



## OFFICE OF THE TREASURER-TAX COLLECTOR

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PUBLIC INFORMATION OFFICER

July 8, 2005

The Honorable Bill Campbell  
Chair, Board of Supervisors  
10 Civic Center Plaza, Fifth Floor  
Santa Ana, CA 92701

Dear Supervisor Campbell:

I am pleased to submit this annual report to you, the Board of Supervisors, our participants, and the residents of the County of Orange for the fiscal year ended June 30, 2005.

During the prior fiscal year we saw an entire year of no interest rate action by the Federal Reserve Board, through its Federal Open Market Committee (FOMC), save the very last day. Since its first measured interest rate tightening on June 30, 2004, the FOMC proceeded to continue raising rates by 25 basis points at each of its meetings during the past twelve months. Consequently, instead of generating a 1 percent yield on our portfolio, like we did last fiscal year, after nine hikes we're starting the upcoming 2005-2006 fiscal year earning 3.25 percent on the County's cash balances. Accordingly, it's nice to state that we will provide three times the interest earnings that were generated in the prior fiscal year, 2003-04, in the upcoming fiscal year, 2005-06.

Our Treasurer's Investment Committee anticipated every one of these interest-rate increases and managed our investment durations accordingly. In fact, in last year's annual report I noted that, "it appears we will be in an interest rate-tightening environment for the next 12 to 18 months."

The next fiscal year faces a less predictable interest rate environment. Will the FOMC continue its measured pace? Have the recent interest rate increases slowed down our economy? Do we really have inflation as a strong threat? And what does the current flattening yield curve portend for the economy? Believe it or not, doing market research and staying close to the pulse of the economy is one of the most gratifying aspects of this job. It is when the waters are choppy and the horizon is not in sight that we find managing the County's precious dollars the most exhilarating.

Hon. Bill Campbell  
July 8, 2005

### **Outside Participants**

One of the best ways to gauge the success of the Board of Supervisors in their role of affirming the Treasurer's office is in the admittance of outside participants to our investment pool. The admission of outside participants confirms the many years of effort expended by the Board of Supervisors to restore relationships and confidences. I want to thank the Board members who voted for this year's new admissions. It reflects on your leadership and on your confidence in our joint efforts to provide the best investment services possible.

During this fiscal year we were very pleased that the Municipal Water District of Orange County (MWDOC) and the City of San Clemente requested permission to participate in the Orange County Investment Pool as voluntary outside participants. Your Board on a 4-1 vote, with Supervisor Silva dissenting, approved both.

### **Treasury Oversight Committee (TOC)**

The Treasury Oversight Committee continues to meet on a quarterly basis to assist in the annual review of the investment policy statement and our compliance to it. The last compliance audit performed by Internal Audit was for the year ended December 31, 2003. The firm of Moreland and Associates, Inc. completed their audit for the year ended December 31, 2004. It will be presented to the TOC at their meeting of July 27, 2005.

Utilizing an external firm resulted in the same level of service that we have grown accustomed to from Internal Audit, but at a greatly reduced cost. I want to thank the County Executive Officer, County Financial Officer and Auditor-Controller for encouraging this effort. Our department is pursuing every avenue to reduce costs where it can. And this move also allows Internal Audit to dedicate its limited staffing to other urgent areas.

I wish to acknowledge my appreciation to Charles Schroeder, Committee Chairman, Robert Fauteux, Committee Vice Chairman, Jim Ruth, Interim County Executive Officer, Tom Mauk, County Executive Officer, David E. Sundstrom, Auditor-Controller, and Bill Habermehl, Superintendent of the Orange County Department of Education for their assistance in this critical area of responsibility during this past fiscal year. A copy of their annual report to the Board of Supervisors is included in this report (see XVI—Annual Report of the Treasury Oversight Committee).

### **Treasurer's Advisory Committee (TAC)**

The Treasurer's Advisory Committee continues to be a professional resource in critiquing and constructing the technical aspects of the investment policy statement. Their collective wisdom is an invaluable asset to the County. Many have been with me since my appointment to this office in 1995.

Hon. Bill Campbell  
July 8, 2005

This year we expanded this committee from seven members to nine. I have added Pall Gudgeirsson, elected Treasurer for the City of San Clemente (a new outside participant), and Chriss Street, CEO and President of Street Asset Management. Their involvement is a helpful addition to our efforts.

I would also like to extend my deep appreciation to Wendy Benkert, Ed.D., Blake E. Christian, C.P.A., Honorable Ken Henderson, George Jeffries, Clyde E. Kendzierski, Jerry Slusiewicz, and Timothy Tunney for their dedication to this committee.

I am deeply appreciative of all their time, expertise and devotion to the task of making ours the best Treasurer's Department that we can possibly be.

### **Investment Policy Statement**

The December submission of our annual investment policy statement review provided the following modifications:

- A stronger emphasis on establishing longer term portfolios for our participants.
- Documenting our use of triple-A ("AAA") rated paper in our Extended Fund.
- Increasing our Commercial Paper holdings limit from 40 percent to 45 percent, with the ability to go up to a maximum of 50 percent if strict credit quality levels are met.
- Some items were edited for clarity.

A copy of the 2005 Investment Policy Statement (IPS) is available on our website at <http://www.oc.ca.gov/treas/>.

### **Treasurer's Investment Committee (TIC)**

Our investment management committee enjoyed a year that it anticipated from day one, accurately predicting every regularly scheduled Federal Open Market Committee (FOMC) meeting decision on interest rates prior to their meetings. Our record of precisely anticipating the FOMC's decisions is now 74 out of 78. The investment staff is to be commended for the excellent market update and economic research they prepare and present to the TIC every week.

The information provided in each of our monthly reports, including this one, is informative and displays a professional acumen concerning the direction of short-term interest rates. They are a contemporaneous read and we hope our participants have found them helpful. The charts, tables, graphs and numerical representations in our monthly reports are provided to our readers solely as a general overview of the current economic and market conditions, which the Treasurer utilizes in making investment decisions.

Hon. Bill Campbell  
July 8, 2005

The credit analysts, along with our student interns, continue to compile and update an impressive database of issuers whose capital assets and credit ratings are thoroughly reviewed, researched and approved as qualifying under our overly restrictive policies.

### **Approved Eligibility List**

For a second year, our monthly reports have included our Approved Eligibility List of issuers and any credit rating changes, most notably “credit watch-negative.” We can only invest with first-tier issuers, those with the highest credit ratings available. From time to time, those ratings may change. When that occurs, we note it in our reports in the transmittal letter and attach the applicable staff research.

There are three major rating agencies. We require two ratings for each issuer, short-term and long-term. Accordingly, every issuer has six vulnerability spots. A simple movement as innocuous as a “credit watch-negative” is grounds for removal. However, when that “credit watch-negative” occurs between two approved credit levels, the removal is unwarranted and premature. Unfortunately, our investment policy statement does not remedy this occurrence. So, highlighting these instances is used as an opportunity to instruct our participants and provides even more disclosure. Correcting this deficiency will be one of the Investment Policy Statement changes that will be brought before your Board in December.

A complete list of those **removed** during the fiscal year and those **returned** or **added**, in alphabetical order, can be found later in the report (See Section XI – Credit Watch Negative).

### **How Are We Doing?**

Recently TRACS Financial Market Research, a respected industry analyst of funds managed by municipalities, provided the following narrative:

“TRACS Financial found that the Orange County Treasurer’s Investment Pool performance as of May 31, 2005 was at the highest end of the 1<sup>st</sup> Quartile of all State and Local Government Investment Pools in the nation. On a comparative basis with all AAA [triple-A] rated Sate and Local Pool averages [Orange County] outperformed by 24 basis points and there were only 4 pools nationwide that performed better out of a total universe in excess of 100 pools, [Local Government Investment Pools], and money funds.”

Translated: we run a very conservative money market fund with an aggressive attitude of doing our best within our stringent and restrictive parameters. And it shows. In private sector terms, we are adding value for the citizens of Orange County. For example, 24 basis points on our portfolios is equivalent to \$14,400,000 in additional annual earnings, which adequately pays for our services rendered. (see XV – TRACS Financial Market Research).

Hon. Bill Campbell  
July 8, 2005

## **Staffing Updates**

During the fiscal year we were able to complete the long and arduous task of reorganizing my department. I want to thank Marcel Turner, former Director of Human Resources, and his staff for their assistance.

With the retirement of my Assistant Treasurer in December of 2003 I have eliminated this position. I am pleased that Gary Cowan, my Assistant Tax Collector, has assumed the position of Assistant Treasurer-Tax Collector. I have also narrowed down the managers that are direct reports to the Assistant Treasurer-Tax Collector. Paul Gorman is the Deputy Treasurer and oversees the entire Treasurer's division. Walter Daniels is the Deputy Tax Collector and oversees the entire Tax Collector's division. Vickie Pazanti continues to oversee our Administrative functions, Clarissa Adriano-Ceres was promoted to oversee our Information Technology functions, and Brett R. Barbre continues as our Public Information Officer.

The Treasurer's Investment Committee was sad to see our Financial Analyst, Julia Xue, resign to take a very attractive position in the private sector that was closer to her home in Claremont. In her three-and-one-half years with the department she instituted many of our financial analysis policies and procedures. The recruitment process was recently completed and we are pleased to announce the selection of John Byerly, our Assistant Financial Analyst, for promotion to the lead Financial Analyst position.

## **Investment Pool Ratings**

Both Fitch Ratings and Moody's Investor Services have maintained their highest ratings for our investment pools throughout the entire fiscal year and we anticipate no alteration on this course in the future.

## **Expense Ratio**

We were able to reduce our expense ratio on January 1, 2005, from 12.5 basis points to 11.25 basis points. This is due to our diligence in watching our overhead expenses and from the increasing balances under management. Accordingly, this ten percent reduction will allow our yields to be even more competitive.

## **Compliance**

Monitoring the investment policy statement (IPS) compliance and the rectification of any noncompliance issues is documented in an internal noncompliance report summary and included in our monthly reports. Quarterly reports on compliance are also provided in the monthly reports promptly after receipt.

Hon. Bill Campbell  
July 8, 2005

## **Legislative Pursuits**

### 2004 Legislative Session

Our Department had two tax collection-related legislative submissions and two treasurer related proposals in 2004. All four were approved by the Legislative Committee of the California Association of County Treasurers and Tax Collectors (CACTTC) and were to be included in their respective Omnibus Bills.

The first proposal (Treasurer) enables a local agency's portfolio, which is invested according to Section 53601.7, the opportunity to temporarily increase issuer holdings beyond the five percent limitation. The language in the new code section would be compliant with Rule 2a-7 of the Investment Company Act of 1940. This provision was rejected by committee staff as they prefer investment related legislation to not be included in omnibus bills. Accordingly, we pursued this approach this year (see below).

The second proposal (Treasurer) is a technical clean-up amendment of Securities Lending Agreements. This provision was included in the SB 1165, the Local Government Omnibus bill, **which passed both houses and was signed into law by the Governor on July 7, 2004.**

The third proposal (Tax Collector) sought amendments to Revenue & Tax code section 2782 to be consistent with the provisions of Section 5151 regarding the payment of interest on duplicate payments not returned to the tendering party by the county within 60 days. The amendments would save counties the expense of calculating and paying interest when the amount of interest due on a replicated payment is less than ten dollars (\$10).

The fourth proposal (Tax Collector) would allow the County to cancel old erroneous assessments that are paid after the four-year statute of limitations as long as the County does so within 90 days of payment.

Both Tax Collector provisions were included in the Revenue & Tax Omnibus Bill, SB 1831. This bill **passed both houses and was signed into law by the Governor on September 9, 2004.**

### 2005 Legislative Session

Our Department has one treasurer related proposal pending for 2005.

Two years ago, then-Assemblyman John Campbell carried AB 2182 that was signed into law by then-Governor Gray Davis. When we drafted the legislation we inadvertently left out some language that would streamline California law to be compliant with Federal Rule 2a-7 language for investment portfolios. The bill Senator John Campbell has introduced, SB 268, corrects that minor oversight on our part.

This legislation allows up to twenty-five percent of the fair market value of the total assets in the County Treasurer's Money Market Investment Pool to be invested in the

Hon. Bill Campbell  
July 8, 2005

First Tier Securities of a single issuer for a period of up to three business days after the acquisition thereof. The securities of only one issuer may be invested according to this provision at a time.

The bill has passed the State Senate and is awaiting a hearing in the State Assembly. We anticipate approval by the Assembly and ultimately by the Governor.

### **Annual Business Plan**

Our annual Business Plan clearly delineates the tasks performed by this department and discusses our plans for the current calendar year. It also provides a detailed explanation of our performance measurements and our efforts to achieve them. A copy of the 2005 Business Plan is available on our website at <http://www.oc.ca.gov/treas/>.

### **GASB 31**

Our conservative Money Market Investment Pools provide a safe, liquid, and competitive money market yield at a net asset value in the \$1 range. The investments are marked-to-market on a daily basis and comply with Governmental Accounting Standards Board (GASB) 31, which became effective on June 15, 1997. However, as of June 30 our Extended Fund had a net asset value of \$ 0.995. This is the result of the recent rise in interest rates, which causes values to decline. Accordingly, those participants required to prepare Comprehensive Annual Financial Reports, including the County, may be required to report an unrealized loss fair market value adjustment for the fiscal year ended June 30, 2005.

### **Paperless Reports**

Last year we were pleased to issue our reports electronically. E-mailing to our distribution list has been well received. The current and prior reports are available on our constantly enhanced web site at [www.oc.ca.gov/treas/](http://www.oc.ca.gov/treas/).

### **Interest Earnings Executive Summary Report**

Over the years we have provided our yields, but we have never provided actual dollar figures. This month we are premiering an executive summary report that highlights the pertinent data, including actual earnings, for the month. This new executive summary will be included in our monthly reports.

### **Apportionment of Commingled Pool Interest Earnings**

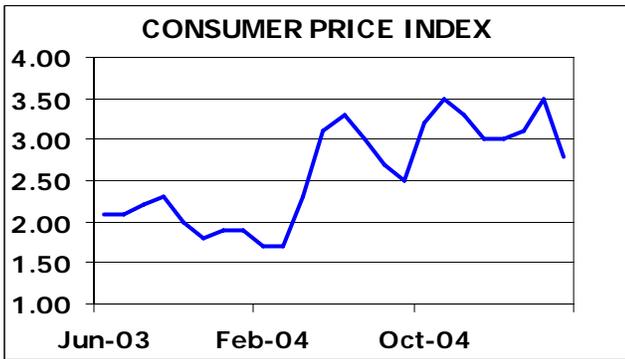
We have prepared a forecast for the timing of the County Pool's May and June 2005 interest apportionments. We anticipate posting the May and June 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately July 14 and August 17, 2005 respectively.

### Economic Observations for the Year

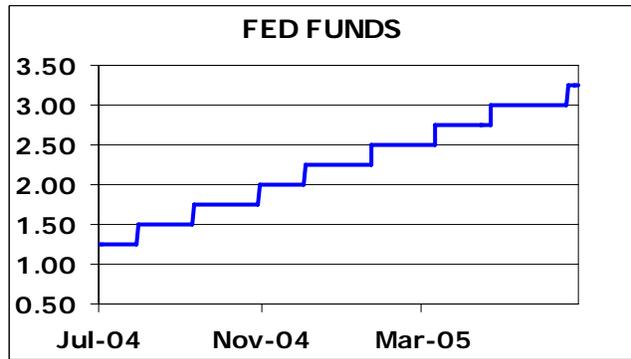
Fiscal year 2004-2005 turned out to be a “Tale of Two Economies.” We started on a high note with Gross Domestic Product above 4 percent, housing breaking all sales records, the unemployment rate dropping, industrial production at a five-year high and headline corporate profits. The Federal Open market Committee (FOMC) was bracing for a flood.

An undertow, however, pulled the participants and economists in unexpected directions. The following graphs and narrative illustrate how choppy the economy and the financial markets can be.

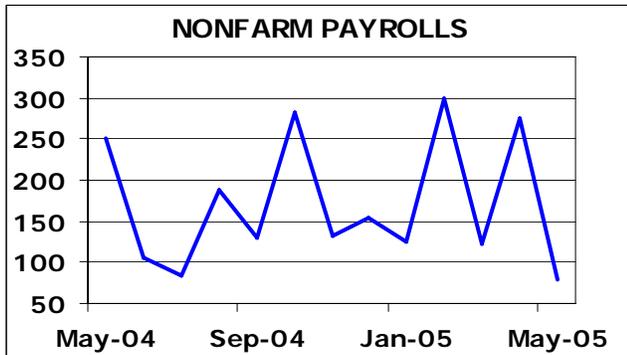
Inflation, represented here by the Consumer Price index, worried the FOMC



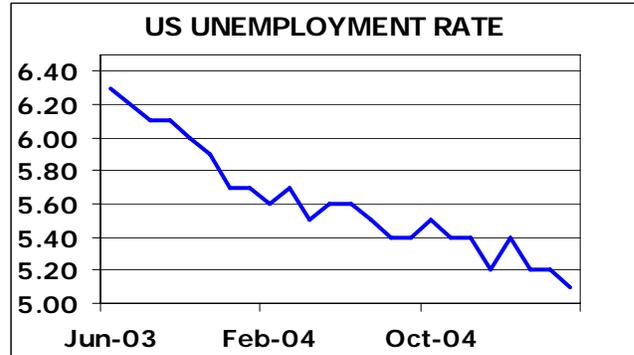
FOMC removed monetary accommodation to slow down the economy in a series of eight measured interest rate increases of 25 basis points



Where are the JOBS? Employment continues to confound the markets. Corporations are boasting record profits but no one is hiring.



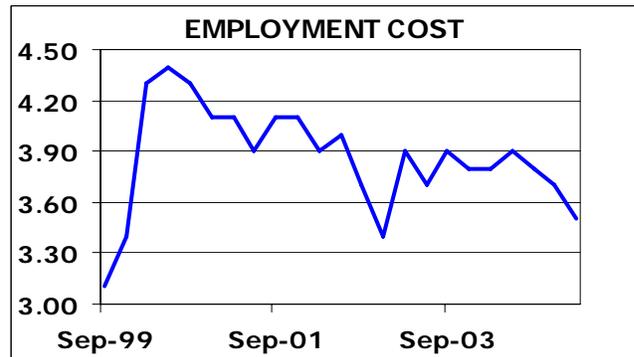
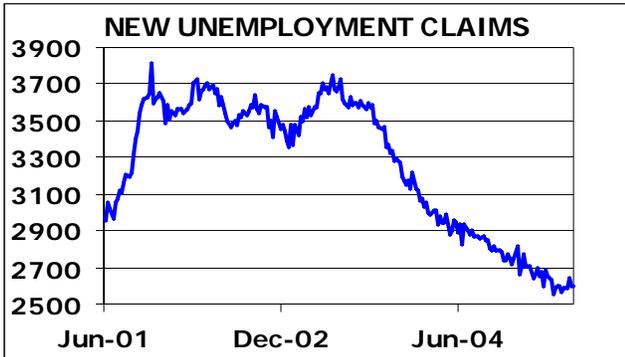
The Unemployment Rate steadily dropped. Still waiting for hiring to pick up.



Hon. Bill Campbell  
July 8, 2005

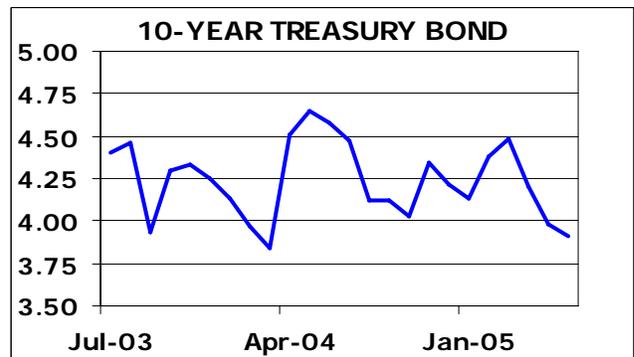
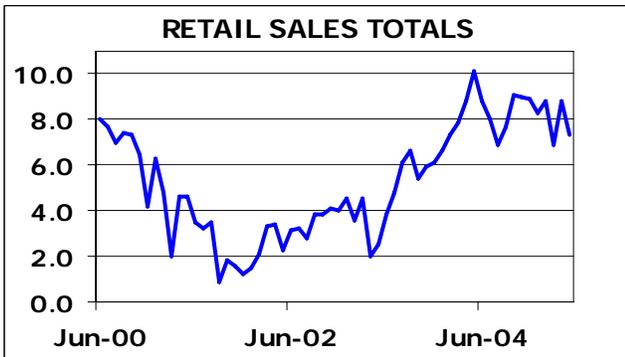
Where are the JOBS? Employment continues to confound the markets. Corporations are boasting record profits but no one is hiring.

The total cost for each employee has been declining.



Consumer buying is a “never ending story.”

The 10-year Treasury bond kept the housing market on fire with sub-6 percent mortgage rates

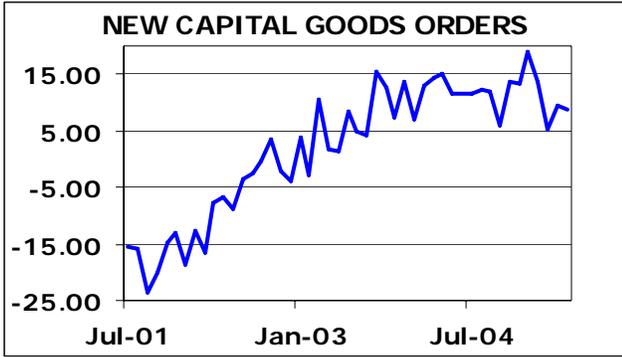


Buyers and homebuilders alike took advantage of this trend.

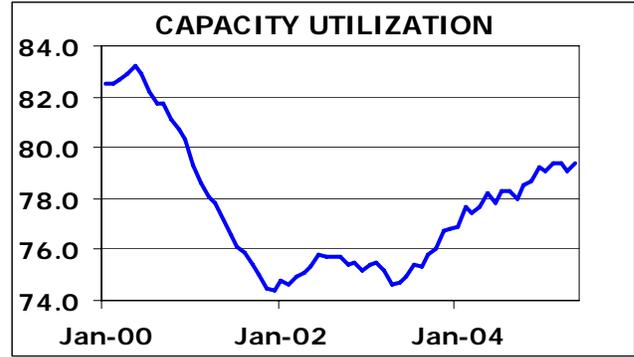


Hon. Bill Campbell  
July 8, 2005

Businesses keep ordering. Manufacturers should be in overdrive.



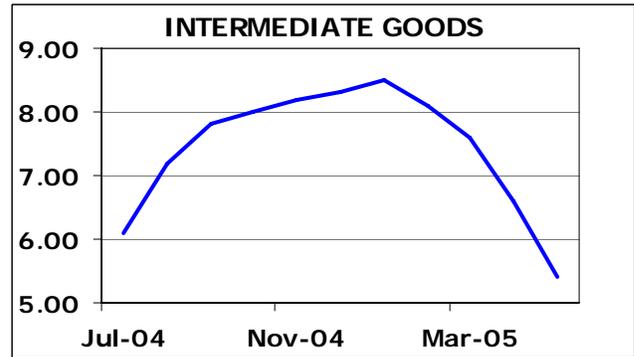
Production capacity is approaching the lofty levels of 2000. Don't manufacturers need more employees to keep up with demand?



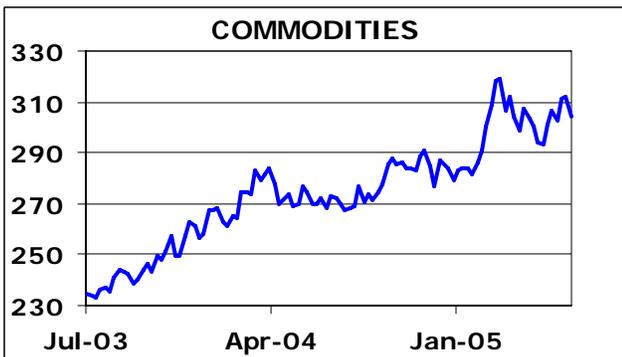
Why is production slowing? Not enough workers to process new orders?



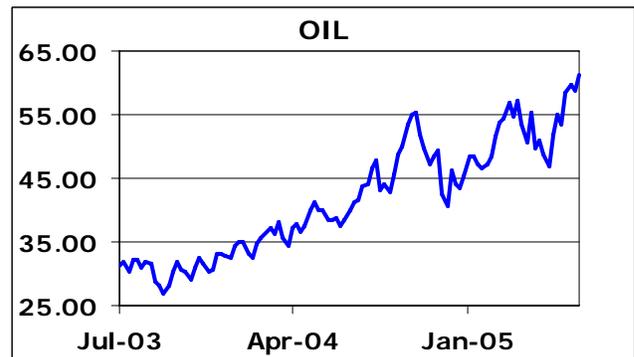
The Intermediate Cost of Goods is not reflecting higher commodity costs.



Cost of raw goods has sky rocketed. Will this slow the momentum?

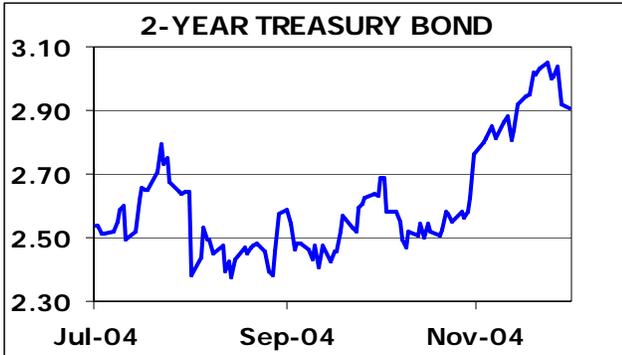


Especially oil. Higher oil prices will hurt everyone.

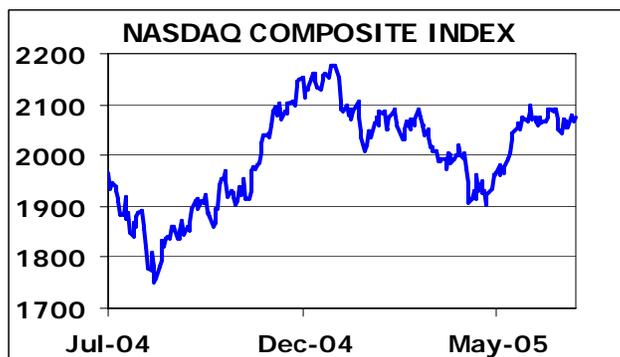
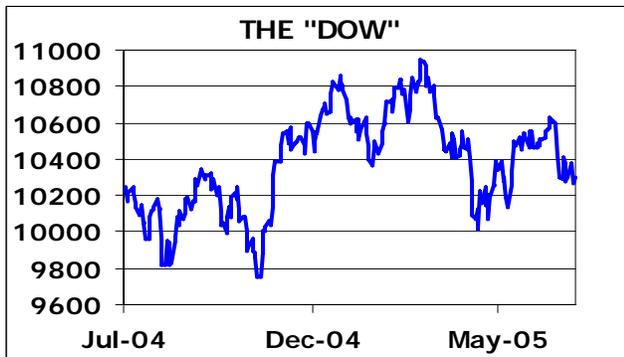


Hon. Bill Campbell  
July 8, 2005

The 2-year Treasury has been erratic.



The equity markets were also uncertain where the economy is going.



Where do we go from here? There's talk of a break in FOMC rate increases but no definitive signs. Maybe the new jobs data will improve? We'll keep you apprised with our monthly economic reports.

Hon. Bill Campbell  
July 8, 2005

## **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 year ending June 30, 2005. Each money market fund has an average maturity of less than 90 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 net 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.

## **Tax Collection**

We continue to provide one of the best collection operations in the state. Recent tax collection percentages are at record levels, and are projected to be at these levels again this year. We presently have collected \$3.7 billion, which represents a 6 percent increase over the prior tax year.

Our secured collection percentage rate ranking is the 3rd highest of the 58 California counties for the fiscal year 2003-04. Our collection rate increased to 98.9 percent, from the 98.7 percent in the prior year, thus achieving the highest collection percentages in Orange County's history.

Our unsecured business property tax collection rate of 97.46 percent, for the current fiscal year 2004-05, is very close to last year's historic high of 97.56 percent.

To further improve unsecured property tax collection percentages we have recently begun a new effort utilizing AB 589 grant funding. This program involves the hiring of two limited-term collection officers and two support staff to concentrate on recovering delinquent unsecured supplemental tax revenues. We began collecting on April 22, 2005, and already have generated \$500,000 in additional tax revenues. We anticipate generating an additional \$2 to \$4 million annually upon full staffing.

Technology enhancements are a focus of the Treasurer-Tax Collector Department. We continue to implement "value added" tools to improve constituent service levels as well as increasing property tax collections. Below are some of our significant additions for 2004-05:

Hon. Bill Campbell  
July 8, 2005

- Implemented a state-of-the-art Customer Interaction Center for all incoming phone calls. It has increased our tax information representatives' ability to answer property tax telephone inquiries. This software provides the caller's specific tax information automatically on the representative's computer screen at the time the telephone call is received.
- Automated the referral of tax bill address change requests to the Assessor. Began imaging all requests and implemented a file transmission protocol (FTP) site for transmission.
- Activated State Tax Intercept Collection Program for the payment of delinquent unsecured property taxes.
- Implemented several website enhancements including:
  - E-mail tax bill payment reminder service. Over 7,000 subscribers now are sent e-mail reminders to pay their property taxes prior to delinquent dates.
  - Shopping Cart Feature for multiple online automated clearing-house (ACH) check payments, reducing the time to pay multiple tax bills by 90 percent. This feature is in final testing and will be released in the first quarter of the 2005-06 fiscal year.
  - Tax Clearance Certificate application processing, which permits title companies and individual taxpayers to apply online for a tax clearance certificate for the sale of mobile homes.
  - Adding the ability of business checking accounts to make online ACH payments, thus allowing commercial users to remit tax payments from their corporate checking accounts.
  - Added a "Frequent Payee Refund Feature," which permits property tax refunds for frequent taxpayers, such as title companies and property management firms, to be issued sooner and at less cost to the County.

Prior Year Secured Refund processing has been enhanced in order to permit our redemption staff to more easily comply with Revenue and Taxation Code requirements regarding duplicate and overpayment refunds.

We also made significant progress in moving forward on our multi-year task to replace the Assessment Tax System with a less costly and more robust system utilizing current software and hardware technologies. In cooperation with the Auditor-Controller, Clerk of the Board, and CEO-IT we have successfully completed negotiations with IBM to purchase a new software tool to manage requirements, design, development, and testing for a new property tax application. In addition, we are currently reviewing proposals

Hon. Bill Campbell  
July 8, 2005

from vendors to assist us in the preparation of a comprehensive needs assessment. This exercise will assist us in developing a requirement specification document and should also present alternative ways to implement this document.

We continue to be amazed at the increased usage of our tax information website by public and commercial users. This fiscal year there were approximately 8 million inquiries, or hits, to our website compared to 4.3 million last year. The dollar amount of ACH web payments has increased from \$85 million last year to \$160 million this year. In addition, credit card payment dollar volumes increased from \$72 million to \$84 million, including automated telephone payments.

The increase of participation by the title company industry in utilizing electronic payment options has also been of great benefit. Three large title companies have enrolled in our new multiple payment submission program. We received electronic collections, through May 2005, of \$14.3 million, representing 6,917 paid parcels, thus saving the manual expense of making duplicate tax stubs for each parcel and processing each payment with an individual check.

We have continued to reach out to our taxpayers with tax payment liabilities of \$25,000 and more. By doing so we increased the number of electronic fund transfer payments by 71 percent over the prior year while the dollar amount of funds paid electronically have increased from \$232 million to \$405 million.

We will be implementing a new browser-based Multiple Payment website for commercial accounts during the first quarter of the 2005-6 fiscal year to further enhance our already robust offerings of property tax payment options. As noted in our 2005 Business Plan we are meeting our goal of reducing the number of mail payments as we convert taxpayers to less costly and more efficient electronic options.

Our public service level continues to be the best! Through May 2005, our staff answered 160,000 phone calls while reducing the number of "lost calls" from 12,000 to 3,500, some 71 percent.

Increased website usage, automated telephone usage, and enhancements in our Customer Interaction Center continue to improve public service levels. We are proud of the fact that the average "wait time" for a caller is only 21 seconds and the average talk time is only 2 minutes and 56 seconds. Despite increased options to receive information electronically and by telephone, taxpayers continue to visit our office in record numbers for assistance and payment of property taxes. As of May 2005, assisted 49,000 taxpayers, compared to 44,000 the prior year.

In conclusion, the 2004-05 fiscal year for the Tax Collector's office has been full of accomplishments and there is excitement in our office for the new challenges ahead.

Hon. Bill Campbell  
July 8, 2005

### **Other County Involvements**

I have the privilege of serving as a board member of the Orange County Employees Retirement System. This Board meets monthly, and I serve as Chairman of the Audit Oversight Committee. I also serve as an ex-officio member of the County's Public Financing Advisory Committee, which meets biweekly.

### **Statewide Involvements**

This past year I served as Second Vice President for the Board of Directors of the CACTTC. However, I resigned from this Board effective last month, to pursue other interests. It was a difficult decision, as I was only a few months away from assuming the role of President of this excellent statewide association.

### **Treasurer's Conference**

December 6, 2004 marked the ten-year anniversary of the filing for bankruptcy protection by the Orange County Board of Supervisors. The Orange County Treasurer's Conference Host Committee (OCTC), believing it was a seminal event for the Orange County Treasurer's office, commissioned a 30-minute documentary on the events leading up to the bankruptcy. This documentary included footage from a retrospective conference the OCTC Host Committee sponsored at the Richard Nixon Library & Birthplace on the 10<sup>th</sup> anniversary, December 6, 2004. The event was well attended and the subsequent documentary was shown on KOCE – Orange County's own PBS television station.

The conference featured three panels:

**PANEL ONE - The Leadership**, was moderated by former Supervisor Don Saltarelli, and it featured former Supervisors Bill Steiner, Roger Stanton, and Harriett Weider. Former CAO Ernie Schneider was also on the panel.

**PANEL TWO - The Media**, was moderated by Pete Weitzner, and included Dennis Foley of the Orange County Register, Jean Pasco of the Los Angeles Times and Rick Reiff of the Orange County Business Journal.

**PANEL THREE - The Lessons Learned**, was moderated by Auditor-Controller David Sundstrom. He was joined on the panel by David Brodsky, formerly of Moody's; Richard Larkin, formerly of Standard & Poor's; Chriss Street, Street Asset Management and Mark Robles of A.G. Edwards.

I want to thank the sponsors who made the event and the documentary possible: Bank of America, Bank of New York, The Irvine Company, Morgan Stanley, U.S. Bank and Wells Fargo Bank.

Also, I want to thank the members of the Orange County Treasurer's Conference Host Committee who consistently devoted time and provided advice and wise counsel that led to the success of each conference. The members of the final Host Committee are Brett R. Barbre, Municipal Water District of O.C.; Victoria Beatley, Mesa Consolidated Water District; Wendy Benkert, Orange County Department of Education; Alec Bigelson, Bank

Hon. Bill Campbell  
July 8, 2005

of America; Paul Cocking, Orange County Treasurer's Office; Andrew V. Czorny, Moulton Niguel Water District; Steve Faeth, A.G. Edwards & Sons, Inc.; David Hawley, Moulton Niguel Water District; George Jeffries, City of Tustin; Clyde Kendzierski, Financial Solutions Group; Camee L. Lewis, Union Bank of California; Sarah Lewis, Financial West Group; Lou Mastro, Bank of New York; Patrick Pearson, U.S. Bank; Jerry Slusiewicz, Pacific Financial Planners; Melody Taylor, Orange County Treasurer's Office; Timothy W. Tunney, Morgan Stanley; and Faye Watanabe, Orange County Public Finance.

### **Last Term**

I have served in this position since my appointment on March 17, 1995. I am now the second most ranking department head in the county and the senior countywide elected official. I'm also the senior Treasurer-Tax Collector for the southern California area. This job has been an amazing career opportunity. I have had a ball! And I have been blessed with an outstanding staff that is constantly looking for ways to improve on how we perform our tasks. This transmittal letter shows just a glimpse of the professionalism and enthusiasm displayed by my staff. I really do not want to leave this job.

The County of Orange is now facing much more severe challenges than it did in the dark days of 1994-96. Our debt load has mushroomed from the bankruptcy's recovery debt of \$1 billion to nearly \$5 billion including unfunded obligations for our pension plan and our retiree medical. Consequently, I have decided to run to join you on the Board of Supervisors in the June 6, 2006 election.

### **Conclusion**

I am most thankful for the opportunity to serve our community in this capacity these past ten years. I am very grateful to my staff for the extraordinary efforts they have provided in making this department such a professional one. Your encouragement and continued assistance have helped to make it so.

Very truly yours,



John M. W. Moorlach, C.P.A., CFP  
Orange County Treasurer-Tax Collector

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
EXECUTIVE SUMMARY  
JULY 1, 2004 - JUNE 30, 2005**

| PERIOD ENDING - MONTH / YEAR         | MONTH END BALANCES | EARNINGS FOR MONTH | YIELD FOR MONTH | MONTH END WAM |
|--------------------------------------|--------------------|--------------------|-----------------|---------------|
| <i>Current Month - 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           |
| <i>July 2004</i>                     |                    |                    |                 |               |
| County Pool - Money Market Fund      | \$ 1,924,322,163   | \$ 2,163,058       | 1.29%           | 55            |
| Educational Pool - Money Market Fund | \$ 1,766,445,538   | \$ 1,974,887       | 1.26%           | 50            |
| Extended Fund                        | \$ 1,063,095,513   | \$ 1,661,055       | 1.82%           | 382           |