



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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April 10, 2001

TO: Board of Supervisors
Michael Schumacher, 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 March 31, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended March 31, 2001. 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 March 31, 2001. 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.

INVESTMENT POLICY STATEMENT REVISION

During the month of March the Treasurer's Advisory Committee, the Treasury Oversight Committee, and the Board of Supervisors reviewed and approved the following four revisions to our Investment Policy Statement (IPS):

1. Further expand the understanding of Board of Supervisor delegation of investment authority to the Treasurer in Section III, Scope.
2. Added that the acquisition of a qualified investment, where any one of the three rating agencies has put the issuer's status on "credit watch-negative," in Section V, Investment Restrictions and Prohibited Transactions.
3. Added that the acquisition of a qualified investment, where any one of the three rating agencies has issued a rating one level lower than the minimum rating requirement (first tier), in Section V, Investment Restrictions and Prohibited Transactions.
4. Require approval of consummated trades by the Treasurer or Assistant Treasurer by the close of business the following working day in Section XIII, Internal Controls.

A copy of the revised Investment Policy Statement, effective March 27, is provided with this report. The above revisions were presented during the Board of Supervisors Investment Workshop on March 27. The Treasurer's PowerPoint presentation is available for your review on our web site.

BENCHMARK COMPARISON

The "Benchmark Comparisons" (Section III) is revised this month to reflect the following changes:

- The X-Fund is broken out for market value, average days to maturity (WAM) and yield.
- The WAM for the X-Fund will now be calculated based on the actual maturity date rather than the call date. (Also revised on Section II)
- The Treasurer's investment pools, the 90-day Treasury bill and the Standard & Poor's LGIP index comparison is reflected in the ribbon graphs.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's January and February 2001 interest apportionments. We anticipate posting the January and February interest apportionments to participants' cash accounts in the County general ledger by approximately April 20 and May 31, respectively.

EDISON INTERNATIONAL

Concerning our remaining \$20 million investment in Edison International, discussed in our January report, the following events have occurred since that time:

- March 19 Interest received on Medium Term Note (MTN) as scheduled
- March 27 CPUC approves rate increase
- April 3 Edison International's banks give forbearance on credit lines
- April 6 Pacific Gas & Electric files for Chapter 11 bankruptcy protection
- April 9 Southern California Edison and Governor Davis agree on a plan for the state to pay \$2.76 billion for the utility's transmission system

ECONOMIC OBSERVATIONS

The Federal Open Market Committee (FOMC) cut interest rates 50 basis points at their March 20 meeting. As a reaction (or overreaction) to the FOMC move and their disappointment that this easing was not larger, the stock markets began a dramatic and persistent plunge.

In spite of this so-called "stock market meltdown" and the cries that a recession is imminent, recent reports of moderate growth have been seen in some sectors. Home sales are still robust, car sales have recovered to impressive levels, and both consumer expectation indexes (Exhibit 1) are reflecting a positive outlook.

However, as one economist suggested, the recent consumer confidence level only proves that "even anvils bounce." Other economic data has been contrary to any near-term recovery. Manufacturing remains in a broad-based contraction, investment spending is down, the global economy is struggling, and the inventory cycle is still unwinding.

Has the consumer prevailed in spite of weaker labor markets, high personal debt levels, and a long-lasting hit to paper-wealth? The debate continues.

The FOMC meets again on May 15. Currently, the Treasurer's Investment Committee is looking for another 50 basis point reduction to interest rates at that time. Accordingly, the portfolio's average maturity remains extended.

INTEREST RATE FORECAST

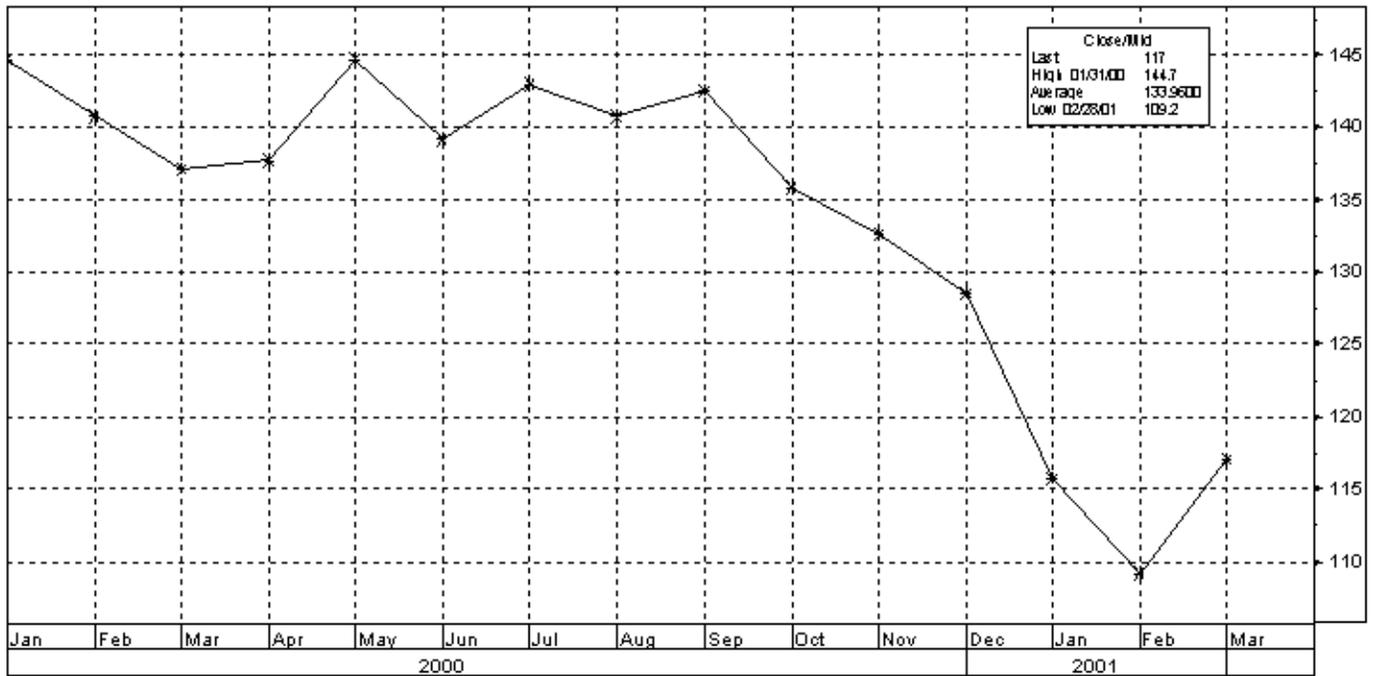
The declining interest rate environment (see Economic Observations) has prompted the Investment Management Committee to revise the portfolio's projected yield for fiscal year 2001 – 2002 to 3.75%. There is no change for the current fiscal year.

Please call if you have any questions.

Consumer Confidence

Range 1/ 1/00 - 3/31/01

Period- Monthly



Univ. Michigan Consumer Sentiment

Range 1/ 1/00 - 3/31/01

Period- Monthly

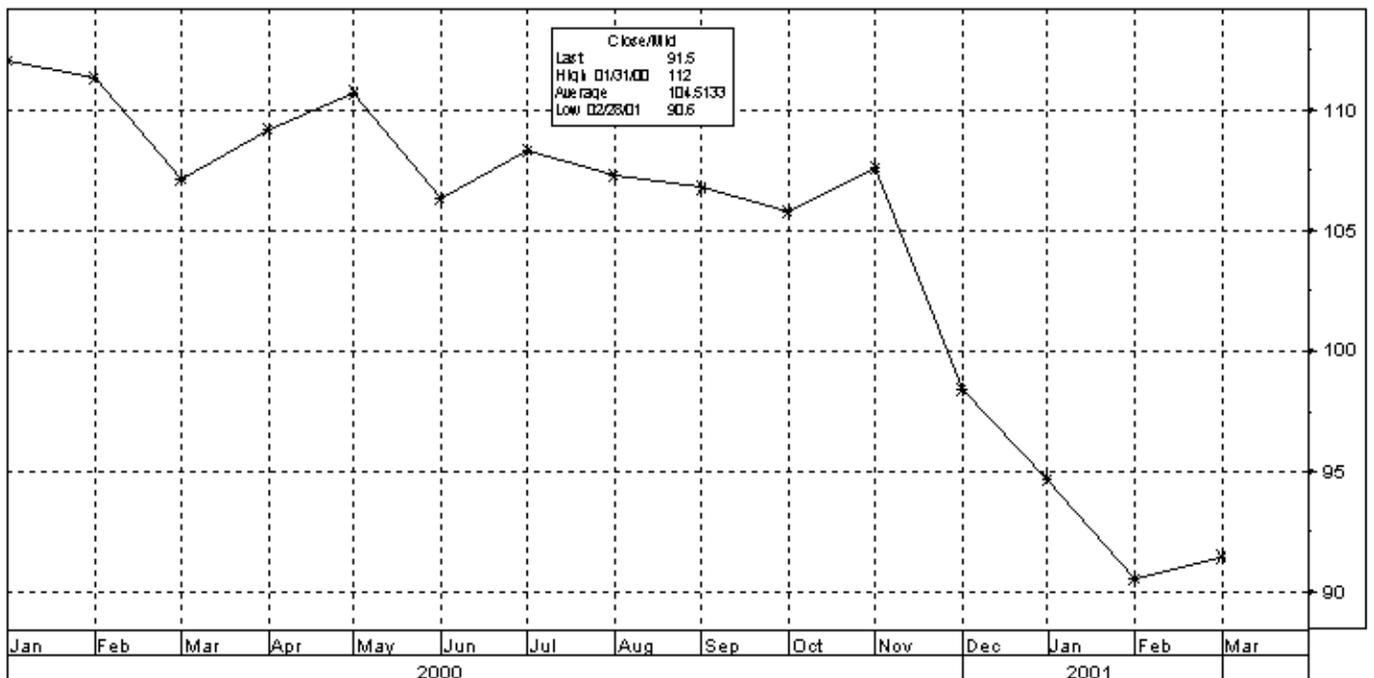


EXHIBIT 1