Colorado Department of Treasury

Presentation to the Joint Finance Committee
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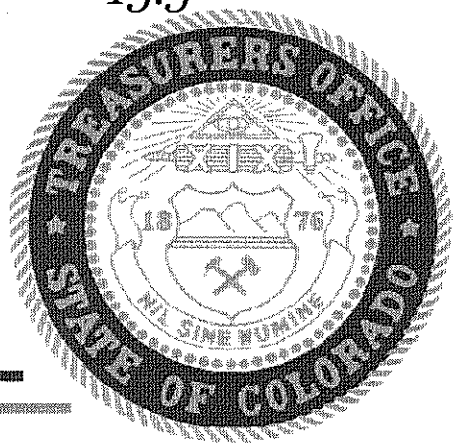
Attachment B

Department of Treasury Overview

Mission Statement: *To safeguard and manage the peoples' monies with the same diligence and care as if it were our own.*

Treasury Divisions:

	Budget Appropriation	FTE
•*Operations:*	$ *831,708 General Fund*	*16.0*
•Investments	1,175,477 (cash funded)	
•Accounting	$ 2,007,185 Total	
•Cash Management		
•*Unclaimed property*	$ *1,969,115 (cash funded)*	*15.5*



Treasury Investments

Treasury Pool and Investment Operation Summary:

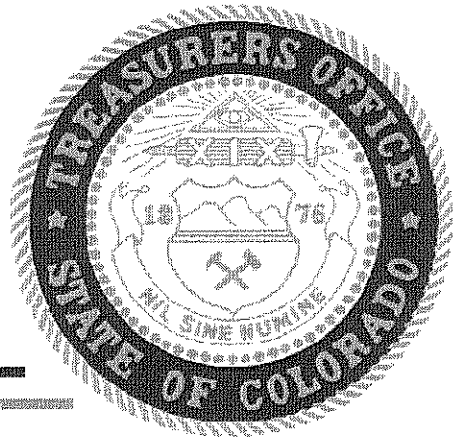
- *Maintaining a defensive, liquid position in the current market environment to safeguard taxpayer dollars*
- *All funds outperformed benchmarks through 2012*
- *Treasury's performance has prompted many agencies to participate in State's treasury pool*
- *All investment holdings on Treasury Website*

•Market Value of five largest funds under management:

•T-Cash/T-Pool	$6.98B, 1.2% Yield
•Public School	$654.3M, 3.6%% Yield
•Unclaimed Property Tourism Promotion Trust Fund	$132.0M, 3.4% Yield
•Major Medical Insurance Fund	$75.8M, 4.6% Yield

Total Interest Earnings for all managed funds:

- *$121M FY 2011-12*
- *$149M FY 2010-11*
- *$177M FY 2009-10*



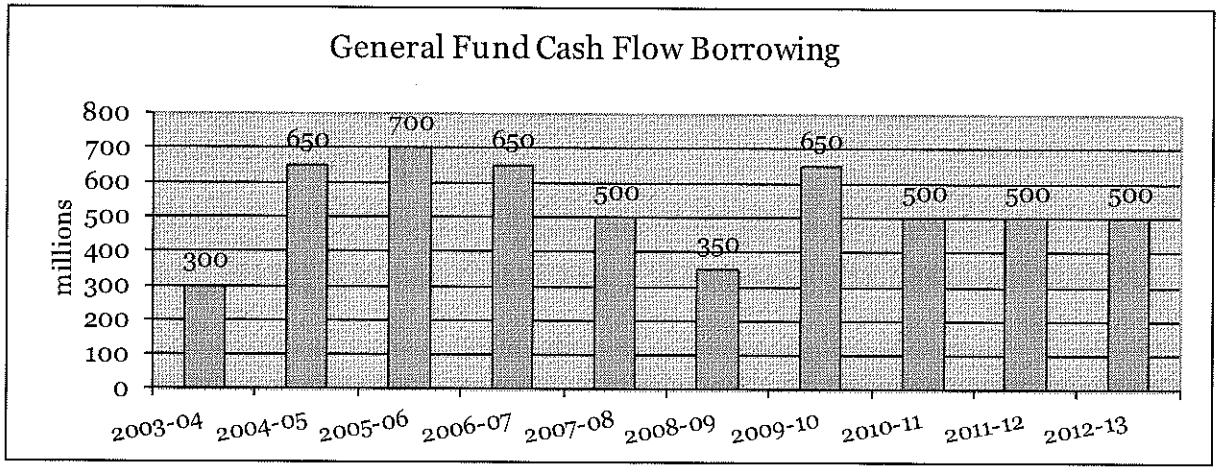
Accounting and Cash Management

Accounting:

- Accounts for *all* cash received by the State
- Ensures liquidity to meet daily payments
  - Maintained sufficient liquidity
  - State's monthly cash flow (actual and forecast) posted on Treasury Website
- Distributed $74.5M in interest income to eligible cash funds during FY 2011-12

Cash Management:

- Issued $500M Series 2012 and $500M Series 2011 General Fund Rev Anticipation Notes
- Received highest possible ratings on notes
  - MIG 1 from Moody's
  - SP-1+ from Standard & Poor's
- Interest cost on notes was *0.18%*



Treasury Programs and Distributions

Treasury Programs:

Elderly Property Tax Deferral Program

- Applications in FY 2011-12: 474
- Total lent to elderly homeowners:
  - FY 2011-12: $1.3M
  - FY 2010-11: $1.5M
- Total Loans Outstanding as of 6/30/12: $6.9M
- Total Participants: 641
- Current Interest Rate: 2.0%

Senior Citizen & Disabled Veterans Property Tax Exemption Program

- Requested FY 2013-14 appropriation: $102.6M
- Estimated FY 2012-13 payments: $98.5M
- FY 2011-12 payments: $1.8M
- FY 2010-11 payments: $1.6M
- FY 2009-10 payments: $1.3M

*FY2009-10 through 2011-12 were for disabled veterans only

Treasury Distributions:

- Disbursed $943.3M in HUTF funds for FY 2011-12:
  - CDOT: $510.1M
  - Department of Public Safety: $100.1M
  - Department of Revenue: $18.3M
  - Counties (62): $187.1M
  - Cities (270): $127.4M
- Federal Mineral Lease Distributions for FY 2011-12:
  - Total: $164.9M

Treasury Programs (continued)

Treasury Programs:

Interest-Free School Loan Program (ETRANS)

- FY 2012-13 is the 10th year of separate borrowing to fund cash flow deficits for school districts
- $125M in notes were issued 7/11/12
- $160M in notes were issued 1/7/13?
- 18 School Districts Participating
  - Largest: Cherry Creek 5: $90M
    DPS: $71M

Bond Intercept Program

- By statute, program ensures full and timely payment of school debt
- Number of outstanding bond issues: 404
- $7.9B outstanding as of 12/31/12
- Saves districts approximately 25 basis points
- More important today with nonexistent bond insurance market

Charter School Bond Intercept Program

- Enhances ability of charter schools to obtain financing
- Currently 60 charter schools in program
- 32 of these schools are also part of the Moral Obligation Program
  - Participants pay into fund to offset bonds if a school defaults
  - State may also enact legislation to pay for defaulted bonds
  - $394.3M outstanding as of 12/31/12, cap of $400M

Treasury Programs (Continued)

Higher Education Revenue Bond Intercept Program:

- Enhances bond ratings for state-supported institutions of Higher Education
- Established by SB08-245 as a response to the failure of AAA-rated bond insurance companies
- As of December 2012, the program has been used by 9 institutions on 24 bond issues.

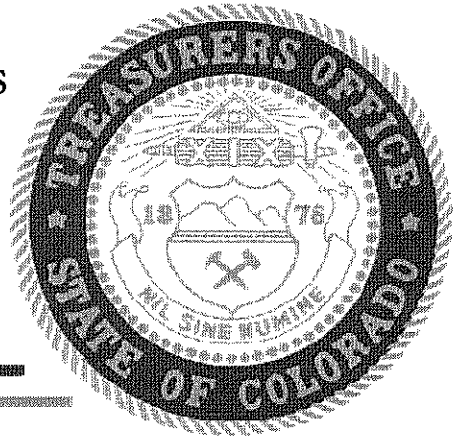
Centralized State Financial Obligation Management

Centralized State Financial Obligation Management :

- In 2012, the Treasurer's Office helped pass SB 12-150, which consolidates the management of the State's financial obligations within the Treasurer's Office. This includes:
  - Certificates of Participation (COPs)
  - Capital leases and lease-purchase transactions
  - Short-Term Notes
  - Any other financial obligation issued by the state

- Treasurer's Office has adopted the State's first Public Financing Policy to outline procedures of financial management

- Post-issuance compliance operations are now managed by this office as well.



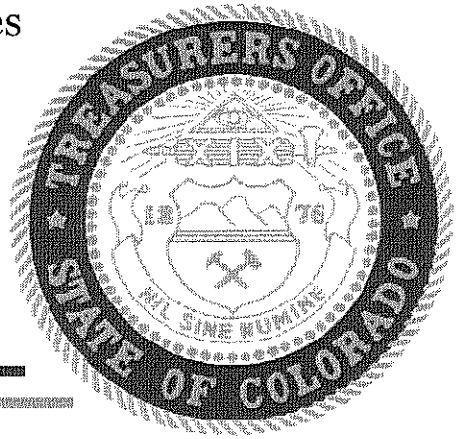
Centralized State Financial Obligation Management

Long-Term Financing :

- Colorado's long term liabilities totaled $7.3 billion at the end of FY 2011-12. This includes all COPs, Revenue Anticipation Notes, and student loan obligations
- S&P **affirmed** Colorado's COP 'AA-' COP credit rating (December 2012)

2012 Transactions:

- $9.3 million CDOT Energy Performance Contract COPs
- $624.8 million CHFA Colorado Unemployment Compensation Fund Special Revenue Bonds
    - Paid off Federal balance of approximately $80 million
    - Funded UITF to a positive balance and statutory solvency
    - Up-front savings for businesses ranging $20-120 in 2013-14
- $500 Million General Fund Tax and Revenue Anticipation Notes
- $330 million Education Loan Program Tax and Rev Anticipation Notes
- $160 million Building Excellent Schools Today (BEST) COPs

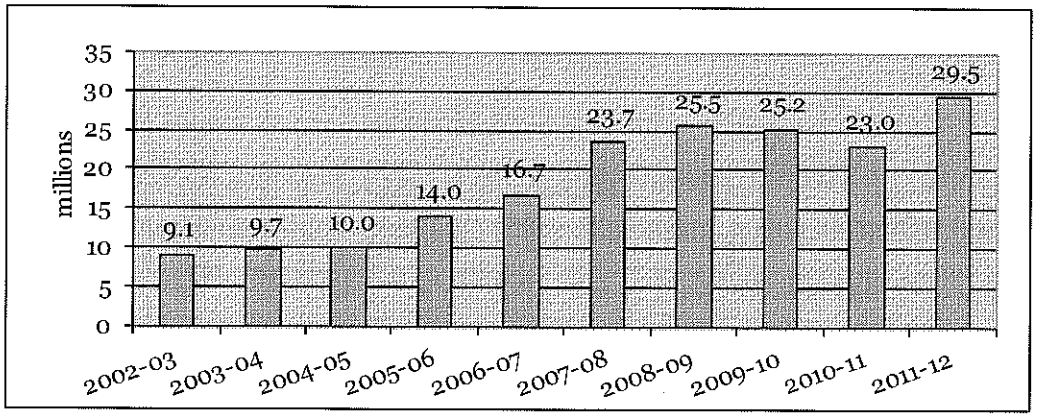


Unclaimed Property Program

Unclaimed Property Program:

- *Mission of the program:* To reunite lost or forgotten assets with their rightful owners
- Fiscal Year 2011-12 – Total Collected:
  - Trust Fund $65.8M
  - Tourism Promotion Trust Fund $9.7M
- Total returned to citizens and businesses: $29.5M
- Approx. number of inquiries: 135,000
- Number of claims processed: 16,655

History of Funds Returned to Citizens and Businesses



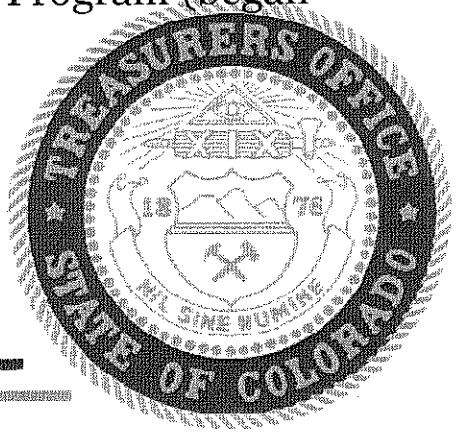
Unclaimed Property Program (continued)

Tourism Promotion:

- Senate Bill 04-256 authorized the Treasurer to sell unclaimed securities held more than one year
- Sale proceeds are deposited in Tourism Promotion Trust Fund
  - Proceeds from the September 2012 sale totaled $9.4M
- Interest earned is designated for tourism promotion
  - FY 2012-13 disbursements through 12/31/12: $2.0M
  - FY 2011-12 total disbursements: $3.8M

CoverColorado Funding:

- Trust Fund is used by CoverColorado to offset the high cost of Health Care
- Funding mechanism under HB 08-1390: 25% of Total Funding of the Program (began 1/1/2009)
  - Projected FY 2012-13 disbursement: $38.3M
  - FY 2011-12 disbursement: $37.3M
- *CoverColorado will cease to exist once Health Care Exchange begins in 2014*



Treasury Initiatives – SMART Strategic Plan

Core Objectives and Performance Measures: *The Treasurer's Office has identified four areas within the office to develop goals and performance measures to accomplish our mission:*

- Public Finance Management
- Investment Management
- Accounting and Cash Management
- Unclaimed Property (The Great Colorado Payback)

Treasury Initiatives – SMART Strategic Plan

Public Finance Management: After passing SB 12-150, the Treasurer's Office is tasked with creating a new, centralized management of the State's financial obligations. The Treasurer's Office is now developing a range of initiatives to manage this new responsibility:

- Develop a State Public Financing Policy: The State has never developed such a policy, and is an outlier with most other states in developing a "debt" policy. The State's first Public Financing Policy was promulgated in November, and will continue to be improved.

- Identify opportunities for efficiency: Consolidation of financial management operations will allow for the Treasurer's office to identify opportunities for efficiency, including:

  - Standardization of financial documents for all agencies

  - Qualified pools for vendors, including underwriters, banks, legal counsel and financial advisors

  - Post Issuance Compliance measures: COPs and capital leases have annual post-issuance compliance measures that can now be managed by one office within the State.

Treasury Initiatives – SMART Strategic Plan

Investment Management: The objective of investment management is to set an investment policy stressing, in order of importance, safety, liquidity, and yield as the key goals for all of the taxpayers' funds entrusted to the Treasurer's Office.

•*Fund-specific investment benchmarks:* The Treasurer's Office has had fund-specific benchmarks for over 20 years, and has historically outperformed these benchmarks on an annual basis. The following chart shows the historical performance of these benchmarks:

Performance Measure	Outcome	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual
Income earned on all funds *	Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark
	Actual	Exceeded Benchmark by 220 basis Points	Exceeded Benchmark by 190 basis Points	Exceeded Benchmark by 180 basis Points	Exceeded Benchmark by 147 basis points

•*Investment Transparency:* The Treasurer's website will continue to post investment performance updates on a quarterly basis.

Treasury Initiatives – SMART Strategic Plan

Accounting and Cash Management: The Accounting and Cash Management staff will attain 100% accuracy and maintain full statutory compliance with the disbursement of Special Purpose and programmatic funds on an annual basis. The Special Purpose funds include the following:

- Highway Users Tax Fund (HUTF)
- Colorado Property Tax Deferral Program
- Senior Citizen and Disabled Veteran Property Tax Exemption
- Tobacco Master Settlement Agreement Funds
- Amendment 35 Tobacco Tax Funds
- Payment in Lieu of Taxes (PILT)

State's Main Operating Account: The Accounting and Cash Management staff will continue to reconcile *all* money movement activities with the bank balance on a *daily basis.*

Treasury Initiatives – SMART Strategic Plan

Unclaimed Property (The Great Colorado Payback): The Great Colorado Payback will provide greater efficiency of processing claims through identifying and acquiring new technologies to help streamline the claims process without need for additional staff.

- The Challenge: Inquiries have doubled from about 77,000 prior to 2008, to over 135,000 per year in 2009-2012. As a consequence, the average time required to process each claim has doubled, from about 10 weeks to 20 weeks per claim.

- The Solution: The current claims process is paper-based and labor intensive. Unclaimed Property Staff has identified several technological solutions to improve the efficiency and average claim process time without additional FTE's.

  - For example, a program called Accurint, managed by Lexus-Nexus, offers a template with faster search modules and integrated software to process claims more quickly.

Treasury Initiatives – SMART Strategic Plan

Future Additional Budgetary Needs to Reach Objectives:

•*Financial Management of the State's Financial Obligations:* Prior to passing SB 12-150, there was 1.0 FTE appropriated to the Office of State Controller for issuance and post-issuance review of the State's financial obligations. The Treasurer's Office has identified two options to add assistance for this new initiative:

- The addition of a new FTE for State financial management
- Hiring a Financial Advisor to assist with the Treasurer's Office. This option may be more cost effective.

•*Unclaimed Property Data Management:* As described on the prior page, the acquisition of new technologies could increase the efficiency of the claims process. Additional funds for new software would allow Unclaimed Property staff to better respond to the increased volume of inquiries.

•*Ongoing education, enrichment and training opportunities:* One way to enhance Treasury's programs and its strategic initiatives is to offer outside training and enrichment opportunities. Because staff positions such as Investment Management are unique, such training opportunities would only exist outside of the Treasurer's office.

2013 Legislative Initiatives

2013 Legislative Initiatives:

•*Investment Statute Cleanup:* The Treasurer's office looks to make several changes to its investment statutes to follow audit recommendations and improve investment options:

- •US-Denominated Securities: The LAC recommended that statutes change language that require domestic securities to "US-Denominated" securities. Such language has already been changed for local governments in HB12-1005.
- •Permanent Fund Investment Interpretation: Currently, the Permanent fund requires that any investment loss would have to be recouped by the General Fund. The Treasurer's office recommends changing the interpretation to the portfolio as a whole, and is supported by the State Land Board.
- •Other Investment Options: With the change of the investment market, the Treasurer's office has considered adding securities such as highly rated municipal bonds and covered bonds.

•*Governor's Unclaimed Property and the Colorado History Museum:* Currently, any gift given to the Governor valued over $50 dollars is put in storage. The Colorado History Museum has asked to acquire these gifts to put on display.