



OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS
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August 10, 2005

TO: Board of Supervisors
Thomas G. Mauk, 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 July 31, 2005

Attached please find the Treasurer's Management Report for the County of Orange for the month ended July 31, 2005. 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.ocgov.com/treas/.

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 July 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.

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PUBLIC INFORMATION OFFICER

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's June and July 2005 interest apportionments. We anticipate posting the June and July 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately August 12 and September 15, 2005 respectively.

CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST

In the month of July, there were two changes to the Treasurer's approved eligibility list:

- 1) **Royal Bank of Canada** was added
- 2) **CXC Funding, LLC** was removed

ECONOMIC OBSERVATIONS

Most of this month's economic news fared more heavily on words than actions. The numbers stirred little excitement within the financial markets with economic reports offering benign results. The Federal Open Market Committee (FOMC) maintained the spotlight with the announcement of a ninth straight 25 basis point rate hike on June 30. In addition, Alan Greenspan, FOMC chairman, gave his semi-annual policy testimony before Congress.

Some of the more significant economic releases included:

- Solid retail sales numbers attributed to the "employee-discount" auto incentive.
- Flat inflation readings from the Consumer Price Index and the Producer Price Index.
- Strong durable goods orders from the electronics and machinery industries.

Chairman Greenspan continued his message of preserving sustained growth and low inflation with "measured" rate hikes. Several FOMC Governors echoed this sentiment in personal appearances.

Adding support to this precept, the employment data surprised all the analysts with 207,000 new jobs created during July and a large upward revision to June's jobs data. This information bodes very well for economic activity during the third and fourth quarters of the year and will probably send all the forecasters back to the "drawing board" once again.

However, all is not well. Crude oil has hit all-time highs, surpassing \$68 per barrel on supply concerns after energy companies cut back refining capacity due to terrorist threats.

Anxiety about a possible housing "bubble" is growing. Economists are concerned about the consequence of rising interest rates, bloated housing prices and the reckless use of interest-only mortgages. In his testimony before Congress on July 20, FOMC Chairman Greenspan warned about the "speculative fervor" seen in some housing markets.

In the mean time, the Treasurer's Investment Committee expected the FOMC's August 9, 2005, 25 basis point rate increase. We anticipate interest rate increases by the FOMC for the foreseeable future, and have positioned the portfolio accordingly.

INTEREST RATE FORECAST

At this time, the Treasurer's Investment Committee is estimating an interest yield of 3.50 percent for the portfolio during fiscal year 2005-2006.

Please call with any questions.

**ORANGE COUNTY TREASURER-TAX COLLECTOR
EXECUTIVE SUMMARY
AUGUST 1, 2004 - JULY 31, 2005**

PERIOD ENDING - MONTH / YEAR	MONTH END BALANCES	EARNINGS FOR MONTH	YIELD FOR MONTH	MONTH END WAM
<i>Current Month - July 2005</i>				
County Pool - Money Market Fund	\$ 1,704,788,689	\$ 5,134,069	3.30%	55
Educational Pool - Money Market Fund	\$ 2,097,386,634	\$ 5,856,164	3.28%	53
Extended Fund	\$ 1,508,289,288	\$ 3,904,570	3.03%	301
<i>June 2005</i>				
County Pool - Money Market Fund	\$ 1,965,578,445	\$ 4,990,924	3.14%	50
Educational Pool - Money Market Fund	\$ 2,023,992,462	\$ 5,583,846	3.12%	45
Extended Fund	\$ 1,511,124,166	\$ 3,878,491	3.19%	331
<i>May 2005</i>				
County Pool - Money Market Fund	\$ 2,037,630,751	\$ 5,810,214	3.03%	50
Educational Pool - Money Market Fund	\$ 2,265,226,445	\$ 5,796,023	3.02%	45
Extended Fund	\$ 1,461,308,895	\$ 3,678,833	2.93%	334
<i>April 2005</i>				
County Pool - Money Market Fund	\$ 2,525,745,315	\$ 6,147,555	2.75%	46
Educational Pool - Money Market Fund	\$ 2,257,464,691	\$ 4,846,316	2.86%	54
Extended Fund	\$ 1,473,151,187	\$ 3,347,206	2.88%	352
<i>March 2005</i>				
County Pool - Money Market Fund	\$ 2,180,872,669	\$ 4,697,490	2.54%	44
Educational Pool - Money Market Fund	\$ 1,926,986,398	\$ 4,667,362	2.69%	58
Extended Fund	\$ 1,458,405,678	\$ 2,736,449	2.50%	361
<i>February 2005</i>				
County Pool - Money Market Fund	\$ 2,196,425,147	\$ 4,007,233	2.42%	51
Educational Pool - Money Market Fund	\$ 2,066,308,967	\$ 4,000,571	2.51%	49
Extended Fund	\$ 1,202,129,910	\$ 2,388,483	2.57%	327
<i>January 2005</i>				
County Pool - Money Market Fund	\$ 2,075,448,860	\$ 4,185,020	2.23%	40
Educational Pool - Money Market Fund	\$ 2,115,951,386	\$ 4,171,061	2.38%	47
Extended Fund	\$ 1,204,140,670	\$ 2,494,236	2.36%	346
<i>December 2004</i>				
County Pool - Money Market Fund	\$ 2,343,955,532	\$ 4,687,719	2.16%	45
Educational Pool - Money Market Fund	\$ 2,255,014,780	\$ 3,557,833	2.18%	42
Extended Fund	\$ 1,202,982,249	\$ 2,258,249	2.28%	360
<i>November 2004</i>				
County Pool - Money Market Fund	\$ 2,123,655,398	\$ 3,408,306	1.95%	56
Educational Pool - Money Market Fund	\$ 1,712,428,294	\$ 2,780,374	1.94%	46
Extended Fund	\$ 1,139,862,075	\$ 2,001,364	2.19%	383
<i>October 2004</i>				
County Pool - Money Market Fund	\$ 2,023,230,278	\$ 2,904,486	1.77%	50
Educational Pool - Money Market Fund	\$ 1,781,919,176	\$ 2,775,580	1.75%	56
Extended Fund	\$ 1,118,360,510	\$ 1,910,398	2.05%	371
<i>September 2004</i>				
County Pool - Money Market Fund	\$ 1,911,882,760	\$ 2,558,198	1.60%	53
Educational Pool - Money Market Fund	\$ 1,944,305,632	\$ 2,563,511	1.58%	55
Extended Fund	\$ 1,036,998,629	\$ 1,811,920	2.09%	359
<i>August 2004</i>				
County Pool - Money Market Fund	\$ 1,935,382,772	\$ 2,332,080	1.43%	54
Educational Pool - Money Market Fund	\$ 1,849,065,933	\$ 2,057,695	1.41%	44
Extended Fund	\$ 1,065,225,718	\$ 1,772,947	1.95%	347
Investment Pools	AVERAGE BALANCES	TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
<i>August 1, 2004 - July 31, 2005</i>				
County Pool - Money Market Fund	\$ 2,085,383,051	\$ 50,863,294	2.36%	50
Educational Pool - Money Market Fund	\$ 2,024,670,900	\$ 48,656,335	2.39%	50
Extended Fund	\$ 1,281,831,581	\$ 32,183,146	2.50%	348