



County of Orange
California

Robert J. Franz
Chief Financial Officer

October 15, 2010

TO: Board of Supervisors
Thomas G. Mauk, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: Robert Franz
Chief Financial Officer

SUBJECT: Treasurer's Management Report for Month ended September 30, 2010

Attached please find the Treasurer's Management Report for the County of Orange for the month ended September 30, 2010. 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. In addition, a complete version of this report is also available for download at our website www.ttc.ocgov.com.

CHIEF FINANCIAL OFFICER'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, 2010. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. 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 cost and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. 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 Investment Pool's June 2010 and July 2010 interest apportionments. We anticipate posting the June 2010 and July 2010 interest apportionments to participants' cash accounts in the County general ledger by approximately October 4 and October 18, 2010 respectively.

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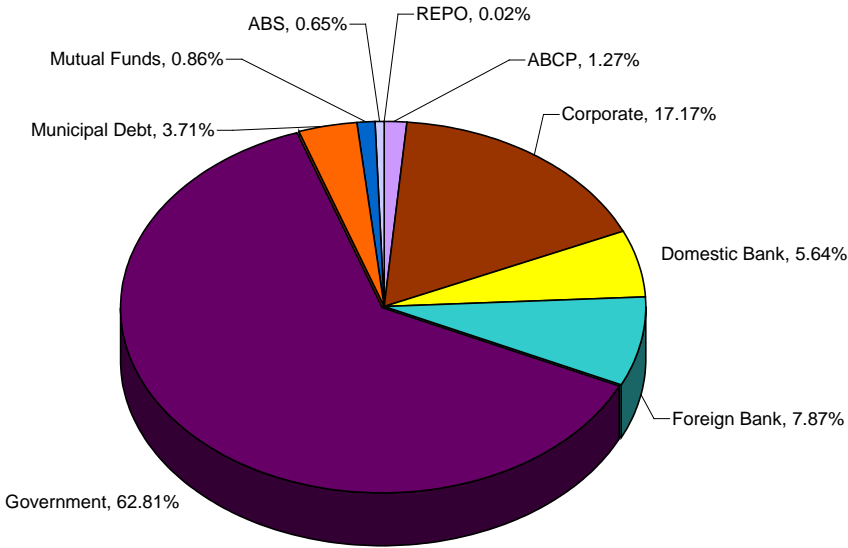
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PORTFOLIO COMPOSITION:

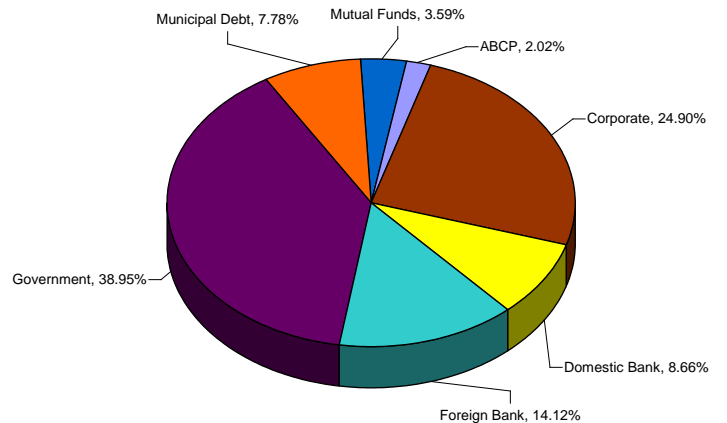
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Funds (Exhibit 1)

EXHIBIT 1: Investment Pool Composition

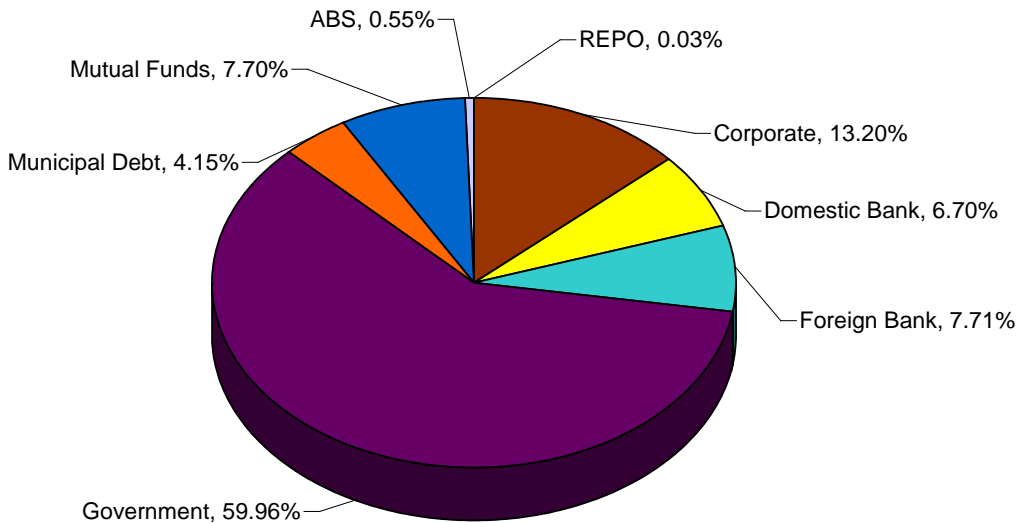
County



John Wayne Airport



Schools



MARKET OBSERVATIONS

Market participants seem to be waiting for three events to take place prior to the economy rebounding: a decrease in the unemployment level, increased lending from banks and an acceleration in home building. Neither of the first two lend themselves to easy analysis, however we can draw some conclusions about the pace of home building.

Current housing starts are averaging around 600k units per year. The Census Bureau estimates new household formation is running at 1.1 million each year and Congressional Budget Office analysis put the replacement level at 300k per year (due to destruction or dilapidation of existing homes). So, current housing starts less replacement level gives us a net housing starts number of 300k. Subtract this number from the household formation number and we are left with demand for about 800k homes per year. The Census Bureau also provides us with a figure of 14.3 million vacant units. Based on this back of the napkin analysis it will take until the middle of 2012 just to work through this excess.

What is our take away? Housing won't be a drag on growth, but it won't be adding much any time soon. This should continue to constrain any kind of a prolonged or meaningful backup in rates.

Our forecast for the remainder of 2010 has not changed... Continued sluggish growth in the economy. Unemployment will remain elevated at current levels and diminishing government intervention in the economy should keep a lid on inflation. Because of this we anticipate longer term rates to remain within a range of +/- .50% of current levels. Although our opinion is short term rates will remain low, we believe there will continue to be upward pressure on rates and are leery of locking in longer maturities.

Based on the above observations, our office will continue to take advantage of moves in the marketplace to selectively extend our duration, while investing in securities that will protect us from higher short-term interest rates.

Interest Rate Forecast

For the fiscal year 2010-2011, we are estimating an average interest yield of 1.20%.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future.

ORANGE COUNTY TREASURER-TAX COLLECTOR

EXECUTIVE SUMMARY

October 1, 2009 - September 30, 2010

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET	EARNINGS FOR MONTH	AVERAGE YIELD FOR	MONTH END WAM
<i>Current Month - September 2010</i>				
County Pool - Money Market Fund	\$ 1,271,251,788	\$ 299,296	0.27%	57
Educational Pool - Money Market Fund	\$ 1,392,597,482	\$ 388,992	0.33%	60
Extended Fund	\$ 3,072,503,395	\$ 4,110,010	1.61%	795
OC Extended Fund B	\$ 34,698,134	\$ -	N/A	248
<i>August 2010</i>				
County Pool - Money Market Fund	\$ 1,416,333,828	\$ 505,251	0.44%	54
Educational Pool - Money Market Fund	\$ 1,432,155,046	\$ 475,517	0.41%	53
Extended Fund	\$ 3,065,956,379	\$ 3,341,027	1.27%	710
OC Extended Fund B	\$ 34,698,134	\$ -	N/A	278
<i>July 2010</i>				
County Pool - Money Market Fund	\$ 1,315,009,875	\$ 552,598	0.42%	54
Educational Pool - Money Market Fund	\$ 1,392,481,613	\$ 459,872	0.42%	52
Extended Fund	\$ 3,060,507,013	\$ 3,191,055	1.23%	511
OC Extended Fund B	\$ 33,248,593	\$ -	N/A	309
<i>June 2010</i>				
County Pool - Money Market Fund	\$ 1,706,187,007	\$ 497,327	0.34%	58
Educational Pool - Money Market Fund	\$ 1,349,698,395	\$ 450,241	0.39%	55
Extended Fund	\$ 2,799,555,894	\$ 3,590,484	1.55%	557
OC Extended Fund B	\$ 33,560,112	\$ -	N/A	340
<i>May 2010</i>				
County Pool - Money Market Fund	\$ 2,041,335,609	\$ 593,058	0.32%	55
Educational Pool - Money Market Fund	\$ 1,593,064,172	\$ 511,916	0.35%	57
Extended Fund	\$ 2,759,762,530	\$ 6,645,732	2.85%	584
OC Extended Fund B	\$ 34,559,137	\$ -	N/A	5
<i>April 2010</i>				
County Pool - Money Market Fund	\$ 2,259,602,732	\$ 592,006	0.24%	57
Educational Pool - Money Market Fund	\$ 1,835,314,711	\$ 348,913	0.31%	57
Extended Fund	\$ 2,734,552,743	\$ 4,265,867	1.88%	622
OC Extended Fund B	\$ 35,324,110	\$ -	N/A	36
<i>March 2010</i>				
County Pool - Money Market Fund	\$ 2,181,831,316	\$ 541,843	0.31%	53
Educational Pool - Money Market Fund	\$ 1,378,158,717	\$ 401,715	0.33%	58
Extended Fund	\$ 2,728,999,199	\$ 3,579,192	1.55%	631
OC Extended Fund B	\$ 36,096,323	\$ -	N/A	66
<i>February 2010</i>				
County Pool - Money Market Fund	\$ 2,091,943,820	\$ 421,985	0.26%	57
Educational Pool - Money Market Fund	\$ 1,443,531,370	\$ 365,965	0.31%	51
Extended Fund	\$ 2,618,244,956	\$ 3,680,403	1.82%	511
OC Extended Fund B	\$ 36,578,163	\$ -	N/A	97
<i>January 2010</i>				
County Pool - Money Market Fund	\$ 2,108,614,594	\$ 508,703	0.27%	55
Educational Pool - Money Market Fund	\$ 1,759,715,627	\$ 369,528	0.26%	57
Extended Fund	\$ 2,599,819,873	\$ 3,353,439	1.49%	489
OC Extended Fund B	\$ 37,098,503	\$ -	N/A	125
<i>December 2009</i>				
County Pool - Money Market Fund	\$ 2,463,159,678	\$ 615,490	0.24%	57
Educational Pool - Money Market Fund	\$ 2,071,614,454	\$ 380,114	0.37%	43
Extended Fund	\$ 2,592,000,368	\$ 3,029,087	1.35%	408
OC Extended Fund B	\$ 37,405,659	\$ -	N/A	156
<i>November 2009</i>				
County Pool - Money Market Fund	\$ 2,213,498,431	\$ 507,764	0.29%	52
Educational Pool - Money Market Fund	\$ 1,157,124,969	\$ 375,995	0.41%	60
Extended Fund	\$ 2,595,489,296	\$ 6,021,428	2.78%	340
OC Extended Fund B	\$ 37,545,360	\$ -	N/A	187
<i>October 2009</i>				
County Pool - Money Market Fund	\$ 2,129,243,138	\$ 560,511	0.33%	53
Educational Pool - Money Market Fund	\$ 1,322,589,455	\$ 407,887	0.44%	59
Extended Fund	\$ 2,566,724,258	\$ 3,600,287	1.62%	498
OC Extended Fund B	\$ 38,277,435	\$ -	N/A	217
October 1, 2009 - September 30, 2010				
	Annual Average	Total for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$ 1,933,167,651	\$ 6,195,833	0.31%	55
Educational Pool - Money Market Fund	\$ 1,510,670,501	\$ 4,936,654	0.36%	55
Extended Fund	\$ 2,801,933,797	\$ 48,408,012	1.75%	555