## OFFICE OF THE TREASURER-TAX COLLECTOR



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February 18, 2009

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TO: Board of Supervisors

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

**Participants** 

FROM: Chriss W. Street

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for January 31, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month ended January 31, 2009. 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 www.ttc.ocgov.com.

#### 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 January 31st. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. 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 cost 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.

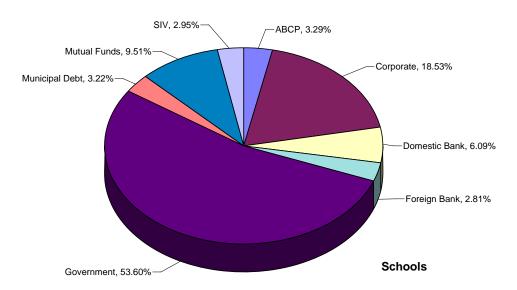
### APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

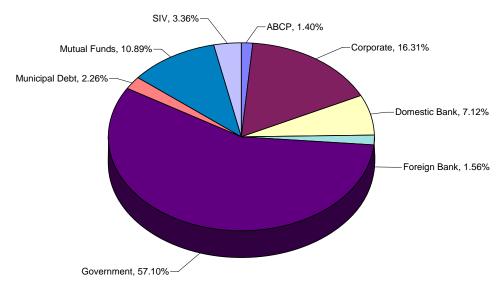
We have prepared a forecast for the timing of the County Investment Pool's November 2008, December 2008 and January 2009 interest apportionments. We anticipate posting the November 2008, December 2008 and January 2009 interest apportionments to participants' cash accounts in the County general ledger by approximately February 10, March 5 and March 17, 2009 respectively.

#### PORTFOLIO COMPOSITION

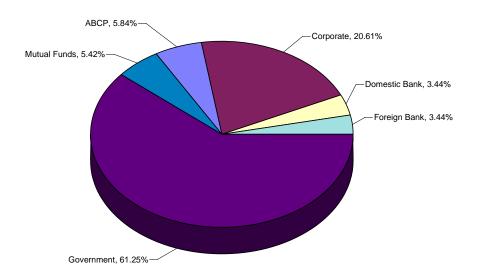
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1: County





#### John Wayne Airport



#### MARKET OBSERVATIONS

The first quarter of 2009 will likely be remembered as the tipping point in the most recent business cycle. Companies with sterling credit ratings, whom only months before had ample access to credit, have found themselves squeezed out of the market and forced to find alternative sources of funding. All of this has led to an unorganized market with rates fluctuating dramatically day-to-day as everyone attempts to sort out the details.

While the markets may be chaotic, numerous built-in safeguards help insulate the pools invested by the Treasurer's office. First, the monies are invested under one of the most conservative investment policy statements (IPS) in the state; the funds are rated AAA by Moody's and AAAm by S&P. One of its main objectives is to limit the amount of money that can be invested in any single company as well as in one type of security. This has allowed us to react quickly to changing market conditions while maintaining the safety and liquidity of our investments.

Second, there has been an ongoing commitment to fund the purchase of advanced trading and accounting systems that help safe guard the investments. We employ software at the beginning of each trade that checks against our IPS and alerts us to trades that would cause the pool to fall out of compliance. At the end of every day, accounting software makes the same checks and continues to monitor each investment along with pool specific criteria.

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Finally, none of this would work smoothly unless there were quality people using these tools. Multiple managers review trading activity and meet at least once each week to review current market activity and to refine the investment process.

We believe the market will continue to exhibit above-average volatility over the next several weeks. Markets may stabilize over in the months ahead on the expectation that the money pledged by the Federal Government will begin to work its way into the broader economy. We will maintain our strategy of selectively extending the duration of our portfolios.

#### **Interest Rate Forecast**

The Treasurer's Investment Committee is currently estimating an average interest yield of 2% for 2008-2009; in addition we are estimating an average interest yield of 1.35% for 2009-2010.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future. Please call Orange County Treasurer, Chriss W. Street, at 714-834-7625 with any questions.

# ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

February 1, 2008 - January 31, 2009

		MONTH END IARKET VALUE	EA	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - January 2009						
County Pool - Money Market Fund	\$	2,014,879,118	\$	1,827,150	0.99%	50
Educational Pool - Money Market Fund	\$	1,856,648,856	\$	1,820,578	1.13%	53
Extended Fund	\$	2,533,665,548	\$	7,079,923	3.32%	281
OC Extended Fund B	\$	52,200,929	\$	-	N/A	150
December 2008	r.	0.000.407.400	<b>ው</b>	0.007.707	1.77%	Ε0.
County Pool - Money Market Fund	\$	2,308,197,426	\$	3,627,727		58
Educational Pool - Money Market Fund	\$	2,152,827,732	\$	2,244,826	1.46%	55
Extended Fund	\$	2,503,173,696 52,200,929	\$	7,054,362	3.32%	325
OC Extended Fund B November 2008	Ф	52,200,929	Ф	=	N/A	25
County Pool - Money Market Fund	œ.	1 022 020 007	Ф	3,212,472	2.18%	30
	\$	1,923,820,987	\$			
Educational Pool - Money Market Fund  Extended Fund	\$	1,591,357,027	\$	2,695,568	2.01% 3.45%	48 349
	\$ \$	2,337,562,301 53,690,396	\$ \$	6,880,107	3.45% N/A	56
OC Extended Fund B	Φ	55,090,590	Φ	-	IN/A	50
October 2008  County Pool - Money Market Fund	\$	1,693,321,937	\$	3,606,898	2.55%	36
			-		2.36%	43
Educational Pool - Money Market Fund  Extended Fund	\$ \$	1,716,217,568	\$ \$	3,457,222 6,881,334	2.36% 3.30%	345
OC Extended Fund B	\$	2,491,877,137 53,690,395	\$	0,001,334	3.30% N/A	86
September 2008	Φ	55,090,595	Φ	-	IN/A	00
	\$	1 622 202 021	\$	2 722 045	2.64%	51
County Pool - Money Market Fund  Educational Pool - Money Market Fund	\$	1,633,383,931		3,733,815 3,660,952	2.52%	52
Extended Fund	\$	1,707,114,565	\$ \$	3,483,307	1.84%	393
	\$	2,333,839,343	\$	3,403,307		
OC Extended Fund B	Ф	69,117,440	Ф	=	N/A	117
August 2008	œ.	1 705 207 262	φ	2 722 240	0.540/	47
County Pool - Money Market Fund	\$	1,735,397,363 1,839,799,053	\$	3,733,249 3,658,783	2.51% 2.42%	47
Educational Pool - Money Market Fund	\$		\$		3.74%	
Extended Fund	\$	2,182,413,404	\$	6,883,249		477
OC Extended Fund B July 2008	Ф	69,117,440	Ф	=	N/A	147
•	æ	1,787,284,123	Ф	3,899,411	2.41%	50
County Pool - Money Market Fund  Educational Pool - Money Market Fund	\$	1,797,691,062	\$ \$	3,698,983	2.41%	50
Extended Fund	\$	2,104,561,539	\$	7,010,329	3.73%	481
OC Extended Fund B	\$	69,117,440	\$	7,010,329	3.73 / <sub>8</sub> N/A	178
June 2008	Ψ	09,117,440	Ψ	-	IN/A	170
County Pool - Money Market Fund	\$	1,922,691,656	\$	4,090,847	2.44%	33
•	_		1		2.46%	
Educational Pool - Money Market Fund  Extended Fund	\$	1,707,534,727 2,194,238,720	\$ \$	4,119,816 7,014,532	3.92%	503
OC Extended Fund B	\$	69,117,440	\$	7,014,552	0.92 /0 N/A	209
May 2008	Ψ	03,117,440	Ψ	-	IN/A	209
County Pool - Money Market Fund	\$	2,052,055,391	\$	4,328,189	2.42%	29
Educational Pool - Money Market Fund	\$	2,208,622,434	\$	4,646,915	2.45%	35
Extended Fund	\$	2,188,235,769	\$	7,248,040	3.81%	456
April 2008	Ψ	2,100,200,700	Ψ	7,240,040	3.0170	430
County Pool - Money Market Fund	\$	2,313,762,854	\$	5,648,143	2.66%	33
Educational Pool - Money Market Fund	\$	2,328,134,710	\$	4,593,731	2.62%	42
Extended Fund	\$	2,281,021,020	\$	7,592,402	4.15%	466
March 2008	Ψ	2,201,021,020	Ψ	1,002,402	7.1070	400
County Pool - Money Market Fund	\$	2,015,431,220	\$	3,791,696	2.34%	23
Educational Pool - Money Market Fund	\$	1,952,925,095	\$	5,148,299	3.03%	42
Extended Fund	\$	2,298,149,876	\$	11,180,561	5.77%	465
February 2008	Ψ	2,200,140,070	Ψ	11,100,001	5.1170	700
County Pool - Money Market Fund	\$	2,058,205,103	\$	5,924,621	3.66%	34
Educational Pool - Money Market Fund	\$	2,012,588,527	\$	5,953,697	3.74%	34
Extended Fund	\$	2,118,888,102	\$	8,620,437	5.17%	443
February 1, 2008 - January 31, 2009		nnual Average		otal for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$	1,954,869,259	\$	47,424,217	2.38%	39
Educational Pool - Money Market Fund	\$	1,905,955,113	\$	45,699,370	2.38%	44
Extended Fund	\$	2,142,127,338	\$	86,928,582	3.79%	415