



COUNTY OF ORANGE

**OFFICE OF THE TREASURER-TAX COLLECTOR**

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April 9, 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 March 31, 2004

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended March 31, 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 March 31. 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 March 2004 interest apportionment. We anticipate posting the March interest apportionment to participants' cash accounts in the County general ledger by approximately May 7, 2004.

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

In the month of March, there were three changes to the Treasurer's approved eligibility list: **Compass Securitization LLC, Dow Jones & Co., Inc.** and **Redwood Receivables Corporation** were removed from the approved eligibility list.

## **ECONOMIC OBSERVATIONS**

A stunning March employment report included a 308,000 rise in new jobs. This news set off an enthusiastic reverberation throughout the financial industry resulting in impressive gains to equities and higher yields on fixed income securities. Finally, thirty months after the end of the recession, the missing link seen as preserving the economic recovery has started to evolve.

Payroll gains were impressive across the board. Led by the service sector with 230,000 jobs, new jobs were also created in construction, retail trade, restaurants, and government. Moreover, the revisions to the prior two months totaled a whopping 87,000 jobs.

While the headline employment gains were outstanding, some of the underlying data were not as compelling. Both the private and the manufacturing workweek declined in aggregate hours worked and average weekly earnings. The unemployment rate increased to 5.7 percent. This surprising change can be partially explained by the long-term unemployed venturing back into the job market and increasing the size of the labor force. Accordingly, the unemployment rate may continue to increase as more of the jobless population regain confidence in the labor market and start to seek employment.

The Federal Open Market Committee (FOMC) was reported to be thrilled with the employment report, but warned that there are still enough signs of weakness to justify patience. The FOMC is comfortable that inflation is low enough to allow the economy to get on an assuredly firm footing before raising rates.

The Treasurer's Investment Committee has taken advantage of the temporary increase in short-term rates caused by the payroll report but does not see a rate tightening in the next several months.

## **INTEREST RATE FORECAST**

The estimated interest rate for fiscal year 2003-2004 remains at 1.0 percent.

Please call if you have any questions