

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
June 27, 2011

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Audit & Budget Committee met on Monday, June 27, 2011, at 2:00 P.M., at Parkway Towers, Nashville, Tennessee.

The following Committee members were present: Eddie Latimer (*Chair*), Tim Bolding, Loretta Jercinovich, and Ann Butterworth for Justin Wilson. Alvin Nance was absent. Other Board members attending the meeting included Brian Bills and Janice Cunningham.

Seeing a quorum present, Chairman Latimer called the meeting to order and asked for approval of the minutes for the meeting held on March 29, 2011. Upon motion by Mr. Bolding, seconded by Ms. Jercinovich, the minutes were unanimously approved.

The next item on the agenda was the Executive Director's Performance Evaluation process review. Mr. Latimer referenced a manual produced by The Enterprise Foundation titled "Evaluating Your Executive Director". He noted that the manual stresses that the evaluation process should be ongoing. Mr. Latimer pointed out that obtaining feedback from THDA's stakeholders has not been a part of the evaluation process, but he feels the committee should consider it going forward. The Committee concurred that stakeholder feedback was a good idea. Tracye Mayolo, Director of Human Resources, explained that THDA does several surveys to obtain feedback from external partners. Mr. Bolding referenced page 10 of the manual noting the list of things to guard against and advice concerning what to watch for when conducting a P/E Process. Ms. Jercinovich pointed out that it would be helpful to the Board to have the list available during the next P/E Process. Ms. Mayolo offered to conduct performance evaluation training. The Committee concurred that the training would be good for the entire Board.

Chairman Latimer asked Ms. Mayolo to review how she incorporated the changes to the Executive Director Performance Evaluation form (the "P/E Form") approved by the Committee at the March 2011 meeting. Ms. Mayolo described the following changes:

Accountability:

- Added last bullet point "ensures mission and core values of the organization are consistently practiced".

Financial Stewardship

- This is a new section which includes three bullet points: financial reporting, financial stability, and HR allotment. The Committee concurred that the three bullet points would be formed into complete statements to be consistent with sections of the P/E Form.

Strategic Planning and Vision:

- In the 4th bullet point: deleted the word "competitors" and added "industry stakeholders (such as PHAs, banks, etc.)". The Committee concurred that non-profits should be added to the list of examples.
- Added a bullet point: "organizes the development of a written strategic plan including measurable goals and objectives consistent with THDA's mission". The Committee concurred with adding the word "periodic" before the word development.

Execution of Strategy

- In the first bullet point: removed the language "and counters competitive threats".

- Added a second bullet point: “adjust to current environment”. The Committee concurred with adding examples “(economic, housing, political, etc.)” after the word “environment”.

Ms. Mayolo explained to the Committee that Mr. Nance forwarded his comments to her regarding the P/E Form because he would not be attending today’s meeting. Mr. Nance agreed with all of the changes but did suggest that, under “Strategic Planning and Vision”, the last bullet point about the written strategic plan should be moved to “Execution of Strategy” which would imply a review of the Executive Director’s efforts in meeting measurable goals. After discussion, the Committee concurred with adding a bullet point under “Execution of Strategy”: “Regularly evaluates the strategic plan to ensure its execution”.

The Committee discussed methods for including external partner feedback into the Executive Director Performance Evaluation Process (the “P/E Process”) going forward. Points were made that the feedback could be indicative of customer service or communication; however, the survey results would have to be considered in a way to be relevant to the Executive Director’s performance. The Committee asked Ms. Mayolo to provide a list of current THDA surveys and samples at the July meeting.

Upon motion by Mr. Bolding, seconded by Ms. Jercinovich, the Committee approved the Executive Director Performance Evaluation as modified with the exceptions of the language change in the “Financial Stewardship” section and the addition of a customer service section to be incorporated addressing external partner feedback.

Chairman Latimer called the Committee’s attention to the “Executive Director Performance and Compensation Review” document which outlines the evaluation process. The Committee reviewed the changes made by Ms. Mayolo in accordance with their action taken at the March 2011 meeting. No additional changes were offered.

Ms. Mayolo explained additional comments she received from Mr. Nance relating to the overall process. She noted that Mr. Nance would like to see the Executive Director prepare an annual action plan related to the strategic plan that would identify the goals that staff will focus on during the fiscal year. The action plan would provide specifics about how goals in the strategic plan will be achieved. Mr. Nance also suggested consideration of a weighted evaluation system with the Committee recommending how much each core competency is worth so that some might be weighted more heavily than others. After Committee discussion, Mr. Bills suggested adding “Executive Director Comments” to each section and asking the Executive Director to explain what he thinks he has achieved in each section; this would tie the Executive Director’s annual report to the P/E Form. Committee members indicated they thought this was a good idea. Mr. Bills noted that the evaluation period on the P/E Form was “January 1—November 15”. Chairman Latimer explained the thought behind ending the evaluation period in November was to allow the Committee and the Board time to complete the evaluation and make any salary adjustment decisions before the start of the State budget process. The Committee concurred to change the evaluation period to “November 15—November 15”.

Next on the agenda was the Executive Director Interim Performance Evaluation. Chairman Latimer explained that the purpose is to review Ted Fellman’s progress based on constructive comments in the 2010 Final Performance Evaluation. Ms. Mayolo distributed copies of the 2010 Final Performance Evaluation. Chairman Latimer led the Committee through a review of the 2010 rankings and constructive comments for the core competencies. After discussion, the Committee determined that the Mr. Fellman is satisfactorily addressing the constructive feedback he received from the 2010 Performance Evaluation. They expressed their pleasure with the progress made and will encourage him to continue to focus on communication. Chairman Latimer noted that he and Mr. Nance will meet with Mr. Fellman to discuss the Interim Performance Evaluation. Ms. Cunningham recommended that, during the meeting with Mr. Fellman, Chairman Latimer and Mr. Nance discuss Mr. Fellman’s progress on the goals he set for 2011. Chairman Latimer indicated he will write a summary of the meeting with Mr. Fellman to document the results of this interim review.

Mr. Bolding noted that, in January when the 2010 performance evaluation was completed, the Committee deferred consideration of a salary adjustment until after the interim review. He noted that the Committee was attempting to raise THDA's Executive Director salary to the median of the southeastern housing finance agencies ("HFAs") but were constrained to tying the salary adjustments to State commissioners' salaries. Chairman Latimer explained to Mr. Bills that in terms of volume and production, THDA is approximately third or fourth out of the thirteen southern HFAs but in terms of salary, THDA's Executive Director placed close to the bottom. Mr. Bolding asked if there have been any changes with new cabinet members that the Committee should consider while discussing a salary adjustment for Mr. Fellman. Ms. Cunningham noted that some of the commissioners are receiving salary increases. Ms. Butterworth added that Governor Haslam is making substantial changes in some departments and that may justify a salary adjustment for Mr. Fellman. The Committee asked Ms. Mayolo to provide salary information for State commissioners and southeastern HFAs to the July meeting.

Mr. Bills pointed out that a more formal way is needed to determine the Executive Director's salary increases based on a salary range set by some determining factor. The Board could establish a benchmark for the salary range by an annual review of the median income of the State commissioners balanced by THDA's ranking with southeastern HFAs. Checks and balances could include issues such as a freeze on State salary increases or any other that come into play.

With no other issues or business to come before the Committee, the meeting adjourned.

Respectfully submitted,



Ron Erickson
Director of Internal Audit



TENNESSEE HOUSING DEVELOPMENT AGENCY

EXECUTIVE DIRECTOR PERFORMANCE EVALUATION

Name Ted Fellman	Title Executive Director	Evaluation Period January 1 - November 15, 2010	Person Completing Evaluation
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Type of Review: Annual Performance Evaluation Interim Review

Instructions:

1. Place a "✓" in the box under the performance level that most expresses your evaluation of each performance trait.
2. Consider the individual's entire performance on each trait.
3. Consider the entire Evaluation Period.
4. Space is provided within each section for comments and explanations.

Performance Level Categories:

Exceptional	Performance significantly surpasses expectations for the position on a regular basis. Performance is characterized by such superiority that others desire to emulate this individual and seek him/her out as the "expert".
Exceeds Expectations	Performance frequently exceeds expectations. Performance produces positive tangible results and routinely makes contributions to the overall organizational goals. Consistently displays all the technical competencies required for the position.
Meets Expectations	Performance consistently meets expectations for the position. Responsibilities are accomplished effectively. The individual displays most of the technical competencies required for the position.
Fair but Needs Some Improvement	Performance meets some, but not all requirements of the performance trait. Performance demonstrates a willingness to contribute, but rarely exercises initiative. Performance demonstrates the need for development in several key competency areas.
Unsatisfactory - Immediate Improvement Needed	Performance inconsistently meets standards for the position. Performance impedes organizational productivity and service. Individual fails to display the competencies required consistently.

Core Competencies

LEADERSHIP	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
Instills pride, respect, and trust. Exhibits personal style that sets an overall effective tone of integrity, competence, inspiration and optimism. Places organizational success above individual gain. Models a strong work ethic. Sets high personal standards of performance. Acts rationally.	Comments:				

ACCOUNTABILITY	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
Promotes intelligence. Assigns clear accountability backed by appropriate authority. Holds people accountable for achieving their goals. Holds self accountable. <u>Ensures mission and core values of the organization are consistently practiced.</u>	Comments:				

<u>FINANCIAL STEWARDSHIP</u>	<u>Unsatisfactory - Immediate Improvement Needed</u> <input type="checkbox"/>	<u>Fair but Needs Some Improvement</u> <input type="checkbox"/>	<u>Meets Expectations</u> <input type="checkbox"/>	<u>Exceeds Expectations</u> <input type="checkbox"/>	<u>Exceptional</u> <input type="checkbox"/>
<u>Financial Reporting</u> <u>Financial Stability</u> <u>Human Resource allotment</u>	<u>Comments:</u>				

CREATIVITY	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
Creatively integrates different ideas and perspectives. Effectively balances the competing priorities of different constituencies. Conveys a sense of purpose and mission that captures the imagination of others. Challenges status quo thinking and assumptions. Comes up with fresh perspectives and innovative ideas.	Comments:				

COMMUNICATION	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
Continuously maintains and develops coalitions with people inside and outside of the organization to achieve the organization's agenda. Observes and listens carefully to all stakeholders (e.g., employees, board members, clients, state and federal agencies) and shares information in a manner that is beneficial for all. Defines issues clearly. Communicates high expectations. Verbalizes effectively and professionally with individuals both inside and outside the organization.	Comments:				

DECISION MAKING	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
<p>Exhibits careful problem solving. Applies broad knowledge and seasoned experience to address critical issues. Digs deeply to get the necessary information for decision making. Takes all important issues into account when making decisions. Comes to a decision at the right time. Makes tough, pragmatic decisions when necessary.</p>	Comments:				

STRATEGIC PLANNING AND VISION	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
<p>Provides vision and sense of mission. Effectively sets tone and direction. Exhibits entrepreneurialism: constantly finding new opportunities. Gains understanding of strengths and weaknesses of competitors industry stakeholders (such as PHAs, banks, etc.). Determines the team's critical success factors. Evaluates and pursues initiatives, investments, and opportunities based on their fit with broader strategies. Establishes aggressive goals and drive for results. Has a clear vision for the future of the organization. Maintains a long-term, big-picture view of the business.</p>	Comments:				

EXECUTION OF STRATEGY	Unsatisfactory - Immediate Improvement Needed <input type="checkbox"/>	Fair but Needs Some Improvement <input type="checkbox"/>	Meets Expectations <input type="checkbox"/>	Exceeds Expectations <input type="checkbox"/>	Exceptional <input type="checkbox"/>
<p>Capitalizes on strengths and counters competitive threats. Adjusts to current environment. Takes action to build buy-in and commitment. Integrates efforts across functions and organizations. Orchestrates the pace and process of change to maintain operating effectiveness. Takes preventative measures to avoid crisis management. Tackles problems head-on and works to resolve them without delay. Persists in the face of obstacles.</p>	Comments:				

Tennessee Housing Development Agency
Executive Director Performance and Compensation Review
Effective March 15, 2007
Revised Effective July 17, 2008

This review will be conducted by the Audit and Budget Committee of the THDA Board of Directors with input from the entire Board as described below. The THDA Director of Human Resources will serve as staff to the committee for this purpose.

The basis for evaluating the performance of the Executive Director will be the self-evaluation prepared by the Executive Director, as well as the input from the THDA Board of Directors.

Performance Evaluation Process:

- 1) Each November, the Executive Director will prepare a report that describes the activities of the organization, and a self-assessment of his/her own performance for the current calendar year. The content of the report will include program accomplishments and other achievements in relation to the goals and objectives from THDA's Strategic Plan as well as other directives from the Board of Directors. In addition, the report will include opportunities for improvement.
- 2) The HR Director will send this report, along with an evaluation form, to the Board of Directors no later than November 15th. Each board member will complete an evaluation (they do not have to put their names on the form) and each board member will submit their completed form to the HR Director no later than December 15th of the current year.
- 3) ~~The HR Director will compile the results and provide this information to the Executive Director and to the Audit and Budget Committee no later than December 31st.~~
- 3) Once the document has been reviewed by the Audit & Budget Committee, the HR Director will provide the form with a compilation of all ratings and comments to the Executive Director no later than December 31.
- 4) No later than the 2nd Thursday of January, the Audit and Budget Committee will complete the official performance evaluation of the Executive Director.
- 5) The Audit and Budget Committee will share the results of the performance evaluation with the entire Board in conjunction with the compensation review process as described below.

Compensation Review Process:

- 1) The HR Director will present relevant data regarding compensation to the Audit and Budget Committee.
- 2) The Audit and Budget Committee, based on the performance evaluation and the compensation data, will provide its recommendation for compensation changes (including any bonuses) to the full Board at least 3 days prior to the January board meeting.
- 3) Upon approval, compensation changes will be made effective on February 1 of the year in which the recommendation is approved.