



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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September 10, 2001

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 August 31, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month ended August 31, 2001. 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 August 31, 2001. 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 June and July 2001 interest apportionments. We anticipate posting the June and July interest apportionments to participants' cash accounts in the County general ledger by approximately September 14 and September 26, respectively.

FINANCIAL ANALYST

We are pleased to welcome Julia Xue to our staff to fill the new Financial Analyst position. Julia has six years of credit analysis and investment management experience. She has worked in New York on Wall Street, for one of the country's largest primary dealers and with a major California bank. In addition to a BS in Economics and a MS in Finance, Julia is also a Chartered Financial Analyst (CFA) candidate and has passed the CPA exam.

Details of her outstanding credentials are as follows:

- Education:
 - Boston College, 1994
Master of Science, Finance

 - Sichuan University, 1991
Bachelor of Economics

- Certificates:
 - Merrill Lynch, Certified Financial Manager
 - Chartered Financial Analyst (Level II)
 - Certified Public Accountant (pending audit hours)

- Experience:
 - Merrill Lynch, 1997-2001
Certified Financial Manager
Investment Analyst

 - China Southern Securities, 1995-1997
Senior Equity Analyst

 - Union Bank of California, 1995
Financial Analyst II

- Languages
 - Chinese, French and Spanish

ECONOMIC OBSERVATIONS

The economy is not behaving as expected even though the Federal Open Market Committee (FOMC) has aggressively cut interest rates, income tax rebates are in place, significant inventory corrections are proceeding, and energy prices have declined. Some indicators point to a return of growth, others continue to show the economy slowing.

This mixed message has resulted in bitter disagreement in the press and among economists; it's easy to see how the consumer could get confused. A flurry of layoff announcements, an increase in jobless claims, and concerns over personal investment losses, have alerted the consumer to the possibility of hard times ahead.

On the other hand, the consumer's views on personal finances, present employment conditions and the expectation of an improving economy remain mostly positive. The housing sector continues to be strong, property values are increasing and consumer spending is expanding at a steady but sustainable pace.

So far this unusual dichotomy between solid household demand and a stressed business sector has stirred fears that the economy could be ready to buckle. Many Wall Street economists and the Treasurer's Investment Management Committee are cautiously confident that the stimulus already in place and the efforts by the business sector to reevaluate their organizations make a compelling case for renewed economic growth.

It is widely believed that the FOMC is near the end of its easing process. The Investment Management Committee is currently split on any action at the next, October 2, meeting.

LEGISLATIVE UPDATE

We have had another successful year with our legislative efforts for both investment and tax collection related matters. Here is a quick summary:

SB 210 – Local Government Omnibus Bill

We have been pursuing the ability to utilize controlled disbursements for several years now. That has finally been accomplished with this bill and it will become effective on January 1, 2002, as will the two bills below. We hope to implement this procedure at that time. This bill was signed by the Governor on August 13.

AB 609 – Local Agency Investments

This is another legislative effort that we have been working on for some time and had been attempted about a decade or so ago. This time, with assistance from the Treasurer of Palm Desert and his highly capable staff, we were successful in eliminating a series of duplicate Government investment code sections (Sections 53601 and 53635) regarding local agency investments and local government investment pools, as well as clean up language that should resolve the recent Whitmore Case decision that is currently on appeal. This bill was signed by the Governor on July 26.

AB 594 – Electronic Payments

In our efforts to receive timely made electronic payments, balanced with an effort to reduce taxpayer late payment penalties, we were successful in incorporating language into the Code that electronic payments received on the due dates (April and December 10) are timely. The current Code language considers payments made by US Mail to be timely if postmarked on the due dates. Taxpayers making payments by wire transfer, telephoned credit card, or over the internet, will be deemed received on the date the transaction was completed by the taxpayer, i.e. before midnight of the due date. This bill does not change the requirement for taxpayers with amounts due greater than \$25,000 to pay by electronic fund transfer and to have the funds settle in the Treasurer's account on the due dates. This bill was signed into law by the Governor on July 23.

We submitted nine legislative proposals for the 2002 legislative session at the September 6 meeting of the California Association of County Treasurers and Tax Collectors in Sacramento. All nine were approved and we look forward to another aggressive year of continuing to improve the State's codes for betterment of the taxpayers.

Please call if you have any questions.