

San Diego County Investment Pool

Key Rating Drivers

High Quality Credit Portfolio: The San Diego County Investment Pool (the pool) invests in highly rated securities such as U.S. Treasuries, government agency securities, CP and certificates of deposit (CDs). The investment policy details minimum credit ratings by security type. Permissible securities include those 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; and pass-through securities rated at least 'AA' by Fitch or equivalent.

Stable Investor Base: The pool comprises moneys deposited by mostly mandatory participants; a small share of the funds represents those 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 the anticipated cashflow needs of pool participants. Cashflow projections are an integral part of the overall cash management responsibilities of the pool administrator. Cashflows have historically been highly predictable.

Low Sensitivity to Market Risk: The pool employs a cashflow-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 two 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 (sections 53600 and 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 by external firms.

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

Pool Characteristics

Rating Type	Rating
Fund Credit Quality Rating	AAAF
Fund Market Risk Sensitivity Rating	S1
Investment Advisor	San Diego County Treasurer's Office
Inception Date	1853
Assets (\$ Bil.)	9.8 (August 2020)

Source: Fitch Ratings.

Applicable Criteria

[Bond Fund Rating Criteria \(July 2019\)](#)

Related Research

[Fitch Affirms San Diego County Treasurer's Pooled Money Fund at 'AAAF'/S1' \(September 2020\)](#)

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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-Tax Collector'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 consists 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. Additionally, an independent third-party investment advisor provides oversight, reporting and compliance monitoring for the pool.

Pool 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 is to obtain a rate of return that is 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, securities are evaluated on a case-by-case basis to determine whether they should be held or sold.

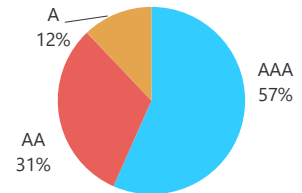
Liquidity Management

The pool maintains an allocation to government money market 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 pool's maturity profile is managed to meet the anticipated cashflow needs of participants. In accordance with its investment policy, the pool invests a minimum of 35% in securities that mature within one year or less. Furthermore, at least 15% of the pool must mature within 90 days.

San Diego Pooled Money Fund Credit Quality Distribution

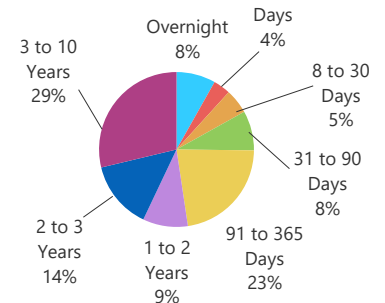
(As of Aug. 31, 2020)



Source: San Diego Pooled Money Fund.

San Diego Pooled Money Fund Asset Maturity Distribution

(As of Aug. 31, 2020)



Source: San Diego Pooled Money Fund.

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