



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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May 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 April 30, 2002

Attached please find the Treasurer's Management Report for the County of Orange for the month ended April 30, 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 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). 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 February and March 2002 interest apportionments. We anticipate posting the February and March interest apportionments to participants' cash accounts in the County general ledger by approximately May 15 and May 28, respectively.

ECONOMIC OBSERVATIONS

Given the apparent slowing of the recovery in early spring, the Federal Open Market Committee (FOMC) is no closer to tightening now than it was at its last meeting on March 19. The financial markets were forewarned about the FOMC's thinking when Chairman Alan Greenspan testified before the Joint Economic Committee on April 17. Consequently, at the May 7 FOMC meeting, the investment community and the Treasurer's Investment Management Committee was not surprised when the outcome resulted in no change to interest rates.

The FOMC confirmed that economic activity has received considerable upward momentum from the reduced need to pare inventories, unprecedented growth in productivity and expanding consumer spending. "Nonetheless, the degree of the strengthening in final demand over the coming quarters, an essential element to sustained economic expansion, is still uncertain", the FOMC warned.

The economy displayed surprisingly strong momentum in the initial phase of the economic growth now in progress; however, the long-term sustainability and prospective strength of this emerging recovery remain questionable. Negative economic reports included: softer retail sales, decreasing consumer confidence, lagging labor market conditions, stalled factory orders, and a depressed purchasing managers index. Higher energy prices and adverse weather in March were cited as unforeseen events that impacted both the consumer and corporate sectors.

Since the current uncertainties regarding the economic recovery are expected to clear up in two to four months, we are watching out for any reassurance it is gaining a stronger foothold. At that time, the projected FOMC interest rate tightentings should commence. Accordingly, the anxious investment community is consistently overreacting to any movement in economic conditions thus offering short-term investment opportunities when yields temporarily increase.

Please call if you have any questions.