



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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August 10, 2004

TO: Board of Supervisors
James D. Ruth, 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, 2004

Attached please find the Treasurer's Management Report for the County of Orange for the month ended July 31, 2004. 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. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's July 2004 interest apportionment. We anticipate posting the July interest apportionment to participants' cash accounts in the County general ledger by approximately August 26, 2004.

CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST

In the month of July, **Southtrust Bank** was removed from the Treasurer's approved eligibility list.

ECONOMIC OBSERVATIONS

Consumer spending cooled this summer, stoking fears of an economic slowdown. Diminishing tax cuts, higher gas prices, rising interest rates, and slower auto sales were all cited as contributing to lackluster sales.

Alan Greenspan, chairman of the Federal Open Market Committee (FOMC), in his July 20 and 21 semi-annual monetary policy report to Congress, had a much different assessment of the economy. His message provided a very bullish view of the economy's growth prospects for the second-half of 2005.

The Chairman's remarks expressed little concern about near-term risks to growth, indicating that the recent softness in consumer spending "should prove short-lived." Mr. Greenspan was clear about: 1) the self-sustaining expansion; 2) rising employment augmenting disposable income and bolstering consumer spending; and 3) removing monetary accommodation at a measured pace.

After Chairman Greenspan's reassurances that the economy remains on track, the financial markets were broadsided by July's shocking labor report. For the second straight month, weak employment numbers surprised to the downside. The gain in net jobs was only 32,000 (estimates averaged 240,000) and revisions to May and June were decreased another 61,000.

Sifting through the employment numbers revealed some positive data in the report. The workweek was extended, hours worked were up in both the private and manufacturing sectors, and household employment exploded.

The mixed economic news continues to challenge the financial community. As expected by both the Treasurer's Investment Management Committee and the financial markets, the FOMC meeting increased interest rates 25 basis points at today's meeting. The FOMC remains balanced but ready to respond to economic changes.

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INTEREST RATE FORECAST

The estimated interest rate forecast for the fiscal year 2004-2005 is 1.5 percent.

Please call with any questions.