COUNTY OF ORANGE 2000 Business Plan

Treasurer-Tax Collector Department



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Approved:

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Treasurer-Tax Collector

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I. EXECUTIVE SUMMARY

Well, here it is. This is our fourth annual Business Plan for the Treasurer-Tax Collector Department. This year's edition is very significant. It includes linkage with our Department's Performance Measurements, our Annual Budget, and with the newly implemented Performance Incentive Program for all personnel.

Our elected Department Head has been an active member of the Results Oriented Government Steering Committee. Accordingly, this Business Plan is a culmination of a significant amount of involvement provided by this Department. The work and its coordinated design have provided a very stimulating product. Our Department also completed its portion of this project in its second phase. We hope you enjoy our detailed presentation.

One key component of what we do is very obvious and the exercises that we have gone through only reiterated its fact: We are an administrative function that is task-oriented and focused on a more efficient process. We collect taxes and we manage cash, along with all of the unique nuances that accompany these critical functions. And we want to do it better, faster, higher, and greater. We also want to provide a healthy environment for a task-oriented focus. The work should be fun, rewarding and fulfilling.

Our accomplishments continue to trip over themselves. Our investment results continue to outperform our benchmarks. Our secured and unsecured collections continue to exceed that of the State as a whole by wide margins. We are running a premier Treasurer-Tax Collector Department.

Our performance measures, or executive indicators, are displayed throughout our report and are explained in detail in our Operational Plan section.

We have implemented new technology, such as imaging, and continue to look at new improvements to increase efficiencies, such as a Treasury Workstation. We never sit still. We are always reaching for ideas that will provide the best tools to the best employees, our employees.

Although Performance Measurements and Performance Incentive Programs are nice, we still need to work on maintaining the human touch on our tasks. We cannot motivate employees; we can only provide an environment that motivates them. Toward that end we are very cognizant of our strengths and weaknesses. A stronger focus on education will be emphasized. The County's implementation of the "Enlightened Leadership" program is a wonderful first step. We will attempt to pursue similar courses to challenge ourselves to achieve peak performance in a fun and exciting environment.

We are hot. We have been hot. And we will continue to be hot. We are pursuing excellence and we are not finished yet. We are a task-oriented, administrative function comprised of individuals who are honored to provide these integral services to the citizens of the hottest County in this country, the County of Orange.

II. SERVICE ENVIRONMENT

Introduction

The Treasurer-Tax Collector Department provides centralized Treasurer and Tax Collection services for the County of Orange.

The Treasurer's Office is responsible for the receipt, custody, depository, investment, and recording of funds for the County, school districts, and special districts. Responsibilities also include issuance of short-term debt on behalf of the County, school districts, and administration of the County's 1992 Defined Benefit Retirement Plan. In addition, this office acts as trustee in connection with unclaimed property and is responsible for the issuance, billing, collection, redemption, and foreclosure of improvement bonds.

The Tax Collector's Office is responsible for collecting taxes on all secured and unsecured property in Orange County. In addition, this office is responsible for the sale of property subject to the "power to sell," formerly known as delinquent tax deeded property. As well as collecting Annual Racehorse Taxes, Transient Occupancy Taxes, and Public Defender judgments, the Tax Collector also provides remittance processing services, information system services, and departmental administrative support.

The Treasurer-Tax Collector consists of the following major divisions:

Investment Management: Provide portfolio management, broker/dealer relations, investment/economic research, liaison for oversight committees, and custody relation services.

Cash Management: Provide banking relation services, cash forecasting, and defined benefits.

Accounting/Compliance: Provide financial reporting, fund accounting, general ledger reconciliations, bank reconciliations, and investment compliance services.

Collections: Provide centralized tax compliance services for delinquent unsecured tax collections, prior year secured property tax collections, public defender judgment collections, public information services, property tax problem payment processing, and general correspondence.

Remittance & Cashiering: Provide automated remittance processing for all property tax rolls, refund accounting, tax roll accounting, and cashiering for the Treasurer.

Administrative Services: Provide tax roll reconciliations, purchasing, contract administration, human resources, payroll services, budget, facility operations, telephone, and network services for the Treasurer and Tax Collector Offices.

Information Services: Provide systems development and maintenance support for numerous Treasurer-Tax Collector applications required for the depositing, accounting, and collecting of funds.

In addition, two external committees provide oversight:

- > The Board of Supervisors (BOS) established the *Treasury Oversight Committee (TOC)* in December 1995. The primary purpose of this committee is to review and monitor compliance with the Treasurer's Investment Policy Statement (IPS). In this regard, the committee is required to cause an annual compliance audit of the Treasurer's investment activities.
- > The Treasurer established the *Treasurer's Advisory Committee* (TAC) in January 1996 to provide technical assistance to the Treasurer and the TOC with respect to the overall appropriateness of investment strategies and procedures. This includes the design and drafting of the IPS.

Service Issues

During 2000 we will continue to address the Service Plans and Projects identified in the Treasurer-Tax Collector Business Plan, dated December 15, 1998. Funding sources are stable for all major projects. However, we are aware of the following service issues that could impact delivery as noted below:

- Demands on staff time for training meetings in the Administrative Services Division continues as decentralized Human Resources and Purchasing functions are nearing completion. Emphasis for staff will be on the County's Employee Performance Incentive Program which begins in January 2000. We anticipate many hours of staff time dedicated for successful implementation of this major program.
- > The job market continues to make it difficult to attract and retain staff.
 - * There has been an eighty- percent turnover of entry-level staff in our Tax Information Unit, which provides telephone answering and problem payment resolution services to the public. Although many of these vacancies were created as a result of departmental promotional opportunities, it has made it difficult to maintain our high standards of public service.
 - * The ability to recruit qualified Information System staff remains a serious concern. We have been forced to delay certain priority projects due to this issue.

III. CLIENT PROFILE

The recipients of services for Treasurer Accounting, Banking, and Investment Services provided by the Treasurer's Office are the County, special districts, and schools. The service recipients for the Tax Collector's Office are the County, special districts, schools, and cities of Orange County which comprise approximately 280 taxing jurisdictions. All service recipients for the Treasurer-Tax Collector are located geographically within the boundaries of Orange County with the exception of nonresident property owners.

The Treasurer's Office is responsible for the receipt, accounting, and investment of all service recipient funds. Approximately \$2.6 billion to \$3.0 billion is managed in three separate investment pools. In addition, approximately \$62 million is invested in specific investments for certain departments and special districts.

The Tax Collector's Office is responsible for collecting \$2.6 billion in property taxes for service recipients. It is important to note that the County General Fund's share is approximately \$180 million. This represents the largest source of general-purpose revenue for the County General Fund.

Both Offices of the Treasurer-Tax Collector's Department are aware of the need to utilize technology to provide service recipients with competitive products in today's environment of limited resources. Major upgrades in Collection and Treasury Systems are currently in process. In addition, new electronic commerce applications such as payment by Internet and electronic benefit payment applications are seen as cost effective solutions.

IV. ACCOMPLISHMENTS

The Treasurer-Tax Collector Department has made significant progress towards our 1999-2000 goals, objectives and strategies, and in accomplishing new projects in response to a constantly changing operating environment.

Goal 1: Continue to provide an effective, responsive, and competitive organizational and operating structure.

Target 1.1: Achieve an investment return greater than or equal to the money market index.

- a. Extend the weighted average maturity (WAM) of the investment pool(s).
 - > An IPS that included a fund with an extended WAM for mandatory participants was approved by the TAC and introduced to the TOC in December 1999. Additional research will be presented to the TOC and BOS, approval is anticipated in early 2000.

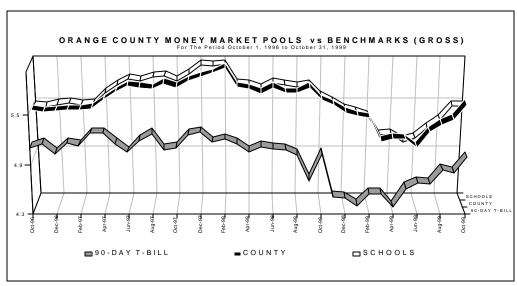
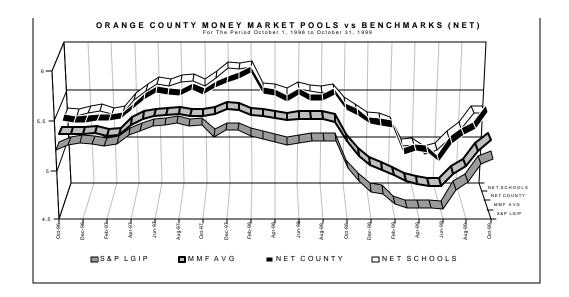


Figure 1



Target 1.2: Achieve a maximum invested position.

- a. Identify a banking solution to enhance cash forecasting accuracy.
 - > As part of the Treasury Workstation procurement, the need for enhanced cash forecasting has been identified and included as a requirement. The Request for Proposal (RFP) will be released in early 2000.

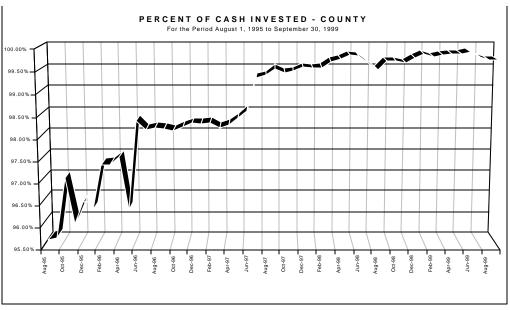


Figure 3

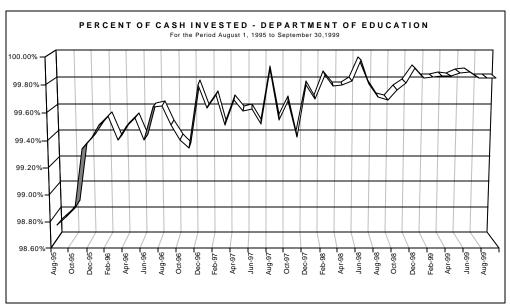


Figure 4

- Target 1.3: Maintain AAA/V1+ Fitch rating. *See Appendix B*.
- Target 1.4: Reduce reportable compliance deficiencies by 50%.
 - a. Automate the investment desk.
 - > Automated compliance checking of WAM and portfolio composition was completed. Furthermore, this project will be enhanced by the Treasury Workstation procurement.
- Target 1.5: Increase staff effectiveness and service levels.
 - a. Complete Phase 1 Tax Collection by September 1999 of document image storage and retrieval.
 - > Imaging for tax payments completed. Imaging system software was replaced to accommodate processing of bills and notices in late November 1999.
 - b. Refund taxes electronically.
 - > This project has been delayed by the implementation of the cashiering system and will commence in 2000.
 - c. Automate bank reconciliations.
 - > Implementation completed December 1999.
 - d. Expand staff training programs.
 - > The 1999-2000 budget-item for ongoing education and training remained constant. Staff participated in continuing education and professional training classes.

Target 1.6: Improve collection percentage rankings

Unsecured collection percentage rating improved from 13th to 7th highest of the

57 other California Counties. Secured collection percentage ranking remained at 5th highest but represents an increase from 98.5% to 98.6%.

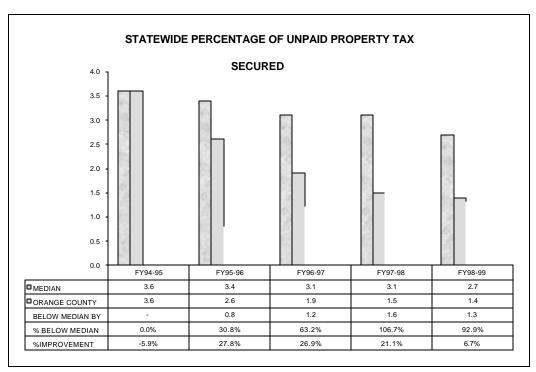


Figure 5

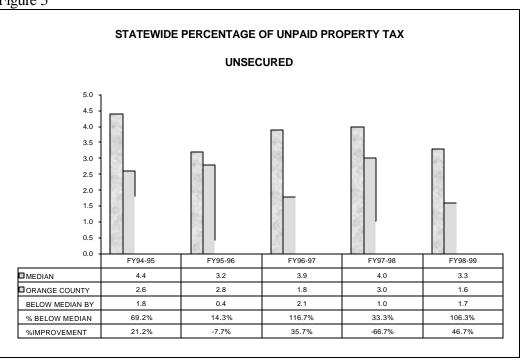


Figure 6

- Target 1.7: Provide centralized remittance processing to reduce countywide costs.
 - a. Needs assessment survey.
 - > Completed.
 - b. Analysis of survey results.
 - > The analysis will be completed by the end of 1999.
- Target 1.8: Complete the countywide integration of CEO/Human Resources and purchasing functions.

Integration accomplished. Continuing to revise and write new policies and procedures for decentralized human resources and purchasing functions. Training in purchasing completed with all staff members authorized to initiate purchase requests. Cross training in other administrative functions continues.

- Target 1.9: Initiate and monitor the County's Performance Management Program.
 - a. Train employees and initiate the incentive program by July 1999
 - Countywide training provided by CEO/HR in September 1999.
 Department managers/supervisors completed courses in November 1999.
 Departmental employees began training in December 1999.
- Target 1.10: Continue to be proactive in the legislative process.
 - > During 1998 and 1999, ten of the proposals that our Department submitted to the state legislature were signed into law. The following eight were signed into law during 1999:
 - * SB 275 Adds the Auditor-Controller as a possible preparer of the monthly statement of cash receipts and disbursements, under Government Code §27063, to the BOS.
 - * AB 323 Reduces the three-year conflict of interest period for former TOC members to one-year.
 - * AB 343 Eliminates the 31-day weighted average maturity restriction on commercial paper holdings.
 - * AB 343 Increases the maximum allowable holdings of commercial paper from 30% to 40%.
 - * AB 343 Limits commercial paper holdings of any one issuer to 10% of total portfolio.
 - * AB 343 Defines that "borrowing" requiring BOS approval does not include bank overdrafts.
 - * AB 1679 More clearly defines the term "Medium Term Notes."
 - * SB 1231 Inserts the postmark requirement for payments made under Revenue and Taxation Code §3437.
 - > Traveled to and successfully testified on behalf of AB 343 before all Assembly and Senate Committees that heard this bill.
 - > Worked closely with the California Association of County Treasurers and Tax Collectors (CACTTC) and its legislative consultants on numerous legislative issues.

- > Have received approval on three significant legislative proposals from CACTTC for the 2000 session of the Legislature. One of these proposals amends existing law to include tax penalty, interest and fees as liens against property assessed. This proposal will be included in the Revenue and Taxation Omnibus Bill.
- > Another proposal would include the ability to distribute interest apportionments on the accrual basis. This proposal is being sponsored by Senator John Lewis (R-Orange) in Senate Bill 1493.
- > Unfortunately, we were unable to locate a sponsor for our optional Money Market Pool investment alternatives proposal. We will pursue this submission with the new legislature in 2001.
- > Have volunteered to serve on an ad hoc committee to draft complete overhaul and clarification improvements to the investment codes in Government Code §53601 and §53635.
- > Continue to support Los Angeles County's legislation to amend Government Code §53630 regarding the availability of utilizing controlled disbursements as a cash management tool.
- Target 1.11: Transfer from the department the Extra-Help Defined Benefits Plan.

 Plan operations will be transferred to an outside vendor in December 1999.

Goal 2: Increase the Department's value and goodwill.

- Target 2.1: Provide Web-based access to Treasurer-Tax Collector information and allow taxpayers to pay bills by the Internet.
 - a. Develop and implement property tax frequently asked questions and the Treasurer's Management Report by December 1999.
 - > Design requirements will be completed by December 1999.
 - b. Publish escheatment information by April 1999.
 - > This information will be available on the Treasurer's web site prior to April 2000.
 - c. Publish auction information by June 1999.
 - > Auction information was published on the Web for the August 1999 auction.
- Target 2.2: Add three outside pool participants.

 Board of Supervisors approved Serrano Water District and the Costa Mesa Sanitary District.
- Target 2.3: Achieve Y2K compliance.

 We successfully met our compliance goals.
- Target 2.4: Improve communication with municipal finance professionals, County departments/agencies and elected officials in Orange County.
 - a. Hold the first annual Treasurer's Conference in February 1999.

- > Completed. The second annual Treasurer's conference will be held February 3, 2000 and will feature economic topics from national and local perspectives.
- b. Publish a condensed version of the monthly Treasurer's Management Report.
 - > A survey of all recipients was conducted to determine the desirability of a condensed report. Very little interest was shown and the project was dropped.

c. Other

- > The Investment Officer served as the Chairperson of the Investment Managers Public Agencies Council (IMPAC) this past year.
- > The Accounting/Compliance manager was selected and trained as a facilitator for the four-hour PIP Staff Training course. He completed the PIP "Train the Trainer" program and will facilitate training sessions for countywide staff from December 1999 through December 2000.
- > Quarterly Public Interface Meetings were conducted between the Assessor, Auditor-Controller and the Clerk of the Board. This past year the Clerk-Recorder's Office has also participated. These meetings improved communications between all departments involved in the process of assessing and collecting property taxes.
- > Quarterly Assessment and Collection Issue meetings were instituted between the Assessor's Business Division and the Tax Collector's Delinquent Collection Division. These meetings improved communications concerning difficult assessment and collection matters that occasionally required tax enforcement action.
- > The Assistant Treasurer served as a member of the Financial Advisory Committee of the Transportation Corridor Authority. During 1999 this committee evaluated and recommended a major refinancing of more than \$1 billion to its Board of Directors.
- > The Administrative Services Manager, in collaboration with other county managers and labor for the past two years, has been a member of the Orange County Labor Management Task Force and Steering Committee. These groups designed and developed the guiding principles behind the County's PIP Program.
- > The department's Labor/Management Committee (LMC) comprised of staff members from both the Treasury and Tax-Collection Divisions, meets regularly to establish the department's guidelines for handling employee issues.
- > Since November 1999, the Remittance/Cashiering Supervisor,
 Investment Compliance Specialist, Accountant Auditor II, Budget
 Manager, Accounting/Compliance Manager and Administrative Services
 Manager (Advisory LMC Members) have been receiving intensive
 training in mediation techniques. Mediation is the new paradigm for
 conflict resolution and will be the County's method of handling and
 resolving conflicts in the workplace.
- > The Department Head served on the County's Results Oriented Government Steering Committee during 1999. This committee provided

- counsel and direction during the successful implementation of the countywide performance measurement efforts. He will continue to serve on this committee, as it is reconstituted, to oversee the inclusion of performance measures and department business plans in the annual budget documents.
- > The Department Head continued to serve on the County's Public Financing Advisory Committee, as an ex-officio, non-voting member, and the County's Audit Oversight Committee.
- > The Department Head serves on the Board of Directors of the Orange County Employees Retirement System (OCERS), this last year as the immediate past president. He also served on its Real Estate Committee and the Additional Retirement Benefit Account (ARBA) Ad Hoc Committee that addressed the future security of the retiree medical funds in the unallocated fund balance. For the year 2000, he will chair a new Ad Hoc Committee that will attempt to implement ARBA recommendations with the OCERS' sponsors.
- > The Department Head served as a member of the CACTTC Legislative Committee.
- > The Department Head also serves as Vice President of the California Sesquicentennial Foundation and played active roles in the Foundation's 1999 Pasadena Rose Parade Float, the Orange County presentation of "Heading East: The Musical" at the Irvine Barclay Theatre, and the Tall Ship festivities during July in San Francisco, Seal Beach/Long Beach, and San Diego. This involvement included working closely with the California Secretary of State's office.
- > The Department Head is serving on the Information Systems Outsourcing Steering Committee, which is charged with overseeing the long-term information and communications systems contract renewal or replacement efforts of the County.
- > The Department Head, as an elected official, took a leading public position in opposition to and in successfully postponing indefinitely the 91 Express Lane sale to a nonprofit organization. This allowed him to prevent a bond underwriting fiasco being perpetrated on the citizens of Orange, Riverside and San Bernardino Counties. This included working with officials within these counties and with those in Sacramento, including direct communication with the State Treasurer.

V. OPERATIONAL PLAN

Overview

Based on our assessment of the major service and client issues identified, the Treasurer-Tax Collector continues our two major goals for 2000.

2000 Goals, Executive Indicators, and Service Plans

Mission: To provide efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts.

Goals:

- 1. Continue to provide an effective, responsive, competitive organizational and operating structure.
- 2. Increase the Department's value and goodwill.

Executive Indicators:

- 1. Obtain a portfolio yield that meets or exceeds the 90-day US Treasury Bill and money market benchmarks. Refer to Figures 1 and 2 for the prior three years' performance data.
- Decrease administration fee charged to all pool participants. Refer to Figure 7.
- 3. Maintain highest rating of investment pool (AAA/V-1+ per Fitch). The Fitch report is located in Appendix B.

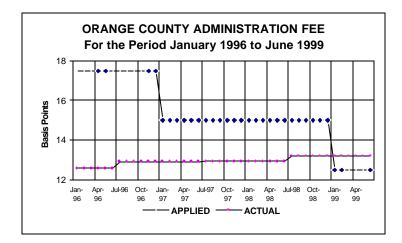


Figure 7

- 4. Exceed State property tax collection rates for secured and unsecured property by minimizing unpaid taxes. Refer to Figures 5 and 6.
- 5. Maintain a maximum invested cash management position (percent of available funds invested). See Figures 3 and 4.

2000 Service Plans (Note: We anticipate some of these projects to carry over into the year 2001):

- Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet.
- > Complete the procurement, implementation and training for a Treasury Workstation (TWS). For a prioritization of our technology pursuits, please see the attached Strategic Vision Document Executive Summary located in Appendix C.

- > More effectively use staff resources as a result of technological enhancements.
- Effectively implement and monitor the Performance Incentive Program (PIP) and the Management Performance Plan (MPP). The department has established a PIP Coordination Committee. This committee consists of departmental supervisors and meets as necessary to address questions and concerns, and to monitor the PIP employee-training program. In addition, all managers have attended the MPP training session and will be meeting with their respective managers to establish MPP Goals as the year progresses.
- > Establish an alternate banking solution for the delivery of Welfare benefits.
- > Pursue E-Commerce with the offering of additional payment options via the Internet, including all brands of credit, check cards, and electronic checks.
- > Transfer the plan administration of the Defined Benefits Plan to an outside vendor.
- > Establish guidelines and procedures for handling purchasing requests.
- > Design an RFP to pursue a department-wide organizational study to evaluate reporting structure, staffing and classification assignment, to be conducted in 2001.
- Add three positions to the Tax Collector's staff to serve as multipurpose facilitators to address peak period workloads throughout the department. For example, assist with the remittance process during the April and December peak collection periods, then assist with the clerical on taxpayer inquiries regarding late payment notices.
- > Add a Purchasing Manager (ML-4) to administrative staff.
- > Enter into dialogue on combining efforts with the Clerk-Recorder and Internal Audit to create one Human Resources Manager (ML-6) and one Purchasing Manager (ML-6) to assist the administrative staff in this department and their equivalents in the other two departments.
- > Provide a legislative alternative for the election of a money market portfolio investment policy statement.
- > Rewrite and consolidate any outdated or duplicate investment language from California Government Code §53601 and §53635.
- Continue to implement technology projects as follows:
 - Web-based access to Treasurer-Tax Collector information.
 - Web-based ability to pay property taxes.
 - Complete Phase II of document image storage and retrieval system.
 - Convert from Novell Perfect Office to Microsoft Office.
 - Develop and implement:
 - a bankruptcy property tax system.
 - a bulk transfer property tax system.

- a mobile home tax clearance certificate system.
- an automated electronic deposit order system for the cashiering system.
- an automated journal voucher system for property tax accounting.
- Incorporate Tax Collector fees into the tax apportionment system.
- > Implement identified centralized remittance processing applications.
- Commence Department training programs.
- Maintain/improve collection percentage rankings.
- > Continue to be proactive in the legislative process.
- Participate with CEO in the defeasance of County debt upon receipt of bankruptcy litigation proceeds.

Challenges:

Competition for and allocation of scarce resources, human and financial, continues to be a major consideration in accomplishing the various goals and objectives of the Treasurer-Tax Collector. There may be some lingering negative perceptions of the Treasurer's operations that will require ongoing efforts to accomplish certain objectives. Nevertheless, it is believed that this business plan is achievable.

Resource Constraints

The County's bankruptcy filing in December 1994 mandated every department head to evaluate the functions and staffing of their department. This resulted in shifting of work assignments and a decrease in staff. We also assumed all aspects of human resources and purchasing responsibilities formerly handled by the County Executive Office. However, staffing for human resources and purchasing was limited to addition of one management position. We are a small department (less than 100 employees); therefore, attracting and retaining skilled personnel in the department has been difficult. For example, an 80% turnover of entry-level staff in the Tax Information Unit has occurred due to increased workload demands, and limited opportunities for advancement. To address these concerns and continue to meet the mandates of our department in an effective, responsive and competitive manner, we will begin a recruitment in the spring of 2000 and include in our 2000-2001 budget the necessary funding for the four proposed positions and the potential joint venture costs with the Clerk-Recorder and Internal Audit. The population of the County has increased by more than ten percent since the bankruptcy and demographic analysis indicates that this trend will continue. Our managerial staff has clearly identified the need for additional staffing. The stress and strain on this department must be relieved. Accordingly, the proposed increase in staffing will be vigorously pursued.

Issues and Mandates

The Treasurer-Tax Collector is aware of the need to maintain excellent working relationships with other departments, particularly in areas where we service County taxpayers. The need to provide taxpayers with "one-stop" information, which crosses departmental boundaries such as the Assessor, Auditor, and Clerk of the Board, Clerk-Recorder and Tax Collector, requires constant communication between

		BUD	GETED	EXPE	NDITU	RES		
	FY 1993 -1994	FY 1994 -1995	FY 1995 -1996	FY 1996 -1997	FY 1997-1998	FY 1998 -1999	FY 1999 - 2000	FY 2000 - 2001
Salaries / Benefits	3,493,692	3,722,643	3,361,578	3,479,073	3,657,656	3,726,112	3,895,795	4,325,566
Banking Services	1,330,470	975,408	1,200,000	800,000	1,789,880	1,777,500	1,584,500	1,627,282
Prof & Specialized Services	267,663	662,980	1,876,307	1,234,651	237,074	424,543	294,790	302,749
Data Processing Services	1,395,717	564,160	961,715	1,099,265	951,614	1,079,184	538,000	552,526
Postage	346,500	373,945	402,715	375,049	370,941	382,841	482,480	492,130
Office Expense	192,459	170,872	148,000	170,376	191,104	196,040	242,460	299,007
Communications	167,664	189,284	170,000	170,000	147,000	149,645	179,343	184,185
Maintenance	132,380	118,032	94,900	93,720	102,594	99,922	150,162	154,217
Minor Equipment	176,748	115,716	20,230	42,210	42,100	116,700	92,448	94,944
Temporary Help	16,008	67,906	30,000	30,000	30,000	30,000	64,709	66,457
Printing Costs - Outside Vendors	25,889	35,066	28,002	42,000	34,626	24,600	31,650	32,505
Publications & Legal Notices	70,000	49,746	45,000	56,200	66,000	66,000	57,200	58,745
Equipment	130,714	15,200	9,267	8,134	148,725	21,000	18,000	195,000
Others	33,123	33,986	47,054	248,683	(271,466)	(545,497)	(573,679)	(588,277)
TOTAL	8,379,027	7,094,944	8,394,768	7,849,361	7,497,848	7,548,590	7,057,858	7,797,036

TOTAL	7,179,177	6,723,386	6,823,759	6,461,519	6,837,846	7,525,156
Others	52,034	30,275	16,574	244,562	(236,032)	(427,783)
Equipment	114,320		9,267	4,978	6,729	
Publications & Legal Notices	51,017	50,597	74,319	63,527	34,792	50,700
Printing Costs - Outside Vendors	22,269	30,403	48,291	21,582	33,702	38,363
Temporary Help	29,145	66,654	28,083	34,894	64,113	63,296
Minor Equipment	178,940	73,143	28,488	31,461	59,381	89,569
Maintenance	117,524	88,685	102,108	82,522	95,013	32,593
Communications	163,639	169,384	137,282	144,073	128,329	173,499
Office Empense	151,077	138,343	130,455	164,077	207,048	239,721
Postage	346,778	372,310	321,799	319,335	342,413	419,392
Data Processing Services	1,376,337	1,055,617	1,041,565	1,009,906	891,107	969,273
Prof & Specialized Services	557,694	595,103	1,374,890	573,543	225,782	390,945
Banking Services	560,380	498,059	149,061	311,924	1,427,639	1,780,561
Salaries / Benefits	3,458,023	3,554,415	3,361,577	3,455,136	3,557,830	3,705,027
	FY 1993 -1994	FY 1994 -1995	FY 1995 -1996	FY 1996 -1997	FY 1997-1998	FY 1998 -1999
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departments and an understanding of each Department's priorities and concerns. We continue to make efforts to develop these relationships both in our daily interactions and in specific projects such as the assessment tax system.

Finances

Our Department's budgeted expenditures are attached. We are providing the budgets for the fiscal years 1993-1994 to 2000-2001. This will provide a picture of where we have been going and how we plan to move forward in the near future. Our actual results are provided for the fiscal years 1993-1994 to 1998-1999 for comparative and planning purposes.

First, a quick narrative on our progress. As a result of the County's bankruptcy filing the Department's budget was reduced by \$1,284,083, or 15.32 percent, in the 1994-1995 fiscal year. Mainly due to the utilization of an outside money manager to invest the funds in the County's pool, the following year's 1995-1996 budget increased by \$1,299,824. The phasing in of the investment function reduced the 1996-1997 budget by \$545,407.

For the fiscal year 1997-1998 and forward, a major policy change was instituted. We elected to pay for banking service costs utilizing the "hard dollar" method of being charged for services rendered. This was a departure from the prior policy of using "soft dollars" for paying for these services through the use of significantly large compensating balances. Although our actual costs increased, our revenues from investing these former compensating balances in our pools exceeded these costs. In conjunction with the total phase out of an outside money manager, our net budget decrease was \$351,513.

The budget increase for the 1998-1999 fiscal year was only \$50,742, or less than one percent. For fiscal year 1999-2000 we were able to lower the expenditures by another \$490,732, or 6.5 percent

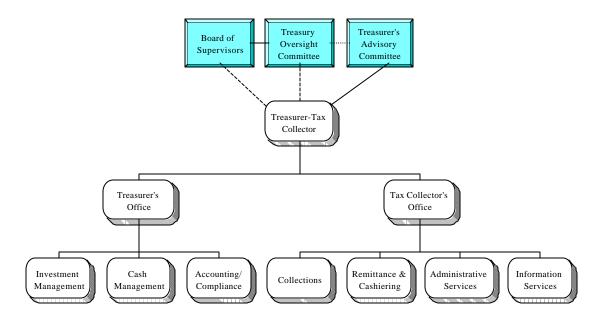
Second, our actual expenditures have been historically under budget. We have built a track record of fiscal prudence that has benefited the General Fund.

The fiscal year 2000-2001 will see several of our Business Plan initiatives reflected in our proposed budget. The significant cost items are as follows:

The addition of four positions (Salaries and Wages)	9
The acquisition of a Treasury Work Station software package (Equipment) 180,000)
The acquisition of Microsoft Office (Office Expense)	\mathcal{C}
Total	19

Appendix A. -- Organizational Chart

Treasurer-Tax Collector





Managed Funds Special Report

Orange County Treasurer's Money Market Investment Pools

Ratings

Orange County Treasurer's

Money Market Commingled
Investment PoolAAA/V1+
Orange County Treasurer's
Money Market Educational
Investment PoolAAA/V1+

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Summary

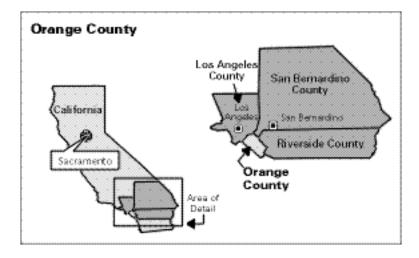
The Orange County Treasurer's Money Market Commingled Investment Pool (commingled pool) and the Orange County Treasurer's Money Market Educational Investment Pool (educational pool) are rated 'AAA/V1+'. The commingled and educational pools, with approximately \$1.8 billion and \$1.2 billion in assets, respectively, as of April 30, 1999, are managed separately but are subject to the same investment policy statement, guidelines, and objectives. Local government investment pools rated 'AAA' meet the highest standards for credit quality, conservative investment policies, and safety of principal. The pools' 'V1+' volatility ratings reflect low market risk and a strong capacity to return stable principal values to participants, even in severely adverse interest rate environments. Portfolio valuation reports are submitted to Fitch IBCA weekly.

■ Rating Considerations

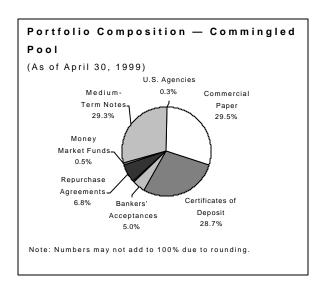
- Conservative investment policies and practices, as evidenced by tight maturity limits and avoidance of volatile derivative securities. Use of leverage is prohibited by policy.
- · High standards for credit quality and diversification of portfolio securities.
- High degree of liquidity resulting from the maturity profile of the portfolio securities and the
 composition of pool participants. Strong ability to forecast ongoing cash requirements and
 meet these requirements through portfolio security maturities and overnight liquidity.
- Solid management oversight and operational controls.

Overview

The commingled and educational pools are managed by the Orange County treasurer on behalf of the pool participants. Participants in the commingled pool include the county and various special districts in the



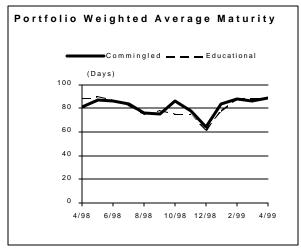




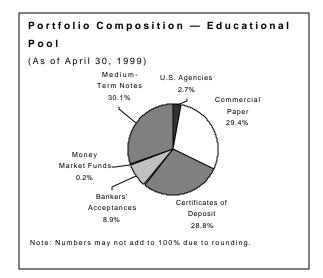
county. Participation in the educational pool is limited to the 31 school districts in the county. The pools' investment objectives are to maintain safety of principal, meet pool participants' daily cash flow needs, attain a money market rate of return, and maintain a stable \$1.00 net asset value.

Investment Practices

Composition: The pools invest exclusively in approved securities pursuant to the California Government Code. These securities include: U.S. Treasury securities and other obligations, which, by their terms, are full faith and credit obligations of the U.S. government; direct obligations of U.S. agencies and U.S. government-sponsored enterprises; highly rated commercial paper, bankers' acceptances, medium-term notes, and negotiable certificates of deposit; qualified money market mutual funds; and repurchase agreements collateralized with U.S. Treasury securities or obligations of U.S. government agencies or instrumentalities. In addition, the pools enter into repurchase agreements only with highly



rated counterparties.



Market Risk: The pools' policies regarding maturity limits follow the main points of Rule 2a-7 of the Investment Company Act of 1940, which governs Securities and Exchange Commission (SEC)-registered money market funds. Specifically, by policy, pools must maintain a weighted average maturity (WAM) of all portfolio securities of 90 days or less, and the maximum maturity of any portfolio instrument must be 13 months or less. As of April 30, 1999, the commingled and educational portfolios' WAMs were both 89 days.

The pools maintain a conservative investment strategy that uses a modified "ladder" approach to investing, laddering most investments in the overnight to six-month range in combination with a smaller percentage of investments maturing between six and 13 months. This strategy, with a significant portion of the portfolios in overnight and short-term securities, provides for a high degree of liquidity and facilitates the pools' ability to satisfy participants' ongoing liquidity requirements. In addition, this laddering strategy minimizes exposure to interest rate volatility in any single sector of the money market yield curve.

The pools' conservative policies prohibit the use of leverage, including reverse repurchase agreements, and the purchase of volatile derivative products such as structured note securities. However, the investment guidelines allow for the purchase of "plain-vanilla" types of floating-rate securities that are also allowable for SEC-registered money market funds.

Liquidity Management



Structured Finance

Investment Policy Concentration Restrictions

(%)

	Sector Limit	Issuer Limit
U.S. Treasury	100	100
U.S. Agencies	100	100
Commercial Paper	30*	5
Bankers' Acceptances	40	5
Negotiable Certificates of Deposit	30	5
Money Market Funds	20	10
Repurchase Agreements	50	5

*No more than 15% if the weighted average maturity of all commercial paper exceeds 31 days.

The pools conservatively manage their maturity profile by holding a percentage of assets in overnight and short-term investments to ensure a high degree of liquidity to meet participants' anticipated and unanticipated operating needs. The portfolios' conservative approach to liquidity is reflected in their WAM limits and concentration in short-term investments; as of April 30, 1999, 23.2% of the commingled pool's assets and 15.8% of the educational pool's assets mature within seven days. The pools are required by their internal guidelines to maintain at least 75% of their investments in securities that mature in six months and are disallowed from owning any individual security with a maturity of greater than 13 months. The pools' liquidity positions are bolstered by regular monitoring of expected cash flow needs and the composition of the participants, since virtually all the participants are required to maintain funds in their respective pools, as set forth in the California Government Code. Voluntary participant deposits to the commingled pool are permitted but are subject to the approval or disapproval of the county board of supervisors and the treasurer. At April 30, 1999, voluntary participant accounts totaled \$5.2 million, or 0.3% of the commingled pool.

Credit Quality

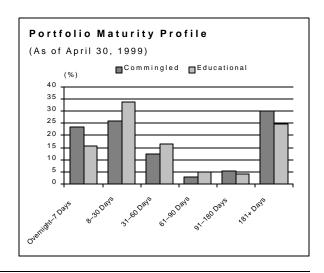
The pools have the highest credit quality on the basis of portfolio assets, investment practices, diversification standards, operational controls, and management oversight. The pools invest only in securities issued by highly rated entities and diversify across issuers. As of April 30, 1999, the commingled and educational pools invested 0.3% and 2.7%, respectively, of their portfolios in 'AAA' quality U.S. agency securities. The balance of the pools was invested in diverse money market securities issued by highly rated entities. Eligible money market instruments must be rated 'F1' or 'F1+' (or the equivalent by another Nationally Recognized Statistical Rating Organization). All counterparties to repurchase agreements are highly rated, and collateral supporting the transaction is held in constructive possession on the pools' behalf by a custodial bank. Moreover, the pools restrict concentrations in any one issuer and types of issuers (other than the U.S. government and its agencies) to minimize exposure (see table at left).

Organization

The pools are managed by the Orange County treasurer and staff according to a uniform investment policy. Following his appointment on March 17, 1995, the treasurer established an experienced investment management team responsible for the daily management of the pools. At the request of the 31 school district participants in the Orange County Treasurer's Money Market Investment Pool that their funds be managed separately, two pools, the commingled pool and the educational pool, were established in July 1995. The pools are subject to

separate accounting and record keeping, and The Bank of New York Co., Inc. holds the assets of the pools in separate custodial accounts.

In accordance with the California Government Code, a treasury oversight committee reviews the pools' investment practices and policies on a regular basis. The committee members, nominated by the treasurer and approved by the county's board of supervisors, consist of the county executive officer, auditorcontroller, superintendent of schools or a designee, and a public member. The treasury oversight committee is charged with, among other things, requiring the annual review of the treasurer's investment policy, including specific guidelines with respect to security types, maturity terms, and dealer selections. The committee also reviews monthly portfolio reports from the treasurer and is required to initiate the performance of an annual audit to ensure compliance with the established investment policies. In this regard, in addition to the rating, Fitch IBCA has been retained to provide an ongoing review of the portfolios' holdings for compliance with respect to the investment policies, portfolio characteristics, and any additional security restrictions as set forth in the investment policy statement.





Structured Finance

The Orange County treasurer's commingled and educational investment pools bear no resemblance to the Orange County Investment Pool that filed for protection under Chapter 9 of the U.S. Bankruptcy Code on Dec. 6, 1994, following losses ultimately totaling approximately \$1.6 billion. In response to the bankruptcy, the county prepared and submitted a comprehensive recovery plan to the bankruptcy court. The restructured pools have a much shorter duration, use no leverage, and represent a substantial reduction in risk, as noted by their 'AAA/V1+'

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Fitch IBCA metual fund volatility ratings are an opinion as to the relative sensitivity of the total return (including price) of a fund's shares to a broad array of assumed changes in (where relevant) interest rates, mortgage prepayment speeds, liquidity of the portfolio, spreads, currency exchange rates, and other market conditions. Volatility ratings are ascale of 'V1+' (least volatile) through 'V10' (most volatile). The 'V1+' rating is assigned only to money market funds or local government investment pools that should not experience loss of principal value to shareholders or participants even in severely adverse interest rate environments. Volatility ratings, however, do not predict the direction or magnitude of changes in such market conditions and, therefore, do not predict whether, or the extent to which, any particular bond fund will perform favorably or adversely in the

a high-yield bond fund, which is sensitive primarily to changes in credit risk, and an international bond fund, which is sensitive primarily to changes in currency exchyange rates, might have 'V6' ratings, they are likely to perform differently under the same market conditions. The price of one can increase while that of the other can decrease, or each might increase or decrease in different magnitudes. Moreover, a fund with a 'V6' rating might increase in price, while a fund with a 'V3' rating might decrease in price. Nevertheless, a fund with a lower risk volatility rating is likely to exhibit less total return sensitivity than a fund

with a 'V6' rating might increase in price, while a fund with a 'V3' rating might decrease in price. Nevertheless, a fund with a lower risk volatility rating gross a broad and varied range of market conditions.

Investors should understand that funds with any volatility rating other than a 'V1+' may experience losses in the event of adverse changes in market conditions. Moreover, these ratings do not constitute a recommendation to purchase, sell, or hold any securities or funds, as they do not comment on the adequacy of the price paid for any security or fund or the suitability of any security or fund for any investor. Fitch IBCA's mutual fund volatility ratings are based on information provided to Fitch IBCA by sources deemed to be reliable. However, Fitch IBCA does not verify the accuracy of this underlying information. Due to the relative efficiency of electronic publishing and distribution, Fitch IBCA Research may be available to electronic subscribers up to three days earlier than print subscribers.

Appendix C.

Assessment Tax system Strategic Vision Document Executive Summary

The vision for the Assessment Tax System (ATS) of Orange County is the development of an integrated, web-based property tax system that is readily accessible to the public via the internet and to use technology to automate manual processes. This is a multi-phased project over four years which will incorporate current and future technology. It is our goal to increase access to information by the taxpayers and taxing authorities, increase productivity and quality and to reduce costs through the use of the latest technology which is consistent with both Departmental and County goals.

Web-based access to property tax information will allow taxpayers to:

- Determine the status of their account
- Make payments electronically
- File and/or inquire on appeals
- Inquire on tax apportionments
- Inquire on the tax rate book
- Be billed electronically

Automation of internal processes will increase productivity and reduce costs. Some key processes to be automated include

- Mobile Home Tax Certificate System
- Bankruptcy Tracking System
- Processing fees as Tax Types
- Forwarding address interface with the US Postal Service
- Estimating, collecting, and accounting of taxes owed by business owners selling their business
- Creation of a web-based call center to handle taxpayer inquiries via voice, e-mail or the Web
- Development of wireless access
- Enhancement of balancing functions for the Unsecured Tax Interface between the Assessor and Auditor-Controller

All proper and appropriate security measures will be followed. Hardware and software requirements will be carefully analyzed and standardized with appropriate redundancy established. User training in the use of the new technology and process improvements will be performed.

Property taxes account for the single largest revenue source to the County General Fund Operations. The ATS Systems is critical to the overall Property Tax Process from property assessment to calculation and creation of the Tax Bills to collection and apportionment of tax revenues to the County and other taxing jurisdictions such as cities and school districts. Therefore, it is critical to leverage the existing system to service all our constituents in the most efficient and effective manner.

The total cost of the ATS Web Access is estimated at \$3.2M and the ATS Post Implementation is estimated at \$3.8M as summarized in the following table.

	Phase 1 FY 2000-2001	Phase 2 FY 2001-2002	Phase 3 FY 2002-2003	Phase 4 FY 2003-2004	<u>Totals</u>
ATS Web Development					
Staffing *					
Consultant	80,000.00	80,000.00	80,000.00		
Project Manager	80,000.00	80,000.00	80,000.00		
Developers	582,400.00	582,400.00	582,400.00		
Data Center Support Staff	70,000.00	70,000.00	70,000.00		
Hardware					
Web Server	100,000.00)			
E-commerce Server	100,000.00)			
Software					
Web Development	25,000.00)			
Call Center	200,000)	100,000.00		
E-commerce (Payments)	100,000.00)			
Training					
End User	50,000.00	50,000.00	50,000.00		
TOTAL ATS Web Development	\$ 1,387,400.00	862,400.00	962,400.00		\$ 3,212,200.00
ATS Post Implementation					
Staffing *	479,080.00	456,890.00	849,240.00	2,007,880.00	
TOTAL ATS Post Implementation	\$ 479,080.00	\$ 456,890.00	\$ 849,240.00	\$ 2,007,880.00	\$ 3,793,090.00
TOTAL PROJECT COST	\$ 1,866,480.00	\$ 1,319,290.00	\$1,811,640.00	\$ 2,007,880.00	\$ 7,005,290.00

^{*} These positions are in addition to existing resources, which each department will be assigning to the project.