Department of Treasury Strategic Plan November 1, 2012

# Introduction:

The State Treasurer and his staff serve the citizens of Colorado by providing banking, investment, and accounting services for all funds and assets deposited in the Treasury. By continually optimizing cash flows and maximizing yield on the state's investments, Treasurer Stapleton plays an important role in minimizing the tax burden on Coloradans.

The Department of the Treasury is organized into a number of different operating sections: Investment Management, Accounting and Cash Management and Administration. The Treasurer is also responsible for managing the state's unclaimed property division – The Great Colorado Payback.

### **Mission Statement:**

The Colorado State Treasury is the constitutional custodian of the public's funds. It is the Treasury's duty to manage and account for the citizen's tax dollars from the time they are received until the time they are disbursed. The Treasury's staff is committed to safeguarding and managing the people's monies with the same diligence and care as they do their own.

The mission of the Unclaimed Property Section is to reunite all owners (or heirs) with their unclaimed property.

### **Vision Statement:**

The Colorado State Treasury staff will continually strive to better serve the citizens of Colorado. Central to this goal is the continued introduction and use of new technologies to provide improved access to services for both citizens and other governmental agencies.

#### **Statutory Authority:**

General: CRS 24-22-101

Banking, Investments: CRS 24-36-101

State Funds and Accounts: CRS 24-75-101

Unclaimed Property: CRS 38-13-101

Issuing Manager Authority (SB 12-150): CRS 24-36-121

## **Core Objectives and Performance Measures**

The Treasurer's Office aims to achieve our vision and accomplish our mission through identifying objectives for the following four areas within the office:

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

While one can consider the following discussion the Department's 5-year plan, it should be noted that certain strategies are on a shorter term horizon, and other objectives of this office are expected to be maintained in perpetuity.

#### **Public Finance Management**

In 2012, the Treasurer's Office helped pass Senate Bill (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, short term notes, and any other form of financial obligation issued by the State.

SB 12-150 transforms the way Colorado issues financial obligations, streamlines the State's financial structure and allows the state to use one voice to interact with credit rating agencies and financial markets as a whole. It also serves as an opportunity to provide efficiency and savings to Colorado taxpayers by providing greater expertise with respect to the issuance and maintenance of the State's outstanding and future financial obligations.

As the Treasurer's Office begins to manage the State's financial obligations, the objective is to create a process in which financial obligations are conducted with more efficiency and financial expertise. This will include the following strategies:

Develop a State Public Financing Policy: Prior to the adoption of SB 12-150, the State had no policy that outlined procedures to issue and manage its financial obligations. The development of a State Public Financing Policy, as required by SB 12-150 will be a strong statement to credit agencies and financial markets to better manage outstanding financial obligations.

The Treasurer's Office will work with state agencies, the Attorney General's office, and individuals in the public finance community to develop and promulgate the State's first State Public Financing Policy. This should be viewed as an ongoing process – once the initial policy is adopted, the Treasurer's Office will continue to monitor this policy to make future improvements as it begins to manage the state's financial obligations.

*Identify opportunities for efficiency:* Prior to the adoption of SB 12-150, transactions such as COPs and capital leases were conducted on a case-by-case basis, with little structure to provide efficiency or

standardization. The Treasurer's Office has identified the following opportunities to make the financial management process more efficient:

- Standardized financial documents: The Treasurer's Office looks to develop a working group with the Attorney General's office and the Office of the Controller to develop more standardized documents where appropriate.
- Qualified pools for financial institutions: Transactions such as capital leases could be streamlined with the establishment of qualified pools of financial institutions who already agree to the State's contract requirements. This will help streamline the contract process for agencies with authorization for such transactions.
- Post Issuance Compliance procedures: COPs and capital leases often have post issuance compliance requirements that must be met on an annual basis. The Treasurer's office will develop procedures to organize these annual requirements in a standard fashion.

### **Investment Management**

The objective of investment management within the Treasurer's Office 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 him. The mission of the Investment Section is to provide investment programs that are safe, prudent, and appropriate for the public purpose of each fund.

Strategy: The department has developed fund-specific benchmarks for specific funds and looks to continue outperforming these performance measures. The benchmarks are measured against Treasury notes and securities with a similar term, dated back over two decades. The Treasurer's Office has historically outperformed its benchmarks. The following chart shows the historical performance of these benchmarks:

| Performance<br>Measure             | Outcome   | FY 08-09                               | FY 09-10                               | FY 10-11                               | FY 11-12                               |
|------------------------------------|-----------|--|--|--|--|
|                                    |           | Actual                                 | Actual                                 | Actual                                 | Actual                                 |
| Income<br>earned on<br>all funds * | Benchmark | Meet<br>Benchmark                      | Meet<br>Benchmark                      | Meet<br>Benchmark                      | Meet<br>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 |

<sup>\*</sup> This is a weighted average calculation for the five Treasury-managed funds: Treasury Pool, Major Medical Insurance Fund, Public School Permanent Fund, State Education Fund, and Unclaimed Property Tourism Fund.

Investment performance charts are also posted on the Treasurer's website on a quarterly basis. In an effort to continue accountability and transparency, we will continue to post these quarterly results.

## **Accounting and Cash Management**

The objective of the Accounting and Cash Management staff is to provide efficient management of state receipts and disbursements, ensure effective banking services to state departments, and offer cash management assistance to state departments and local governments.

Strategy: 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. These Special Purpose funds include the following:

- Highway Users Tax Fund
- 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)

Many of these funds are audited on a regular basis. The Department of Treasury expects to continue to maintain 100% accuracy with these fund disbursements.

Strategy: With respect to the 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.

#### Unclaimed Property (The Great Colorado Payback)

The Great Colorado Payback is responsible for reuniting Coloradans with their lost or forgotten assets. Every U.S. state, District of Columbia, Puerto Rico, the U.S. Virgin Islands - and Quebec, British Columbia and Alberta in Canada have unclaimed property programs that actively find owners of lost and forgotten assets. [This background description could use some work]

Objective: The Great Colorado Payback will provide greater efficiency of processing claims through the acquisition of resources or programs that can help streamline the process without the addition of FTE's.

The Great Colorado Payback has seen a dramatic increase in inquiries over the last five years. Inquiries have doubled from about 77,000 prior to 2008, increasing to over 135,000 inquiries per year in 2009-2012. As a consequence, the average time required to process each claim has doubled – from about 10 weeks to about 20 weeks per claim. It has almost doubled the cost of postage associated with the claims process as well, from about \$26,000 in 2007 to over \$46,000 in the last two fiscal years.

*Strategy:* Identify and acquire new technologies to help streamline the claims process without the need for additional staff.

The current claims process is a paper-based, labor intensive process that can be streamlined through Unclaimed Property-related software programs that already exist. Unclaimed Property has worked to

identify technological solutions to improve the efficiency and average claim processing time without the increase of FTE's. For example, a program called Accurint offers a program to enable Unclaimed Property with speedier search modules and integrated software to process claims more quickly. A program such as Accurint, as opposed to the current process that is more paper-based, would have an immediate impact associated with decreasing processing time and postage costs.

# **Future Additional Budgetary Needs to Reach Objectives**

In order to meet the objectives listed above, there are several areas in which additional resources may be required to achieve our vision and accomplish our mission:

Financial Management of the State's Financial Obligations: Prior to passing SB 12-150, there was 1.0 FTE appropriated to the Office of the State Controller for issuance and post-issuance review of the State's financial obligations. In the fiscal note related to SB 12-150, it was noted that a shift of at least 0.4 FTE would be needed as these responsibilities shifted to the Treasurer's Office.

Currently, the Treasurer's office has identified two options to add assistance for this new initiative: a) the addition of an FTE for financial management, or b) hiring a Financial Advisor to assist the Treasurer's Office with financial management. It may be more cost effective to hire an Financial Advisor to assist with these initiatives.

SB 12-150 establishes a State Public Financing Cash Fund to help pay for issuance and post-issuance activities, funded through a fee associated with certain State transactions. Because the annual revenue will depend on the number and principal amount of financial obligations, there may be an additional financial need to implement the consolidation of public finance within the Treasurer's Office.

Unclaimed Property Data Management: As described in the Great Colorado Payback objectives above, the substantial increase of unclaimed property inquiries has lead to an increased response time as well as other additional costs, such as postage. Additional funds for new software would allow the Unclaimed Property staff to better respond to this increased volume of inquiries.

Ongoing education, Enrichment and Training Opportunities: As this strategic plan outlines many ways to improve efficiency and performance, including investment benchmarks, cash management strategies, and unclaimed property processes, one way to enhance these programs is to offer outside training and enrichment opportunities.

While the staff within the Treasurer's Office manages integral operations for the State, there are currently no resources or funds available to provide enrichment opportunities. Many positions of the Treasurer's Office require unique and specialized skill sets that would benefit from outside training and enrichment opportunities that would promote growth and education.