



## OFFICE OF THE TREASURER-TAX COLLECTOR

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March 10, 2005

TO: Board of Supervisors  
Thomas G. Mauk, 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, 2005

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended February 28, 2005. 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 <http://tax.ocgov.com/treas/>

### 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. 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). 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.

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## **APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS**

We have prepared a forecast for the timing of the County Pool's January and February 2005 interest apportionments. We anticipate posting the January and February 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately March 15 and April 12, 2005 respectively.

## **CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST**

In the month of January, there were three changes to the Treasurer's approved eligibility list:

- 1) **Chariot Funding LLC was added**
- 2) **Calyon North America, Inc., New York was added**
- 3) **New York Times Company was deleted**

## **STAFFING UPDATE**

Our Financial Analyst, Julia Xue, has resigned from the Treasurer's office, effective March 11. Julia, a resident of the City of Claremont, was able to find a new position in the private sector that was only a few minutes from her home and provided a more attractive salary. In her three-and-one-half years with the department she instituted all of our financial analysis policies and procedures. John Byerly, our Assistant Financial Analyst, will cover both positions during the recruitment period.

## **ECONOMIC OBSERVATIONS**

Anticipation of February's payroll report held the financial markets in its grip until the March 4 release date, as market participants kept clamoring for a more definitive sign of the economy's direction.

The payroll report confirmed stronger hiring, with 262,000 new jobs created in February. Underlying data included negligible income gains, a flat workweek, and an increase in the unemployment rate (due to a decline of participants in the employment market). Overall, the payroll report was strong enough to allay any concern over the economy's performance, and yet not strong enough to warrant any aggressive action from the Federal Open Market Committee (FOMC) beyond the measured 25 basis point tightenings.

The business sector's caution in capital spending and reluctance to build up inventories along with manufacturing's excess capacity, led to a slower than usual expansion. The economic data so far in 2005 suggest that the business sector will continue to grow.

Treasurer's Monthly Management Report

March 10, 2005

Page 3

Momentum in capital goods spending has extended into the New Year and a nonresidential construction upturn is taking hold.

The message for policy makers from this report is that the stronger labor markets have not yet touched off wage pressures that might leak into inflation. Businesses are still offsetting higher raw material and energy costs by keeping a lid on income gains. The increase in available workers will maintain competition for jobs and the slack in the labor market should also continue to keep inflation under control.

The Treasurer's Investment Committee and the financial markets are expecting the usual 25 basis point increase at the next FOMC meeting on March 22.

Please call if you have any questions.