

STATE OF COLORADO  
DEPARTMENT OF THE TREASURY

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## Treasury Notes October 2008

Welcome to **Treasury Notes** – a periodic email that I will send to update you about our work at Treasury.

### \$ Economic Update \$

We all have been watching closely as our nation's credit markets have experienced extreme stress in recent months. The collapse of some of our nation's largest and longest-standing financial institutions has caused a crisis of confidence – and liquidity - in the global financial system. It is not yet clear how long these challenges will last or how broadly the impacts will be felt.

The good news is that Colorado's economy is outperforming the rest of the nation. However, poor real estate and credit conditions continue to slow our state's economy.

In September, in anticipation of further slowdown, Governor Ritter enacted a hiring freeze for state employees, delayed the start of many state capital construction projects, and eliminated performance pay awards for state employees in the upcoming year.

	Colorado	US	Colorado's Rank
Job Growth	1.7%	.3%	5 <sup>th</sup>
Personal Income Growth	6.5%	4.8%	9 <sup>th</sup>
New Housing Permits	-44.2%	-40.6%	40 <sup>th</sup>

## Protecting Taxpayer Money

Treasury manages the state's investment pool with an investment policy that stresses, in order of importance, *safety*, *liquidity*, and *return*. Last year we took steps to improve the transparency of the state's investment holdings. Effective July 2007, all of Treasury's investment holdings were posted on our website for public review.

The state's investment pool, which today totals over \$6 billion, is secure. Under long-standing policy, the treasury pool **did not hold collateralized debt obligations (CDOs) tied to sub-prime debt**. We also did not hold investments in any of the five major investment banks including Bear Stearns, Lehman Brothers or Merrill Lynch.

Last December (2007), I took action to discontinue the state's security lending program. At the time, Colorado had more than \$2 billion in treasuries on loan to one financial institution. I was concerned about the concentration risk associated with this program and terminated it – well in advance of the current crisis.

To date, **Treasury has not realized any losses in its investment pool**. We continue to monitor stresses in the markets to ensure that taxpayer money is protected.

## A \$231 Million Boost for Colorado's Economy

On October 23<sup>rd</sup> Governor Ritter and I announced the successful sale of \$231 million in certificates of participation (similar to a bond but subject to annual appropriation by the legislature) to finance the construction of twelve capital construction projects for colleges and universities throughout the state.

Colorado benefited from a significant rally in the bond market. Colorado's COPs were sold at a rate of 5.38%, well below rates that had been available since the dislocation in the credit market began when Lehman Brothers failed. Nearly half of Colorado's COPs were sold to Colorado retail investors.

The program will provide an investment of \$231 million in capital construction projects across the state – from Greeley to Craig to Ft. Morgan to Pueblo - providing an important economic stimulus for local communities throughout Colorado.

### The projects include:

1. University of Northern Colorado: Butler-Hancock Renovation
2. Colorado Northwestern Community College: Academic Building, Craig Campus
3. Colorado State University at Pueblo: Academic Resources Center Remodel
4. Colorado School of Mines: Brown Hall Addition
5. CSU Fort Collins: Clark Building Revitalization

6. Auraria Higher Education Campus: Science Building
7. Western State College: Taylor Hall Renovation and Addition
8. Mesa State College: Wubben Hall Expansion and Renovation
9. University of Colorado at Colorado Springs: Renovation of Science Building
10. Morgan Community College: Nursing, Technology & Science Building
11. Front Range Community College, Larimer Campus: Science Classroom Project
12. Fort Lewis College: Berndt Hall Reconstruction

## The New “STAR” is here

Over the past year we have greatly expanded the amount of financial data that is available on Treasury’s website. View the new material at <http://www.colorado.gov/treasury>, which includes the following:

- The most recent State Taxpayer Accountability Report (STAR) – an annual report for taxpayers.



<http://www.colorado.gov/treasury>

- A complete list of the state’s investment holdings
- A daily balance sheet for the state’s investment pool
- Monthly cash flow statements
- Maps showing the local distribution of highway funds and mineral revenues
- Audit of Treasury’s investment performance (1999-2006)

### Would You Like the Treasurer to Speak to Your Organization?

If you would like the Treasurer to attend or speak at an event, please go to our website at [www.colorado.gov/treasury](http://www.colorado.gov/treasury) or you can call at 303-866-2441.

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