

# ANNUAL PERFORMANCE REPORT

## Part 1: Agency Summary

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**Agency:** Department of Finance

**Mission Statement:**

The mission of the Department of Finance is to facilitate continuous improvement in the performance of state government for the people of Minnesota through the provision of information, analysis and financial management services designed to:

- assure the integrity of the state's finances;
- monitor and report performance of state activities;
- communicate priorities;
- coordinate and facilitate policy development and implementation from a "whole state" perspective; and
- improve accountability and promote the prudent management of state resources.

The department serves the executive branch and, through the Governor, the other branches and governing units of the state. Credibility within these groups is a measure of the department's success.

The department provides the following services:

- |                   |                        |
|-------------------|------------------------|
| ■ accounting      | ■ financial consulting |
| ■ budgeting       | ■ financial reporting  |
| ■ cash management | ■ payments             |
| ■ debt management | ■ policy analysis      |

In order for the department to accomplish this mission, it must depend on its staff and their ability to manage information resources - to efficiently and accurately collect data, to process it into useful information, and to effectively apply that information to continuously improving the performance of state government. The department best achieves these goals when its actions are consistent with its values.

Statutory authority for the Department of Finance is found primarily in M.S. 16A.

# ANNUAL PERFORMANCE REPORT

## Part 2: Program Information

**Agency:** Department of Finance  
**Program:** Accounting Services

**Program Purpose:** The Accounting Services Division provides statewide accounting and payroll systems and services to process, record and report state financial activity. These systems and services incorporate a system of internal controls to assist in assuring compliance with appropriate financial principles, policies and legal requirements. (M.S. 16A.065; 16A.124; 16A.1245; 16A.12-16A.15,16A.155-16A.18;16A.25; 16A.275-16A.284; 16A-36-16A.531; 16A.56; 16A.57; 16A.58;16A.60; 16A.631; 16A.68-16A.71; 16A.72-16A.724)

The Accounting Division's general goals are contained in M.S. 16A.055 Subd. 1 (1)-(7)

- (1) receive and record all money paid into the state treasury and safely keep it until lawfully paid out
- (2) manage the state's financial affairs
- (3) keep the state's general account books according to generally accepted government accounting principles
- (4) keep expenditure and revenue accounts according to generally accepted government accounting principles
- (5) develop, provide instructions for, prescribe, and manage a state uniform accounting system
- (6) provide to the state the expertise to ensure that all state funds are accounted for under generally accepted government accounting principles
- (7) coordinate the development of and maintain standards for, internal auditing in state agencies...

### Performance Objectives and Measures:

One of the overall objectives of the Accounting Division has been to delegate to agencies the processing of documents where feasible -- where doing so improves agency operations and agencies can handle the processing. During the past year we have increased the delegation of agency entry of receipts to the accounting system; authority for agencies to sign specific types of contracts without Finance signature. We will continue to pursue this effort in conjunction with the development of the new statewide accounting and payroll systems.

Other more quantifiable performance objectives and measures are provided below.

1. *Customer service:* The department is currently engaged in a formal, detailed survey that assesses agency satisfaction with the services provided. The exercise also attempts to identify perceived future directions and opportunities the department should be taking. The survey covers all department services including payroll and accounting.

The survey results will identify particular service areas on which to focus in follow up interviews.

**Measure:** The measure used is the percent of respondents indicating that they were either satisfied or very satisfied with the services provided to meet their payroll and accounting functional needs.

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	Objectives		
					F.Y. 1994	F.Y. 1995	F.Y. 2000
Payroll Actual				85%	88%	88%	88%
Accounting Actual				71%	75%	80%	85%

2. *Providing quality financial information:* The division also produces the state's Comprehensive Annual Financial Report. The document is a summary of the state's financial position at year end and its financial activity during the year. It is used by the financial community and by citizen organizations. Each of the last 7 years the report has earned an unqualified opinion

**Part 2: Program Information (Cont.)**

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from the Legislative Auditor. The department has also received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. Minnesota was one of five states to receive this award in 1985. Currently 22 states have received this award.

**Measure:** Award of the Certificate of Achievement for Excellence in Financial Reporting. This award recognizes comprehensive annual financial reports that are easily readable, efficiently organized and conform to rigorous standards in addition to satisfying generally accepted accounting principles and applicable legal requirements.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	Awarded	Awarded	Awarded	Awarded	Award	Award	Award

3. On-time preparation of vendor and payroll warrants.

**Measure:** Percent of time that vendor and payroll warrants are produced as scheduled.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	100%	100%	100%	100%	100%	100%	100%

# ANNUAL PERFORMANCE REPORT

## Part 2: Program Information

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**Agency:** Department of Finance  
**Program:** Budget Analysis and Operations

**Program Purpose:** The purpose of this program is to serve the Governor and Legislature by:

1. Producing the Governor's biennial, supplemental and capital budgets is the program's highest priority function. The program implements the Governor's budget and fiscal policies ensures the accuracy of the numbers and consistency in style, produces the budget documents, and develops the legislation needed to implement the budget (M.S. 16A.10, 16A.11).
2. Providing policy makers with statewide projections of revenues and expenditures for all operating funds is the program's second priority. The Program maintains a tracking system which provides the Governor and Legislature with the information they need to determine when a balanced budget has been established, and reporting the budgetary balances that are established by legislative and executive action (M.S. 16A.15).
3. Program staff conduct analyses to ensure the accuracy of agency estimates of the costs of making changes to current law programs or establishing new programs (fiscal notes); identify areas of budget growth that suggest budget problems exist; ensure that proposed policies and adopted laws incorporate sound financial management principles; and identify additional ways to resolve budget issues beyond those recommended by state agencies (M.S. 16A.055, 16A.10, 16A.126-8).

Staff are regularly expected to develop budget options that will lead to more effective and efficient uses of state resources.

4. The program implements statewide budget policy by ensuring that agency spending plans conform to state laws (both in the amount of the spending and in the purpose for which appropriations were made), identifying emerging budget problems as early as possible so they do not simply become deficiency budget requests, and providing advice to some agencies on certain accounting functions (M.S. 16A.14).

The program strives to ensure the integrity of all budget-related information and data produced for executive and legislative branch decision makers.

The budget analysis and operations program has four primary goals which are referenced in Minnesota Statutes 16A.06:

- To provide effective consulting services on financial management, budget and program assessments to the Governor, Legislature and agencies' senior management staffs
- To periodically evaluate the states financial condition by preparing forecasts and comparative financial reports on revenues and spending
- To evaluate and compare the costs of programs and functions
- To manage development and review of state program objectives and performance.

### Performance Objectives and Measures:

**General Performance Standards.** As a "staff agency," the program's performance measures are closely related to uses of information, communications and liaisons with "clients":

1. **Relevance and Understandability:** Is information and data provided within a logical hierarchy that differentiates among client levels of responsibility and interest?

**Part 2: Program Information (Cont.)**

- 2. **Comparability and Usefulness:** Is program information provided in formats that correspond to the subject in questions or under evaluation: **Program, agency, fund, policy, etc.?**
- 3. **Completeness and Appropriateness:** Does each level of client receive only the level of information appropriate for their responsibility or specific needs?
- 4. **Timeliness:** Is the communication of information timely? This means that it must be available before it loss its capacity to influence decisions and required actions.
- 5. **Documentation and Reliability:** Is adequate documentation readily accessible and made available to ensure to users that information is what it purports to represent and that the preparation has occurred without error and bias?

1. **Budget Development:** The program initiated a number of budget development improvements in the current biennium. They include initiating a performance-based budget process for developing the F.Y. 1994-95 budget, routinely estimating the long-term costs of proposed budget changes (i.e. tracking budget tails), working with the Department of Administration to develop a new capital budget planning process, and improving the biennial budget system (BBS) so users can work more efficiently with it and can use the reporting capabilities more easily.

For the preparation of the Governor's 1994-95 budget, program staff worked extensively with their assigned agencies and with Minnesota Planning staff to develop performance measures for agency programs and to relate the programs to the Minnesota Milestones indicators. As a result, the Governor's budget includes significantly more outcome measures than did the 1992-93 biennial budget (as indicated below).

**Objective 1:** The portion of the budget described by performance and outcomes measures will be increased by targeted developments each budget cycle.

Number of Measures Reported

<u>Type of Performance Measure</u>	1992-93	1994-95
	<u>Biennial Budget</u>	<u>Biennial Budget</u>
Outcome Measures	221	795
Output Measures	594	949
Efficiency or Workload Measures	651	1,015
% of Budget Described by Outcome Measures	N/A	N/A

In addition to these improvements, the department has developed a survey that asks state agencies to assess the services provided by the program. The survey results will be used as a basis for follow-up interviews with agency staff, and their critiques of the program's services will become the basis for establishing an improvement agenda for the next biennium.

<u>Excerpts of Findings:</u>	<u>Satisfied/Very Satisfied</u>	<u>Not Satisfied</u>	<u>No Opinion/N/A</u>
Instructions Contained Clear Direction	31	16	8
Biennial Budget System (BBS) Supports Needs	23	12	20
Executive Budget Officer and Team Leader - Biennial Budget Support	41	6	8
Overall Communication	41	6	8
Overall Services	39	7	9

## Part 2: Program Information (Cont.)

**2. Financial Planning and Budgetary Reporting:** In the current biennium, program staff worked with the Governor's Commission on Long-Term Financial Management to develop recommendations for improving the state's long-term financial planning practices. The program also improved fund balance reporting by developing a third version of the fund balance report (separating state spending into grants, state operations, state institutions, and all other), making certain stylistic changes, and clearly identifying how expenditure planning estimates will be derived. It began to forecast and report on all funds, not just the General Fund. And it expanded the traditional "fee report" into a comprehensive and more coherent "departmental earnings report."

**Objective 2:** Increase state expenditure forecast accuracy for current and projected biennial forecasts.

	<u>F.Y. 86-87</u>	<u>F.Y. 88-89</u>	<u>F.Y. 90-91</u>	<u>Estimate</u> <u>F.Y. 92-93</u>
Education Aids	(1.8)%	(3.4)%	(0.1)%	(0.2)%
Property Tax Credits & Refunds	0.1	0.6	(2.2)	(2.1)
Income Maintenance Programs	5.9	(1.0)	(13.4)	(0.2)
Local Government Aid	0.0	(0.1)	1.3	0.1
Debt Service & Short Term Borrowing	<u>20.5</u>	<u>(8.7)</u>	<u>1.6</u>	<u>(6.6)</u>
Total	0.3%	(2.3)%	(1.8)%	(1.2)%

\* Negative variances mean actual spending exceeded the forecast. Positive variances mean actual spending was less than the forecast.

**3. Financial Analysis:** Significant analytical work accomplished during the current biennium includes: (1) a study of the capital budgeting process which culminated in a capital budget reform proposal, (2) a separation of state government expenditures into grants and operations and their reporting in a new version of the General Fund balance, and (3) a study of statewide cash flows in order to identify ways to minimize the size of the required cash flow account. The program also developed a paper-less fiscal note tracking system with significantly enhanced fiscal note tracking capabilities.

**Objective 3:** Provide leadership by identifying, analyzing and developing recommendations on issues of financial management and budget policy.

**4. Budget Implementation:** The program initiated 2 significant improvements during the current biennium: (1) delegating to agencies the authority to input departmental budgets into SWA for dedicated and non-dedicated receipts and all expenditure allotments, and (2) devoting additional resources to the task of reviewing statewide indirect cost allocation policies and collection methods in order to correctly recover indirect costs from the federal government.

The program's success in ensuring that state spending conforms to law and state budgeting practices are being followed can be measured by reviewing the number of audit findings reported by the Legislative Auditor in its annual audit of Department of Finance compliance with legal financial requirements. In its audits of DOF for F.Y. 1989 and 1990, the Legislative Auditor cited the budget analysis and operations program for not appropriately monitoring agency compliance with indirect cost requirements. In its F.Y. 1991 audit of Finance, the Legislative Auditor reported no findings.

**Objective 4:** To provide professional and technical advice and develop financial management practices and procedures which increase agency and manager-level accountability and reduce activities with marginal value-added benefits.

## Part 2: Program Information (Cont.)

### Outcome Measures:

- Develop Statewide Accounting to accept allotments for two years at a time
- Reformed the departmental earnings process
- Eliminated LAC review of IRRRB requests
- Removed DOF from the review process for hiring of new managers
- Replaced complement control with FTE reporting
- Increased agency management flexibility by permanent carryforward authority of administrative funding

In this section, certain efficiency and workload measures are identified for the program to illustrate the program's changing service costs and production levels.

### Output/Efficiency Measures:

Actual	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	Objectives		
					F.Y. 1994	F.Y. 1995	F.Y. 2000
Prior Objectives							
No. of budget staff (FTEs)		32	33	31	30	30	
Percent of staff time spent on:							
Budget Development		48%	41%	48%	45%	50%	
Financial Planning & Budgetary Reporting		11	10	11	10	10	
Financial Analysis		20	24	19	25	20	
Budget Implementation		21	25	22	20	20	
No. of fiscal notes reviewed		570	444	650	350	500	
No. of LAC items reviewed		79	100	86	34	34	
No. of legal level of control points		754	693	693	650	650	
No. of Agencies/No. of budget staff		4.6	4.5	4.6	4.8	4.8	
No. of APIDs/No. of budget staff		98	102	109	113	113	
Indirect costs recovered		\$11.1M	\$10.0M	\$10.6M	\$10.9M	\$11.4M	

# ANNUAL PERFORMANCE REPORT

## Part 3: Substantiating the Performance Measures

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**Agency:** Department of Finance  
**Program:** Budget Services

### Objective 1. Budget Development:

**Measure:** The portion of the budget described by performance and outcome measures will be increased by targeted developments each budget cycle.

**Definition:** **Outcome Measure:** A method which demonstrates the extent objective of activity/program is met.

**Output Measure:** A method of measuring amount of defined activity accomplished.

**Efficiency/Workload Measure:** A method of benchmarking service/activity costs for comparison over time or to establish standards.

**% of Budget Described by Outcome Measures:** Budget is defined as both general and other funds. Analysis will occur at the agency and program level.

**Rationale:** The Governor placed significant new emphasis on the executive branch to implement a outcome based budget development process. This measure tracks one means of determining progress toward that goal.

**Data Source:** All executive branch 1994-95 biennial budget documents were analyzed by executive budget officers.

**Factors Beyond Agency's Control That Affect Performance:** This program provided state-wide leadership in this effort. However, it is the responsibility of each agency to undertake the development effort necessary to identify and implement a meaningful internal development process.

### Objective 2. Financial Planning and Budgetary Reporting:

**Measure:** Increase state expenditure forecast accuracy for current and projected biennial forecasts.

**Definition:** Variance between planned and actual expenditure forecast for each of the major forecast expenditure groups in the general fund, namely 1)education aids; 2)property tax aids and credits; 3)income maintenance programs;4)local government aid; and 5) debt service and short term borrowing.

**Rationale:** The department's forecast of expenditures is relied upon to establish the Governor's and the legislature's biennial budget recommendations. Accuracy is essential to the process. The five major spending groups chosen for monitoring correspond to the major program expenditure areas contained in the forecast.

**Data Source:** The baseline for comparison is the adopted budget at the beginning of the biennium. Forecast expenditure items are evaluated 4 times (November and march) during the biennium. Actual expenditures are established upon closeout of the biennium. The Department establishes the original beginning budget for each program area. Subsequent forecasts are produced by the agency administering the program, and analyzed by the Department.

**Factors Beyond Agency's Control That Affect Performance:** There are two sets of factors beyond the department's control. The first concern the capacity of administering agencies to accurately predict program demand. The department has established an inter-agency forecast workgroup to improve forecasting skills and share knowledge. However, our work is only as good as the underlying data and models which we appropriately rely upon agencies to develop and administer.



### **Part 3: Substantiating the Performance Measures (Cont.)**

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The second concern is the risk of general economic shocks, including world events, employment demand and similar macro-economic forces which have varying effects on state program demand. The effects of these events is felt more strongly on the out biennium forecast, but there is some risk in the current biennium as well.

#### **Objective 4. Budget Implementation:**

**Measure:** Four types of efficiency and workload indicators are illustrated here in an effort to represent the volume considerations of the program.

**Rationale:** There is an increasingly difficult struggle to keep the program's focus on "high value" activities while maintaining the production levels required of a central budget office. Workload design and allocation is constantly evaluated to identify opportunities for efficiencies and value added. It is one of the program's goals to keep time commitments high on the budget development activity. These measures aid evaluation of progress toward that goal.

**Data Source:** Time allocations are calculated from period, i.e., audits of analyst activity. All other items are counts of volumes during the reporting period.

**Factors Beyond Agency's Control That Affect Performance:** Most of the listed items represent volumes beyond the program's control. The program serves the legislative process which generates fiscal note and LAC requests. Legal level of control points are established in appropriation bills. APIDs are established by state agencies. Program staff effort results in the volume of indirect cost dollars recovered.

# ANNUAL PERFORMANCE REPORT

## Part 2: Program Information

**Agency:** Department of Finance  
**Program:** Economic Analysis

**Program Purpose:** The Economic Analysis Division provides periodic forecasts of state revenues. (M.S. 16A.04)

**Performance Objectives and Measures:**

1. The division has produced two forecasts each year since 1988.

**Measure:** Number of forecasts produced per year

					Objectives		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	2	2	2	2	2	2	2

2. An *Economic Update* which compares actual receipts with estimated revenues and describes recent changes in the economic outlook is produced quarterly.

**Measure:** Number of *Economic Updates* produced per year

					Objectives		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	3	4	4	4	4	4	4

3. The division's objective is to be considered one of the 10 best state revenue forecasting divisions during 1994 and 1995 by the three major bond rating firms.

**Measure:** Rating on annual survey circulated by the Department of Finance to the three major bond rating firms.

					Objectives		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual				Yes	Yes	Yes	Yes

**Part 2: Program Information (Cont.)**

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**ANNUAL PERFORMANCE REPORT**  
**Part 3: Substantiating the Performance Measures**

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**Agency:** Department of Finance  
**Program:** Economic Analysis

**Objective 1.** The division has produced two forecasts each year since 1988.

**Measure:** The number of forecasts produces per year

**Definition:** The periodic forecasts of revenues produced by the division are used as inputs into the budget process.

**Rationale:** Sound revenue forecasts contribute to the goal of making government in Minnesota more efficient by reducing uncertainty for public managers and reducing their needs to make short term adjustments in program activities because of unanticipated fluctuations in state revenues. Managers are then free to focus on improving the quality of public services provided Minnesotans. By improving the quality of government, good financial forecasts indirectly affect the ability of all state agencies to achieve all milestone goals.

**Data Source:** Department of Finance

**Factors Beyond Agency's Control That Affect Performance:** Under unusual circumstances, for example, 1987's stock market crash, the outlook may be so uncertain that the forecast could be delayed until the beginning of the next year.

**Objective 2.** An *Economic Update* is produced quarterly.

**Measure:** The number of *Economic Updates* produced per year

**Definition:** An *Economic Update* is a public report which compares actual receipts with estimated revenues and describes recent changes in the economic outlook.

**Rationale:** Monitoring state receipts against forecast levels is an important part of financial management. The Economic update provides advanced warning to policy makers and the public when the forecast is wrong.

**Data Source:** Department of Finance

**Objective 3.** The division's objective is to be considered one of the 10 best state revenue forecasting divisions during 1994 and 1995 by the three major bond rating firms.

**Measure:** Rating on an annual survey circulated by the Department of Finance to the three major bond rating firms.

**Definition:** "Best" is a broad inclusive measure which depends on accuracy, ability to explain reasons for deviations from forecast, ability to incorporate risks associated with the current national forecasts, and ability to anticipate changes in tax payer behavior due to changes in federal tax law.

**Rationale:** Revenue forecasting is important for sound financial management, especially in a state like Minnesota where the revenue system is volatile. Bond rating agencies are uniquely positioned to evaluate Minnesota's capabilities in this area compared to other states.

**Data Source:** Department of Finance

# ANNUAL PERFORMANCE REPORT

## Part 2: Program Information

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**Agency:** Department of Finance  
**Program:** Management Services

**Program Purpose:** The division establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and capital equipment and administers the state's tax exempt bonding allocation law. The division also represents the commissioner on several state boards. (M.S. 16A.105; 16A.26; 16A.27; 16A.631; 16A.641-16A.675; 16A.80; 16A.85; and 474A)

Goals:

**Banking Activities:** To provide banking services to state agencies and deputy registers that meet their needs at the lowest cost.

**Capital Market Access:** To provide capital financing in an efficient and timely manner at the lowest interest cost to the state.

**Tax Exempt Bonding Allocation:** To provide accurate and timely information to users of tax exempt bonding allocation.

Administrative Services provides agency-wide services enabling the other Department of Finance programs to serve the public (vendors and individuals), the governor and the legislature. It also administers several non operating accounts including the state seminar accounts, district heating and qualified energy improvement and school energy loan payments. Its goals are to conduct agency administrative functions and to provide the materials, services and resources necessary for operating divisions to complete their missions. (M.S. 16A.721; 216C.36 Subd. 10; 216C.37 subd.6)

**Performance Objectives and Measures:**

1. **Banking Services:** The division provides continuous, efficient, effective banking services. All bank accounts are competitively rebid every three years. Accounts are awarded to banks based upon the lowest cost to the state

**Measure:** The number of bank accounts is a measure of the amount of banking activity in state government and for deputy registers. The division would like to reduce the number of accounts by utilizing branch banking while agencies continue to seek new accounts for changes in activities throughout the state.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	331	395	353	357	358	358	358

2. **Capital Market Access.** The division provides capital financing at the lowest possible rate.

**Measure:** State general obligation bonds are sold by competitive bid. The Delphis Hanover Scale is a daily index of tax exempt bond interest rates for each bond credit rating. The table below show a comparison of the average interest rate to investors on the state's bonds compared to the Delphis hanover rates on AAA, AA+ and AA bonds on the date of the bond sale.

## Part 2: Program Information (Cont.)

	(\$ in Millions) Amount	State's Coupon Rate	Bond Rating	Investors' Rate	Delphis Hanover Scale	
					AA+	AA
August, 1989	225	6.64%	Aa/AA+	6.52%	6.55%	6.65%
July, 1990	200	6.90%	Aa/AA+/AA+	6.77%	6.75%	6.85%
August, 1991	195	6.55%	Aa/AA+/AA+	6.44%	6.45%	6.55%
July, 1992	140	5.94%	Aa/AA+/AA+	5.87%	5.82%	5.92%
August 1992	243.1	5.33%	Aa/AA+/AA+	5.52%		
April 1993	50	5.23%	Aa/AA+/AA+	5.21%		
May 1993	29,226	5.15%	Aa/AA+/AA+	5.05%		
August 1993	210	5.15%	Aa/AA+/AAA	5.05%		
August 1993	146,995	5.14%	Aa/AA+/AAA	5.05%		
November 1993	90.58		Aa/AA+/AAA			

The Master Lease Program and the individual Lease Purchase financings are all competitively with the financing awarded to the bidder with the lowest rate of interest.

	FY 1990	FY 1991	FY 1992	FY 1993
Master Lease	\$14.6 million	\$21.7 million	\$11.3 million	\$10.6 million
Lease Purchase	\$1.9 @ 7.11%	\$3.25 @ 7.58%	\$2.03 @ 6.06%	\$5.87 @ 5.99%
	27 @ 7.48%	1.49 @ 6.82%	10 @ 5.89%	4.007 @ 5.72%
	2.7 @ 7.39%	.27 @ 6.60%	13 @ 5.89%	.194 @ 5.42%
	.19 @ 7.63%	.478 @ 6.96%	.378 @ 5.99%	.445 @ 5.48%
		.652 @ 6.67%		.145 @ 5.55%
		3.92 @ 6.13%		.542 @ 5.50%
				.953 @ 5.24%
				1.181 @ 5.30%
				3.147 @ 5.27%
				.208 @ 5.38%
				.199 @ 5.41%
				.244 @ 5.55%
				.378 @ 5.18%
				.213 @ 4.85%
				.231 @ 4.92%
				.158 @ 4.74%
				.908 @ 4.78%
				2.08 @ 4.72%
				.998 @ 4.78%
	\$5.06 million	\$10.06 million	\$8.11 million	\$16.818 million

3. Certain private activity tax exempt bonds require a bonding allocation under federal tax law. The division provides applicants for tax exempt bonding allocation current and accurate information. Significant time is spent communicating with issuers, bond lawyers and underwriters on rules and procedures for tax exempt bonding allocation and on the status of the tax exempt bonding allocation pool.

**Measure:** Successfully providing information to users results in completed applications received and the use of all the available allocation each calendar year.

## Part 2: Program Information (Cont.)

### Calendar Year 1992 TEB Program

Certificates Awarded	64	
Authority Awarded		\$172,322,000
Entitlement Carryover		\$45,328,000
State Cap Unused by State Businesses and Lost		\$-0-
Written Communications		20
Telephone Inquiries Responded to		In Excess of 300
Legislative Meetings		Approximately 30
Major Issues		Statutory Clean-up

New Entitlement Requests  
Mediate Housing & Student Loan Demands

### Calendar Year 1993 TEB Program

<u>Actual to Date</u>		
Certificates Awarded	39	
Authority Awarded		\$142,255,000
Written Communications		15
Telephone Inquiries Responded to		In Excess of 250
Legislative Meetings		Approximately 15
<u>Estimated Balance of Year</u>		
Certificates Awarded	20	
Authority Awarded		\$37,000,000
State Cap Unused by State Businesses and Lost		\$-0-
Entitlement Carryover		\$44,700,000
Written Communications		10
Telephone Inquiries Responded to		75
Legislative Meetings		10
Major Issues		New Entitlement Requests Redistribution of State Cap Carryovers

4. Agency Accounting: The department's bills will be paid within the state's Prompt Payment guidelines (98%).

**Measure:** Percentage of bills paid within 30 days

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Objectives</u>		
					<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	99.3%	98.6%	97.8%				
Prior Objectives	98%	98%	98%	98.5%	98.5%	98.5%	98.5%

5. Office Management: Employee Satisfaction measured by Survey (Total possible 5.0)

**Measure:** Average rating of Administrative Services as submitted by department employees on the annual Employee Satisfaction survey

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	N/A	N/A	4.3	4.4(Est)	4.4	4.5	4.5

# ANNUAL PERFORMANCE REPORT

## Part 3: Substantiating the Performance Measures

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**Agency:** Department of Finance  
**Program:** Management Services

**Objective 1. Banking Services:** The division provides continuous, efficient, effective banking services. All bank accounts are competitively rebid every three years. Accounts are awarded to banks based upon the lowest cost to the state

**Measure:** The number of bank accounts is a measure of the amount of banking activity in state government and for deputy registers. The division would like to reduce the number of accounts by utilizing branch banking while agencies continue to seek new accounts for changes in activities throughout the state.

**Rationale:** More work is required with each additional depository bank account. The Treasurer's Office, which manages the accounts, must record receipts into additional accounts, sweep money out of the accounts and balance the additional depository accounts. Since the costs of depository accounts are paid through compensating balances, the additional depository accounts will require a larger total amount of compensating balances.

**Factors Beyond Agency's Control That Affect Performance:** As State Agencies and Deputy Registers increase their activates or move to additional locations, there is a need to increase the number of bank depository accounts to accommodate the new locations.

**Objective 2.** To provide capital financing at the lowest possible cost. The division will continue to provide the credit rating agencies and the credit markets with full disclosure information on the state. Interest rates will be monitored and outstanding general obligation bonds will be refinanced if lower interest rates present opportunities to save money on debt service.

**Measure:** State general obligation bonds are sold by competitive bid. The Delphis Hanover Scale is a daily index of tax exempt bond interest rates for each bond credit rating. The table shows a comparison of the average interest rate to investors on the state's bonds compared to the Delphis hanover rates on AAA, AA+ and AA bonds on the date of the bond sale.

**Definition:** The measure shows whether the state general obligation bonds sold at an interest credit rate that is equal to market rates for bonds of comparable bond credit ratings.

**Rationale:** The state's bonds should sell at an interest rate comparable to other bonds of the same ratings on the same day.

**Data Source:** Delphis Hanover Corporation

**Factors Beyond Agency's Control That Affect Performance:** Actual interest rates are determined by the credit market. The state has no control on a particular day on the level of interest rates.

To provide capital financing at the lowest possible cost. The division will continue to provide the credit rating agencies and the credit markets with full disclosure information on the state. Interest rates will be monitored and outstanding general obligation bonds will be refinanced if lower interest rates present opportunities to save money on debt service.

**Objective 4. Agency Accounting:** The department's bills will be paid within the state's Prompt Payment guidelines (98%).

**Measure:** Percentage of bills paid within 30 days

**Definition:** Invoices received by the Department of Finance for services and products provided to the department that relate to its internal operations and processed for payment within 30 days of acceptable receipt of the product or service.

### **Part 3: Substantiating the Performance Measures (Cont.)**

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**Rationale:** A measure of the effectiveness of internal accounting operations is how fast are vendors paid for services rendered or products delivered. The state has established a goal of paying 98% of the bills received by agencies within 30 days of receipt of the product or service. Measuring the department's internal accounting operations using this indicator is a legitimate performance indicator as compared to an official statewide goal.

**Data Source:** Department of Finance

**Factors Beyond Agency's Control That Affect Performance:** Often workload levels in Accounting Operations connected to the payment process may delay the payment.

**Objective 5. Office Management:** Employee satisfaction as measured by annual survey

**Measure:** Average rating of Administrative Services as submitted by department employees on the annual Employee Satisfaction survey

**Definition:** The survey measures the level that department staff feel that their expectations are being met by Administrative Services. The ratings for each category and subcategory are: Never(meets expectations)=0, Rarely=1.0, Sometimes=2.0, Sometimes=3.0, Almost Always=4.0 and Always=5.0

**Rationale:** Receiving feedback on meeting customer expectations is a clear indication of performance. Meeting customer's satisfaction is difficult for a service organization especially when conflicting needs strain limited resources. When many needs are being met, with few dissatisfied customers, the organization can be assumed to be performing well.

**Data Source:** Annual Department of Finance Employee Satisfaction Survey

**Factors Beyond Agency's Control That Affect Performance:** Some expectations of department staff are outside of the control of the Administrative Services Section.



# ANNUAL PERFORMANCE REPORT

## Part 2: Program Information

**Agency:** Department of Finance  
**Program:** Information Services

**Program Purpose:** To provide statewide access to accounting, payroll and budget management systems and to operate the office Local Area Network (LAN). In addition, the division supports both these statewide systems and office-wide computer systems. (M.S. 16A.055 Subd. (5))

The division's goal is to provide maximum availability of department information and office systems.

**Performance Objectives and Measures:**

1. Availability of statewide financial systems for agency use.

**Measure:** Percent of time on-line systems are available during working hours

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual	99.9%	99.8%	99.9%	99.9%	98.5%	98.5%	98.5%
Prior Objectives	98.5%	98.8%	99.9%				

2. LAN: Network available

**Measure:** Percentage of time the LAN is available

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Objectives</u>		
					<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 2000</u>
Actual		N/A	99.8%	>99.8%	>99.8%	>99.8%	>99.8%

# ANNUAL PERFORMANCE REPORT

## Part 3: Substantiating the Performance Measures

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**Agency:** Department of Finance  
**Program:** Information Services

**Objective 1.** Availability of statewide financial systems for agency use

**Measure:** Percent of time on-line systems are available during working hours

**Definition:** On-line systems availability as a percentage of total working hours.

**Rationale:** The availability of the on-line mainframe accounting and payroll systems is essential to conducting the state's financial business. State accounting and payroll staff need access to these systems to pay state bills and employees. To the extent possible these systems must be available during working hours so that these employees can perform their responsibilities. A high percentage of system availability is a legitimate measure of system reliability.

**Data Source:** Department of Finance and Intertech reports

**Factors Beyond Agency's Control That Affect Performance:** Mainframe system availability can also be affected by other applications running on the network. It also can be affected by problems encountered by the network equipment performance. These are not under the control of the Department of Finance.

**Objective 2.** LAN: Network available

**Measure:** Percentage of time the LAN is available

**Definition:** LAN availability as a percentage of total time (24 hours per day, 7 days a week)

**Rationale:** Office staff must have computing tools available to accomplish their primary functions. Because department staff may work evenings, nights and weekends the LAN must be available as much as possible. Since most office programs and access to other operating platforms are administered most efficiently from a central LAN, the percentage of time this system is available is an effectiveness indicator.

**Data Source:** Department of Finance

**Factors Beyond Agency's Control That Affect Performance:** Equipment and general power failures can cause repeated downtime events that cannot be prevented by staff.

# ANNUAL PERFORMANCE REPORT

## Part 4: Improving Programs and the Reporting Process

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**Agency:** Department of Finance

**Process Used:** The Department Executive staff considered the performance indicators developed through the Biennial Budget process. These indicators were constructed by a staff committee called the Budget Development Group representing all areas of the department. As they had been carefully considered during that process, the Executive staff chose to thoughtfully review them at this time to agree on their relative value in adequately measuring department performance. After careful review some indicators were adopted, others changed and still others eliminated. As the Worker Participation Committee had not been established by the time that indicators were finalized for the initial submission, their review and input will be deferred until a later date.

**Ways to Improve Program Outcomes:** The Worker Participation Committee, being organized in October 1993, will review and have input on the performance indicators. Continual review by the executive staff and experience after gathering data will also lead to an evolution of the indicators.