OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS 12 CIVIC CENTER PLAZA, SUITE G76 Post Office Box 4515 SANTA ANA, CA 92701 www.ocgov.com/treas

June 8, 2006

TO: **Board of Supervisors**

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

John M. W. Moorlach, C.P.A., CFP® FROM:

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for May 31, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month ended May 31, 2006. 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.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 May 31. 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.

JOHN M.W. MOORLACH, C.P.A., CFP® TREASURER-TAX COLLECTOR

CHRISS W. STREET ASSISTANT TREASURER-TAX COLLECTOR

PAUL C. GORMAN, C.P.A., CTP DEPUTY TREASURER

WALTER DANIELS DEPUTY TAX COLLECTOR

ROBIN RUSSELL DEPUTY TREASURER-TAX COLLECTOR ADMINISTRATION

CLARISSA ADRIANO-CERES DEPUTY TREASURER-TAX COLLECTOR INFORMATION TECHNOLOGY

BRETT R. BARBRE DEPUTY TREASURER-TAX COLLECTOR PUBLIC INFORMATION OFFICER

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's May 2006 interest apportionment. We anticipate posting the May 2006 interest apportionment to participants' cash accounts in the County general ledger by approximately July 8, 2006.

CHANGES IN ELIGIBLE CREDITS

In the month of May, there was one change to the Treasurer's approved eligibility list:

The following was added to the CP/ MTN Eligibility list:

• Wachovia Corporation

In addition, the following issuer was downgraded and taken off credit watch negative, and remains compliant with our Investment Policy Statement guidelines. The issuer is deemed to be of such high quality it continues to be included on our eligibility list:

• Private Export Funding Corp.

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer.

ECONOMIC OBSERVATIONS

On May 10th the Federal Open Market Committee (FOMC) raised interest rates by 25 basis points for the 16th consecutive time to 5.00%. First quarter Gross Domestic Product was revised higher to a 5.3% annualized rate. But, initial jobless claims continued to rise and personal consumption slowed. All of this conspired to add uncertainty to the financial markets.

The most significant difference this month has been the apparent weakening in employment. Jobless claims remained about 20,000 above the prior months' levels and additions to payrolls where revised lower for the previous three months. Couple this with extremely hawkish inflation commentary from the Federal Reserve and the futures market has whipsawed between the FOMC increasing rates by another 25 basis points at both the June 29th and August 8th meetings or not raising rates at all. Currently there is about an 80% probability the FOMC will raise rates at the June meeting, which is up from 56% just a few days prior.

These events have added extra importance to the Consumer Price Index numbers that will be released on June 14th. The Treasurer's office as well as the rest of the investment market will be watching the release of these numbers to try and determine whether inflation is strong enough for the FOMC to continue to increase rates. We will keep you apprised of the results.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

June 1, 2005 - May 31, 2006

PERIOD ENDING - MONTH / YEAR		MONTH END	E	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - May 2006	-	MARKET VALUE		MONTH	WONTH	VVAIVI
County Pool - Money Market Fund	\$	1,818,302,640	\$	8,544,307	4.98%	29
Educational Pool - Money Market Fund	\$	2,235,054,471	\$	9,348,439	4.93%	39
Extended Fund	\$	1,713,197,862	\$	6,308,786	4.27%	317
April 2006						
County Pool - Money Market Fund	\$	2,369,981,051	\$	9,761,165	4.80%	25
Educational Pool - Money Market Fund	\$	2,240,609,358	\$	8,117,151	4.81%	40
Extended Fund	\$	1,702,966,857	\$	5,973,981	4.13%	287
March 2006						
County Pool - Money Market Fund	\$	1,953,949,036	\$	7,465,041	4.60%	30
				8,072,937	4.60%	47
Educational Pool - Money Market Fund	\$	1,975,163,364	\$			
Extended Fund	\$	1,691,008,075	\$	5,134,439	3.82%	267
February 2006						
County Pool - Money Market Fund	\$	1,928,205,781	\$	6,203,227	4.48%	32
Educational Pool - Money Market Fund	\$	2,156,578,419	\$	7,413,028	4.47%	54
Extended Fund	\$	1,542,707,130	\$	4,883,504	3.97%	263
January 2006						
County Pool - Money Market Fund	\$	1,730,807,314	\$	7,288,808	4.33%	28
Educational Pool - Money Market Fund	\$	2,229,871,926	\$	7,906,726	4.30%	38
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Extended Fund	\$	1,667,664,958	\$	5,031,447	3.52%	267
December 2005						
County Pool - Money Market Fund	\$	2,273,556,493	\$	8,272,353	4.20%	36
Educational Pool - Money Market Fund	\$	2,251,869,796	\$	7,013,914	4.17%	45
Extended Fund	\$	1,666,951,795	\$	4,806,291	3.44%	264
November 2005						
County Pool - Money Market Fund	\$	1,764,219,017	\$	5,431,434	3.96%	36
Educational Pool - Money Market Fund	\$	1,795,317,372	\$	5,763,233	3.97%	55
Extended Fund	\$	1,616,280,601	\$	4,734,849	3.46%	280
October 2005		4 507 040 007	Φ.	4 004 500	0.770/	
County Pool - Money Market Fund	\$	1,587,619,387	\$	4,691,500	3.77%	54
Educational Pool - Money Market Fund	\$	1,834,752,304	\$	6,158,578	3.79%	63
Extended Fund	\$	1,658,630,151	\$	4,722,715	3.32%	297
September 2005 County Pool - Money Market Fund	\$	1,511,927,846	\$	4,679,952	3.63%	52
Educational Pool - Money Market Fund	\$	1,967,481,625	\$	5,920,243	3.61%	61
Extended Fund	\$	1,585,513,188	\$	3,944,771	3.11%	304
August 2005	Ψ	1,000,010,100	Ψ	0,011,771	0.1170	001
County Pool - Money Market Fund	\$	1,578,219,688	\$	4,715,019	3.50%	55
Educational Pool - Money Market Fund	\$	2,070,796,012	\$	5,904,293	3.46%	54
Extended Fund	\$	1,520,846,244	\$	3,938,232	3.05%	283
July 2005		, ,		, ,		
County Pool - Money Market Fund	\$	1,704,788,689	\$	5,134,069	3.30%	55
Educational Pool - Money Market Fund	\$	2,097,386,634	\$	5,856,164	3.28%	53
Extended Fund	\$	1,508,289,288	\$	3,904,570	3.03%	301
June 2005						
County Pool - Money Market Fund	\$	1,965,578,445	\$	4,990,924	3.14%	50
Educational Pool - Money Market Fund	\$	2,023,992,462	\$	5,583,846	3.12%	45
Extended Fund	\$	1,511,124,166	\$	3,878,491	3.19%	331
CUMULATIVE BALANCES - 12 MONTHS		AVERAGE BALANCES		TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
June 1, 2005 - May 31, 2006						
County Pool - Money Market Fund	\$	1,848,929,616	\$	77,177,801	3.67%	38
Educational Pool - Money Market Fund	\$	2,073,239,479	\$	83,058,551	3.66%	46
Extended Fund	\$	1,615,431,693	\$	57,262,075	3.21%	266