

San Diego County Investment Pool

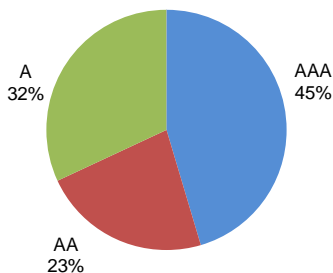
Full Rating Report

Pool Characteristics

Fitch Rating	AAA/S1
Inception Date	Circa 1853
Investment Advisor	San Diego County Treasurer's Office
Assets (\$)	As of Feb. 2, the pool has approximately \$8.8 billion in invested securities

San Diego Pooled Money Fund Credit Quality Distribution

(As of Feb. 2, 2017)



Source: San Diego Pooled Money Fund.

Key Rating Drivers

High Quality Credit Portfolio: The San Diego County Investment Pool (the pool) invests in highly rated securities such as U.S. Treasury, government agency securities, CP, and certificates of deposit (CD). The investment policy details minimum credit ratings by security type. Permissible securities include securities rated at least 'A/F1' by Fitch Ratings or equivalent and medium-term notes, FDIC insured deposit accounts, supranational securities, and government money market funds.

Stable Investor Base: The pool is comprised of monies deposited by mostly mandatory participants, with a small segment of voluntary participants. Participants include county funds, school districts, community colleges, and other public agencies within the county.

Liquidity Management a Key Objective: The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. Cash flow projections are an integral part of the overall cash management responsibilities of the pool administrator. Cash flows have historically been highly predictable.

Low Sensitivity to Market Risk: The pool employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. By its investment policy, the maximum effective duration is 1.5 years. Market risk is mitigated by the duration of the pool as well as the predictable nature of the cash outflows of the largely mandatory participant base.

Oversight Decreases Operational Risk: Portfolio oversight and operational controls are consistent with the assigned ratings. The pool is organized and invested in accordance with the state of California government code section 53600 and section 53635 and is not registered under federal law. A treasury oversight committee reviews the pool on a regular basis. The pool is also subject to external compliance monitoring and annual audits from external auditors.

Industry Standard Administration and Systems: The San Diego County treasurer's office uses appropriate systems for investment, administration, portfolio management, and trading. Processes provide decision making tools for risk analysis and investment-allocation tools.

Analysts

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Rating Rationale

The San Diego County Investment Pool is rated ‘AAAf/S1’ by Fitch. The ‘AAAf’ Fund Credit Quality Rating reflects the investment portfolio’s vulnerability to losses as a result of defaults in its bond holdings and is based on the actual and expected average credit quality of the portfolio’s investments. The ‘S1’ Fund Market Risk Sensitivity Rating reflects the relative sensitivity of a portfolio’s net asset value to assumed changes in credit spreads and interest rates.

Fitch’s evaluation of the pool also considers the management and operational capabilities of the San Diego County treasurer’s office and the legal and regulatory framework under which the pool operates.

Organizational Overview

The pool is managed by the San Diego County Treasurer on behalf of the pool participants. Participants include county funds, school districts, community colleges, and other public agencies within the county.

The pool’s investment policies are reviewed annually by the County Treasury Oversight Committee. The oversight committee is comprised of county officials, school district officials, a special district official, and public members. The pool is also subject to an annual external financial audit performed by an independent certified public accounting firm. An independent third party investment advisor provides reporting and compliance monitoring for the pool.

Pool’s Objectives and Investment Practices

The pool’s primary investment objective is preservation of capital. The secondary objective is to maintain sufficient liquidity to enable participants to meet their operating requirements. The tertiary objective of the pool is to obtain a rate of return consistent with the first two objectives.

Asset Credit Quality

By its investment policy, the pool sets forth minimum credit ratings for different security types. The pool also restricts concentrations in any one issuer (other than the U.S. government and its agencies) to minimize single-issuer exposure. In the event of a downgrade below the minimum credit ratings, the security is evaluated on a case-by-case basis to determine whether to hold or dispose of the security.

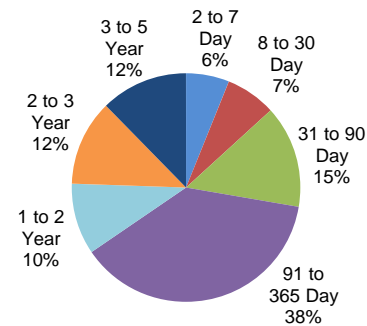
Liquidity Management

The pool maintains an allocation to overnight securities and government money funds to meet anticipated and unexpected withdrawal requests. In addition, the pool maintains a significant position in U.S. government agency securities, which are expected to demonstrate secondary market liquidity even during periods of market stress.

The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool’s participants. Per the pool’s investment policy, the pool invests a minimum of 50% in securities that mature within one year or less, furthermore, at least 25% of the pool must mature within 90 days.

San Diego Pooled Money Fund Asset Maturity Distribution

(As of Feb. 2, 2017)



Source: San Diego Pooled Money Fund.

Related Criteria

[Global Bond Fund Rating Criteria \(August 2016\)](#)

Operational Assessment

✓ Pass

● Attention Required

X Fail

Service Providers

Investment Manager	✓	San Diego County Treasurer's Office
Auditors	✓	In accordance with the California government code, an investment oversight committee performs an annual audit. The pool is also subject to an annual external financial audit performed by an independent certified public accounting firm.

Investments

Composition	✓	The pool invests in government securities, direct agencies, corporate certificates of deposit and commercial paper. Other permissible securities include securities rated at least 'A/F1' by Fitch or equivalent and medium-term notes, FDIC insured deposit accounts, supranational securities and government money market funds.
Liquidity Management	✓	Per the pool's investment policy, the pool is required to invest 50% of the pool in instruments with remaining maturities of one year or less. Furthermore, at least 25% of the investments must mature within 90 days. The maximum effective duration of the pool is limited to 1.5 years or less.

Regulation and Governance

Governance	✓	The County Treasury Oversight Committee is established pursuant to Sections 27130-27137 of the California Government Code. The investment policy is reviewed and monitored by the County Treasury Oversight Committee and then reviewed and approved at a public hearing by the Board of Supervisors.
Control Framework	✓	Compliance controls are in place to ensure adherence with investment guidelines.

Disclosure and Transparency

Level of Disclosure	✓	Good level of transparency: the county's website contains financial reports, investment policy and information on other policies pertinent to pool management.
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Operations

Pricing Responsibility	✓	The pools' custodian bank provides daily and ad-hoc custodian reports. The treasurer's office uses Bloomberg for pre-trade checks.
Technology	✓	Appropriate and integrated portfolio management system.

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