COUNTY OF ORANGE



OFFICE OF THE TREASURER-TAX COLLECTOR

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May 10, 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 April 30, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month ended April 30, 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 April 30, 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.

ECONOMIC OBSERVATIONS

"If there were ever a surprise, this is it," exclaimed a Wall Street economist on the most recent Federal Open Market Committee's (FOMC) shocking action to reduce interest rates by an additional 50 basis points. The April 18 inter-meeting rate cut caught everyone off guard, including the majority of our Investment Management Committee that wasn't anticipating a 50 basis point easing until the next FOMC meeting on May 15.

After declining markedly since the FOMC's last meeting on March 20, financial markets rallied approvingly in response to the latest action. The economy, however, has had little time to assess the impact of a fast and furious 200 basis point decrease in interest rates only 3 ½ months (Exhibit 1).

Declining corporate profits, slower growth abroad, and the loss of equity wealth were sited by the FOMC as a threat to unacceptably weak economic growth. Not specifically discussed, but undoubtedly a major concern, is the 5½-year low in consumer sentiment (Exhibit 2) and the deteriorating job market.

Heavy layoff announcements have led to the highest average level of jobless claims in 9 years (Exhibit 3). Ultimately, sluggish job growth coupled with rising gas prices and the West Coast energy crisis will force households to pull in their horns even more. The FOMC is working to avert this scenario.

Additional FOMC action at the upcoming May 15 meeting was recently validated by an extremely weak April payroll report. The Investment Management Committee agrees but is currently undecided on the size of this next rate cut.

EDISON INTERNATIONAL

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

- April 18 Interest received on Medium Term Note (MTN) as scheduled
- May 9 California State Senate approves \$13.4 billion power bond authorization bill.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's February and March 2001 interest apportionments. We anticipate posting the February and March interest apportionments to participants' cash accounts in the County general ledger by approximately May 18 and June 13, respectively.

Please call if you have any questions.

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FED FUNDS TARGET RATE

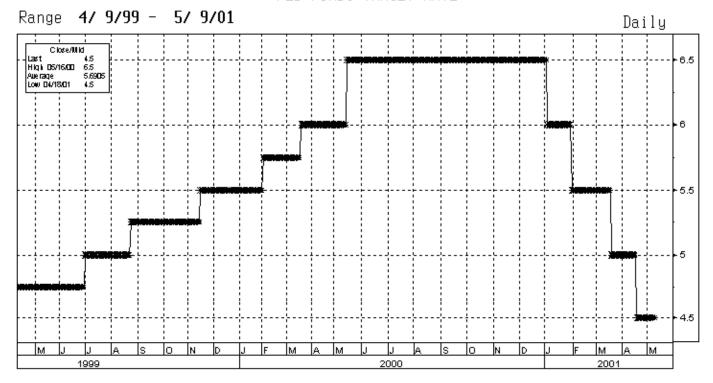


EXHIBIT: 1CONSUMER ATTITUDES SENTIMENT

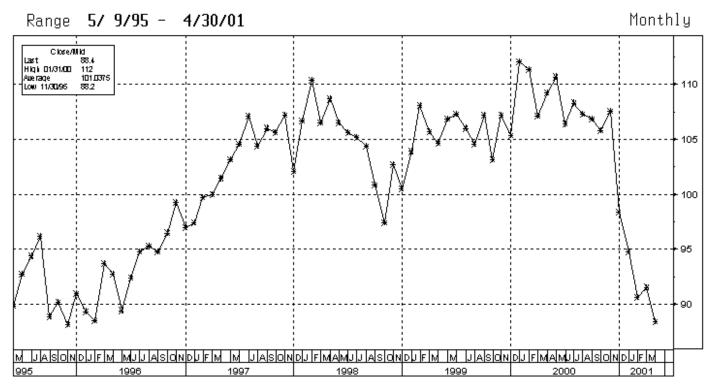


EXHIBIT: 2

INITIAL JOBLESS CLAIMS



EXHIBIT: 3