OFFICE OF THE TREASURER-TAX COLLECTOR



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May 10, 2007

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TO: Board of Supervisors

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

FROM: Chriss W. Street

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for April 30, 2007

Attached please find the Treasurer's Management Report for the County of Orange for the month ended April 2007. 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.ttc.ocgov.com.

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 April 30. 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 Investment Pool's March 2007 interest apportionment. We anticipate posting the March 2007 interest apportionment to participants' cash accounts in the County general ledger by approximately June 11 2007.

CHANGES IN ELIGIBLE CREDITS

In the month of April, there were no changes to the Treasurer's approved eligibility list.

MARKET OBSERVATIONS

The Dow Jones Industrial average has roared back from the steep sell off of February to set five new all time price highs in March, closing at 13062. Private equity and LBO firms have now amassed over \$1 trillion enabling them to finance friendly or unfriendly corporate buyouts. The media is heralding the run-up in prices as a sign that stock values represent good value. I'd like to posit an alternative theory.

The US economy has moved into the phase of the economic cycle where sales growth is slowing and squeezing additional profits from operations is becoming increasingly difficult. The labor market for skilled workers remains tight and in several industries all that remains is frictional unemployment. Most large businesses have already achieved their maximum benefit through outsourcing, restructuring, acquisitions or expanding overseas operations. Due to the extended duration of the expansion, additional improvements in productivity will be difficult to realize. Consequently, we believe that equity markets are entering their typical speculative price blow-off stage that is often followed by a persistent market decline. As you may have noticed following the NASAQ crash after the run up prior to Y2K, major stock market declines often savage consumer sentiment and push an already weakening economy into recession.

After bond prices fell early in the month on inflation concerns, markets staged a rally leaving them unchanged. Bond market participants have pushed back the anticipated start for the Fed to begin easing until the fourth quarter of 2007. Concerns center on the slow growth of the economy, GDP was reported to have grown 1.3% in the first quarter, and inflation that continues to remain above the Fed's preferred level of 1% to 2%.

What does this mean for the bond market and specifically for the investment pools run by the Treasurer's Office? If the economy continues to grow then resources will remain tight and commodity prices are unlikely to decrease in the intermediate term. If this is coupled with a global economy which is continuing to expand, then the Federal Reserve does not have much of an incentive to begin lowering interest rates.

In our view this is the most likely scenario over the next six months leading to a flat yield curve and rates consistent with their current levels. The collapse in the sub prime mortgage market has not yet been powerful enough to set off a full blown credit crunch and drive rates higher. We anticipate stable yields in the near term and lower rates next year. Consequently, we continue to selectively extend the duration of our portfolios on interest rate backups.

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The Treasurer's Office appreciates your continued confidence and looks forward to providing you exemplary portfolio and cash management services in the future.

Interest Rate Forecast

The Treasurer's Investment committee is currently estimating an interest yield of 5.00 percent for the portfolio during fiscal year 2006-2007.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY May 1, 2006 - April 30, 2007

PERIOD ENDING - MONTH / YEAR	MONTH END		EARNINGS FOR		AVERAGE YIELD FOR	MONTH END
	Ν	MARKET VALUE		MONTH	MONTH	WAM
Current Month - April 2007						
County Pool - Money Market Fund	\$	2,310,098,771	\$	11,096,800	5.38%	51
Educational Pool - Money Market Fund	\$	2,584,211,525	\$	10,202,892	5.36%	53
Extended Fund	\$	2,037,558,524	\$	9,230,167	5.25%	463
March 2007	Ψ	2,001,000,024	Ψ	5,250,107	0.2070	+00
County Pool - Money Market Fund	\$	1,800,423,404	\$	7,762,592	5.30%	58
Educational Pool - Money Market Fund	\$	2,156,514,102	\$	9,805,516	5.29%	50
Extended Fund	\$	2,257,154,399	\$	9,622,420	4.99%	444
February 2007	_		_			
County Pool - Money Market Fund	\$	1,707,506,698	\$	6,691,832	5.40%	69
Educational Pool - Money Market Fund	\$	2,273,724,523	\$	8,707,709	5.35%	56
Extended Fund	\$	2,278,912,413	\$	9,587,935	5.43%	441
January 2007						
County Pool - Money Market Fund	\$	1,702,220,169	\$	9,037,751	5.38%	51
Educational Pool - Money Market Fund	\$	2,171,852,117	\$	9,951,822	5.31%	40
Extended Fund	\$	2,250,742,762	\$	9,239,897	4.92%	447
December 2006	Ť	, , ,		, ,		
County Pool - Money Market Fund	\$	2,459,854,086	\$	11,628,814	5.38%	44
Educational Pool - Money Market Fund	\$	2,364,291,301	\$	9,283,335	5.37%	42
	\$				4.92%	
Extended Fund	Φ	1,997,281,928	\$	8,257,453	4.9270	453
November 2006			•		- 000/	2.1
County Pool - Money Market Fund	\$	1,834,087,894	\$	7,897,248	5.39%	61
Educational Pool - Money Market Fund	\$	1,913,967,546	\$	8,281,668	5.36%	62
Extended Fund	\$	1,971,569,719	\$	8,216,199	4.99%	457
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						
County Pool - Money Market Fund	\$	1,615,083,076	\$	7,236,374	5.41%	60
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	Ψ	1,000,000,000	Ψ	7,425,500	4.7070	707
	φ.	1 614 000 065	φ	6 044 700	E 400/	60
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	\$	1,584,726,279	\$	7 770 612	5.29%	57
County Pool - Money Market Fund Educational Pool - Money Market Fund	\$	2,135,846,766	\$	7,778,613 8,849,641	5.24%	50
Extended Fund	\$	1,777,440,895	\$	6,516,407	4.45%	376
June 2006	Ψ	1,777,110,000	Ψ	0,010,101	1.1070	070
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
Extended Fund	\$	1,695,053,655	\$	6,274,458	4.48%	335
May 2006						
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 TOTAL	4.27% AVERAGE	317 AVERAGE
CUMULATIVE BALANCES - 12 MONTHS		AVERAGE BALANCES		EARNINGS	YIELD	WAM
May 1, 2006 - April 30, 2007		DUTHUES		LAMINUS	ITELU	V V A(IVI
County Pool - Money Market Fund	\$	1,836,820,237	\$	99,699,648	5.32%	55
Educational Pool - Money Market Fund	\$	2,135,075,521	\$	110,523,583	5.29%	53
Extended Fund	\$	1,976,955,938	\$	96,237,013	4.82%	424