

# Marin County Investment Pool

## Full Rating Report

### Pool Characteristics

Fitch Rating	AAA/S1
Inception Date	Circa 1950
Investment Advisor	Marin County Director of Finance
Assets (\$)	1,080,000

### Key Rating Drivers

**High Quality Credit Portfolio:** The Marin County Investment Pool (the pool) invests primarily in U.S. government obligations and registered money market funds rated 'AAAmf' by Fitch Ratings or equivalent. The pool also currently invests a small amount in the Local Agency Investment Fund (LAIF), a local government investment pool (LGIP) managed by California's Pooled Money Investment Board.

**Liquidity Management Supports Predictable Flows:** The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. By its investment policy, the pool seeks to maintain adequate cash on hand to meet cash disbursements and payroll through maturing investments. Cash flow projections are an integral part of the overall cash management responsibilities of the pool administrator.

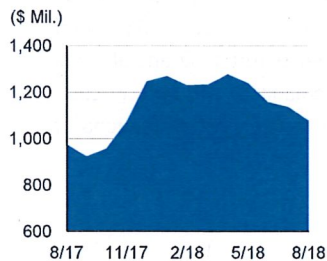
**Low Sensitivity to Market Risk:** The pool employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. The pool has historically benefited from the highly predictable cash outflow needs of the pool's participants, the majority of which are captive in nature. Market risk is mitigated by the duration of the pool, which typically is two years or less, as well as the predictable nature of the cash outflows of the largely captive participant base.

**Stable Investor Base:** The pool is managed on behalf of the pool participants, which are largely captive in nature and include Marin County (the county), school districts, trial courts, recreation and park districts, libraries, landfills and other special districts.

**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 53639 and is not registered under federal law. A treasury oversight committee reviews the pool on a regular basis. The pool is also subject to quarterly and annual audits from external auditors.

**Industry Standard Administration and Systems:** The Marin 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.

### Assets Under Management



Source: Fitch Ratings Surveillance Data, Marin County.

### Analysts

Brian Jarmakowicz  
+1 646 582-4586  
[brian.jarmakowicz@fitchratings.com](mailto:brian.jarmakowicz@fitchratings.com)

Domenic Bussanich  
+1 646 582-4874  
[domenic.bussanich@fitchratings.com](mailto:domenic.bussanich@fitchratings.com)

## Rating Rationale

The Marin 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 prospective average credit quality of the portfolio's investments. The 'S1' Fund Market Risk Sensitivity Rating reflects the relative sensitivity of a portfolio's total return and/or net asset value to assumed changes in credit spreads and interest rates, as well as certain other market risk parameters, and reflects the effects of leverage, where applicable.

Fitch's evaluation of the pool also considers the management and operational capabilities of the Marin County Treasurer's Office and the legal and regulatory framework under which the pool operates.

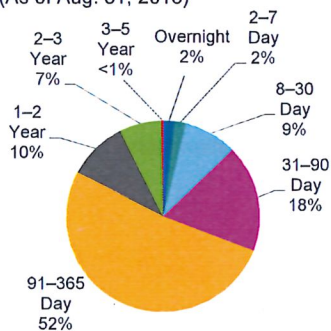
## Organizational Overview

The county is located in Northern California. The pool is managed by the Marin County Director of Finance on behalf of the pool participants. Participants are defined as: Marin County; Marin public school agencies; Marin Community College; the Marin County Office of Education; districts under the control of the county board of supervisors and autonomous/independent districts, whose Treasurer is the Marin County Director of Finance and any other districts or agencies approved by the Board of Supervisors and the County Treasurer, using Marin County as their fiscal agent.

The pool's investment policies are reviewed periodically by the treasury oversight committee, consisting of representatives from Marin County, the superintendent of schools' office and school and special districts. The pool is also subject to an annual external financial audit performed by an independent certified public accounting firm in addition to a quarterly cash count verifying cash and investment balances. There are daily and monthly reconciliations of records with the custodian.

## Maturity Distribution

(As of Aug. 31, 2018)



Source: Marin County Investment 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.

The pool seeks to pursue its investment objectives by investing in a diversified portfolio of high-quality debt securities rated at least 'A/F1' by Fitch or equivalent. Permitted investments include U.S. Treasury and government agency securities and State of California bonds, as well as registered warrants, bankers' acceptances, commercial paper, negotiable certificates of deposit, time deposits, medium-term notes, shares of money market funds, repurchase agreements and the LAIF. Under the pool's investment policies, the use of reverse repurchase agreements or securities lending programs is not permitted. Additionally, in accordance with Marin County's Nuclear Free Zone Ordinance No. 3502 Measure A, the county is prohibited from investing in securities or other obligations of any corporation or business entity that is a nuclear weapons contractor.

## Related Criteria

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

## Asset Credit Quality

According to the pool's investment policy, eligible money market instruments must be rated at least 'A/F1' by Fitch or equivalent, except for LAIF, which is not rated.



The pool restricts concentrations in any one issuer (other than the U.S. government and its agencies) to a maximum of 5% of total assets to minimize single-issuer exposure. Repurchase agreements are entered into only with counterparties rated at least 'A/F1' by Fitch or equivalent and are 102% collateralized by U.S. government securities.

### **Liquidity Management**

The pool has daily access to its investments in money market funds and LAIF to meet daily withdrawal requirements and cash outflows. 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.

To meet liquidity targets and minimize exposure to interest rate changes, the pool uses a laddered investment strategy across a short maturity spectrum. The pool also employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. The pool has historically benefited from the highly predictable cash outflow needs of the pool's participants. The stability of cash flow projections is based on the pool's composition, as many participants are captive in nature and thereby required to maintain funds in the county pool. The pool's anticipated redemptions include payroll and benefit payments, accounts payable, debt services and other planned expenditures.

Furthermore, no withdrawals from the pool can be made for the purposes of investing those funds outside the pool without prior approval of the Marin County Director of Finance. An approval can be given as long as such a withdrawal does not negatively affect the interests of other participants. A notice of withdrawal is required to be made in writing at least 10 days prior to the proposed withdrawal date. A notice of withdrawal in writing of at least five business days is required for withdrawals in excess of \$250,000 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

### **Duration Management**

By investment policy, the pool must maintain an average maturity of less than 540 days and is not allowed to purchase securities with maturities greater than three years. However, the director of finance may authorize the purchase of U.S. government agency obligations and U.S. Treasury obligations with final maturities of five years or less.

## Operational Assessment

✓ Pass

● Attention Required

x Fail

### Service Providers

Investment Advisor ✓ Marin County Director of Finance

Auditors ✓ In accordance with the California government code, an investment oversight committee performs an annual audit. An additional treasury oversight committee is responsible for ensuring the pool's compliance with its investment policy. The committee meets twice a year and consists of five members: two school districts, one member of the county at large, one county administrator and one member from a special district.

### Regulation and Governance

Governance ✓ The Marin County investment portfolio shall be subject to a process of independent review by the county's external auditors. The county's external auditors review the investment portfolio in connection with the annual county audit for compliance with the statement of investment policy pursuant to government code section 27134. The results are reported annually to the director of finance and the Marin County Treasury Oversight Committee. The treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with Article 6 of the government code. This audit may include issues relating to the structure of the investment portfolio and risk.

Control Framework ✓ Compliance controls are in place to ensure adherence with investment guidelines.

### Operations

Pricing Responsibility ✓ Securities are booked at purchase price and marked-to-market monthly by the pools' custodian, Wells Fargo Bank. The treasurer's office uses real-time pricing supplied by Wells Fargo Bank, as custodian.

Technology ✓ Appropriate and integrated portfolio management system.

Back-Office Reconciliations ✓ Income apportionment to the participants is conducted on a quarterly basis after deducting the pool's expenses according to specified sections of the California government code.

### Investments

Composition ✓ Permitted investments include U.S. Treasury and government agency securities, State of California bonds, registered warrants, bankers' acceptances, commercial paper, negotiable certificates of deposit, time deposits, medium-term notes, money market funds, repurchase agreements and LAIF. LAIF is the California state investment pool, managed by the state treasurer's office.

Liquidity Management ✓ By its policy, the pool maintains adequate cash on hand to meet cash disbursements and payroll through maturing investments. Cash flow projections are an integral part of the overall cash management responsibilities of the treasury division.

### Disclosure and Transparency

Clear Strategy Representation ✓ The fund has a broad mandate that includes adherence to Marin County's Nuclear Freeze Ordinance Measure A, as approved by the voters on Nov. 4, 1986. The county is prohibited from investing in securities or other obligations of any corporation or business entity that is a nuclear weapons contractor.

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.

Source: Fitch Ratings, Marin County Investment Pool.



The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

