

Department of Treasury
Performance Plan
2015-2016

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. HB 13-1299 requires the Treasurer's office to post instructions to itself as to how it will develop its own performance plan, and sets annual requirements for Performance Plan and a Regulatory Agenda. As required by HB 13-1299, these instructions as well as the office's Performance Plan and Regulatory Agenda are posted on the website.

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 adoption of SB 12-150, 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 a refinancing for present value and cash flow savings for the Colorado Bureau of Investigation, savings the taxpayer’s of the State over \$1.1 million.

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	Outcome	FY 10-11	FY 11-12	FY 12-13	FY 13-14
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Measure		Actual	Actual	Actual	Actual
Income earned on all funds *	Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark
	Actual	Exceeded Benchmark by 180 basis Points	Exceeded Benchmark by 147 basis Points	Exceeded Benchmark by 114 basis points	Exceeded Benchmark by 120 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.

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. The Unclaimed Property Act/Law was passed into law by the Colorado Legislature to protect the

property of owners whose whereabouts are unknown and return it to its rightful owner(s) or their heirs. The Treasurer acts only as a custodian of the property for which there is no time limit for claiming.

The Treasurer is responsible for collecting property that was identified by companies, banks and financial institutions, insurance companies, etc. that has become inactive or abandoned and holding it in safekeeping at the Colorado Department of the Treasury for the rightful owners or their heirs.

Objective: Through the acquisition of new software programs, the Great Colorado Payback will provide greater security, scalability and efficiency of processing claims through the acquisition of resources or programs that can help streamline the current process without the addition of new FTE's.

- *Increase in Workload:* 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 \$45,000 over the last five fiscal years.
- *Labor-Intensive Claims Processes:* 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.
- *Outdated Software and Security Issues:* There are additional challenges with efficiency as well as security related to the Division's outdated software program that manages Payback claims. The current platform, supported by Xerox, is 20 years old. Along with efficiency issues, there are also security-related concerns with such an old program.

Strategy: Unclaimed property is in the process of negotiating a contract with an outside vendor to implement new unclaimed property software. An appropriation has already been secured to fund this project.

Future Additional Budgetary Needs to Reach Objectives and Strategies

In order to meet the objectives listed above, there is one key areawhere additional resources would be welcomed in order to accomplish our mission:

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.