

STRATEGIC PLANNING AND BUDGETING COMMITTEE MEETING OF JANUARY 17, 2013

Tom H. Gann, Chair



Juan Muñoz, Member

J. Paul Ozer, Member

**STRATEGIC PLANNING & BUDGETING COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

A G E N D A

**10:00 a.m.
January 17, 2013**

Thompson Conference Center
2405 East Campus Drive, Room 3.102
Austin, TX 78712

CALL TO ORDER, ROLL CALL

Tom H. Gann, Chair

CERTIFICATION OF QUORUM

Tom H. Gann, Chair

PUBLIC COMMENT

The Strategic Planning & Budgeting Committee of the Board of the Texas Department of Housing and Community Affairs will solicit public comment at the end of the meeting and will also provide for public comment on each agenda item after the presentation made by the Department staff and motions made by the Committee.

The Strategic Planning & Budgeting Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

REPORT ITEMS

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| Item 1 | Presentation, Discussion, and Possible Action on the Strategic Planning & Budgeting Committee Meeting Minutes of June 13, 2012 | Tom H. Gann
Chair |
| Item 2 | Presentation, Discussion, and Possible Action on Plans to Revise the Formula used to Allocate Community Services Block Grant (CSBG) non-discretionary funds beginning in Program Year 2014 | Brooke Boston
Committee Secretary |
| Item 3 | Presentation, Discussion, and Possible Action on the use of Program Year 2013 CSBG Discretionary Funds | Brooke Boston
Committee Secretary |
| Item 4 | Presentation, Discussion, and Possible Action on Uses of Neighborhood Stabilization Program-1 Program Income | Brooke Boston
Committee Secretary |
| Item 5 | Presentation, Discussion, and Possible Action on Proposed Salary Compensation Plan | David Cervantes
Chief Financial Officer |

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code §2306.039

Tom H. Gann
Chair

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session. Except as specifically authorized by applicable law, the Committee may not take any actions in Executive Session

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, TDHCA, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3930 and request the information.

Individuals who require the auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3930 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

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BOARD ACTION REQUEST

BOARD SECRETARY

JANUARY 17, 2013

Presentation, Discussion, and Possible Action on the Strategic Planning & Budgeting Committee Minutes Summary for July 9, 2012

RECOMMENDED ACTION

Approve the Strategic Planning & Budgeting Committee Minutes Summary for July 9, 2012.

RESOLVED, that the Strategic Planning & Budgeting Committee Minutes Summary for July 9, 2012 are hereby approved as presented.

**STRATEGIC PLANNING & BUDGETING COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

July 9, 2012; 6:00 PM
221 East 11th Street, Room 116, Austin, TX 78701

MINUTES SUMMARY

CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM

The Strategic Planning & Budgeting Committee of the Texas Department of Housing and Community Affairs of July 9, 2012 was called to order by Tom H. Gann at 6:00 p.m. It was held at 221 East 11th Street, Room 116, Austin, TX 78701. Roll call certified a quorum was present.

Members Present:

Tom H. Gann, Chair
J. Paul Oxer

The Strategic Planning & Budgeting Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

AGENDA ITEMS

AGENDA ITEM 1 Presentation, Discussion, and Possible Action on the Strategic Planning & Budgeting Committee Meeting Minutes of June 14, 2012

Motion by Mr. Oxer to approve minutes as presented; duly seconded by Mr. Gann; motion passed.

AGENDA ITEM 2 Presentation and Discussion on the Legislative Appropriation Request (LAR) & Associated Considerations

a) LAR and Proposed Budget 2014-2015

Mr. Cervantes reported that the Base Reconciliation has been approved by the Governor's office and Legislative Budget Board (LBB). Will recommend approval by the full Board on July 10, 2012.

b) Recommended Budget Reduction Priorities in Response to Request from the Legislative Budget Board and the and the Office of the Governor

Mr. Dally reported that staff recommendation is to reduce HTF, administrative, and general budget by 10% (prioritized), with a reductions of 5% in 2014 and 5% in 2015.

c) Exceptional Item Request(s).

Motion by Mr. Oxer to not recommend exceptional items to full board; duly seconded by Mr. Gann, motion passed.

d) Information Technology Detail (ITD) Capital Project Requests

Mr. Oxer will recommend to full board, in priority order: Project 1 – daily operations; Project 2 - IT Hardware and Software refresh; Project 4 – addition of Texas Homeless Management System (HMIS) (100% GR and Appropriated Receipts) to enable the department to track homelessness in Texas; Project 3 - HR System Migration, option 2, shared cost with other state agency; Mr. Gann agreed with recommendation.

PUBLIC COMMENT

The Strategic Planning & Budgeting Committee of the Board of the Texas Department of Housing and Community Affairs will solicit public comment at the end of the meeting and will also provide for public comment on each agenda item after the presentation made by the Department staff and motions made by the

Committee.

Belinda Carlton, Public Policy Advisor, Texas Council for Developmental Disabilities, provided testimony requesting restoration of Housing Trust Fund to \$12 million due to the lack of affordable housing.

EXECUTIVE SESSION

No Executive Session held.

ADJOURN

Since there was no other business to come before the Committee, the meeting was adjourned at 7:05 p.m. on July 9, 2012.

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STRATEGIC PLANNING & BUDGETING COMMITTEE ACTION REQUEST
COMMUNITY AFFAIRS
JANUARY 17, 2013

Presentation, Discussion, and Possible Action on Plans to Revise the Formula Used to Allocate Community Services Block Grant (CSBG) non-discretionary funds beginning in Program Year 2014.

RECOMMENDED ACTION

WHEREAS, CSBG funds are awarded to the State of Texas by the U.S. Department of Health and Human Services (HHS); and

WHEREAS, when the Department receives the State's annual award of CSBG funds, it reserves ninety percent (90%) of the allotment for CSBG eligible entities to provide services/assistance to the low-income population in all 254 counties, five percent (5%) for state administration expenses, and the remaining five percent (5%) for state discretionary use; and

WHEREAS, in distributing the 90% of funds to CSBG eligible entities, the Department uses a formula authorized by Section 676(a)(2) of the Community Block Grant Act, to allocate CSBG funds to a network of Subrecipients; and

WHEREAS, the Department staff recommends exploring possible revisions to the formula to maximize the impact of these funds and increase the provision of direct services to meet needs where those needs exist; and

WHEREAS, the Department is aware of the potential impact of formula changes on the operating budgets of CSBG Subrecipients, the Department does not recommend formula changes for Program Year 2013, but proposes that any formula changes would take effect no earlier than January 1, 2014 for Program Year 2014; and

WHEREAS, the Department wishes to notify the general public, CSBG Subrecipients, and advocates of its intention to take up the issue of possible revision to the allocation formula, and to provide CSBG Subrecipients with this extended notification and comment period so that sufficient public input and dialogue can occur and so that, if applicable, they may plan for adjustments in their operations;

NOW, therefore, it is hereby

RESOLVED, that the public, including interested parties, are hereby given notice of the Department's intention to pursue possible revisions to the formula used to calculate the allocations used by the CSBG program; and

FURTHER RESOLVED, that this committee recommends proceeding on the basis that the Department will prepare and submit the State of Texas FFY 2014 and FFY 2015 CSBG State Application and Plan (PDF) for submission to HHS utilizing a revised formula which is yet to be determined; and

FURTHER RESOLVED, the Department will provide for the posting and holding of a public hearing, and other input opportunities, as required by §676(a)(2) of the Community Block Grant Act relating to the development of the state plan and §676(b)(8) relating to the possible reduction of funds to an entity below their proportional share for the prior fiscal year; and to Chapter 2105 of the Texas Government Code relating to administration of block grants; and

FURTHER RESOLVED, that staff is directed to prepare and present to the Board for its consideration at its April 2013 Board meeting, a proposed rule change to be released and published in the *Texas Register* for public comment, thereby beginning the rule change process and reflecting the specific revisions proposed to the formula, which will continue at that time to be considered for public comment.

BACKGROUND

When the Department receives the State's annual award of CSBG funds, it reserves ninety percent (90%) of the allotment for CSBG eligible entities to provide services/assistance to low-income populations in all 254 counties. Five percent (5%) is reserved for state administration expenses and the remaining five percent (5%) is reserved for state discretionary use.

The 90% of funds that is provided to the CSBG eligible entities is allocated based on a distribution formula that currently includes four factors: a base award, a minimum floor, proportion of population in poverty, and population density. In PY 2012, \$29,191,824 was allocated to 44 CSBG Subgrantees.

Under the current State Plan, the distribution formula incorporates the 2010 U. S. Census figures at 124% of poverty; a \$50,000 base; a \$150,000 floor; 98% weighted factor for poverty population; and a 2% weighted factor for the inverse ratio of population density. The formula is applied as follows:

- Each eligible entity is allocated a base award of \$50,000. This total is subtracted from the 90% funds reserved for eligible entities;
- Then, the weighted factors of poverty population and population density are applied to the balance of the 90% funds.
- If the base award and application of the weighted factors yields an amount that is less than the \$150,000 minimum floor for any eligible entity, the floor amount is reserved for those eligible entities.
- The formula is then re-applied to the remaining 90% funds for distribution to the eligible entities whose award will be greater than the \$150,000 minimum floor.

The Department has used these factors to date to ensure a minimum funding level to each CAA and to distribute funds among all CSBG eligible entities, making possible ongoing operation of even very small recipient organizations. The formula has been continued for a number of years without material change, and even small proposed formula changes will likely prompt extensive debate and concern over the direct impact on the operational expenses of Community Action Agencies (“CAAs”), especially the smaller ones.

The current formula utilized for the distribution of non-discretionary CSBG funding employs a floor, ensuring that any community action agency (“CAA”) will receive not less than \$150,000 per year. In cases of small CAAs or those serving sparsely populated areas this may result in situations where the preponderance of those funds go to supporting internal operations of the CAA, leaving little for direct assistance to Texans. Those smaller CAAs are still responsible for meeting all federal minimum requirements for the program, so must still operate in way that provides sufficient controls and accountability. One way to optimize these situations is to utilize collaborations and partnerships between smaller CAAs and nearby larger CAAs so that some of the controls and accountability can be handled by the larger CAAs, while the smaller CAAs continue to provide the localized outreach presence. For example, a small CAA may be merged with a larger CAA, with the larger CAA taking on the program’s administration, while the smaller CAA operates more as a satellite office, providing local outreach and services.

Another approach to maximizing the delivery of services to Texans would be to add a new element to the CSBG distribution formula. Currently the formula (with the exception of applying the floor and base) uses poverty data as the primary factor but also includes a small factor for inverse population density. Inclusion of a third factor, leveraging of CSBG funds, might be an effective approach. When a CAA uses its capacity and CSBG funding to attract and administer meaningful additional programmatic funds to serve Texans in its assigned area, those CSBG funds are having a greater impact on helping those areas by bringing in more funds.

Staff is very aware, that there may be other innovations and solutions to addressing direct need and maximizing the use of funds. What ultimately emerges as the best solution may borrow from one or more of these formula solutions. Staff does not know what the optimal solution might be but believes that it is timely to start an in depth discussion of these issues in anticipation of submitting a 2014 to 2015 Plan to HHS. Across the country states are focusing on ways to maximize the impact of CAAs and their programs. Cognizant federal regulators are looking at development of better tools to measure outcomes and impacts. It is clear from federal oversight and audits that any entity administering federal program dollars needs to be fully equipped and organized with skilled and experienced staff operating in an appropriate management hierarchy providing for appropriate “check and balance” controls.

To ensure that this issue benefits from substantive public comment and complies with requirements for public hearings, in February staff will be presenting the Board with a proposed rule amendment that will reference the intent for 2014 (not 2013) funds to be awarded under a revised formula and that the inclusion in the rule in 2013 is specifically to provide notice to the action agencies. The 2014-2015 CSBG Plan will be presented for a hearing in June 2013. During the next six months, the Department will work actively with impacted and interested parties to develop the proposed distribution formula.

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**STRATEGIC PLANNING & BUDGETING COMMITTEE ACTION REQUEST
AND BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
JANUARY 17, 2013**

Presentation, Discussion, and Possible Action on the Use of Program Year 2013 Community Services Block Grant (CSBG) Discretionary Funds.

NOTE: This item is being presented at the Strategic Planning and Budgeting Committee of the Board occurring on January 17th prior to the Board meeting. This write up is being used for both meetings; however, to the extent that the Committee recommends amendments or changes to the resolution and policy within this write up, those items will be presented at the Board meeting prior to Board action on the item.

RECOMMENDED ACTION

WHEREAS, CSBG funds are awarded to the State of Texas by the U.S. Department of Health and Human Services (HHS); and

WHEREAS, when the Department receives the State's annual award of CSBG funds, it reserves ninety percent (90%) of the allotment for CSBG eligible entities to provide services/assistance to the low-income population in all 254 counties; five percent (5%) for state administration expenses and the remaining five percent (5%) for state discretionary use; and

WHEREAS, Department staff proposes a policy shift in the allocation and use of CSBG Discretionary funds to promote a program focused biennially on improved outcomes for designated special needs groups, with the first biennium focused on issues of homelessness; and

WHEREAS, a Notice of Funding Availability and/or Request for Proposals is necessary to make these funds available to non-state agencies;

NOW, therefore, it is hereby

RESOLVED, that subject to amendments to this resolution from the Strategic Planning and Budgeting Committee of this Board, the Executive Director and his designees each of them be and they hereby are, authorized, empowered, and directed, for and on behalf of the Department, to cause a Notice of Funding Availability and/or a Request for Proposals to be issued for some or all of the 5% state discretionary funds, consistent with the policy noted herein.

FURTHER RESOLVED, that should one or more respondents or applicants for funds require federal approvals, staff is authorized to make submission to those appropriate

federal entities of those selected respondents prior to presentation to the Board, with the condition that all commitments made with CSBG discretionary funds are presented to the Board for award.

BACKGROUND

The Department has set aside \$1,400,000 of its 2013 annual CSBG allocation for state discretionary projects and for disaster assistance. Historically, the Department has released a CSBG Discretionary Funds NOFA that included categories for funding: (1) employment and education programs for migrant and seasonal farm workers and Native Americans, and other innovative projects (\$1 million); (2) statewide projects to provide training and technical assistance to CSBG eligible entities (\$125,000); and (3) statewide projects that provide training and technical assistance to homeless service providers (\$125,000).

As state and federal resources continue to be constrained it is incumbent upon the Department to creatively identify how to continue to serve critical populations and essentially do more with less. Federal funds are generally quite restrictive with regard to their eligible uses, and flexible funds, such as CSBG discretionary, are often the only funds that may be used for addressing special projects or populations. Therefore, beginning with the 2013 allocation, staff proposes the establishment of a new policy that the CSBG discretionary funds for each biennium be targeted to a specific special needs population such as homeless persons, persons with disabilities, rural communities, or colonias. While this policy shift will require a “ramp down” of the traditionally funded uses, it will allow a more concentrated and impactful effort. Staff believes that an intensive focus on the specific needs of these groups by way of a program funded for two years will allow for a greater emphasis on services and outcomes for those groups and optimize the use of these funds for the state.

The suggested focus for the 2013-2014 biennium is homelessness prevention and services, with an emphasis on state and/or local coordination of systems that emphasize a long term impact for that population. The homeless population was selected for several reasons: 1) to follow on the positive synergy created through the recent release of the 2012 Pathways Home report by the Texas Interagency Council for the Homeless; 2) to follow and continue the positive steps created by the Homeless Housing and Services Program (HHSP) and the Recovery Act Homelessness Prevention and Rapid Re-housing Program (HPRP); and 3) to complement the portion of these 2013 discretionary funds already committed to a Homeless Information Exchange in the Department’s capital budget request to the Legislative Budget Board.

With the 2013 CSBG discretionary funds staff suggests programming funds as described below and as further depicted in the table. As reflected in the Department’s capital budget request to the Legislative Budget Board, \$500,000 is identified to support the development of a data warehouse for the collection of statewide homelessness and homeless services data. Approval from the Legislature is required for this to proceed. The sum of \$300,000 will be targeted to support a statewide homelessness initiative with an ongoing and increased focus on statewide Continuum of Care activities including activities related to accessing more funds for the Balance of State; the sum of \$400,000 will support innovative local homelessness initiatives that may include funding in some regard of Continuum’s of Care for their participation and costs related to the

data warehouse if approved and/or may include funding relating to the evaluation and possible implementation of homeless service coordination with community action agencies. As is historically the case, \$100,000 will be held to support disaster recovery. Because some of the organizations that have historically received funding for Migrant and Seasonal Farmworker populations and Native American populations have become somewhat reliant on those funds, \$100,000 is being targeted to transition them out of the regular discretionary funds; it should be noted that they are eligible to apply for other categories of funds if they meet the requirements.

Data Warehouse Project	\$500,000
Other Homeless Initiatives	
Statewide Homelessness Efforts	300,000
Local Homelessness Innovations and Possible Interplay with Community Action Agencies network	400,000
Transitional Funds for Migrant Seasonal Farmworker and Native American populations	\$100,000
Disaster Recovery Reserve	\$100,000
Total CSBG Discretionary Estimate	\$1,400,000

If approved by the Board, a NOFA and/or Request for Proposal (RFP) will be released with applications estimated to be due in March 2013. It is anticipated that final award recommendations under these NOFAs or RFPs will be presented to the Board in May or June of 2013.

In the event that the Department does not have sufficient eligible applications to fund in one or more categories, or should uncommitted disaster assistance funds remain, the Department will seek Board approval to reprogram the funds from one of the eligible categories to another category and award additional funds.

Upon approval of this action item, applicable NOFA(s) and/or Requests for Proposals will be drafted.

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BOARD ACTION REQUEST
NEIGHBORHOOD STABILIZATION PROGRAM
JANUARY 17, 2013

Presentation, Discussion, and Possible Action to authorize the programming of NSP1 Program Income

RECOMMENDED ACTION

WHEREAS, NSP1 Subrecipients will be continuing activities after the March 3, 2013 Expenditure Deadline, and continued funding will be required to assure the successful completion of homebuyer sales and disposition of Land Bank properties; and

WHEREAS, NSP1 activities will result in the receipt of program income

NOW, therefore, it is hereby

RESOLVED, that expenses for homebuyer transactions and Land Bank operations and disposition be and hereby are approved to be funded from NSP program income as presented at this meeting

BACKGROUND

The Neighborhood Stabilization Program (NSP) is a HUD-funded program authorized by HR3221, the "Housing and Economic Recovery Act of 2008" (HERA), as a supplemental allocation to the Community Development Block Grant (CDBG) Program through an amendment to the existing State of Texas 2008 CDBG Action Plan. The purpose of the program is to redevelop into affordable housing, or acquire and hold, abandoned and foreclosed properties in areas that are documented to have the greatest need for arresting declining property values as a result of excessive foreclosures.

The NSP Closeout Notice published by HUD on November 27, 2012, along with subsequent guidance has clarified the ability to continue certain activities after the March 3, 2013 Expenditure Deadline. Chiefly, HUD has stated that occupancy of all properties is not a requirement for expenditure, and that disposition of Land Bank properties is an activity they expect to continue until properties reach their final eligible use.

For the Texas NSP1, funds available for the purchase, rehabilitation or new construction of single-family homes must be expended by the deadline, but all properties will not necessarily be occupied. A continued source of funds will be necessary to pay third-party costs required at the homebuyer closings. These costs will generally be tied to Title and Escrow fees, insurance, appraisals and inspections, but may extend to repairs required to meet Housing Quality Standards or TREC Inspection requirements. Activity Delivery charges, in the form of staff time required to close transactions may also be budgeted.

Subrecipients that will be working to complete the redevelopment of Land Bank properties will have continued expenses for administrative and carrying costs to operate the Land Bank. Carrying costs are generally taxes, insurance, mowing and similar maintenance charges. Funds for rehabilitation or construction necessary to bring Land Bank properties into final eligible use prior to the 10 year federal deadline will be prioritized in future NOFAs for NSP Program Income.

It is proposed that funds required to close homebuyer transactions and fund Land Bank carrying costs and possible other activities be budgeted from available NSP Program Income, and made available to current subgrantees in good standing through a Service Agreement or similar arrangement. The amount budgeted will be based on estimates created from NSP records of expenses for similar programs and transactions, the percentages established in earlier NOFAs and Contract would no longer apply. Further, due to the long-term nature of Land Banking, and the need for continued effort to reach timely completion, it is proposed that the administrative funds available for Land Bank activities be tied to production levels.

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STRATEGIC PLANNING & BUDGETING COMMITTEE
FINANCIAL ADMINISTRATION DIVISION
JANUARY 17, 2013

Presentation and Discussion of Proposed Salary Compensation Plan

The Annual Operating Budget was approved at the July 10, 2012 Board Meeting. This Budget:

- Included salaries of \$16,197,582 of which \$242,963 (1.5% of salaries) available for annual growth.
- Corresponded to a Legislative Appropriations Request (LAR) which included a 1.5% increase in salary expense for FY 2014 and 2015

For consideration:

- Promotions of no more than 6.8% increase. This percentage is based on a statewide cap.
- Reclassifications of no more than 6.8% increase. This percentage is based on a statewide cap. Merit of no more than 3% increase or at a minimum \$125 per month. This is a recommended internally imposed policy constraint.
- Equity Adjustments (*Limited to section growth allowance*)
- One-time merit payments (*Current year impact only*)

Salary Planning Tool

- Available on the Q drive for every section
- Assists in planning future annual impact on budget
- Determines current year impact
- Planning tool must be included with any personnel action memo to ensure budget compliance
- Planning tool must be completed by April 15th to be incorporated into next fiscal year budget
- Actions must be submitted by July 1st

Performance Evaluations

- Actions subject to current evaluation on file

