



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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March 9, 2001

TO: Board of Supervisors
Michael Schumacher, 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 February 28, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month ended February 28, 2001. 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 February 28, 2001. 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

We have prepared a forecast for the timing of the County Pool's January 2001 interest apportionment. We anticipate posting the January interest apportionment to participants' cash accounts in the County general ledger on April 30. The December 2000 interest apportionment will be posted to participants' cash accounts on March 9.

ECONOMIC OBSERVATIONS

“The exceptional degree of slowing so evident toward the end of last year seemed less evident in January and February,” observed Alan Greenspan, Federal Open Market Committee (FOMC) chairman, in his semi-annual report to Congress. Due to dramatic swings in weather patterns, e.g. milder weather seeing a jump in seasonally adjusted housing starts, diagnosing the underlying trend of recent economic activity has been problematic.

Interpreting February's economic data posed additional problems for the already confused financial markets. The markets began to reassess the extent of further FOMC interest rate reductions as reports of consistent housing data, rebounding retail sales and strong productivity continued.

However, the mood shifted completely before Chairman Greenspan's follow-up appearance to the House Financial Services Committee two weeks later. Consumer confidence hit another low, jobless claims started climbing, and the persistent housing sector began to wane. Cries for an inter-meeting rate change were being heard as financial markets priced in a 100 basis points decline by the end of June.

Much to the financial markets disappointment, Chairman Greenspan did not give any indication that the FOMC would take action before the next meeting on March 20. The financial markets and our Investment Management Committee are expecting a 50 basis point interest rate reduction at that time.

We have extended the average maturity of our portfolios anticipating this rate easing environment to continue.

EDISON INTERNATIONAL

Concerning our remaining \$20 million investment in Edison International, discussed in our January report, the following events have occurred since that time:

- Feb 16 – California leaders agree on plan to pay down utilities' debts
- Feb 20 – Interest received on Medium Term Note (MTN) as scheduled
- Feb 20 – Edison International's banks give forbearance on credit lines
- Feb 23 – Edison International reaches conceptual agreement to sell transmission lines for \$2.76 billion to the State.

Please call if you have any questions.