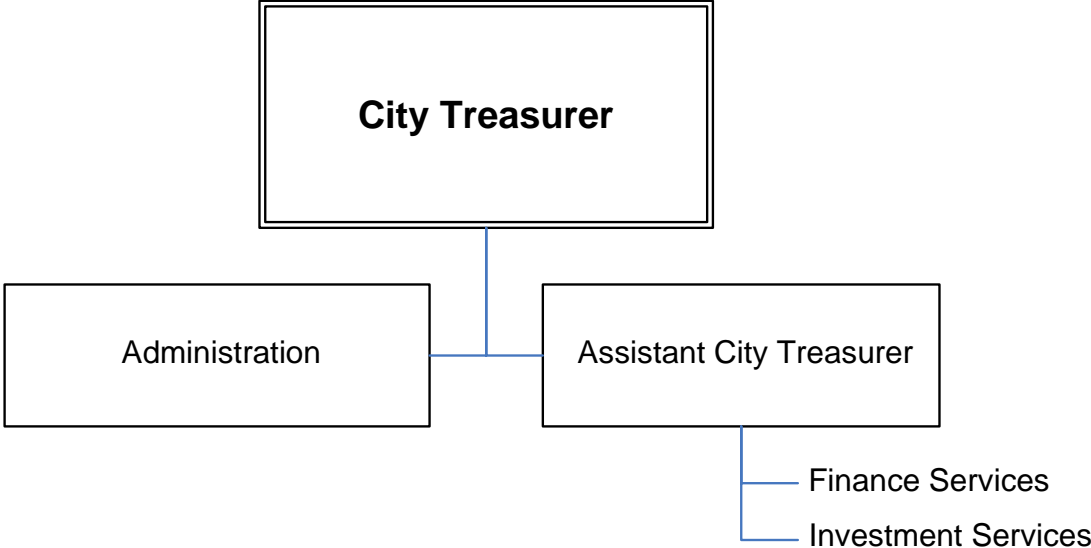


9

SECTION - 9

CITY TREASURER



CITY TREASURER'S OFFICE

Provide exceptional banking, financing, and investment services for the City Council, citizens and employees of the City of Sacramento in a professional manner.

DESCRIPTION

The City Treasurer is responsible for the receipt, investment, disbursement and safekeeping of all City funds. Additionally, City Council has prescribed that the City Treasurer shall also provide public finance and debt issuance services for the City. Typical functions of the department include:

- Management of all investments for the City, Sacramento Housing and Redevelopment Agency (SHRA), various trust funds, as well as the Sacramento City Employees' Retirement System (SCERS).
- Accountability of City, SCERS, SHRA and other trust funds between the bank and City, and compliance with State investment reporting requirements.
- Banking services for all City departments.
- Management of all bond financing related duties, such as bond structures, covenants, creation of financing authorities and financial analysis.
- Maintenance and coordination of activities related to outstanding City bond issues to include: investor relations, rating agencies, compliance with State and Federal regulations, and monitoring of bond construction proceeds for arbitrage and cash flow purposes.

MORE INFORMATION

Please see the following for more information about the Office of the City Treasurer:

Website - <http://www.cityofsacramento.org/treasurer/>

Key Contacts -

Office of the City Treasurer

Thomas P. Friery
City Treasurer
915 I Street
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Administration

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Finance Services

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OBJECTIVES FOR FY2005/06

- Earn a rate of return that exceeds Local Agency Investment Fund (LAIF) or other appropriate indices or custom targets established for each distinct class of funds.

- For SCERS, earn a rate of return exceeding actuarial earnings assumption through prudent investment policy and guidelines approved for current investment strategy.
- Develop and market debt vehicles to assure access to public and private markets at the lowest cost of money with a prudent level of risk.
- Provide prudent fiscal advice relative to special projects and matters considered by City Council.

ACCOMPLISHMENTS IN FY2004/05

- The Treasury prudently managed all investments in-house with a market value of \$1.164 billion, generating investment income during fiscal year-end June 2004 of \$49.645 million. The investment portfolios consist of City's Pool 'A' cash account, SCERS Fund, SHRA, Capital Area Development Authority (CADA), and various endowment funds such as the Public Trust Memorial Fund (to benefit indigents), Hart Trust Fund (to benefit seniors), George Clark Scholarship Fund and United Way Fund.
- As a result of prudent investment management, the Treasury earned 2.052 percent that exceeded the LAIF earnings by .53 percent and thus producing \$4.19 million in superior earnings for the General Fund and other Pool A participants. Additionally, the Treasury generated \$2.540 million in revenues for fiscal year-end June 2004 from investment management fees and offsets, which resulted in a contributed net income of approximately \$600,000 to the City's General Fund.
- Accepted assignment of providing investment management services for other local government and non-profit agencies including American River Flood Control District, with a portfolio of \$4.4 million, The Natomas Basin Conservancy at \$467,000, and two new Capitol Area Development Authority accounts representing \$1.6 million and \$5.575 million.
- Working in coordination with Procurement Services Division, the City entered into a new Purchase Card Program with Bank of America that will result in potential rebate of \$25,000 - \$30,000 annually.
- Through May of fiscal year-end 2005 the Treasury managed \$1.66 billion in outstanding City bond debt, in addition to completing six financings amounting to approximately \$16 million in funding for projects ranging from residential development to recycling containers for the City's Solid Waste Division.
- Standard and Poor's Rating Services affirmed the City of Sacramento's "AA" rating on the Sacramento City Financing Authority, California's lease revenue bonds issued for the City of Sacramento, and its "AA" rating on the City's GO rating; a rating of "Aa2" with Moody's Investor Services still stands. This reflects the general creditworthiness of Sacramento as obligor, and the City's covenant to budget and appropriate lease payments.

APPROVED BUDGET/STAFFING CHANGES

Organizational Assessment

- In FY05 the Office of the City Treasurer proposed savings of approximately \$343,000 as a result of new investment management services revenues (\$172,000) and reorganization savings (\$171,000). The City Treasurer estimated an increase in revenue of \$172,000 as a result of the reallocation of certain SCERS funds to internal city investment management. As a result, the

portfolio risk was reduced, as well as a reduction in fees paid by SCERS for an estimated net savings of \$190,000 for SCERS.

- The City Treasurer implemented a restructuring to reflect advances in technology, areas of growth demand, and more effective succession planning. The restructuring resulted in a reduction of FTE from 20 to 17, and an estimated savings of \$171,000. While the job responsibilities and workloads have been modified in accordance with the restructuring, the review of position classifications with Human Resources has not as yet been completed.

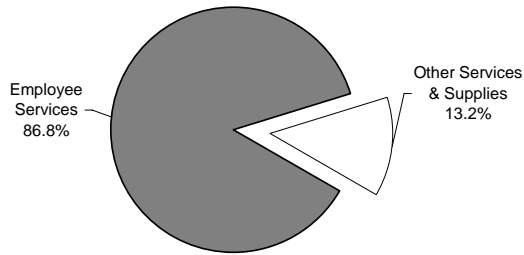
New Revenue

- The Office of the City Treasurer began providing investment management services for several agencies including American River Flood Control District, The Natomas Basin Conservancy, and two new Capitol Area Development Agency accounts. Additionally, investment management services will continue to be performed for the Sacramento Public Library Authority since their accounting separation from the City. This will result in additional revenue of approximately \$22,000 annually, as well as provide superior investment management services for the agencies at a fee level that is much less than comparable outside services.

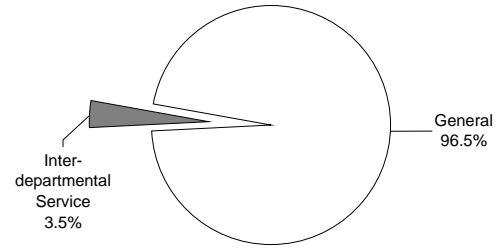
Department Budget Summary

City Treasurer Budget Summary	FY 2003/04 Actual	FY 2004/05 Approved	FY 2004/05 Amended	FY 2005/06 Approved	Change More/(Less) Approved/Amended
Positions (FTE)	20.00	17.00	17.00	17.00	0.00
Budgeted Expenditures					
Employee Services	1,503,948	1,794,993	1,776,982	1,852,059	75,077
Other Services & Supplies	357,899	281,082	281,082	281,082	0
Equipment	11,629	0	0	0	0
CIP & Grant Offsets	0	0	0	0	0
Transfers	(74,672)	0	0	0	0
Total:	1,798,804	2,076,075	2,058,064	2,133,141	75,077
Funding Summary by Fund/Special District					
General	1,638,370	1,985,491	1,967,480	2,058,099	90,619
Retirement Trust	0	0	0	0	0
N Natomas Drainage CFD #4	0	0	0	0	0
N. Laguna Creek Park CFD	0	0	0	0	0
Inter-departmental Service	136,776	90,584	90,584	75,042	(15,542)
Assessment Bond Registration	23,658	0	0	0	0
N. Natomas Drainage CFD 9701	0	0	0	0	0
Total:	1,798,804	2,076,075	2,058,064	2,133,141	75,077

Budgeted Expenditures - FY06



Funding Summary - FY06



Division Budget Summary

City Treasurer Division Budgets	FY 2003/04 Actual	FY 2004/05 Approved	FY 2004/05 Amended	FY 2005/06 Approved	Change More/(Less) Approved/Amended
City Treasurer	1,798,804	2,076,075	2,058,064	2,133,141	75,077
Total:	1,798,804	2,076,075	2,058,064	2,133,141	75,077

Staffing Levels

City Treasurer Division FTEs	FY 2003/04 Actual	FY 2004/05 Approved	FY 2004/05 Amended	FY 2005/06 Approved	Change More/(Less) Approved/Amended
City Treasurer	20.00	17.00	17.00	17.00	0.00
Total:	20.00	17.00	17.00	17.00	0.00

TRENDS

Return on Investments	FY2001/02	FY2002/03	FY2003/04
Large Capital Growth Fund	-2.23%	1.58%	18.97%
Fixed Income Fund	6.64%	8.42%	2.53%
Pool A Fund	4.45%	4.29%	2.05%

Bonds	FY2000/01	FY2001/02	FY2003/04
Bond Rating	Aa2	Aa2	Aa2
Financing Projects in Process	9	7	9
Financing Projects Delivered	0	4	7
Financing Projects Deferred	4	0	1

**Data not tracked this fiscal year*

Arbitrage	FY2001/02	FY2002/03	FY2003/04
Number of Reports Completed	8	4	5
Banking & Operations	FY2001/02	FY2002/03	FY2003/04
Dollar Volume of Cash accountability (in billions)			
Demand Account	\$ 2.3708b	\$.4747b	1.452b
Safekeeping (City, SHRA, Trusts)	12.4968b	15.5329b	17.833b
Safekeeping (SCERS)	.3362b	.6548b	.931b
Total	\$ 15.2238b	\$ 16.6624b	20.216b
Banking & Operations (continued)			
Daily Cash Accountability	\$ 1.183b	\$ 1.317b	1.168b
Monthly Reports	4	6	5
Quarterly Reports	10	8	10
Monthly Accountability Reports	4	8	26

Approved Positions

900	<u>City Treasurer</u>	<u>FY2004/05</u>	<u>FY2005/06</u>	<u>Change</u>
	Administrative Assistant	1.00	1.00	0.00
	Banking Operations Analyst	1.00	1.00	0.00
	Chief Investment Officer	1.00	1.00	0.00
	City Treasurer	1.00	1.00	0.00
	Debt Analyst	1.00	1.00	0.00
	Investment Officer	1.00	1.00	0.00
	LAN Administrator	1.00	1.00	0.00
	Public Finance Manager	1.00	1.00	0.00
	Senior Debt Analyst	1.00	1.00	0.00
	Senior Investment Officer	1.00	1.00	0.00
	Treasury Analyst	4.00	4.00	0.00
	Treasury Assistant	1.00	1.00	0.00
	Typist Clerk II	1.00	1.00	0.00
	Typist Clerk III	1.00	1.00	0.00
	Organization Total:	17.00	17.00	0.00
	DEPARTMENT TOTAL:	17.00	17.00	0.00