



## OFFICE OF THE TREASURER-TAX COLLECTOR

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November 9, 2005

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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 October 31, 2005

Attached please find the Treasurer's Management Report for the County of Orange for the month ended October 31, 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 [www.ocgov.com/treas/](http://www.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 October 31. 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.

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

We have prepared a forecast for the timing of the County Pool's September and October 2005 interest apportionments. We anticipate posting the September and October 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately November 22 and December 19, 2005 respectively.

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

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

- 1) **Sun Trust Bank** was added
- 2) **Syndicated Loan Funding Trust** was removed
- 3) **Triple-A One Funding** was removed

Please see the attached report detailing the reasons the above action was taken by the Treasurer.

## **STAFFING UPDATE**

Assistant Treasurer-Tax Collector Gary Cowan will be retiring in the month of March. This will be a great loss to both the County of Orange and the California Association of County Treasurers and Tax Collectors, organizations with which Mr. Cowan is regarded in high esteem. Vickie Pazanti, the department's Human Resources Manager, will also be retiring in the spring. Both will have 33 years of service with the County when they retire and will be sorely missed.

Judy Jacobson, our Investment Officer, has been on medical leave for several weeks and is expected to return at the end of November.

John Byerly has been promoted from Assistant Financial Analyst to the position of Financial Analyst. A decision on when to start the recruitment for the Assistant Financial Analyst position will be made soon.

## **SPECIAL REPORT ON GOVERNMENT INVESTMENT POOLS**

In September iMoneyNet issued a Special Report, titled "Government Investment Pools: 2005 Update of Investment Strategies, Facts, Figures and Trends," by Michael Krasner, that provides some interesting data from which to gauge how our investment pools are doing. Some 129 pools were cited in the study, including our two money market funds and the extended fund, representing some \$180 billion under management. Only two

states, California and Washington, have county pools, which is why we were included in this report.

How are we doing? For our **expense ratio**, we fared quite well at 11.25 basis points (12.5 basis points at the date of the study). "The most recent average unweighted Government Investment Pool (GIP) total effective fee was 23.14 basis points. Money Market Fund (MMF) Plus pools (like our Extended Fund) averaged 13.77 basis points in total effective fees while most MMFs rang up 25.74 basis points in average expenses."

In the area of **ratings**, "about 59 percent of all pools cited have public ratings from one of the three major rating agencies." Only San Bernardino County used all three. Pennsylvania, Orange County and Riverside County are rated by two agencies.

The County's Money Market Investment Pools placed in the top 25 largest pools, ranked by **net assets** as of December 31, 2004. The County Pool was number 22 and the Educational Pool was number 24. However, if we would have combined the net assets of all three funds, we would have placed seventh in the study, behind Florida, California, New Jersey, Texas, Utah and Georgia, and just ahead of Oregon and San Diego County.

We're a significant Government Investment Pool that stands above the crowd in its ratings and expense ratio, which is nice to report.

## **ECONOMIC OBSERVATIONS**

Our Treasurer's Investment Committee spends countless hours researching and anticipating what the Federal Reserve Board (Fed), through its Federal Open Market Committee (FOMC) will do with overnight interest rates. No wonder than that the most interesting news during October was President Bush's nomination of Ben Bernanke to follow Alan Greenspan in the position of Fed Chairman. Bernanke's nomination should go a long way to placate the investment community that the Fed will strive to maintain its hard won inflation fighting credentials.

The theme of slow but steady economic growth continued and the FOMC continued on its "measured" path to neutrality by raising the Fed Funds rate to 4% on November 1<sup>st</sup>. This is the twelfth consecutive 25 basis point increase since June 30, 2004.

The Commerce Department's first estimate of Gross Domestic Product (GDP) came in at 3.8%. This is further evidence that the economy continued to expand at a moderate pace prior to the devastation wrought by the recent multiple hurricanes. The price of crude oil has also stabilized around \$60 dollars a barrel, which is down from a high \$70 at the end of August.

A potential dark spot in the economy is the lack of confidence being reported by the consumer. For the second month in a row, consumers believe that current conditions

have slipped and their future expectations have also dropped significantly. However, this has not slowed their willingness to purchase durable goods and enter into home purchases.

As mentioned last month it is too early to draw any definitive conclusions. We continue to anticipate interest rate increases by the FOMC and will watch economic developments closely.

### **Interest Rate Forecast**

At this time, the Treasurer's Investment Committee is estimating an interest yield of 3.75 percent for the portfolio during fiscal year 2005-2006.

Please call with any questions.

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
EXECUTIVE SUMMARY  
NOVEMBER 1, 2004 - OCTOBER 31, 2005**

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	YIELD FOR MONTH	MONTH END WAM
<i>Current Month - October 2005</i>				
County Pool - Money Market Fund	\$ 1,587,619,387	\$ 4,691,500	3.77%	54
Educational Pool - Money Market Fund	\$ 1,834,752,304	\$ 6,158,578	3.79%	63
Extended Fund	\$ 1,658,630,151	\$ 4,722,715	3.32%	297
<i>September 2005</i>				
County Pool - Money Market Fund	\$ 1,511,927,846	\$ 4,679,952	3.63%	52
Educational Pool - Money Market Fund	\$ 1,967,481,625	\$ 5,920,243	3.61%	61
Extended Fund	\$ 1,585,513,188	\$ 3,944,771	3.11%	304
<i>August 2005</i>				
County Pool - Money Market Fund	\$ 1,578,219,688	\$ 4,715,019	3.50%	55
Educational Pool - Money Market Fund	\$ 2,070,796,012	\$ 5,904,293	3.46%	54
Extended Fund	\$ 1,520,846,244	\$ 3,938,232	3.05%	283
<i>July 2005</i>				
County Pool - Money Market Fund	\$ 1,704,788,689	\$ 5,134,069	3.30%	55
Educational Pool - Money Market Fund	\$ 2,097,386,634	\$ 5,856,164	3.28%	53
Extended Fund	\$ 1,508,289,288	\$ 3,904,570	3.03%	301
<i>June 2005</i>				
County Pool - Money Market Fund	\$ 1,965,578,445	\$ 4,990,924	3.14%	50
Educational Pool - Money Market Fund	\$ 2,023,992,462	\$ 5,583,846	3.12%	45
Extended Fund	\$ 1,511,124,166	\$ 3,878,491	3.19%	331
<i>May 2005</i>				
County Pool - Money Market Fund	\$ 2,037,630,751	\$ 5,810,214	3.03%	50
Educational Pool - Money Market Fund	\$ 2,265,226,445	\$ 5,796,023	3.02%	45
Extended Fund	\$ 1,461,308,895	\$ 3,678,833	2.93%	334
<i>April 2005</i>				
County Pool - Money Market Fund	\$ 2,525,745,315	\$ 6,147,555	2.75%	46
Educational Pool - Money Market Fund	\$ 2,257,464,691	\$ 4,846,316	2.86%	54
Extended Fund	\$ 1,473,151,187	\$ 3,347,206	2.88%	352
<i>March 2005</i>				
County Pool - Money Market Fund	\$ 2,180,872,669	\$ 4,697,490	2.54%	44
Educational Pool - Money Market Fund	\$ 1,926,986,398	\$ 4,667,362	2.69%	58
Extended Fund	\$ 1,458,405,678	\$ 2,736,449	2.50%	361
<i>February 2005</i>				
County Pool - Money Market Fund	\$ 2,196,425,147	\$ 4,007,233	2.42%	51
Educational Pool - Money Market Fund	\$ 2,066,308,967	\$ 4,000,571	2.51%	49
Extended Fund	\$ 1,202,129,910	\$ 2,388,483	2.57%	327
<i>January 2005</i>				
County Pool - Money Market Fund	\$ 2,075,448,860	\$ 4,185,020	2.23%	40
Educational Pool - Money Market Fund	\$ 2,115,951,386	\$ 4,171,061	2.38%	47
Extended Fund	\$ 1,204,140,670	\$ 2,494,236	2.36%	346
<i>December 2004</i>				
County Pool - Money Market Fund	\$ 2,343,955,532	\$ 4,687,719	2.16%	45
Educational Pool - Money Market Fund	\$ 2,255,014,780	\$ 3,557,833	2.18%	42
Extended Fund	\$ 1,202,982,249	\$ 2,258,249	2.28%	360
<i>November 2004</i>				
County Pool - Money Market Fund	\$ 2,123,655,398	\$ 3,408,306	1.95%	56
Educational Pool - Money Market Fund	\$ 1,712,428,294	\$ 2,780,374	1.94%	46
Extended Fund	\$ 1,139,862,075	\$ 2,001,364	2.19%	383
<b>CUMULATIVE BALANCES - 12 MONTHS</b>				
	<b>AVERAGE BALANCES</b>	<b>TOTAL EARNINGS</b>	<b>AVERAGE YIELD</b>	<b>AVERAGE WAM</b>
<i>November 1, 2004 - October 31, 2005</i>				
County Pool - Money Market Fund	\$ 1,985,988,977	\$ 57,155,001	2.87%	50
Educational Pool - Money Market Fund	\$ 2,049,482,500	\$ 59,242,663	2.90%	51
Extended Fund	\$ 1,410,531,975	\$ 39,293,599	2.78%	332





















































































































































































































