STRATEGIC PLANNING AND BUDGETING COMMITTEE MEETING OF JULY 9, 2012

Tom H. Gann, Chair

Juan Muñoz, Member
J. Paul Oxer, Member

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

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

AGENDA

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

Item 1   Presentation, Discussion, and Possible Action on the Strategic Planning & Budgeting Committee Meeting Minutes of June 14, 2012   **Tom H. Gann**
Chair

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

    a)   LAR and Proposed Budget 2014-2015   David Cervantes / Bill Dally

    b)   Recommended Budget Reduction Priorities in Response to Request from the Legislative Budget Board and the Office of the Governor   Bill Dally / Tim Irvine

    c)   Exceptional Item Request(s)   Bill Dally / Tim Irvine

    d)   Information Technology Detail (ITD) Capital Project Requests   Curtis Howe

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

EXECUTIVE SESSION   Tom H. Gann
Chair
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

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

1

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

RECOMMENDED ACTION

Approve the Strategic Planning & Budgeting Committee Meeting Minutes Summary of June 14, 2012

> **RESOLVED**, that the Strategic Planning & Budgeting Committee Meeting Minutes Summary of June 14, 2012, is hereby approved as presented.

June 13, 2012; 6:00 PM
211 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 June 13, 2012 was called to order by Tom H. Gann at 6:00 p.m. It was held at 211 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 ITEM

AGENDA ITEM 1   Presentation, Discussion, and Possible Action on the Strategic Planning & Budgeting Committee Meeting Minutes of May 10, 2012
Minutes approved as presented.

REPORT ITEMS

AGENDA ITEM 2   **Presentation and Discussion on the Legislative Appropriation Request (LAR)**
a) Background and Overview of the LAR
b) Budget Framework
c) Administrator's Statement
d) Exceptional Item Request
e) Information Technology Detail (ITD)
f) Riders to the General Appropriations Act (GAA), if requested
g) Changes to Measures
Report item only. No action taken.

AGENDA ITEM 3   **Presentation and Discussion regarding the TBA Program to create financing for the First Time Homebuyer Program and possibly other types of home ownership assistance**
Mr. Pike and Mr. Nelson explained the program and reported that rules for the TBA program will be presented at the next meeting, and with the Board's approval the program will launch in September.
Report item only. No action taken.

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.

No Public Comment.

EXECUTIVE SESSION
No Executive Session held.

ADJOURN
Since there was no other business to come before the Committee, the meeting was adjourned at 8:00 p.m. on June 13, 2012.

2a

ORAL PRESENTATION

2b

Attached for discussion is a recommended Summary of State Fiscal Year (SFY) 2014-15 Ten Percent Biennial Base Reduction Options to be included as part of the Department's SFY 2014-15 Legislative Appropriations Request (LAR).

Background
When the Legislative Budget Board (LBB) and Governor's Office of Budget, Planning, and Policy (GOBPP) released instructions for the SFY 2014-15 LAR, they also released a memorandum – referred to as the "policy letter" – limiting "baseline" 2014-15 General Revenue to the sum of amounts expended in fiscal year 2012 and 2013 and directing state agencies to submit a supplemental schedule indicating how each agency would reduce its General Revenue appropriations by an additional ten percent. Agencies are to provide the schedule in increments of five percent and indicate the impact of each reduction.

Policy letters directing agencies to identify General Revenue reductions have been a staple of the state's budget process for a number of sessions. Since the SFY 2008-09 biennium, the reduction target has been ten percent. The schedules provide leadership an alternative to across the board cuts and allow the state to set priorities in use of state General Revenue. Typically leadership reduces General Revenue less than the targeted amount. Once this reduction is taken, it is often a permanent reduction in General Revenue, carrying forward to the next biennium.

TDHCA General Revenue
The majority of TDHCA funding derives from Federal Funds or Appropriated Receipts associated with federally authorized programs. General Revenue constitutes a relatively small but important portion of TDHCA's total budget. Of TDHCA's $16 million in General Revenue over the SFY 12-13 biennium, almost $12 million is associated with the Housing Trust Fund. Approximately $800,000 is associated with disparate initiatives that seek to use flexible state revenue to understand the needs and develop strategies for difficult to serve populations such as the homeless, persons with disabilities, and migrant workers. The majority of the remaining funds provide funding for administrative support. General Revenue applied to central administrative support derive from Earned Federal Funds. These are part of administrative funds TDHCA receives through its federal grant funding and can be applied to indirect administrative support provided by TDHCA or another state agency. TDHCA anticipates that its Ten Percent Reduction Target will be $1.5 million. (While 10% of TDHCA's General Revenue appropriations for SFY 2012-13 is $1.6 million, it is anticipated that Housing Trust Fund appropriations transferred to the Texas Veterans Commission will not be included in this calculation.)

Considerations in Developing Reduction Options
In developing the Ten Percent Reduction Schedule, staff sought to minimize the impact on direct services. In particular, staff sought to preserve SFY 2012-13 funding levels for the Texas Bootstrap Program and the Amy Young Barrier Removal Program. Both of these broadly supported programs rely on the Housing Trust Fund to meet needs difficult to address through federal funding sources. Staff also sought to preserve the SFY 2012-13 funding available for the provision of technical assistance to rural homeless coalitions in their efforts to access federal Continuum of Care funds. This funding is consistent with TDHCA's role as the lead agency on Texas Interagency Council on the Homeless and helps communities leverage federal funds. Originally funded at $109,000 per year, this program has been reduced to $50,000 per year through previous General Revenue reductions; further reductions could jeopardize the effectiveness of this program. Also taken into consideration in identifying areas of reduction were anticipated needs for SFY 2014-15.

Summary of Proposed Ten Percent Biennial Baseline Reduction Options, State Fiscal Years 2014-15

Calculation of 10% Reduction

Strategy A.1.1. - Housing Trust Fund	11,700,000
Strategy B.1.1. - Information Assistance/Housing Resource Center	
Housing and Health Services Coordination Council	484,420
Affordable Housing Research and Information Program	240,000
Strategy C.1.1. - Poverty and Homeless Services	
Balance of State Continuum of Care Technical Assistance	100,000
Strategy E.1.4. ‿ Texas Online Fees (Manufactured Housing)	38,240
Strategies F.1.1-3 - Central Support and Administration	3,724,750
Total 2012-13 General Revenue Funding Appropriations	16,287,410
Transfer to Texas Veteran's Commission per Rider 19 of GAA (2012-13)	(1,170,000)
Base amount subject to 10% reduction	**15,117,410**
Estimated 10% Reduction	**(1,511,741)**
Amount available for 2014-15 General Fund Appropriations	13,605,669

Proposed Reduction Options

Items are in reverse order of impact to TDHCA Goals and Programs. As directed, options are provided in 5% increments.

Fiscal Year/ Priority	Strategy	Amount	Impact
First 5%			
2014/#1	F.1.1 Indirect Administration and Support costs	$186,874	This would reduce General Revenue available for TDHCA central administration. This reduction would be consistent with ongoing reductions in central administrative functions as federal funds contract with the completion of federal stimulus programs. In implementing this reduction, TDHCA must ensure that adequate central support remains available for important program close-out functions such as external audits. *NOTE: General Revenue applied to central administrative support derives from Earned Federal Funds (EFF). EFF are essentially a portion of the administrative funds TDHCA receives from its federal grant funding sources. EFF can be utilized to fund indirect support of federal activity, such as TDHCA Central Administration and support provided by other state agencies.*
2014/#2	B.1.1 – Information Assistance/Housing Resource Center (Affordable Housing Research and Information Program)	$120,000	This would eliminate SFY 2014 funding for this program. Typically this funding has been utilized for market studies and other types of needs survey. TDHCA anticipates that it will be able utilize studies under taken in SFY 2012-13 and previous biennium in developing program policies.
2014#3	B.1.1 – Information Assistance/Housing Resource Center Housing and Health Services Coordination Council (HHSC)	$149,497	This would reduce funding for the Council without jeopardizing the overall objective of the Council's mission. Funding for professional services under this program would be eliminated but sufficient funding would remain for TDHCA staff support and Council travel.
2014/#4	A.1.1. – Affordable Housing/Housing Trust Fund	$299,500	This would reduce funding available to the Housing Trust Fund Program. To achieve this reduction, TDHCA would decrease General Revenue applied to TDHCA administration by $69,000; replacing these funds with Appropriated Receipts. As TDHCA would seek to preserve the Texas Bootstrap Program and the Amy Young Barrier Removal Program at SFY 2012-13 funding levels, the remaining $230,500 would result in reductions from other Housing Trust Fund activities such as Homebuyer Assistance. Based on the maximum Homebuyer Assistance subsidy, TDHCA anticipates that 23 fewer households would be served through the Housing Trust Fund as a result of this reduction.
Second 5%			
2015/#1	Goal F. – Indirect Admin and Support costs	$186,874	This would reduce General Revenue available for TDHCA central administration. This reduction would be consistent with ongoing reductions in central administrative functions as federal funds contract with the completion of federal stimulus programs. In implementing this reduction, TDHCA must ensure that adequate central support remains available for important program close-out functions such as external audits. *NOTE: General Revenue applied to central administrative support derives from Earned Federal Funds (EFF). EFF are essentially a portion of the administrative funds TDHCA receives from its federal grant funding sources. EFF can be utilized to fund indirect support of federal activity, such as TDHCA Central Administration and support provided by other state agencies.*
2015/#2	B.1.1 – Information Assistance/Housing Resource Center (Affordable Housing Research and Information Program)	$120,000	This would eliminate SFY 2014 funding for this program. Typically this funding has been utilized for market studies and other types of needs survey. TDHCA anticipates that it will be able utilize studies under taken in SFY 2012-13 and previous biennium in developing program policies.
2015/#3	B.1.1 – Information Assistance/Housing Resource Center Housing and Health Services Coordination Council (HHSC)	$103,341	This would reduce funding for the Council without jeopardizing the overall objective of the Council's mission. Funding for professional services under this program eliminated but sufficient funding would remain for TDHCA staff support and Council travel. *Note: Because TDHCA does not receive level funding for this program over each of the biennium, the SFY 2015 reduction is less than the SFY 2014 reduction*
2015/#4	A.1.1. – Affordable Housing/Housing Trust Fund	$345,655	This would reduce funding available to the Housing Trust Fund Program. To achieve this reduction, TDHCA would decrease General Revenue applied to TDHCA administration by $69,000; replacing these funds with Appropriated Receipts. As TDHCA would seek to preserve the Texas Bootstrap Program and the Amy Young Barrier Removal Program at SFY 2012-13 funding levels, the remaining $276,655 would result in reductions from other Housing Trust Fund activities such as Homebuyer Assistance. Based on the maximum Homebuyer Assistance subsidy, TDHCA anticipates that 28 fewer households would be served through the Housing Trust Fund as a result of this reduction.
TOTAL		**$1,511,741**	

2c

ORAL PRESENTATION

2d

REPORT ITEM

Information Technology Detail (ITD)

About the ITD (repeated from June 13 ITD report item)

The information technology (IT) planning component associated with the LAR is the Information Technology Detail (ITD). The primary purpose of the ITD is to provide the supporting detail and justification for the agency's IT operating budget and any capital budget requests. In the ITD for each biennium, the IT staffing, operational activities, and hardware and software maintenance expenses are described in a project called Daily Operations. Any additional projects submitted in the ITD are capital budget projects. For the past four ITDs, TDHCA's capital budget projects have been funded by a mix of appropriated receipts and federal funds, but no general revenue has been used for such projects. We will continue this funding model for the FY 2014-2015 biennium and future biennia.

State agencies submit the ITD along with the LAR in the Legislative Budget Board's Automated Budget and Evaluation System of Texas (ABEST). TDHCA's FY 2014-2015 LAR/ITD submission deadline is August 16, 2012.

FY 2012-2013 ITD Recap (repeated from June 13 ITD report item)

In August 2010 TDHCA submitted only one capital budget project named Purchase of Information Resources, with a budget of $703,000 for the FY 2012-2013 biennium. As a starting point, the 82nd Texas Legislature reduced all agency IT capital budgets to $50,000 per project per year for each year of the FY 2012-2013 biennium. Through an exceptional item request for critical technology infrastructure needs, TDHCA's capital budget request was increased to $95,000 each year. We removed all capital purchases of end-user hardware and software from the plan to stay within this reduced budget.

FY 2014-2015 ITD

In the FY 2014-2015 ITD, staff offers for consideration by the committee and ultimately the board the required Daily Operations project and three capital budget projects: IT Hardware and Software Refresh, TDHCA HR System Migration to CAPPS, and Texas Homeless Management Information System (HMIS), each described below in a narrative that includes the estimated project budgets. Project 1 and 2 descriptions and budgets are the same as presented in the June 13 Strategic Planning & Budgeting Committee meeting. Projects 3 and 4 have been updated with more firm estimates.

Project 1: Daily Operations (repeated from June 13 ITD report item)

The Daily Operations project budget is made up of the following categories of operational expenses: Information Systems Division (ISD) staff salaries and operating costs, annual hardware and software maintenance, and agency-wide IT services. Through this budget, ISD provides a wide range of services to the agency, including 1) designing, developing, and maintaining major custom software applications that support TDHCA business; 2) supporting off-the-shelf financial and contract systems, including the Mitas Accounting/Loan Servicing System, PeopleSoft Financials, and the Housing Pro Section 8 System; 3) providing network, IT security, website, and technical support services; and 4) managing the agency's data center.

The planned FY 2014 Daily Operations budget of $2,393,434 consists of:
ISD staff salaries -- $1,315,328
ISD operating costs -- $214,756
Hardware maintenance -- $82,000
Software maintenance -- $234,350
IT services -- $547,000

The FY 2015 Daily Operations budget of $2,419,434 consists of:
ISD staff salaries -- $1,315,328
ISD operating costs -- $214,756
Hardware maintenance -- $82,000
Software maintenance -- $260,350
IT services -- $547,000

Project 2: IT Hardware and Software Refresh (repeated from June 13 ITD report item)

The IT Hardware and Software Refresh project for FY 2014-2015 will achieve the goals of 1) providing desktop software, 2) delivering suitable PCs and laptops, 3) performing server hardware and software upgrades, and 4) performing network hardware replacements. This project is the equivalent of the FY 2012-2013 Purchase of Information Resources capital budget project. As mentioned earlier in this document, TDHCA removed all planned end-user hardware and software purchases from the FY 2012-2013 project because of the reduction in state agency capital budgets to $50,000 per year. The FY 2014-2015 IT Hardware Software Refresh project will include many critical IT purchases that had been deferred from the FY 2012-2013 biennium.

The planned FY 2014 IT Hardware and Software Refresh budget of $374,500 consists of:
PCs and laptops -- $108,000
Desktop software (Office upgrade) -- $56,500
Server and network hardware and software -- $210,000

The planned FY 2015 IT Hardware and Software Refresh budget of $213,500 consists of:
PCs and laptops -- $57,000
Desktop software (Office upgrade) -- $56,500
Server and network hardware and software -- $100,000

Project 3: TDHCA HR System Migration to CAPPS

<u>July 9 update</u>: TDHCA met with the Office of the Comptroller of Public Accounts (CPA) on June 15 to discuss options for lowering the cost estimate, given that TDHCA would be using CAPPS HR/Payroll out of the box, with no agency-specific customizations. After the meeting, CPA provided the following updated estimates for implementation costs:

Option 1: CAPPS HR/Payroll reduced scope (HR, Payroll, Position Control, and Time & Labor)
- Going forward without another agency: $790,000
- Going forward with another agency: $590,000

Option 2: CAPPS HR/Payroll full implementation (above modules plus Enterprise Learning Management, Performance Management, and Talent Acquisition Manager)
- Going forward without another agency: $988,026
- Going forward with another agency: $741,019

Regardless of the option chosen, the annual maintenance cost, which would begin after implementation is complete, remains $270,000 per year.

TDHCA staff recommends including the TDHCA HR System Migration to CAPPS project in the agency's FY 2014-2015 capital budget, with a project implementation budget of $741,019 (full implementation/going forward with another agency) and an ongoing annual maintenance budget of $270,000. The two main reasons for this recommendation are 1) CAPPS is the established system for State of Texas ERP and 2) the $741,019 option offers the best value of the four options proposed by CPA.

However, we also recommend including language in the project submission that describes a second option of rebuilding TDHCA's custom HR System using contract programmer support at lower implementation and ongoing support costs. This second option, which is subject to CPA approval, would be exercised in the event that the Legislature approves the project, but with a budget that is significantly below CPA's estimates.

<u>June 13 narrative for reference</u>: In the summer of 2008, TDHCA prepared an FY 2010-2011 ITD project request to replace its legacy, character-based Human Resources (HR) System with an upgraded web-enabled system. During this same time period, the Office of the Comptroller of Public Accounts (CPA) was in the process of creating a report for the 81st Texas Legislature titled *A Plan for the Implementation of Enterprise Resource Planning (ERP) for the State of Texas*. This report is still available on CPA's Project One website: http://www.txprojectone.org/index.php.

The Legislature granted CPA authority to review and approve or disapprove ERP project requests. We submitted TDHCA's proposed HR System project to CPA, which disapproved the request at that time because of the plan to consolidate almost all state agency ERP systems into a central implementation managed by CPA.

TDHCA's current HR System is a custom-built application that has been in use for over 16 years and is maintained and developed entirely by TDHCA information technology staff. It supports the following HR functions: 1) personnel records management, including position and

compensation management, 2) time reporting through online timesheets, 3) leave accounting, 4) applicant tracking, and 5) training records management.

Although it meets the above HR needs, it is lacking in important areas, including the following: 1) a consolidated payroll entry system is not available, 2) the time and leave features have significant limitations in associating grant or activity codes to employee hours, and 3) the system lacks features such as integrated performance evaluations, personnel actions, and online applicant tracking. Additionally, the legacy software development platform (APPX) in which the HR System is coded represents an ongoing support risk because there are few programmers trained in it.

Since the winter of this fiscal year, TDHCA has been working with CPA management responsible for implementation of the statewide ERP system (now called the Centralized Accounting and Payroll/Personnel System, or CAPPS) to determine if it will be possible for TDHCA to migrate to CAPPS in FY 2014-2015 and to develop an estimated cost for this migration.

In May, CPA provided TDHCA an initial estimate of $1,663,752 for implementation/migration of HR/payroll to CAPPS and $270,000 for annual maintenance in subsequent years. We have scheduled a June 15 meeting with CPA to discuss possibilities for lowering these costs. At the next Strategic Planning & Budgeting Committee meeting we will report on the results of these discussions and make a recommendation to the committee regarding whether TDHCA should join the state of Texas ERP system, submit a project request to CPA to rebuild our internal HR System, or continue maintaining the current system.

Project 4: Texas Homeless Management Information System (HMIS)

July 9 update: Based on a review of vendor responses to TDHCA's HMIS request for information (RFI) and estimates provided by HUD technical assistance consultants, we recommend a project budget of $500,000 in FY 2014 for implementation, and $110,000 in each following fiscal year for ongoing hosting services and maintenance.

June 13 narrative for reference: Texas Government Code §2306.001(6) assigns TDHCA the responsibility of serving as the lead agency for addressing the problem of homelessness in Texas at the state level and coordinating interagency efforts to address any problem associated with homelessness, including hunger. To act on this charge, the Department and the other agencies with which it must coordinate need adequate data on the scale, composition, and geography of Texas's homeless population, the performance of programs designed to address homelessness, and the intersection of populations experiencing homelessness with populations served by other state agencies. Currently, accurate statewide data of this nature does not exist. A Texas Homeless Management Information System (HMIS) data warehouse offers Texas's best option for gathering sophisticated data on homelessness. The proposed data warehouse will integrate client-level data from fifteen existing, local HMIS implementations. A different Continuum of Care (CoC) manages each HMIS implementation; no entity, including HUD, gathers this data in a single database. TDHCA's case for expending funds to procure an HMIS data warehouse rests on the following assumptions: 1) 12 to 15 CoCs will commit to submitting client-level data to the warehouse; 2) CoCs will submit sensitive data elements which are required for more sophisticated analysis, including location where a record originates and disability status of client; 3) TDHCA will have sufficient funds to sustain the project beyond FY 2015. The data warehouse

will cost between $200,000 and $500,000 in FY 2014, $110,000 in FY 2015, and $110,000 in each following fiscal year. TDHCA proposes using discretionary funds from the Community Service Block Grant (CSBG) to cover startup costs in FY 2014. The U.S. Department of Health and Human Services (HHS) confirmed the data warehouse is an allowable expenditure under CSBG. TDHCA is inquiring with HUD to see if sustainment of the data warehouse is an allowable expense for ESG.