



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) 834-7625

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

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

**BRETT R. BARBRE**  
PUBLIC INFORMATION OFFICER  
(714) 834-6143

FAX (714) 834-2912

April 10, 2002

**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 March 31, 2002

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended March 31, 2002. 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://www.oc.ca.gov/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 March 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). 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 January and February 2002 interest apportionments. We anticipate posting the January and February interest apportionments to participants' cash accounts in the County general ledger by approximately April 19 and May 20, respectively.

## ECONOMIC OBSERVATIONS

At its March 19 meeting, the Federal Open Market Committee (FOMC) declined to raise rates. However, after a historic cascade of rate easings, the FOMC shifted its views on the economy from favoring weakness (possibility of continued rate declines) to equally weighted risks between weakness and growth (a hold pattern until the economy's vitality is definitive). The main driver of this change was the release of several upbeat indicators. The economy's successful recovery continues to unfold faster than the FOMC expected. The FOMC cautioned, "The degree of the strengthening in final demand over coming quarters, an essential element in sustained economic expansion, is still uncertain."

The primary factor underlying the current strength of the economy is a dramatic upswing in inventories. After 20 months of unprecedented reductions, businesses are starting to replenish their depleted inventories. Significant evidence of this turnaround can be seen in recent increases in productivity and factory orders. Helping to support this trend is consumer confidence, at a one-year high, and continued monthly increases in personal income and spending.

The thriving housing sector still amazes economists and financial markets. Housing starts, existing home sales and new home sales all remain at or near record levels (Exhibits 1-3). Accordingly, demand for home furnishings, major appliances and other household products and services should continue.

Many believe the FOMC will maintain its "wait and see" approach and not raise interest rates until the dynamics of a potential sustained expansion are more firmly in place. The financial markets and the Treasurer's Investment Management Committee are currently mixed on when the FOMC will make its first move to tighten. Their decision should manifest within the next two to three months.

## INTEREST RATE FORECAST

The Treasurer's Investment Management Committee is looking for interest rates to rise moderately in the near future. The following yield projection should take us through the end of the current fiscal year:

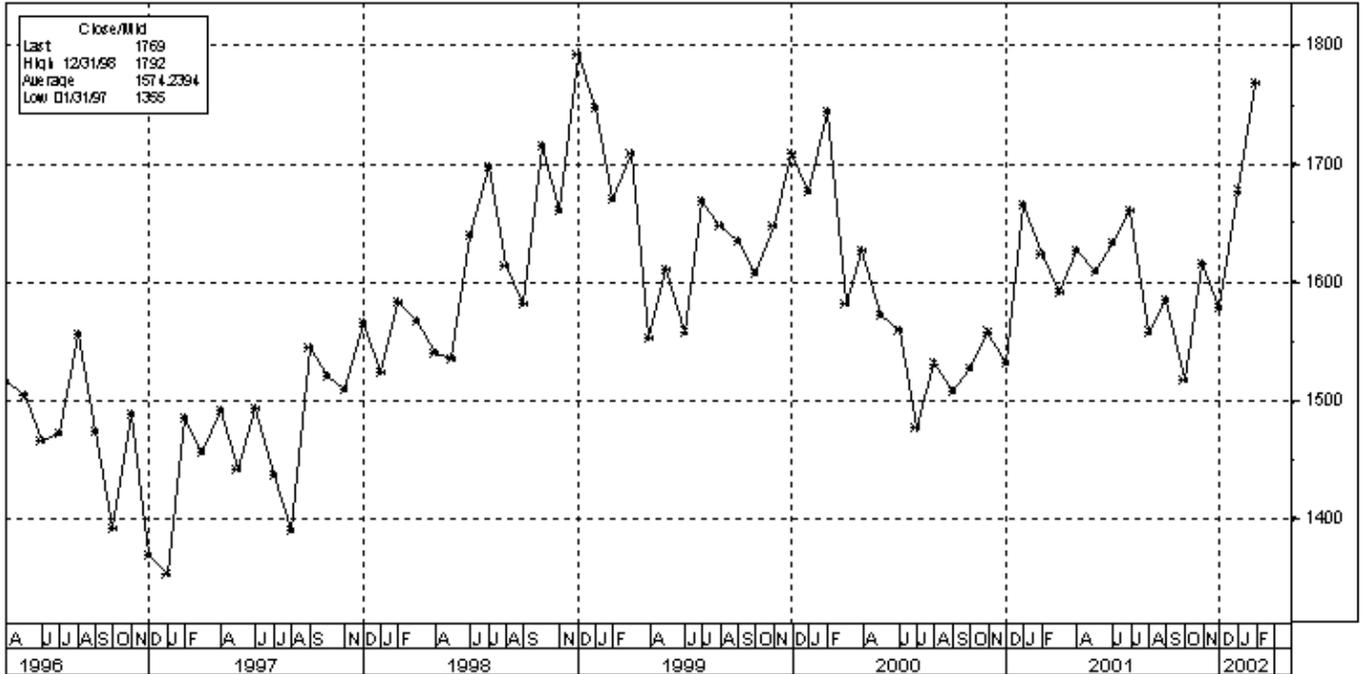
County:	2.75%
Schools:	2.75%

Please call if you have any questions.

**HOUSING STARTS**

4/ 5/96 - 2/28/02

Monthly

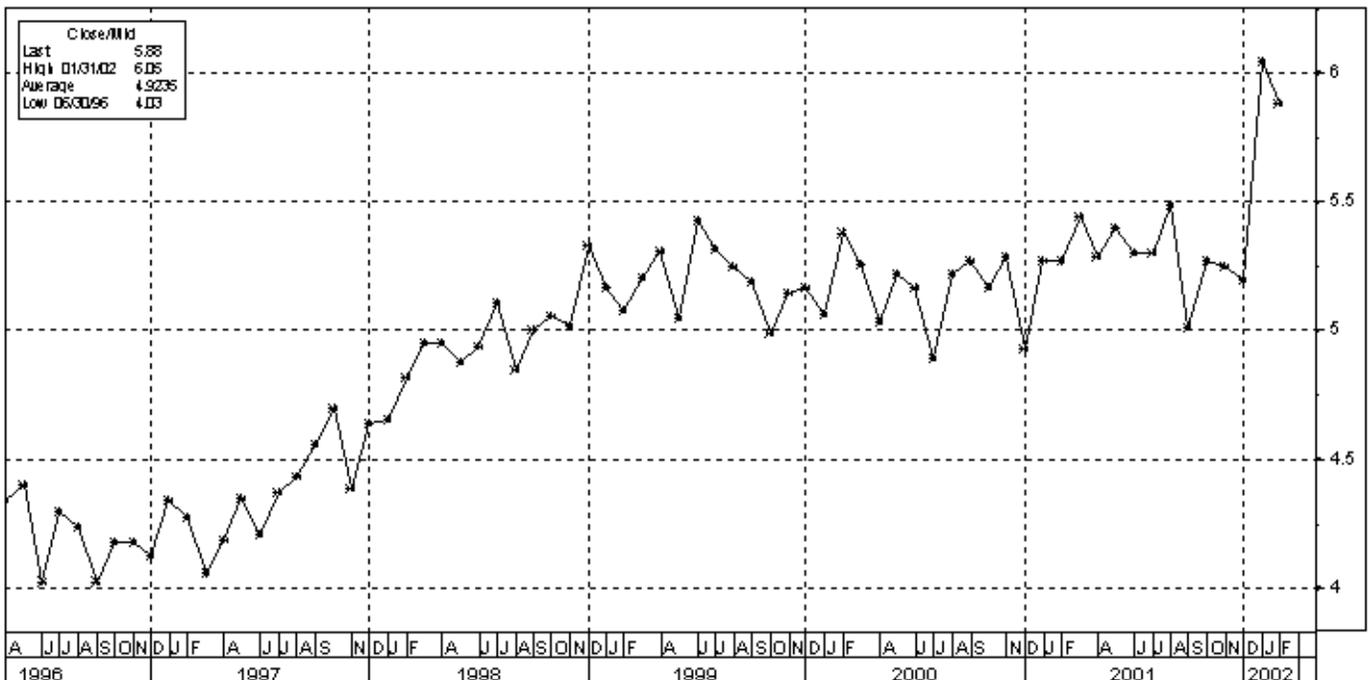


**EXHIBIT: 1**

**EXISTING HOME SALES**

4/ 5/96 - 2/28/02

Monthly



**EXHIBIT: 2**

NEW HOME SALES

4/ 5/96 - 2/28/02

Monthly

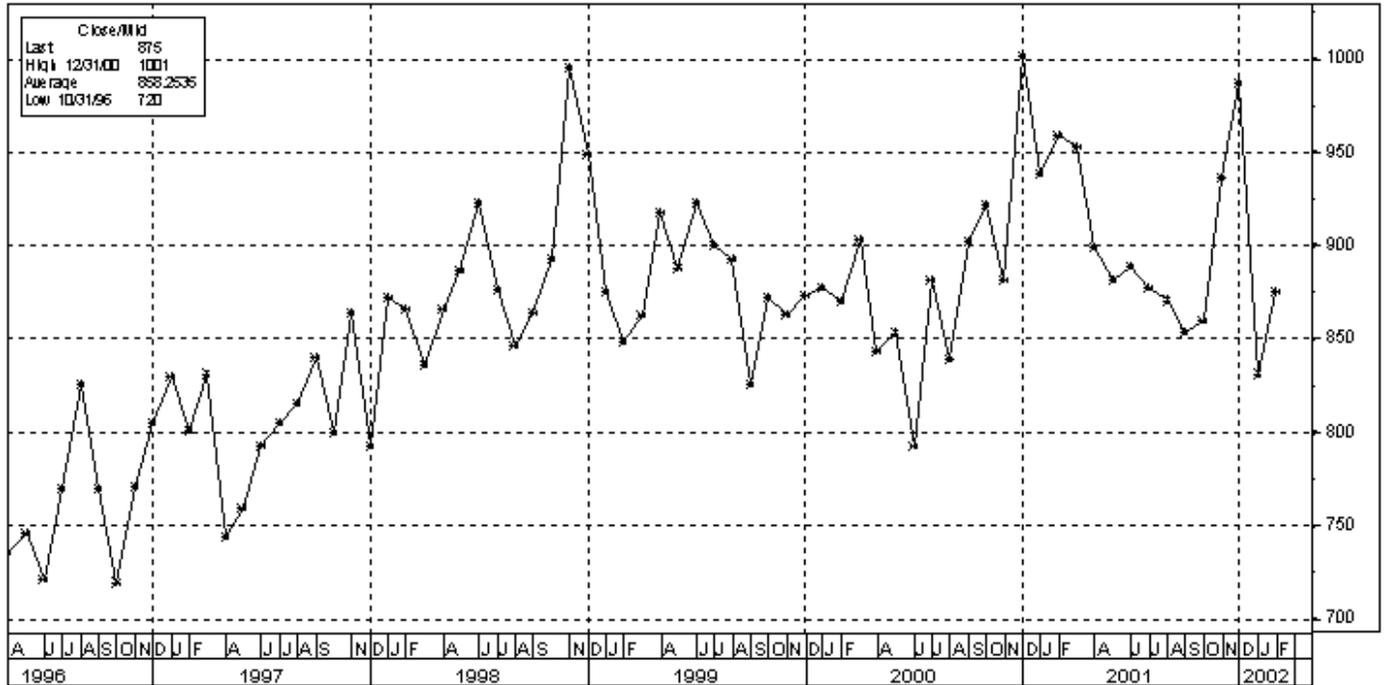


EXHIBIT: 3