OFFICE OF THE TREASURER-TAX COLLECTOR



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July 15, 2009

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 June 30, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month and fiscal year ended June 30, 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 June 30th. 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.

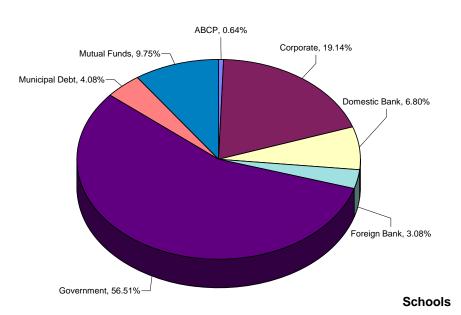
APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

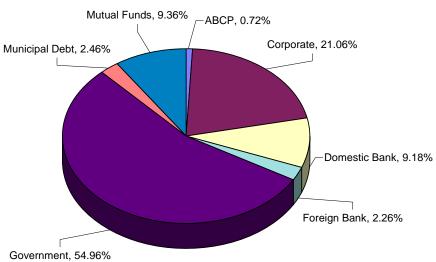
We have prepared a forecast for the timing of the County Investment Pool's May 2009 interest apportionment. We anticipate posting the May 2009 interest apportionment to participants' cash accounts in the County general ledger by approximately July 31, 2009.

PORTFOLIO COMPOSITION

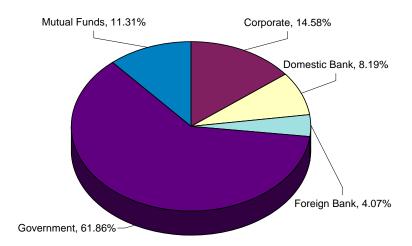
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1: County





John Wayne Airport



MARKET OBSERVATIONS

The Orange County Treasurer's investment pool ended the June 30th fiscal year having earned \$128.7 million dollars for our pool participants, with an additional \$9 million of unrealized capital gains remaining in the portfolio. Over the past three fiscal years the Treasurer produced a total of \$720.0 million dollars for our stakeholders!

Considering the financial turmoil that humbled many investors last year, the Treasurer's staff should be commended for this solid performance. Although the world suffered losses in excess of \$5 trillion, our conservative and thorough research helped ensure our office remained profitable each month.

As the economy began faltering in 2007, the Orange County Treasurer's office redoubled our commitment to maintaining the strongest short term government investment portfolio in the nation. The team set out to build an extremely high credit quality fund consisting mostly of US government guaranteed issues. These government backed securities provided stability to our portfolio and gave us the ability to be nimble in a very fluid market.

The Orange County Treasurer's investment team has managed through the storm and emerged without suffering any loss to our investor's principal. In recognition of the composition of the Treasurer's extremely safe fund, S&P awarded Orange County their AAAm rating. Orange County became the first county in the nation and the only municipality in California to achieve such recognition for the highest credit quality and liquidity.

Treasurer's Monthly Management Report Page 4

While we anticipate that the financial storm of the last two years will begin subsiding in the Fourth Quarter of 2009, we recognize many challenges lay ahead for the US economy. Growth over the next three years will be very anemic and credit risk will remain elevated. Ongoing price deflation will keep interest rates at historically low levels; shorter term investment yields on US government bonds that fell 63% in the last six months from 2.73% to approximately 1.00% will stay low.

Your Orange County investment team anticipated today's lower rates and took advantage of opportunities late last year to extend the maturity on \$500.0 million. This decision locked in higher interest rates on a significant portion of our portfolio and helps ensure we will continue to provide solid returns through the end of 2009.

We recently have restructured the portfolio to reflect a "neutral bias," to reflect our belief that interest rates will remain stable for the next eighteen months. These are challenging and uncertain times and we remain singularly focused on investments that provide both safety and liquidity.

Interest Apportionment Disclosure

From time to time we receive questions about our interest apportionment practices and "how it works." In a recent audit report Internal Audit recommended we provide disclosures to Investment Pool participants about the interest apportionment process. Please see the attached letter "Overview Disclosure of Allocation and Apportionment of Investment Pool Earnings" (Exhibit A). If you have questions or would like further explanation please feel free to contact Paul Gorman at 714-834-2288.

Interest Rate Forecast

The Treasurer's Investment Committee is currently 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 or to arrange a personal visit to see "Your Money".

ORANGE COUNTY TREASURER-TAX COLLECTOR

EXECUTIVE SUMMARY

July 1, 2008 - June 30, 2009

	MARKET		EARNINGS		YIELD FOR	MONTH
PERIOD ENDING - MONTH / YEAR		VALUE		OR MONTH	MONTH	END WAM
Current Month - June 2009		-			_	
County Pool - Money Market Fund	\$	1,715,299,012	\$	953,720	0.64%	48
Educational Pool - Money Market Fund	\$	1,403,295,309	\$	870,875	0.65%	52
Extended Fund	\$	2,717,967,912	\$	5,043,252	2.32%	491
OC Extended Fund B	\$	39,948,442	\$	-	N/A	340
May 2009						
County Pool - Money Market Fund	\$	1,930,854,836	\$	1,331,283	0.84%	49
Educational Pool - Money Market Fund	\$	1,557,527,352	\$	969,271	0.68%	52
Extended Fund	\$	2,570,383,695	\$	5,244,514	2.27%	423
OC Extended Fund B April 2009	Ф	49,011,934	\$	-	N/A	369
County Pool - Money Market Fund	\$	2,179,797,628	\$	1,444,232	0.64%	51
Educational Pool - Money Market Fund	\$	1,787,863,217	\$	854,923	0.74%	50
Extended Fund	\$	2,667,974,783	\$	4,796,125	2.17%	417
OC Extended Fund B	\$	52,200,929	\$	- 1,700,120	N/A	61
March 2009	+	02,200,020	ų.		,, .	0.
County Pool - Money Market Fund	\$	2,029,134,964	\$	1,400,404	0.81%	48
Educational Pool - Money Market Fund	\$	1,338,411,552	\$	1,109,701	0.88%	48
Extended Fund	\$	2,645,713,854	\$	5,538,166	2.57%	428
OC Extended Fund B	\$	52,200,929	\$	-	N/A	91
February 2009						
County Pool - Money Market Fund	\$	2,169,443,772	\$	1,630,117	1.00%	53
Educational Pool - Money Market Fund	\$	1,576,700,518	\$	1,540,126	1.17%	59
Extended Fund	\$	2,350,452,260	\$	5,828,257	3.12%	387
OC Extended Fund B	\$	52,200,929	\$	-	N/A	122
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 December 2008	\$	52,200,929	\$	-	N/A	150
County Pool - Money Market Fund	\$	2,308,197,426	\$	3,627,727	1.77%	58
Educational Pool - Money Market Fund	\$	2,152,827,732	\$	2,244,826	1.46%	55
Extended Fund	\$	2,503,173,696	\$	7,054,362	3.32%	325
OC Extended Fund B	\$	52,200,929	\$	- 1,004,002	N/A	25
November 2008	+	02,200,020	ų.		,, .	
County Pool - Money Market Fund	\$	1,923,820,987	\$	3,212,472	2.18%	30
Educational Pool - Money Market Fund	\$	1,591,357,027	\$	2,695,568	2.01%	48
Extended Fund	\$	2,337,562,301	\$	6,880,107	3.45%	349
OC Extended Fund B	\$	53,690,396	\$	-	N/A	56
October 2008						
County Pool - Money Market Fund	\$	1,693,321,937	\$	3,606,898	2.55%	36
Educational Pool - Money Market Fund	\$	1,716,217,568	\$	3,457,222	2.36%	43
Extended Fund	\$	2,491,877,137	\$	6,881,334	3.30%	345
OC Extended Fund B	\$	53,690,395	\$	-	N/A	86
September 2008	Φ.	4 000 000 004	Φ.	0.700.045	0.040/	54
County Pool - Money Market Fund	\$	1,633,383,931	\$	3,733,815	2.64%	51
Educational Pool - Money Market Fund	\$	1,707,114,565	\$	3,660,952	2.52%	52
Extended Fund OC Extended Fund B	\$	2,333,839,343	\$ \$	3,483,307	1.84%	393
August 2008	Φ	69,117,440	Φ	-	N/A	117
County Pool - Money Market Fund	\$	1,735,397,363	\$	3,733,249	2.51%	47
Educational Pool - Money Market Fund	\$	1,839,799,053	\$	3,658,783	2.42%	45
Extended Fund	\$	2,182,413,404	\$	6,883,249	3.74%	477
OC Extended Fund B	\$	69,117,440	\$	-,555,215	N/A	147
July 2008		., .,				
County Pool - Money Market Fund	\$	1,787,284,123	\$	3,899,411	2.41%	50
Educational Pool - Money Market Fund	\$	1,797,691,062	\$	3,698,983	2.38%	50
Extended Fund	\$	2,104,561,539	\$	7,010,329	3.73%	481
OC Extended Fund B	\$	69,117,440	\$	-	N/A	178
July 1, 2008 - June 30, 2009	1	Annual Average	1	Total for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$	1,926,734,591	\$	30,400,478	1.58%	48
Educational Pool - Money Market Fund	\$	1,693,787,818	\$	26,581,807	1.53%	51
Extended Fund	\$	2,508,690,300	\$	71,722,925	2.93%	400
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