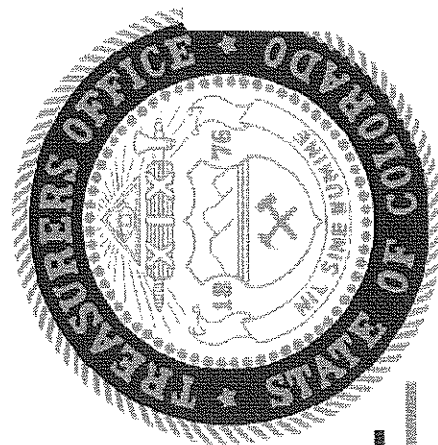

Presentation to the Joint Finance Committee

December 15, 2014

General Highlights:

- Debt and Financial Management Consolidation
 - Investment management benchmark
 - Unclaimed Property Initiatives
-



Debt and Financial Management Consolidation:

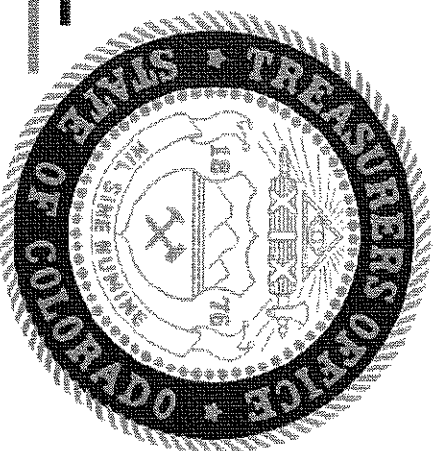
SB 12-150

Centralized debt and financial management is important:

- *Market Perspective:* Financial markets and credit ratings agencies look for stability in today's market. Colorado had been an outlier in its decentralized structure.
- *Efficiencies and expertise:* Centralizing financial management makes a more efficient point of contact between the State and financial markets, which is key to providing oversight of Colorado's finances.
- *Unintended consequences of decentralization:* A single point of contact may lead to missing market opportunities to refinance outstanding obligations, and overlook post-issuance compliance requirements by the SEC and IRS.

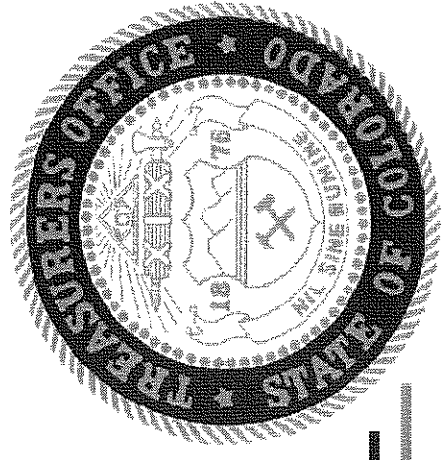
SB 12-150 Provides the opportunity to improve the State's financial management:

- Improves the State's interaction with the markets and credit agencies
- Accounts for State obligations with a big-picture perspective
- Integrates the financial process more efficiently with the Capital Development Committee, Governor's Office of State Budget and Planning, and agencies to ensure a streamlined process
- Provides greater oversight of IRS and SEC required post-issuance compliance for all financial obligations



Debt Consolidation Successes: Refinancing opportunities

- *CU Fitzsimons COP Refunding, Series 2013 (\$4.67 million total savings)*
- *CDOT Transportation Revenue Anticipation Notes Refunding, Series 2013 (\$2.1 million total savings)*
- *CSP II COP Refunding, Series 2013 (\$1.5 million total savings)*
 - *Restructured payments, shortening the term and converting to taxable COP structure to provide greater flexibility of building use*
- *FML Higher Education COP Refunding, Series 2014 (\$12 million total savings)*



Debt Consolidation Successes:

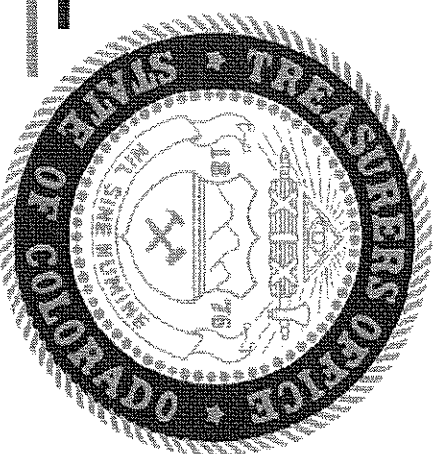
Financial Management Policy and Post-Issuance Compliance

The Treasurer's office has identified numerous ways to provide improved governance and increased efficiencies:

- Developed and promulgated the State's first financial management policy
- Created qualified pools for bond counsel firms, financial advisors to execute future transactions much more quickly
- Identified refinancing opportunities for the State totaling about \$20 million (listed on next page)

The Treasurer's office has already managed an organizational overhaul of its post-issuance compliance procedures:

- Hired DAC Bond, a company to help facilitate transparency of financial issuance and post-compliance activities to financial markets and the Municipal Securities Rulemaking Board
- Identified any weaknesses related to the State's compliance with SEC and IRS post-issuance requirements
- Implemented procedures and processes to oversee post-issuance compliance on an annual basis



Investment Management

Historical Investment Performance Relative to Benchmark:

Performance Measure	Outcome	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 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.



Unclaimed Property

Identifying Efficiency Opportunities and Strengthening Security

Increase in workload:

- Claims have doubled from about 77,000 per year prior to 2008, to 135,000 per year since 2008
- As a consequence, average time required to process claims doubled from 10 to 20 weeks

Outdated Software and Security:

- Current UP software is 20 years old, and requires a labor-intensive claims process
- Security concerns include the fact that sensitive data is not encrypted and protected

Proposed Solution:

- Initially, an appropriation for a LexisNexis software was approved in order to improve claims process efficiency
- We are working with JBC on a supplemental appropriation for a more global solution as new software has been developed for state Unclaimed Property systems

