# OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS
11 CIVIC CENTER PLAZA, SUITE G76
POST OFFICE BOX 4515
SANTA ANA, CA 92701
www.ttc.ocgov.com

CHRISS W. STREET TREASURER-TAX COLLECTOR

PAUL C. GORMAN, C.P.A., CTP
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

JENNIFER BURKHART, CFA ASSISTANT TREASURER-TAX COLLECTOR

ROBIN RUSSELL ASSISTANT TREASURER-TAX COLLECTOR ADMINISTRATION

April 15, 2009

TO: Board of Supervisors

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

**Participants** 

FROM: Chriss W. Street

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for March 31, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month & quarter ended March 31, 2009. 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.ttc.ocgov.com.

## 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 31st. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. 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 cost 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.

## APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

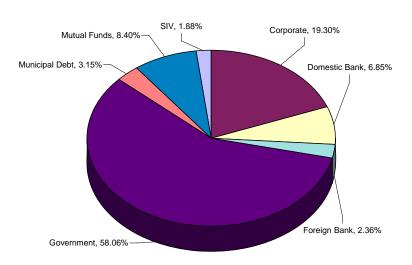
We have prepared a forecast for the timing of the County Investment Pool's February 2009 interest apportionment. We anticipate posting the February 2009 interest apportionment to participants' cash accounts in the County general ledger by approximately May 21, 2009.

## PORTFOLIO COMPOSITION

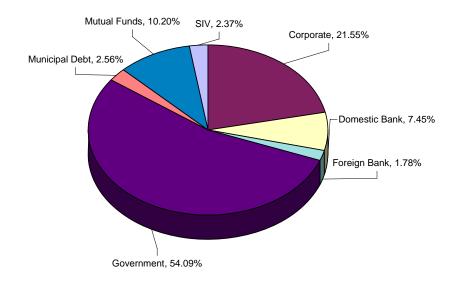
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

#### Exhibit 1:

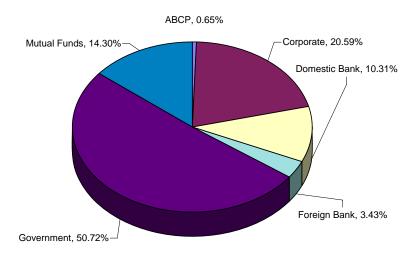
#### County



**Schools** 



#### **John Wayne Airport**



#### MARKET OBSERVATIONS

Television pundits have been clamoring with new proclamations of market "tops" and market "bottoms" for the past month. Considering the recent track record of the talking heads, their excitement should give investors pause. The Orange County Treasurer's Office continues to take a measured approach during these turbulent times. For the first time since taking office as Treasurer, we have positioned the portfolios to be interest rate neutral.

Creating an interest rate neutral portfolio means we are not positioning for interest rates to rise or fall. As goldilocks would say, "we picked the one that was not too hot or too cold." We have locked in attractive yields on both fixed rate government agency debt and FDIC backed corporate floating rate debt. This was accomplished by purchasing the different types of debt when their respective styles were out of favor and thus less costly. This approach has allowed us to lock rates which will help provide a stable return over the rest of the year.

We continue to believe the recession will ebb by the end of 2009, but early recovery will be very modest. The economic pain will take up to two more years to subside. The world is locked in a deflationary cycle, and the US government is desperately trying to spend our way out of it. The actions of the Federal Government could have a profoundly negative impact in the long run.

Treasurer's Monthly Management Report Page 4

Markets are forward looking and what they see on the horizon is new taxes. The unholy marriage of high taxes and slow growth help create a bleak outlook. Americans have quickly unwound an enormous level of private debt, but it has been replaced with an unprecedented amount of Government debt. Two steps forward and one and a half backward, does not create a winning economic strategy.

### The Federal Gov't to Guarantee California Debt?

The Treasurer's office believes another significant risk to the financial markets, especially as it relates to local government, is a new effort by the State to secure the Full Faith and Credit of the US Government for its California's next debt issuance. If the Fed took this unprecedented step it would have far reaching consequences. Last Fall when the government stepped in to bailout AIG, it led to a collapse in the commercial paper market. The actions being contemplated in Washington may have a similarly significant impact on local government debt. *The Danger of Guaranteeing California Debt*, a position piece written by Chriss Street, can be found on our website at <a href="https://www.ttc.ocgov.com">www.ttc.ocgov.com</a>.

Additionally, the United States may see its AAA credit rating downgraded if it guaranteed the debt of the world's seventh larger economy. Such an event would quickly drive long term borrowing rates much higher.

The balanced approach to investing adopted by the Orange County Treasurer's office will insure our pool participants a competitive rate of return and stable portfolio values.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future. Please call Orange County Treasurer, Chriss W. Street, at 714-834-7625 with any questions.

# ORANGE COUNTY TREASURER-TAX COLLECTOR

## EXECUTIVE SUMMARY

April 1, 2008 - March 31, 2009

		MARKET		ARNINGS	YIELD FOR	MONTH
PERIOD ENDING - MONTH / YEAR		VALUE		OR MONTH	MONTH	END WAM
Current Month - March 2009		77.202				
County Pool - Money Market Fund	\$	2,029,134,964	\$	1,400,404	0.81%	48
Educational Pool - Money Market Fund	\$	1,338,411,552	\$	1,109,701	0.88%	48
Extended Fund	\$	2,645,713,854	\$	5,538,166	2.57%	428
OC Extended Fund B	\$	52,200,929	\$	-	N/A	91
February 2009						
County Pool - Money Market Fund	\$	2,169,443,772	\$	1,630,117	1.00%	53
Educational Pool - Money Market Fund	\$	1,576,700,518	\$	1,540,126	1.17%	59
Extended Fund	\$	2,350,452,260	\$	5,828,257	3.12%	387
OC Extended Fund B	\$	52,200,929	\$	-	N/A	122
January 2009			_			
County Pool - Money Market Fund	\$	2,014,879,118	\$	1,827,150	0.99%	50
Educational Pool - Money Market Fund	\$	1,856,648,856	\$	1,820,578	1.13%	53
Extended Fund	\$	2,533,665,548	\$	7,079,923	3.32%	281
OC Extended Fund B	\$	52,200,929	\$	-	N/A	150
December 2008	Φ.	0.000.407.400	Φ	0.007.707	4 770/	50
County Pool - Money Market Fund	\$	2,308,197,426	\$	3,627,727	1.77%	58
Educational Pool - Money Market Fund	\$	2,152,827,732	\$	2,244,826	1.46%	55
Extended Fund	\$	2,503,173,696	\$	7,054,362	3.32%	325
OC Extended Fund B	\$	52,200,929	\$	-	N/A	25
November 2008	ot .	1 022 020 007	\$	2 242 472	2.18%	30
County Pool - Money Market Fund	\$	1,923,820,987	-	3,212,472	2.10%	
Educational Pool - Money Market Fund  Extended Fund	\$	1,591,357,027	\$	2,695,568 6,880,107	2.01% 3.45%	48 349
	\$	2,337,562,301		0,000,107		
OC Extended Fund B October 2008	- D	53,690,396	\$	=	N/A	56
	\$	1,693,321,937	Ф	3,606,898	2.55%	36
County Pool - Money Market Fund  Educational Pool - Money Market Fund	\$	1,716,217,568	\$	3,457,222	2.36%	43
Extended Fund	\$	2,491,877,137	\$	6,881,334	3.30%	345
OC Extended Fund B	\$	53,690,395	\$	0,001,334	3.30 % N/A	86
September 2008	φ	33,090,393	φ	-	IN/A	00
County Pool - Money Market Fund	\$	1,633,383,931	\$	3,733,815	2.64%	51
Educational Pool - Money Market Fund	\$	1,707,114,565	\$	3,660,952	2.52%	52
Extended Fund	\$	2,333,839,343	\$	3,483,307	1.84%	393
OC Extended Fund B	\$	69,117,440	\$	-	N/A	117
August 2008		00,111,110	Ψ		14/7	
County Pool - Money Market Fund	\$	1,735,397,363	\$	3,733,249	2.51%	47
Educational Pool - Money Market Fund	\$	1,839,799,053	\$	3,658,783	2.42%	45
Extended Fund	\$	2,182,413,404	\$	6,883,249	3.74%	477
OC Extended Fund B	\$	69,117,440	\$	-	N/A	147
July 2008		, , -				
County Pool - Money Market Fund	\$	1,787,284,123	\$	3,899,411	2.41%	50
Educational Pool - Money Market Fund	\$	1,797,691,062	\$	3,698,983	2.38%	50
Extended Fund	\$	2,104,561,539	\$	7,010,329	3.73%	481
OC Extended Fund B	\$	69,117,440	\$	-	N/A	178
June 2008		, ,				
County Pool - Money Market Fund	\$	1,922,691,656	\$	4,090,847	2.44%	33
Educational Pool - Money Market Fund	\$	1,707,534,727	\$	4,119,816	2.46%	33
Extended Fund	\$	2,194,238,720	\$	7,014,532	3.92%	503
OC Extended Fund B	\$	69,117,440	\$	_	N/A	209
May 2008						
County Pool - Money Market Fund	\$	2,052,055,391	\$	4,328,189	2.42%	29
Educational Pool - Money Market Fund	\$	2,208,622,434	\$	4,646,915	2.45%	35
Extended Fund	\$	2,188,235,769	\$	7,248,040	3.81%	456
April 2008						
County Pool - Money Market Fund	\$	2,313,762,854	\$	5,648,143	2.66%	33
Educational Pool - Money Market Fund	\$	2,328,134,710	\$	4,593,731	2.62%	42
Extended Fund	\$	2,281,021,020	\$	7,592,402	4.15%	466
April 1, 2008 - March 31, 2009	,	Annual Average	7	Γotal for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$	1,965,281,127	\$	40,738,421	2.03%	43
Educational Pool - Money Market Fund	\$	1,818,421,650	\$	37,247,201	1.99%	47