



## OFFICE OF THE TREASURER-TAX COLLECTOR

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May 10, 2005

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TO: Board of Supervisors  
Thomas G. Mauk, 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 April 30, 2005

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended April 30, 2005. 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://tax.ocgov.com/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 April 30. 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 March and April 2005 interest apportionments. We anticipate posting the March and April 2005 interest apportionments to participants' cash accounts in the County general ledger by approximately May 6 and June 13, 2005 respectively.

## **CREDIT WATCH NEGATIVE AND APPROVED ELIGIBILITY LIST**

In the month of April, there were seven changes to the Treasurer's approved eligibility list. The following were removed:

- 1) **Pfizer Inc.**
- 2) **Delaware Funding Co. LLC**
- 3) **Coca-Cola Enterprises**
- 4) **Colonial Pipeline, Co.**
- 5) **Kitty Hawk Funding Corporation**
- 6) **State Street Bank & Trust Co.**
- 7) **Unilever Capital Corp**

## **ECONOMIC OBSERVATIONS**

This month we have a tale of two economies. The first appears to have entered a "soft patch." Consumer confidence softened and demand for durable goods plunged. In the second, employment numbers point to a moderately strong labor market and demand for homes is at or near record highs. Which view truly reflects the current state of our economy? A bit of both.

The unemployment rate stands at 5.20%, a level that only looks bad when compared to the sub-5% levels experienced during the final stages of the "tech bubble" in the late 1990's (Exhibit 1), but the current trend is moving in the right direction. Wages are increasing and spending continues to match those wage increases. Also, new home sales surged 12.2%, the largest monthly gain since September 1993, and existing home sales posted the third highest level on record (Exhibits 2 & 3).

There is a disconnect between how consumers are acting versus what their views are on the economy. Consumer confidence has hit its lowest level since September. This decline in confidence is broad-based, with the largest deteriorations occurring in expectations and assessments of buying conditions for household durable goods. Why? We believe it is gasoline. Consumers are obsessed with the spike in gasoline prices. According to Stephen Stanley, Chief Economist for RBS Greenwich Capital, "households rated the outlook of their own finances as the worst since 1996, with 46% looking for inflation to outpace income gains, the highest reading since 1990."

So where does all of this leave the economy? Growing at a sustainable rate along with a Federal Open Market Committee (FOMC) that is determined to address the potential of an increase in inflation (Exhibit 4). The FOMC increased interest rates 25 basis points at the May 3rd meeting. Both the Treasurer's Investment Committee and the financial markets were anticipating this outcome. And we anticipate this trend to continue.

Please call with any questions.

US Unemployment Rate Total in Labor Force (Monthly)



Exhibit 1

US Single Family Homes (Monthly)

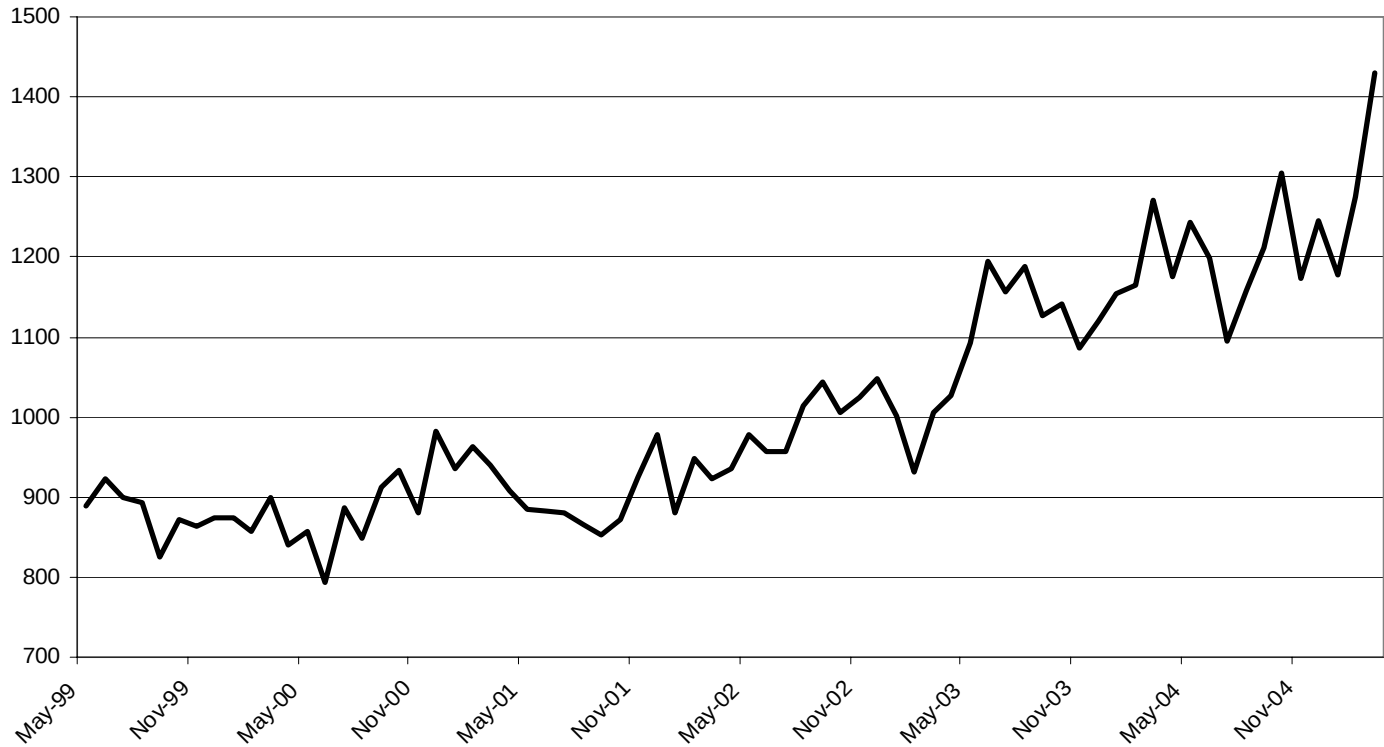


Exhibit 2

### US Existing Home Sales (Monthly)

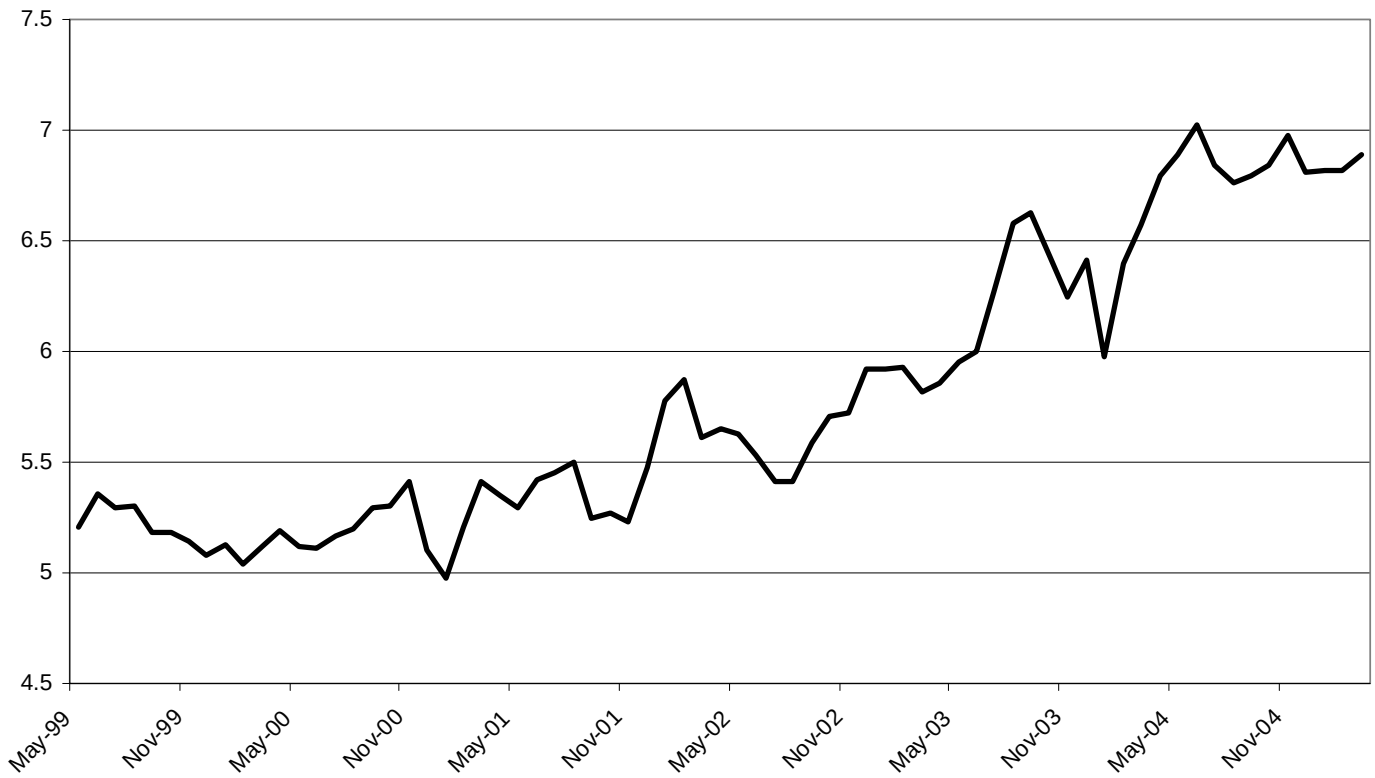


Exhibit 3

### GDP US Chained 2000 Dolloars YoY (Quarterly)

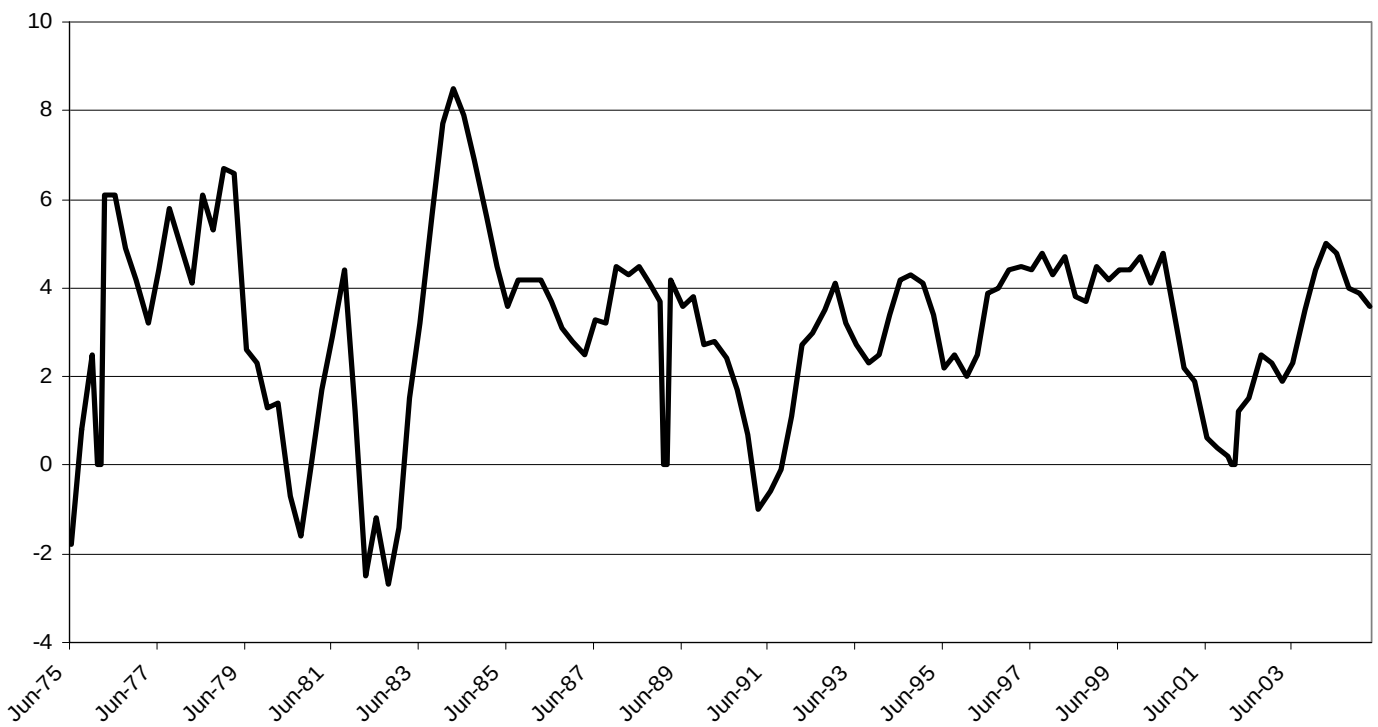


Exhibit 4