

## State Treasurer

JLBC: Nick Klingerman  
OSP: Jay Baughman

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	33.4	33.4	33.4
Personal Services	1,562,000	1,720,500	1,720,500
Employee Related Expenditures	463,100	558,700	555,400
Professional and Outside Services	238,400	235,000	415,000
Travel - In State	1,700	1,500	1,500
Travel - Out of State	1,200	2,000	2,000
Other Operating Expenditures	249,900	292,600	301,500
Equipment	99,200	10,000	152,200
<b>OPERATING SUBTOTAL</b>	<b>2,615,500</b>	<b>2,820,300</b>	<b>3,148,100</b>
<b>SPECIAL LINE ITEMS</b>			
Justice of the Peace Salaries	2,362,000	2,949,000	3,122,500
<b>AGENCY TOTAL</b>	<b>4,977,500</b>	<b>5,769,300</b>	<b>6,270,600</b>

### FUND SOURCES

General Fund	4,977,500	5,769,300	6,236,800
<u>Other Appropriated Funds</u>			
State Treasurer's Management Fund	0	0	33,800
SUBTOTAL - Other Appropriated Funds	0	0	33,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,977,500</b>	<b>5,769,300</b>	<b>6,270,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>4,977,500</b>	<b>5,769,300</b>	<b>6,270,600</b>

### CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC	
	\$ Change	% Change
General Fund	467,500	8.1%
Other Appropriated Funds	33,800	0.0%
Total Appropriated Funds	501,300	8.7%
Total - All Sources	501,300	8.7%

**AGENCY DESCRIPTION** — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

PERFORMANCE MEASURES	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
• Ratio of yield of LGIP to Standard and Poor's LGIP Index Comments: The State Treasurer's LGIP outperforms the Standard and Poor's LGIP Index if the ratio is above 1.0.	1.7	1.2	1.0	1.2
• Ratio of yield of endowment pools to Big Bond Index Comments: The State Treasurer's endowment pools outperform the Big Bond Index if the ratio is above 1.0. The endowment pool consists of investments that are shorter in duration than the Big Bond Index. Due to the upward shift in both short and long-term interest rates, the less volatile portfolio of the State Treasurer was able to outperform the Big Bond Index.	2.60	0.78	2.77	1.10
• Customer satisfaction rating for local government investment pool participants (Scale 1-8)	NA	NA	7.4	7.4

**CHANGES FROM FY 2007**

**Operating Budget**

The JLBC includes \$3,148,100 and 33.4 FTE Positions for the operating budget in FY 2008. These amounts consist of:

		<b>FY 2008</b>
General Fund	GF	\$3,114,300
State Treasurer's Management Fund	OF	33,800

These amounts would fund the following adjustments:

**One-Time AZNet  
Appropriation** **GF (24,000)**

The JLBC includes a decrease of \$(24,000) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

**Rebase Retirement Rates** **GF (4,200)**

The JLBC includes a decrease of \$(4,200) from the General Fund in FY 2008 for rebasing PSPRS retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the actual rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

**Portfolio Order  
Management System** **GF 100,000**

The JLBC includes an increase of \$100,000 from the General Fund in FY 2008 for a portfolio order management system (POMS) as part of the Treasurer's investment tools. The POMS will integrate with the current accounting system and analytical tools to simplify trade entry procedures and provide enhanced trade analysis. The POMS will also provide additional compliance features by warning traders before a trade is made if it is not in compliance with Board of Investment trade policies.

**Business Process Re-engineering** **GF 80,000**

The JLBC includes a one-time increase of \$80,000 from the General Fund in FY 2008 to review business processes at the Treasurer's Office. Currently, the office has 4 different computer operating systems that have not been updated since the late 1990s. Since then, there have been ad hoc additions to existing systems to accommodate new services such as equity investments and the Local Government Investment Pools. The \$80,000 amount includes funding to conduct a review of business processes in order to consolidate current operating systems.

**IT Equipment**

**Replacement Schedule** **GF 79,200**

The JLBC includes an increase of \$79,200 from the General Fund in FY 2008 to fund the first year of a proposed information technology (IT) equipment replacement schedule. The Treasurer's Office does not currently have funding in its budget to replace IT equipment.

**Remote Journaling** **GF 63,000**

The JLBC includes an increase of \$63,000 from the General Fund in FY 2008 for a remote journaling system. This system will allow the agency to back up system data at an offsite location using network storage. Under the current system, the agency runs tape backups that are transported offsite once a month. In the event of a disaster, the most recent recovery point available would be the close of the prior month. Remote journaling will reduce the time lag for the most recent recovery point from the close of the prior month to less than one minute. The included amount provides funding for one-time hardware and software. Ongoing costs are estimated at \$9,000 annually.

**Remote Access** **OF 33,800**

The JLBC includes an increase of \$33,800 from the State Treasurer's Management Fund in FY 2008 for remote access capabilities. The staff at the Treasurer's Office currently does not have remote access to the computer network. The included amount provides funding for software and hardware needed to provide remote access capabilities from outside the office. Ongoing costs are estimated at \$1,300 annually.

**Special Line Items**

**Justice of the Peace Salaries**

The JLBC includes \$3,122,500 from the General Fund for the Justice of the Peace Salaries Special Line Item in FY 2008. This amount would fund the following adjustment:

**Justice of the Peace Salary  
Increase** **GF 173,500**

The JLBC includes an increase of \$173,500 from the General Fund in FY 2008 for Justice of the Peace (JP) salary increases. Currently, the state pays 38.5% of JP salaries at a cost of about \$2.9 million each year. Laws 2005, Chapter 286 approved a 12.5% salary increase for Superior Court judges effective January 1, 2007. Since A.R.S. § 22-125 requires the compensation level for each JP be computed as a percentage of Superior Court judges' salaries, JP salaries are expected to increase by 12.5% beginning January 1, 2007. The FY 2007 budget provided \$173,500 for JP salary increases for the last half of the fiscal year. The included amount will annualize the cost of the JP salary increase for FY 2008.

A.R.S. § 22-117 requires the state to pay 40% of the salary for each JP, with the county paying the remainder. Since

FY 2003, there have been a series of annual session law provisions requiring the state to pay 38.5% of JP salaries.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

It is the intent of the Legislature that the investment management fee on monies managed by the State Treasurer be set at 8 basis points

**STATUTORY CHANGES**

The JLBC would notwithstanding A.R.S. § 22-117 for FY 2008 to decrease the state's share of JP salaries from 40% to 38.5%. This provision has been included in the budget as session law since FY 2003.

<b>SUMMARY OF FUNDS</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Estimate</b>
<b>State Treasurer's Management Fund (TRA3799/A.R.S. § 41-177)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Long-Term Local Government Investment Pool (LGIP) management fees paid by cities, towns, tribal governments, counties and political subdivisions of the state.		
<b>Purpose of Fund:</b> To provide funding for the administrative expenses associated with managing LGIP.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	41,400	70,000