

**COUNTY OF ORANGE**  
**2001 Business Plan**

*Treasurer-Tax Collector Department*



February 21, 2001

Approved: \_\_\_\_\_  
John M. W. Moorlach, C.P.A., CFP  
Treasurer-Tax Collector

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## I. EXECUTIVE SUMMARY

The Treasurer-Tax Collector for the County of Orange is now the bearer of a County five-year pin. Yes, "time flies" when you are busy. And for the past five years everyone in this department, from managers to front-line employees, has been very busy pursuing our mission: "To provide efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts."

We have instituted the necessary systems and safeguards to assure the public that their funds are being safely invested and closely monitored. With the recent energy crisis, we have even instituted stricter investment procedures. We have also provided numerous innovative improvements to assist taxpayers with the remittance of their property taxes. We just introduced "virtual checks," which permits taxpayers to pay over the Internet.

In spite of the pace, those in the Treasurer-Tax Collector's department have never paused to rest on their well-deserved laurels. We are constantly pressing for the "cutting edge" in technology and taxpayer services. We diligently look for areas where we can make improvements, be it internally through process enhancements or externally through legislative changes.

In the past, due to budget constraints and the tyranny of the urgent, we have not been able to put enough emphasis on encouraging the personal development of our staff. We will be implementing additional training opportunities and utilizing the County's incentive programs (Goal 1).

This is still a task-oriented department and our customer base has high expectations for a seamless payment process. Toward that end, we have also been working with the Assessor, Auditor-Controller, Clerk-Recorder and Clerk of the Board to encourage the County's Board of Supervisors to modernize our Assessment Tax System by utilizing advancements in the information technology arena (Goal 2). Our joint efforts are currently focused on the conversion of our Datacom-Cb database software to DB2.

To improve our investment and cash management functions, we have been pursuing the acquisition of an efficiency enhancement known as a Treasury Workstation. This technology has been recently designed and incorporated in most of the Fortune 500 companies. As the economic boom begins to wane, credit analysis will be more critical. Accordingly, we are requesting a staffing addition for the position of Financial Analyst. With more than \$3 billion under management and vying for the highest quality and most competitive yielding investments available in the market place, it is critical that we strengthen our software and research strategies (Goal 3).

We're having fun. We've added to our outside participant list. Our annual Treasurer's Conferences continue to be very informative. And our most recent efforts to try to improve governmental financial conditions in the County have been well received (from the Measure G early bankruptcy debt retirement effort to school bond measure grading to derailing a misguided toll road sale to exposing unnecessary interagency lawsuits).

We are driven to be the best. We are blessed to have a team of employees that aspires to excel. It is one thing to do your job well, which we have done. It is another to do it better. We believe that we have a department of which our citizens can be proud.

## II. CLIENTELE

All service recipients for the Treasurer-Tax Collector are located geographically within the boundaries of Orange County with the exception of nonresident property owners.

The recipients of services for Treasurer Accounting, Banking, and Investment Services provided by the Treasurer's Office are the County, special districts, and schools. The Treasurer's Office is responsible for the receipt, accounting, and investment of all service recipient funds. Approximately \$3.0 billion is managed in three separate investment pools. In addition, approximately \$178 million is invested in specific investments for certain departments and special districts. Our treasury clientele are benefited by our diligent cash flow planning, our professional investment management, and the overall accounting and reporting services provided within the Treasurer's office.

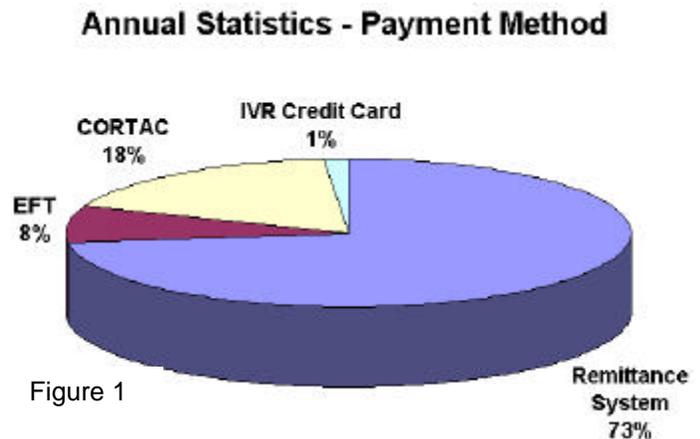
The Tax Collector's Office is responsible for collecting \$2.7 billion in property taxes. It is important to note that the County General Fund's share is approximately \$147 million. This represents the largest source of general-purpose revenue for the County General Fund. The Tax Collector collects taxes from service recipients on behalf of approximately 280 taxing jurisdictions. These jurisdictions include the County, special districts, schools and cities of Orange County. Our tax collection clientele are benefited by our tax bill dissemination, remittance and cashing processing, past due collection efforts and taxpayer telephone assistance services.

Both departmental focuses are supported by administrative, human resources, purchasing and information systems services support staff.

Real property owners account for the largest percentage of service recipients representing 760,000 of our 1.2 million tax bills. In addition, the top twenty corporations and companies are expected to pay 5.81 percent of the total \$2.4 billion due on the real property tax roll for the 2000-01 year.

Service recipients remit property taxes in person, by mail, through mortgage impound accounts (CORTAC), utilizing convenient telephone payment alternatives, electronic fund transfers and over the Internet. Beginning in November 2000, taxpayers have been provided the option to pay by electronic check via the Web. Despite these expanded payment options, mail payments represent seventy-three percent of the remittances processed while electronic fund transfers and Interactive Voice Response (IVR) credit card payments only represent 9 percent (Figure 1).

Based on the high percentage of Orange County residents with computer access, we expect electronic payment methods to increase while mail payments decrease. For example in 1995, this office processed approximately 2,000 credit card transactions. This has increased to 18,000 payments for the fiscal year ended June 2000. In addition, clients have demanded that we increase our maximum tax amount eligible for credit



card payments from \$50,000 to \$100,000 per transaction despite a required convenience fee of approximately 2.5 percent of the amount of taxes charged.

We continue to provide express payment service in the Tax Collector's Office at Santa Ana Civic Center. On tax deadlines, we offer expanded office hours and have installed a night drop box. Many senior citizens and local residents prefer to personally deliver their payments. Our goal is to service the typical in-office payment transaction within 10 minutes of arrival. This requires the shifting of resources during our peak periods. We also recently installed an in-office express payment drop box to eliminate the need for many customers to wait in line.

Both Offices of the Treasurer-Tax Collector's Department are aware of the need to utilize technology to provide service recipients with competitive products in today's environment of limited resources. Major upgrades in Collection and Treasury Systems are currently in process. In addition, new electronic commerce applications such as payment by Internet and electronic benefit payment applications are seen as cost effective solutions.

### **III. SERVICE ENVIRONMENT**

#### **Introduction**

The Treasurer-Tax Collector Department provides centralized treasury and tax collection services for the County of Orange.

The Treasurer's Office is responsible for the receipt, custody, depository, investment, and recording of funds for the County, school districts, and special districts. Responsibilities also include issuance of short-term debt on behalf of the County, school districts, and administration of the County's 1992 Defined Benefit Retirement Plan. In addition, this office acts as trustee in connection with unclaimed property and is responsible for the issuance, billing, collection, redemption, and foreclosure of improvement bonds.

The Tax Collector's Office is responsible for collecting taxes on all secured and unsecured property in Orange County. In addition, this office is responsible for the sale of property subject to the "power to sell," formerly known as delinquent tax deeded property. As well as collecting Annual Racehorse Taxes, Transient Occupancy Taxes, and Public Defender judgments, the Tax Collector also provides remittance processing services, information system services, and departmental administrative support.

The Treasurer-Tax Collector consists of the following major divisions:

**Investment Management:** Provide portfolio management, broker/dealer relations, investment/economic research, liaison for oversight committees, and custody relation services.

**Cash Management:** Provide bank-related services and relationship management, cash optimization and forecasting, and financial electronic commerce solutions.

**Accounting/Compliance:** Provide financial reporting, fund accounting, general ledger reconciliations, bank reconciliations, investment accounting and compliance services, and defined benefit plan administration.

**Collections:** Provide centralized tax compliance services for delinquent unsecured tax collections, prior year secured property tax collections, public defender judgment collections, public information services, property tax problem payment processing, and general correspondence.

**Remittance & Cashiering:** Provide automated remittance processing for all property tax rolls, refund accounting, tax roll accounting, and cashiering for the Treasurer.

**Administrative Services:** Provide tax roll reconciliations, purchasing, contract administration, human resources, payroll services, budget, facility operations, telephone, and network services for the Treasurer and Tax Collector Offices.

**Information Services:** Provide systems development and maintenance support for numerous Treasurer-Tax Collector applications required for the depositing, accounting, and collecting of funds.

In addition, two external committees provide oversight:

- The Board of Supervisors (BOS) established the Treasury Oversight Committee (TOC) in December 1995. The primary purpose of this committee is to review and monitor compliance with the Treasurer's Investment Policy Statement (IPS). In this regard, the committee is required to cause an annual compliance audit of the Treasurer's investment activities.
  - The membership of TOC is comprised of the County Auditor-Controller, the County Executive Officer (the representative appointed by the County Board of Supervisors), the County Superintendent of Schools or designee, and two members of the public. TOC may also include the County Treasurer, a representative of the school districts and community college districts, a representative of the special districts, and up to three other members of the public.

Membership of TOC is as follows:

Mr. Bob Fauteux, Committee Chairman, member of the public  
Mr. Michael Schumacher, CEO, County of Orange  
Hon. David E. Sundstrom, Auditor-Controller, County of Orange  
Dr. John F. Dean, Superintendent, OCDE (Retiring)  
Mr. Chuck Schroeder, member of the public

- The Treasurer established the Treasurer's Advisory Committee (TAC) in January 1996 to provide technical assistance to the Treasurer and the TOC with respect to the overall appropriateness of investment strategies and procedures. This includes the design and drafting of the IPS.

Membership of TAC is as follows:

Hon. Jeffery M. Thomas, Mayor, City of Tustin  
Mr. Blake E. Christian, Partner, Holthouse Carlin & Van Trigt  
Mr. Clyde E. Kendzierski, Senior Vice President, Sanwa Bank  
Mr. Bruce A. Hughes, Hughes & Horowitz

Mr. George Jeffries, G.W. Jeffries & Associates  
Dr. Wendy Margarita, Orange County Department of Education

## Funding Sources

The departmental budget for the Treasurer-Tax Collector for fiscal year 2000-01 is \$8.9 million in expenditures and \$6.5 million in revenues. The difference or net county cost is \$2.3 million. The components of the \$6.5 million in revenues are as follows:

➤ Investment Services Revenue Paid by the Treasury Pool Participants	\$3.8
➤ Credit Card and Armored Service User Fees	0.8
➤ Tax Collector User Fees	1.6
➤ Supplemental Tax Roll Cost Reimbursement from the State	<u>0.3</u>
	<u>\$6.5</u>

## Challenges

During 2001 we will continue to address the Service Plans and Projects identified in the Treasurer-Tax Collector Business Plan, dated February 28, 2000. Funding sources are stable for all major projects. However, we are aware of the following service issues that could impact delivery as noted below:

- *Uncontrollable delays in the funding and planning process for the continuation of enhancements to the Assessment Tax System may result in the postponement of identified technology upgrades. The time and effort required to convert Assessment Tax System database from Data Com - DB to DB2 may also delay implementation of these enhancements.*
- *Providing public assistance benefits electronically is cost effective, safe and reliable. There are banks that have the technology to provide such services. However, due to programs being implemented by the State of California, our ability to use these electronic banking services is limited.*
- *The decentralization of Human Resources has been successfully transitioned. However, the time and effort to conduct recruitments for generic job classes is a concern. There is a need to consider providing small departments with centralized recruitment services for generic job classes, specifically entry-level Office Services positions.*

## IV. 2000 ACCOMPLISHMENTS

The Treasurer-Tax Collector Department has made significant progress towards our 2000-2001 goals, objectives and strategies, and in accomplishing new projects in response to a constantly changing operating environment.

**GOAL 1: Continue to provide an effective, responsive, competitive organizational and operating structure.**

- Service Plan 1.1:** Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet.
- *Project has been deferred due to other priorities.*
- Service Plan 1.2:** Complete the procurement, implementation and training for a Treasury Workstation (TWS).
- *The procurement phase of this project is substantially complete. A Request for Proposal has been drafted and is in the review process.*
  - *Multi-year project carried over to 2001*
- Service Plan 1.3:** More effectively use staff resources as a result of technological enhancements.
- *Tax Refund responsibilities expanded to additional staff utilizing new imaging technology.*
  - *Implemented document scanning to eliminate paper filing of correspondence.*
- Service Plan 1.4:** Effectively implement and monitor the Performance Incentive Program (PIP) and the Management Performance Plan (MPP).
- *The department has established a PIP Coordination Committee. This committee consists of departmental supervisors and meets as necessary to address questions and concerns, and to monitor the PIP employee-training program. In addition, all managers have attended the MPP training session and will be meeting with their respective managers to establish MPP Goals as the year progresses.*
- Service Plan 1.5:** Establish an alternate banking solution for the delivery of Welfare benefits.
- *A multi-department committee has formed to implement direct deposit of public benefits. Social Services and the Treasurer's office is committed to complete the project as soon as possible, but no later than December, 2001*
  - *Carried over to 2001*
- Service Plan 1.6:** Pursue E-Commerce with the offering of additional payment options via the Internet, including all brands of credit, check cards, and electronic checks.
- *E-Commerce capabilities via the Internet were included in the ATS Strategic Plan (Vision Document) prepared by the Treasurer-Tax Collector, Auditor-Controller, Assessor, Clerk-Recorder and Clerk of the Board of Supervisors. In addition, an initial electronic check option (VirtualCheck ™) has been added to departmental Website.*
  - *Multi-year project carried over to 2001*
- Service Plan 1.7:** Transfer the plan administration of the Defined Benefits Plan to an outside vendor.

- *Day-to-day administration transferred to PARS, a third party administrator.*

**Service Plan 1.8:** Establish guidelines and procedures for handling purchase requests.

- *The new Purchasing Manager (DML) is now in the process of establishing guidelines and procedures for handling purchase requests (see Service Plan 1.11).*
- *Carried over to 2001*

**Service Plan 1.9:** Design an RFP to pursue a department-wide organizational study to evaluate reporting structure, staffing and classification assignment, to be conducted in 2001.

- *Further research deemed this study unnecessary.*

**Service Plan 1.10:** Add three positions to the Tax Collector's staff to serve as multipurpose facilitators to address peak period workloads throughout the department.

- *Recruitment for these positions was started during October 2000 and completed December 2000.*

**Service Plan 1.11:** Add a Purchasing Manager (DML) to Administrative Staff.

- *During September 2000 a Purchasing Manager (DML) was hired in the Administration unit.*

**Service Plan 1.12:** Enter into dialogue on combining efforts with the Clerk-Recorder and Internal Audit to create one Human Resources Manager (FML) and one Purchasing Manager (FML) to assist the administrative staff in this department and their equivalents in the other two departments.

- *Postponed pending the evaluation of the impact of new Purchasing Manager.*

**Service Plan 1.13:** Provide a legislative alternative for the election of a money market portfolio investment policy statement.

- *Legislation for a money market investment option was presented to and approved by the CACTTC legislative committee in October 1999. Unable to obtain a sponsor for the second year of session.*
- *Carried over to 2001*

**Service Plan 1.14:** Rewrite and consolidate any outdated or duplicate investment language from California Government Code §53601 and §53635.

- *Legislation consolidating California investment code into one section was presented to and approved by the CACTTC legislative committee in October 2000.*
- *Multi-year project carried over to 2001*

## **GOAL 2: Increase the Department's value and goodwill.**

**Service Plan 2.1:** Web-based access to Treasurer-Tax Collector information.

- *Systems staff undergoing training in Web Development tools.*
- *Consultant has been hired to assist in developing a strategic plan for Web enabling the Assessment Tax System.*
- *Multi-year project carried over to 2001*

- Service Plan 2.2:** Web-based ability to pay property taxes.  
 ➤ *Added VirtualCheck™ December 2000*
- Service Plan 2.3:** Complete Phase II of document image storage and retrieval system.  
 ➤ *Implemented document scanning for correspondence*  
 ➤ *Added Computer Output to Laser Disk (COLD) capability for selected billings. Others to be added as required.*
- Service Plan 2.4:** Convert from Novell Perfect Office to Microsoft Office.  
 ➤ *90% of desktops have MS Office.*  
 ➤ *Training to begin January 2001*  
 ➤ *Carried over to 2001*
- Service Plan 2.5:** Develop and implement a bankruptcy property tax system.  
 ➤ *This project has been deferred due to other priorities and funding constraints.*
- Service Plan 2.6:** Develop and implement a bulk transfer property tax system.  
 ➤ *Scheduled for implementation January 2001*
- Service Plan 2.7:** Develop and implement a mobile home tax clearance certificate system.  
 ➤ *Implemented June 2000.*
- Service Plan 2.8:** Develop and implement an automated electronic deposit order system for the cashiering back office system.  
 ➤ *This project has been deferred due to other priorities.*
- Service Plan 2.9:** Develop and implement an automated journal voucher system for property tax accounting.  
 ➤ *An initial analysis has been completed. Project has been deferred due to other priorities.*
- Service Plan 2.10:** Incorporate Tax Collector fees into the tax apportionment system.  
 ➤ *Unsecured scheduled for implementation January 2001. Secured and prior-year secured scheduled for implementation by June 2001.*
- Service Plan 2.11:** Implement identified centralized remittance processing applications.  
 ➤ *Completed remittance processing interest survey. Project closed due to a lack of interest by respondents.*
- Service Plan 2.12:** Commence Department training programs.  
 ➤ *Departmental Training program started. Nine monthly training sessions held. In addition, on-line employee procedure and training manual was implemented.*
- Service Plan 2.13:** Maintain / Improve collection percentage rankings.  
 ➤ *Secured collection percentage ranking improved from 5<sup>th</sup> to 4<sup>th</sup> highest of the 58 California Counties and our collection rate remained at 98.6%. However, as a result of changes in reporting*

*guidelines, our unsecured collection percentage ranking decreased from 7<sup>th</sup> to 11<sup>th</sup>. Nevertheless, our collection rate was 98%.*

**Service Plan 2.14:** Continue to be proactive in the legislative process.

- *On July 21, 2000, Governor Davis signed into law SB 1493, a bill carried by Senator John Lewis for Orange County Treasurer-Tax Collector John M. W. Moorlach. This new law, which passed the Assembly on a 77-0 vote and the Senate on a 39-0 vote, provides new guidelines for county treasurers regarding the distribution of an investment pool's interest earnings.*

*This bill:*

- 1. Allows a county treasurer to use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.*
  - 2. Requires a county treasurer to apportion any interest derived from the investment of funds in an amount proportionate to the average daily balance of the amounts deposited and to the total average daily balance of deposits in the investment pool.*
  - 3. Clarifies that the county treasurers' allocations of interest and administrative costs to each agency are in proportion to the investment pools' total deposits.*
  - 4. Requires the county treasurer to disclose to investing local agencies the accounting method used and to notify them of any proposed changes.*
- *Orange County Treasurer-Tax Collector John M. W. Moorlach and staff submitted 11 legislative recommendations to the County Treasurer's Association (CACTTC) for inclusion in the 2000-2001 platform. All but one of these recommendations was approved.*

**Service Plan 2.15:** Participate with CEO in the defeasance of County debt upon receipt of bankruptcy litigation proceeds.

- *The Treasurer's office participated with the CEO to pay down a significant amount of bankruptcy debt. Through a combination of a tender offer and defeasance, the total outstanding Pension Obligation Bonds (approximately \$639 million) were paid off. Funds used included litigation settlement proceeds.*

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## **Additional Accomplishments**

- Received approval from the Board for a revised Investment Policy Statement that included an investment option to extend maturities up to three years. Established internal policies and began investing a portion of the portfolio in a separate fund with extended maturities.

- Upgraded Interactive Voice Response System with new hardware and software.
- Modified Fund Accounting System to accommodate specific accounts for accrual accounting of interest.
- Initiated discussions with three major banks for banking services. The outcome has the potential to significantly reduce County costs.
- Participated in several general obligation school bond issues.

## **V. 2001 OPERATIONAL PLAN**

### **Overview**

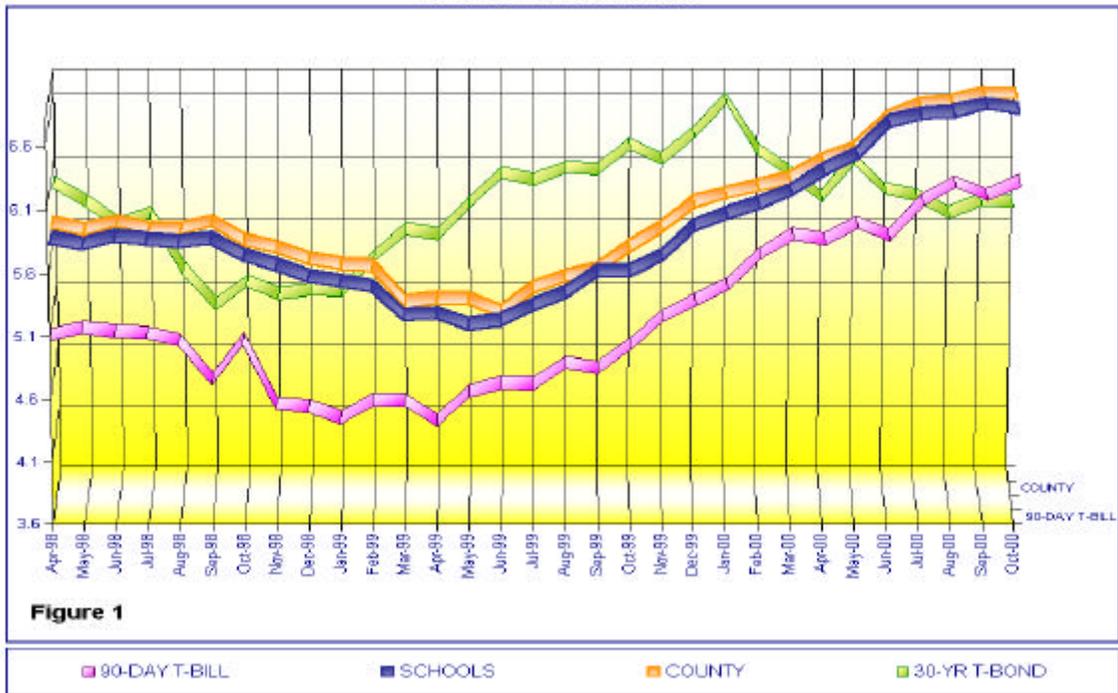
Based on our assessment of the major service and client issues identified, the Treasurer-Tax Collector has redefined and expanded our goals for 2001. Some service plans will expectedly be multi-year in nature.

### **Key Outcome Measures:**

1. Obtain a portfolio yield that meets or exceeds the 90-day US Treasury Bill and money market benchmarks. Refer to Figures 1 and 2 for prior years' performance data.
2. Decrease administration fee charged to all pool participants. Refer to Figure 3.
3. Maintain highest rating of investment pools (AAA/V-1+ per Fitch). Indeed, the investment pools did maintain this rating for the entire year of 2000. (It should be noted, however, that the educational pool was downgraded January 16, 2001 to AA/V-1+ due to holdings in Edison International securities. It is anticipated to revert to its AAA/V-1+ rating July 19<sup>th</sup>, 2001.) The Fitch report is located in Appendix C.
4. Exceed State property tax collection rates for secured and unsecured property by minimizing unpaid taxes. Refer to Figures 4 and 5.
5. Maintain a maximum invested cash position (percent of available funds invested: Figure 6).

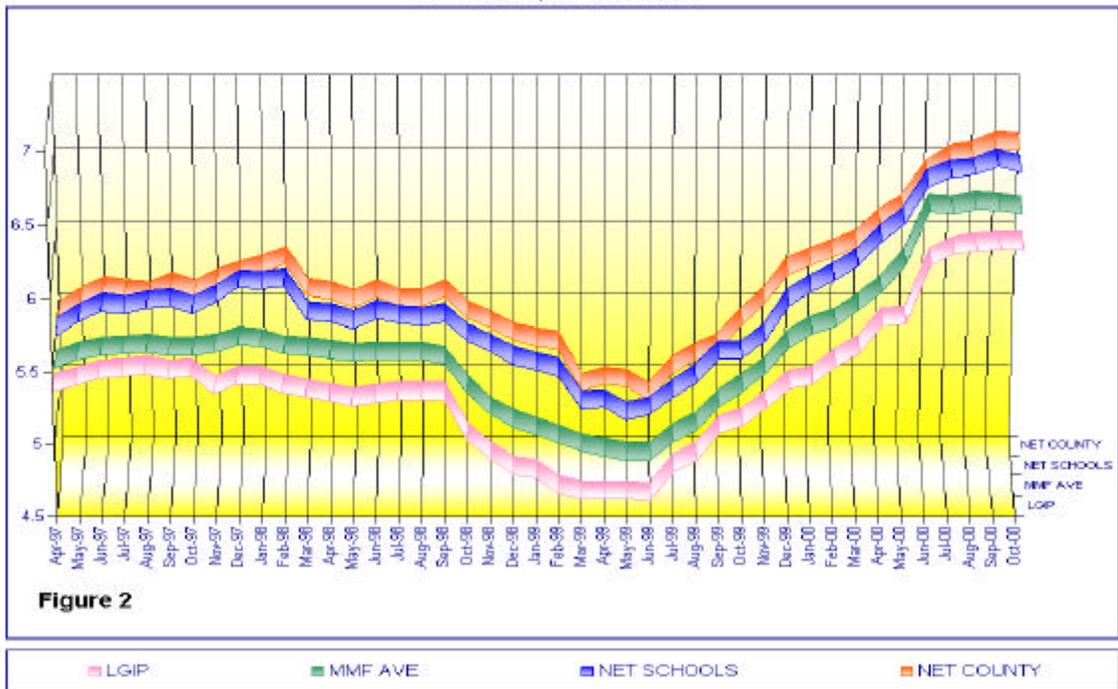
### ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (GROSS)

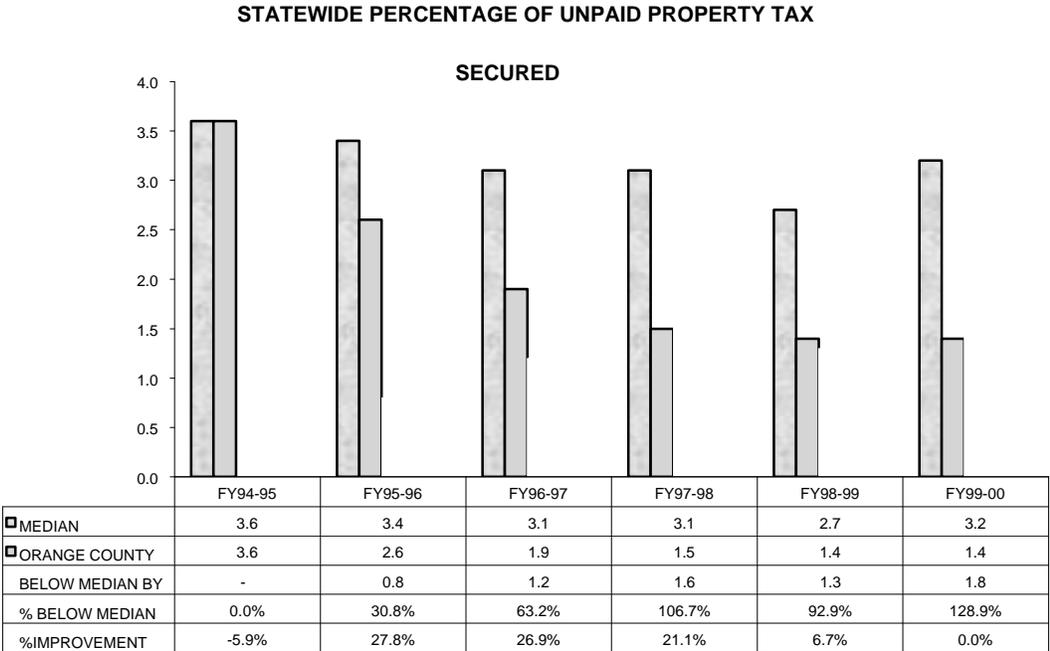
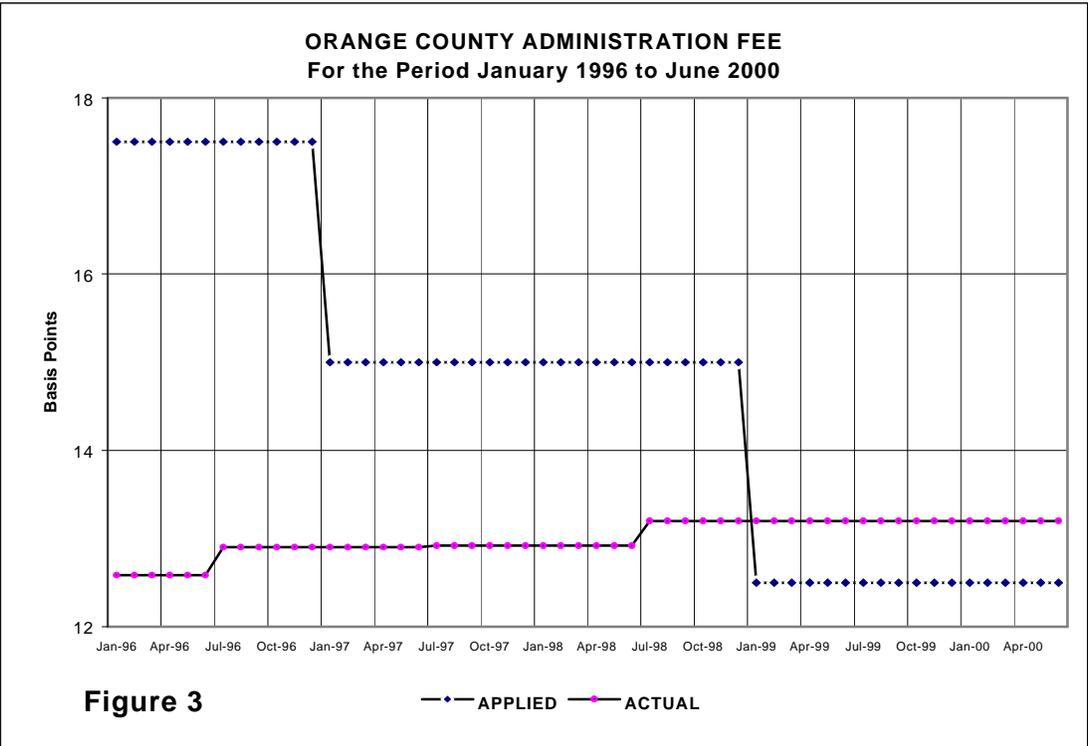
For The Period April, 1998 to Oct, 2000



### ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (NET)

For The Period April, 1997 to Oct, 2000





**Figure 4**

STATEWIDE PERCENTAGE OF UNPAID PROPERTY TAX

UNSECURED

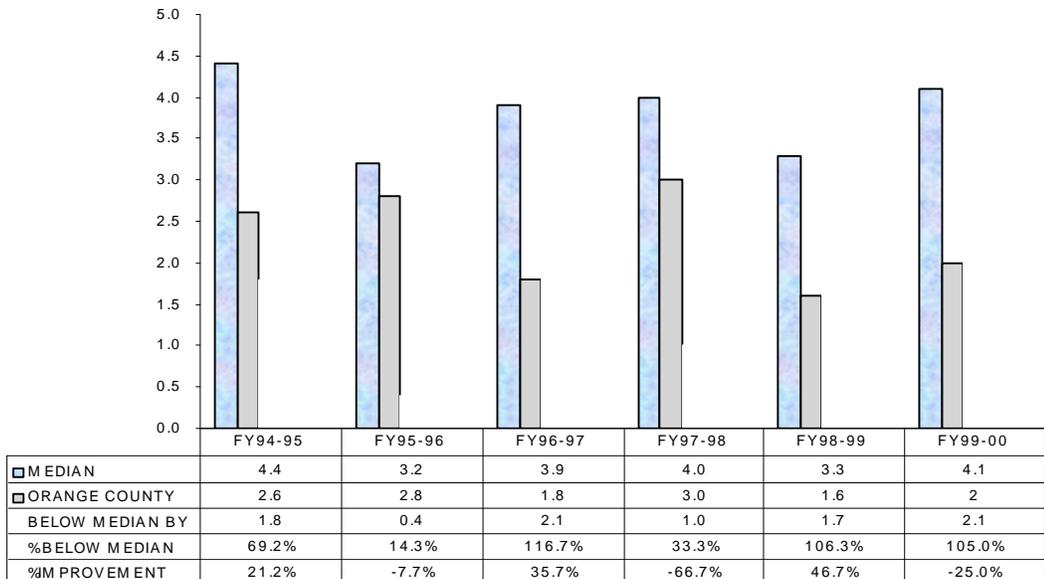


Figure 5

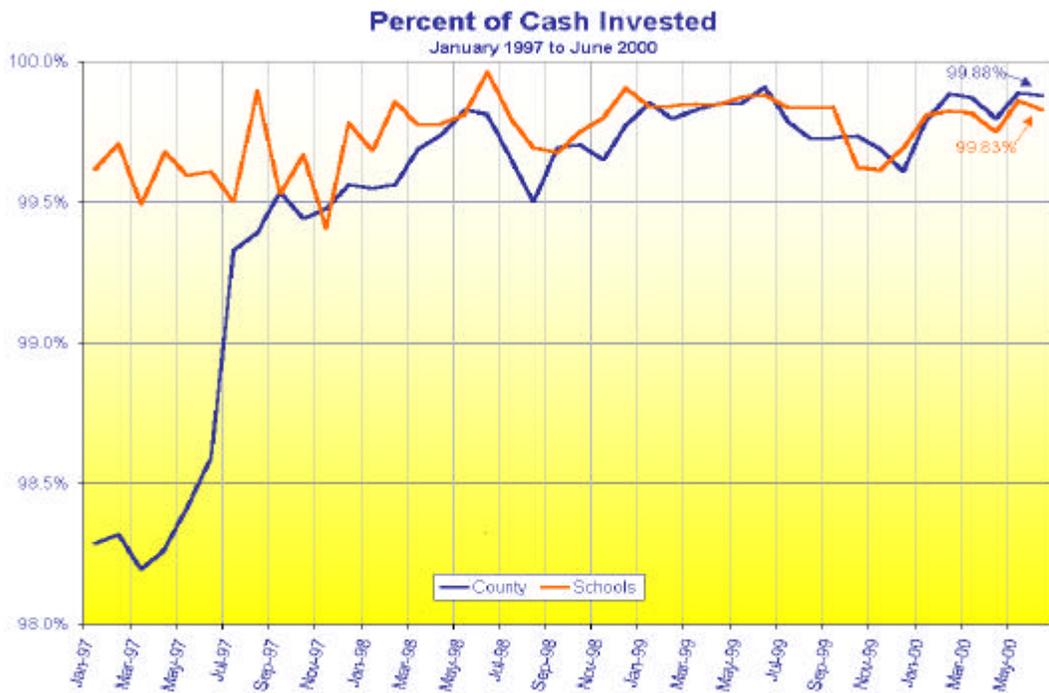


Figure 6

## **2001 Goals and Service Plans**

### **Goal 1**

**Provide a work environment that motivates employees and encourages training and education.**

- Service Plan 1.1** Continue to provide training opportunities to managers and staff to aid in MIP/PIP programs.
- Service Plan 1.2** Establish guidelines and procedures for handling purchase requests.
- Service Plan 1.3** Convert from Novell Perfect Office to Microsoft Office.
- Service Plan 1.4** Implement Virtual Timesheets to automate timesheet capture, reporting of reimbursable costs and eliminate redundancy.

### **Goal 2**

**Embrace strategic alliances to foster public confidence in the department and County.**

- Service Plan 2.1** Transfer remainder of Defined Benefits Plan to third party administrator and trustee.
- Service Plan 2.2** Evaluate alternate banking solutions for the delivery of Welfare benefits.
- Service Plan 2.3** Consider and evaluate existing banking services and explore the possibility of a new relationship.
- Service Plan 2.4** Work with OCEA and Auditor-Controller to promote the benefits of direct deposit and cash cards as alternative methods to the issuance of paper checks for employee payroll.
- Service Plan 2.5** Initiate discussions with District Attorney Family Support to implement payment alternatives for the delivery of child support payments.
- Service Plan 2.6** Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet.
- Service Plan 2.7** Continue to partner with the Assessor, Auditor-Controller, Clerk of the Board and Clerk-Recorder to develop, fund and implement a long-term plan for the Assessment Tax System (ATS). As noted in the 2000 Accomplishments Section, Service Plan 1.6, we have jointly developed an ATS Strategic Plan for the next four years. The total estimated cost for the entire project is \$15.6 million and has been included in the County's Strategic Plan as a priority project.

### **Goal 3**

**Provide highest quality customer service through courteous, timely and accurate delivery of service.**

- Service Plan 3.1** Establish a new Financial Analyst position in the Investment Division of the Treasurer's office. This managerial level single position class will have the primary responsibility of analyzing the credit risk associated with new and approved corporate debt issuers and providing backup for the department's investment programs.
- Service Plan 3.2** Complete the procurement, implementation and training for a Treasury Workstation (TWS).
- Service Plan 3.3** Pursue E-Commerce with the offering of additional payment options via the Internet, including all brands of credit, check cards, and electronic checks.
- Service Plan 3.4** Provide a legislative alternative for the election of a money market portfolio investment policy statement.
- Service Plan 3.5** Rewrite and consolidate any outdated or duplicate investment language from California Government Code §53601 and §53635.
- Service Plan 3.6** Conversion of Tax database from Datacom-Db to DB2 to provide for an up-to-date database supporting Web enabled applications and e-commerce.
- Service Plan 3.7** Upgrade of Remittance Processing System to utilize character recognition technology to increase throughput.
- Service Plan 3.8** Addition of Workflow imaging software for processing of payments requiring special handling.
- Service Plan 3.9** Addition of increased archival capabilities to remittance processing to support research on items rejected by the bank.
- Service Plan 3.10** Other projects that will be pursued as time and resources allow include:
- Contract Tracking Automation
  - Purchase Request Automation
  - Electronic Document Management (EDM)
  - Web based Imaging
  - E-mail of Images
  - Rework of Correspondence and System Generated Letters
  - Web-based ACH Debit
  - Imaging for Treasurer
  - Remote Access (Telecommuting)

## **Minimizing Net County Costs**

- Negotiating new bank contract for all banking services to reduce total costs of services and to make a measurable contribution to the reduction of county costs.
- The department will review expenses and revenue to identify potential opportunities to reduce net county costs.
- Orange County Treasurer-Tax Collector John M. W. Moorlach proposed Measure G as an alternative to the Tobacco Settlement Revenue allocation measure introduced by the healthcare establishment in Orange County. He participated in numerous public policy debates on this topic across the county for Measure G, which was outspent significantly by the medical community. Had Measure G prevailed, it would have allocated a portion of the settlement towards retiring bankruptcy-related debt, reducing the life of the bankruptcy bonds nearly ten years, and would have provided nearly one-half billion dollars in taxpayer relief.
- Orange County Treasurer-Tax Collector John M. W. Moorlach proposed the creation of an arbitration panel to mediate disputes between public agencies that otherwise would disintegrate into lawsuits. He highlighted several examples of unnecessary litigation between agencies, which costs Orange County taxpayers approximately \$1,000,000 per year. Mr. Moorlach is represented by staff on the Board of Directors of the Orange County chapter of Citizens Against Lawsuit Abuse (CALA).

## **Finances**

Our budgeted and actual expenditures for the fiscal years 1993-1994 to 2000-2001 are attached. This shows where we have been and where we are going. Our actual results are provided for the fiscal years 1993-1994 to 1999-2000 for comparative and planning purposes.

The budgeted expenditures for fiscal year 2000-2001 were increased over the actual expenditures for fiscal year 1999-2000 by \$727,499 and reflect increased costs. In addition, please see our Departmental Strategic Financial Plan (Appendix B) which shows that our department continues to participate in the County's long-term financial goals by minimizing net costs to the County General Fund.

The anticipated increased costs for an additional staff position will be satisfactorily offset by our projected decrease in net banking costs subsequent to our negotiating efforts.

This department's net county costs are actually lower than the strategic financial plan indicates. The County is reimbursed by certain districts for our tax collection services. However, these revenues are not reflected in our budget but are a revenue source for the General Fund. A reallocation of these revenues to our budget is requested.

**TREASURER - TAX COLLECTOR  
ACTUAL VS BUDGET & FORECAST**

	<b>B U D G E T E D    E X P E N D I T U R E S</b>							
	<b>FY 1993 -1994</b>	<b>FY 1994 -1995</b>	<b>FY 1995 -1996</b>	<b>FY 1996 -1997</b>	<b>FY 1997 -1998</b>	<b>FY 1998 -1999</b>	<b>FY 1999 -2000</b>	<b>FY 2000 -2001</b>
Salaries and Wages	3,493,692	3,722,643	3,361,578	3,479,073	3,657,656	3,726,112	3,895,795	4,302,266
Banking Services	1,330,470	975,408	1,200,000	800,000	1,789,880	1,777,500	2,274,150	2,396,366
Prof & Specialized Services	867,663	662,980	1,876,307	1,234,651	237,074	424,543	294,790	302,749
Data Processing Services	1,395,717	564,160	961,715	1,099,265	951,614	1,079,184	1,057,757	595,000
Postage	346,500	373,945	402,715	375,049	370,941	382,841	482,480	499,320
Office Expense	192,459	170,872	148,000	170,376	191,104	196,040	242,460	296,540
Communications	167,664	189,284	170,000	170,000	147,000	149,645	179,343	148,657
Maintenance	132,380	118,032	94,900	93,720	102,594	99,922	150,162	178,836
Minor Equipment	176,748	115,716	20,230	42,210	42,100	116,700	92,448	132,703
Temporary Help	16,008	67,906	30,000	30,000	30,000	30,000	64,709	36,027
Printing Costs - Outside Vendors	25,889	35,066	28,002	42,000	34,626	24,600	31,650	32,550
Publications & Legal Notices	70,000	49,746	45,000	56,200	66,000	66,000	57,200	69,570
Equipment	130,714	15,200	9,267	8,134	148,725	21,000	18,000	259,600
Others	33,123	33,986	47,054	248,683	(271,466)	(545,497)	(573,679)	(388,029)
<b>TOTAL</b>	<b>8,379,027</b>	<b>7,094,944</b>	<b>8,394,768</b>	<b>7,849,361</b>	<b>7,497,848</b>	<b>7,548,590</b>	<b>8,267,265</b>	<b>8,862,155</b>

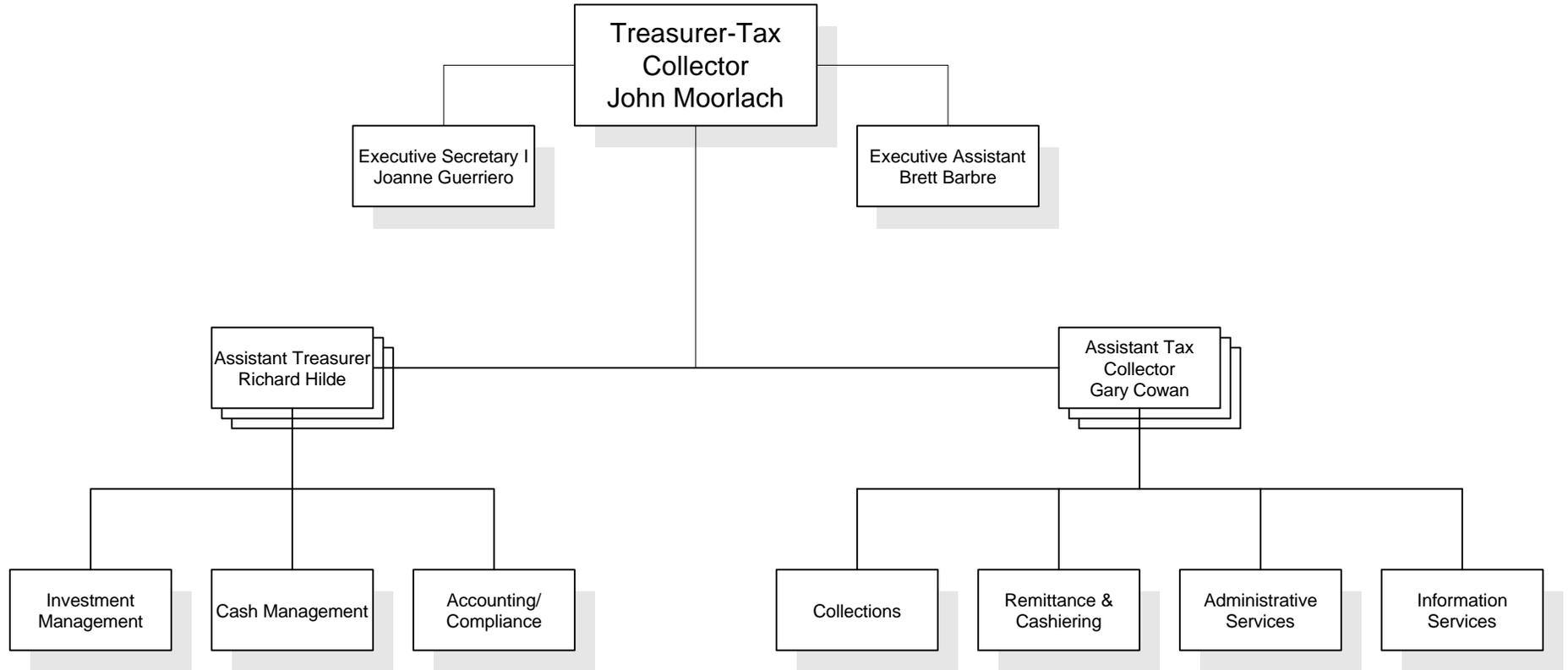
	<b>A C T U A L   E X P E N D I T U R E S</b>						
	<b>FY 1993 -1994</b>	<b>FY 1994 -1995</b>	<b>FY 1995 -1996</b>	<b>FY 1996 -1997</b>	<b>FY 1997 -1998</b>	<b>FY 1998 -1999</b>	<b>FY 1999 -2000</b>
Salaries / Benefits	3,458,023	3,554,415	3,361,577	3,455,136	3,557,830	3,705,027	3,863,734
Banking Services	560,380	498,059	149,061	311,924	1,427,639	1,780,561	2,236,095
Prof & Specialized Services	557,694	595,103	1,374,890	573,543	225,782	390,945	341,423
Data Processing Services	1,376,337	1,055,617	1,041,565	1,009,906	891,107	969,273	1,095,676
Postage	346,778	372,310	321,799	319,335	342,413	419,392	446,636
Office Expense	151,077	138,343	130,455	164,077	207,048	239,721	203,538
Communications	163,639	169,384	137,282	144,073	128,329	173,499	151,314
Maintenance	117,524	88,685	102,108	82,522	95,013	32,593	150,759
Minor Equipment	178,940	73,143	28,488	31,461	59,381	89,569	76,706
Temporary Help	29,145	66,654	28,083	34,894	64,113	63,296	84,394
Printing Costs - Outside Vendors	22,289	30,403	48,291	21,582	33,702	38,363	42,682
Publications & Legal Notices	51,017	50,997	74,319	63,527	34,792	50,700	64,072
Equipment	114,320	-	9,267	4,978	6,729	-	15,067
Others	52,034	30,275	16,574	244,562	(236,032)	(427,783)	(637,440)
<b>TOTAL</b>	<b>7,179,177</b>	<b>6,723,386</b>	<b>6,823,759</b>	<b>6,461,519</b>	<b>6,837,846</b>	<b>7,525,156</b>	<b>8,134,656</b>

### **Workforce Planning**

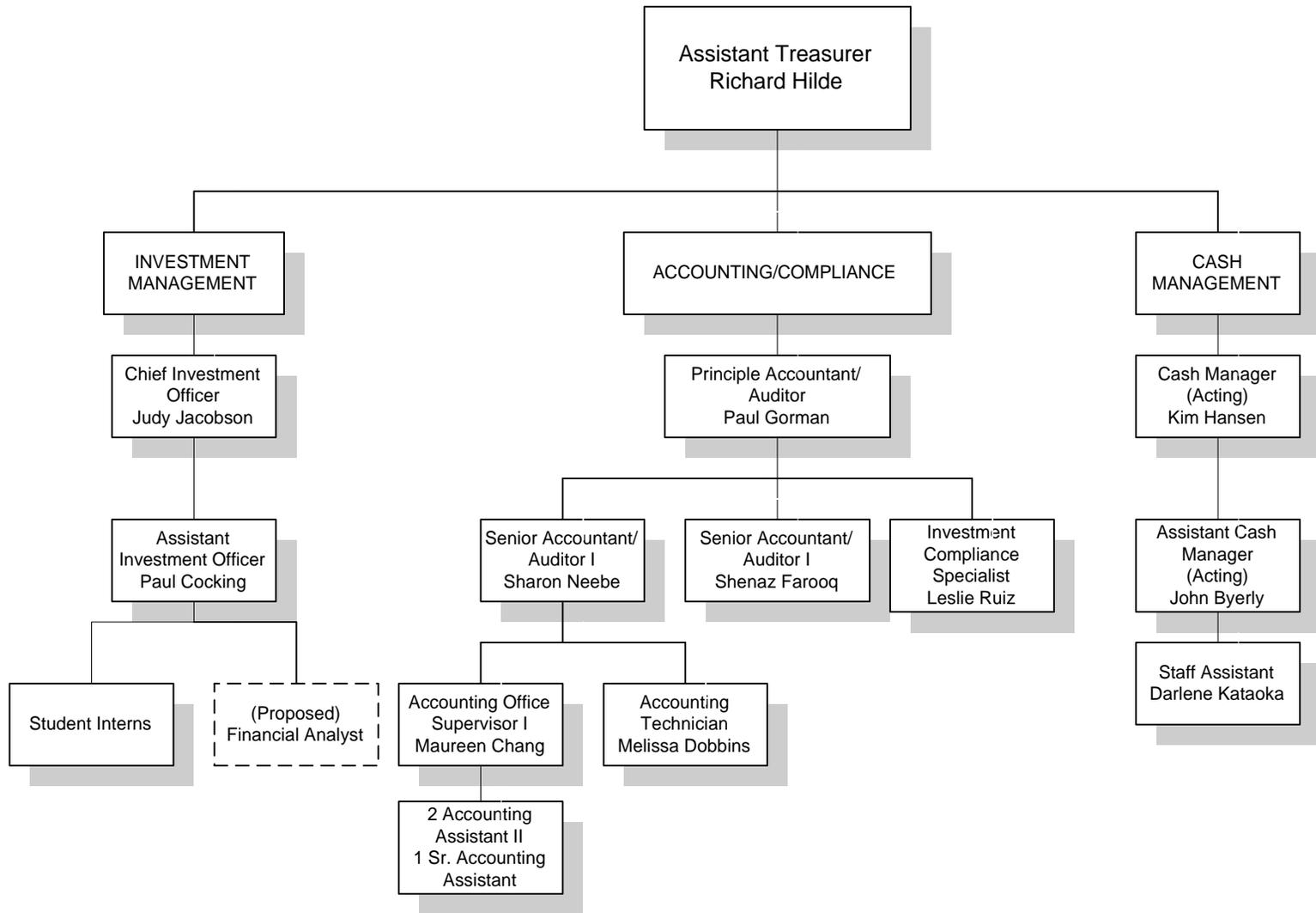
Implementation of recommendations from the major Information Technology and Office Services reviews being coordinated by CEO/Human Resources may impact positions within the Department. The Department will coordinate with CEO/Budget in identifying strategies, within budget parameters, to fund any costs associated with the implementation of recommendations from these studies.

APPENDIX A

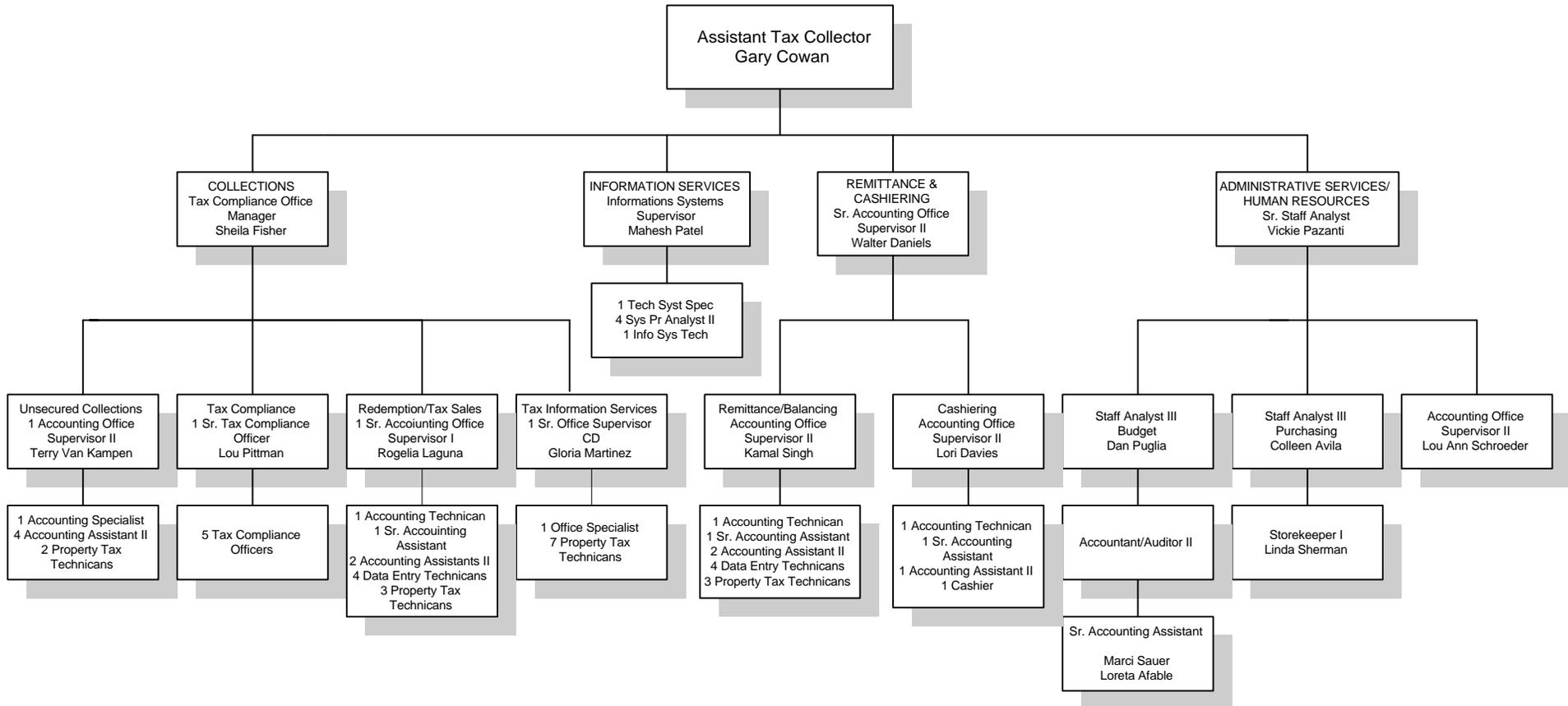
Organizational Chart  
Treasurer-Tax Collector



ORGANIZATIONAL CHART  
TREASURER DIVISION



# ORGANIZATION CHART TAX COLLECTOR DIVISION



December 7, 2000

**APPENDIX B**

**TREASURER-TAX COLLECTOR  
STRATEGIC FINANCIAL PLAN  
FIVE YEAR FORECAST  
FY 2000 - 2001 TO FY 2005 - 2006**

**SOURCES**

	FY 2000-2001	FY 2001 - 2002	FY 00 -01 to FY 01 - 02		FY 2002 - 2003	FY 01 -02 to FY 02 - 03	
	Final Budget	Forecast	\$ Variance	% Var.	Forecast	\$ Variance	% Var.
<b>TOTAL SOURCES</b>	<b>6,550,188</b>	<b>6,844,823</b>	<b>294,635</b>	<b>4.5%</b>	<b>7,169,441</b>	<b>324,619</b>	<b>4.7%</b>

**USES**

	FY 2000 -2001	FY 2001 - 2002	FY 00-01 to FY 01 - 02		FY 2002 - 2003	FY 01 -02 to FY 02 - 03	
	Proposed Budget	Forecast	\$ Variance	% Var.	Forecast	\$ Variance	% Var.
<b>TOTAL USES</b>	<b>8,862,155</b>	<b>9,158,368</b>	<b>296,213</b>	<b>3.3%</b>	<b>9,547,526</b>	<b>389,158</b>	<b>4.2%</b>

<b>NCC = USES - SOURCES</b>	<b>2,311,967</b>	<b>2,313,545</b>	<b>1,578</b>	<b>0.1%</b>	<b>2,378,084</b>	<b>64,539</b>	<b>2.8%</b>
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<b>POSITIONS:</b>	<b>91</b>				<b>91</b>		
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**TREASURER-TAX COLLECTOR  
STRATEGIC FINANCIAL PLAN  
FIVE YEAR FORECAST  
FY 2000 - 2001 TO FY 2005 - 2006**

<u>FY 02- 03 to FY 03 - 04</u>		<u>FY 2004 - 2005</u>	<u>FY 03 - 04 to FY 04 - 05</u>		<u>FY 2005 - 2006</u>	<u>FY 04 - 05 to FY 05 - 06</u>	
<u>\$ Variance</u>	<u>% Var.</u>	<u>Forecast</u>	<u>\$ Variance</u>	<u>% Var.</u>	<u>Forecast</u>	<u>\$ Variance</u>	<u>% Var.</u>
<b>358,160</b>	<b>5.0%</b>	<b>7,923,347</b>	<b>395,746</b>	<b>5.3%</b>	<b>8,354,900</b>	<b>431,553</b>	<b>5.4%</b>

<u>FY 02- 03 to FY 03 - 04</u>		<u>FY 2004 - 2005</u>	<u>FY 03 - 04 to FY 04 - 05</u>		<u>FY 2005 - 2006</u>	<u>FY 04 - 05 to FY 05 - 06</u>	
<u>\$ Variance</u>	<u>% Var.</u>	<u>Forecast</u>	<u>\$ Variance</u>	<u>% Var.</u>	<u>Forecast</u>	<u>\$ Variance</u>	<u>% Var.</u>
<b>443,502</b>	<b>4.6%</b>	<b>10,460,740</b>	<b>469,712</b>	<b>4.7%</b>	<b>10,912,116</b>	<b>451,376</b>	<b>4.3%</b>

<b>85,342</b>	<b>3.6%</b>	<b>2,537,393</b>	<b>73,967</b>	<b>3.0%</b>	<b>2,557,216</b>	<b>19,824</b>	<b>0.8%</b>
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Managed Funds  
Special Report

## Orange County Treasurer's Money Market Investment Pools

### Ratings

Orange County Treasurer's Money Market County Investment Pool .....	AAA/V1+
Orange County Treasurer's Money Market Educational Investment Pool .....	AAA/V1+

### Analysts

Katherine P. Lynch  
1 212 908-0892  
katherine.lynch@fitchratings.com

Steve M. Lee  
1 212 908-0734  
steve.lee@fitchratings.com

John L. Schiavetta, CFA  
1 212 908-0619  
john.schiavetta@fitchratings.com

### Issuer Contact

John M. W. Moorlach, CPA, CFP  
Treasurer-Tax Collector  
1 714 834-7625  
jmoorlach@treastax.co.orange.ca.us

### Summary

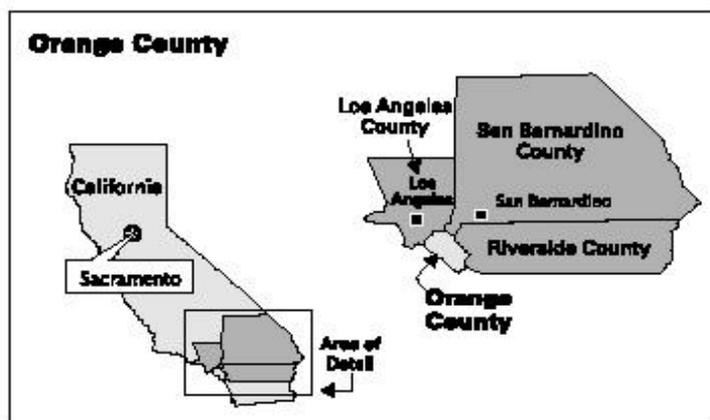
The Orange County Treasurer's Money Market County Investment Pool (county pool) and the Orange County Treasurer's Money Market Educational Investment Pool (educational pool) are rated 'AAA/V1+'. The county and educational pools, with approximately \$2.1 billion and \$1.3 billion in assets, respectively, as of May 31, 2000, are managed separately but are subject to the same investment policy statement, guidelines, and objectives. Local government investment pools rated 'AAA' meet the highest standards for credit quality, conservative investment policies, and safety of principal. The pools' 'V1+' volatility ratings reflect low market risk and a strong capacity to return stable principal values to participants, even in severely adverse interest rate environments. Portfolio valuation reports are submitted to Fitch weekly.

### Rating Considerations

- Conservative investment policies and practices, as evidenced by tight maturity limits and avoidance of volatile derivative securities. Use of leverage is prohibited by policy.
- High standards for credit quality and diversification of portfolio securities.
- High degree of liquidity resulting from the maturity profile of the portfolio securities and the composition of pool participants. Strong ability to forecast ongoing cash requirements and meet these requirements through portfolio security maturities and overnight liquidity.
- Solid management oversight and operational controls.

### Overview

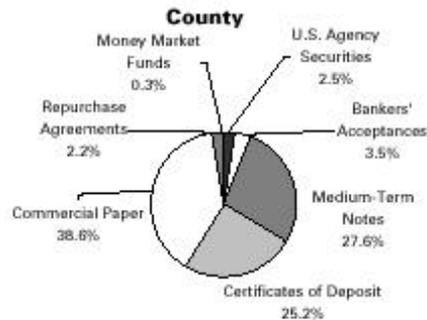
The county and educational pools are managed by the Orange County treasurer on behalf of the pool participants. Participants in



July 14, 2000

**Portfolio Composition**

(As of May 31, 2000)



Note: Numbers may not add to 100% due to rounding.

**Educational**



the county pool include the county and various special districts in the county. Participation in the educational pool is limited to the 31 school districts in the county. The pools' investment objectives are to maintain safety of principal, meet pool participants' daily cash flow needs, attain a money market rate of return, and maintain a stable \$1.00 net asset value.

**Investment Practices**

**Composition:** The pools invest exclusively in approved securities pursuant to the California government code. These securities include: U.S. Treasury securities and other obligations, which, by their terms, are full faith and credit obligations of the U.S. government; direct obligations of U.S. agencies and U.S. government-sponsored enterprises; State of California or municipal debt; highly rated commercial paper, bankers' acceptances, medium-term notes, receivable-backed securities, and negotiable certificates of deposit; qualified money market mutual funds; and repurchase agreements collateralized with obligations

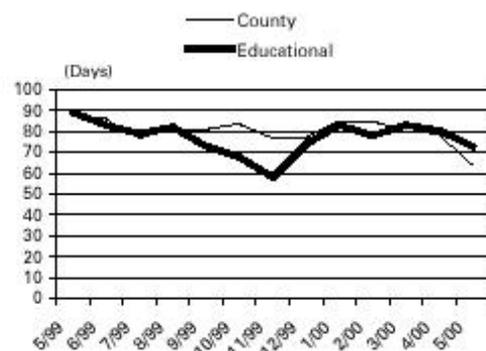
permitted by the California government code. In addition, the pools enter into repurchase agreements only with highly rated counterparties.

**Market Risk:** The pools' policies regarding maturity limits follow the main points of Rule 2a-7 of the Investment Company Act of 1940, which governs Securities and Exchange Commission (SEC)-registered money market funds. Specifically, by policy, pools must maintain a weighted average maturity (WAM) of all portfolio securities of 90 days or less, and the maximum maturity of any portfolio instrument must be 13 months or less. As of May 31, 2000, the county and educational portfolios' WAMs were approximately 64 days and 73 days, respectively.

The pools maintain a conservative investment strategy that uses a modified "ladder" approach to investing, laddering most investments in the overnight to six-month range in combination with a smaller percentage of investments maturing between six and 13 months. This strategy, with a significant portion of the portfolios in overnight and short-term securities, provides for a high degree of liquidity and facilitates the pools' ability to satisfy participants' ongoing liquidity requirements. In addition, this laddering strategy minimizes exposure to interest rate volatility in any single sector of the money market yield curve.

The pools' conservative policies prohibit the use of leverage, including reverse repurchase agreements, and the purchase of volatile derivative products such as structured note securities. However, the investment guidelines allow for the purchase of "plain-vanilla" types of floating-rate securities that are also allowable for SEC-registered money market funds.

**Portfolio Weighted Average Maturity**



## Investment Policy Concentration

### Restrictions

(%)

	Sector Limit	Issuer Limit
U.S. Treasury	100	100
U.S. Agencies	100	100
Commercial Paper	40	5
Bankers' Acceptances	40	5
Negotiable Certificates of Deposit	30	5
Money Market Funds	20	10
Repurchase Agreements	50	5
Receiveable-Backed Securities	10	5
Medium-Term Notes	30	5
State of California or Municipal Debt	10	5

### Liquidity Management

The pools conservatively manage their maturity profile by holding a percentage of assets in overnight and short-term investments to ensure a high degree of liquidity to meet participants' anticipated and unanticipated operating needs. The portfolios' conservative approach to liquidity is reflected in their WAM limits and concentration in short-term investments; as of May 31, 2000, 23.55% of the county pool's assets and 23.73% of the educational pool's assets mature within seven days. The pools are disallowed from owning any individual security with a maturity of greater than 13 months. The pools' liquidity positions are bolstered by regular monitoring of expected cash flow needs and the composition of the participants, since virtually all the participants are required to maintain funds in their respective pools, as set forth in the California government code. Voluntary participant deposits to the county pool are permitted but are subject to the approval or disapproval of the county board of supervisors and the treasurer. At May 31, 2000, voluntary participant accounts totaled \$16.79 million, or approximately 0.80% of the county pool.

### Credit Quality

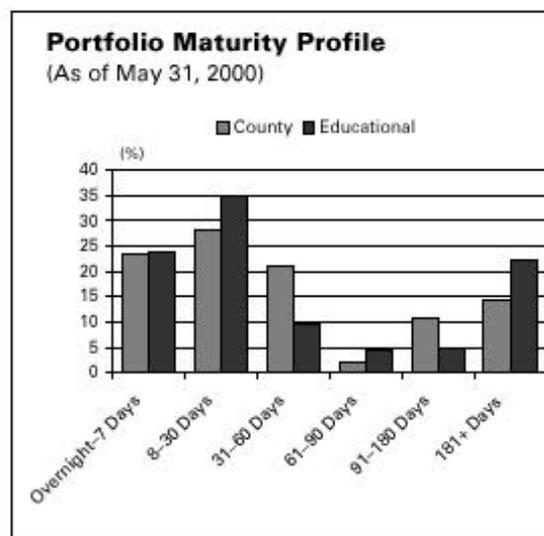
The pools have the highest credit quality on the basis of portfolio assets, investment practices, diversification standards, operational controls, and management oversight. The pools invest only in securities issued by highly rated entities and diversify across issuers. As of May 31, 2000, the county and educational pools invested 2.51% and 3.42%, respectively, of their portfolios in 'AAA' quality U.S. agency securities. The balance of the pools was invested in diverse money market securities issued by highly rated entities. Eligible money market instruments must be rated 'F1' or 'F1+', or the equivalent, by a minimum of two Nationally Recognized Statistical Rating

Organizations. All counterparties to repurchase agreements are highly rated, and collateral supporting the transaction is held in constructive possession on the pools' behalf by a custodial bank. Moreover, the pools restrict concentrations in any one issuer or types of issuers (other than the U.S. government and its agencies) to minimize exposure (see table at left).

### Organization

The pools are managed by the Orange County treasurer and staff according to a uniform investment policy. Following his appointment on March 17, 1995, the treasurer established an experienced investment management team responsible for the daily management of the pools. At the request of the 31 school district participants in the Orange County Treasurer's Money Market Investment Pool that their funds be managed separately, two pools, the county pool and educational pool, were established in July 1995. The pools are subject to separate accounting and record keeping, and The Bank of New York Co., Inc. holds the assets of the pools in separate custodial accounts.

In accordance with the California government code, a treasury oversight committee reviews the pools' investment practices and policies on a regular basis. The committee members, nominated by the treasurer and approved by the county's board of supervisors, consist of the county executive officer, auditor-controller, superintendent of schools or a designee, and two public members. The treasury oversight committee is charged with, among other things, requiring the annual review of the treasurer's investment policy, including specific guidelines with



respect to security types, maturity terms, and dealer selections. The committee also reviews monthly portfolio reports from the treasurer and is required to initiate the performance of an annual audit to ensure compliance with the established investment policies. In this regard, in addition to the rating, Fitch has been retained to provide an ongoing review of the portfolios' holdings for compliance with respect to the investment policies, portfolio characteristics, and any additional security restrictions as set forth in the investment policy statement.

The Orange County treasurer's county and educational investment pools bear no resemblance to the Orange County Investment Pool that filed for protection under Chapter 9 of the U.S. Bankruptcy Code on Dec. 6, 1994, following losses ultimately totaling approximately \$1.6 billion. In response to the bankruptcy, the county prepared and submitted a comprehensive recovery plan to the bankruptcy court. The restructured pools have a much shorter duration, use no leverage, and represent a substantial reduction in risk, as noted by their 'AAA/V1+' ratings.

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Fitch mutual fund volatility ratings are an opinion as to the relative sensitivity of the total return (including price) of a fund's shares to a broad array of assumed changes in (where relevant) interest rates, mortgage prepayment speeds, liquidity of the portfolio, spreads, currency exchange rates, and other market conditions. Volatility ratings are expressed on a scale of 'V1+' (least volatile) through 'V10' (most volatile). The 'V1+' rating is assigned only to money market funds or local government investment pools that should not experience loss of principal value to shareholders or participants even in severely adverse interest rate environments. Volatility ratings, however, do not predict the direction or magnitude of changes in such market conditions and, therefore, do not predict whether, or the extent to which, any particular bond fund will perform favorably or adversely in the future.

Also, the total returns of bond funds with the same volatility ratings but dissimilar portfolio securities may move in different directions and magnitudes under the same market conditions. For example, while both a high-yield bond fund, which is sensitive primarily to changes in credit risk, and an international bond fund, which is sensitive primarily to changes in currency exchange rates, might have 'V6' ratings, they are likely to perform differently under the same market conditions. The price of one can increase while that of the other can decrease, or each might increase or decrease in different magnitudes. Moreover, a fund with a 'V6' rating might increase in price, while a fund with a 'V3' rating might decrease in price. Nevertheless, a fund with a lower risk volatility rating is likely to exhibit less total return sensitivity than a fund with a higher risk volatility rating across a broad and varied range of market conditions.

Investors should understand that funds with any volatility rating other than a 'V1+' may experience losses in the event of adverse changes in market conditions. Moreover, these ratings do not constitute a recommendation to purchase, sell, or hold any securities or funds, as they do not comment on the adequacy of the price paid for any security or fund or the suitability of any security or fund for any investor. Fitch's mutual fund volatility ratings are based on information provided to Fitch by sources deemed to be reliable. However, Fitch does not verify the accuracy of this underlying information. Due to the relative efficiency of electronic publishing and distribution, Fitch Research may be available to electronic subscribers up to three days earlier than print subscribers.