

COUNTY OF ORANGE

# OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS 12 CIVIC CENTER PLAZA, ROOM G-76 P.O. BOX 4515 SANTA ANA, CA 92701 JOHN M. W. MOORLACH, C.P.A., CFP TREASURER-TAX COLLECTOR (714) 834-7625

**GARY J. COWAN**ASSISTANT TAX COLLECTOR
(714) 834-3545

RICHARD G. HILDE ASSISTANT TREASURER (714) 834-2918

Fax: (714) 834-2912

August 10, 2000

TO: Board of Supervisors

Michael Schumacher, Interim, 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 July 31, 2000

Attached please find the Treasurer's Management Report for the County of Orange for the month ended July 31, 2000. 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.

## 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 July 31, 2000. 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). 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 June 2000 interest apportionment. May's apportionment was submitted for posting on August 8. We anticipate posting June to participants' cash accounts in the County general ledger by September 15.

We are progressing on modifications to our accounting systems to accomplish the monthly posting of accrual basis investment earnings. We anticipate implementation in September 2000.

### SENATE BILL 1493

Senate Bill 1493, permitting the accrual method of distributing investment income, was signed by Governor Davis on July 21, 2000. This stand-alone legislation was introduced by our office and carried by State Senator John Lewis. We are extremely appreciative of Senator Lewis and his staff for all of their efforts on our behalf.

Although considered a generally accepted accounting principal, the California Investment Code did not specifically permit this accounting method. I am very proud of the knowledge and expertise provided by this office in our continuous efforts toward the renovation of our outdated government code.

#### EXTENDED FUND

Our new extended fund started July 1. Accordingly, our monthly reports will include the investment details for this new fund (#699). The County's money market and extended funds are combined for compliance purposes, so the County's bar chart for maturity distribution and the pie chart for investment composition will appear irregular during the transition. Section X, the noncompliance report, will reflect the complete status on compliance for July. The Department of Education is currently not participating in the extended fund.

### ECONOMIC OBSERVATIONS

Federal Open Market Committee (FOMC) Chairman Alan Greenspan's semiannual monetary testimony (formerly Humphrey-Hawkins) before Congress kept the financial markets in a state of eager anticipation. The long-awaited speech on July 20 confirmed the suspicions of market participants that the FOMC rate increases could be over. The Fed Chairman addressed the probability of an economic slowdown, the remaining strength of productivity and a decreasing

concern over the dangers of the low unemployment rate. The testimony, however, left the FOMC's options open regarding monetary policy in the current tightening cycle.

Mr. Greenspan appeared to be patting himself on the back as he spoke favorably of the economic developments of the past few months. He suggested that the slowing of domestic demand to a more sustainable pace could be a result of tighter monetary policy, higher interest rates and a cooling of equity prices. Mr. Greenspan's discussion also included reasons why the slowing will persist, such as: 1) the reduction of the wealth effect; 2) rising household debt burdens; 3) higher oil prices; and 4) the appearing of household demand for consumer durable goods.

The Investment Management Committee unanimously agrees with the financial markets in anticipating no change in interest rates by the FOMC at their upcoming August 22 meeting.

## INTEREST RATE FORECAST

For fiscal year 2000-2001, our projected interest rate will remain at 5.75%. Please call if you have any questions.