



OFFICE OF THE TREASURER-TAX COLLECTOR

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

November 8, 2007

CHRISS W. STREET
TREASURER-TAX COLLECTOR

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

WALTER DANIELS
ASSISTANT TREASURER-TAX COLLECTOR
TAX COLLECTION

ROBIN RUSSELL
ASSISTANT TREASURER-TAX COLLECTOR
ADMINISTRATION

CLARISSA ADRIANO-CERES
ASSISTANT TREASURER-TAX COLLECTOR
INFORMATION TECHNOLOGY

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 October 31, 2007

Attached please find the Treasurer's Management Report for the County of Orange for the month ended October 31, 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.

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 October 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.

STAFFING CHANGES

An established practice of the Treasurer-Tax Collector's office has been to include a summary of significant staffing changes in this transmittal letter. We include below a summary of recent changes.

The Treasurer-Tax Collector currently has two Executive Aides, Keith Rodenhuis, J.D. and Anna Bryson. Mr. Rodenhuis joined us in February 2007 as Director of Public Affairs. Ms. Bryson joined the TTC in April and is Director of Program Services.

Early in the third quarter, Brett Barbre, then Chief Assistant Treasurer Tax Collector, left the department. Paul Gorman was promoted to Chief Assistant Treasurer Tax Collector in August. Mr. Gorman has been with the department since 1996 working in Treasury management, most recently as the Assistant-Treasurer-Tax Collector in charge of Treasury operations. He is a Certified Public Accountant licensed in California and a Certified Treasury Professional.

We are pleased to announce two new managers in Treasury. Uyen Phan and Ginika Echebiri, CPA, recently joined the TTC as the Assistant Accounting/Compliance manager and the Accounting/Compliance Manager, respectively. We are delighted to add these two accomplished and experienced professionals to our management team. We have included their short bios below.

Uyen Phan

Assistant Accounting/Compliance Manager-Treasury

Ms. Phan joined the Treasurer-Tax Collectors Office in July 2007. She came to The County of Orange with a background in banking. She started with Citizens Business Bank in 2002 at the Fontana Business Financial Center. She was promoted to Financial Officer in the Finance Department in 2005, and in 2006 to Assistant Vice President/Investment Officer. Ms. Phan holds a Bachelor of Science with an emphasis in Information Management Systems and in 2005 earned her MBA from California State University, San Bernardino.

Ginika Echebiri, CPA

Accounting/Compliance Manager-Treasury

Ms Echebiri joined the Treasurer-Tax Collector in August 2007. She has over 10 years of cumulative audit, accounting and financial reporting experience. Prior to joining the County, she worked for Macias, Gini & O'Connell Certified Public Accountants and subsequently as the Senior Management Analyst for the San Francisco Transportation Authority. She has progressive and diversified experience in financial reporting as it pertains to local governments. Her responsibilities currently include the management and oversight of the accounting/compliance function of the Treasury. Ms Echebiri holds a BSc in Accounting and is a Certified Public Accountant in the State of California. She is currently working on her MBA at Loyola Marymount University, Los Angeles.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's September 2007 interest apportionment. We anticipate posting the September 2007 interest apportionment to participants' cash accounts in the County general ledger by approximately November 23, 2007.

CHANGES IN ELIGIBLE CREDITS

In the month of October, there were no changes to the Treasurer's approved eligibility list of issuers.

CREDIT RATINGS OBSERVATIONS

ABCP

Asset-backed Commercial Paper (ABCP) issuance has continued to improve in October. The Fed's interest rate cut on September 18th seems to have had its intended effect in this part of the market. Before the Fed's cut, ABCP programs were paying nearly a full percentage point above comparably rated Corporate CP issues. Now, smaller interest rate risk premiums and lengthening maturities indicate improving investor confidence.

The Fed's interest rate cut was in response to a severe change in investor sentiment. Lulled by low delinquency rates and motivated by low investment returns, investors took on an increasingly risk friendly approach. As bad loans began to materialize however, particularly those related to subprime mortgages, many investors became completely risk averse, moving into US treasuries until they could better analyze relative risk.

M-LEC

On October 15th, leading global banks introduced a new ABCP conduit dubbed M-LEC. M-LEC is being designed to provide stability for the Structured Investment Vehicle (SIV) market, a subset of ABCP. M-LEC should provide any SIV that enters into an agreement with it, an additional six months to wind-down, reducing the risk of asset "fire sales". The conduit would be "fully-supported" by a group of banks suggesting full support for the participating SIVs. Not touted as a perfect solution, it is one more step in shoring up investor interest.

In response to M-LEC's announcement some investors demonized the banks for orchestrating a bailout of "shaky assets". Others wonder, since M-LEC was clearly described as purchasing only highly rated assets and excluding sub-prime debt, what assets would be available for the conduit to buy? Clearly, sensational headlines have had a considerable affect in mis-shaping investors' opinions. The reality is SIV assets remain very highly rated and most have an infinitesimal exposure to subprime mortgages.

Since the details of M-LEC have yet to be finalized, it is impossible to determine precisely how useful it will be. Nonetheless, we view additional liquidity as positive for the financial markets.

MARKET OBSERVATIONS

Market volatility increased last month as investors became increasingly concerned about the direction of the economy and the rate of inflation. Many short-term investors sought refuge in low yielding Treasury bills. This month they have slowly begun to return to more traditional money market investments. The Dow Jones Industrial Average experienced several 100+ point plunges during the month, yet bounced back the next day.

Responding to market pressure, the Federal Open Market Committee (FOMC) cut the Fed Funds rate by 25 basis points on October 31st, and stated the risks to the economy were equally balanced between inflation and recession. If inflation is running above expectation and the economy is entering a period of negligible growth, is that balanced?

Currently oil and many commodities are trading at all time highs and seem poised to continue their relentless march upward. The Federal Reserve would normally raise rates in this environment, but the contraction in bank lending forced the Fed to put a priority on avoiding a recession. The only way this can be construed as balanced is if the slowdown in the economy brings about reduced demand for products and services. This should allow inflation to subside and the FOMC to begin a rate reduction program. Currently the majority of the world's economies are experiencing strong growth and inflation is being imported into the US economy. This will reduce the efficacy of any FOMC interest rate program.

The recent market volatility has not substantially changed our strategy. We expect to continue our strategy of selectively extending the duration of the portfolios as securities mature.

Interest Rate Forecast

The Treasurer's Investment committee is currently estimating an interest yield of 4.50 percent for the portfolio during fiscal year 2007-2008.

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 with any questions.

**ORANGE COUNTY TREASURER-TAX COLLECTOR
EXECUTIVE SUMMARY
November 1, 2006 - October 31, 2007**

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - October 2007</i>				
County Pool - Money Market Fund	\$ 1,782,577,124	\$ 6,883,821	5.35%	38
Educational Pool - Money Market Fund	\$ 1,694,769,373	\$ 7,831,908	5.22%	43
Extended Fund	\$ 2,402,836,096	\$ 11,058,084	5.28%	484
<i>September 2007</i>				
County Pool - Money Market Fund	\$ 1,432,086,153	\$ 6,660,098	5.41%	45
Educational Pool - Money Market Fund	\$ 1,819,448,968	\$ 7,855,956	5.37%	48
Extended Fund	\$ 2,540,343,321	\$ 10,875,629	5.24%	468
<i>August 2007</i>				
County Pool - Money Market Fund	\$ 1,504,259,141	\$ 7,099,764	5.43%	52
Educational Pool - Money Market Fund	\$ 1,838,089,922	\$ 8,360,457	5.40%	54
Extended Fund	\$ 2,562,116,542	\$ 10,926,380	5.16%	462
<i>July 2007</i>				
County Pool - Money Market Fund	\$ 1,591,863,228	\$ 8,124,200	5.40%	51
Educational Pool - Money Market Fund	\$ 1,955,074,669	\$ 8,736,819	5.38%	58
Extended Fund	\$ 2,498,650,022	\$ 10,525,066	5.16%	479
<i>June 2007</i>				
County Pool - Money Market Fund	\$ 1,877,130,515	\$ 8,120,941	5.40%	54
Educational Pool - Money Market Fund	\$ 1,796,807,395	\$ 9,202,118	5.37%	58
Extended Fund	\$ 2,360,816,509	\$ 10,541,871	5.29%	496
<i>May 2007</i>				
County Pool - Money Market Fund	\$ 2,038,485,187	\$ 9,453,530	5.38%	56
Educational Pool - Money Market Fund	\$ 2,253,481,882	\$ 11,347,317	5.35%	55
Extended Fund	\$ 2,269,898,637	\$ 9,010,127	5.11%	422
<i>April 2007</i>				
County Pool - Money Market Fund	\$ 2,310,098,771	\$ 11,096,800	5.38%	51
Educational Pool - Money Market Fund	\$ 2,584,211,525	\$ 10,202,892	5.36%	53
Extended Fund	\$ 2,037,558,524	\$ 9,230,167	5.25%	463
<i>March 2007</i>				
County Pool - Money Market Fund	\$ 1,800,423,404	\$ 7,762,592	5.30%	58
Educational Pool - Money Market Fund	\$ 2,156,514,102	\$ 9,805,516	5.29%	50
Extended Fund	\$ 2,257,154,399	\$ 9,622,420	4.99%	444
<i>February 2007</i>				
County Pool - Money Market Fund	\$ 1,707,506,698	\$ 6,691,832	5.40%	69
Educational Pool - Money Market Fund	\$ 2,273,724,523	\$ 8,707,709	5.35%	56
Extended Fund	\$ 2,278,912,413	\$ 9,587,935	5.43%	441
<i>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
CUMULATIVE BALANCES - 12 MONTHS	AVERAGE BALANCES	TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
<i>November 1, 2006 - October 31, 2007</i>				
County Pool - Money Market Fund	\$ 1,836,716,031	\$ 100,457,390	5.39%	52
Educational Pool - Money Market Fund	\$ 2,068,519,444	\$ 109,567,517	5.35%	52
Extended Fund	\$ 2,285,656,739	\$ 117,091,227	5.14%	460