

# Marin County Investment Pool

## Full Rating Report

### Ratings

<u>Security Class</u>	<u>Current Ratings</u>
Marin County Investment Pool	AAAV1

### Key Rating Drivers

**High Quality Credit Portfolio:** The Marin County Investment Pool invests primarily in U.S. government obligations, and registered money market funds rated 'AAA' 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.

**Active Liquidity Management:** 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.

**Predictable Cash Flows:** The pool employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. Marin County Investment Pool has historically benefited from highly predictable cash outflow needs of the pool's participants. The pool's anticipated redemptions include payroll and benefit payments, accounts payable, debt services, and other planned expenditures.

**Appropriate Management and Oversight:** 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.

### What Could Trigger a Rating Action

**Changes in Portfolio Composition:** The pool credit and volatility ratings may be sensitive to material changes in the composition, credit quality, and liquidity profile of the portfolio or an increase in unanticipated cash outflows. A materially adverse deviation from Fitch's guidelines for any key rating driver could cause ratings to be lowered by Fitch.

**Changes in U.S. Financial Condition:** Given the fund's investment mandate of investing primarily in U.S. Treasury and government agency securities, the ratings may also be sensitive to materially adverse changes in the U.S. government's financial condition and that of the broader U.S. economy.

### Related Research

[Marin County Investment Pool](#),  
Oct. 22, 2010

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**Rating Rationale**

Marin County Investment Pool is rated 'AAA/V1' by Fitch. The 'AAA' fund credit 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 'V1' fund volatility rating reflects the relative sensitivity of the investment portfolio's net asset value to assumed changes in credit spreads and interest rates, as well as certain other market risk parameters.

Fitch's evaluation of the pool's investment portfolio also considers the management and operational capabilities of Marin County treasurer–tax collector and the legal and regulatory framework under which the pool operates. Portfolio valuation reports are submitted to Fitch on a monthly basis. As of Sept. 30, 2011, the pool had approximately \$725 million in assets under management.

**Organizational Overview**

The county of Marin is located in Northern California. The Marin County Investment Pool is managed by the Marin County Director of Finance on behalf of the pool participants. Participants are defined as: Marin County; the Marin public school agency; Marin Community College; the Marin County office of education; districts under the control of the county board of supervisors; 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.

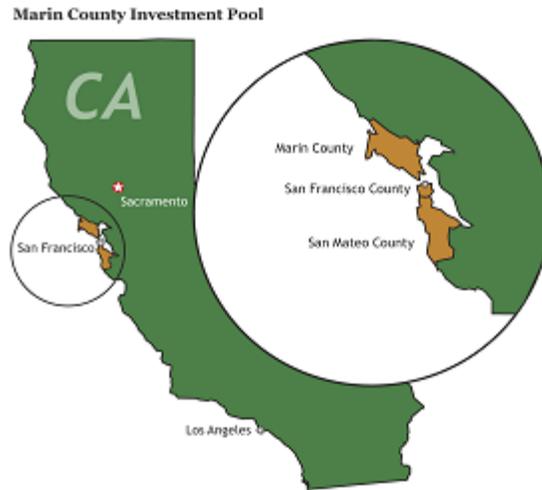
Roy Given, Marin County's Director of Finance, has overall responsibility for overseeing the pool's investments and operations. The pool's investment policies are reviewed periodically by the treasury oversight committee, consisting of representatives from Marin County, the superintendent of schools' office, and school and special districts.

The pool is subject to quarterly external audits by the County of Sonoma's auditor's office. In addition, the pool is also subject to an annual external financial audit performed by an independent certified public accounting firm. Wells Fargo Institutional Trust Services, a unit of Wells Fargo Bank, N.A. (AA-/F1+), acts as the safekeeping agent for the pool's assets.

**Pool's Objectives and Investment Practices**

The pool's primary investment objective is preservation of capital. The pool's 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



**Related Criteria**

Global Bond Fund Rating Criteria, Aug. 16, 2011

as registered warrants, bankers' acceptances, commercial paper, negotiable certificates of deposit, time deposits, medium-term notes, shares of money market funds, repurchase agreements, and LAIF. LAIF is the California state investment pool, managed by the state treasurer's office. Under the pool's investment policies, the use of reverse repurchase agreements or securities lending programs is not permitted.

### Asset Credit Quality

As of Sept. 30, 2011, approximately 97.07% of the portfolio was invested in U.S. government agency securities, 2.76% was invested in money market funds, 0.03% was invested in LAIF, and 0.14% was held in a highly rated municipal tax and revenue anticipation note maturing on April 15, 2012. 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. As of Sept. 30, 2011, the pool did not have any investments in repurchase agreements.

LAIF is a LGIP with assets under management of \$24 billion as of June 30, 2011. LAIF's assets are not comingled with the state's moneys or in any way available for state use. Fitch does not rate LAIF; however, Fitch views it as being managed in a manner generally consistent with other Fitch-rated LGIPs operating in the state of California, in terms of asset credit quality, issuer diversification, investor diversification, and liquidity management.

To maintain investor diversification, LAIF limits the maximum size of a single depositor's account to \$50 million, which equates to approximately 2% of Marin County Investment Pool's assets under management as of Sept. 30, 2011. Aside from this limit, any amount of eligible bond proceeds could be invested in LAIF. As of Sept. 30, 2011, Marin County Investment Pool had a total of \$234,222, or 0.03% of its assets in LAIF.

Fitch generally views investments in LAIF by other rated entities of less than or equal to 15% as consistent with 'AAA/V1' ratings, particularly if such investments serve as the sole or primary source of overnight liquidity. Higher levels of exposure to LAIF may be viewed as consistent with 'AAA/V1' ratings, provided that such additional investment does not serve as the sole or primary source of the portfolio's overnight liquidity.

### Weighted Average Rating Factor

Based on the portfolio credit quality and maturity profile as of Sept. 30, 2011, Fitch calculated the weighted average rating factor to be consistent with an 'AAA' fund credit rating. This analysis includes a reduction of the credit factors for securities maturing within 13 months in recognition of the lower default probability of such securities relative to longer dated securities.

### Rating Distribution and Minimum Ratings

In evaluating LGIPs, Fitch also considers the portfolio's minimum asset ratings, as well as the extent to which the portfolio may undertake a bar-belled investment strategy. As of Sept. 30, 2011, the portfolio consisted of long-term assets rated 'AAA', short-term assets rated 'F1' or higher (or its equivalent by another rating agency) and the minimal exposure to LAIF. The

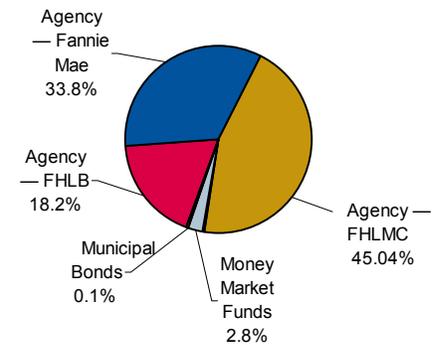
minimum credit quality and absence of a bar-belled investment strategy are viewed as consistent with the 'AAA' fund credit rating assigned to the portfolio.

**Diversification**

The pool is highly concentrated in U.S. government agency securities, which are not viewed as posing concentration risk given the high credit quality and liquidity of such holdings. As of Sept. 30, 2011, the portfolio held 45.04% of its total assets in securities issued by Freddie Mac, 33.82% in securities issued by Fannie Mae and 18.21% in securities issued by the Federal Home Loan Bank (FHLB).

**Portfolio Composition**

(As of Sept. 30, 2011)



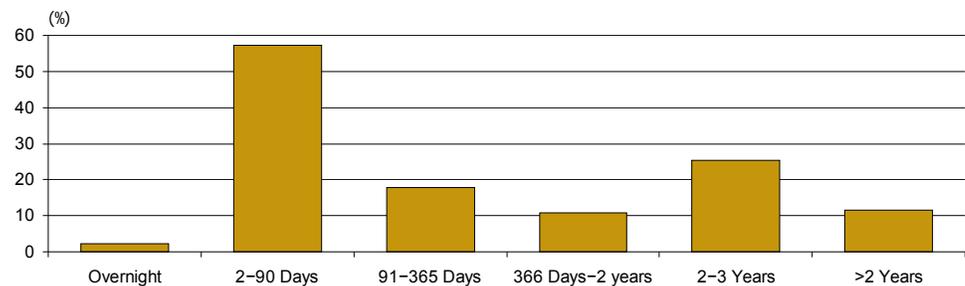
Note: Numbers may not add to 100% due to rounding.  
Source: Marin County Treasurer.

**Liquidity Management**

The pool has daily access to its investments in money market funds and LAIF to meet daily withdrawal requirements and cash outflows. As of Sept. 30, 2011, approximately 15% of the portfolio's assets had a maturity of 30 days or less. 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.

**Portfolio Maturity Profile**

(As of Sept. 30, 2011)



Source: Marin County Treasurer.

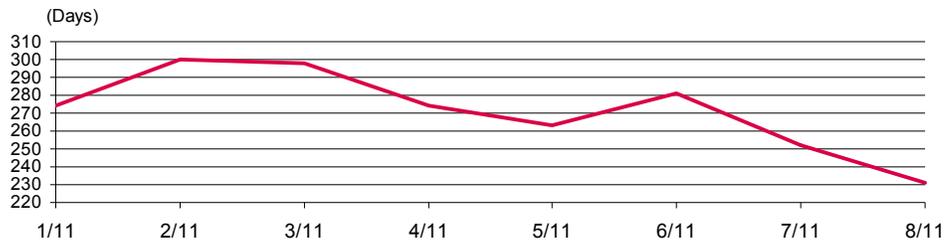
To meet liquidity targets and minimize exposure to interest rate changes, the pool uses a laddered investment strategy across a short maturity spectrum. The pool also employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. Marin County Investment Pool has historically benefited from highly predictable cash outflow needs of the pool's participants. 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.

The weighted average maturity to reset date (WAMr) of securities held in the portfolio was approximately 268 days as of Sept. 30, 2011. WAMr is a measure of a portfolio's sensitivity to changing interest rates. As of the same date, approximately 78% of the pool's total assets were invested in securities with maturities of one year or less.

**Portfolio Weighted Average Maturity**

(As of Sept. 30, 2011)



Source: Marin County Treasurer.

By investment policy, the pool must maintain an average maturity of less than 18 months and is not allowed to purchase securities with maturities greater than two years. However, the treasurer may authorize the purchase of U.S. government agency obligations with final maturities of five years or less.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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