#### COUNTY OF ORANGE



# OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS 12 CIVIC CENTER PLAZA, ROOM G76 P. O. BOX 4515 SANTA ANA, CA 92701 JOHN M. W. MOORLACH, C.P.A., CFP TREASURER-TAX COLLECTOR (714) 834-2288

GARY J. COWAN ASSISTANT TAX COLLECTOR (714) 834-3545

RICHARD G. HILDE ASSISTANT TREASURER (714) 834-2918

FAX (714) 834-2912

December 9, 2000

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 November 30, 2000

Attached please find the Treasurer's Management Report for the County of Orange for the month ended November 30, 2000. 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 November 30, 2000. 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 September and October 2000 interest apportionments. We anticipate posting September and October interest apportionments to participants' cash accounts in the County general ledger on December 29 and January 22 respectively.

### **ECONOMIC OBSERVATIONS**

"The party's over," explained J. P. Morgan's Chief Economist, Bruce Kasman, in a recent presentation made to the Treasurer's investment staff. Mr. Kasman points out that the slowdown in growth has been magnified by tight credit markets along with persistently high oil prices.

Weakness in the following three areas were identified as possible leading indicators of an economic crash landing:

- First, increases in initial jobless claims. The 4-week average has climbed, from a recent recordsetting number of weeks at below 300, to a high of 343. (Exhibit 1)
- Second, durable goods purchases including housing and vehicle sales are disappointing. (Exhibit 2)
- Third, a weak manufacturing sector. Industrial production, factory orders and the purchasing manager's index are all reporting some constraint. (Exhibit 3)

Alan Greenspan, Chairman of the Federal Open Market Committee (FOMC), reiterated these sentiments in a recent speech. Noting that the "pace of expansion of economic activity has moderated appreciably," Mr. Greenspan cautioned that weakening asset values could "precipitate excessive softening in household and business spending."

However, Mr. Kasman, Mr. Greenspan and the Investment Management Committee believe that the financial markets are overly pessimistic and too aggressive in its pricing of future FOMC easings. While a change in bias to "neutral" could take place at the December 19 meeting, we do not anticipate a decrease in interest rates until early next year.

## INTEREST RATE FORECAST

For fiscal year 2000-2001, our projected interest rate will remain at 5.75%. Please call if you have any questions.

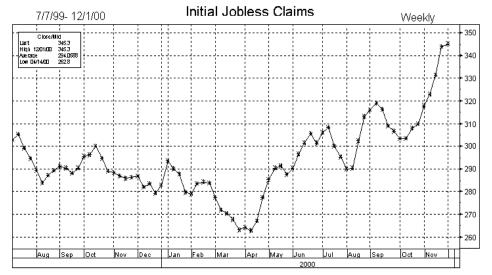


Exhibit 1

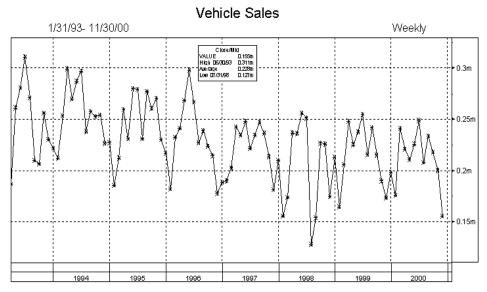


Exhibit- 2



Exhibit- 3