

Oklahoma Senate Committee on Appropriations

2014-15 Performance Report

Oklahoma Industrial Finance Authority

AGENCY MISSION STATEMENT:

A change to the Oklahoma Constitution created the Oklahoma Industrial Finance Authority in 1959. The Constitution directed the Agency to “Promote the expansion of Industry and Manufacturing activity in the State.” The OIFA embraced the purpose to aid and assist with Oklahoma’s industrial development by making loans to industrial development agencies for the acquisition of real property and equipment to be used by responsible industrial tenants. Through providing such loans the OIFA helps these companies provide additional employment and payrolls within Oklahoma and also helps diversify the State’s economy.

LEAD ADMINISTRATOR:

Michael D. Davis, President
Oklahoma Industrial Finance Authority
9220 North Kelley
Oklahoma City, Oklahoma 73131
405-842-1145
mdavis@okfinance.com

GOVERNANCE:

OIFA functions under the direction of an eight member Board of Directors. The Governor appoints six members who are subject to the advice and consent of the Senate, for overlapping six (6) year terms. These six appointees, of which no two can be from the same congressional district and at least five must be from the financial community and have at least 15 years of experience. The remaining member of these six is an at-large recognized business person in the state of Oklahoma. The Director of the Oklahoma Department of Commerce is an ex-officio voting member. The State Treasurer serves as an ex-officio non-voting member. Only the Board of Directors has the authority to approve or deny a loan application. ***(See attached Board of Directors List)***

A Loan Committee exists to reviews loan applications, supporting materials and management’s recommendation to ensure that the loan meets standard lending policy prior to consideration by the full Board for approval or denial. The Loan Committee is made up of three members from the Board of Directors and staff of the OIFA.

The day to day management of the OIFA is vested in the President & CEO who is an employee of the Authority and serves at the pleasure of the Board of Directors.

GOVERNANCE ACCOUNTABILITY:

There is no statutory attendance policy for the Board of Directors. However, attendance by the six appointed Board of Directors has been 92% of meetings attended for the three most recent full fiscal years with five of the six Directors having near perfect attendance. The Board of Directors average 13 plus years of service on the Board with many serving under multiple appointed terms. One Director has served for 20 years, two for 16 years each, one for 14 years, one for 7 years and the most recently appointed for 6 years.

MODERNIZATION EFFORTS:

The OIFA is currently undertaking the following modernization initiatives:

- Business process reengineering to ensure that we are operating at maximum efficiency in delivering services and will not require additional FTE to maintain higher volumes of business
- Evaluating existing management reporting and improving quality and timeliness
- Imaging initiative designed to improve record accessibility, protect original documentation and reduce storage needs
- Automating loan covenant tracking to reduce exposure to loan losses.

CORE MISSION:

The OIFA, through industrial development agencies, lends monies on hard asset collateral for projects encompassing industrial, agricultural processing, manufacturing or enterprises which process mined resources.

The OIFA is not required to provide services outside its core mission.

PRIVATE ALTERNATIVES:

A private sector service provider ***does not exist*** to provide tax-exempt loan solutions for industrial and manufacturing projects under the tax-exempt loan program of the OIFA.

Commercial banking institutions ***do exist*** to provide taxable loan solutions for industrial and manufacturing projects under the taxable loan program of the OIFA. However, it is not the intent of the OIFA to be in competition with banks, but rather a working partner and participate with banks in the lending process to meet the needs of Oklahoma industry. By sharing the collateral and risk, both public and private sector funds can be leveraged and dispersed more widely. Applicants are encouraged to request direct participation of their bank and OIFA will work with the applicant's bank to the fullest extent possible. Where a bank is involved as a participant, the OIFA may ask that bank to be the servicing agent. *The OIFA provides no other commercial banking services beyond real property and equipment lending.*

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BOARD OF DIRECTORS:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>	<u>Years of Service</u>	<u>Principal Occupation</u>
Don L. Smith	Chairman	October, 2020	7	Attorney At Law; Lawton, OK
Hugh Jones	Vice Chairman	October, 2015	6	Retired, Banker; Woodward, OK
G. Bridger Cox	Secretary - Treasurer	October, 2017	16	President, Citizens Bank & Trust Company of Ardmore; Ardmore, OK
D.R. Shipley	Director	October, 2018	20	Senior Vice President, First United Bank & Trust Co.; Tecumseh, OK
Hank Bradley	Director	October, 2019	14	Executive Vice President, BancFirst; Oklahoma City, OK
Chris Condley	Director	October, 2016	16	Chief Executive Officer, Firststar Bank; Muskogee, OK
Deby Snodgrass	Ex-Officio - Voting Member			Director of Oklahoma Department of Commerce
Ken Miller	Ex-Officio - Non-Voting Member			Treasurer of the State of Oklahoma

Oklahoma Industrial Finance Authority

Lead Administrator: Michael D. Davis

Lead Financial Officer:

FY'15 Projected Division/Program Budget By Source						
	Appropriations	Federal	Revolving	Local	Other*	Total
General Operations			\$2,141,000			\$2,141,000
Total	\$0	\$0	\$2,141,000	\$0	\$0	\$2,141,000
*Source of "Other" and % of "Other" total for each.						

FY'14 Carryover by Funding Source						
	Appropriations	Federal	Revolving	Local	Other*	Total
FY'14 Carryover	\$0	\$0	\$24,309,000	\$0	\$0	\$24,309,000
*Source of "Other" and % of "Other" total for each.						

What Changes did the Agency Make between FY'14 and FY'15	
1.) Are there any services no longer provided because of budget cuts?	No.
2.) What services are provided at a higher cost to the user?	None. Program costs to the user remain flat.
3.) What services are still provided but with a slower response rate?	None. Response rate is actually improved.
4.) Did the agency provide any pay raises that were not legislatively/statutorily required?	Yes.

FY'16 Expected Division/Program Budget By Source						
	Appropriations	Federal	Revolving	Other	Total	% Change
General Operations			\$2,140,000			\$2,140,000
Total	\$0	\$0	\$2,140,000	\$0	\$0	\$2,140,000
*Source of "Other" and % of "Other" total for each.						

FY'16 Top Five Budget Adjustments/Needs (if applicable)	
	\$ Amount
n/a	

Total Increase above FY-15 Budget 0

How would the agency handle a 3% appropriation reduction in FY'16?

How would the agency handle a 5% appropriation reduction in FY'16?

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Lead Financial Officer:

Is the agency seeking any fee increases for FY'16?	
	\$ Amount
No.	\$0 \$0 \$0

What are the agency's top 2-3 capital or technology (one-time) needs, if applicable?
n/a

Federal Government Impact
<p>1.) How much federal money received by the agency is tied to a mandate by the Federal Government? n/a</p> <p>2.) Are any of those funds inadequate to pay for the federal mandate?</p> <p>3.) What would the consequences be of ending all of the federal funded programs for your agency?</p> <p>4.) How will your agency be affected by federal budget cuts in the coming fiscal year?</p> <p>5.) Has the agency requested any additional federal earmarks or increases?</p>

Division and Program Descriptions
<p>General Operations Actively manage profitability to ensure continued annual growth in Net Assets. Continuous productivity improvement to ensure no additional growth in FTE.</p>
Division/Program II
Division/Program III
Division/Program IV
Division/Program V

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FY'16 Budgeted FTE						
	Supervisors	Classified	Unclassified	\$0 - \$35 K	\$35 K - \$70 K	\$70 K - \$\$\$
General Operations			5		2	3
Total	0	0	5	0	2	3

FTE History					
	2015 Budgeted	2014	2010	2009	2004
General Operations	5	5.5	6.38	6.88	
Total	5	6	6	7	0

Performance Measure Review					
	FY'13	FY'12	FY'11	FY'10	FY'09
General Operations					
Growth in Net Assets	Increased	Increased	Increased	Increased	Increased
Growth in FTE	Decreased	Decreased	Decreased	No Change	No Change
Measure II					

Revolving Funds (200 Series Funds)			
	FY'12-14 Avg. Revenues	FY'12-14 Avg. Expenditures	June '14 Balance
Revolving Fund I			
200 Industrial Development Loan Fund	\$1,736,000	\$1,728,000	\$24,309,000
805 Bond Redempion			
810 Bond Interest			
Revolving Fund II			
Brief Description	\$0	\$0	\$0