

# 2001-03 Performance Progress Report

## For Quarter Ending 6/30/2003

Agency 090

### Office of State Treasurer

#### Mission

To manage the financial resources within our purview effectively and efficiently and to promote prudent financial practices in government.

**Goal** Invest short-term cash reserves for maximum prudent return.

**Performance Measure** Treasury and Trust Funds - Incremental value of active internal investment compared to overnight investment of all available funds (dollars in thousands).

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				\$4,650				\$9,025
Actual				\$67,639				\$45,741

Date Measured

#### Quarter 4 Comment

The incremental value of an active investment program is subject to wide variation due to the shape of the yield curve, the direction of interest rates, treasury cash flow patterns and investment strategies employed. The additional yield achieved during a declining interest rate environment will be significantly greater than that achieved during a rising rate environment. The incremental value during a period of rapidly rising rates may even be negative, as experienced in fiscal year 1995 and again in fiscal year 2000. However, over a market cycle, i.e., interest rates rising and then declining, the incremental value of an active investment program should be positive. Consequently, a more informative measure of the incremental value of an active investment program would be to look at it over several years. For example, since fiscal year 1994 the average pick-up in yield of an active investment program has been 75 basis points (0.75%), resulting in increased earnings of \$153.7 million.

**Performance Measure** Local Government Investment Pool (LGIP)-Incremental value of LGIP compared to comparable privately managed money funds (dollars in thousands).

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				\$11,000				\$9,900
Actual				\$30,048				\$20,009

Date Measured

#### Quarter 4 Comment

There are a large number of privately managed money market funds with comparable investment guidelines to the LGIP. While local governments do not have statutory authority to invest operating funds in those funds due to the comparable nature of the investment guidelines, they are useful as performance benchmarks for the LGIP. The benchmark employed is the IBC Donoghue index of Government Only/Institutional Only Money Market Funds, a group of over 100 funds. The outcome measure is the additional earnings the LGIP participants have achieved over that they would have received had they been in the average privately managed money fund.

**Goal** Provide financing recommendations and operational services to the State Finance Committee to support the state's capital budget through efficient, low-cost borrowing,

# 2001-03 Performance Progress Report

## For Quarter Ending 6/30/2003

Agency 090

### Office of State Treasurer

**Performance Measure** General obligation bond rates as a percentage of the securities industry - Bond Buyer Index.

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				98.5%				98.5%
Actual				95.8%				95.7%
Date Measured								

**Performance Measure** Bond refunding savings as a percentage of total bond issue.

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				5.0%				5.0%
Actual				6.4%				8.2%
Date Measured								

**Quarter 4 Comment** The "Savings/Issue Size" performance measure provides a way to assess savings from refundings. A refunding is a procedure whereby an outstanding bond issue is refinanced by a new issue. The measure is a ratio of the Net Present Value ("NPV") of the savings -- after discounts and cost of issuance -- compared to the total par value of the new issue.

**Goal** Promote responsible financial practices to ensure the unimpeded inflow of moneys to the state's treasury accounts and the timely outflow of moneys to state and local governments, vendors, beneficiaries, claimants, and employees.

**Performance Measure** State payment transaction average cost.

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate	\$0.1120	\$0.1120	\$0.1120	\$0.1120	\$0.1120	\$0.1120	\$0.1120	\$0.1120
Actual	\$0.1046	\$0.1042	\$0.104	\$0.104	\$0.1038	\$0.1036	\$0.1036	\$0.1037
Date Measured								

**Performance Measure** State receipt transaction average cost.

Outcome	Fiscal Year 2002				Fiscal Year 2003			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate	\$0.1240	\$0.1240	\$0.1240	\$0.1240	\$0.1270	\$0.1270	\$0.1270	\$0.1270
Actual	\$0.0829	\$0.085	\$0.081	\$0.082	\$0.076	\$0.072	\$0.078	\$0.084
Date Measured								