

## OFFICE OF THE TREASURER-TAX COLLECTOR

August 28, 1992

Board of Supervisors  
10 Civic Center Plaza  
Santa Ana, CA 92701

SUBJECT: Annual 1991-92 Financial Statement

The Orange County Treasury manages money for 185 different and separate governmental agencies. Seventeen percent of the total monies that we manage is controlled directly by the Board of Supervisors (County General Fund, Environmental Management Agency and the John Wayne Airport, etc.). The remaining 83% that we manage is for governmental agencies that are not under the control of the Board of Supervisors. Of the remaining agencies, 35 are invested in our Local Agency Investment Pool. These are agencies that have their own treasurers and are not required by law to invest with the County Treasurer. Five of the agencies are situated in other counties. Therefore, this financial report is intended for all governmental agencies for which the County Treasury manages their funds.

**HIGHLIGHTS OF THE FINANCIAL STATEMENT:** The Orange County Treasury has had an exceptionally profitable year, particularly in light of rapidly declining interest rates. We have earned yields that we believe are by far one of the largest in the country for a very large size portfolio with a short average maturity of only one year, four months. There may be large portfolios that have higher yields because they are invested in the high end of the yield curve of more than five years average maturity, such as retirement portfolios.

We earned an average yield for the fiscal year of 8.824% based upon an average monthly balance of \$3.271 Billion, a \$353 Million increase average over the previous fiscal year. (The June 1992 balance was \$3.9 Billion.) The State of California Treasury, with an average monthly balance of \$21.358 Billion had an average yield of 6.22%. This is a minus difference to the Orange County yield of 2.60%. (See attached graph.) The following is a comparison of yields and average monthly balances of other California treasurers. City of Anaheim, 8.65%, \$350 Million (Anaheim has \$60 Million invested with the Orange County Treasurer). City of Los Angeles, 6.75%, \$2 Billion; County of Los Angeles, 5.42%, \$4.75 Billion; Riverside County 5.96%, \$700 Million; San Bernardino County, 6.89%, \$1.2 Billion; San Diego City, 7.83%, \$1 Billion; San Diego County, 8.43%, \$2.8 Billion; Santa Clara County, 5.99%, \$2 Billion.

ORANGE COUNTY TREASURER-TAX COLLECTOR

EXHIBIT A

ACCOUNTABILITY  
INDICATED DATES  
(000 Omitted)

	Fiscal Years Ended		
	June 30, 1992	June 30, 1991	June 30, 1990
<b>CASH AND BANK ACCOUNTS (COMMINGLED)</b>			
Checking Accounts and Cash (Exhibit B)	\$ 60,984	\$ 39,933	\$ 53,545
Time Deposits	<u>118,562</u>	<u>64,000</u>	<u>114,017</u>
<b>Total Cash, Checking Accounts and Time Deposits</b>	<u>\$ 179,546</u>	<u>\$ 103,933</u>	<u>\$ 167,562</u>
<b>COMMINGLED FUNDS INVESTED (EXHIBIT C)</b>	<u>\$3,476,015</u>	<u>\$2,694,000</u>	<u>\$2,400,859</u>
Negotiable Securities (Cost)			
<b>SPECIFIC FUNDS INVESTED (EXHIBIT D)</b>			
Negotiable Securities and Time Deposits:			
Deferred Compensation	\$ 42,924	\$ 52,795	\$ 47,269
Foothill Circulation Phasing Plan	4,055	0	16,451
Eastern Foothill/Transportation	654	0	0
Miscellaneous Districts & Funds	295	100	3,685
Special District Bond Funds	<u>88,273</u>	<u>136,457</u>	<u>177,317</u>
<b>Total Specific Funds Invested</b>	<u>\$ 136,201</u>	<u>\$ 189,352</u>	<u>\$ 244,722</u>
<b>RETIREMENT SYSTEM INVESTMENTS (A)</b>			
Long Term	\$1,462,650	\$1,371,199	\$1,227,309
Short Term	<u>219,772</u>	<u>137,875</u>	<u>87,479</u>
<b>Total Retirement System Investments (Excludes Commingled Funds)</b>	<u>\$1,682,422</u>	<u>\$1,509,074</u>	<u>\$1,314,788</u>
<b>TREASURER'S TOTAL ACCOUNTABILITY</b>	<u>\$5,474,184</u>	<u>\$4,496,359</u>	<u>\$4,127,931</u>
<b>OUTSTANDING CHECKS - ESTIMATED (B)</b>	<u>\$ 96,000</u>	<u>\$ ---</u>	<u>\$ ---</u>
<b>OUTSTANDING CHECKS - ACTUAL (B)</b>	<u>\$ ---</u>	<u>\$ 106,221</u>	<u>\$ 158,612</u>
 (A) - Details of financial activities of Orange County Employees Retirement System are shown in separate reports issued on a calendar year basis.			
<b>(B) - County and Special District Checks</b>	\$ 29,800	\$ 41,230	\$ 44,343
School District Checks	61,600	62,552	109,985
Trust Fund Checks	<u>4,600</u>	<u>2,439</u>	<u>4,284</u>
	<u>\$ 96,000</u>	<u>\$ 106,221</u>	<u>\$ 158,612</u>

## ORANGE COUNTY TREASURER-TAX COLLECTOR

EXHIBIT C

COMMINGLED FUNDS INVESTED  
INDICATED YEARS  
(000 Omitted)

	Fiscal Years Ended		
	June 30, 1992	June 30, 1991	June 30, 1990
<b>INVESTMENT ACTIVITY BEGINNING OF YEARS</b>			
Time Deposits	\$ 64,000	\$ 114,017	\$ 158,650
Negotiable Securities	<u>2,694,000</u>	<u>2,400,859</u>	<u>2,051,254</u>
Totals	\$2,758,000	\$ 2,514,876	\$ 2,209,904
<b>INVESTMENTS PLACED DURING YEARS</b>			
Sub-Totals	<u>165,622,945</u>	<u>128,750,072</u>	<u>101,955,201</u>
	168,380,945	\$131,264,948	\$104,165,105
<b>INVESTMENTS MATURED &amp; SOLD DURING YEARS</b>			
	<u>164,786,368</u>	<u>128,506,948</u>	<u>101,650,229</u>
<b>END OF YEARS</b>			
Time Deposits	\$ 118,562	\$ 64,000	\$ 114,017
Negotiable Securities	<u>3,476,015</u>	<u>2,694,000</u>	<u>2,400,859</u>
Totals	<u>3,594,577</u>	<u>\$ 2,758,000</u>	<u>\$ 2,514,876</u>
<b>INTEREST DISTRIBUTIONS</b>			
County General Fund	\$ 12,051	\$ 14,620	\$ 14,832
Deferred Compensation Fund	239	86	218
Employees Retirement System	5,353	4,067	2,908
Escrow Accounts	2,520	851	320
Fire Protection	2,550	1,483	1,512
Flood Control	12,422	13,029	12,539
Foothill Circulation Phasing Plan	5,038	5,540	0
Foothill/Eastern Transportation	1,973	878	510
Harbors Beaches & Parks	3,665	4,191	857
Housing Authority	1,052	940	3,452
Impounded Taxes Trust	1,118	1,544	1,305
John Wayne Airport	2,256	3,116	10,969
Local Transportation Fund	1,473	968	679
Outside Agencies	29,363	10,715	8,491
Road Fund	4,951	5,445	5,662
Sanitation Districts	20,248	15,606	18,075
School Districts	53,925	56,106	54,012
Self Insurance Funds	6,884	6,468	5,406
Special District Bond Funds	11,584	9,991	1,407
Taxes Collected - Awaiting Distribution*			
Secured	7,738	6,794	7,598
Unsecured	1,698	1,781	1,542
State Redemption	1,681	1,585	1,587
Supplemental	1,540	1,402	1,191
Other	469	471	509
Thoroughfare & Bridge Program	1,884	2,416	1,733
Transit District	9,546	10,734	11,136

Transportation Commission	11,218	15,692	15,638
Waste Management Enterprise Fund	5,299	3,920	2,345
Water District	5,010	5,542	5,430
Miscellaneous Districts & Funds	<u>20,099</u>	<u>20,360</u>	<u>20,432</u>
Totals	<u>\$ 244,847</u>	<u>\$ 226,341</u>	<u>\$ 312,295</u>

THE FUTURE: United States interest rates are low and could become lower. On July 1, 1991, the two year maturity treasury note was yielding 6.97%. The one year maturity treasury bill was yielding 6.35%. On July 1, 1992 the two year maturity treasury note was yielding 4.56% and the one year treasury bill was yielding 3.71%; a respective yield drop of 2.41% and 2.64% on the treasury bill. We expect interest rates to stay in or near these levels for at least the next two or three years. We do not expect them to rise because of the very slow growth out of the current recession. Interest rates can be affected by the laws of supply and demand. There is not a great demand for monies. Financial institutions are continually lowering their deposit rates not only on Certificates of Deposit which rates reflect current market conditions, but on the interest rates they pay on savings deposits and checking accounts. Current checking account posted interest rates are between 2 and 2 1/2%. There has been a prediction made that banks will in the near future stop paying interest on all types of checking accounts. As you know, it has only been approximately in the last seven years that financial institutions began paying interest on all types of checking account transactions. If you do not need the money to lend, why pay interest on it? Particularly checking accounts that will not leave the bank. The majority of financial institutions in this country have posted unusually good profits in the first and second quarters; particularly compared to the losses that they posted last year. A part of these profits was through transaction charges made for doing various services for their customers. The banks have also paid very low interest rates for their deposits and have reorganized their business operations that has materially reduced their cost of operations.

We expect to earn gross yields this fiscal year of 7.75% compared to the 8.82% that we earned in the 1991-92 fiscal year. Even though interest rates are very low overall, we have and will be structuring our investment portfolio by acquiring AAA and AA securities that have a potential high rate of return of the same type we have previously invested in. We will vigorously continue with our Reverse Repurchase Agreement investment policies. In the months of July and August 1992, we have already earned an additional \$46,431,103 through our Reverse Repurchase Agreement program.

We are exulted that we are continually able to earn high interest earnings way above the current "market" for our 185 different governmental clients. We are even more pleased when these earnings come from highly liquid and secure investments. We recognize that these results would not have been achieved without the support of the Board of Supervisors and the assistance of the many departments and other governmental agencies with our cash flow projections. We look forward to these continuing relationships.

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Robert L. Citron  
Treasurer-Tax Collector