



BUILDING A STRONGER CALIFORNIA

Financing Jobs, Health Care,
Education, Better Communities
and a Cleaner Environment

2009





WHAT THE STATE TREASURER DOES

- The State Treasurer's Office (STO) was created in 1849, with the adoption of the State Constitution, as the guardian and cashier of the State's money.
- With the enactment of the California Bank Act of 1907, the Treasurer's powers were expanded to include investment of state revenues.
- Today the Treasurer invests monies on behalf of state government and more than 2,771 cities, counties and local agencies.
- The State Treasurer's Office carries out the issuance of state bonds, including voter-approved infrastructure bonds, and administers the State's bond program.
- The Treasurer serves on the boards of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), the nation's first and second largest defined pension funds respectively, with more than \$335.2 billion in combined assets.
- The Treasurer chairs authorities that finance a wide range of projects, including pollution clean-up, health and education facilities, affordable housing and economic development.
- The Treasurer chairs the ScholarShare Investment Board (SIB), which administers the State's tax-advantaged college tuition savings plan.

Balance Sheet 2009

STATE BOND ISSUANCE

- \$40.8 billion

INVESTMENT EARNINGS

- \$718 million

HEALTHCARE

- \$2.40 billion

EDUCATION

- \$977.4 million

COLLEGE SAVINGS

- \$3.4 billion

HOUSING

- \$1.8 billion

ECONOMIC DEVELOPMENT

- \$74.2 million

GREEN INVESTMENTS

- 220.75 Million

SELLING BONDS TO REBUILD CALIFORNIA

The STO manages the sale of voter-approved infrastructure bonds, as well as other types of bonds and notes.

Since 2006, California voters have approved more than \$54 billion of general obligation bonds to build schools, roads, housing, parks, levees and other crucial infrastructure projects. These projects will help California build its future. By purchasing these bonds, Californians can make a direct investment in their future.

State Bond Issuance **2009**
TOTAL **\$40.8 BILLION***

Highlights

In many ways 2009 was a remarkable year for the State Treasurer's Office. In the face of an economic downturn, the State issued \$40.8 billion in bonds, the largest ever in a calendar year. Included in that number were more than \$9 billion of Build America Bonds (BABs), a first for the State.

BABs, created under the American Recovery and Reinvestment Act of 2009, are federally taxable, unlike traditional municipal debt. In addition, the federal government provides a 35 percent interest payment subsidy. The subsidy allows the State to issue bonds with a lower net borrowing cost, saving taxpayers money. Accordingly, the State was able to market its bonds to a broader audience.

The State Treasurer's Office quickly took advantage of these benefits, and in April issued \$5.2 billion of BABs as part of a \$6.9 billion general obligation offering. The BABs sale, the first by a general municipal issuer, is one of the five largest long-term bond sales in U.S. public finance history.

However, the April BABs issue was not the only notable sale the State completed. In October the State issued \$805 million of lease-revenue bonds for the State Public Works Board (SPWB), including



Photo: NC3D

BONDS

\$250 million of BABs. The sale was the largest SPWB deal in history, and marked the first issuance of lease-revenue BABs for the State.

FOR MORE INFORMATION:

www.buycaliforniabonds.com
(800) 900-3873
investorrelations@treasurer.ca.gov

HISTORICAL STATE ISSUED DEBT
Dollars in Billions



*Includes issuances for the State, California State University, Department of Water Resources, Public Works Board, State Treasurer's Office, Department of Veterans Affairs, Golden State Tobacco Securitization Corporation, and University of California Regents.

NOTABLE 2009 STATE BOND ISSUANCE
Dollars in Billions



*Dollars in Millions

SMART INVESTMENTS WITH TAXPAYER MONEY

The STO manages the investment of taxpayer money through the Pooled Money Investment Account (PMIA), which includes the Local Agency Investment Fund (LAIF). LAIF offers local governments the opportunity to invest temporarily idle monies efficiently, safely and at competitive yields. Through its Time Deposit Program, the PMIA boosts community economies by investing in 67 financial institutions in 45 cities.

2009

INVESTING IN COMMUNITY BANKS, CREDIT UNIONS AND SAVINGS BANKS	\$4.375 BILLION
SECURITIES*	\$67.177 BILLION
LAIF DEPOSITS PARTICIPANTS	\$24.759 BILLION 2,771
EARNINGS	\$0.718 BILLION

Highlights

PMIA STEADY IN TURBULENT CAPITAL MARKETS OF 2009

- Collaborated with the Legislature to authorize new Negotiable Order of Withdrawal (NOW) accounts, which help improve the liquidity and the daily cash management requirements of the PMIA.
- Incurred no loss of principal on any investment.
- Had no subprime mortgage exposure.
- Incurred no losses from asset-backed commercial paper investments.
- No exposure to structured investment vehicles (SIVs) or collateralized debt obligations (CDOs).
- Increased the Local Agency Investment Fund's (LAIF) deposit limit for regular accounts from \$40 million to \$50 million.
- Achieved safe, prudent and liquid investment of all bond proceeds.
- Managed the Time Deposit program without experiencing any loss of principal.

FOR MORE INFORMATION:

Investments Division

(916) 653-3147

www.treasurer.ca.gov/pmia-laif

*Total portfolio includes agency bonds, certificates of deposit, commercial paper, corporate debt and other eligible securities.



HEALTH CARE

The STO provides low-cost financing for clinics and hospitals through the California Health Facilities Financing Authority (CHFFA). With grants, tax-exempt bonds and loans, CHFFA helps nonprofit and governmental health facilities pay for capital improvements and other needs.

2009

LOW-COST LOANS

\$7.9 MILLION

15 health facilities received low-cost loans to support approximately 700,000 patient visits.

CHILDREN'S HOSPITAL GRANTS

\$64.7 MILLION

5 children's hospitals received grants to serve nearly 530,000 of the State's most seriously ill children.

BOND FINANCING

\$2.33 BILLION

6 hospitals and 1 clinic, accounting for more than 2 million patient visits, received bond financing to remodel, construct, purchase equipment or refinance tax-exempt bonds.

TOTAL

\$2.40 BILLION

Highlights

CARE OVER INTEREST PAYMENTS CHFFA continued an emergency initiative allowing hospitals and health care systems to more expeditiously refinance bonds in order to avoid skyrocketing interest rates, potentially helping borrowers save millions of dollars.

CHILDREN'S HOSPITAL PROGRAM With the passage of Proposition 3 by California voters in November 2008, CHFFA established regulations to ultimately distribute \$980 million to children's hospitals. Children's Hospital Los Angeles in 2009 utilized \$10 million of Proposition 3 funds to provide high-quality care for children who are the sickest and most seriously injured in Los Angeles County and beyond. Children's Hospital Los Angeles treats more than 93,000 children every year.

FOR MORE INFORMATION:

**California Health Facilities
Financing Authority (CHFFA)**

(916) 653-2799

www.treasurer.ca.gov/chffa



EDUCATION

The STO helps fund education programs through the California School Finance Authority (CSFA) and the California Educational Facilities Authority (CEFA).

2009

CHARTER SCHOOL LEASE, CONSTRUCTION OR REMODEL \$15.4 MILLION

CSFA approved grants and loans for charter schools through two programs. The federally-funded State Charter School Facility Incentive Grants Program provided \$8.2 million to 107 California charter schools that serve 37,415 public school students. The Charter School Facilities Program, through Propositions 55 and 1D, awarded nearly \$7.2 million to four charter schools for new construction and renovation of school facilities that house 1,202 students.

COLLEGE LAND PURCHASE, CONSTRUCTION, REMODEL OR EQUIPMENT LEASE \$962 MILLION

11 CEFA approved bond financings for California private colleges and universities.

TOTAL \$977.4 MILLION

Highlights

SCIENCE AND SUSTAINABILITY GOALS FOR CALTECH CEFA approved \$295 million in tax-exempt bonds and commercial paper notes for the California Institute of Technology. The financing will be used to build a new laboratory for the Cahill Center for Astronomy and Astrophysics, an Information Science and Technology Building, and a new Chemistry and Chemical Engineering Laboratory. Caltech's policy is to design, build and pursue "green" certification of all new project buildings at a Leadership in Energy and Environmental Design (LEED) Silver level or higher.

MARIA MONTESSORI CHARTER ACADEMY In 2009, MMCA received nearly \$5 million for new construction and renovation of school facilities under the Charter School Facilities Program, co-administered by CSFA and the State Allocation Board. The school recently completed construction of a 25,000 square-foot facility on its 4-acre campus in Rocklin. MMCA is a K-8th Montessori School located between a regional city park and a private university. With approximately 270 students, MMCA combines traditional Montessori teaching methods within the accountability and framework of California state standards.

FOR MORE INFORMATION:

California School Finance Authority (CSFA)

(213) 620-4467

www.treasurer.ca.gov/csfa

California Educational Facilities Authority (CEFA)

(916) 653-2408

www.treasurer.ca.gov/cefa



SAVING FOR COLLEGE

ScholarShare is California's 529 college savings plan. The ScholarShare Investment Board (SIB) administers ScholarShare, and Fidelity Investments manages the program. Earnings grow tax-deferred, and disbursements are federal and state tax-free when used for tuition or other qualified higher education expenses.

ASSETS

2009
\$3.4 BILLION

ACCOUNTS*

258,795

Highlights

EXPANDING OUTREACH As part of its ScholarShare Outreach and Public Education (SCOPE) plan, ScholarShare promotes the importance of attending and saving for college, and raises awareness of the ScholarShare program. This effort includes partnering with a variety of organizations and agencies that promote education, learning, development, college preparation and financial planning. Some of the 2009 efforts include:

- Participation in events held by organizations and government agencies such as the California Public Employees Retirement System (CalPERS), California State Employees

Association, California Department of Corrections and Rehabilitation, and the California Department of Motor Vehicles.

- Partnerships with organizations that support education and assist families in preparing for college, such as the California Student Opportunity and Access Program (Cal-SOAP), California Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR UP), Intersegmental Coordinating Committee, UC Early Academic Outreach Program and Campaign for College Opportunity.
- Partnerships with alumni associations that include the University of California, Los Angeles and the University of Southern California.
- Partnerships with the Tech Museum of Innovation, Explorit Science Center and the Natural History Museum of Los Angeles County.
- Participation in events promoting child development and learning, such as Fairytale Town's ScholarShare Children's Book Festival, the Orange County Children's Book Festival and First 5 Sacramento's Children's Celebration.

FOR MORE INFORMATION:

The ScholarShare Investment Board
(916) 651-6380
www.treasurer.ca.gov/scholarshare

The ScholarShare College Savings Plan
(800) 544-5248
www.scholarshare.com

*Accounts opened since inception



HOUSING

The STO helps provide California families affordable housing through the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTCAC). CDLAC awards tax-exempt bond financing, while CTCAC allocates state and federal low-income housing tax credits that create or preserve affordable apartments.

2009

CONSTRUCTION/REMODEL

\$1.4 BILLION

CTCAC tax credits helped finance 10,076 low-income rental units.

AFFORDABLE APARTMENTS/ LOW-INTEREST MORTGAGES

\$1.4 BILLION

CDLAC tax-exempt bonds helped finance 6,855 affordable apartment units, and 3,593 low-interest mortgages for first-time or low-income home buyers.

TOTAL

\$2.8 BILLION

Highlights

USING FEDERAL STIMULUS TO HELP LOW-INCOME FAMILIES California in 2009 aggressively used federal stimulus money to revive stalled affordable rental housing projects for low-income families. CTCAC distributed more than \$800 million under the federal stimulus program, helping build more than 9,600 housing units and create more than 24,000 jobs in 34 counties across the state.

AFFORDABLE HOUSING FOR WORKERS CTCAC provided more than \$49 million in tax credits and tax-exempt bond financing to build the 16th & Market Apartments in San Diego for people who work in the area's hotels, restaurants and retail businesses. The CTCAC award induced more than \$22 million in private investment in the project, sponsored and managed by the nonprofit Society of Saint Vincent de Paul. The apartments have 136 units of quality, affordable housing in an otherwise high-priced community. The complex also provides training facilities and computer labs for residents.

FOR MORE INFORMATION CONTACT:

**California Debt Limit
Allocation Committee**

(916) 653-3255

www.treasurer.ca.gov/cdlac

**California Tax Credit
Allocation Committee**

(916) 654-6340

www.treasurer.ca.gov/ctcac



ECONOMIC DEVELOPMENT

The STO stimulates statewide job growth and economic development through three entities: the California Industrial Development Financing Advisory Commission (CIDFAC), the California Pollution Control Financing Authority (CPCFA) and the California Debt Limitation Allocation Committee (CDLAC).

2009

BUILDING AND EXPANDING MANUFACTURING PLANTS

\$19.7 MILLION

CIDFAC approved industrial development bond (IDB) financing for four projects that created 413 manufacturing jobs

SMALL BUSINESS LOANS

\$54.5 MILLION

CPCFA loan guarantees for 527 small businesses helped create or preserve 1,624 jobs. The loans ranged in size from \$1,000 to \$1.5 million.

TOTAL

\$74.2 MILLION

Highlights

IDB FINANCING FOR KNOWLEDGE-BASED COMPANIES Under the American Recovery and Reinvestment Act (ARRA) of 2009, CIDFAC can now approve low-cost Industrial Development Bond (IDB) financing for knowledge-based businesses. ARRA expands the federal definition of 'manufacturing facility,' for purposes of eligibility to receive IDB financing, to cover businesses that produce intangible property such as patents, copyrights, formulas, processes, designs and trademarks.

HELPING SMALL BUSINESSES IN TOUGH TIMES CPCFA paid \$7.8 million to banks and community lenders that participate in the California Capital Access Program (CalCAP) to cover small businesses that defaulted on loans in 2009. Because of the tough economic times, a large number of small business owners were unable to pay their loans and were covered by loan guarantees.

FOR MORE INFORMATION:

**California Pollution Control
Financing Authority**
(916) 654-5610
www.treasurer.ca.gov/cpcfa

**California Debt Limit Allocation
Committee**
(916) 653-3255
www.treasurer.ca.gov/cdlac

**California Industrial Development
Financing Advisory Commission**
(916) 653-3843
www.treasurer.ca.gov/cidfac

GREEN INVESTMENTS

The STO is committed to keeping California's environment clean and its economy thriving. That is why many of the projects that seek financing before the Office's boards, commissions and authorities must verify their environmental benefits.

The California Pollution Control Financing Authority (CPCFA) and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) are most prominently involved with financing green projects. These projects focus on environmental cleanup, pollution reduction, energy efficiency and renewable energy generation.

Other financing authorities – including the California Industrial Development Financing Advisory Commission (CIDFAC) and the California Tax Credit Allocation Committee (CTCAC) – help produce environmental benefits. During their application and competitive scoring processes, CIDFAC and CTCAC reward projects that use sustainable building methods or create green jobs.

2009

TAX-EXEMPT BONDS FOR POLLUTION CONTROL

\$167 MILLION

CPCFA approved tax-exempt bonds for four companies for green projects that improved fuel efficiency, cleaned air and water, improved waste and recycling collection, helped the state meet clean fuel mandates or provided renewable energy equipment, among other benefits. A total of \$297 million in bonds were issued, including \$167 million in new financings and \$130 million in refinancing to take advantage of lower interest rates.

ALTERNATIVE AND RENEWABLE ENERGY PROJECTS

\$20 MILLION

CAEATFA sold \$20 million of clean renewable energy bonds for Caltrans to install photovoltaic solar panels in 70 of its buildings throughout the state. The projects will save taxpayers more than \$52.5 million in energy costs over the 25-year life of the equipment.

EXPAND ELECTRIC CAR MANUFACTURING AND CREATE JOBS

\$30 MILLION

CAEATFA, in October 2009, approved the Tesla Motors project. The CAEATFA action will exempt Tesla from paying sales and use taxes on the purchase of \$320 million of equipment it will use to manufacture its electric cars. The exemption will save Tesla approximately \$30 million. Tesla will create 1,400 new jobs in two California manufacturing facilities that produce zero emission vehicles and all-electric power train components.

BROWNFIELD CLEANUP

\$3.75 MILLION

CPCFA awarded nearly \$3 million to three projects for brownfield cleanup under its CALReUSE Remediation program. The cleanup will pave the way for mixed-use and residential developments that will create approximately 335 housing units. The projects funded in 2009 are part of a larger program that will ultimately finance at least \$55 million in cleanups, with an associated 115,000 jobs and 32,000 housing units. CPCFA also funded 7 new loans totaling nearly \$1 million to assess contamination at brownfield sites under the CALReUSE Assessment revolving loan program to bring idle sites to productive reuse.

TOTAL

\$220.75 MILLION

Highlights

ENERGY EFFICIENT LOW-INCOME HOUSING CTCAC financed an all energy efficient housing development for low-income families with more than \$1 million in low-income housing tax credits and tax exempt bond financing. The Leadership in Energy and Environmental Design (LEED) certification project features variable-speed ceiling fans in each bedroom rather than air conditioning, temperature-efficient materials and orientation, and electricity-generating photovoltaic solar panels on the roof. The development provides 77 units of quality affordable housing with after-school programs for children and educational classes for adults.



PARTNERING TO IMPROVE AIR QUALITY CPCFA developed a new partnership with the California Air Resources Board (ARB) to help diesel truck owners meet new clean air requirements. The ARB has provided more than \$20 million which will be leveraged to provide more than \$350 million in loans under CPCFA's California Capitol Access Program. Through this partnership, despite the tough economic climate, more than \$1.7 million was loaned for the purchase of emissions-compliant heavy duty on-road diesel vehicles. These loans helped create or preserve 30 jobs.

FIGHTING CLIMATE CHANGE CPCFA awarded \$3.2 million in tax-exempt Industrial Development Bonds (IDBs) and \$181,200 in Small Business Assistance Fund (SBAF) monies to Musco Olive Products, Inc. for a Renewable Energy Wastewater and Pollution Control System (RENEWS). The RENEWS is designed to reduce water and air pollution, salt in waste water, and replace electrical and thermal energy from fossil fuels with renewable sources. Musco Olive Products, Inc. is constructing two new buildings to house the technology for RENEWS, which will provide up to 80% of the electricity for the plant.

FOR MORE INFORMATION:

California Pollution Control Financing Authority

(916) 654-5610

www.treasurer.ca.gov/cpcfa

California Industrial Development Financing Advisory Commission

(916) 653-3843

www.treasurer.ca.gov/cidfac

California Tax Credit Allocation Committee

(916) 654-6340

www.treasurer.ca.gov/ctcac

California Alternative Energy and Advanced Transportation Financing Authority

(916) 651-8157

www.treasurer.ca.gov/caeatfa

Boards, Authorities and Commissions the Treasurer Chairs

- California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)
- California Debt and Investment Advisory Commission (CDIAC)
- California Debt Limit Allocation Committee (CDLAC)
- California Educational Facilities Authority (CEFA)
- California Health Facilities Financing Authority (CHFFA)
- California Industrial Development Financing Advisory Commission (CIDFAC)
- California Pollution Control Financing Authority (CPCFA)
- California School Finance Authority (CSFA)
- California Tax Credit Allocation Committee (CTCAC)
- California Transportation Financing Authority (CTFA)
- California Urban Waterfront Area Restoration Financing Authority (CUWARFA)
- Local Investment Advisory Board (LIAB)
- Pooled Money Investment Board (PMIB)
- ScholarShare Investment Board (SIB)

Other Boards and Committees on which the Treasurer Sits as a Member

- California Earthquake Authority
- California Housing Finance Agency
- California Infrastructure and Economic Development Bank
- California Public Library Construction and Renovation Board
- Commission on State Mandates
- Economic Recovery Financing Committee
- Pension Obligation Bond Committee
- Public Employees' Retirement System Board of Administration (CalPERS)
- State Public Works Board
- State Teachers' Retirement System Board (STRS)
- Veterans' Debenture Finance Committee
- Veterans' Finance Committee of 1943

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