



Entry Form 2018 Annual Awards for Program Excellence

Entry Deadline: Friday, June 15, 2018, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

Email:

Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

My HFA is mailing a check to NCSHA.
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Kentucky Housing Corporation

KHC's Integrated Business Planning Model – Transforming Financial Management

Category / Subcategory: Management Innovation / Financial

[Click here to watch the synopsis video for the entry.](#)

Introduction

State housing finance agencies continue to face significant financial challenges in a landscape of changing state and federal priorities and constrained resource allocations stemming from those priorities. Kentucky Housing Corporation (KHC) adapted to weather the Great Recession and continues to transform in an ever-changing environment. A significant new challenge comes from Kentucky's state pension plan, which is woefully underfunded, making it necessary for member agencies to increase their contributions to ensure long-term solvency. For KHC, the additional obligation to the pension system is projected to be \$4 million in Fiscal Year 2019 and each year thereafter for thirty years. This has caused our fringe benefit-to-salary ratio to skyrocket to an unprecedented 108 percent. In other words, for every dollar the KHC spends in salaries we pay out another \$1.08 in benefits and pension obligation.

In the wake of the pension issue and other financial concerns, KHC understands that organizational fiscal viability requires the development and implementation of innovative solutions that advance pragmatic financial management goals. KHC created such a solution that has driven effective business planning and put the organization on solid ground financially.

With the *Integrated Business Planning Model*, KHC has implemented a comprehensive and well-orchestrated process that coordinates multiple planning components. KHC leadership conducts Integrated Business Planning along two very interrelated paths of internal and external planning. Planning along the two paths occurs simultaneously, allowing each to inform the other throughout the process. This approach produces several very positive results for the corporation, our partners, and, most importantly, our beneficiaries.

Activities of the *Integrated Business Planning Model* are coordinated by KHC's Department of Corporate Planning and Accountability, facilitating processes for investments in operations and programs, conducting reporting functions to ensure accountability and manage risks, completing budgets for corporate operations, and overseeing allocation of program funding.

An Internal Perspective: Assessing and Aligning Corporate Resources

The internal planning process begins with developing the corporate strategy for the next fiscal year. KHC's Executive Management Team takes the lead by establishing overarching strategies that drive business decisions and practices. These strategies incorporate enterprise risk management (ERM), allowing managing directors from each department the opportunity to weigh in on identifying, prioritizing, and mitigating risks to the corporate enterprise.

Several years ago, KHC developed an Annual Cost/Revenue Analysis process to evaluate the cost of conducting our various lines of business. KHC's Finance Team develops a program-level cost/revenue schedule that properly applies the direct and indirect cost to reflect an accurate financial standing for each program. Some lines of business generate revenue, while some require subsidy from other areas. The general directive is for those areas that generate revenue to generate more and for those that require subsidy to create efficiencies to cost the corporation less. Data from the Annual Cost/Revenue Analysis has equipped executive management with the information needed to make some very difficult, but essential, decisions about what functions can and cannot be sustained financially, as well as to accurately price the delivery of services and programs we provide for the Commonwealth.

To round out annual internal planning activities, the Corporate Planning and Accountability team works with each department to develop the corporation's operating budget. In the context of Corporate Overarching Strategies and the Cost/Revenue Analysis, each department identifies its budgetary needs to carry out essential functions. This is a very deliberate process that involves input from Technology

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Services and other internal resources to arrive at the most reasonable budget request that will provide staff with the necessary tools to complete their work and meet the overarching corporate strategies.

Monitoring performance is key to effective planning. Departmental activities must be aligned with the overarching corporate strategies to achieve the desired outcomes. With general guidance to help ensure consistency, each department establishes specific goals it will pursue to help fulfill corporate strategies. These goals are incorporated into a score card on which the department tracks progress on a quarterly basis throughout the year. Similarly, supervisors set team member performance goals that are tied to the departmental score card. These individual performance goals are recorded as expectations in the Performance Management Tool, where supervisors record employee performance evaluations. Supervisors meet with each team member several times throughout the year to coach them and hold them accountable for meeting their performance goals. In addition, the corporation produces a 12-month calendar that includes all major projects from each department's score card. This helps leadership and staff to maintain a focus on critical projects, understand staff capacity and usage by month and project, and helps avoid distractions that can needlessly divert resources from their most productive use. The calendar is reviewed at least quarterly for adjustment by the leadership team.

An External Perspective: Engaging Stakeholders and Partners

As with other state housing finance agencies, a key role that KHC plays is to serve as fiduciary agent for multiple funding sources. As the pass-through agency for hundreds of millions in financial resources, KHC must establish a plan for how the funding we control will be distributed. This is the essence of the external planning path of the *Integrated Business Planning Model*.

KHC begins by creating the annual Allocation Plan to look at funding from many different perspectives. The corporation looks back at several years of data on projected and actual investments. This helps to identify trends that are influencing how KHC deploys its dollars as well as to make the most accurate projections. We also group funding by type of activity (e.g., single-family lending; homeless and special needs; energy efficiency and weatherization) to take a holistic view of how various sources of funding are supporting broad categories of business and serving different populations. The Allocation Plan serves as a valuable tool to look at KHC's impact on Kentucky families and communities. Impact analysis examines the amount of funding used to assist the number of households or units to calculate an investment per household/unit. We compare this over several years to ascertain how costs are changing over time. We also use this information to help determine the most effective uses of limited resources.

Using the Corporate overarching strategies to develop the annual allocation plan enables staff to develop plans for a diverse set of federal funds. One of the most significant of these is the Annual Action Plan for the U.S. Department of Housing and Urban Development (HUD) formula funding. KHC administers four of the five HUD block-grant programs covered by the Action Plan – HOME Investment Partnerships Program, Emergency Solutions Grant, Housing Opportunities for Persons with AIDS, and National Housing Trust Fund. We lead the planning activities and coordinate with the Kentucky Department for Local Government to incorporate Community Development Block Grant funding. KHC also administers the Weatherization Assistance Program for Kentucky. This encompasses funding from both the U.S. Department of Energy and the U.S. Department of Health and Human Services for Low Income Home Energy Assistance Program (LIHEAP) funding.

An important element of external planning is effectively explaining to partners and other stakeholders in the impact of KHC programs. In 2017, KHC contracted with the University of Kentucky Gatton College of Business and Economics to develop an Economic Impact Calculator to show the impact of KHC funding on Kentucky communities. The calculator uses input-output analysis, statistical modeling, and multiplier assumptions to demonstrate the value generated for the economy (in dollars generated and jobs

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created) based on the investment of KHC funding by location throughout the state. This tool has been useful for planning for public events where KHC is an investor. KHC has also used the Economic Impact Calculator to prepare materials for our legislative advocacy efforts, which have contributed to particularly important legislative gains for affordable housing at the federal level.

KHC acknowledges that we rely heavily on our external partner community as the delivery system for many of our programs. Because of this, we understand that establishing and maintaining strong relationships with partners is essential. This requires open, two-way communication between KHC and our partners. This past year KHC afforded our stakeholders a very unique and effective opportunity to have input on the allocation of KHC resources. KHC held a series of regional, one-day summits across the state, and we made special efforts to recruit participation from non-traditional sectors – health care, education, and workforce development. The response was so good that we had to add two locations to accommodate participants. These working sessions posed engaging questions that helped identify regional perceptions of needs and how KHC could help address those needs.

Understanding housing needs throughout the state is key to making rational decisions about the effective allocation of resources. To that end, KHC will complete in June 2018 a statewide Housing Needs Assessment, under the direction of the University of Kentucky Center for Business and Economic Development. Researchers took a phased approach to complete the needs assessment, starting with a logic model that examined the various sources of funding administered by KHC. They also administered a survey to housing stakeholders, taking advantage of the regional summits to engage potential respondents. University staff are also including demographic and geographic analysis in the final report. Once complete, data and information from the Housing Needs Assessment will be incorporated into KHC's Integrated Business Planning Model to enhance our planning activities.

An Aligned Perspective: Proper Alignment to Produce Desired Outcomes

Alignment of internal and external planning in the *Integrated Business Planning Model* has produced many benefits for little cost. Outside of the two contracts with the University of Kentucky for the development of the economic impact calculator and the housing needs assessment, both totaling \$64,500, KHC used internal staff at no additional cost to develop all process related to the planning model. KHC now can merge financial and human resources management in ways that reflect a unified corporate direction. This has led to **better utilization of resources** to address management challenges and to carry the corporate mission well into the future. There is an increased **breadth of knowledge** by managers and employees, which has contributed to **eliminating silos** and allowing teams to **work more productively across departments**. Greater integration has changed the landscape so that staff can work more efficiently and with **less duplication of effort**.

These improvements to the corporate culture and environment have created very tangible results. For example, information from the *Integrated Business Planning Model* enabled KHC to better evaluate needs for office space. This led us to the decision to **consolidate staff into one single location** – the main campus with assets owned by KHC. This will eliminate over \$200,000 in fees for leased office space annually. This was accomplished through **much less costly teleworking options for many staff** and more effective use of existing space. The planning process also produced opportunities to reorganize areas of the Corporation saving over \$250,000 annually by **shifting some workforce costs to contracts with professional entities** that can operate more efficiently without sacrificing service to beneficiaries.

KHC is very pleased with the positive outcomes generated by our *Integrated Business Planning Model*, which can be easily replicated and adapted to fit a variety of business models. Through development of this system, we have created many indispensable documents, forms, and templates and saved several hundreds of thousands of dollars.

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Visual Aids

[Aligned Business Planning](#)

[KHC Aligned Annual Planning Process](#)

[FY2019 Allocation Plan](#)

[FY2018 KHC Corporate Calendar](#)

[FY2019 Overarching Strategies](#)

[Departmental Scorecard](#)