



COUNTY OF ORANGE
OFFICE OF THE TREASURER-TAX COLLECTOR
HALL OF FINANCE & RECORDS
12 CIVIC CENTER PLAZA, ROOM G76
P. O. BOX 4515
SANTA ANA, CA 92701

JOHN M. W. MOORLACH, C.P.A., CFP
TREASURER-TAX COLLECTOR
(714) 834-2288

GARY J. COWAN
ASSISTANT TAX COLLECTOR
(714) 834-3545

RICHARD G. HILDE
ASSISTANT TREASURER
(714) 834-2918

October 10, 2000

TO: *Board of Supervisors
Michael Schumacher, Interim County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants*

FROM: *John M. W. Moorlach, C.P.A., CFP
Treasurer-Tax Collector*

SUBJECT: *Treasurer's Management Report for September 30, 2000*

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended September 30, 2000. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending September 30, 2000. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires

that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

ECONOMIC OBSERVATIONS

The outcome of the U.S. presidential election, concern over higher oil prices and the magnitude of the slowdown in the U.S. economy remain the dominant themes for U.S. financial markets. There seems little doubt that the technology-led surge in U.S. economic growth has been derailed by an old-style negative oil supply shock.

It is interesting to observe, at least for now, that the Federal Open Market Committee (FOMC) is treating the oil crisis as a friend and not a foe, as increased oil costs are cutting into discretionary income and reducing growth in domestic demand. Until higher oil prices spill over into core inflation, the Fed has given strong signals that they are content to remain on hold.

Accordingly, the FOMC did not change interest rates at their October 3 meeting as expected by the financial markets and a majority on our Investment Management Committee. Citing a moderation in demand and faster gains in productivity, the economy continues to keep costs contained and to hold down underlying price pressures.

The FOMC and the financial markets will be closely watching the outcome of the next election. Overall consensus is for some type of stimulus to fiscal policy regardless of the winner. The next FOMC meeting is on November 15.

INTEREST RATE FORECAST

For fiscal year 2000-2001, our projected interest rate will remain at 5.75%. Please call if you have any questions.