OFFICE OF THE TREASURER-TAX COLLECTOR



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January 10, 2007

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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, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended December 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.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 December 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.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's November and December 2006 interest apportionments. We anticipate posting the November and December 2006 interest apportionments to participants' cash accounts in the County general ledger by approximately January 29 and February 28, 2007, respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of December, there were seven changes to the Treasurer's approved eligibility list:

The following were removed from the CP/ MTN Eligibility list:

- 1) Pfizer Inc.
- 2) ANZ Delaware Inc.
- 3) Preferred Receivables Funding Co. LLC
- 4) Anheuser Busch Companies Inc.

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

- 5) Whistlejacket Capital LLC
- 6) K-2 (USA) LLC
- 7) CC USA Inc.

MARKET OBSERVATIONS

The month of December saw interest rates reverse the decline witnessed in November as market participants reduced the probability the Federal Open Market Committee will cut the Fed Funds rate at their next meeting January 31st. With a bit of wage inflation showing in the most recent numbers, the Treasurer's office continues to believe the Fed is on hold for a protracted period and doesn't anticipate a rate cut any time soon. Equity markets have continued to benefit from leveraged buying in the business sector and a continuation of profit growth, albeit the later is growing at a slower pace. However, risks to the pace of economic growth must be weighted to the downside as additional weakness should show up in the housing sector once normal weather patterns reestablish themselves and the return to normal temperatures curtails construction.

Asian economies are still growing and the savings glut in those countries is continuing to be invested in dollar denominated assets. This flow of money is responsible for low bond yields and appears to be resistant to change. As long as the global economy continues to grow they will recycle that surplus into dollars. This should keep long term rates low for the foreseeable future and allow the Fed room to wait and see what happens before necessitating rate cuts. We will continue to selectively extend durations as interest rates backup.

Treasurer's Monthly Management Report January 10, 2007 Page 3

The Treasurer's Office appreciates your continued confidence and looks forward to providing you exemplary portfolio and cash management services in the future.

INTEREST RATE FORECAST

At this time, the Treasurer's Investment committee is estimating an interest yield of 5.00 percent for the portfolio during fiscal year 2006-2007.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

January 1, 2006 - December 31, 2006

PERIOD ENDING - MONTH / YEAR	N	MONTH END IARKET VALUE	ΕA	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - December 2006						
County Pool - Money Market Fund	\$	2,459,854,086	\$	11,628,814	5.38%	44
Educational Pool - Money Market Fund	\$	2,364,291,301	\$	9,283,335	5.37%	42
Extended Fund	\$	1,997,281,928	\$	8,257,453	4.92%	453
November 2006		.,00.,20.,020	Ψ	0,201,100		.00
County Pool - Money Market Fund	\$	1,834,087,894	\$	7,897,248	5.39%	61
Educational Pool - Money Market Fund	\$	1,913,967,546	\$	8,281,668	5.36%	62
Extended Fund	\$	1,971,569,719	\$	8,216,199	4.99%	457
October 2006		1,011,000,110	Ψ	0,210,100	1.0070	101
County Pool - Money Market Fund	\$	1,792,188,272	\$	7,569,048	5.39%	57
Educational Pool - Money Market Fund	\$	1,923,791,277	\$	9,185,841	5.35%	60
Extended Fund	\$	1,944,745,354	\$	7,841,267	4.80%	483
September 2006	Ψ	1,044,140,004	Ψ	7,041,207	4.0070	+00
County Pool - Money Market Fund	\$	1,615,083,076	\$	7,236,374	5.41%	60
Educational Pool - Money Market Fund	\$	1,948,311,050	\$	8,808,477	5.40%	66
Extended Fund	\$	1,903,965,350	\$	7,429,388	4.78%	454
August 2006	Ψ	1,903,905,330	φ	1,429,300	4.70/0	404
	r.	1 614 000 065	ф	6 044 700	E 400/	62
County Pool - Money Market Fund	\$	1,614,920,265	\$	6,811,792	5.40%	63
Educational Pool - Money Market Fund	\$	2,035,802,849	\$	9,180,864	5.38%	64
Extended Fund	\$	1,895,848,400	\$	7,712,637	4.60%	414
July 2006						
County Pool - Money Market Fund	\$	1,584,726,279	\$	7,778,613	5.29%	57
Educational Pool - Money Market Fund	\$	2,135,846,766	\$	8,849,641	5.24%	50
Extended Fund	\$	1,777,440,895	\$	6,516,407	4.45%	376
June 2006						
County Pool - Money Market Fund	\$	1,802,431,285	\$	7,644,477	5.18%	55
Educational Pool - Money Market Fund	\$	1,877,538,725	\$	8,917,379	5.09%	50
Extended Fund	\$	1,695,053,655	\$	6,274,458	4.48%	335
May 2006						
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
Educational Pool - Money Market Fund	\$	1,975,163,364	\$	8,072,937	4.60%	47
Extended Fund February 2006	\$	1,691,008,075	\$	5,134,439	3.82%	267
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
Extended Fund	\$	1,667,664,958 AVERAGE	\$	5,031,447 TOTAL	3.52% AVERAGE	AVERAGE
CUMULATIVE BALANCES - 12 MONTHS		BALANCES		EARNINGS	YIELD	WAM
January 1, 2006 - December 31, 2006		D/ L/ (NOLO		L/ (((((((((((((((((((TILLD	V V / NIVI
County Pool - Money Market Fund	\$	1,875,378,082	\$	95,828,915	5.05%	45
Educational Pool - Money Market Fund	\$	2,086,402,254	\$	103,365,486	5.03%	51
Extended Fund	\$	1,791,954,182	\$	79,579,965	4.40%	364