



COUNTY OF ORANGE

**OFFICE OF THE TREASURER-TAX COLLECTOR**

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March 10, 2004

TO: Board of Supervisors  
James D. Ruth, 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 February 29, 2004

Attached please find the Treasurer's Management Report for the County of Orange for the month ended February 29, 2004. 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 February 29. 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 2004 interest apportionment. We anticipate posting the February interest apportionment to participants' cash accounts in the County general ledger by approximately March 26, 2004.

## **CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST**

In the month of February, there was one change to the Treasurer's approved eligibility list: **Old Slip Funding Corporation** was placed on Credit Watch Negative and subsequently removed from our eligibility list.

## **ECONOMIC OBSERVATIONS**

After unanimous accolades on the achievement of a full economic recovery, the once buoyant indicators have softened. Some disappointing reports have included: lower consumer confidence, declining factory orders, a moderation in housing, less optimistic purchasing managers, and inventories still at record lows. The financial markets remained optimistic about the economy's momentum until the monthly payroll report was released.

Interest rates dramatically declined as the number of new jobs in February rose by a meager 21,000. Economists, forecasting an average of 130,000 new jobs, described this surprisingly low number with adjectives like anemic, shocking, terrible, disturbing, pathetic, and highly problematic. One economist professed, "This remains a jobless recovery, pure and simple."

Historically, an expansion in its 28<sup>th</sup> month would be producing more than 240,000 new jobs every month. As long as meaningful job creation remains alarmingly elusive, the economy will continue to drift through uncharted territory.

The slow pace of the labor markets doesn't directly threaten the near-term momentum of the economy. However, the expansionary effects of the tax cuts and the tax refunds are expected to gradually dissipate. At that time, employment gains are needed to keep the economy growing by preserving income levels, promoting overall confidence and stimulating consumer and business sector spending.

The Federal Open Market Committee (FOMC) has maintained the premise that the economy must show its ability to sustain growth in jobs before they would consider increasing interest rates. Accordingly, the Treasurer's Investment Committee and the financial markets have put any thought of a rate hike on the back burner for a while.

Please call if you have any questions.