# OFFICE OF THE TREASURER-TAX COLLECTOR



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October 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 Month & Quarter ended September

30, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month & quarter ended September 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 <a href="https://www.ttc.ocgov.com">www.ttc.ocgov.com</a>.

## 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 September 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.

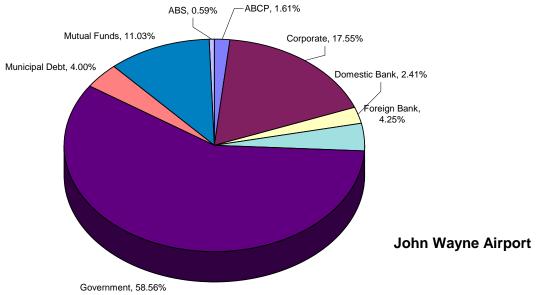
## APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

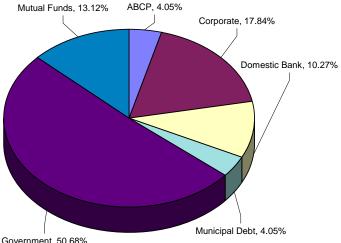
We have prepared a forecast for the timing of the County Investment Pool's August 2009 and September 2009 interest apportionments. We anticipate posting the August 2009 and September 2009 interest apportionments to participants' cash accounts in the County general ledger by approximately October 21 and November 23, 2009 respectively.

# PORTFOLIO COMPOSITION

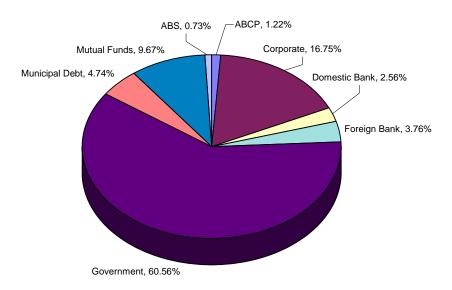
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1: County





#### **Schools**



## MARKET OBSERVATIONS

The United States has always prided itself on the ability to be an innovator that gains economic dominance during periods of rapid change. As the world suffers through the change brought on by the most difficult recession since the Great Depression, the American economy is rapidly restructuring in order to achieve dominance in the future. We forecast that during this "return to normal" interest rates will remain low.

Most Americans would describe the 1990s as an era of great economic growth. For the developing world, the period will be remembered for extreme economic pain. Russia, Mexico, Argentina and many others went bankrupt and even the rapidly developing Asian economies, including China, suffered huge economic challenges. While the US celebrated an economic boom and basked in the ego associated with its strong dollar, the developing world adopted "Beggar Thy Neighbor" strategies aimed at cheapening their currencies through devaluation in order to undercut US competitiveness.

The first decade of the 21st Century will be remembered for the economic rebirth of China, Brazil and India. Each country unleashed a system of centrally planned export capitalism to make their products extremely competitive. In the past these former socialist countries had been highly restrictive of allowing foreign companies to use their labor or sell into their protected markets. The pain of the 90s required them to seek outside capital to re-launch their economies. Massive capital poured in and massive exports poured out.

Treasurer's Monthly Management Report Page 4

As the competitiveness of these new economic behemoths rose, the capital markets began to strengthen their currencies and thus cut off their new success. Instead of increasing the standard of living for their citizens, these centrally planned capitalists purchased massive amounts of US Government bonds in order to return the cash to America and bid up the US currency. This resulted in a stronger US dollar and greater competitiveness for the new market entrants and cheaper prices for the US consumer. Many people started referring to WalMart as the Great Wall of Mart, in honor of the fact that 85% of WalMart's non-food products tended to be imported from China. This also facilitated cheap interest rates which drove up real estate prices until the recent collapse of this game.

Like all temporary economic predatory strategies, Beggar Thy Neighbor is collapsing. Americans are cutting back on their consumer purchasing and deleveraging their borrowing. America has moved from spending 7% more than they earn to saving 5% of what they earn. This process is driving down the value of the US dollar as the exporters have less sales and thus dollars to invest. Interest rates are low due to former US consumers becoming savers.

Once again the United States sits in the catbird's seat. The US economy is highly self sufficient and the US appears to be willing to accept lower asset values and a weaker US dollar. The exporters are losing market and beginning to understand that they will be suffering massive losses on the depreciating currency value of the US bond investments. With the fall in the US dollar, American competitiveness is rising. Low interest rates are allowing the US Federal government to cushion the shock of change with a huge temporary stimulus of "make work" projects.

Although the United States could destroy its own economic rebirth by following the Japanese model of trying to have government spending pave the yellow brick road back to prosperity, our people are already demanding spending discipline. With our centrally planned competitors in disarray and headed for shambles, the US will continue to innovate and prepare for the next economic launch forward.

All indications from our research of the economy point to a period of slow growth for the US over the next two years. Individuals and corporations will continue to emphasize reducing debt and building savings. Over time a huge pool of savings will be available to fund a new era of growth. This will just take some time arrive.

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

October 1, 2008 - September 30, 2009

	ber 1, 2008 - September				VIELD FOR	MONITU
PERIOD ENDING - MONTH / YEAR		MARKET		EARNINGS	YIELD FOR	MONTH
Current Month - September 2009		VALUE	F	OR MONTH	MONTH	END WAM
County Pool - Money Market Fund	\$	1,970,027,204	\$	583,000	0.35%	54
Educational Pool - Money Market Fund	\$	1,368,057,984	\$	517,448	0.56%	57
Extended Fund	\$	2,531,354,790	\$	3,569,904	1.71%	486
OC Extended Fund B	\$	38,725,414	\$	3,309,904	1.7 1 /6 N/A	248
August 2009	Ψ	30,723,414	Ψ		IN/A	240
County Pool - Money Market Fund	\$	2,106,086,758	2	915,879	0.50%	57
Educational Pool - Money Market Fund	\$	1,419,464,342	\$	769,121	0.58%	60
Extended Fund	\$	2,443,068,280	\$	8,317,118	4.02%	476
OC Extended Fund B	\$	38,891,543	\$	0,317,110	4.02 /6 N/A	278
July 2009	Ψ	30,031,343	Ψ	<del>-</del> _	IN/A	210
County Pool - Money Market Fund	\$	2,426,411,208	\$	951,216	0.51%	53
Educational Pool - Money Market Fund	\$	1,664,060,971	\$	763,406	0.62%	59
Extended Fund	\$	2,202,254,242	\$	8,680,964	3.98%	578
OC Extended Fund B	\$	39,228,860	\$	0,000,304	0.90% N/A	309
June 2009	Ψ	39,220,000	Ψ		IN/A	303
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	\$	3,043,232	2.32 / <sub>0</sub> N/A	340
May 2009	Ψ	39,940,442	Ψ		IN/A	340
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	\$	49,011,934	\$	5,244,514	2.27 /6 N/A	369
April 2009	Ψ	40,011,004	Ψ		14/74	303
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	\$	4,730,123	2.17 /6 N/A	61
March 2009	Ψ	32,200,929	Ψ		IN/A	01
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	\$	3,330,100	2.57 /6 N/A	91
February 2009	Ψ	32,200,323	Ψ		IN/A	91
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	\$	5,020,257	N/A	122
January 2009	Ψ	02,200,020	Ψ		14/71	122
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	\$	7,070,020	N/A	150
December 2008	Ψ	32,200,323	Ψ		14/74	100
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	\$	7,004,002	3.32 / <sub>0</sub> N/A	25
November 2008	Ψ	02,200,323	Ψ		IN//A	20
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	Ψ	00,000,000	Ψ		14//1	
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	\$	0,001,004	0.50 % N/A	86
	,		,			Annual
October 1, 2008 - September 30, 2009		nnual Average		Total for Year	Annual Average	Average
County Pool - Money Market Fund	\$	2,038,939,571	\$	21,484,098	1.07%	49
Educational Pool - Money Market Fund	\$	1,619,369,369	\$	17,613,065	1.07%	53
Extended Fund	\$	2,547,470,011	\$	74,914,026	2.96%	416