

**TREASURER-TAX COLLECTOR
COUNTY OF ORANGE
2007-08 BUSINESS PLAN**



Approved by: _____
Honorable Chriss W. Street
Orange County Treasurer-Tax Collector

**2007-08 Business Plan
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To provide efficient and effective cash management through optimized investment and property tax collection services for the County of Orange and our local schools, cities and special districts.

I. EXECUTIVE SUMMARY

Strong leadership and increased efficiency are the themes of the Treasurer-Tax Collector (TTC) 2007-08 Business Plan. Chriss Street served as the Assistant Treasurer-Tax Collector since February, 2006, was elected in June, 2006, and was then installed as the Treasurer-Tax Collector in December, 2006. Mr. Street has benefited from inheriting a well-run TTC operation. He has been applying his 30 years of finance and management experience, including two tours as CEO of New York Stock Exchange listed companies, to introduce private industry concepts and processes to the organization to optimize Treasury investment performance and exceed Tax Collection expectations.

TTC 2007-08 budget expenditures and employment staffing levels are projected to remain fairly constant over the coming twelve-month period, even though the volume of tax collections and investment responsibilities are projected to grow by double digits. TTC management intends to accomplish this feat by attracting a higher level of fee generating investment funds, marketing taxpayer optional services, pursuing grant funding and by implementing training strategies that maximize staff flexibility and effectiveness.

TTC will continue to build on the successes accomplished during fiscal year 2006-07, such as generating substantial additional revenues and increasing the percentage of taxes collected. Strategies were initiated in fiscal year 2006-07 which has positioned the TTC to pursue a challenging agenda for fiscal 2007-08.

II. MAJOR 2007-08 OBJECTIVES OF THE TREASURER- TAX COLLECTOR

Eliminate the unnecessary payment of interest on refunds by processing 90% of all refunds within 50 days to achieve full compliance with Revenue and Taxation Code Section 2782;

Maximizing same-day interest earnings through electronic posting for over 80% of tax payments received;

Design and implement GASB-compliant solutions to address our clients' Other Post Employment Benefit (OPEB) funding and reinvestment needs;

Build an ultra-competitive trading and research infrastructure to optimize investment performance;

Create a competitive marketing team to generate higher voluntary fee based revenues;

Implement effective employee training strategies to generate outstanding staff performance and provide the appropriate management recognition;
Provide the leadership necessary to launch the re-engineering of the “legacy” Orange County Assessment Tax System software. Exercise the discipline to bring the project to fruition at a substantial savings to the current funded budget.

III. OPERATING DIVISIONS

TREASURY DIVISION

The Treasury Division is responsible for the receipt, custody, deposit, investment, and recording of funds for the County, school districts and special districts. Responsibilities may also include issuance of short-term debt on behalf of the County and school districts. In addition, the Treasury Division acts as trustee in connection with unclaimed property and is responsible for the issuance, billing, collection, redemption and foreclosure of improvement bonds.

The TTC serves as the banker to the County, and steward of its financial resources. The department management is committed to establish policies and procedures that allow our staff to perform at peak performance levels, in a fiscally prudent, effective and cost effective manner. Mr. Street has challenged staff to achieve a minimum top 10% performance ranking, as compared to the other counties in the State of California. He is confident that the team he has assembled to face these tasks have the character, capability and initiative necessary to achieve high performance in managing the following:

Investment Management: Provides portfolio management, maintains broker/dealer relations, conducts investment/economic research, and serves as liaison for oversight committees and custody relation services.

Cash Management: Provides bank-related services and relationship management.

Electronic Commerce: Provides Internet and analog payment options via wire, e-check, credit card and ATM.

Accounting/Compliance: Provides financial reporting, fund accounting, ledger reconciliations, bank reconciliations, investment accounting, compliance services, and accounting for unclaimed monies.

Remittance & Cashiering: Provides automated remittance processing for all property tax rolls, refund accounting, tax roll accounting and cashiering for the Treasury Department.

TAX COLLECTION DIVISION

The Tax Collection Division collects ad valorem taxes on secured properties and certain taxes on unsecured property in Orange County. In this capacity, the Tax Collection Division is responsible for collecting approximately \$5 billion in property taxes. The County General Fund’s share of this revenue is approximately \$449 million; this represents the largest source of general-purpose revenue for the County of Orange General Fund.

The Tax Collection Division is also responsible for the sale of property subject to the “power to sell,” (formerly known as “delinquent tax deeded property.”) In addition, the Tax Collection Division collects Annual Racehorse Taxes, Transient Occupancy Taxes and Public Defender Judgments.

Tax Compliance and Collection Services: Provides centralized billing and customer interaction services for delinquent unsecured and prior year secured property tax collections, and Public Defender Judgment collections.

Tax Information: Provides public information services and problem resolution services. Offers transaction capability to pay tax bills by ACH wire and an array of credit card options.

Bankruptcy: Provides expertise to recover taxes owed from companies that have filed for bankruptcy protection.

SUPPORT DIVISIONS

Information Technology Division: Provides systems development and maintenance support for the many treasury and tax collection related applications required for the depositing, accounting and collecting of funds and provides hardware, software, and network maintenance and support to TTC staff.

Administrative Division: Provides tax roll reconciliations, purchasing, contract administration, human resources, safety, security and disaster coordination, payroll, budget, facility operations, telephone and network services for all TTC operations.

IV. CLIENT SERVICES

The Treasury Division provides accounting, banking and investment services to the County, special districts and school districts. The Treasury Division is responsible for the receipt, accounting and investment of all service recipient funds. Approximately \$6 billion is managed in three separate investment pools. In addition, approximately \$67 million is invested in specific funds for certain departments and special districts. Treasury clientele benefit from our diligent cash flow planning, professional investment management and the overall accounting and reporting services provided by the Treasury Division. A detailed monthly Treasurer’s Management Report provides a complete and concise summary of the holdings and investment activity of the Treasury Division. Current and past reports are available on the web at <http://tax.ocgov.com/treas/monthrep.asp>.

The Treasury Division is currently in the process of designing and implementing specific long-term investment portfolios to meet the unique needs of selected County agencies. These portfolios will include deposits that have been set aside for future needs and may therefore be invested in longer-term securities. Our first specific long-term investment portfolio is for the Children and Families Commission of Orange County. This portfolio has been funded and is being invested in accordance with IPS guidelines.

The Tax Collection Division collects taxes on behalf of approximately 280 taxing jurisdictions. These jurisdictions include the County, schools, cities and special districts. Clientele benefit from our timely dissemination of tax bills, efficient remittance processing, cash handling, past due collection efforts, and taxpayer telephone assistance services.

Real property owners account for the largest percentage of service recipients, representing 871,000 of our 1.2 million tax bills. The top 20 corporations and companies are projected to pay 4.6 percent of the total \$4.2 billion due on the real property tax roll for the 2006-07 year. Service recipients may pay property taxes in person, by mail, through mortgage impound accounts (CORTAC), by utilizing various telephone payment alternatives, via electronic fund transfers and via the Internet.

Expanding the number and variety of payment options is helping the TTC meet our goal of reducing the number of mail payments as a percentage of the total amount collected. We installed an in-office express payment drop box to eliminate the need for express-payment-ready customers to wait in line. The Tax Collection Division continues to provide express payment services in our office at Civic Center Plaza in Santa Ana. To further facilitate the receipt of payments on the tax payment due dates, we offer expanded office hours and have installed a night drop box .

Experience has shown that many residents prefer to deliver their payments in person. Our goal is to service the typical in-office payment transaction within 10 minutes of arrival. To accomplish this goal, we cross-train and strategically allocate staff resources to high customer need areas during the peak payment periods.

V. OVERSIGHT

Treasury Oversight Committee

The primary purpose of Treasury Oversight Committee (TOC) is to review and monitor compliance with the Treasurer's Investment Policy Statement (IPS). In this regard, the Committee is required to cause an annual compliance audit of the Treasurer's investment activities. The Board of Supervisors established the TOC in December 1995.

The membership of the TOC is comprised of the County Auditor-Controller, the County Executive Officer (the representative appointed by the Board of Supervisors), the County Superintendent of Schools or designee, and two members of the public. The TOC may also include the County Treasurer, a representative of the school districts and community college districts, a representative of the special districts, and up to three other members of the public.

Members of the Treasury Oversight Committee are as follows:

Honorable William M. Habermehl, Superintendent of Schools, Orange
County Department of Education
Honorable Ken Henderson, Outside Participant Representative
Mr. Thomas G. Mauk, County Executive Officer, County of Orange
Honorable David E. Sundstrom, Auditor-Controller, County of Orange
Honorable Jeff Thomas, Public Member

Treasurer's Advisory Committee

The Treasurer's Advisory Committee (TAC) provides technical assistance to the Treasurer and the TOC, with respect to the overall appropriateness of investment strategies and procedures. The assistance provided includes input regarding investment operations and the design of the Investment Policy Statement.

Members of the Treasurer's Advisory Committee are as follows:

Dr. Wendy Benkert, Orange County Department of Education
Mr. Blake Christian, Holthouse Carlin & Van Trigt
Honorable Robert Fauteux, Former Chairman of TOC
Honorable Pall Gudgersson, City of San Clemente
Mr. George Jeffries, G.W. Jeffries & Associates
Mr. Clyde E. Kendzierski, Financial Solutions Group
Mr. Jerry Slusiewicz, Pacific Financial Planners, LLC
Mr. Charles Schroeder, Former Chairman of Treasury Oversight Committee
Mr. Timothy Tunney, Morgan Stanley

VI. DEPARTMENT GOALS

Treasury Division will provide stability, liquidity and optimum yield for client funds.

- Strategic Plan 1.1** Partner with County school districts and other agencies to develop an investment solution in compliance with Governmental Accounting Standards Board – Statements 43 and 45. (These accounting pronouncements set forth the funding and financial disclosures for OPEB.)
- Strategic Plan 1.2** Implement a new benchmarking strategy to improve management's ability to measure the effect of strategy changes and relative risk for existing and new investment portfolios.
- Strategic Plan 1.3** Increase the resources and focus devoted to increasing the number of voluntary participants in the County Investment Pool, with the goal of reducing the administrative fee to all participants. (Carryover from 2006.)
- Strategic Plan 1.4** Identify County locations that would benefit from the implementation of Remote Deposit. (Remote deposit is a new bank product that utilizes a scanner to image checks and then transmits the images directly to the bank, via the Internet, for immediate credit to the County's bank account.) This product would reduce transportation and labor costs, and increase interest earnings.
- Strategic Plan 1.5** Offer county agencies the consulting services of TTC treasury specialists to improve treasury-related business processes and reduce costs. Introduce industry products and standards to county locations that handle money to ensure safety and liquidity of funds. The approach to offer this service will include a general questionnaire and/or personal visits with County Accounting Managers to assess the needs.

Tax Collection Division will collect all property taxes in accordance with applicable laws.

Strategic Plan 2.1 Refine the existing bankruptcy management process to incorporate more robust input, recording and retrieval capabilities for users to improve tracking and increase collection efforts.

Strategic Plan 2.2 Upgrade the existing Remittance Processing System by introducing Accounts Receivable Conversion (ARC) and image exchange capabilities, with the aim of improving processing time and reducing labor and banking cost. (Implementation will also allow TTC to participate in the Check 21 program.)

Strategic Plan 2.3 Install a new NCR iTran 8000 and OPEX 3690i to increase remittance processing capacity in anticipation of the enrolling of new clients and the handling of related revenue increases. Strategy also includes assessing the potential value of adopting a new workflow system, enabled by purchase of the OPEX 3690i.

Strategic Plan 2.4 Increase the use of financial data to improve/refine the process of decision making by management, through the development of, for example, monthly financial reports and/or statements detailing budget versus actual activity for the month-ended and YTD, along with other financial indices, for the TTC overall and for various divisions within the department.

Administration Division will enhance the effectiveness of the Treasurer-Tax Collector.

Strategic Plan 3.1 Refine the department recruitment and retention process. Identify required knowledge, skills and abilities, and typical job duties for each position. Use the data to improve recruitment interview questions and candidate selection process, and to improve accuracy in identifying the percentage of time spent by each position on activities associated with the handling, depositing, and investing of funds.

Strategic Plan 3.2 Identify county, state and federal safety, security and disaster (SSD) requirements affecting TTC and streamline the compliance process. Consolidate SSD responsibility under a single position, identify and develop timelines, templates and procedures for timely compliance.

Strategic Plan 3.3 Implement Return to Work Program. Partner with the County Workers' Compensation Program Coordinator to draft and implement a pilot program aimed at providing a temporary alternative worksite for up to three temporarily disabled county employees (at any given time).

VII. RESOURCES

Funding Sources

The Treasurer-Tax Collector's budget for fiscal year 2007-08 is \$15.3 million in expenditures and \$10.2 million in revenues. The difference, or Net County Cost, is \$5.1 million. The components of the \$10.2 million in revenues are as follows:

➤ Investment Services Revenue Paid by the Treasury Pool Participants	\$5.9
➤ Merchant Services / Armored Car	0.7
➤ Supplemental Tax Roll Cost Reimbursement from the State	1.5
➤ Tax Collector User Fees	<u>2.1</u>
Departmental Revenues	<u>\$10.2</u>

Historical Perspective of Finances

TTC budgeted expenditures for the fiscal years 1997-98 to 2006-07 are attached. Our actual results are provided for the fiscal years 1997-98 to 2005-06, for comparative and planning purposes.

Net County Cost (i.e., the portion of TTC's budget that is paid by the County General Fund) is shown for fiscal years 2000-01 to 2005-06, and is being provided to show the "true cost" of operating this department.

The budgeted expenditures for fiscal year 2006-07 were increased over the actual expenditures for fiscal year 2005-06 by \$1,600,756, and is primarily attributed to increased costs for Retirement, Health Insurance, Insurance (Property/Casualty/Risk), Data Processing Services and a one-time cost for the Quantum (SunGard) License Perpetual Renewal Fee.

The increase in Retirement and Health Insurance is due to County-negotiated salary agreements, and the increase in Insurance (Property/Casualty/Risk) is due to higher premiums.

Data Processing Services costs continue to be a major expenditure for our department, with savings dependent upon the time required for us to convert from the County's mainframe computer system to a less costly client-server platform. However, it should be noted that during the past 3 years, the CEO has made significant efforts to stabilize these costs.

Pursuant to SB 2557, cities and special districts reimburse our department, as well as the Assessor, the Auditor-Controller and the Clerk of the Board, for property tax administration services. For fiscal year 2004-05, our department's reimbursement amount was \$1,378,142.

The County is reimbursed, pursuant to various provisions of the Revenue and Taxation Code, for the cost of advertising delinquent properties and for the expense of preparing the delinquent tax roll. For fiscal year 2004-05, the reimbursement amount was \$813,841.

Our department administers the Transient Occupancy Tax (TOT) program for the County, which involves collecting TOT and auditing the various hotels/motels in the County's unincorporated areas. For fiscal year 2005-06, the revenue collected from this was \$155,769. (During Fiscal Year 2004-05, the Board of Supervisors directed the CEO to transfer TOT revenues from the General Fund to the Orange County Tourism Council.)

The revenues stated above are not reflected in our budget, but are a revenue source for the General Fund and the Orange County Tourism Council. The total amount of revenue diverted annually to them, which represents our department's share of the total expenses, is approximately \$2.3 million. As we have requested in prior Business Plans, we again request that these revenues be reallocated to our budget.

**TREASURER-TAX COLLECTOR
BUDGETED EXPENDITURES versus ACTUAL EXPENDITURES**

BUDGETED EXPENDITURES

Category	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002	FY 2002 - 2003	FY 2003 - 2004	FY 2004 - 2005	FY 2005 - 2006	FY 2006 - 2007
Salaries /Benefits	3,657,656	3,726,112	3,895,795	4,221,123	4,913,356	5,345,680	6,397,302	6,473,039	6,747,899	6,684,075
Banking Services	1,789,880	1,777,500	2,274,150	2,637,642	2,790,300	2,330,650	3,997,854	2,358,650	2,634,800	2,777,346
Prof & Specialized Services	237,074	424,543	294,790	532,191	900,049	905,998	868,034	797,003	812,468	856,670
Data Processing Services	951,614	1,079,184	1,057,757	1,092,507	1,276,830	1,010,718	1,746,301	1,796,943	1,927,568	2,461,797
Postage	370,941	382,841	482,480	499,320	289,168	543,773	555,775	535,200	534,830	550,647
Office Expense	191,104	196,040	242,460	296,540	267,730	317,649	367,564	292,305	423,224	439,877
Communications	147,000	149,645	179,343	148,657	141,390	144,706	147,722	136,869	138,764	132,915
Maintenance	102,594	99,922	150,162	178,836	198,346	205,749	189,493	199,947	322,123	376,661
Minor Equipment	42,100	116,700	92,448	132,703	25,350	77,390	106,334	91,200	68,720	74,810
Temporary Help	30,000	30,000	64,709	36,027	30,260	66,703	42,336	21,696	21,168	-
Printing Costs - Outside Vendors	34,626	24,600	31,650	32,550	35,805	41,000	41,000	41,000	45,782	45,782
Publications & Legal Notices	66,000	66,000	57,200	69,570	76,527	84,180	84,180	102,365	53,872	53,872
Equipment	148,725	21,000	18,000	259,600	556,050	10,000	88,140	331,000	122,000	70,000
Other	(271,466)	(545,497)	(573,679)	(294,314)	(424,768)	(240,750)	(190,827)	387,839	380,999	750,958
TOTAL	7,497,848	7,548,590	8,267,265	9,842,952	11,076,393	10,843,446	14,441,208	13,565,056	14,234,217	15,275,410

ACTUAL EXPENDITURES

Category	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002	FY 2002 - 2003	FY 2003 - 2004	FY 2004 - 2005	FY 2005 - 2006
Salaries / Benefits	3,557,830	3,705,027	3,863,734	4,156,337	4,913,355	5,653,804	6,134,657	6,185,782	6,388,368
Banking Services	1,427,639	1,780,561	2,236,095	2,786,477	3,164,944	3,705,672	2,806,464	2,427,446	2,701,504
Prof & Specialized Services	225,782	390,945	341,423	263,506	599,251	849,850	696,255	590,887	681,274
Data Processing Services	891,107	969,273	1,095,676	1,133,199	1,525,428	1,488,464	1,577,133	1,830,870	2,117,729
Postage	342,413	419,392	446,636	499,215	108,351	373,991	552,520	332,324	734,220
Office Expense	207,048	239,721	203,538	210,506	192,888	197,810	223,642	279,145	370,156
Communications	128,329	173,499	151,314	133,397	123,419	117,935	133,391	134,905	111,874
Maintenance	95,013	32,593	150,759	97,829	148,700	90,682	127,329	333,111	412,635
Minor Equipment	59,381	89,569	76,706	61,660	35,349	39,836	89,246	76,967	87,910
Temporary Help	64,113	63,296	84,394	79,297	48,497	16,695	15,015	27,067	11,642
Printing Costs - Outside Vendors	33,702	38,363	42,682	37,175	38,354	41,060	24,670	12,356	-
Publications & Legal Notices	34,792	50,700	64,072	64,115	83,408	116,714	75,013	48,991	29,009
Equipment	6,729	-	15,067	16,506	556,050	1,318	85,505	36,743	56,206
Other	(236,032)	(427,783)	(637,440)	(461,154)	(461,603)	(120,296)	359,940	23,691	(27,873)
TOTAL	6,837,846	7,525,156	8,134,656	9,078,065	11,076,391	12,573,535	12,900,780	12,340,285	13,674,654

NET COUNTY COST (ACTUAL)

	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002	FY 2002 - 2003	FY 2003 - 2004	FY 2004 - 2005	FY 2005 - 2006
TOTAL	N/A	N/A	N/A	2,484,339	2,919,250	3,034,353	3,228,891	3,574,149	3,777,911

VIII. PERFORMANCE MEASURES

1. Maintain the highest rating from Moody's Investor Services of short-term investment pools equal to "Aaa/MR1", while obtaining a portfolio yield that exceeds the 90-day US Treasury Bill and money market benchmarks, and staying within the parameters of the Treasurer's Investment Policy Statement.
2. Maintain an administration fee charged to all pool participants of less than 12 basis points.
3. Achieve top quartile of state property tax collection rates for secured and unsecured property as compared to other California counties.
4. Maximize the percentages and amounts of tax payments deposited on a same-day-basis. (Graphs, Page 21-22)

IX. PERFORMANCE CHALLENGES FOR THE DEPARTMENT

1. ASSESSMENT TAX SYSTEM REWRITE

The current Assessment Tax System (ATS) is a 20 year old software product operating on a very high-cost mainframe platform. A "Needs Assessment" analysis has been completed by our consultant, Sierra Systems. The design of a new, efficient software solution running on a lower-cost server platform is in the initial "building" stage. This project is currently on time and on budget, with full implementation anticipated by 2010. TTC intends to show leadership in this project, and desires to accelerate the implementation schedule by assertively encouraging collegial participation and planning by the future users.

Currently, funds from the AB589 Grant are used to underwrite part of this project cost. However, there is no assurance that these funds will continue to be available from the State of California. If this funding is discontinued, the County will be required to fully fund this project.

2. REMITTANCE PROCESSING UPGRADE

The Tax Collection Division is focused on ensuring a smooth implementation of a new, integrated Remittance Processing System. Wausau, TTC's remittance processing software vendor, has provided a simplified process to accommodate the expansion of our remittance business. However, there is no guarantee that these upgrades and changes will ensure that the TTC can efficiently support an increased number of clients and the related increase in TTC revenues.

3. MANAGEMENT TRANSITION

Brett Barbre was named to the position of Chief Assistant Treasurer-Tax Collector in December 2006. He will report directly to Chriss Street, and will be responsible for managing and overseeing implementation of the policies and directives for the Treasurer-

Tax Collector Department. Mr. Barbre's responsibilities will include Tax Collection, Treasury and Information Technology. For the past 25 years, Brett has served in various public policy positions, including seven years on the staff of a Member of Congress. Brett also served for more than six years as the Public Information Officer for John M. W. Moorlach. He is also an elected official in his own right, and currently serves as Director of the Municipal Water District of Orange County, where he represents the communities of Brea, Buena Park, La Habra, La Palma, Placentia and Yorba Linda. Brett holds a B. A. in Business and Economics from George Fox University in Newberg, Oregon.

Robin Russell joined the department as Manager of the Administrative Services Division in March 2006. She brings many years of private and public company experience to the department, with hands-on expertise spanning dozens of industries and hundreds of companies, both as a business executive and/or a senior consultant. She has extensive experience in human resources, administrative management and work process improvement, and has worked with dozens of cities, counties and special districts.

4. PORTFOLIO STRATEGY

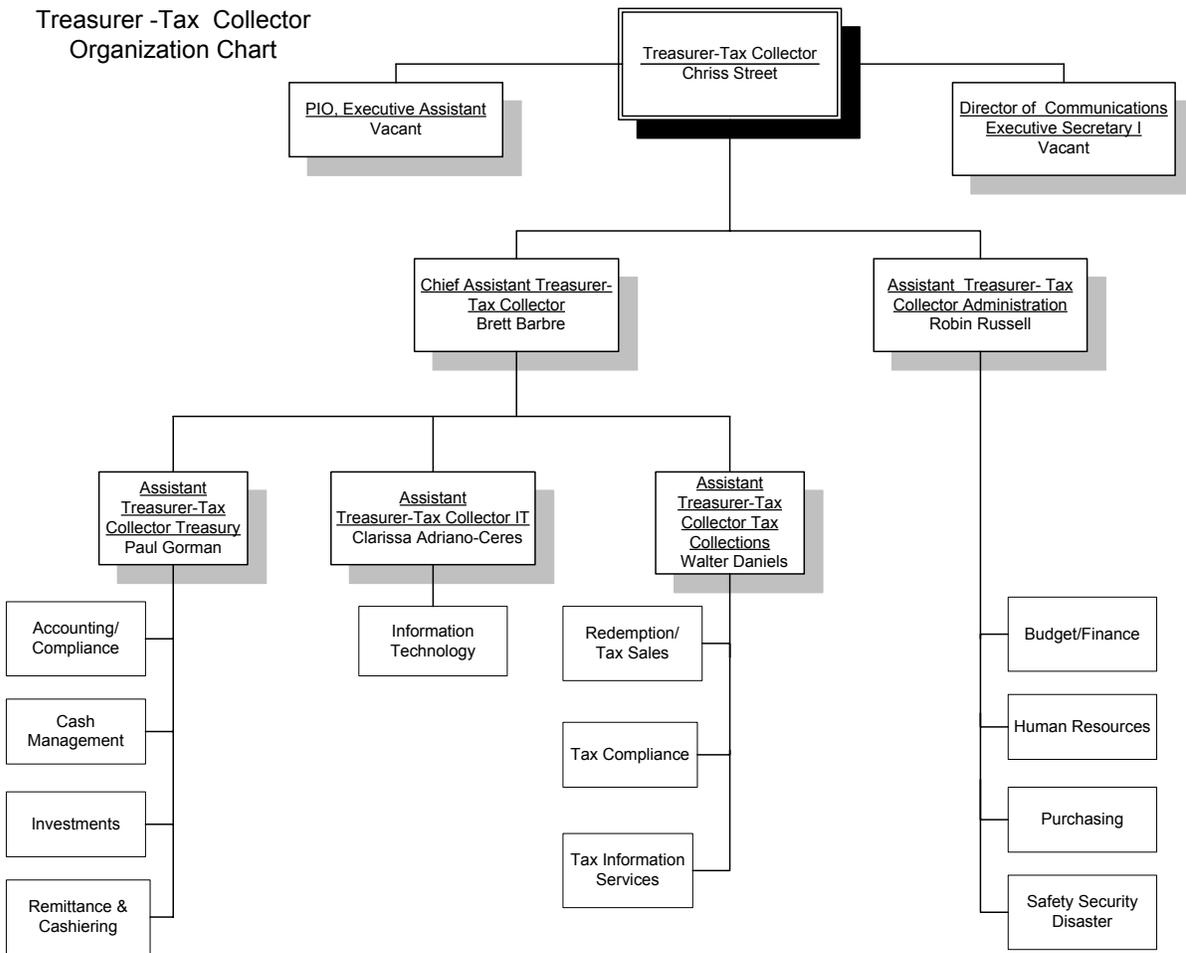
In the opinion of the TTC Investment Team, the "housing bubble" is winding down in an orderly fashion. The potential decline in housing values may act as a severe deterrent to personal spending. This may also result in a contraction in the manufacturing industry, specifically the auto industry. Thousands of workers will be displaced over time, further reducing household spending.

The TTC Investment Team is forecasting a slowing of the US economy that will be drawn out over a longer period of time than most analysts expect, and that interest rate cuts by the Federal Reserve will not take place until early 2008. Consequently, our forecast is for resilient growth, coupled with stubborn, but not excessively high inflation.

The TTC believes that income and access to credit leads to consumption. Currently, the US economy is awash in foreign deposits of US dollars. Thus, credit is not in short supply. Additionally, business is not in the habit of reducing staffing levels while simultaneously experiencing near record profits. An additional boost is coming from exports, as the economies of Europe, Asia and the Middle East continue to expand. The TTC expects this will continue to result in a pattern of higher consumption, which will drive the whole economy. Labor has begun to reap a portion of the current business profitability through arising wages and benefits. Skilled labor in the US is generally in short supply. Although the media portrays the manufacturing sector as being vulnerable, there are a few bright spots in the auto industry, after all of the "right sizing" of the 1980's and 1990's. Toyota, Honda, BMW, Mercedes and Nissan have all announced plans to increase production capacity in the US.

TTC will continue to position the portfolio for a flat yield curve and selectively extend duration by taking advantage of backups in intermediate term rates. Our objective is to maximize safety and liquidity, while seeking to achieve a very favorable investment return.

X. KEY MANAGEMENT TEAM



Chriss W. Street

Treasurer-Tax Collector

On June 6, 2006, Chriss Street was elected to be Orange County's third Treasurer-Tax Collector, and he became Treasurer-Tax Collector on December 5, 2006. Mr. Street played a highly pivotal role in identifying the investment strategies leading to the Orange County bankruptcy, and bringing those to the attention of John Moorlach. The rest is history. Prior to his election as Treasurer-Tax Collector, Mr. Street was a leading Registered Money Manager, CEO of several New York Stock Exchange listed corporations, and a corporate restructuring specialist. A native Californian, Chriss Street is a Registered Investment Advisor who received his Bachelors in Economics from the UC Irvine and is a graduate of the Stanford Business School. He is married with three children and lives in Newport Beach.

Brett Barbre

Chief Assistant Treasurer-Tax Collector

Brett Barbre was named Chief Assistant Treasurer-Tax Collector in December 2006. In this capacity, Mr. Barbre reports directly to Chriss Street, and is responsible for managing and overseeing implementation of the policies and directives for the Treasurer-Tax Collector Department units. His responsibilities include Tax Collection, Treasury and Information Technology. For the past 25 years, Brett has served in various public policy positions, including seven years on the staff of a Member of Congress. Before being named to this position, Brett served for more than six years as the Public Information Officer for John M. W. Moorlach. He is also an elected official in his own right, and currently serves as Director of the Municipal Water District of Orange County, where he represents the communities of Brea, Buena Park, La Habra, La Palma, Placentia and Yorba Linda. Brett holds a B. A. in Business and Economics from George Fox University in Newberg, Oregon.

Paul Gorman, C.P.A., CTP

Assistant Treasurer-Tax Collector – Treasury

Mr. Gorman joined the in 1996 Treasurer-Tax Collector and currently directs all Treasury operations. He has 27 years of progressive and diversified experience in financial reporting, accounting and auditing, including 16 years as a Certified Public Accountant in public practiced. His extensive background in includes managing a broad variety of accounting systems and projects, managing a large staff, systems planning and implementation, as well as financial reporting, accounting, budgeting, cash flow and conducting other complex financial analyses. Mr. Gorman graduated with a Bachelor of Science in Business Administration (Accounting) from California State University, Long Beach. He is a past president of the Vista Rotary Club and has served on the boards of various non-profit agencies. Mr. Gorman earned his certification as a Certified Treasury Professional in 2004.

Walter Daniels

Assistant Treasurer-Tax Collector - Tax Collection

Mr. Daniels has overseen the Remittance and Collections Division since 2004. He originally joined the County of Orange in October 1988, upon immigrating to the United States of America. He began his County career in the Recorder's Office, then in 1990, Mr. Daniels was promoted to the Redemption Division of the Tax Collector's office. He has worked in several positions within the Tax Collector's office, performing a wide variety of tasks. In March 1998 he took over as manager of a busy, dynamic staff in the Remittance and Cashiering Division. Prior to his entry to the USA, he served as executive officer for United Kingdom British Telecommunications.

Robin Russell

Assistant Treasurer-Tax Collector – Administration

Ms. Russell joined the County in March, 2006. Ms. Russell oversees human resources, budgeting, payroll, reconciliations, purchasing, safety, security and disaster preparedness. She has 30years of diversified management experience. Prior to joining the County, she worked for several public companies, then served as senior manager for RSM McGladrey-McGladrey Pullen. In this capacity she provided consulting services to hundreds of firms spanning dozens of industries. Ms. Russell has an MBA from Cal Poly University, Pomona and a Certificate in Human Resources (HR) Management from Cal State University, Long Beach. She has a lifetime certification as a Senior Professional in HR from the Human Resources Certification Institute. She is a published author many times over, writing for Panel Publications, AS Pratt & Sons and Shushunoff Publications.

Clarissa Adriano-Ceres

Assistant Treasurer-Tax Collector - Information Technology

Ms. Ceres has directed the Information Technology Division since 2004. She has worked in Information Technology for 18 years, with extensive expertise in application development and implementation services. Prior to joining the County, she spent 14 years in various progressively more complex technical roles, including Project Manager, Consultant and Technical Trainer for many multi-national companies in Asia. After coming to the United States in 1999, she joined the San Diego County Office of Education as a Senior Systems Analyst and published technical documentation for Acucorp, Inc. She joined the Orange County Treasurer-Tax Collector's Office in 2000 and was promoted a year later to the Senior Systems Analyst position. She has worked to establish a creditable web presence, improve the IVR system, and implement the Department's Treasury Management System, among other important endeavors, before being promoted as Information Technology Manager.

Paul Cocking

Chief Portfolio Manager

Mr. Cocking was promoted to the newly created position of Chief Portfolio Manager in 2006. He is responsible for managing the county's \$6+ billion portfolio. Mr. Cocking manages T-TC analysts, investors and a shifting roster of college interns Mr. Cocking joined the Treasurer's Office as an Investment Intern in 1996, and was promoted to the position of Assistant Investment Officer in May 2000. By year 2001 he was managing the entire portfolio. Before he joined the county, he worked in the Securities Division of Pacific Life, and served for six years in the United States Marine Corps. Mr. Cocking graduated with honors from Chapman University with a B. A. in Economics.

Kim Hansen, CTP

Cash Manager

Ms. Hansen originally joined the County of Orange in March 1980. She began working in the Tax Collector's Accounting Unit. In 1984, she was promoted to the Investment Technician in the Treasurer's office. Ms. Hansen left the county to go into business with her husband. For four years, she owned and operated a restaurant in Carlsbad. After returning to the Treasurer's office in March 1994, Ms. Hansen was promoted to Assistant Cash Manager in 1996 and later promoted to the Cash Manager position in 2000. Ms. Hansen earned her certification as a Certified Cash Manager (Certified Treasury Professional) in 1996.

Dan Puglia**Budget Manager**

Mr. Puglia joined the County of Orange in 1989 as an Accountant/Auditor I in the Auditor-Controller's Office. In 1998, he accepted a promotional opportunity with the Treasurer's Accounting/Compliance Division. He currently serves as the department's Budget Manager, and his duties include overseeing two budgets (\$15.3 million and \$200,000 respectively), as well as managing the Tax Collection Accounting Division. He graduated with a Bachelors of Arts in Business Administration (Accounting) from California State University, Fullerton in 1989, and has passed the Certified Public Accountant's Examination.

Rogelia Martinez**Deputy Tax Collection Manager**

Ms. Martinez joined the Clerical Unit of the Treasurer-Tax Collector's office in 1983. She was promoted to the Accounting Assistant II in the Redemption Division and was later promoted to Clerical Supervisor I. She was later promoted to Senior Office Supervisor responsible for the Redemption Division. In 1993 Tax Sales, Segregations, Parcel and Tract Map and Pre -Power to Sale responsibilities were added under her command and her position was upgraded to Senior Accounting Supervisor. Currently she is managing the Collections Unit. Her staff responsible for collecting tax payments for all tax rolls (Unsecured, Secured, Supplemental and Prior Year) and providing excellent customer service. In 2004, she was promoted to Deputy Tax Collection Manager.

Kamal Singh**Remittance and Cashiering Manager**

Ms. Kamal Singh began her career with the County in 1987 with the Assessor's office. She performed a variety of tasks while she worked in the Business, Change of Ownership and Institutional Exemption Division of the Assessor's office. With this knowledge, she accepted a promotion with the Auditor Controller's office in the Property Tax Division as an Accounting Assistant II. She soon progressed to Senior Accounting Assistant and subsequently promoted to Accounting Technician in the Treasurer-Tax Collector's in 1998. She has been a supervisor since 1999 and in 2004 was promoted to Remittance and Cashiering Manager.

APPENDIX A: 2006-07 GOALS AND PERFORMANCE

Manage and preserve the investment of all service recipient funds.

Strategic Plan 1.1 Anticipated: Continue to promote the Investment Unit's College Intern Program. Meet with college department chairs and professors, seek speaking engagements with academic clubs and guest teach classes on finance and economics.

Accomplished: Conducted speaking engagements at local colleges and universities. Held an open house for exceptional area high school students.

Strategic Plan 1.2 Anticipated: Design and implement a unique portfolio strategy that accommodates funds with long-term liabilities. (Carryover from 2005.)

Accomplished: Our first specific long-term investment portfolio for the Children and Families Commission of Orange County was implemented in 2006.

Strategic Plan 1.3 Anticipated: Work with Bloomberg on beta testing ongoing compliance enhancements to the Treasury Order Management System (TOMS). (Carryover from 2005.)

Accomplished: Our work with Bloomberg resulted in enhancements to TOMS providing us better tools to track pre-trade compliance of investments.

Strategic Plan 1.4 Accomplished: Design and implement an electronic procedure for returned checks creating a straight-through process for posting these items to the Auditor-Controller General Ledger and notifying the affected county agencies.

Completing this project resulted in significant efficiencies to all county agencies that receive returned checks. The timeline for being notified of returned checks was reduced by at least 4-5 business days. In addition, the Auditor-Controller and Treasurer-Tax Collector realized considerable labor savings with the automation of what was a very manual process.

Strategic Plan 1.5 Anticipated: In coordination with the Auditor-Controller, explore implementation of a pay card program for employees not utilizing direct deposit for payroll.

This project has been deferred. The County currently issues approximately 980 checks per pay period – approximately 5% of all payroll payments. Based on discussions with the Auditor-Controller, implementation of a pay card program would require acceptance from the County's unions. Additionally, the number of physical checks issued declined substantially following the large number of retirements, and continues to do so. The Treasurer-Tax Collector and Auditor-Controller

will continue to analyze the situation this year and make a final determination whether or not to proceed.

Strategic Plan 1.6 Anticipated: Augment the number of voluntary participants in the Treasurer's Investment Pool in order to reduce the administrative cost to all account holders. (Carryover from 2005.)

Accomplished: In 2006, the Treasurer successfully added Vector Control as a voluntary participant. Susan Czech joined the Treasurer Department to fill the new position of Director of External Affairs. Her primary responsibilities will be to work as a liaison between both the involuntary and voluntary participants and the Treasurer's office. This program will continue in 2007.

Strategic Plan 1.7 Anticipated: Create a new electronic process for receiving, posting and distributing returned checks for all county agencies.

The Treasurer-Tax Collector and Auditor-Controller are working together, and anticipate the completion of this task by March, 2007.

Strategic Plan 1.8 Anticipated: Implement new bank software to convert checks to images or electronic payments to comply with the Check 21 legislation.

The Auditor-Controller's Collections Division has agreed to be a test site for this project. The test period will be concluded in February, 2007 at which time additional sites will be added. We expect completion by June, 2007. Rapidly evolving electronic payment systems and banking regulations will result in ongoing development in this area.

Strategic Plan 1.9 Develop and implement an outreach program to explain and answer questions about the information in the Treasurer's Investment Policy Statement, the monthly Treasurer's Management Report, and provide insight into Treasury operations. The target audience would be the Board of Supervisors and their aides, the County Executive Office, and any other county or special district financial managers.

We anticipate the planning and implementation of this project to be delayed until the last quarter of FY 2006-07.

Strategic Plan 1.10 Research the feasibility of rescinding the Federal Aviation Administration's (FAA) mandate for a separate investment pool for John Wayne Airport. (Carryover from 2004.)

The outcome of this project is dependent on the type of financing approved by the Board of Supervisors to fund planned improvements to John Wayne Airport (JWA). Preliminary plans envision the creation of a long-term investment portfolio for JWA. We expect to have clear direction about JWA's needs and, subject to Board approval, thereafter, implement this portfolio.

Collect all property taxes in accordance with applicable Laws.

Strategic Plan 2.1 Accomplished: Develop an efficient and advanced refund release method by evaluating, fine-tuning, and utilizing a document analyzer system in partnership with the vendor.

Enhancements to the refund module of the Assessment Tax System were completed in 2005. The enhancements further automated the processing of refund transactions, resulting in faster processing of straight refunds.

Strategic Plan 2.2 Completed Phase 2 of the ATS Project Plan submitted to the Board of Supervisors. The four phases of the ATS Rewrite Project are as follows:

Phase 1: DB2 conversion was completed in 2004.

Phase 2: Installed and implemented the Rational Application Life Cycle Tool. The Rational tool consists of several modules that correspond to each stage of software development. The modules implemented include Requirements Management, Change Management, Issue/Defect Tracking and Test Management. A pilot project – the Fund Accounting System (FAS) - - was also chosen to be the vehicle to apply the tool in the real world. The first two use cases of the FAS Pilot Project are ready for deployment.

Phase 3 of the ATS Rewrite - - the Needs Assessment and Development of the System Requirements Specification - - is under way and is expected to be completed before June, 2007.

Phase 4: System Development. Continuing to assess and analyze. Continuing to explore. (Carryover from 2006.)

Strategic Plan 2.3 Analyze the possibility, and effort required to upgrade the Cashiering System for seamless integration with the Remittance Processing System. (Carryover from 2006.)

Cashiering process will be covered in Needs Assessment – Phase 3 of the Assessment Tax System (ATS) Rewrite. At the end of this phase there will be a recommendation for a new cashiering system. Estimated completion date for Needs Assessment is January, 2007.

Strategic Plan 2.4 Improve the process of user-initiated activities in the Assessment Tax System (ATS) to strengthen internal controls and generate new statistics. (Carryover from 2006.)

Improvement process for internal controls is in progress and will be an ongoing effort throughout the year, parallel with the ATS Needs Assessment.

Strategic Plan 2.5 Continue to explore the addition of workflow image software for processing incoming mail and distribution. (Carryover from 2006.)

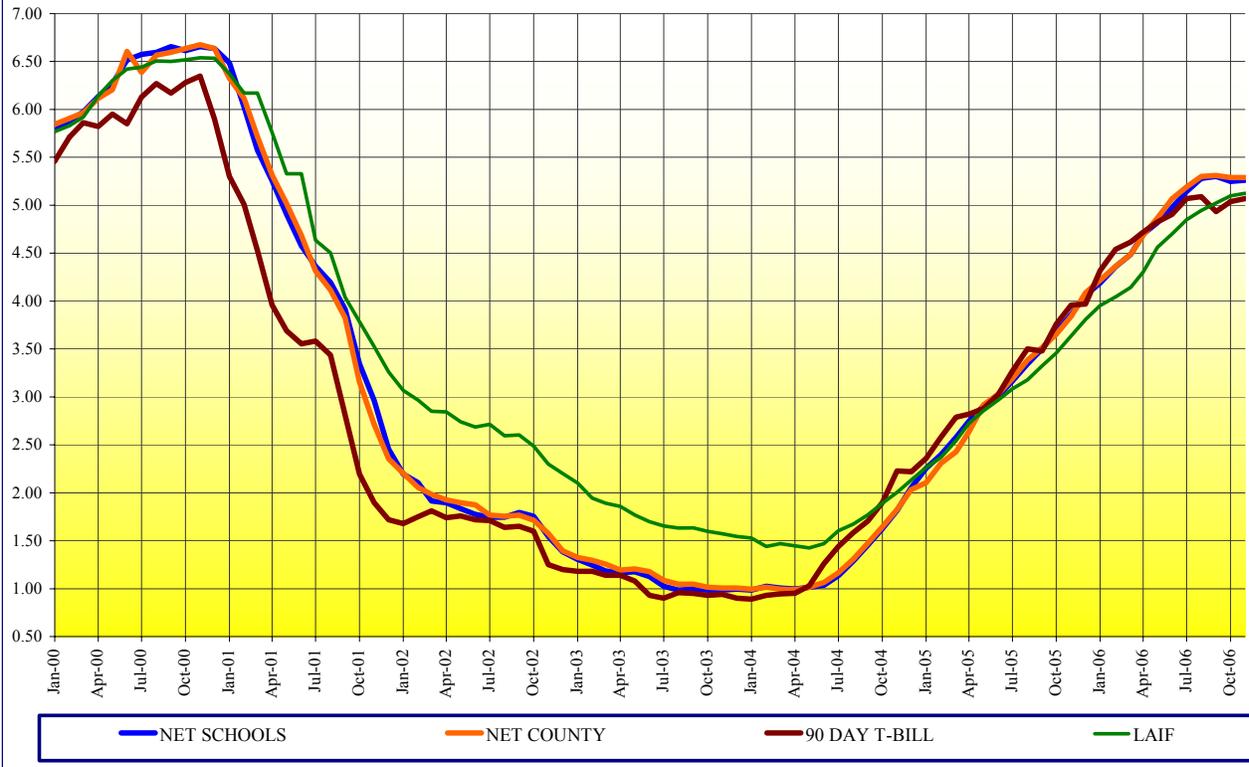
Work on this strategy is being addressed in new ATS Rewrite (re-engineering).

APPENDIX B: OUTCOME GRAPHS FOR FY 2006-07

OUTCOME INDICATOR	FY 2005-06 RESULTS	FY 2006-07 PLAN	FY 2006-07 ANTICIPATED RESULTS	FY 2007-08 PLAN	HOW ARE WE DOING?
<p>NET INVESTMENT RETURN</p> <p>What: Within parameters of the investment policy, obtain a portfolio yield that meets or exceeds the 90-day US T-Bill and money market benchmarks.</p> <p>Why: To continue to provide safe, efficient and effective investment returns for our clients.</p>	<p>Fed Funds increased from 3.25% to 5.25%. Year to date the OCIP money market portfolios have consistently outperformed the money market benchmark and have provided a comparable return to the 90-day T-Bill.</p>	<p>Position the portfolios to take advantage of a drop in short term rates, while guarding against the possibility of faster economic growth.</p>	<p>Returns in the money market portfolios may decrease as short term rates drop and the yield curve returns to a positive slope. The longer portfolios will benefit from a stable interest rate environment.</p>	<p>Inflation expectations will begin to rise and the yield curve will remain positively sloped.</p>	<p>On target.</p>
<p>ADMINISTRATION FEE CHARGED TO POOL PARTICIPANTS</p> <p>What: To charge the lowest administration fee cost.</p> <p>Why: To provide a modest investment return to pool participants with minimum administrative costs.</p>	<p>Administration fee stayed at 11.25 basis points (i.e. 0.1125%).</p>	<p>Administration fee reduced to 10.00 basis points, July 1, 2006(i.e 0.10%)</p>	<p>Administration fee to remain at 10.00 basis points (i.e. 0.10%)</p>	<p>Administration fee to remain at 10.00 basis points (i.e. 0.10%)</p>	<p>On target.</p>
<p>RATING OF INVESTMENT POOL</p> <p>What: Maintain highest rating.</p> <p>Why: To assure safest money market practices are being followed.</p>	<p>The County and the Educational Investment Pools retained their credit ratings. Moody's: Aaa MR1 & Fitch: AAA/v1+</p>	<p>Preserve the investment pools credit ratings. Moody's: Aaa MR1 & Fitch: AAA/v1+</p>	<p>Invest conservatively to maintain the investment pools credit ratings of: Moody's: Aaa MR1 & Fitch: AAA/v1+</p>	<p>Maintain the investment pools' "triple A" credit ratings.</p>	<p>On target.</p>
<p>STATE PROPERTY TAX COLLECTION RATES FOR SECURED AND UNSECURED PROPERTY</p> <p>What: Exceed State property tax collection rates for secured & unsecured property by minimizing unpaid taxes.</p> <p>Why: To maximize collections in property taxes for service recipients and County General Fund.</p>	<p>County of Orange collection percentage ratings for Secured and Unsecured taxes exceeded state median. Of the 58 counties in the State of California, the County of Orange Secured tax collection is 98.5 with ranking of 5th in the state. The County of Orange Unsecured tax collection is 97.4% with a ranking of 16th.</p>	<p>To continue to exceed the state median.</p>	<p>To continue to exceed the state median.</p>	<p>To maintain high collection rankings and percentages.</p>	<p>On target.</p>
<p>ELECTRONIC PAYMENTS</p> <p>What: Increase the number and amount of electronic tax payments received as a percentage of the total number and amount of taxes collected.</p> <p>Why: The capability to pay online and by IVR is available 24/7 to taxpayers. Both the County and the taxpayer reap the benefits of efficiency, time savings and cost-effectiveness through this payment method.</p>	<p>Increased dollars collected electronically from 20% to 33% and the number of transactions paid electronically increased from 7% to 11%.</p>	<p>To increase electronic payments of taxpayers with tax liabilities equal to or greater than \$25,000.</p>	<p>To continue to increase the dollar amount and number of electronic payments.</p>	<p>To continue to increase the dollar amount and number of electronic payments.</p>	<p>On target.</p>

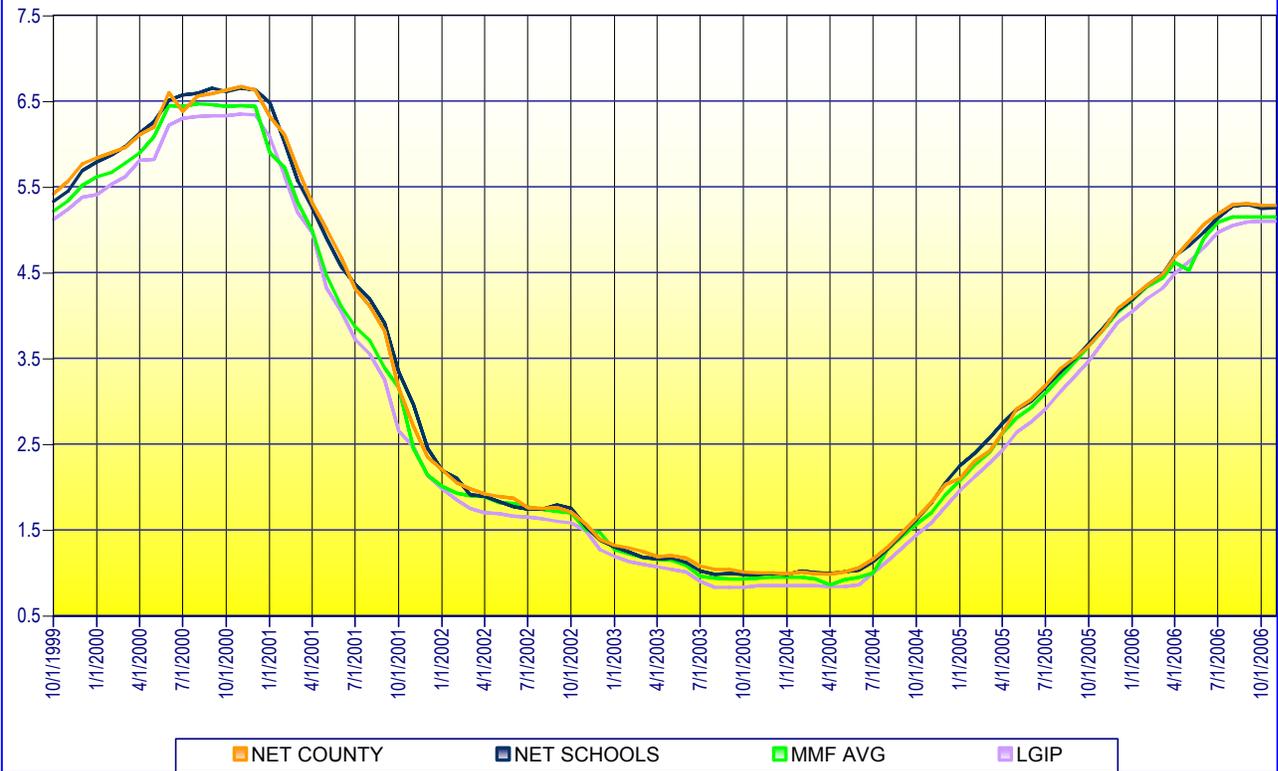
ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (YIELD)

For The Period January 2000 to November 2006

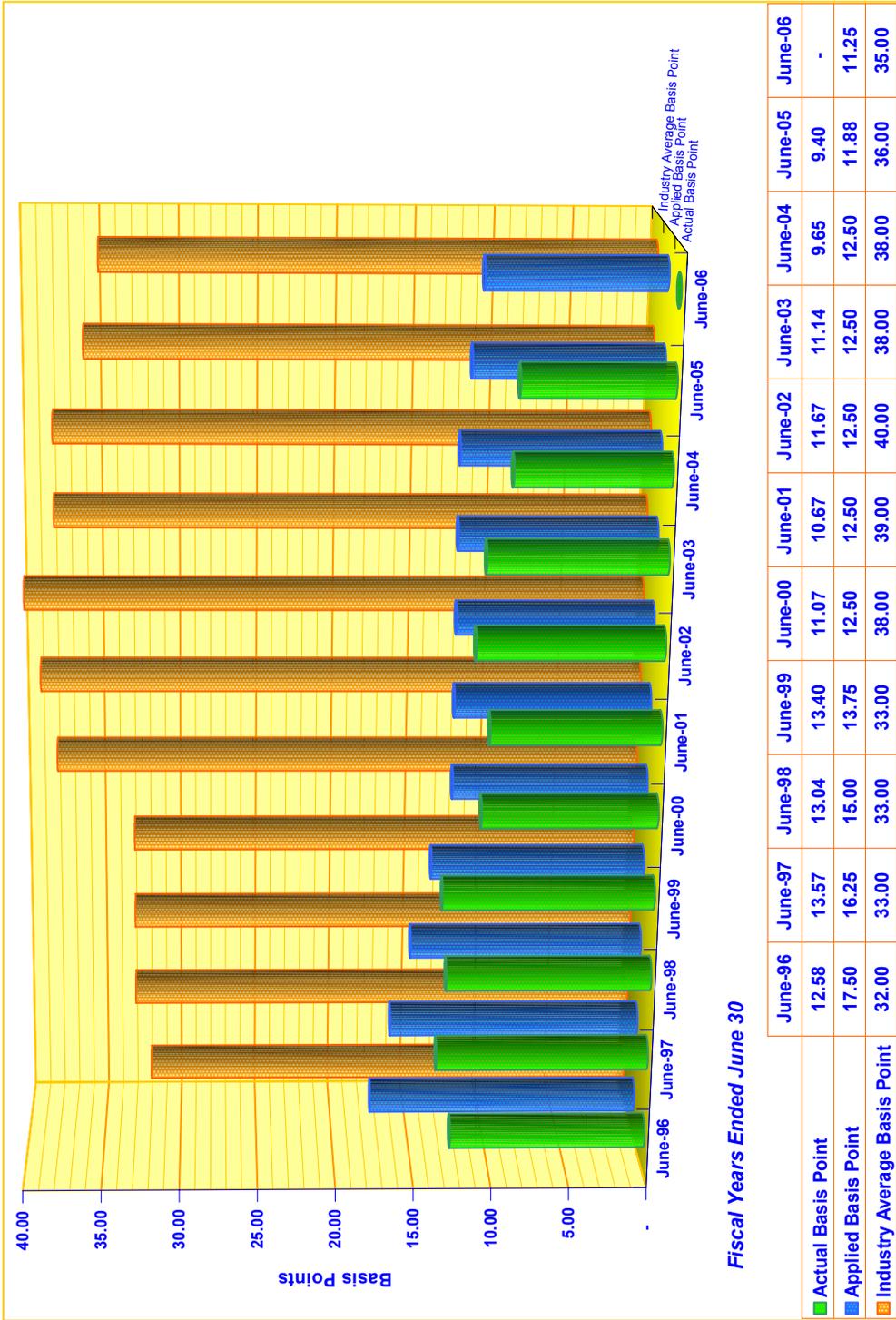


ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (NET)

For The Period October, 1999 to November 2006



**Orange County Treasurer
Administrative Fee - Basis Point Trend**



Orange County Educational Investment Pool

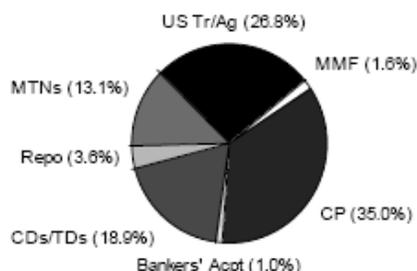
Ratings and Contacts

Category	Moody's Rating	Analyst	Phone
Local Government Investment Pool	Aaa/MR1	Douglas A. Rivkin/New York Henry Shilling/New York Roger Stein/New York	1.212.553.1653

Investment Objective

The Treasurer seeks to safeguard invested principal, to maintain sufficient portfolio liquidity and to achieve a reasonable rate of return or yield consistent with these objectives.

Asset Composition



Fund Profile

Orange County Educational Investment Pool

Years Ended:	Nov-05	2004	2003	[1]2002
Total Net Assets (\$ Mil.)	2,341.5	2,116.00	2,489.3	2,045.7
WAM Range (min. & max in days)	95-126	89-135	48-121	47-54
WAM Average (in days)	107	119	107	51
Current Yield	3.86%	2.38%	1.12%	1.46%

[1] Rating assigned on 8/6/02

Fund Facts

Advisor: Orange County Treasurer
 Organized In: California, United States
 Custodian: Bank of New York (The)
 Fund Phone: 714 834-3411
 Web Address: www.oc.ca.gov/treas/monthrep.htm

Rating Assigned: 6 August 2002
 Shareholder Base: Governmental Entities

Opinion

The Aaa credit rating and MR1 market risk rating of the Orange County Educational Investment Pool, a local government investment pool managed by the Orange County Treasurer's Office, reflects the strong overall credit quality of the pool's investments, its highly liquid portfolio structure relative to its cash flow requirements, and its conservative investment guidelines and practices of the treasurer, who is responsible for safeguarding the invested principal. The rating also reflects the pool's effective operating controls and compliance procedures with respect to trade execution, documentation, and portfolio review.

The Pool represents monies entrusted to the Orange County Treasurer by educational institutions in the County of Orange. The pool is run according to the conservative investment policies and practices adopted by the treasurer to conform with the California Government Code, as well as the county's own more restrictive guidelines.

Permissible investments include securities issued by the U.S. government, its agencies or instrumentalities; commercial paper; bankers acceptances and certificates of deposit; corporate medium term notes; repurchase agreements with high quality counterparties; and Moody's rated money market funds.

The Pool is managed as a money market portfolio that is limited to an average weighted maturity of 90 days and an investment in the Orange County Investment Pool extended portfolio, whose average maturity is limited to 549 days. Mandatory participants, including the Orange County school districts represent 100% of the money deposited in the Pool. This captive investor base results in low investor sensitivity to yield and a more predictable cash flow profile. Consequently, risk due to unexpected or volatile cash flow is minimal. These characteristics distinguish this Pool from money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 or bond mutual funds.

Orange County Investment Pool

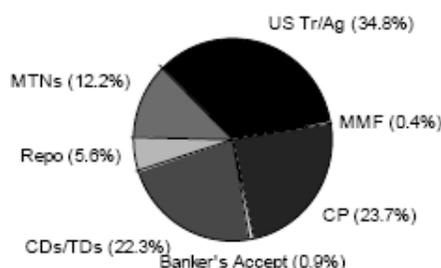
Ratings and Contacts

Category	Moody's Rating	Analyst	Phone
Local Government Investment Pool	Aaa/MR1	Douglas A. Rivkin/New York Henry Shilling/New York Roger Stein/New York	1.212.553.1653

Investment Objective

The Treasurer seeks to safeguard invested principal, to maintain sufficient portfolio liquidity and to achieve a reasonable rate of return or yield consistent with these objectives.

Asset Composition



Fund Profile

Orange County Investment Pool

Years Ended:	Nov-05	2004	2003	[1]2002
Total Net Assets (\$ Mil.)	2,834.3	3,279.60	2,997.6	2,670.9
WAM Range (min. & max in days)	122-155	125-152	123-198	194-207
WAM Average (in days)	128	137	131	196
Current Yield	3.75%	2.36%	1.22%	1.90%

[1] Rating assigned on 8/6/02

Fund Facts

Advisor: Orange County Treasurer
Organized In: California, United States
Custodian: Bank of New York (The)
Fund Phone: 714 834-3411
Web Address: www.oc.ca.gov/treas/monthrep.htm

Rating Assigned: 6 August 2002
Shareholder Base: Governmental Entities

Opinion

The Aaa credit rating and MR1 market risk rating assigned to the Orange County Investment Pool, a local government investment pool managed by the Orange County Treasurer's Office, reflect the strong overall credit quality of the pool's investments, the highly liquid portfolio structure relative to its cash flow requirements, and its conservative investment guidelines and practices. The ratings also reflect the pool's effective operating controls and compliance procedures with respect to trade execution, documentation, and portfolio review.

The Pool represents monies entrusted to the Orange County Treasurer by governmental entities within the county. The pool is run according to the conservative investment policies and practices adopted by the Treasurer to conform with the California Government Code, as well as the County's own more restrictive guidelines.

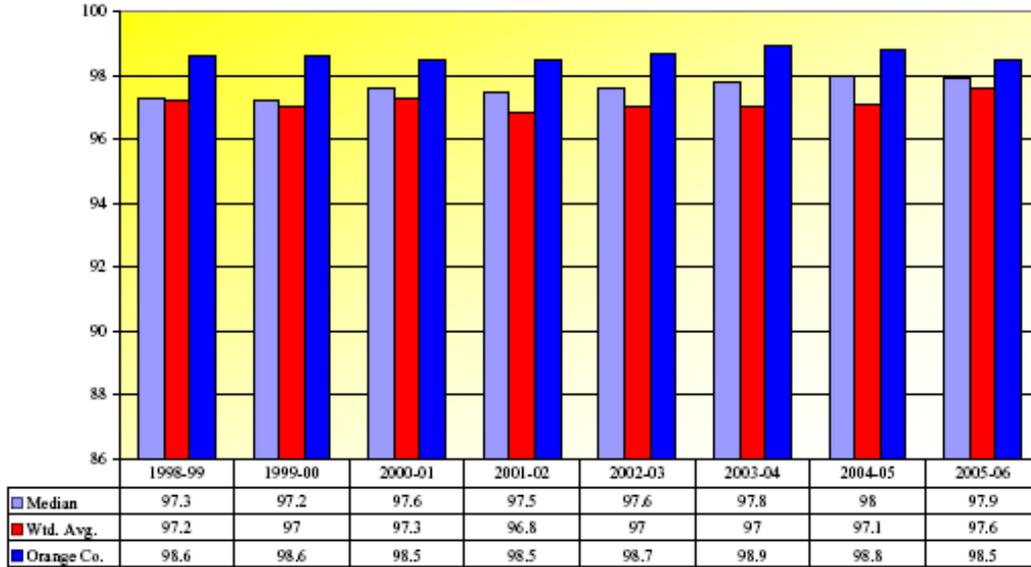
The portfolio holdings of the Pool are well diversified and very conservative. Permissible investments include securities

issued by the U.S. government, its agencies or instrumentalities; commercial paper; bankers acceptances and certificates of deposit; corporate medium term notes; repurchase agreements with high quality counterparties; and Moody's rated money market funds.

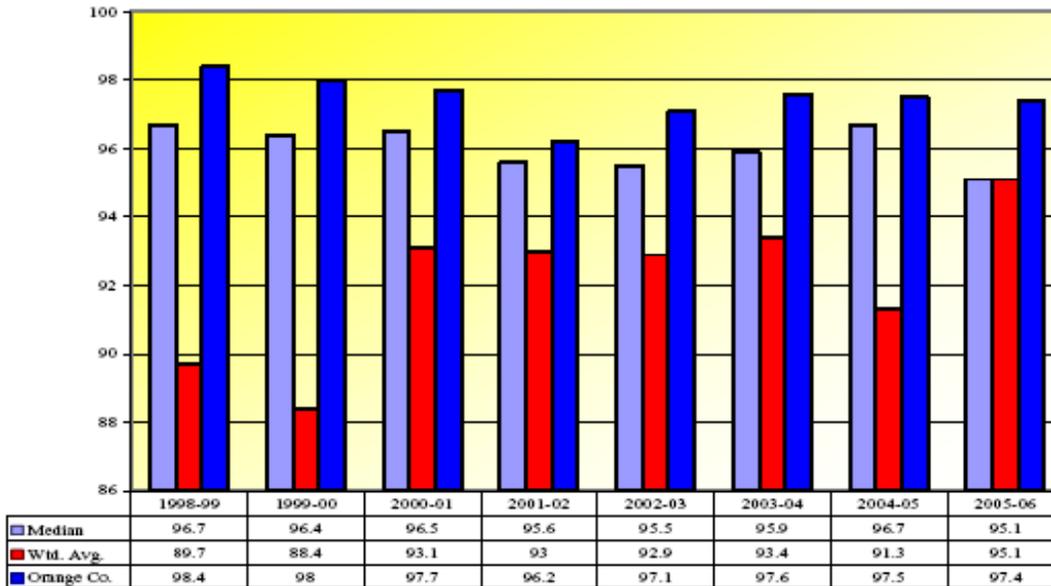
The Pool is composed of a money market portfolio whose average maturity is limited to 90 days and an extended portfolio whose average maturity is limited to 549 days.

The Pool has a captive participant base as the various local government entities are required by California state law to deposit their funds with the County Treasurer. Mandatory participants represent 99.58% of the money deposited in the Pool. This captive investor base results in low investor sensitivity to yield and a more predictable cash flow profile for the Pool. Consequently, risk due to unexpected or volatile cash flows is expected to be minimal.

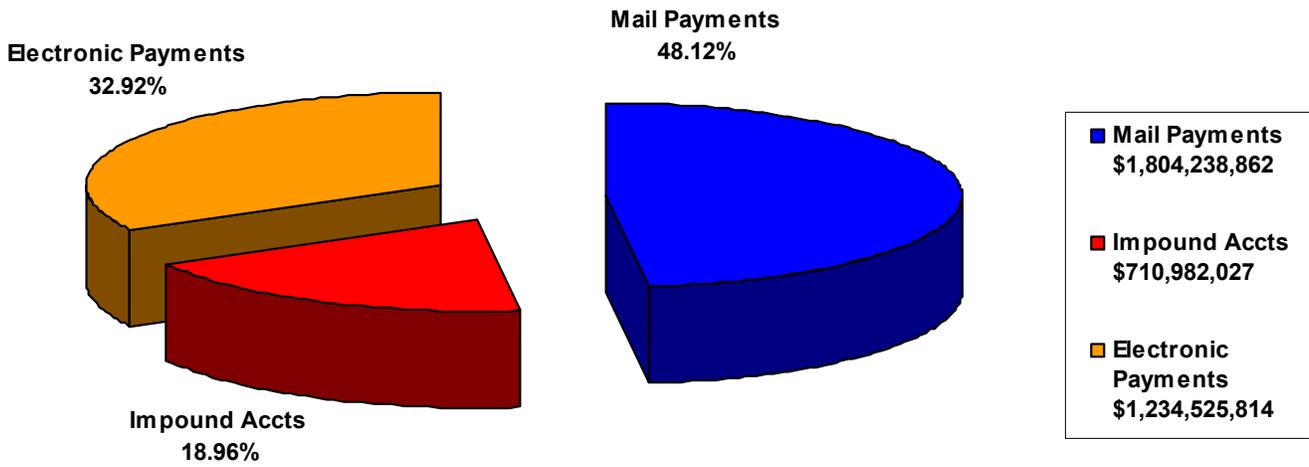
STATEWIDE PERCENTAGE OF PAID PROPERTY TAX SECURED



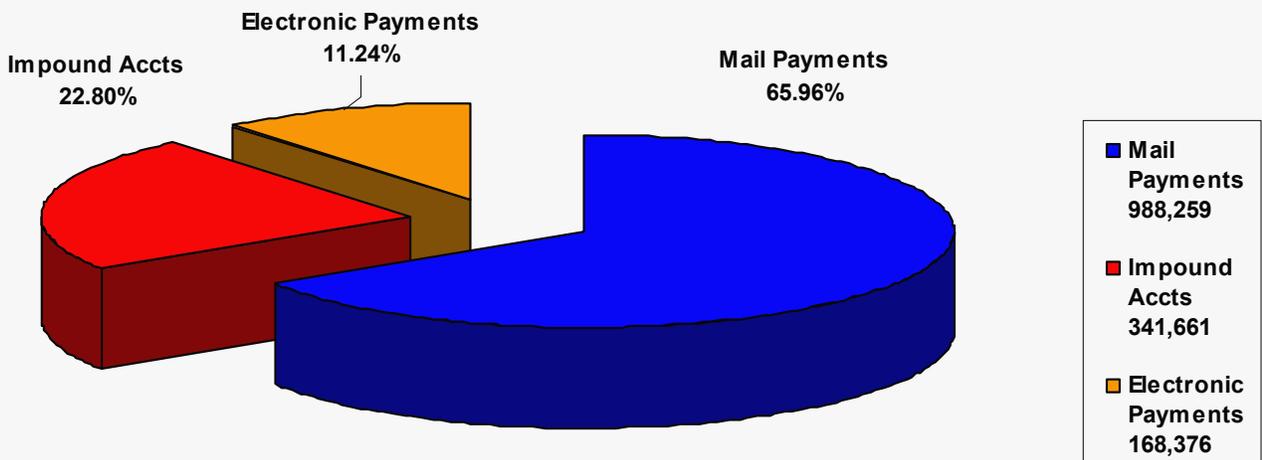
STATEWIDE PERCENTAGE OF PAID PROPERTY TAX UNSECURED



DISTRIBUTION OF PROPERTY TAX DOLLARS COLLECTED
For the Period July 2005 to June 2006



DISTRIBUTION OF PROPERTY TAX PAYMENT TRANSACTIONS
For the Period July 2005 to June 2006



APPENDIX C: BUSINESS PLAN TEAM

Chriss Street, Treasurer-Tax Collector
Brett Barbre, Chief Assistant Treasurer-Tax Collector
Paul Gorman, Assistant Treasurer-Tax Collector - Treasury
Walter Daniels, Assistant Treasurer-Tax Collector - Tax Collection
Robin Russell, Assistant Treasurer-Tax Collector - Administration
Clarissa Adriano-Ceres, Assistant Treasurer-Tax Collector - Information Technology
Paul Cocking, Chief Portfolio Manager
Kim Hansen, Cash Manager
Dan Puglia, Budget Manager
Rogelia Martinez, Deputy Tax Collection Manager
Kamal Singh, Remittance and Cashiering Manager