

Department of Treasury
Performance Plan
November 1, 2013

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.

Also known as the S.M.A.R.T Act, House Bill 13-1299 revised the strategic and performance planning efforts of state agencies. HB13-1299 requires each department to publish its first Performance Plan by July 1, 2014. However, the Treasurer's office has opted to provide an initial draft of this Performance Plan to accompany its November 1st budget request.

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 major functions within the office:

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

Each major function listed above will be described in detail below, while discussing strategies to meet identified goals to meet the Department's mission.

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.

Since the Department's first Strategic Plan associated with the S.M.A.R.T Act dated November 1, 2012, the Treasurer's Office has realized several successes with respect to its new management duties of the State's finances:

- *Developing a State Public Financing Policy:* The Treasurer's office has promulgated the State's first State Public Financing Policy. Colorado was an outlier compared to other states without a formal debt or financial management policy. The newly promulgated State Public Financial Policy outlines procedures with respect to the State's management of issuance or incurrence of financial obligations. This initiative has been viewed favorably by financial markets as well as credit ratings agencies who have been focusing more attention on public issuer's procedures and debt management policies.
- *Post-Issuance Compliance:* Any public financial obligation has certain annual post-issuance activities required by the IRS and SEC. Based on analysis by the Treasurer's office, the State was severely deficient in its annual disclosure requirements, and has managed an organizational overhaul of these compliance procedures. The Department has hired DAC Bond, a company that helps facilitate transparency of financial issuance and post-compliance activities – and under the Treasurer's office's leadership, the State is now in 100% compliance of these IRS and SEC requirements.

- *Identifying Savings opportunities:* It was difficult for the State to take advantage of certain refinancing opportunities under a decentralized financial management system. SB 12-150 allowed the Treasurer's office to analyze the State's entire portfolio, helping identify over \$6.6 million of savings for the State through refinancing the CU Fitzsimons COPs and CDOT's Transportation Revenue Anticipation Notes. The combined savings to the State realized by the Treasurer's office was over \$680,000 per year.

As the Treasurer's Office continues the process of managing 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: While the Treasurer's office has already accomplished the adoption of Colorado's first State Public Financing Policy, it should be viewed as a document that can always be honed and improved. The Department will continue working with the Governor's Office of State Planning and Budget, Attorney General's office, office of the State Controller, and outside professionals to identify opportunities for improvement of this document.

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 and other vendors:* 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.

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 Measure	Outcome	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual
Income earned on all funds *	Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark
	Actual	Exceeded Benchmark by 190 basis Points	Exceeded Benchmark by 180 basis Points	Exceeded Benchmark by 147 basis points	Exceeded Benchmark by 114 basis Points

** 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, increasing from about \$26,000 in 2007 to an average of over \$44,000 over the last five fiscal years.

Strategy: Identify and acquire new technologies to help streamline the claims process without the need for additional staff. This includes the acquisition (as well as an additional budget request to the JBC) of a software program to help make the Unclaimed Property claims process more automated:

Currently, the Division's claims process is a paper-based, labor intensive process. Staff members spend much of their time contacting claimants multiple times via letters, telephone calls, or emails in order to obtain all the necessary information to determine that the claimant is the "rightful owner" of the property in question. Often these exchanges between the Division and the claimant can take several weeks to complete. In order to significantly reduce the number of claimant contacts, thus reducing claim resolution time, the Division requests funding for the research service LexisNexis Accurint (Accurint).

Accurint is a secure, investigative data platform which links multiple data sources in an effort to deliver valuable and accurate information about individuals. Per the LexisNexis documentation, its Batch Services product "draws from over 10,000 sources of public records to maintain a master identity repository that contains over 400 million unique domestic identities"; and "turnaround times are usually between one and two hours." Data that Accurint can provide includes verification of whether the individual is living or deceased, an up-to-date address, a list of relatives, and previous addresses – the same type of information that is currently requested from the claimant.

This technology could also benefit the audit section of the Division. The Division's auditors would be able to utilize Accurint to obtain information for following up on non-reporting companies, locating the subsidiaries of companies, and selecting potential audit candidates.

Future Additional Budgetary Needs to Reach Objectives and Strategies

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. A change request for FY2014-15 Budget Request Cycle has been included in this year's budget request package to the Joint Budget Committee.

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. The Treasurer's office currently has little to no financial ability to provide such resources.

HB13-1299 states that "A performance management system should include elements to ensure that a department's employees are appropriately trained to implement its various components." 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.