



UPDATE

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Membership Facts

211 Total Members

- 117 City
- 54 County
- 7 School/College
- 21 Associates
- 4 State/Regional
- 8 Special Districts

PRESIDENT'S MESSAGE

ED MULLINS, FINANCE DIRECTOR, LAWRENCE

The annual conference is fast approaching. The conference is scheduled for October 17th and 18th in Overland Park. Featured speakers include Jay Fountain with the GASB and Patrice Burger with the GFOA. The emphasis of the sessions will be on accounting, budgeting and e-Government. Dennis Howard will be staffing the Hospitality suite after the sessions on the 17th. We will also be electing officers for the next year, so please plan on attending.

Many of you provided me the names of businesses you work with that would benefit our organization. I have mailed a letter, brochure and application to all the suggested members. I also contacted the Finance Director of Kansas City, Missouri about hosting a GFOA regional conference in Kansas City. His response was that due to the continuing budget crisis and a cut-back in staffing, he is unable to assist in working with the GFOA on sponsoring a regional conference. Without the cooperation and support of Kansas City, Missouri, I don't believe the GFOA could be persuaded to locate a regional conference in the Kansas City area. Unfortunately, there was a great deal of interest from Independence, Missouri, Omaha, Wichita, and the Missouri GFOA in having a conference in Kansas City.

The budget woes for the State of Kansas continue. Duane Goosens, State Budget Director, addressed the Eastern KSGFOA in Topeka on July 18th. Duane stated that the fiscal shortfall would likely continue for some time. While statewide sales tax has actually shown minor growth, individual and corporate income taxes have been falling. Individual income taxes are down because of lower capital gains. The state ended their last fiscal year with a very small general fund balance. As a result, Governor Graves has announced additional budget cuts for the current fiscal year. The next budget not only will have to deal with the current \$300 million shortage, but will also have to include a 7.5% budgeted general fund balance of approximately \$750 million.

I would again like to encourage everyone to visit our website at www.KSGFOA.com. You can check the calendar for upcoming conferences, register for those conferences on line, look for employment opportunities, and review policies and procedures from other units of governments. In addition, there are links to other sites of interest as well as the listing of all KSGFOA members. I am very grateful to Dennis and Gena for their efforts in updating these important elements of our site.

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2002 Board of Directors**Officers**

President: Ed Mullins, Finance Director, City of Lawrence 785-832-3214; e-mail emullins@ci.lawrence.ks.us

Vice President: Rich Vargo, County Clerk, Riley County 785-537-6300; E-mail rvargo@co.riley.ks.us

Secretary: Ross VanderHamm, Finance Director, City of Hutchinson 620-694-2613; E-mail rossvh@ci.hutchinson.ks.us

Treasurer: Chris Chronis, Chief Financial Officer, Sedgwick County 316-383-7591; E-mail cchronis@sedgwick.gov

Board Members

Larry Lysell, Superintendent, USD #427, Belleville, KS. 785-527-5621; E-mail buffl@usd427.k12.ks.us

Charles Mitts, Accounting Manager, City of Olathe. 913-782-2600; E-mail cmitts@olatheks.org

Nannette Pogue, Finance Director/City Clerk, City of Dodge City. 620-225-8100; e-mail nannette@dodgecity.org

Kevin Hiskey, Assistant Director of Financial Management, Johnson County; e-mail kevin.hiskey@jocoks.com

Dale Jost, Chief of Fiscal Services, KDOT. 785-296-3640
Email: Dale@ksdot.org

Laurie Krause, Accounting Manager, Water District #1 of Johnson County, 913-895-5530; e-mail lkrause@waterone.org

GFOA State Rep

David Scott, (913) 895-6154,
dscott@opkansas.org

Wichita State Rep

Lisa Haase, Public Affairs Associate, WSU 316-978-6541
Haase@twsvvm.uc.twsu.edu

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I will be contacting our Associate members to solicit contributions to our annual conference. The contributions are important to offset conference costs and enable us to keep the registration cost low. I have received comments from companies interested in setting up exhibitor booths during the conference. While this would provide a good source of contact for governmental officers needing assistance in specific areas, it will also require additional time and expense to organize. The Board will discuss the establishment of exhibit space at our next meeting. If you have any ideas on this subject, please contact any of our Board members.

By now, your audit for the prior year and budget for the future year should be finished. As a result, we get to concentrate on just the current year once again. I hope to see many of you at the annual conference. Thanks for your interest in our organization.

THE MUNICIPAL INVESTMENT POOL & YOU, A PERFECT "MATCH"

BY SCOTT MILLER, SENIOR INVESTMENT OFFICER, PMIB, STATE OF KANSAS

Probably one of the greatest challenges facing financial/cash managers today is the ability to ensure that there will be funds available to cover the daily outflows, as well as, earning a *reasonable* return on any excess balances. (*A tough balancing act indeed, especially these days!*) To state it another way, today's cash manager must become a master of the art known as Asset/Liability Management (ALM). The Pooled Money Investment Board recognizes the importance of ALM and encourages fellow cash managers to develop, maintain, and follow a cash flow forecast. The Board further acknowledges that developing a meaningful forecast can be a difficult task. However, it is a task that must be treated with due diligence. Furthermore, if there is ever any doubt as to the accuracy of the data, particularly on the longer end of the forecast, prudence would seem to suggest to error on the conservative side and stay shorter. The fact that we are managing public money makes it essential that all individuals serving as public fiduciaries strive to avoid any cash flow mismatch and employ a "matched book" investment philosophy. As public servants, we are ultimately held accountable by the taxpayers we serve.

To assist in achieving that goal of matching assets to liabilities, the Pooled Money Investment Board offers an investment vehicle that is worth considering. The Municipal Investment Pool (MIP), which was created during the 1992 Kansas Legislative session, offers cities, counties, school districts, and other municipal units of government (within the State of Kansas) a viable investment alternative to U.S. Treasury securities and bank CD's. Although the MIP has gone through many changes over the years, it remains an active, thriving investment option for its participants. The overall participant balance as of April 30th, 2002 was approximately \$400 million.

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For those of you who may be unfamiliar with the Municipal Investment Pool and its various investment options, please refer to the overview below for some of the highlights. The MIP has five (5) separate investment options, consisting of an Overnight option (OMIP) and the Fixed-Rate (FX) Pools. Membership is free, the paperwork is minimal and the rates are competitive. Probably the most significant enhancement made to the MIP, was the addition of the "variable date" Fixed-Rate option. Added in November 2000, participants can *literally* chose their own maturity date between 30-179 days*, allowing greater flexibility in overall Asset/Liability Management.

OMIP-Overnight Deposits (1 Day Maturity)

Earns the Overnight Rate

FX-30—Maturities ranging from 30 to 89 days*

Earns the FX-30 Rate

FX-90—Maturities ranging from 90 to 179 days*

Earns the FX-90 Rate

FX-180—Matures in 180 days

Earns the FX-180 Rate

FX-365—Matures in 365 days

Earns the FX-365 Rate

*=Date must be a "Valid" (non-holiday, weekday) maturity date.

"What about the safety of my pool deposit? How are the MIP rates determined?"

Let me take those questions one at a time. I am sure all of us would agree that as public funds fiduciaries, we are held to higher standard of fiscal responsibility. **Safety** must be our **primary** objective. No participant has ever lost a cent as the result of an investment made in the Municipal Investment Pool. The MIP deposits are invested along with the States' large pool of idle funds everyday. This process "adds value" in several ways to the MIP participants.

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KSGFOA NOMINATING COMMITTEE REPORT

The nominating committee hereby proposes the following slate of candidates for the year 2003 for consideration by the membership. This slate will be considered at the Business Meeting during the Fall Professional Workshop, October 17 and 18, 2002.

2003 Officers:

President:

Rich Vargo
Riley County Clerk
Riley County

Vice President:

Ross A. Vanderhamm
Finance Director
City of Hutchinson

Secretary

Chris Chronis
Chief Financial Officer
Sedgwick County

Treasurer

Laurie Krause
Accounting Manager
Water District #1 of Johnson County

Board Members (New, Expiring December, 2004)

Debra Daily (2004)
Assistant Director of Finance
City of Manhattan
(To fill term vacated by Laurie Krause)

Board Members (New, Expiring December, 2005)

Gena Shallehn (2005)
Budget Manager
City of Overland Park

Gus Collins (2005)
Asst. City Manager
City of El Dorado

Existing Board Members Continued Terms:

Kevin Hiskey (2003)

Johnson County

Nannette Pogue (2003)
Finance Director
City of Dodge City

Dale Jost (2004)
Chief of Fiscal Services
Kansas Department of Transportation

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First of all, it ensures that sufficient funds will be available to cover maturing MIP deposits. Secondly, it allows the PMIB to take full advantage of the economies of scale by investing in larger amounts. (Minimum deposit is just \$25K for the Fixed-Rate options.) Additionally, PMIB's broader investment authority (permitted investments which include Federal Agency securities and high-grade Commercial Paper), will generally allow us to earn more on an investment than a participant could achieve on their own.

As for the rates we are able to pay on your deposits, let me explain how the rates are set. The Municipal Investment Pool Rates are set daily and reflect current market conditions. The rates are based on what the **PMIB** could earn on its allowable investments for the specific maturities of Overnight (1), 30, 90, 180 and 365 days, less a modest spread (1/4 of 1%) to cover pool administration. The investment vehicles utilized to determine the net rates offered for the various MIP options are as follows: 1) **Overnight Pool**: the average rate PMIB earns on Overnight Repurchase Agreements, 2) **FX-30, FX-90, FX-180**: the average rate offered on high-grade commercial paper for each of the specific maturities mentioned, & 3) **FX-365**: the average rate offered on one-year, non-callable Federal Agency Instruments.

“Are the MIP rates really competitive?”

Good Question! After surviving one of the most aggressive Federal Reserve easing cycles on record, I dare say most of us are ready to start earning more on your investments. After all, we aren't investing for the sheer fun of it! By investing in the Municipal Investment Pool, participants can earn a current market rate, while maintaining the flexibility to move in and out of the pool as needed. Additionally, by utilizing the Fixed-Rate options, participants can increase their flexibility by choosing a specific maturity date (between 30-179 days). Treasury securities, on the other hand, have a limited number of specific maturity dates (i.e. the 15th and the end of the month, as well as, every Thursday). Investing in Bank CD's may involve the need for pledging (by the Financial Insti-

tution) which may not always be available. Over the past few months, you have undoubtedly noticed that the MIP rates have been somewhat below those levels offered in the U.S. Treasury market. Here's why. During periods of low interest rates, the spread relationship between what municipalities are authorized to invest in (Treasury instruments and Kansas Bank CD's) and what the PMIB's broader investment authority allows, generally narrows. Over the course of this particular "easing cycle" (which began in January 2001), the spreads between short-term Treasuries, Agency Discount Notes, and high grade Commercial Paper were (at times) nearly non-existent. The good news, the easing cycle has concluded. The PMIB empathizes with municipalities, especially during these times of shrinking revenue streams and budget cuts. We will continue to strive to offer the best rates possible through the Municipal Investment Pool. As short-term interest rates begin to rise (or more importantly, the market begins to anticipate the rise), spread relationships should increase and the MIP rates should prove to be favorable once again. At the PMIB, our goal is to provide a market return without compromising safety. If you like the Pool, tell a friend. If you have a question, call us! We appreciate the participation of our current members and look forward to serving more of you in the future.

For Specific Questions About Joining the Municipal Investment Pool: Contact Kevin Hornung, the MIP Administrator @ 785-296-1013 or send e-mail to khornung@treasurer.state.ks.us. You can also log on to the PMIB Web site @ www.kansasstatetreasurer.com/pmib and click on the "Municipal Investment Pool" link to access the current rates offered and the various forms needed to join the pool.

If you have additional questions about Asset/Liability Management and how it is used with regard to the State's Investment Portfolio or questions on the Fixed-Income Market in general, feel free to contact me @ 785-296-7053 or send e-mail to smiller@treasurer.state.ks.us.

STREAMLINING PURCHASING OPERATIONS

BY: JANIS RICHARDSON, TREASURY MANAGEMENT OFFICER—BANK OF AMERICA

Automating and streamlining the purchasing function offers opportunities to increase productivity and improve cash flows of governmental organizations. A new generation of credit card products combines the functionality of purchasing cards, travel and entertainment cards, fleet cards and cash advances into a single card program. This reduces the administration of multiple programs and combines spending volumes to negotiate better pricing. A recent national Deloitte and Touche Consulting Group study showed that the average participant spends \$83.09 and 54 minutes on each purchasing transaction from order placement through control and audit. These companies reported average savings of 40 minutes and over \$60 per transaction after implementing a purchasing card program in replacement of a purchase order, check order process. A well-designed purchasing card program empowers cardholders to make routine purchase transactions within the limits established by the program. Spending limits can be established for each cardholder for maximum transaction size, as well as monthly limits. Types of purchases each cardholder can make are controlled by the Merchant Category Codes that have been authorized. For example, a card issued to the IS Department could be used to purchase software and equipment repairs up to an approved dollar limit, but the card could not be used for purchasing gasoline. A card issued to the Facilities Department could be used to purchase repair supplies and gasoline for fleet vehicles but not book hotels or purchase meals. Expect to have on-line access to transaction history to monitor spending and to modify or split transactions between cost centers. Cards are tied to appropriate cost centers, so that monthly transaction files can be uploaded to your accounting system. A purchasing card program eliminates the need for requisitions, purchase orders, check request, invoice processing and payment processing for individual purchases and facilitates e-commerce transactions. The grace period between the date of purchase and payment of the monthly billing eliminates any negative impact on the government's working capital, while significantly reducing the cost of administering accounts payable. Maintaining good relations with suppliers may be an

important initiative to obtain volume discounts or assurances of uninterrupted service. When a purchasing card is used, the supplier receives electronic credits within 24-72 hours versus 30-60 days or more in the current paper-based invoice environment. This effectively reduces the supplier's day's sales outstanding. As a result, the supplier's need for working capital is significantly reduced as the receivables and the associated carrying costs are shifted to the bank card issuer. Travel and Entertainment (T & E) According to American Express, the average expense report costs \$36.46 to process - though manual expense reports can cost as much as \$77 and take an average of 55 minutes to create and review. Reimbursement takes an average of 22 days. Companies that streamline their processing procedures can improve these metrics markedly. Companies with reengineered T&E processes spend an average of \$7.91 to process a report and only 15 minutes to create and review it. In addition, reimbursement time from report creation to employee reimbursement is cut to three days. A company sponsored Travel and Entertainment card program assures that employees can be issued a credit card for business related expenses without tying up their individual credit availability. It simplifies the employee's ability to complete purchases, access ATMs, execute travel arrangements and provide company-related entertainment. A T&E card can also be authorized for cash advances, eliminating the need to issue checks or support a cashiering function for employee advances. The Internet has streamlined the administration of T&E card programs from issuing new cards and setting individual credit limits, to reviewing transactions on an almost real time basis. Spending data is consolidated to permit analysis of major vendors and spending patterns to evaluate budgetary needs. Additional benefits include liability insurance against misuse of the cards, travel insurance and on-line travel booking. These updated technologies make for better business. Electronic payment systems provide better control of expenses and higher productivity, goals of every governmental organization.

CALENDAR OF UPCOMING EVENTS

Kansas League of
Municipalities
October 12-15, 2002
Wichita, KS

Kansas GFOA Fall
Professional Seminars
October 17-18, 2002
Overland Park, KS

Satellite Teleconference
“Annual Governmental
GAAP Update
November 7, 2002
Wichita State University
Department of
Administration—Accounts &
Reports, Topeka, KS

GFOA’s 97th Annual
Conference
New York City, New York
May 18-21, 2002

Member Services

If you are retiring or
changing jobs, please let
us know!

Kansas Government Finance Officers Association Newsletter

The KSGFOA *UPDATE* is pub-
lished quarterly.

KSGFOA web site:
www.KSGFOA.com

UPDATE
P.O. Box 880
Dodge City, KS 67801



Mailing Label

GFOA UPDATE & EDUCATIONAL OPPORTUNITIES

BY: DAVE SCOTT

“Annual Governmental GAAP Update” by satellite teleconference

Wichita State University will serve as a location for the satellite conference “Annual Governmental GAAP Update” on Thursday, November 7, 2002. The cost is about \$250. However, if we get 10 participants we earn 10% of the net revenue for the site. In April, KSGFOA received \$136.00 refund from GFOA for sponsoring the teleconference. Consequently, the total cost to KSGFOA was about \$114. GFOA has WSU scheduled as a “standing site”. An additional site for the teleconference is the Department of Administration-Accounts & Reports, Topeka, KS.

The 2002 program features a range of topics of direct and practical interest to accounting and auditing professionals in the public sector: GASB exposure draft on other post-employment benefits (OPEB); GASB exposure draft on the disclosure of investment risk; New GASB statement on affiliated organizations (GASB Statement No. 39); New reporting model version of the American Institute of Certified Public Accountant’s audit and accounting guide Audits of State and Local Governmental Units; Final version of the GASB’s second implementation guide for the new governmental financial reporting model

Registration forms are available at the GFOA home page: www.gfoa.org under Training; Annual Governmental GAAP Update

CPO Exam

The KSGFOA Board has agreed to serve as a sponsor for the GFOA CPO exam. I have confirmed WSU as a test site location for the exam on Friday, October 25, 2002. It will be held in Grace Wilkie Hall, Room 320. Information will be forwarded to members on the e-mail list and posted on the KSGFOA website along with a link to GFOA’s website for registration. All five exams that are part of the Certified Public Finance Officer (CPFO) program will be offered. Application forms and candidate’s guides are available on GFOA’s web site.