OFFICE OF THE TREASURER-TAX COLLECTOR



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October 10, 2007

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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 September 30, 2007

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended September 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 September 30. 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 August 2007 interest apportionment. We anticipate posting the August 2007 interest apportionment to participants' cash accounts in the County general ledger by approximately October 25, 2007.

CHANGES IN ELIGIBLE CREDITS

In the month of September, there were no changes to the Treasurer's approved eligibility list of issuers. The foreign bank HBOS (Halifax Bank of Scotland) Treasury Services NY, however, revised its name to Bank of Scotland PLC NY.

The Treasury Investment Committee also discussed Structured Investment Vehicle (SIV) holdings. Please see the attached report.

CREDIT RATINGS OBSERVATIONS

Following the Federal Reserve Bank 50 basis point interest rate cut on September 18th, fixed Income securities went up in value and investors demanded a smaller risk premium to buy lower rated debt. Thirty-day A-2 rated commercial paper paid investors a punitive 60-70 basis points over their A-1+ counterparts at the beginning of the month and only 45 basis points by the end of the month (one basis point is a one-hundredth of a percent).

The credit environment remains quite remarkable. Even in the face of record subprime mortgage delinquencies, Moody's recently reported that the global speculative-grade default rate for the third quarter is at its lowest level in over a decade at 1.3%.

We have continued to strengthen the Treasurer's Investment Fund portfolio's weighted average credit ratings to above AA+, selecting from the best positioned companies in the world.

MARKET OBSERVATIONS

In response to the difficulty seen in the global credit markets the Federal Open Market Committee (FOMC) cut the Federal Funds rate by 50 basis points to 4.75% on September 18th. Once again this shows an active Fed which is willing to step in and provide liquidity when markets are unable to function efficiently on their own, providing the calming influences markets need during times of uncertainty. Investors were emboldened by the decline in rates and responded by driving the Dow Jones Industrial Average to new highs on October 1.

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Although certain more speculative segments of the debt market are still remain finding it difficult to obtain funding at levels they find attractive, higher quality borrowers in the short term credit market have been able to fund at favorable costs. This is a significant improvement over two months ago, when even companies with above average credit ratings had been unable to find lenders at virtually any price. At the same time, record earnings in many sectors and renewed optimism in the ability for Leveraged Buy Outs (LBO's) to obtain financing continues to drive up world stock market averages.

The Orange County Treasurer's research team believes that interest rates will decline modestly over the balance of this year and move higher in the second half of next year as a slowing economy and the competition of the Presidential Election cycle force the US Congress to cut taxes. On interest rate backups we expect to continue our strategy of selectively extending the maturities of the portfolios we manage.

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.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

October 1, 2006 - September 30, 2007

PERIOD ENDING - MONTH / YEAR	N	MONTH END	EA	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - September 2007						
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
August 2007		2,010,010,021	Ψ	10,010,020	0.2170	100
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
July 2007	Ψ	2,302,110,342	Ψ	10,920,300	5.10%	402
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
		2,498,650,022		10,525,066	5.36%	479
Extended Fund	\$	2,490,030,022	\$	10,525,066	5.10%	479
June 2007	Φ.	4 077 400 545	ው	0.400.044	E 400/	F 4
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
May 2007						
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
April 2007						
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
March 2007						
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
February 2007						
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
January 2007						
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
December 2006	Ť	_,,	Ť	0,200,001		
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
November 2006 County Pool - Money Market Fund	φ	4 024 007 004	ው	7 007 040	5.39%	64
Educational Pool - Money Market Fund	\$	1,834,087,894 1,913,967,546	\$ \$	7,897,248 8,281,668	5.36%	61 62
Extended Fund	\$	1,971,569,719	\$	8,216,199	4.99%	457
October 2006		.,0.1,000,110	Ψ_	3,210,100		
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
CUMULATIVE BALANCES - 12 MONTHS		AVERAGE BALANCES		TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
October 1, 2006 - September 31, 2007		4 00= =4= ===		101 115 215		_
County Pool - Money Market Fund	\$	1,837,516,960	\$	101,142,617	5.40%	54
Educational Pool - Money Market Fund	\$	2,087,604,602	\$	110,921,450	5.37%	53
Extended Fund	\$	2,247,482,511	\$	113,874,410	5.10%	46