



BUILDING A STRONGER CALIFORNIA

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

2011 Edition





WHAT THE STATE TREASURER DOES

- The State Treasurer's Office (STO) was created in 1849, with adoption of the State Constitution, as the guardian and cashier of the State's money.
- With 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 2,794 cities, counties, schools and other local agencies.
- The STO issues 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 California State Teachers' Retirement System (CalSTRS), the nation's two-largest public pension funds.
- The Treasurer chairs entities that finance a wide range of projects and services, including schools, health care, affordable housing, transportation, economic development, alternative energy and pollution cleanup.
- The Treasurer oversees the ScholarShare Investment Board (SIB), which administers the State's college tuition savings plan.

Balance Sheet 2010

BOND ISSUANCE

\$35 billion

INVESTMENT EARNINGS

\$355 million

HEALTH CARE

\$1 billion

EDUCATION

\$1.3 billion

COLLEGE SAVINGS

\$4 billion

HOUSING

\$2.39 billion

ECONOMIC DEVELOPMENT

\$837.2 million

GREEN INVESTMENTS

\$614.8 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 vital public works. These projects will help California build its future. By purchasing these bonds, Californians can directly invest in that future.

State Bond Issuance **2010**

TOTAL \$35 BILLION*

Highlights

2010 was a bumpy ride for the STO in Sacramento and capital markets. A record-long budget stalemate shut the State out of the bond market for a good part of the year. Then, when the Governor and Legislature adopted the budget in October, and the State could go to market, the conditions were inhospitable.

But the STO overcame the obstacles. In a span of five days in November, the STO sold \$14.525 billion of bonds and notes – \$10 billion of cash-flow borrowing notes and \$4.525 billion of general obligation (GO) bonds to finance public works projects. Individual, or retail, investors snapped up more than 60 percent of the cash-flow notes and ordered more than 80 percent of \$1.25 billion of tax-exempt GO bonds sold four days later.

The overall performance in November, given the hostile market environment and need to move with speed, stood as a remarkable achievement. The retail demand highlighted the continued effectiveness of the STO's groundbreaking Buy California Bonds retail campaign, launched in 2007. The Buy California Bonds campaign reaches investors through a first-of-its-kind web site (www.buycaliforniabonds.com) and high-quality radio and print media ads.

The STO used the Buy California Bonds campaign in 14 sales. Thanks in no small part to www.buycaliforniabonds.com, MuniNet Guide ranked the STO's investor relations web site as the best state site in the nation.



All told, the STO sold \$35 billion of bonds and notes in 2010. In the process, the office helped the State maintain the cash flow needed to pay its bills, and financed nearly 8,000 public works projects throughout California. The projects provided workers tens of thousands of jobs and businesses millions of dollars in revenues.

FOR MORE INFORMATION:

www.buycaliforniabonds.com

(800) 900-3873

InvestorRelations@treasurer.ca.gov

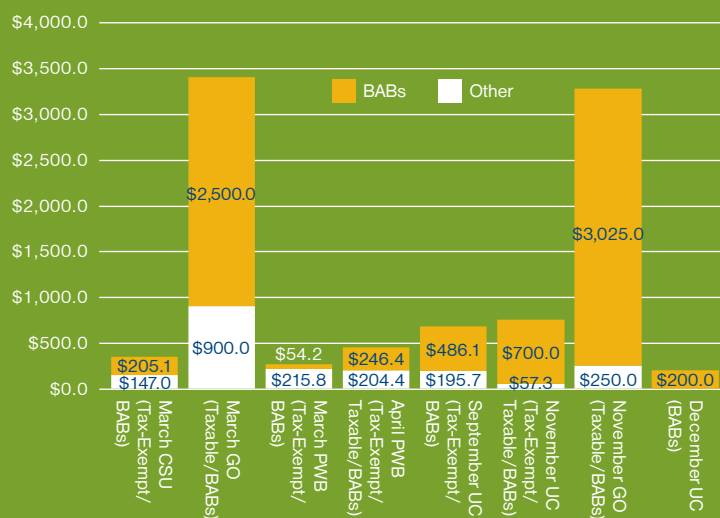
HISTORICAL STATE ISSUED DEBT

Dollars in Billions



2010 BUILD AMERICA BOND ISSUANCE

Dollars in Millions



*Includes sales of bonds and cash-flow notes for the State, and bonds for University of California, California State University, Public Works Board, Department of Water Resources and Department of Veterans Affairs

SMART INVESTMENTS WITH TAXPAYER MONEY

The STO manages the investment of taxpayer money through the Pooled Money Investment Account (PMIA). The PMIA 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 local economies by investing in 60 community-based financial institutions throughout California.

2010

TIME DEPOSIT INVESTMENTS IN COMMUNITY BANKS, CREDIT UNIONS AND SAVINGS BANKS	\$3.938 BILLION
TOTAL PORTFOLIO	\$74.459 BILLION
LAIF DEPOSITS	\$23.251 BILLION
LAIF PARTICIPANTS	2,794
EARNINGS	\$355 MILLION

Highlights

PMIA STEADY IN TURBULENT CAPITAL MARKETS OF 2010

- Lost no principal on any investment.
- Created a unique LAIF account to help local agencies manage emergency funds in a way that assures the safety and liquidity of their money.
- In a year marked by many bank failures, managed the Time Deposit program without losing any principal.
- Achieved safe, prudent and liquid investment of all bond and revenue anticipation note proceeds.
- Had no subprime mortgage exposure and incurred no losses from asset-backed commercial paper failures.

FOR MORE INFORMATION:

Investments Division

(916) 653-3147

www.treasurer.ca.gov/pmia-laif



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.

2010

LOW-COST LOANS

\$5.1 MILLION

10 health facilities received low-cost loans to support approximately 174,000 patient visits.

CHILDREN'S HOSPITAL GRANTS

\$290.6 MILLION

10 children's hospitals received grants to serve the state's most seriously ill children.

BOND FINANCING

\$712.8 MILLION

3 hospitals and 3 clinics received bond financing to remodel or construct facilities, purchase equipment or refinance tax-exempt bonds.

TOTAL

\$1 BILLION

Highlights

MEDI-CAL BRIDGE LOAN PROGRAM CHFFA's short-term secured loan program gave eligible providers working capital to help offset budgetary shortfalls caused by delayed Medi-Cal reimbursements from the State. CHFFA authorized \$4.4 million in loans to 18 clinics and hospitals.

CHILDREN'S HOSPITAL PROGRAM Funding from the Children's Hospital Bond Act passed by California voters in 2004 enabled Children's Hospital & Research Center Oakland to construct a new Cardiology and Radiology Angiography and Intervention Lab. New imaging technologies in the lab help doctors speedily diagnose and treat heart and blood vessel disorders – essential when caring for child trauma patients. Children's Hospital & Research Center Oakland has provided treatment to many of the most ill and injured children in Northern California for 95 years.

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).

2010

CHARTER SCHOOL LEASE, CONSTRUCTION OR REMODEL \$124.5 MILLION

CSFA approved grants and loans for charter schools through three programs. The federally-funded State Charter School Facilities Incentive Grants Program awarded \$11.1 million in new grants to 34 charter schools. The program also disbursed \$9.1 million under multi-year grants to 104 charter schools serving 38,300 public school students. The Charter School Facilities Program, through Propositions 55 and 1D, awarded more than \$80 million to 10 charter schools for new construction and renovation. Through revenue anticipation notes and/or qualified school construction bonds, CSFA issued \$33 million for charter school facilities and working capital.

COLLEGE LAND PURCHASE, CONSTRUCTION, REMODEL OR EQUIPMENT LEASE \$1.2 BILLION

CEFA authorized 9 bond financings for California private colleges and universities.

TOTAL \$1.3 BILLION

Highlights

DEAL OF THE YEAR High Tech High in Chula Vista, through the American Recovery and Reinvestment Act of 2009 (ARRA), constructed a K-8 charter school facility with \$12 million in CSFA-approved Qualified School Construction Bonds. The transaction secured a AAA rating with a letter of credit from the Federal Home Loan Bank. CSFA received a 2010 Far West Deal of the Year award from *The Bond Buyer* for the innovative credit structure.

STANFORD UNIVERSITY'S CAPITOL PLAN CEFA approved \$918 million in tax-exempt bonds as part of Stanford's Capital Plan. Projects included construction, infrastructure renovation and upgrades to the university's student housing, science, medicine, and engineering buildings. The new Nano-Technology Center will feature the most advanced equipment available. Environmental benefits include Energy Star appliances, water-efficient fixtures, and recycled products and materials.

FOR MORE INFORMATION:

California School Finance Authority (CSFA)
(213) 620-4467
www.treasurer.ca.gov/csfa

California Educational Facilities Authority (CEFA)
(916) 653-2872
www.treasurer.ca.gov/cefa



SAVING FOR COLLEGE

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

ASSETS

2010
\$4 BILLION

ACCOUNTS*

281,665

Highlights

EXPANDING OUTREACH As part of its ScholarShare Outreach and Public Education (SCOPE) plan, ScholarShare promotes the importance of higher education 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 2010 efforts include:

- Participation in events held by organizations and government agencies such as the California Public Employees' Retirement System (CalPERS), Franchise Tax Board, California Department of Corrections and Rehabilitation, California Department of Motor Vehicles, California Department of Transportation and the California State Employees Association.

- Partnerships with organizations that support education and help families prepare for college. Partners included: 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 (EAOP); Campaign for College Opportunity; College Making it Happen; Asian Pacific and Chicano/Latino Youth Leadership Programs; Student Friendly Services; and College OPTIONS.
- Partnerships with alumni associations, including the University of California, Los Angeles and the University of Southern California.
- Partnerships with the Tech Museum of Innovation, Explorit Science Center, the Natural History Museum of Los Angeles County, Reuben H. Fleet Science Center, Radio Disney and Telemundo.
- Participation in events promoting child development and literacy, such as Grandparents' Day and ScholarShare Children's Book Festival at Fairytale Town, 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



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. CTCAC allocates state and federal low-income housing tax credits that help create or preserve affordable apartments.

2010

CONSTRUCTION/REMODEL

\$1.19 BILLION

CTCAC tax credits helped finance 8,616 low-income rental units.

AFFORDABLE APARTMENTS/ LOW-INTEREST MORTGAGES

\$1.2 BILLION

CDLAC tax-exempt bonds helped finance 6,399 affordable apartment units, and 2,392 low-interest mortgages for first-time or low-income homebuyers.

TOTAL

\$2.39 BILLION

Highlights

FEDERAL STIMULUS TO HELP LOW-INCOME FAMILIES In 2010, California continued to award federal stimulus money to revive stalled affordable rental housing projects for low-income families. CTCAC distributed more than \$100 million under the American Recovery and Reinvestment Act (ARRA) of 2009. The financing helped build more than 1,500 housing units and create more than 2,000 jobs in 15 counties across the state. Since 2009, CTCAC has awarded \$802 million in ARRA funds.

AFFORDABLE HOUSING, HISTORIC RESTORATION AND CULTURAL PRESERVATION

CTCAC provided more than \$1.4 million in annual, federal low-income housing tax credits to the Boyle Hotel Apartments, a former 122-year-old residential hotel in East Los Angeles. The nonprofit East Los Angeles Community Corporation (ELACC) is rehabilitating the property that traditionally has housed working mariachi musicians. These workers market their services in the historic Mariachi Plaza next door, but had been living in squalid conditions within the residential hotel. ELACC is turning the property into 51 units, including 18 three-bedroom apartments. Once completed, musicians and others may return and rent the units at affordable rates. This project exemplifies the public policy benefits of affordable housing, historic restoration and cultural preservation.

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)
- The California Debt Limit Allocation Committee (CDLAC)

2010

BUILDING AND EXPANDING MANUFACTURING PLANTS

\$45 MILLION

CIDFAC approved industrial development bond (IDB) financing for 10 projects that created 435 manufacturing jobs.

SMALL BUSINESS LOANS

\$59 MILLION

CPCFA provided loan portfolio insurance for 943 small businesses, helping create or preserve 2,045 jobs. The loans ranged in size from \$500 to \$1.5 million.

RECOVERY ZONE BOND PROJECTS

\$733.2 MILLION

CDLAC allocated Recovery Zone Facility and Recovery Zone Economic Development Bonds, created under the American Recovery and Reinvestment Act of 2009 (ARRA). The allocations funded 25 projects that created 797 permanent jobs.

TOTAL

\$837.2 MILLION

Highlights

LASER TECHNOLOGY AND GOOD JOBS CIDFAC provided more than \$4 million in bond financing to Xintec Corporation to purchase and renovate an existing manufacturing

facility in the City of Alameda. Xintec manufactures minimally invasive medical devices, specializing in surgical laser systems, and supplies health care companies in and outside of California. Upon completion, Xintec will provide 26 full-time jobs with health care benefits and above-average wages.

HELPING SMALL BUSINESSES IN TOUGH TIMES CPCFA paid \$15.3 million to banks and community lenders that participate in the California Capital Access Program (CalCAP) to cover small businesses that charged off loans in 2010. Because of the tough economic times, a large number of small business owners were unable to pay their loans and were covered by CalCAP's loan portfolio insurance. At the same time, CalCAP loan activity increased largely due to its partnership with the Air Resources Board to provide truckers and trucking firms loan assistance to help them comply with diesel emission regulations.

TURNING CONTAMINATED PROPERTY INTO JOBS CDLAC allocated more than \$11 million to Troy-CSL Lighting in the City of Industry to purchase and clean up 9.2 acres of contaminated land. Troy built a manufacturing facility and purchased equipment to produce lighting fixtures, creating 145 permanent jobs.

FOR MORE INFORMATION:

California Pollution Control Financing Authority

(916) 654-5610

www.treasurer.ca.gov/cpcfca

California Industrial Development Financing Advisory Commission

(916) 653-3843

www.treasurer.ca.gov/cidfac

California Debt Limit Allocation Committee

(916) 653-3255

www.treasurer.ca.gov/cdlac

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 from STO-managed entities must verify their environmental benefits.

The California Pollution Control Financing Authority (CPCFA) and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) are the STO's most prominent funders of 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), the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) – help produce environmental benefits. During their application and competitive scoring processes, CIDFAC, CDLAC and CTCAC reward projects that use sustainable building methods or create green jobs.

2010

TAX-EXEMPT BONDS FOR POLLUTION CONTROL

\$280 MILLION

CPCFA approved tax-exempt bonds for 4 green projects that improved fuel efficiency, air and water quality, and waste and recycling collection. The projects also helped the state meet clean fuel mandates and provided renewable energy equipment, among other benefits.

SALES AND USE TAX EXEMPTION FOR GREEN MANUFACTURING

\$84.5 MILLION

CAEATFA approved sales and use tax exemptions for 26 projects with a combined \$928.5 million in manufacturing equipment value. The exemptions will total about \$84.5 million over the next three years. The projects are expected to create more than \$52 million in environmental benefits and \$85 million in economic benefits, including the creation of at least 6,000 jobs.

QUALIFIED ENERGY CONSERVATION BONDS (QECB)

\$239 MILLION

CDLAC awarded QECBs to 10 energy efficient and green technology projects that created 890 new jobs in California. The Fallbrook Public Utility District (Fallbrook) in San Diego County will use its financing to build a solar project that will produce 2.4 million kWh of electricity each year. The project will help Fallbrook offset 1,724 metric tons of carbon dioxide (CO₂) emissions and about 76 percent of its prior electricity use. The CO₂ offset is the equivalent of taking 330 passenger vehicles off the road.

BROWNFIELD CLEANUP

\$10.3 MILLION

Under its CALReUSE program, CPCFA distributed more than \$10 million for brownfield cleanup in 2010. The program ultimately will finance \$55 million in cleanups, and create 115,000 jobs and more than 29,000 housing units. CALReUse also funded 3 loans totaling more than \$300,000 to assess contamination at brownfield sites.

TOTAL

\$613.8 MILLION

Highlights

ENERGY EFFICIENT LOW-INCOME HOUSING CTCAC provided more than \$10 million in affordable housing tax credits to finance a "Net Zero" energy consumption housing development for low-income families. The project features thermal protection, water-saving and energy-efficient materials and design, and rooftop solar panels. The project site also is a brownfield redevelopment. This complex provides 80 units of quality affordable housing with amenities that include after-school programs for children and educational classes for adults.

HELPING TRUCK OWNERS COMPLY WITH ENVIRONMENTAL REGULATIONS CPCFA's California Capitol Access Program (CalCAP) loan portfolio insurance leveraged more than



\$26 million in loans to help diesel truck owners meet new clean air requirements. Through its partnership with the California Air Resources Board (ARB), CalCAP helps truck owners purchase emissions-compliant heavy duty on-road diesel vehicles, and has helped create or preserve 724 jobs.

FIGHTING CLIMATE CHANGE CPCFA issued \$11.9 million of tax-exempt waste water treatment bonds for Biofuels Energy to construct facilities to treat biomethane gas generated at a sewage treatment plant in San Diego County. The project will purify contaminants and convert the gas into a product that can be put into the local natural gas pipeline. This process will allow the community that generated the waste stream to reduce its carbon footprint by more than 12,000 metric tons of CO₂ emissions a year.

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

California Debt Limit Allocation Committee

(916) 653- 3255

www.treasurer.ca.gov/cdlac

Boards, Authorities and Commissions Chaired by the Treasurer

- 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 Serves as a Member

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



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