

Section 1

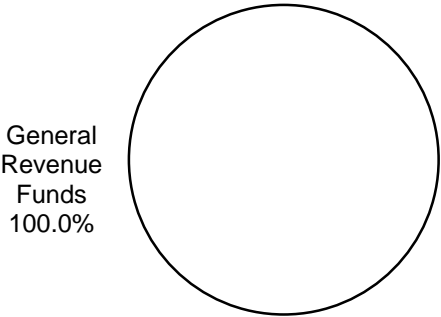
Public Finance Authority  
Summary of Recommendations - House

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Lee Deviney, Executive Director

Lara Bell, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$2,527,112	\$2,038,330	(\$488,782)	(19.3%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$2,527,112	\$2,038,330	(\$488,782)	(19.3%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$3,499	\$0	(\$3,499)	(100.0%)
All Funds	\$2,530,611	\$2,038,330	(\$492,281)	(19.5%)

RECOMMENDED FUNDING  
BY METHOD OF FINANCING



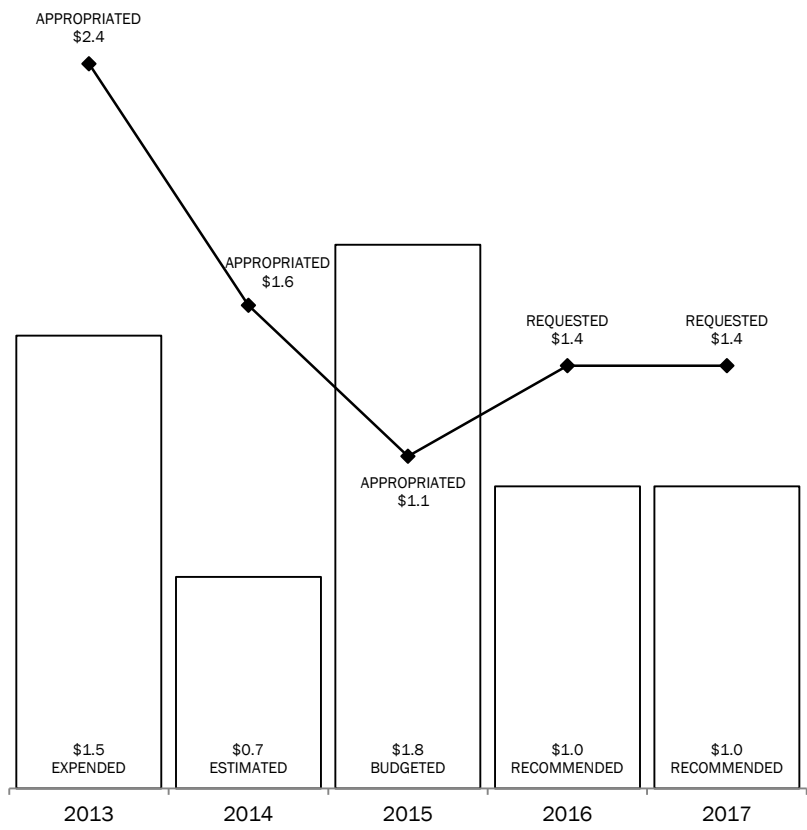
	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	14.0	14.0	0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

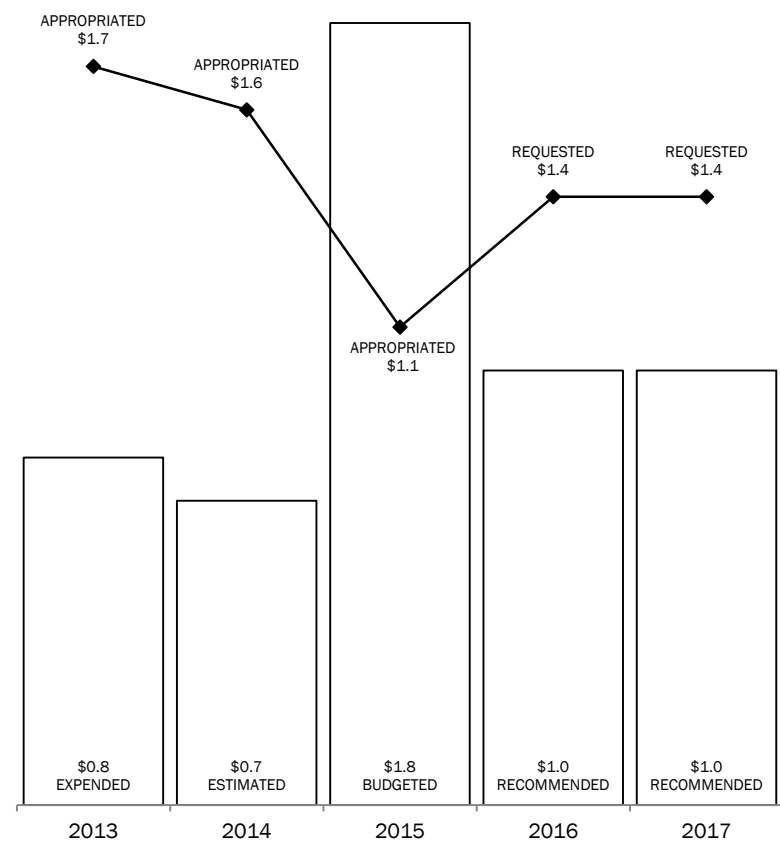
Section 1  
Public Finance Authority  
2016-2017 BIENNIUM  
IN MILLIONS

TOTAL= \$2.0 MILLION

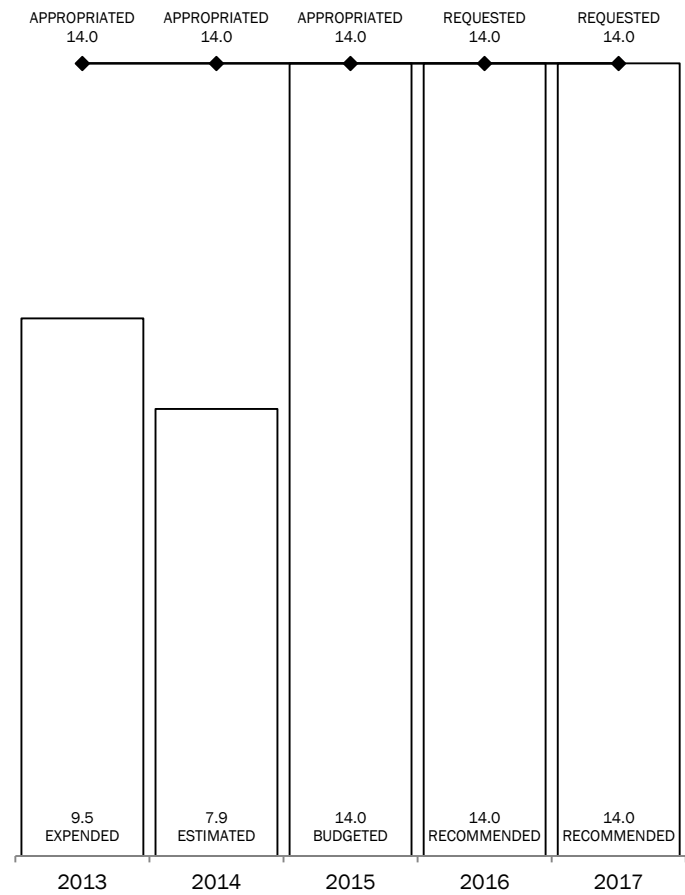
ALL FUNDS



GENERAL REVENUE AND  
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Public Finance Authority  
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
ANALYZE FINANCINGS AND ISSUE DEBT A.1.1	\$1,260,244	\$1,015,067	(\$245,177)	(19.5%)	
MANAGE BOND PROCEEDS A.2.1	\$1,270,367	\$1,023,263	(\$247,104)	(19.5%)	
BOND DEBT SERVICE PAYMENTS A.2.2	\$0	\$0	\$0	0.0%	
<b>Total, Goal A, FINANCE CAPITAL PROJECTS</b>	<b>\$2,530,611</b>	<b>\$2,038,330</b>	<b>(\$492,281)</b>	<b>(19.5%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$2,530,611</b>	<b>\$2,038,330</b>	<b>(\$492,281)</b>	<b>(19.5%)</b>	Recommendations maintain 2014-15 funding levels as a result of a decrease of \$0.5 million in General Revenue in all strategies related to the reduction of one-time funding for a new debt management system reallocated by the agency for other purposes (see Selected Fiscal and Policy Issues #1).  Recommendations include an increase of \$11,218 in General Revenue for biennialization of the fiscal year 2015 statewide salary increase across all strategies.  Recommendations reflect a decrease of \$3,499 in Interagency Contracts related to a contract with Bond Review Board for IT services.

## Section 3

### **Public Finance Authority Selected Fiscal and Policy Issues - House**

1. **Reduction Related to One-time Funding.** Recommendations include a decrease of \$0.5 million in General Revenue for one-time funding appropriated to the agency to implement a debt management system in the 2014-15 biennium. The agency requested to reallocate this funding for recurring operating costs to fill vacant positions at higher salary levels in an effort to retain and recruit staff.

The agency has experienced significant turnover in fiscal years 2013 and 2014. In fiscal year 2014, these vacancies included 2.0 accountants, a financial analyst, an executive assistant, a general council, and an executive director. The executive director position was vacant for six months beginning in January 2014 and filled in June 2014. The agency is currently hiring and plans to fill all vacancies in 2015.

2. **Unexpended Balance Authority for Capital Budget.** Recommendations include unexpended balance authority between biennia, estimated to be \$0 out of General Revenue, for the agency to complete the Automated Debt Management System, expected to be started in fiscal year 2015. This project was delayed due to executive management changes at the agency. If project funds are not expended or encumbered by the end of fiscal year 2015, recommendations allow for the project to continue into the next biennium, if needed.

Currently, TPFA manages \$2.2 billion in outstanding debt through a series of excel spreadsheets. With increased regulatory oversight of municipal issuers, if TPFA were to undergo an audit with its current spreadsheet debt tracking system, negative findings could adversely affect the state's bond rating and ability to issue bonds at the lowest possible cost to the state. The Automated Debt Management System will allow TPFA to better track expenditures down to the project level, decrease arbitrage rebates to the federal government by ensuring issuances are better aligned with expenditure needs, and fulfill stricter requirements from federal agencies such as the Securities and Exchange Commission (SEC), Internal Revenue Service (IRS), and Municipal Securities Rulemaking Board (MSRB).

## Section 3

3. **Master Lease Purchase Program (MLPP) Receipts.** MLPP is a not self-supporting lease revenue-financing program authorized by statute to finance equipment acquisitions for state agencies. MLPP projects primarily include computer equipment, hardware and software, energy saving performance contracts, vehicles, telecommunications equipment, furniture, and construction projects. TPFA primarily issues commercial paper or short-term debt to finance MLPP projects approved by the legislature, and General Revenue is typically appropriated to participating agencies for the related debt service. Rider 12, Information Listing: Master Lease Purchase Program Lease Payments provides information on appropriations to participating agencies and will be updated as budget recommendations for affected agencies are finalized.

MLPP authority is established at \$150.0 million by the TPFA board, authorized by Government Code 1232.103, and based on appropriations for eligible projects to participating agencies. As of August 31, 2014, approximately \$87.9 million remains in available capacity for this program. Any new MLPP projects above the available capacity could have an impact on where the state stands in relation to the constitutional debt limit (Art. III, Sec. 49-j). MLPP debt obligations can be paid off at any time due to the issuance of short-term, commercial paper as the financing instrument. According to TPFA, there is \$62.1 million in outstanding MLPP debt as of August 31, 2014.

TPFA assumes an interest rate of 5.0 percent for MLPP leases and a 1.0 percent administrative fee on the outstanding principal balance of each lease. During fiscal year 2014, market conditions have provided for a less than 0.2 percent interest rate from TPFA's commercial paper for MLPP. The 1 percent administrative fee provides for ongoing commercial program costs including liquidity, rating costs, remarketing and paying agent fees. Prior to the 2014-15 biennium the legislature appropriated these funds to support agency operating costs. Due to the decline in the program's use and volatility in liquidity costs, the fees were not a reliable revenue source to fund the agency. Therefore, appropriated Receipts are no longer directly appropriated to the agency for operating costs. Also Rider 9, Contingency Funding for Agency Operations: Additional Bond Issues, is deleted.

Section 3

Public Finance Authority  
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	14.0	14.0	14.0	14.0	14.0
Actual/Budgeted	9.5	7.9	14.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 4	\$120,000	\$121,200	\$123,624	\$123,624	\$123,624

The agency is requesting an increase in authority and funding for the Executive Director Exempt Position salary from \$123,624 to \$200,000 per fiscal year and is requesting a change from the current Group 4 classification to Group 6.

The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report No. 14-705, August 2014), indicates a market average salary of \$141,020 for the Executive Director position at the Public Finance Authority and does not recommend changing the Group 4 classification for the position.

Section 4

Public Finance Authority  
Performance Review and Policy Report Highlights - House

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

## Section 5

### Public Finance Authority Rider Highlights - House

2. (revise) **Information Listing of Appropriated Funds.** Revise rider to reflect recommended debt service.
3. (revise) **Capital Budget.** Revise rider to provide unexpended balance authority between biennia for the Automated Debt Management System.
5. (revise) **Appropriation and Transfer Authority for Revenue Bond Lease Payments.** Revise rider to align with HB 7, 83<sup>rd</sup> Legislature, which required interest earnings from GR-Dedicated Fund Account No. 0507 be deposited into General Revenue.
6. (revise) **Appropriation and Transfer Authority for Master Lease Purchase Program Payments and Administrative Fees.** Revise rider to align with HB 7, 83<sup>rd</sup> Legislature, which required interest earnings from GR-Dedicated Fund Account No. 0507 be deposited into General Revenue.
9. (old) **Contingency Funding for Agency Operations: Additional Bond Issues.** Delete rider since recommendations do not include a direct appropriation of fees from the Master Lease Purchase Program for agency operations.
10. (revise) **Information Listing: Master Lease Purchase Program Lease Payments.** Revise rider to reflect recommended Master Lease Purchase Program payments at affected agencies.
12. (new) **Unexpended Balances: Automated Debt Management System.** Add rider to provide authority to carry forward unexpended and unobligated balances remaining as of August 31, 2015 to the 2016-17 biennium for the completion of the Automated Debt Management System.

Section 6

Public Finance Authority  
Items not Included in Recommendations - House

	2016-17 Biennial Total	
	GR & GR-Dedicated	All Funds
<b>Agency Exceptional Items - In Agency Priority Order</b>		
1. Restoration of Current Services		
a. Salaries for new staff to meet agency cap, including a Financial Analyst, Executive Assistant, and two Accountants;	\$ 324,502	\$ 324,502
b. Executive Director Salary Increase; The agency is requesting an increase in authority and funding for the Executive Director Exempt Position from \$123,624 to \$200,000 per fiscal year and is requesting a change from the current Group 4 classification to Group 6. The agency is requesting the Exempt Position be moved to Article IX, Section 3.04(c)(6).  The State Auditor's Office Report, <i>Executive Compensation at State Agencies</i> (Report No. 14-705, August 2014), indicates a market average salary of \$141,020 for the Executive Director position at the Public Finance Authority and does not recommend changing the Group 4 classification for the position.	\$ 152,752	\$ 152,752
c. Salary increases for current staff to achieve equity with similar positions at other state agencies;	\$ 116,479	\$ 116,479
d. Agency contributions for return-to-work employees;	\$ 68,890	\$ 68,890
e. Increases for board member travel to 10 board meetings per year;	\$ 15,000	\$ 15,000
f. Agency contributions for group health insurance and retirement contributions, as required by provisions in Article IX; and	\$ 4,582	\$ 4,582
g. Other Operating Costs.	\$ 7,708	\$ 7,708

Section 6

Public Finance Authority  
Items not Included in Recommendations - House

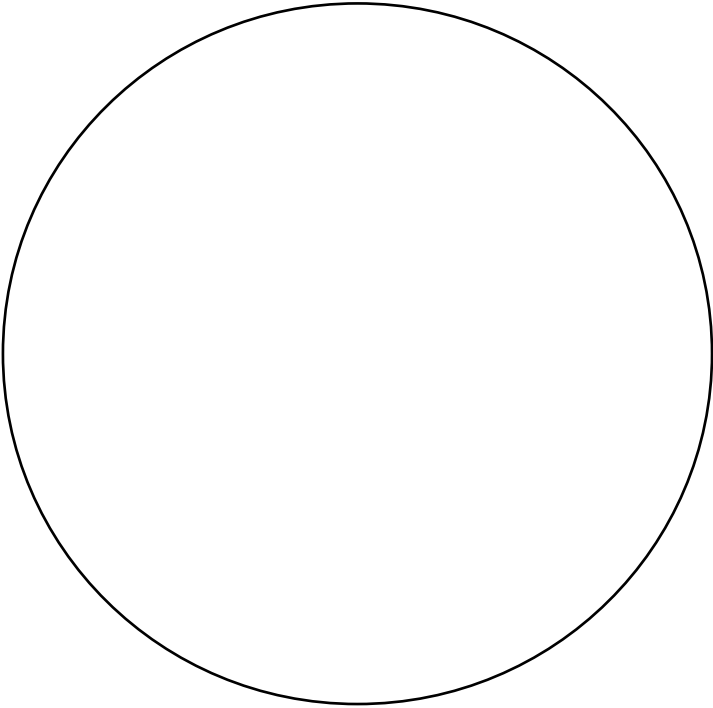
	2016-17 Biennial Total	
	GR & GR-Dedicated	All Funds
2. Enhanced Funding for Educational Training and Computer Refresh		
a. Staff training and educational development; and	\$ 70,000	\$ 70,000
b. Technology enhancements related to the implementation of the automated debt management system, including a computer refresh for the agency to replace technology items that are at least five years old.		
i. Desktops (12) and laptops (6)	\$ 23,600	\$ 23,600
ii. Servers (4)	\$ 12,800	\$ 12,800
iii. Printers (1)	\$ 1,477	\$ 1,477
iv. Monitors (8)	\$ 2,240	\$ 2,240
v. Tablets (2)	\$ 2,000	\$ 2,000
vi. Software	\$ 28,102	\$ 28,102
<b>Total, Items Not Included in the Recommendations</b>	<b>\$ 830,132</b>	<b>\$ 830,132</b>

Section 7

Public Finance Authority  
Summary of 10 Percent Biennial Base Reduction Options - House

Biennial Reduction Amounts								
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
1	10% Budget Reduction Scenario	A 10% reduction in General Revenue will require the elimination of two FTE's (a Financial Analyst and a Bond Administrative Assistant) plus the agency's estimated training budget for the biennium. In this scenario, the ability of the agency to perform its functions will be critically impaired. Due to loss of key staff during the FY 2014-2015 biennium, the agency's workload on remaining staff has increased to an unsustainable level and only the most critical or time-sensitive functions have been performed. Funding at a reduced level would create a serious financial risk to the state.	\$250,224	\$250,224	2.0	\$0		No
TOTAL, 10% Reduction Options			\$250,224	\$250,224	2.0	\$0		

Public Finance Authority  
Summary of 10 Percent Biennial Base Reduction Options - House  
Agency 10% Reduction Options by Category of Reduction



Administrative - FTEs / Layoffs  
100.0%