



COUNTY OF ORANGE
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September 8, 2000

TO: *Board of Supervisors
Michael Schumacher, Interim 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 August 31, 2000*

Attached please find the Treasurer's Management Report for the County of Orange for the month ended August 31, 2000. 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.

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 August 31, 2000. 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 July 2000 interest apportionment. June's apportionment was submitted for posting on September 8. We anticipate posting July to participants' cash accounts in the County general ledger by October 16.

We are progressing on modifications to our accounting systems to accomplish the monthly posting of accrual basis investment earnings. We anticipate implementation in September 2000.

ECONOMIC OBSERVATIONS

The Federal Open Market Committee (FOMC) left interest rates unchanged at the August 22 meeting. The accompanying statement from the FOMC confirmed their belief that the growth of aggregate demand is moderating and moving more into line with the rising potential growth rate of the economy. The FOMC also indicated that unprecedented increases in productivity have been raising the economy's potential growth rate, while at the same time, holding down price pressures.

Reassured by the FOMC, as well as the direction of recently released economic data, U.S. financial markets have grown increasingly optimistic that the economy is contracting to a sustainable pace of growth. Examples of the slowdown in economic activity include the following:

- An overall reduction in the Housing Industry*
- A consistent decrease in the Purchasing Managers Index*
- A major downturn in the number of Manufacturing Jobs*
- The steady increase in Initial Jobless Claims*

With the continuing moderation of the economy and presidential elections right around the corner, the financial markets expect the FOMC to remain on hold at their October 3 meeting. Our Investment Management Committee concurs.

Please call if you have any questions.