

# OFFICE OF THE TREASURER-TAX COLLECTOR



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February 9, 2007

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 January 31, 2007

Attached please find the Treasurer's Management Report for the County of Orange for the month ended January 2007. 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](http://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 January 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). 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 December 2006 interest apportionment. We anticipate posting the December 2006 interest apportionment to participants' cash accounts in the County general ledger by approximately February 28, 2007.

## **CHANGES IN ELIGIBLE CREDITS**

In the month of January, there was one change to the Treasurer's approved eligibility list: The following was added to the CP/ MTN Eligibility list:

- 1) **Intesa Funding LLC**

In addition to the changes noted in December's report, the following were also added to the CP/MTN Eligibility list during that month:

- 1) **ADP Tax Services, Inc.**
- 2) **Automatic Data Processing**

## **MARKET OBSERVATIONS**

Interest rates continued their reversal in direction during January as the two year Treasury rose to its highest level in five months. Bond market traders' actions demonstrated their abandonment of the hope for the possibility of a Federal Open Market Committee rate cut thru the first half of the year. Economic growth in the fourth quarter of 2006 also exceeded most economists' expectations as warm weather coupled with falling energy prices added to home construction and consumer purchases.

The OC Treasurer's office benefited in the last several months from continuing the same strategy that we originally implemented over a year and a half ago. Our belief continues to be that consumers are benefiting from strong job growth and wage increases that are exceeding inflation. As long as this continues they will tend to spend the additional income. Couple this with continued easy access to borrowing and the economy continues to expand at close to its capacity. All this has created the liquidity to drive equity markets higher and power record levels of leverage buyouts.

The big question the markets are wrestling with is, "has the housing market bottomed yet?" We don't think so. Over the past two months, big developers have begun writing off assets and options for land purchases. The inevitable collapse in the sub-prime lending sector now appears to have begun as large mortgage originators, such as New Century Financial Corp, recently stated, "losses on sub-prime mortgages exceeded forecast". Two smaller low quality players, Ownit Mortgage Bankers Association and Mortgage Lenders Network USA Inc. filed for bankruptcy. Warmer than normal weather over the last two months accelerated the amount of home building construction in the North East and the Midwest. This has stabilized the pace of construction and sales, but at the expense of activity later this spring.

The OC Treasurer's Office appreciates your continued confidence and looks forward to providing you exemplary portfolio services and cash management expertise.

Please call with any questions.

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
EXECUTIVE SUMMARY  
February 1, 2006 - January 31, 2007**

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - January 2007</i>				
County Pool - Money Market Fund	\$ 1,702,220,169	\$ 9,037,751	5.38%	51
Educational Pool - Money Market Fund	\$ 2,171,852,117	\$ 9,951,822	5.31%	40
Extended Fund	\$ 2,250,742,762	\$ 9,239,897	4.92%	447
<i>December 2006</i>				
County Pool - Money Market Fund	\$ 2,459,854,086	\$ 11,628,814	5.38%	44
Educational Pool - Money Market Fund	\$ 2,364,291,301	\$ 9,283,335	5.37%	42
Extended Fund	\$ 1,997,281,928	\$ 8,257,453	4.92%	453
<i>November 2006</i>				
County Pool - Money Market Fund	\$ 1,834,087,894	\$ 7,897,248	5.39%	61
Educational Pool - Money Market Fund	\$ 1,913,967,546	\$ 8,281,668	5.36%	62
Extended Fund	\$ 1,971,569,719	\$ 8,216,199	4.99%	457
<i>October 2006</i>				
County Pool - Money Market Fund	\$ 1,792,188,272	\$ 7,569,048	5.39%	57
Educational Pool - Money Market Fund	\$ 1,923,791,277	\$ 9,185,841	5.35%	60
Extended Fund	\$ 1,944,745,354	\$ 7,841,267	4.80%	483
<i>September 2006</i>				
County Pool - Money Market Fund	\$ 1,615,083,076	\$ 7,236,374	5.41%	60
Educational Pool - Money Market Fund	\$ 1,948,311,050	\$ 8,808,477	5.40%	66
Extended Fund	\$ 1,903,965,350	\$ 7,429,388	4.78%	454
<i>August 2006</i>				
County Pool - Money Market Fund	\$ 1,614,920,265	\$ 6,811,792	5.40%	63
Educational Pool - Money Market Fund	\$ 2,035,802,849	\$ 9,180,864	5.38%	64
Extended Fund	\$ 1,895,848,400	\$ 7,712,637	4.60%	414
<i>July 2006</i>				
County Pool - Money Market Fund	\$ 1,584,726,279	\$ 7,778,613	5.29%	57
Educational Pool - Money Market Fund	\$ 2,135,846,766	\$ 8,849,641	5.24%	50
Extended Fund	\$ 1,777,440,895	\$ 6,516,407	4.45%	376
<i>June 2006</i>				
County Pool - Money Market Fund	\$ 1,802,431,285	\$ 7,644,477	5.18%	55
Educational Pool - Money Market Fund	\$ 1,877,538,725	\$ 8,917,379	5.09%	50
Extended Fund	\$ 1,695,053,655	\$ 6,274,458	4.48%	335
<i>May 2006</i>				
County Pool - Money Market Fund	\$ 1,818,302,640	\$ 8,544,307	4.98%	29
Educational Pool - Money Market Fund	\$ 2,235,054,471	\$ 9,348,439	4.93%	39
Extended Fund	\$ 1,713,197,862	\$ 6,308,786	4.27%	317
<i>April 2006</i>				
County Pool - Money Market Fund	\$ 2,369,981,051	\$ 9,761,165	4.80%	25
Educational Pool - Money Market Fund	\$ 2,240,609,358	\$ 8,117,151	4.81%	40
Extended Fund	\$ 1,702,966,857	\$ 5,973,981	4.13%	287
<i>March 2006</i>				
County Pool - Money Market Fund	\$ 1,953,949,036	\$ 7,465,041	4.60%	30
Educational Pool - Money Market Fund	\$ 1,975,163,364	\$ 8,072,937	4.60%	47
Extended Fund	\$ 1,691,008,075	\$ 5,134,439	3.82%	267
<i>February 2006</i>				
County Pool - Money Market Fund	\$ 1,928,205,781	\$ 6,203,227	4.48%	32
Educational Pool - Money Market Fund	\$ 2,156,578,419	\$ 7,413,028	4.47%	54
Extended Fund	\$ 1,542,707,130	\$ 4,883,504	3.97%	263
<b>CUMULATIVE BALANCES - 12 MONTHS</b>	<b>AVERAGE BALANCES</b>	<b>TOTAL EARNINGS</b>	<b>AVERAGE YIELD</b>	<b>AVERAGE WAM</b>
<i>February 1, 2006 - January 31, 2007</i>				
County Pool - Money Market Fund	\$ 1,872,995,819	\$ 97,577,857	5.14%	47
Educational Pool - Money Market Fund	\$ 2,081,567,270	\$ 105,410,582	5.11%	51
Extended Fund	\$ 1,840,543,999	\$ 83,788,415	4.51%	379