



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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August 10, 2001

TO: Board of Supervisors
Michael Schumacher, 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, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month ended July 31, 2001. 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 <http://www.oc.ca.gov/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, 2001. 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.

EDISON INTERNATIONAL

Concerning our remaining \$20 million investment in Edison International, the following is a list of relevant events that occurred in the month of July:

July 18 Medium Term Note (MTN) matured; interest and principal was paid in full as expected.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's May and June 2001 interest apportionments. We anticipate posting the May and June interest apportionments to participants' cash accounts in the County general ledger by approximately August 24 and September 14, respectively.

ECONOMIC OBSERVATIONS

The most recent economic indicators confirm that U.S. growth continues to remain sluggish at best, as weakness in manufacturing has begun to affect other parts of the economy. Nevertheless, consumer demand has been remarkably resilient and energy prices have eased considerably. Accordingly, it is still reasonable to expect a gradual strengthening in activity in the second half of this year as the fiscal and monetary stimuli begin to take hold.

The downward momentum in manufacturing continues. Weakness appears widespread, with a pronounced slowdown in the production of vehicles and computers. The dismal Industrial Production report for June revealed a ninth consecutive decline. (Exhibit 1) Capacity utilization fell to an 18 year low as firms slashed output again in their efforts to bring inventories back into balance. (Exhibit 2)

The 275 basis point easing by the Federal Open Market Committee (FOMC) since January is now being supported by a \$38.2 billion tax rebate. Already, large retailers are reporting noticeable increases in sales after the first batch of government checks were mailed out.

The invincible consumer is the key to an economic rebound by the fourth quarter or the first quarter of 2002. However, the financial markets and our Investment Management Committee are looking for a precautionary 25 basis point easing by the FOMC at the August 21 meeting.

INTEREST RATE FORECAST

As a result of the accurate predictions by the Investment Management Committee to the FOMC's aggressive interest rate easings, our forecast for fiscal year 2001/2002 remains at 3.75%. Please call if you have any questions.

INDUSTRIAL PRODUCTION

Range 7/17/92 - 6/30/01

Monthly



EXHIBIT: 1

CAPACITY UTILIZATION

Range 7/23/95 - 6/30/01

Monthly



EXHIBIT: 2