OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS 12 CIVIC CENTER PLAZA, SUITE G76 Post Office Box 4515 SANTA ANA, CA 92701 www.ttc.ocgov.com

JOHN M.W. MOORLACH, C.P.A., CFP® TREASURER-TAX COLLECTOR

CHRISS W. STREET TREASURER-TAX COLLECTOR-ELECT

PAUL C. GORMAN, C.P.A., CTP DEPUTY TREASURER

WALTER DANIELS DEPUTY TAX COLLECTOR

ROBIN RUSSELL DEPUTY TREASURER-TAX COLLECTOR ADMINISTRATION

CLARISSA ADRIANO-CERES DEPUTY TREASURER-TAX COLLECTOR INFORMATION TECHNOLOGY

BRETT R. BARBRE DEPUTY TREASURER-TAX COLLECTOR PUBLIC INFORMATION OFFICER

November 10, 2006

TO: **Board of Supervisors**

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

John M. W. Moorlach, C.P.A., CFP® FROM:

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for October 31, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month ended October 31, 2006. 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/.

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 Investment Pool's September and October 2006 interest apportionments. We anticipate posting the September and October 2006 interest apportionments to participants' cash accounts in the County general ledger by approximately November 20 and December 26, 2006, respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of October, there was one change to the Treasurer's approved eligibility list:

The following was removed from the CP/ MTN Eligibility list:

1) Gannett Co.

ECONOMIC OBSERVATIONS

October was a month of little change. The Federal Open Market Committee (FOMC) held rates steady and the market continued to forecast slower economic growth and lower inflation going into next year.

The most significant change has been in the employment sector. Unemployment fell to a five-year low of 4.4 percent in the month of October as growth in the service sector accelerated. In addition, the Labor Department reported employers added 92,000 workers in October, and revised their August and September numbers up sharply. This had the combined effect of adding over 800,000 new workers over the past year.

Needless to say this has caused the market to adjust its forward expectations about the economy. Currently, the market is expecting the FOMC to cut rates, but the time table for this has been pushed back to the end of the first quarter of 2007.

The FOMC continues to believe economic growth will slow and inflation pressures will moderate over the coming months.

INTEREST RATE FORECAST

At this time, the Treasurer's Investment committee is estimating an interest yield of 5.00 percent for the portfolio during fiscal year 2006-2007.

TREASURER'S FAREWELL

This will be my last monthly Treasurer's Report as your Orange County Treasurer-Tax Collector. The November report is due no later than December 8th and I will have been sworn in as the next Orange County Supervisor for the Second District on December 5th.

Treasurer's Monthly Management Report November 10, 2006 Page 3

I have served in the capacity of Treasurer-Tax Collector for nearly twelve years. It has been a very consuming job that has been most rewarding and satisfying. It has been an incredible honor and privilege to be the elected steward of the County's cash resources. This job has been wonderful. And, it is most difficult to leave.

I wish to thank all of my staff, both current and present, for all of their hard work, dedication and loyalty to this department. They have made me successful and I am eternally grateful. I also wish to thank all those who served on our oversight committees during my years of service.

We were presented with a very difficult job of restoring this department, following the County's filing for bankruptcy due to my predecessor's poor judgment. Robert Citron's borrowing-to-invest strategy put Orange County in bankruptcy protection and kept us in national headlines for months. We are still referred to in financial circles as an example of how not to invest public funds.

Twelve years later we have one of the best performing investment pools in the nation. All this while following the "safety, liquidity, then yield" mantra. We have an investment policy statement that was certified by the Municipal Treasurer's Association of the United States and Canada. We have the highest ratings from two of the three major rating agencies. We have two oversight committees. We have three annual audits (countywide, SB 866, and quarterly statement of cash). We issue monthly reports. We are fully disclosed on our website. I could go on and on. And we have one of the best tax collection percentages in the state, too!

I also recognize that there is still more to be accomplished. Accordingly, I am pleased that the voters elected Chriss Street as my successor. He brings an outstanding private sector background to the position and has been on staff as the Assistant Treasurer-Tax Collector since the end of January. We have enjoyed a very smooth transition for an elected position and I wish Chriss the best as he continues our efforts to make Orange County's Treasurer-Tax Collector Department the best in the nation. This is a lofty goal, perhaps. But it is a worthy and achievable one and any effort to be the best of the best is commendable. And I believe we are very close.

Thank you, God bless you, and God bless the County of Orange.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

November 1, 2005 - October 31, 2006

PERIOD ENDING - MONTH / YEAR	N	MONTH END	EA	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - October 2006						
County Pool - Money Market Fund	\$	1,792,188,272	\$	7,569,048	5.39%	57
Educational Pool - Money Market Fund	\$	1,923,791,277	\$	9,185,841	5.35%	60
Extended Fund	\$	1,944,745,354	\$	7,841,267	4.80%	483
September 2006	Ψ	1,344,743,334	Ψ	7,041,207	4.0070	+00
·	\$	1,615,083,076	ф	7 226 274	E /110/	60
County Pool - Money Market Fund			\$	7,236,374	5.41%	
Educational Pool - Money Market Fund	\$	1,948,311,050	\$	8,808,477	5.40%	66
Extended Fund	\$	1,903,965,350	\$	7,429,388	4.78%	454
August 2006						
County Pool - Money Market Fund	\$	1,614,920,265	\$	6,811,792	5.40%	63
Educational Pool - Money Market Fund	\$	2,035,802,849	\$	9,180,864	5.38%	64
Extended Fund	\$	1,895,848,400	\$	7,712,637	4.60%	414
July 2006						
County Pool - Money Market Fund	\$	1,584,726,279	\$	7,778,613	5.29%	57
Educational Pool - Money Market Fund	\$	2,135,846,766	\$	8,849,641	5.24%	50
Extended Fund	\$	1,777,440,895	\$	6,516,407	4.45%	376
June 2006	Ť	, , -,	Ť	-,, -		
County Pool - Money Market Fund	\$	1,802,431,285	\$	7,644,477	5.18%	55
Educational Pool - Money Market Fund	\$	1,877,538,725	\$	8,917,379	5.09%	50
·					4.48%	
Extended Fund	\$	1,695,053,655	\$	6,274,458	4.48%	335
May 2006			•	0 = 44 00=	4.000/	
County Pool - Money Market Fund	\$	1,818,302,640	\$	8,544,307	4.98%	29
Educational Pool - Money Market Fund	\$	2,235,054,471	\$	9,348,439	4.93%	39
Extended Fund	\$	1,713,197,862	\$	6,308,786	4.27%	317
April 2006						
County Pool - Money Market Fund	\$	2,369,981,051	\$	9,761,165	4.80%	25
Educational Pool - Money Market Fund	\$	2,240,609,358	\$	8,117,151	4.81%	40
Extended Fund	\$	1,702,966,857	\$	5,973,981	4.13%	287
March 2006						
County Pool - Money Market Fund	\$	1,953,949,036	\$	7,465,041	4.60%	30
Educational Pool - Money Market Fund	\$	1,975,163,364	\$	8,072,937	4.60%	47
Extended Fund	\$	1,691,008,075		5,134,439	3.82%	267
February 2006	Ψ	1,001,000,070	Ψ	0,101,100	0.0270	201
•	¢	1 020 205 701	ф	6 202 227	4 400/	22
County Pool - Money Market Fund	\$	1,928,205,781	\$	6,203,227	4.48%	32
Educational Pool - Money Market Fund	\$	2,156,578,419	\$	7,413,028	4.47%	54
Extended Fund	\$	1,542,707,130	\$	4,883,504	3.97%	263
January 2006 County Pool - Money Market Fund	\$	1,730,807,314	\$	7,288,808	4.33%	28
Educational Pool - Money Market Fund	\$	2,229,871,926	\$	7,906,726	4.30%	38
Extended Fund	\$	1,667,664,958	\$	5,031,447	3.52%	267
December 2005	ų.	.,00.,00.,000	Ψ	0,001,111	0.0270	
County Pool - Money Market Fund	\$	2,273,556,493	\$	8,272,353	4.20%	36
Educational Pool - Money Market Fund	\$	2,251,869,796	\$	7,013,914	4.17%	45
Extended Fund	\$	1,666,951,795	\$	4,806,291	3.44%	264
November 2005						
County Pool - Money Market Fund	\$	1,764,219,017	\$	5,431,434	3.96%	36
Educational Pool - Money Market Fund	\$	1,795,317,372	\$	5,763,233	3.97%	55
Extended Fund	\$	1,616,280,601 AVERAGE	\$	4,734,849 TOTAL	3.46% AVERAGE	280 AVERAGE
CUMULATIVE BALANCES - 12 MONTHS		BALANCES		EARNINGS	YIELD	WAM
October 1, 2005 - September 30, 2006		DI LE TIVOLO		_/ ((\ (\ (\ (\ (\ (\ (\ (\ (\ (TILLU	V V V VIVI
County Pool - Money Market Fund	\$	1,854,030,876	\$	90,006,640	4.83%	42
Educational Pool - Money Market Fund	\$	2,067,146,281	\$	98,577,631	4.81%	51
Extended Fund	\$	1,734,819,244	\$	72,647,454	4.14%	334