



COUNTY OF ORANGE

**OFFICE OF THE TREASURER-TAX COLLECTOR**

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January 10, 2002

**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 December 31, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended December 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 December 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). 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 October and November 2001 interest apportionments. We anticipate posting the October and November interest apportionments to participants' cash accounts in the County general ledger by approximately January 16, 2002, and February 7, 2002, respectively.

## ECONOMIC OBSERVATIONS

Since the economic "bottom" depends critically on the tone of consumer demand, the financial markets kept all eyes on retail sales data as the holiday shopping season approached. Retailers, burned from lackluster sales of years' past, had used caution when ordering gift-giving items. The dilemma that actually materialized, unfortunately, was not shoppers staying home but the fierce bargain hunting that obliged retailers to intensely discount their inventories.

To be sure, consumers remained cautious as businesses' profit margins continued to be battered. Concerns over possible job losses and the shock of wealth declines continue to be significant negatives. Tax relief, monetary stimulus and falling inflation, especially lower energy prices, are very big positives.

There can be little question that the latest string of stronger-than-expected economic indicators has been encouraging and does suggest evidence of improvement in the economy. Consumer sentiment has risen for the third consecutive month. An inventory-led kick to production has resulted in a broadbased gain of the manufacturer's index. The enduring strength of the housing and construction sectors remains unprecedented. The economy's recovery, however, is still far from conclusive.

News on the consumer will likely dominate the debate about further changes to interest rates by the Federal Open Market Committee (FOMC) at the January 30 meeting. During 2001, the FOMC reduced interest rates 475 basis points, including an unexpected 25 basis point increase on December 11. The Investment Management Committee anticipates no interest move at the end of the month.

The FOMC meets again Tuesday, December 11. The Investment Management Committee and the financial markets are still undecided on the outcome.

Please call if you have any questions.