## OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS 12 CIVIC CENTER PLAZA, SUITE G76 Post Office Box 4515 SANTA ANA, CA 92701 http://tax.ocgov.com/treas/

December 9, 2005

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 November 30, 2005

Attached please find the Treasurer's Management Report for the County of Orange for the month ended November 30, 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/.

#### 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. 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.

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

GARY J. COWAN ASSISTANT TREASURER-TAX COLLECTOR

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

WALTER DANIELS DEPUTY TAX COLLECTOR

VICKIE PAZANTI DEPUTY TREASURER-TAX COLLECTOR ADMINISTRATION

CLARISSA ADRIANO-CERES DEPUTY TREASURER-TAX COLLECTOR INFORMATION TECHNOLOGY

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

#### APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's October and November 2005 interest apportionments. We anticipate posting the October and November 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately December 19, 2005 and January 20, 2006 respectively.

#### CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST

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

- 1) Pacific Life Insurance was removed
- 2) **MOAT Funding** was removed
- 3) Koch Industries LLC was removed

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

### **ECONOMIC OBSERVATIONS**

The theme that has emerged during the past few months is steady economic growth and mild inflation expectations. Will the Federal Open Market Committee (FOMC) go too far with their regular rate increases and push the economy into a recession? With the FOMC likely to raise rates on December 13<sup>th</sup> for the thirteenth consecutive time there is some question as to how much more heavy lifting they need to do. But, it appears clear that they still have room for two or more tightenings.

The Gross Domestic Product (GDP), which was revised from the prior month, came in at a very healthy 4.3% and crude oil prices seem to have stabilized around \$60 a barrel. Core consumer prices, prices of goods and services excluding food and energy, have been increasing at 1.8% year over year. Even manufacturing seems to have picked up in the past few months. All of which implies the economy is growing and demand should increase. With a growing economy the FOMC needs to be vigilant to inflation pressures by increasing rates.

Less certain is the strength of the demand and how much of it was financed by pulling money out of ever increasing housing values. Mortgage applications, while still at an elevated level on a historical basis, have declined in eight of the past eleven weeks. Anecdotal evidence points to houses staying on the market longer and price increases moderating significantly.

Treasurer's Monthly Management Report December 9, 2005 Page 3

Compared to past cycles, corporations are not spending as much. A recent Bloomberg article stated, "Flush from three years of soaring profits, the top U.S. corporations hold \$634 billion in cash, the biggest hoard relative to their market value in 17 years, according to Standard & Poor's."

Spending is likely to be strong during the first half of 2006 as the nation begins in earnest to rebuild the southeast. However, companies are unlikely to spend to increase production if they view this as temporary and the consumer continues to pare expenses.

All said, we may be near the conclusion of a long streak of 25 basis point adjustments. Accordingly, we continue to anticipate interest rate increases by the FOMC and will watch economic developments closely.

Please call with any questions.

# ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY DECEMBER 1, 2004 - NOVEMBER 30, 2005

PERIOD ENDING - MONTH / YEAR		MONTH END	ΕÆ	ARNINGS FOR	YIELD FOR	MONTH END
	N	MARKET VALUE		MONTH	MONTH	WAM
Current Month -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	\$	4,734,849	3.46%	280
October 2005						
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
September 2005						
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
August 2005	Ψ	1,000,010,100	Ψ	0,011,111	0.1170	301
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
July 2005	_	4 70 4 700 000	Φ.	5 404 000	0.000/	
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
June 2005	φ	1 OCE E70 11E	<b>ው</b>	4 000 004	2 4 40/	50
County Pool - Money Market Fund Educational Pool - Money Market Fund	\$	1,965,578,445 2,023,992,462	\$ \$	4,990,924 5,583,846	3.14% 3.12%	50 45
Extended Fund	\$	1,511,124,166	\$	3,878,491	3.12%	331
May 2005		.,,,	Ψ.	3,010,101	0.1070	00.
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
April 2005	•	0.505.745.045	Φ.	0.447.555	0.750/	40
County Pool - Money Market Fund	\$	2,525,745,315 2,257,464,691	\$	6,147,555	2.75% 2.86%	46
Educational Pool - Money Market Fund Extended Fund	\$	1,473,151,187	\$ \$	4,846,316 3,347,206	2.88%	54 352
March 2005	Ψ	1,475,151,107	Ψ	3,347,200	2.0070	332
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
February 2005						
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 January 2005	\$	1,202,129,910	\$	2,388,483	2.57%	327
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
December 2004	Ť	, , ,				
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
CUMULATIVE BALANCES - 12 MONTHS		AVERAGE BALANCES		TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
December 1, 2004 - November 30, 2005						
County Pool - Money Market Fund	\$	1,956,035,945	\$	59,178,130	3.04%	48
Educational Pool - Money Market Fund	\$	2,056,389,923	\$	62,225,523	3.07%	52
Extended Fund	\$	1,450,233,519	\$	42,027,084	2.89%	323