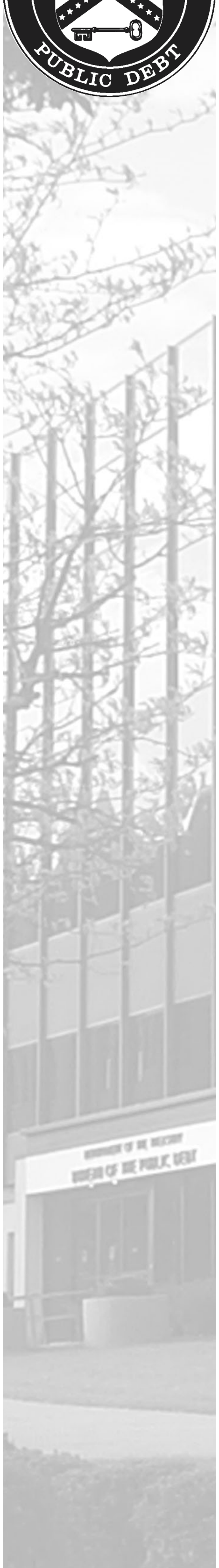
BUREAU OF THE PUBLIC DEBT

U.S. Department of the Treasury



STRATEGIC PLAN 2003 – 2008

September 2003

MESSAGE FROM THE COMMISSIONER

This strategic plan for Public Debt sets an exciting and challenging course that is filled with promise—for our programs and for our customers. The directions that we outline here are far-reaching and are the latest products of a long-standing process in our organization—strategic thinking supported by continuous improvement.

Once a formal planning process becomes ingrained, as it has here in Public Debt, I think we can too easily forget to give our commitment to planning the credit it deserves. For more than twenty years, our Bureau has used a structured process for looking down the road. Our process has worked well for us and for our customers. What can make one organization's planning work better than another's? It would be convenient and would stroke some egos to suggest that the people doing the planning are somehow smarter or more visionary than those performing similar functions elsewhere. With all due respect, I don't think that's the case. I do, however, have a view on what might be the difference.

Although it's been refined quite a bit over the years, one principle remains fundamental to our approach to planning—planning is the personal responsibility of senior managers. On the surface this may seem to be an obvious, and almost trivial, statement but I don't think it is. It's easy to acknowledge that of course top level managers should be involved in planning but then actually behave as if the planning is somehow less important or less deserving of senior managers' time than "doing real work" or reacting to the most recent and visible crisis. This is understandable because of the forces that reward near-term thinking. These forces place a higher priority on successfully fighting the forest fire rather than thinning the forest. After all fighting the fire is visible, its priority is obvious, and its claim on resources is undeniable. However the ongoing efforts to thin the forest are not newsworthy, are easily delayed in the face of other work, and are perceived as weaker justification for financial resources.

I am proud to be associated with an extraordinary group of Federal managers here at Public Debt—managers who regularly raise the bar for performance and who, through our planning, help to set new and challenging goals for our Bureau. I am equally proud to be associated with our outstanding employees—employees who are committed to the best in customer service and who, year after year take up the challenge presented by our strategic planning and, in the true spirit of continuous improvement, turn our plans into product. We are fortunate in that we are given the opportunity to thin the forest and clear the way for our employees to continuously improve the service delivered to our customers.

The directions outlined in this plan will keep us busy for some time and will enable us to deliver better service. The theme in this plan—and the prime source of our cost efficiencies—is the effective use of information technology. Most of the directions we have set build on our already extensive use of IT. Our approach to IT is simple: bring it to bear in virtually all situations where it makes sense and, to really leverage its benefit, place as much of our technology in the hands of our customers as possible. We have been offering our customers electronic ways to conduct business with us for many years and, as we execute this plan, we will further empower them to manage their own auction bids, retail securities holdings, government agency investments, and administrative transactions.

This plan—more than any that have preceded it—demands that the various offices in Public Debt work even more closely together to achieve the results envisioned. Based on our organization's past performance, I know that will happen and that the future described in this plan will soon become our new foundation for even more significant improvements.

Van Zeck

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MISSION

Heritage

"The United States debt, foreign and domestic, was the price of liberty. The faith of America has been repeatedly pledged for it ... Among ourselves, the most enlightened friends of good government are those whose expectations of prompt payment are the highest. To justify and preserve their confidence; to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources, both to agriculture and commerce; to cement more closely the Union of the States; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy; these are the great and invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit."

Alexander Hamilton, 1790
First Report on the Public Credit

Mission

The mission of Public Debt is to borrow the money needed to operate the Federal Government and to account for the resulting debt.

Authority

Article I, Section 8 of the Constitution empowers the Congress to borrow money on the credit of the United States. This authority has been delegated to the Secretary of the Treasury. As an organizational entity within Treasury's Fiscal Service, the Bureau of the Public Debt is authorized to conduct such borrowing for the Federal Government.

A GUIDE TO OUR STRATEGIC PLAN

This is Public Debt's strategic plan for fiscal years (FY) 2003 through 2008. The plan outlines where we're headed over the next few years. The first section, *At the Highest Level*, presents a 30,000-foot view: a concise statement of what will guide us during the next five years.

In the *What We're About* section, we pause to give you some background on the scope of what we do at Public Debt and how we get our work done. In this section, you'll get a glimpse of how we break down our responsibilities into five program areas. This short summary may help those readers who do not know much about us even though they, and tens of millions of others, may be our customers.

We get a bit more detailed in *Program Directions*. Here's where you'll find the specifics of how the broad objectives become program initiatives. The section begins with a brief description of each of our programs and continues with specific information about each area's future.

Our Use of Program Evaluations describes how we've evaluated our past performance, how those evaluations influenced our direction, and plans for some future evaluations. We regularly evaluate how we are doing—from customer surveys through program reviews to audit reports. And we pay attention to the information we get.

The next section, *Our Approach to Management Supports the President's Management Agenda*, describes the management improvements sought by the Administration and our management philosophy and practices. We've met nearly all the Administration's reform goals, and we explain how we have met them. In other areas, we explain what we'll do to reach them.

In the *Federal Reserve Connection* section, we describe our relationship with the Federal Reserve Banks, that serve as Treasury's fiscal agents. In this capacity, the Federal Reserve provides Treasury with continuous market contact and significant operational flexibility in administering the public debt.

The final section, *Our Commitment to Customer Service*, briefly summarizes our approach to customer service. We have many customers—large financial institutions, Federal agencies, State and local governments, and individuals—who deserve and receive quality customer service.

AT THE HIGHEST LEVEL

Strategic Objectives:

Effectively Finance Government Operations

Means and Strategies:

- Borrow what is necessary to meet the monetary needs of the Government.
- Minimize the cost of the Federal government's borrowing activities.
- Provide mechanisms for participation by a wide range of investors in Treasury debt financing.

Fulfill Customer Expectations

Means and Strategies:

- Protect investors through effective regulation of the government securities market.
- Provide quality customer service and transaction processing for investors in Treasury securities.
- Provide accurate and timely payments to investors in Treasury securities.
- Provide quality administrative and information technology services to external franchise customers.

Effectively Account for the Debt of the Federal Government

Means and Strategies:

- Provide accurate and timely public debt accounting information.

Approaches for Achieving Our Program Goals

- Educate existing and potential customers on Treasury securities products, services, and investment considerations.
- Simplify the regulations and procedures that our customers must follow to conduct business with us.
- Make and receive as many of our payments electronically as possible.
- Encourage our retail customers to establish a direct account relationship with us for all of their Treasury securities holdings.
- Enable investors to purchase securities, manage their accounts, and conduct transactions electronically.
- Expand our use of the Internet to educate our customers and communicate with them.
- Deploy secured technology in support of our operations using an open architecture, emphasizing business process reengineering, and applying the principles of rapid application development.
- Accomplish administrative transactions electronically.

WHAT WE'RE ABOUT

Public Debt has responsibility for five programs:

Wholesale Securities Services
Government Agency Investment Services
Retail Securities Services
Summary Debt Accounting
Franchise Services

In managing these programs, we regulate the primary and secondary Treasury securities markets and ensure that reliable systems and processes are in place for buying and transferring Treasury securities. Annually, we auction and issue $4 trillion in marketable securities and issue and redeem more than 100 million savings bonds. We also service securities worth more than $400 billion in retail investment accounts and $3 trillion in investments for government entities. We account for the Public Debt of the United States and report on it timely and accurately. As part of the Treasury's Franchise Fund, we offer a wide range of administrative and technology services, on a fully reimbursable basis, to many other Federal agencies.

While our headquarters office is in Washington DC, most of our employees are located in Parkersburg, West Virginia, where we maintain our primary operations and computer center.

Federal Reserve Banks operate critical systems in support of our programs and perform a wide range of transaction processing and customer service functions. Their services are essential to the accomplishment of our mission. We also rely on private-sector financial institutions and other organizations to provide indispensable, front-line transaction services to our savings bond customers at more than 40,000 locations.

We rely extensively on automated systems to carry out our functions and deliver services online. We've developed and continually enhance systems to auction Treasury securities, process a wide range of servicing transactions, initiate billions of dollars in customer payments, and account for the public debt at the detail and summary level.

We place a priority on customer service. We want investors to use our electronic systems and services to purchase securities and manage their holdings online. Our website (www.treasurydirect.gov) provides these services and is a prime source of information for investors. At the same time, we're committed to providing exemplary personal assistance when investors request it.

Our operations are funded by an annual appropriation for Administering the Public Debt and permanent-indefinite appropriations for Federal Reserve Bank services and Interest on the Public Debt. The services that we provide to our franchise customers are self-funded.

Key External Factors for Public Debt Operations

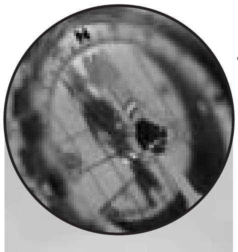
The primary external factors that affect our operations are changes in interest rates, events occurring in the financial markets, the statutory limit on the amount of debt that the Federal government can incur, and whether the government is running a deficit or a surplus. One of the benefits of our long-standing strategic planning process is that we have been able to make significant operational improvements over the years that have made us substantially less sensitive to workload changes that occur as a result of these external forces.

Our experience has shown that increases in interest rates generally make Treasury securities more attractive, both in their own right and in relation to other investments. As a result, we have historically experienced an increase in the number of customers purchasing our securities during periods of increasing interest rates.

Financial market events that cause investors concern about the safety of their savings and investments also affect our programs. Our retail products—savings bonds and direct-access marketable securities—are attractive to individual investors because they are backed by the full faith and credit of the United States. In periods of market uncertainty, investors tend to seek safer instruments and are more selective in choosing where to hold their securities. This is often referred to as a "flight to quality." Under these circumstances, we may experience a substantial increase in retail securities sales activity.

Generally, Public Debt is permitted to borrow whatever amount is necessary for the government to meet its financial obligations. The exception is when we near the statutory debt limit, which specifies a maximum amount for the public debt. Periodically, the limit must be increased by Congress to permit necessary borrowing and the continued funding of government operations. If this increase does not occur timely, our financing operations are substantially disrupted.

A budget deficit or surplus can also affect our debt financing operations. When there is a significant deficit, we increase the frequency of auctions, the types of securities offered, and the amount borrowed per offering. A budget surplus, on the other hand, tends to have the opposite effect.



PROGRAM DIRECTIONS

This section describes the future directions and areas of emphasis for our securities and accounting programs, as well as our franchise program.

Wholesale Securities Services

The Wholesale Securities Services program ensures that the government's critical financing needs are met and that the integrity and efficiency of primary and secondary markets for Treasury securities are maintained. It also includes our regulatory responsibilities. This program includes all activities related to the sale and issuance of $4 trillion in Treasury securities each year, as well as responsibilities for the operation of Treasury and Federal Reserve systems that support the $3.5 trillion of Treasury securities currently held by institutional investors and their customers. Using the regulatory authority of the Government Securities Act of 1986, we promote the integrity and efficiency of the secondary market for Treasury securities. We also identify the securities that can be pledged to the government as collateral and determine how these securities are valued. This work ensures that both government funds on deposit at commercial banks and private-sector contracts with the government are secured.

Treasury's objective is to meet the government's financing needs at the lowest cost over time. Our efforts to support this objective include activities such as educating bidders about the auction process and our products, listening to our customers, making it easier to participate in auctions, and expanding our customer base. Through increased use of technology, we'll continue to improve the reliability and transparency of our debt financing operations. We'll also issue regulations and guidance in plain language to ensure the safety and soundness of the primary and secondary markets. Additionally, we continually strive to achieve a balance in regulation—a balance that maintains market liquidity and efficiency, while preserving market integrity and protecting investors.

Our strategic directions for the Wholesale Securities Services program are:

- Minimize Treasury's cost of borrowing by expanding participation in Treasury auctions.
- Maintain flawless Treasury financing operations.
- Ensure that our regulations remain viable and effective as product offerings, market structures, and systems evolve.
- Support and advise the Treasury Department in developing positions on evolving financial market issues.
- Ensure that collateral we designate as eligible to protect Federal agencies from financial loss is appropriate and properly valued.

Our long-term goal for this program is: Increase the number of bidders in Treasury auctions by 15% by FY 2010.

Minimize Treasury's cost of borrowing by expanding participation in Treasury auctions. Although Treasury securities are attractive investments and arguably the most liquid investments in the world, we can't simply expect that the current participants in our securities auctions will always be there in sufficient strength to keep the auctions competitive. In short, we can't take our customers for granted. To continue to finance Treasury debt at the lowest possible cost for the taxpayer, we'll expand the base of customers who buy securities at our auctions directly or through intermediaries. We'll expand participation by listening to our current customers and using their suggestions to improve our auction processes. We'll lower or eliminate operational and automation barriers to direct auction bidding. Expanding our auction customer base will allow us to continue to meet Treasury's borrowing needs, regardless of amount, while keeping borrowing costs at the lowest possible level.

Maintain flawless Treasury financing operations. It's crucial that we perform our financing operations timely and without error. In our efforts to keep our financing costs low and sustain the extraordinary confidence that financial market participants have in the integrity of Treasury's borrowing, we must strive to perform without error and ensure that the information we give to the public can be relied upon without exception. To maintain flawless performance and, at the same time, handle an increasing number of bidders is an unrelenting challenge. We need to make sure that our employees are well trained and empowered to act, and that our operating procedures are streamlined and appropriately flexible. Moreover, we need to continue to rely even more on the performance of our automated systems and reduce our dependency on human intervention. This is, of course, especially true during those critical seconds between the close of an auction or buyback and the release of results to the public. We'll continue the substantial reengineering of our auction process with the total redesign and replacement of the Treasury Automated Auction Processing System. We'll use the latest technologies to accomplish this reengineering in the shortest feasible time, and keep in mind that any new processing environment must operate reliably and without error.

While critical, auctioning and issuing our securities is just the start. We must ensure that our securities are held in a secure, reliable, and accessible holding and transfer system that instills investor confidence and contributes to secondary-market liquidity for Treasury debt. We'll work closely with the Federal Reserve to make sure that the National Book-Entry System for holding and transferring securities is continuously enhanced to ensure its reliability and to meet customer expectations. These efforts will contribute to Treasury securities retaining their premier status in the financial marketplace.

Ensure that our regulations remain viable and effective as product offerings, market structures, and systems evolve. Unlike most issuers of securities, Treasury is also a regulator—it issues securities and also writes regulations for the government securities market. This dual role requires us to balance the goals of fostering a liquid and efficient market while preserving market integrity and protecting investors. In doing this over the next few years, we will need to take into account evolving market structures, such as a shrinking number of primary dealers, and evolving market systems, such as those that support greater use of electronic trading and faster settlement of securities trades. We'll ensure that our auction rules remain flexible, accommodate a wide range of both direct and indirect participants, and do not retard market innovation. We'll also make sure that our auction regulations can accommodate new types of securities that may be needed to help the government finance expanded borrowing needs.

Support and advise the Treasury Department in developing positions on evolving financial market issues. We have both an operational and a market regulation perspective in the Wholesale Securities Services program. One of our key responsibilities is to support Treasury's policymakers. Although we can predict some of the support that may be needed, this strategic direction largely consists of ongoing preparation for dealing with unpredictable and unscheduled events and short turnaround times for work products. We're committed to ensuring that we have knowledgeable and experienced people who are available to assist debt managers on a wide variety of legal, regulatory, and technical subjects. We'll continue to expand our understanding of the securities markets in general and the government securities market specifically, so that we can ably assist Treasury officials and other agencies. Two key areas that will receive our continuing attention are the robustness and adaptability of the clearing and settlement systems for government securities and the broad issue of contingency planning in both the primary and secondary markets.

Ensure that collateral we designate as eligible to protect Federal agencies from financial loss is appropriate and properly valued. Treasury requires that public funds on deposit at financial institutions be collateralized to protect the government from financial loss. Collateral can also be pledged to a Federal agency for other purposes, such as to ensure performance of a contractor. Our responsibility is to evaluate the assets that could potentially be used as collateral, identify those assets that Treasury will accept, and specify how the value of the collateral will be determined. Proper valuation generally means that the value is adjusted at specified intervals to reflect up-to-date market values. As markets evolve and new instruments are created, we'll evaluate whether additional types of instruments should be made eligible to collateralize public monies and specify how they should be valued.

Government Agency Investment Services

This program includes three distinct services: Federal Investments; State and Local Government Investments; and Treasury Loans Receivable. Because these investments and borrowings are based on a broad range of statutes and a diverse customer base, our challenge is to ensure that we meet both statutory requirements and customer needs, while providing the most efficient operations possible.

Federal Investments: We administer investments in Government Account Series securities, which are special-purpose securities issued only to Federal agencies that manage trust, deposit and other special funds. These agencies must have specific statutory authority to invest in these securities. Our duties include issuing, paying interest on, and redeeming the securities held by each Federal fund, as well as handling all of the debt-related accounting and reporting for these securities on the Consolidated Financial Statement of the Federal government. There are nearly 200 Federal funds that invest in these special purpose securities. For a small number of these funds for which the Secretary of the Treasury serves as trustee, we also provide additional accounting services. Examples of funds that invest in these securities, and may be the most familiar to the public, are the Social Security Trust Funds. In 2003, nearly $3 trillion were invested in Government Account Series securities.

State and Local Government Securities: We administer investments in State and Local Government Series securities (SLGS), which are special-purpose securities offered to State and local government entities that need to invest certain funds and still comply with Federal tax rules on arbitrage. We issue, pay interest on, and redeem these securities, as well as handle all debt-related reporting and accounting. On average, there are approximately 5,000 government entities that hold investments in these securities. The amount invested in SLGS generally runs about $150 billion.

Treasury Loans Receivable: We account for and report on both the borrowings from and repayments to Treasury by nearly 80 Federal agencies. These agencies are statutorily authorized to borrow from Treasury to make loans for a broad range of purposes, such as education, housing, and small business support. In 2003, outstanding borrowings were about $240 billion

Our strategic directions for the Government Agency Investment Services program are:

- Improve financial reporting of Federal agency investment transactions.
- Pursue standard legislative language for Federal agency investments.
- Actively promote compliance with Treasury's Investment policies for Federal agencies.

Our long-term goal for this program is: Conduct 80% of Government Agency customer initiated transactions online by the end of FY 2008.

Improve financial reporting of Federal agency investment transactions. Errors in the reporting of transactions conducted between Federal agencies, which are supposed to offset and eliminate each other in the roll-up of agency financial statements into the Federal government's Consolidated Financial Statement, continue to be an impediment to obtaining a clean audit opinion on this statement. We play a unique role in accounting for a very significant amount of the liability side on this statement, including Government Account Series securities issued to Federal agencies. The many Federal agencies that invest in these securities need to properly report their offsetting asset-side transactions for this "elimination" to occur.

We'll continue to pursue a two-pronged approach to support Treasury's goal of obtaining a clean audit opinion on the Consolidated Financial Statement. First, we'll continue to assist in the development of clear reporting rules and help our counterpart agencies understand them. Second, we'll enhance the functionality of our web-based investment accounting system and encourage Federal agencies to avail themselves of the data we can offer them online to properly report their side of intra-governmental transactions they conduct with us.

Pursue standard legislative language for Federal Agency investments. The Secretary must have legal authority, either from a statute or a treaty, to invest moneys held in a government account. Over the years, many different Congressional actions have created a hodgepodge of authorizing statutes. This leaves Treasury with the daunting task of interpreting and honoring congressional intent. The lack of consistent investment language is a major challenge to administering the Federal Investment Program. We support Treasury's initiative to encourage standard investment language for all new funds. We'll continue to provide Treasury's preferred investment language to drafters of proposed legislation as those opportunities emerge. We'll also assist Treasury in obtaining technical amendments to any legislation that contains ambiguous investment provisions.

Actively promote compliance with Treasury's Investment policies for Federal agencies. We recognize that we have an important role in promoting compliance with Treasury investment policies by our Federal agency customers. Effective communication of business rules and agencies' responsibilities is essential for compliance with Treasury's policies. Treasury's Investment Fund Operating Circular is an important reference tool for investing agencies. We'll work with other Treasury offices to ensure that this circular remains current. We'll continue to conduct annual forums to educate Federal agencies about the investment policies. We'll also participate in a multi-year Treasury review of each of the investment trust funds and work with the responsible program agencies to document their specific responsibilities and procedures for administering their funds' investments. Additionally, we'll expand our monitoring of agencies' investment activities to identify potential violations of Treasury's investment policies. This oversight will include transaction monitoring, individual customer consultations, and annual visits to key program agency offices.

Enable and encourage our Federal, State and local government customers to conduct their business with us online. We'll expand the functionality that we offer to investing Federal, State and local governments to enable them to completely manage their securities portfolios online. By completing the automation of our Loans Receivable process, we will improve accounting controls and enable Federal agencies borrowing from Treasury to manage their accounts online. We'll continue to promote the use of our web-based applications to all these entities. We'll also ensure that our applications supporting Federal agency transactions will interface seamlessly with the Government-Wide Accounting application that is being developed to process intra-governmental transfers of funds more efficiently and effectively.

Retail Securities Services

Our Retail Securities program includes all of the services and activities related to savings and marketable Treasury securities purchased and held directly with Public Debt. The centerpiece of our strategic planning for retail securities is TreasuryDirect—a web-accessible system which, when fully implemented, will enable our retail investors to purchase the full range of Treasury securities and manage their holdings through a single online account.

The four components of our Retail Securities Services program are:

TreasuryDirect: TreasuryDirect is an automated system that was launched in October 2002 with the introduction of the first-ever electronic savings bond, Series I. The system was expanded in May 2003 to include electronic Series EE bonds. TreasuryDirect allows investors to manage these paperless savings bonds through a single, convenient account accessed via the Internet. Additional products and services will be made available to the public in a series of system enhancements. Investors can establish accounts, purchase securities, and manage their holdings online in a secure environment.

Paper Savings Bonds: This service includes all Public Debt, Federal Reserve, and agent activity involved in issuing, servicing, and redeeming paper savings bonds. Some 55 million people hold paper savings bonds worth nearly $200 billion.

Direct-Access Marketable Securities: This service encompasses all Public Debt and Federal Reserve activity related to establishing and maintaining accounts for marketable securities held in our legacy book-entry system. More than $65 billion is held in approximately 500,000 accounts in this system.

Other Definitive Securities: This service includes all activity related to transactions in bearer (coupon) securities, miscellaneous non-marketable securities (such as Armed Forces Leave Bonds and Postal Savings Bonds), and paper registered marketable securities. These registered securities have not been issued since 1986 and there are fewer than 10,000 accounts and $300 million in value remaining outstanding. The last of these securities will mature in 2016.

Our strategic directions in the Retail Securities Services program are:

- Continuously improve the products and services in TreasuryDirect to meet the needs of our retail investors.
- Position Treasury to be able to eliminate new issues of paper savings bonds.
- Encourage retail owners of outstanding Treasury securities to convert their holdings to TreasuryDirect.
- Consolidate Federal Reserve Bank retail securities operations.
- Foster strategic relationships and partnerships that will support our evolving retail programs.
- Maximize investor self-sufficiency and, when needed, provide personal customer service.

Our long-term goal for this program are: Hold 50% of Treasury's retail debt in our new TreasuryDirect System by FY 2011 and complete 90% of customer service transactions within 10 business days by FY 2010.

Continuously improve the products and services in TreasuryDirect to meet the needs of our retail investors. We're committed to promoting a direct financial relationship through TreasuryDirect that meets the investing needs of our customers. Our goals are to make it easy for them to understand how to purchase and hold securities directly with Treasury and to have the information they need about our products and services.

Our website will become the primary means for communicating with our TreasuryDirect customers. The site will allow investors to access information about our products and services and help them to make informed decisions about investing in Treasury securities. They will be able to establish accounts where they can buy and hold marketable and savings securities in book-entry form. Investors will access their accounts, submit bids, purchase securities, and manage their holdings online in a secure environment. Customer identity will be validated, and transactions will be processed electronically whenever possible; communications will occur via e-mail; payments will be made electronically; and investors will access statements, confirmations, and tax information online.

TreasuryDirect is a work in progress and will continue to be so for many years to come. It was designed to be incrementally enhanced and modified to meet our investors' needs. In the near term we will add additional forms of registration and streamline existing system functionality. Next we will add a payroll feature that will allow investors to authorize their employers to regularly direct a portion of their earnings to their TreasuryDirect accounts to purchase securities. Down the road we'll expand TreasuryDirect to offer marketable Treasury securities and permit investors who hold securities in our legacy direct-access system to move their holdings to a TreasuryDirect account. We'll continue to enhance the system to incorporate additional features and services.

Position Treasury to be able to eliminate new issues of paper savings bonds. Treasury is committed to offering savings securities to the public, and our responsibility is to do so as efficiently as possible. Since paper savings bonds are more costly to issue than electronic bonds, we will begin to realize operational savings when we can stop issuing paper bonds. This means that we should move to all-electronic issues as soon as practicable. We believe that investors will move from other sales channels to TreasuryDirect as quickly as their access to the Internet and their willingness to manage money online permit. We also believe that these services will be attractive to new customers already comfortable with online business transactions. That said, we will continue to offer both paper EE and I bonds through conventional channels during a transition period. This will allow us to gauge investor acceptance of TreasuryDirect and to ensure that our customers are aware that we offer an electronic alternative to paper before we set a date to discontinue new issues of paper savings bonds.

To accelerate this process and encourage investors to move to electronic savings bonds, we're taking steps to phase out the purchase of paper savings bonds online. At the end of December 2003 we will stop the credit card sales of paper savings bonds on our website. At the same time we'll also begin to phase out EasySaver, which enables individuals to arrange for the recurring purchase of paper savings bonds. We'll maintain existing EasySaver accounts through March 2005. The TreasuryDirect system provides investors with the same services available in these two sales channels. In mid-2004 we'll stop issuing Series HH savings bonds, which are paper securities no longer issued in large volumes.

Encourage retail owners of outstanding Treasury securities to convert their holdings to TreasuryDirect. This undertaking will have both investor education and operational dimensions. We'll develop an effective communications plan to inform those holding paper savings bonds of the benefits of converting them to book-entry form in TreasuryDirect. Providing information and guidance on the TreasuryDirect website will be one of the ways we will do this, but we will explore other means as well, such as enlisting the assistance of financial institutions and reaching out through the media. Because the paper bonds were issued under regulations that entitle the purchaser to a physical certificate, the conversion to book entry will be voluntary. The potential workload of processing conversion transactions is quite large since there are 700 million paper savings bonds outstanding. The effort will be worth it, however, because of the benefit to our customers and because every paper bond we convert is one we will never have to handle again.

A variant of the savings bond conversion will apply to those who hold marketable securities—bills, notes, and bonds—in our legacy book-entry system. Once the functionality to handle marketable securities is added to TreasuryDirect, we'll begin an effort to encourage legacy direct-access customers to move their securities into TreasuryDirect. As with savings bonds, this move must be voluntary on the part of the investor. Unlike savings bonds, our efforts to encourage these investors to move to TreasuryDirect will be much more targeted. Since we currently maintain accounts—and contact information—for these investors in our legacy system, we can communicate with them directly.

Consolidate Federal Reserve Bank retail securities operations. Full TreasuryDirect implementation (including the conversion of paper savings bonds and legacy direct-access accounts) will have a significant impact on the services performed by Federal Reserve Banks. Paper savings bond processing is consolidated at five Federal Reserve Bank sites. They process virtually all over-the-counter purchase orders, issue more than half of the bonds sold through payroll savings plans, and handle a wide-variety of customer service functions. Two sites inscribe and mail bonds, and one of these sites controls unissued bonds and completes the processing of bonds redeemed by more than 40,000 paying agents. Our legacy direct-access system for book-entry marketable bills, notes, and bonds is operated by a single Federal Reserve Bank. Three other sites receive and process tenders, conduct account maintenance and other transactions, and provide general customer support.

As retail securities sales and transactions migrate to TreasuryDirect, Federal Reserve sites will see their workload decrease. Savings bond issues will decline first as investors choose electronic bonds over paper when purchasing over-the-counter and via payroll deduction and as we discontinue Savings Bond Direct, phase out EasySaver, and withdraw the Series HH offering. Original issue activity will not cease altogether until we stop selling paper bonds. Reissue and redemption transactions and customer inquiries will decline gradually as investors hold fewer paper bonds that require servicing. Sales, account maintenance, and customer service transactions in the legacy direct-access system processed by Federal Reserve sites will decline when we make marketable securities available in TreasuryDirect and legacy system investors move their holdings to the new system.

These workload reductions will not occur immediately but, over time, fewer Federal Reserve resources and locations will be needed to support our retail securities program. With support from the Federal Reserve, we're undertaking a study to determine the number and location of Federal Reserve sites that will continue to be involved in retail securities processing after these significant program changes have been implemented. Following the site selections we will look to the Federal Reserve to plan for and implement the consolidation of work to the selected locations.

Foster strategic relationships and partnerships that will support our evolving retail programs. Until paper savings bonds are withdrawn from sale, we'll issue electronic bonds in TreasuryDirect and paper bonds through conventional channels. As we proceed through this phase we will need to maintain the support of the network of savings bond issuing and paying agents and employers who offer payroll savings plans. TreasuryDirect will place fewer requirements on employers than current payroll arrangements, and we'll work with them to transition their employees to the new approach for payroll savings. We want financial institutions to continue to sell paper bonds over-the-counter as we encourage our customers to embrace purchasing electronic securities online. One factor that will influence how quickly we're able to stop new issues of paper savings bonds is our customers' access to the Internet. We plan to identify alternatives for those customers who may not have convenient personal Internet access, and we anticipate that this exploration may very well present opportunities for some strategic partnerships with other organizations. Lastly, we'll need the support of our paying agents to redeem paper savings bonds for many years to come. Some 55 million individuals currently hold more than 700 million bonds. Even when we're no longer issuing paper bonds, it's important that we continue to make it convenient for investors to redeem bonds locally.

Maximize investor self-sufficiency and, when needed, provide personal customer service. Our goal is to enable investors to manage their routine securities investment transactions without help from us. At the same time, we will offer our customers superior, personal customer service for those times when they need assistance. TreasuryDirect offers a wide range of account management tools that, with few exceptions, permit customers to manage their accounts and holdings on their own. In those situations where they need help understanding our products and services or assistance in completing transactions, we'll provide quality customer support by phone, e-mail, or postal mail.

We'll continuously improve TreasuryDirect based on customer feedback, available technology, and our resources. In doing so, we will take every opportunity to give our customers the tools they need to actively manage their Treasury portfolio and to do business with us when and where they want to.

SUMMARY DEBT ACCOUNTING

This program includes accounting for and reporting on all financial activity related to the Public Debt of the United States. The program provides accounting controls for funds received from the sale of securities, for funds disbursed as interest and principal payments, and for the accurate and timely reporting of debt financing operations in compliance with all requirements.

The Chief Financial Officers Act of 1990 and other related legislation require the preparation of annual, audited financial statements of the public debt. The readers of our financial statements represent a collection of interested parties beyond Treasury that we work with closely to present informative and timely data. We've established the highest standards for our accounting operations and have an important external measure of our success in meeting these standards. We've received clean audits every year since we've been required to produce financial statements. We are also complying with the Office of Management and Budget's requirement to produce audited financial statements by November 15 each year, well in advance of OMB's mandated FY 2004 effective date.

Our strategic directions for the Summary Debt Accounting program are:

- Improve the clarity, utility, and availability of Federal debt financial information.
- Support and influence the Financial Management Service's initiative to modernize government-wide accounting.
- Actively participate in the development of Federal debt and loans receivable accounting standards.

Our long-term goal for this program is to: Produce daily public debt financial statements by FY 2007.

Improve the clarity, utility, and availability of Federal debt financial information. Through our financial statements, we've been successful in producing timely and accurate presentations of the public debt—one of the largest liabilities in the Consolidated Financial Statement of the United States. We'll work to improve the clarity of our presentation of Federal debt information and make our statements more useful to all readers by seeking advice from OMB, the General Accounting Office, the Office of the Inspector General, and other Treasury offices.

Support and influence the Financial Management Service's initiative to modernize government-wide accounting. FMS is working on a multi-year government-wide initiative to modernize the Federal government's accounting processes. FMS plans on accomplishing this by providing agencies with accounting data on a near-real time basis at the lowest level of detail needed to provide useful information. We'll continue to participate actively in this initiative by providing input and helping to test throughout the various phases of the project. In particular, we'll seek to influence the design of modules that deal with our responsibilities for debt accounting, Federal fund investments, and agency borrowings from Treasury.

Actively participate in the development of Federal debt and loans receivable accounting standards. Because of our primary role in managing the Federal debt and loans receivable programs, we're directly affected by accounting standards developed for these programs and are uniquely positioned to assist in the creation or revision of these standards. We will look for opportunities to influence standards as they are being developed, and specifically we'll continue to participate in the standards development efforts of the Federal Accounting Standards Advisory Board and other related entities, such as OMB's Credit Reform Steering Committee.

FRANCHISE SERVICES

This program provides reimbursable administrative and information technology services to a variety of Federal government entities. These services are provided through our Administrative Resource Center (ARC) in conjunction with our Office of Information Technology (OIT). ARC operates as a member of the Department of Treasury's Franchise Fund. The Franchise Fund was established in 1996 to foster entrepreneurial government initiatives designed to provide highly effective services to Federal agencies at the lowest practical cost.

The types of services we provide, as well as the number of agencies that we serve, have grown steadily since the inception of our franchise program in FY 1997. While our initial venture into the field of franchising focused on administrative functions such as financial accounting, travel services, the full range of human resource activities, and procurement, we have since expanded our service lines to include information technology support and investment accounting. We're committed, not only to continuing to provide high-quality, low-cost service to our current customers, but also to making our services available to other agencies, thereby reducing costs and improving efficiency throughout the Federal government.

Our strategic direction is to:

- Continue to offer high-quality services to Federal agencies on a competitive, fee-for-service basis.
- Expand our customer base and the types of services we offer.

Our long-term goal for the Franchising program is: Continue to provide the high quality services and competitive prices that will enable us to expand our business.

Continue to offer high-quality services to Federal agencies on a competitive, fee-for-service basis. We recognize that our ability to attract customer agencies is contingent on providing quality services at competitive prices. As a member of the Treasury Franchise Fund ARC receives no direct appropriation, but instead relies on customer payments to fund all of its operations. To attract and retain customers we've made quality of service our top priority from the outset of the program. This will continue to be our foremost goal. Not only do our employees strive to deliver excellent service and outputs to our customers, we're also committed to constantly improving and, as necessary, replacing the automated systems that allow us to deliver high-quality services. We'll continue to take advantage of the capabilities offered by new technologies to provide excellent service at reasonable prices.

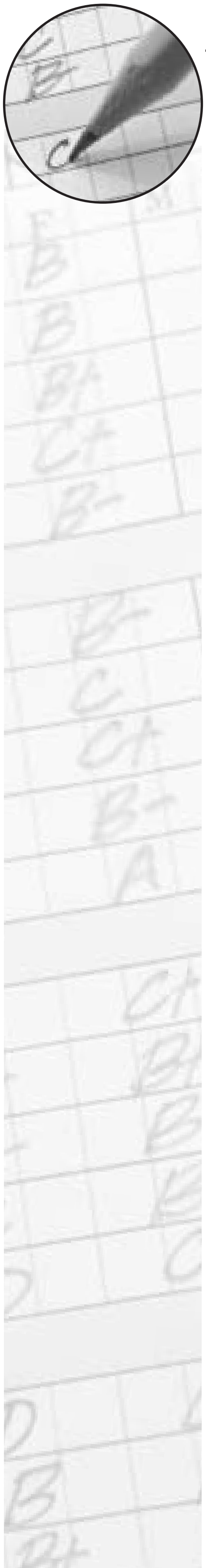
We recognize that continued growth in the field of franchising will depend primarily on the availability of a highly motivated staff with a strong customer service orientation. Accordingly, we'll make use of a variety of employment programs to ensure the continued intake of highly qualified employees committed to providing outstanding customer service.

We're committed to maintaining a price structure for franchise services that is equitable for both our customer agencies and for Public Debt. We'll continue to work with our customers to determine their individual needs and to ensure that our prices fairly represent the costs of providing the services.

Expand our customer base and the types of services we offer. With only "word-of-mouth" advertising by our customers, we've attracted more than 40 Treasury and non-Treasury customers for our administrative services during the first several years of our franchise program. Beginning in FY 2001, we expanded our franchise business lines to include information technology offerings, such as web services, application hosting, security services, communication services, PC configuration, database administration, and contingency and recovery services. During the next few years, we plan to expand our service offerings to include network monitoring, security plan review in support of the Federal Information Security Management Act, and application and system development. We'll continue to explore other possibilities as needs are expressed by our customers.

While we're committed to expanding our customer base, we recognize that the essence of our franchise success is exemplary service. We will not sacrifice quality of services delivered to existing customers in favor of increasing the quantity of customers. We intend to continue our policy of controlled growth to ensure that our first priority remains quality of service.

OUR USE OF PROGRAM EVALUATIONS



Many one-time and ongoing program evaluations have influenced the directions and objectives in this strategic plan. The more significant evaluations are briefly described.

Long-Range Planning: Our most important continuing program evaluation is our long-range planning process. This process, in use since 1980, consists of one or two formal meetings of our planning team each year as well as ongoing "pulse-checks" of program direction and performance throughout the year. This process works well for us because our mission is focused and our programs are well understood by all of our senior executives, who work as a collaborative planning team and are able to contribute to direction-setting beyond their individual program responsibilities. As one significant example that is reflected in this strategic plan, our planning team evaluated our existing retail securities programs a few years ago and determined that substantial changes were needed to better serve our customers and deliver our retail securities products more efficiently and effectively. Out of this evaluation grew a vision for a single "retail securities program", described in more detail in the Program Directions section of this plan. This vision has been driving our shift from product-orientation to customer-orientation including: a major reorganization of our operations that support our retail services; our offering of paperless savings bonds; our development of TreasuryDirect, through which our retail customers will ultimately be able to purchase the full range of Treasury securities and manage their holdings through an online account; and a restructuring of our budget activities.

Customer Surveys: These surveys enable us to assess the wants and needs of our customers as well as their level of satisfaction with our services. For example we have regularly surveyed our retail customers through mailed surveys and, in addition to learning that a very high percentage of our customers are satisfied with our services, we have also received valuable suggestions that we act on, for improving our services. One thing we have learned is that an ever-increasing number of our customers prefer the ease of giving us feedback electronically. This has led to the inclusion of simple exit surveys that our customers can choose to complete, after using our online services, to register their level of satisfaction with our services. We also make it easy for our customers to email us with their suggestions for improving our services. Our website is now a valuable tool for getting customer feedback and assessing their satisfaction with the information and services that we provide.

We plan to conduct a series of surveys to measure savings bond customers' awareness and acceptance of book-entry savings bonds in TreasuryDirect. These surveys will help Treasury to determine the appropriate time to discontinue sales of paper savings bonds.

Financial Statement Audits: The most visible ongoing evaluations of our performance are the annual audits and reviews of our financial operations, conducted by the General Accounting Office, the Inspector General, and private-sector accounting firms that conduct an independent review of our operations. These audits and reviews scrutinize our accounting for and reporting on: (1) the Schedule of the Federal Debt, one of the largest liabilities of the Federal government;

(2) the Schedule of Loans Receivable; (3) the Federal Investment program; and (4) a subset of that program, the Treasury-managed trust funds. The audit of the Federal debt includes a rigorous review and testing of controls over our key financial systems. We've received unqualified opinions on each of these audits since their inception in FY 1997 and have established a performance measure to continue this track record into the future.

Federal Investment Program Review: In November 2000, Treasury completed a general review of the overall Federal Investment Fund process as directed by the Secretary. While concluding that Treasury has exercised appropriate diligence in the performance of its duties, the review did result in a number of recommendations to improve ongoing operations and to strengthen Treasury's control and oversight. These recommendations include more active monitoring of fund investment activity, adopting standardized agreements between Treasury and the program agencies that define responsibilities, and strengthening of some internal controls. We play a key role in working with other Federal agencies to implement these recommendations. We are also deeply involved with Treasury's more detailed review of the 15 Treasury-managed trust funds which is underway.

FRB Consolidation: A decade ago 36 Federal Reserve offices processed Treasury securities transactions for us. In the early 1990's as we were able to take advantage of more centralized processing through increased automation of our operations, we began the first of several evaluations of Federal Reserve Bank support. Each of these has led to an increased consolidation of operations that the Federal Reserve conducts on our behalf. Each consolidation has produced cost-savings as well as an improvement in controls and delivery of service. As we implement our vision for the retail securities program, we expect that over the next few years, we will further consolidate the Federal Reserve operations supporting us in order to gain additional efficiencies.

Disaster Recovery and Continuity of Operations Planning: In recent years disaster recovery and continuity of operations planning have risen to the forefront of the Federal government's responsibilities. We've developed comprehensive disaster recovery and continuity of operations plans, and we're focusing our future work in three areas. First, beginning in FY 2004, Disaster Recovery/Continuity of Operations will be adopted as an assessable unit under our Management Control Program. This unit will be subject to a Federal Managers' Financial Integrity Act review on a five-year revolving cycle. This review will address the adequacy of our plans and their ability to provide continued operating capabilities if an operational disruption occurs in key business functions. Second, we're partnering with the Financial Management Service for mainframe disaster recovery services. To ensure continuity of operations we'll use an FMS operations center as a remote hot site and for the real-time updating of our mainframe data. Finally, our Office of Financing, which is responsible for auctioning and issuing over $4 trillion in Treasury marketable securities yearly, has set up a third operations site. When fully functional this site will be able to routinely perform all aspects of auction work in a production environment or contingency situation.

Employee Satisfaction: We recently began a formal process of assessing employee satisfaction. In June 2002 we conducted our first employee satisfaction survey, and we will repeat these surveys annually. The response rate for the initial survey exceeded 80 percent, and 70 percent of our employees responded that they were satisfied with their jobs. The survey results were provided to senior program officials and separately presented to managers at our annual meeting. We will learn from each survey, use them to stay in touch with how our employees feel about their jobs, and track our progress in improving employee job satisfaction.

OUR APPROACH TO MANAGEMENT SUPPORTS THE PRESIDENT'S MANAGEMENT AGENDA

Public Debt's approach to management is consistent with the philosophy that government should be citizen-centered, results-oriented, and market-based. Our securities and accounting programs are all about delivering results and providing quality service to millions of citizens—service that is in every way competitive with the best that other government agencies and the private sector have to offer.

Our organizational values provide a foundation for our service delivery. We work to foster an atmosphere of quality awareness that encourages all employees not to accept things as they are, but to look for ways to improve accuracy, timeliness, and customer service. We also expect employees to look for ways to cut costs and improve productivity. Such efficiencies are important to Public Debt and must be actively pursued. However, our ability to carry out our primary program responsibilities will not be sacrificed in our pursuit of savings.

Integrity is an important element of government service and is particularly important to us because of the financial nature of our mission and the confidentiality of our investor information. We value integrity in our employees and expect each employee to meet the highest standards of ethical conduct. Our customers deserve nothing less.

Public Debt is managed informally and we expect that communication throughout the organization will be open, informal, and candid. Delegations of authority will be made to the lowest practicable levels. Efforts will be made to reach consensus in decision-making so that we can take advantage of all appropriate perspectives and benefit from the employee commitment and buy-in that flows from inclusion.

We'll ensure that this informal and candid approach to doing business extends to our general relationship and individual dealings with the National Treasury Employees Union. We recognize that working with NTEU is important to the efficient accomplishment of our mission. We'll involve NTEU in identifying problems and implementing solutions to better enable us to carry out our long-term initiatives and achieve our performance goals. Our managers are expected to deal with NTEU openly and without undue formality, to involve NTEU early in matters of mutual interest, and to actively promote a climate of shared information, mutual trust, and cooperation.

We expect our managers to understand their operations and systems and how they relate to our overall mission. We expect their understanding to be sufficient to allow them to have a constant and accurate sense of the "health" of their operations, to be able to effectively explain their operations to others, and to personally provide direction and leadership for their programs.

The President's Management Agenda

The President's Management Agenda, announced in the summer of 2001, is an aggressive strategy to reform the Federal government to make it more accountable to citizens. It focuses on five areas of management across the government where improvements and the most progress can be made: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government, and Budget and Performance Integration. Public Debt is well positioned with respect to the agenda expectations but, like other agencies, must view the expectations as ongoing and not the focus of a single scorecard or evaluation.

➢ Strategic Management of Human Capital: The talent, expertise, and dedication of our employees are remarkable, and they are clearly our most valuable assets. Most of our employees are located in Parkersburg, West Virginia, where we are a major employer. We're fortunate to be able to draw from a strong and relatively deep talent pool for positions in this primary location. As a result of this strong competitive position and the meaningful work that we have to do, we rarely experience significant difficulties in filling positions with capable and dedicated people.

We have high expectations of all our employees and recognize the value of their contributions. Our performance appraisal system uses general standards of performance that are supplemented with specific expectations appropriate to the individual employee and current priorities. As a result, our employees know what is expected of them and how the expectations relate to Public Debt's mission, objectives, and performance goals. Our appraisals effectively distinguish between various levels of performance.

Our managers are expected to give continuous attention to their staffing needs and to succession planning. Where appropriate we competitively select high-potential employees and place them in management cadre positions to gain experience. Filling management positions this way serves the organization and substantially eases the transition when multiple vacancies or retirements are anticipated, or even when they occur unexpectedly.

We're sensitive to employee concerns and expectations and manage in a manner that supports recruitment and increases retention, productivity, and morale. Diversity is important to us and we value its benefits. Our recruitment programs, relocation policies, and diversity programs are designed to introduce new ideas, experiences, and perspectives into our workforce.

➢ Competitive Sourcing: Public Debt has met all competitive sourcing expectations. We've prepared an inventory of commercial and inherently governmental functions that is continually refined and updated. We've met all of our interim goals for job competitions using direct conversions and a streamlined competition process, and we expect to use both streamlined and full competitions in the future. Our workforce is capable, committed to service, and productive—a combination that positions us to be very competitive when our costs are compared to those of private sector organizations. We anticipate that we will have the resources required to conduct the necessary competitions for those positions remaining on our inventory and that, as such competitions are done, the productivity of our staff will be demonstrated.

- Improved Financial Performance: It is, of course, a key responsibility for any agency to demonstrate sound financial performance and to demonstrate that it is an effective steward of financial resources. Since our mission is to borrow the money needed to run the Federal government and account for the resulting debt, strong financial performance and effective accounting controls are at the center of our mission and have always been our priority. Our employees do a great job in this area, and we're proud of the role we play and, in fact, the example that we set. All of our financial systems are well controlled; the financial systems we use to account for the public debt comply with the Federal Financial Management Improvement Act and are audited routinely. Our systems are subject to both external audit and review by the General Accounting Office and other auditors as well as periodic examination as part of our internal review program. As a result of our attention to financial performance we have received unqualified opinions on all of our financial statements audits. Our expectation is that we will continue to do so.

- Expanding Electronic Government: All Federal agencies are called on to provide citizens with access to electronic services that lessen an agency's costs and improve service delivery. Well before this expectation was the norm, we had adopted a citizen-centered approach to electronic government. We have been offering our customers convenient electronic access to information for years and have gone well beyond the provision of static information. In all of our major program areas our customers can process transactions with us electronically, and the strategic program directions in this plan will take us even further. These directions describe specific initiatives that will make sure that our customers benefit as much as possible from additional electronic access and that we benefit through reduced operating costs. We have a solid foundation in place on which we can continue to build additional electronic government services.

  Because a lot of the information we maintain relates to financial transactions and the investments of our customers, we're especially aware of the sensitivity of the information. We'll continue to take the necessary security measures to safeguard our data, protect its confidentiality, and ensure that our systems are secure.

  We'll ensure that our investments in information technology serve our program needs and provide accurate, useful, and timely information. We'll also look to information technology to continue to act as a catalyst for business process reengineering and drive operational improvements, including expanded electronic government initiatives.

- Budget and Performance Integration: Strategic planning lies at the heart of this initiative and we've used a formal strategic planning process for more than twenty years. We use strategic planning as a structured and consistent way to set program direction and establish priorities. This process tests our initiatives, enabling us to determine the degree to which new ideas support the plan. It also forms the basis for later management decisions. Our planning team, comprising senior program officials, develops our strategic plan and annual performance targets as part of an ongoing planning and program evaluation process.

We'll continue to improve the linkage between our strategic planning and our budget. We've restructured our budget activities to reflect the same program areas identified in this plan. This will enable us to more easily associate budget requests with the strategic program directions and supporting initiatives. Our plan also presents several key, long-term performance goals that will be challenging to accomplish. Our progress toward these goals will also be fully integrated into our ongoing planning process, will receive significant attention from Public Debt management, and will directly affect future budget requests and resource allocation decisions.

THE FEDERAL RESERVE CONNECTION

The Federal Reserve Banks, as our fiscal agents, are a necessary and integral element in the accomplishment of our mission. We'll continue to make effective use of the Federal Reserve's capabilities to meet our responsibilities to individual and institutional investors in Treasury securities.

While our relationship with Federal Reserve Banks is technically one of principal and agent, it is in practice a dynamic partnership based on common goals of delivery of high quality service and efficiency of operations. This longstanding relationship, together with the Federal Reserve's association with financial institutions and its unique set of responsibilities for open market operations, provides the Federal government with continuous market contact and significant operational flexibility in administering the public debt.

We'll maintain an active, executive linkage with the Federal Reserve Board of Governors, Reserve Bank officials, and appropriate organizations within the Federal Reserve System to assist us in identifying policy issues, developing program direction, resolving problems, and exploring new ideas. We'll continue to involve the Federal Reserve at an early stage in significant issues of mutual concern and expect them to reciprocate.

Through our oversight program we'll provide Federal Reserve Banks with standards for quality and expectations for performance; determine appropriate reporting requirements; and monitor costs, productivity, and results achieved. In doing so we'll recognize the value of the collaborative relationship, respect the Banks' individual responsibilities, and preserve their flexibility in managing day-to-day operations. We'll continue to furnish the Federal Reserve Banks with effective and useful feedback concerning operational performance and the quality of services they provide to us.

We're responsible for the work that the Banks perform for us and are accountable for the costs they incur on our behalf. We'll continue to validate the accuracy and appropriate allocation of their costs and certify payments. We support the principle of fully reimbursing the Federal Reserve Banks for the costs of activities conducted as our fiscal agents. We'll reimburse Banks to the extent authorized, and we'll report to Congress the full costs incurred for administering the public debt, including Federal Reserve services.

Our decisions regarding the work that we request the Banks to do will continue to be based on our assessment of where the work can best be performed. We are committed to having the work done where it can be performed most effectively and efficiently, while maintaining high quality customer service. We will direct Banks to perform work for us only when such work is, in our view, clearly appropriate under the fiscal agency relationship.

OUR COMMITMENT TO CUSTOMER SERVICE

Public Debt has a wide variety of customers. We provide service to a broad range of individual and institutional investors in Treasury securities. Other customers include government securities brokers and dealers, Federal agencies, State and local governments, and a diverse array of market participants and others who rely on our public debt accounting information. We're committed to determining the priorities and expectations of our customers and providing them with the best service possible.

We recognize the important role our customers play in the success of our programs and the accomplishment of our mission. We'll communicate directly with our customers to understand their expectations and assess their satisfaction with our performance. We've established high standards for customer service and we'll continue to seek investors' feedback about our performance. We will provide our customers the ability to provide immediate feedback to us for all of our online services.

We'll strive to achieve the proper balance between the range of services provided to our customers and the costs of providing them. Where necessary we'll choose to limit the variety of services we offer rather than reduce their quality and efficiency.

APPENDIX: Linkage of Treasury and Public Debt Strategic Goals and Objectives

Bureau Strategic Objectives:	**Bureau Means and Strategies:**
1. Effectively finance government operations 2. Fulfill customer expectations 3. Effectively account for the debt of the Federal government	A. Borrow what is necessary to meet the monetary needs of the government B. Minimize the cost of the Federal government's borrowing activities C. Provide mechanisms for participation by a wide range of investors in Treasury debt financing D. Protect investors through effective regulation of the government securities market E. Provide quality customer service and transaction processing for investors in Treasury securities F. Provide accurate and timely payments to investors in Treasury securities G. Provide quality administrative and information technology services to external franchise customers H. Provide accurate and timely public debt accounting information

Treasury Strategic Goal: Manage the Government's finances effectively
Treasury Strategic Objective: Manage Federal debt effectively and efficiently (1, 2)
Treasury Means and Strategies:
Efficiently meet the borrowing needs of the Federal government (1B, 2E)
Effectively finance government operations (1A, 1C, 2D, 2E, 2F)
Move to a 100% paperless savings bond program (1B, 1C, 2E, 2F)
Get to "2 minute auction" performance levels at BPD (1B, 2E)

Treasury Strategic Goal: Manage the Government's finances effectively
Treasury Strategic Objective: Optimize cash management and effectively administer the government's financial systems (2, 3)
Treasury Means and Strategies:
Improve the clarity, utility, and availability of Federal debt financial information (2E, 3H)
Support and influence the Financial Management Service's initiative to modernize government-wide accounting (2E, 3H)
Actively participate in the development of Federal debt and loans receivable accounting standards (3H)

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