OFFICE OF THE TREASURER-TAX COLLECTOR



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December 15, 2008

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ADMINISTRATION

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 December 31, 2008

Attached please find the Treasurer's Management Report for the County of Orange for the month & quarter ended December 31, 2008. 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 November 30th. 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 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.

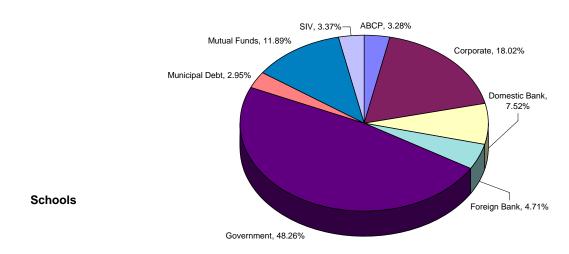
APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

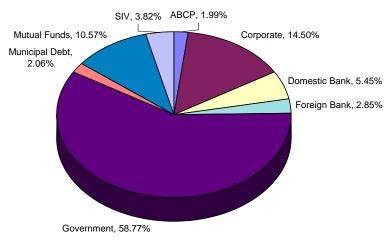
We have prepared a forecast for the timing of the County Investment Pool's November 2008 interest apportionment. We anticipate posting the November 2008 interest apportionment to participants' cash accounts in the County general ledger by approximately February 11, 2009.

PORTFOLIO COMPOSITION

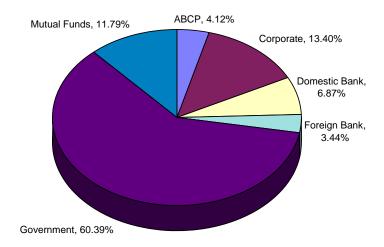
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1:





John Wayne Airport



MARKET OBSERVATIONS

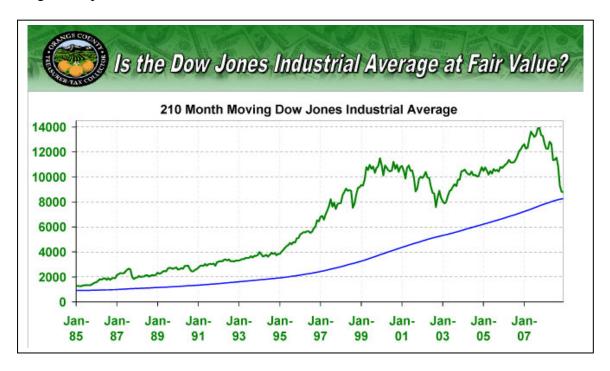
The Orange County Treasurer's office is pleased to report that we delivered a monthly return of 2.18% for the Educational Investment Pool and 2.33% for the County Investment Pool in December.

Although returns were down in 2008 because of the credit crisis, our office continues to outperform its peer group. Amongst municipal investment pools across the country, the Orange County Investment Pool (3.16%) and the Orange County Educational Pool (3.11%) were ranked 6th and 8th nationally based on return.

In recognition of our efforts, the Orange County Investment Pools were also the first County Pools in the United States to earn the prestigious AAA-m rating from Standard & Poor's; this represents the highest rating for Safety and Liquidity.

Although the Treasurer's office invests only in high quality fixed income instruments, we diligently watch the stock, real estate and commodity markets to judge the level of speculative activity in the economy. In hindsight, it was obvious that the markets by early 2007 were the most over-valued in its history.

The chart below represents the long term (210 month) moving average of the Dow Jones Industrial Average (DJIA). Even after the spectacular crash over the last 18 months from approximately 14,300 to the current 8300 level, the DJIA is not under-valued from its long term upward trend.



The same financial reporters and hedge fund personalities who were the great cheerleaders as the market roared are now chattering about a 1930's style depression and the end of civilization as we know it. Perhaps it may not be prudent to take advice from people who got it so wrong in the past.

The United States, and the world, is currently going through a "hard landing" recession. As a result, consumption will likely decrease significantly for the next couple of years as consumers rebuild their savings. Due to soft demand, prices will continue to fall, but the economy will eventually returns to its long term growth rate of 3%.

The Orange County Treasurer's office believes that the US economy may surprise us with an up-tick this coming Spring if savings come in higher than previously anticipated. We have been steadily adding floating rate bonds to our portfolio in order to benefit from any increase in interest rates. Capitalism tends to be painful and messy, but it works over time!

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

January 1, 2008 - December 31, 2008

PERIOD ENDING - MONTH / YEAR	N	MONTH END MARKET VALUE	EA	RNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - December 2008						
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	\$	-	N/A	25
November 2008	•	4 000 000 007	Φ.	0.040.470	0.400/	00
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 B	\$ \$	2,337,562,301	\$ \$	6,880,107	3.45% N/A	349 56
OC Extended Fund B October 2008	Ψ	53,690,396	φ	-	IN/A	30
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		00,000,000	7			
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	\$	2,333,839,343	\$	3,483,307	1.84%	393
OC Extended Fund B	\$	69,117,440	\$	-	N/A	117
August 2008						
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	\$	-	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
June 2008						
County Pool - Money Market Fund	\$	1,922,691,656	\$	4,090,847	2.44%	33
Educational Pool - Money Market Fund	\$	1,707,534,727	\$	4,119,816	2.46%	33
Extended Fund	\$	2,194,238,720	\$	7,014,532	3.92%	503
OC Extended Fund B	\$	69,117,440	\$	-	N/A	209
May 2008	r.	0.050.055.004	œ.	4 220 400	0.400/	20
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 April 2008	Ф	2,188,235,769	\$	7,248,040	3.81%	456
County Pool - Money Market Fund	¢	2,313,762,854	Ф	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	7,002,402	4.1070	700
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	-	_,,	7	, ,	511.176	
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
January 2008						
County Pool - Money Market Fund	\$	1,977,674,788	\$	8,208,591	4.56%	29
Educational Pool - Money Market Fund	\$	2,132,664,074	\$	8,270,478	4.53%	33
Extended Fund	\$	2,176,737,787	\$	9,396,820	5.13%	466
	_		_		Annual	Annual
January 1, 2008 - December 31, 2008		Annual Average		otal for Year	Average	Average
County Pool - Money Market Fund	\$	1,951,768,898	\$	53,805,658	2.68%	38
Educational Pool - Money Market Fund	\$	1,928,956,381	\$ \$	52,149,271	2.66% 3.94%	43 499
Extended Fund	- P	2,303,895,848	Ą	89,245,480	3.94%	499