|---|---|
| Strongly Agree | 5 | 25.00% | 95.00% |
| Agree | 14 | 70.00% | |
| Neutral | 0 | 0.00% | |
| Disagree | 1 | 5.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 20 | 100.00% | |

**I found TPFA training sessions useful.**

| | | | |
|---|---|---|---|
| Strongly Agree | 1 | 14.29% | 85.71% |
| Agree | 5 | 71.43% | |
| Neutral | 1 | 14.29% | |
| Disagree | 0 | 0.00% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 7 | 100.00% | |

**COMBINED TOTALS BY CATEGORY TYPE**

| | | | |
|---|---|---|---|
| Strongly Agree | 117 | 34.51% | 91.45% |
| Agree | 193 | 56.93% | |
| Neutral | 16 | 4.72% | |
| Disagree | 13 | 3.83% | |
| Strongly Disagree | 0 | 0.00% | |
| Total | 339 | 100.00% | |

| | |
|---|---|
| TOTAL NUMBER OF RESPONSES RECEIVED | 20 |