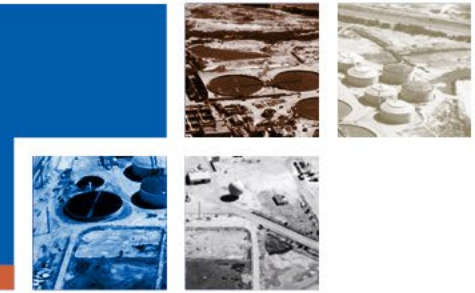


# OCSD Reserves & Investments

**Wally Ritchie, Controller  
Operations Committee  
February 5, 2020**

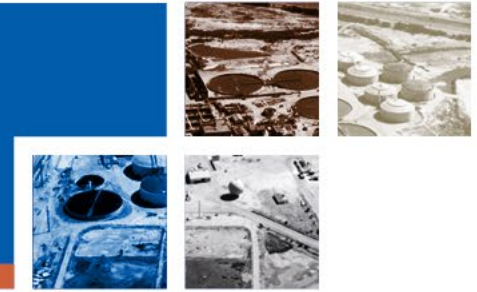


# Seven Reserve Criteria



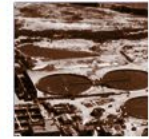
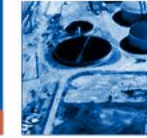
- 1) Next Year's Dry Period (Cash Flow Reserve) – 50% of the Operating Budget**
- 2) Operating Contingencies – 10% of Operating Budget**
- 3) Next Year's Dry Period Debt Service – 100% of August COP Debt Service**
- 4) Capital Improvement Reserve – 50% of average CIP balance to 2030**
- 5) Debt Service Reserve – 10% of the Outstanding COPs**
- 6) Operating & Capital Share of Catastrophe Funds**
- 7) Replacement and Refurbishment – 2% Per Year**

# Non-Discretionary Criteria

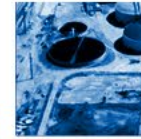
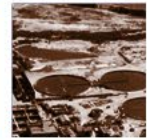


- 1) Next Year's Dry Period (Cash Flow Reserve) – 50% of the Operating Budget**
- 3) Next Year's Dry Period Debt Service – 100% of August COP Debt Service**
- 5) Debt Service Reserve – 10% of the Outstanding COPs**

# Discretionary Reserve Criteria

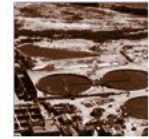
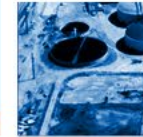


- 2) Operating Contingencies – 10% of Operating Budget**
- 4) Capital Improvement Reserve – 50% of average CIP balance to 2030**
- 6) Operating & Capital Share of Catastrophe Funds**
- 7) Replacement and Refurbishment – 2% Per Year**



# OCSD Investments

# Investment Objectives



## First

- Provide safety of principal

## Second

- Provide sufficient liquidity

## Third

- Earn a commensurate rate of return consistent with the constraints imposed by the objectives listed above

# Chandler Asset Management



- Specializing in Investment Management for Public Agencies
- Independent & Employee-Owned
  - Fixed income specialist since 1988
  - Founded by public investment professionals
  - Headquartered in San Diego, CA
- Stable Team of Investment Professionals
  - Team of investment professionals average over 21 years portfolio management experience
  - Disciplined, repeatable investment philosophy and process
  - Proprietary investment analysis

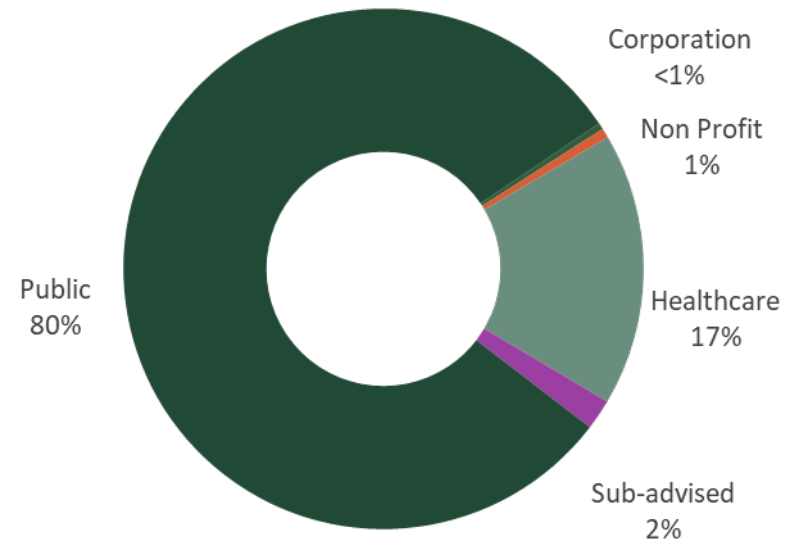
# Chandler Asset Management



## ■ Custom Investment Programs

- Investment solutions based on your risk profile and return goals
- Strategies for operating, short, and long-term reserves
- Direct contact with investment management team

Assets Under Management  
\$19.5 Billion

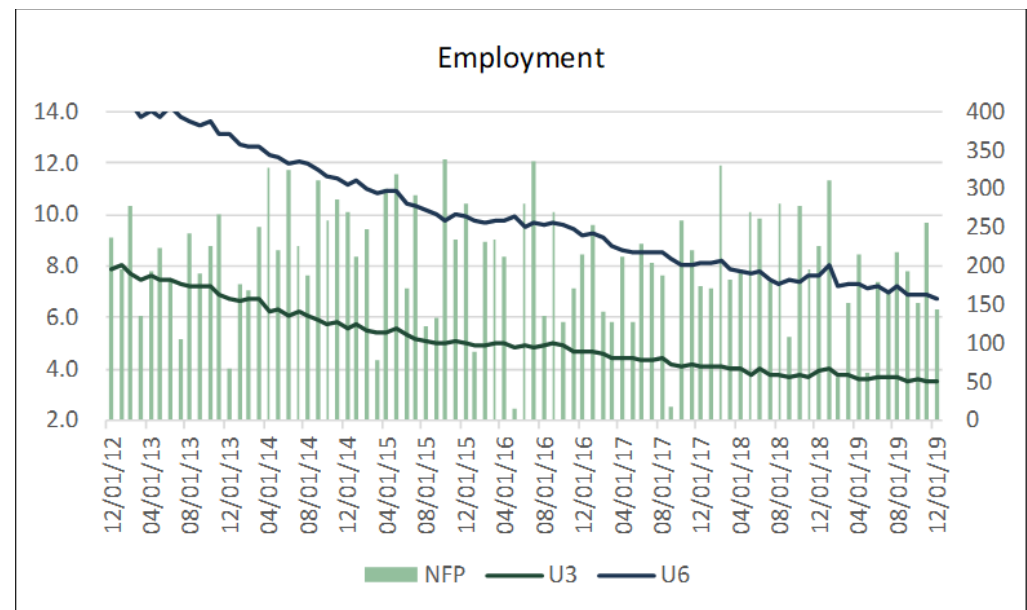




# Economic Update



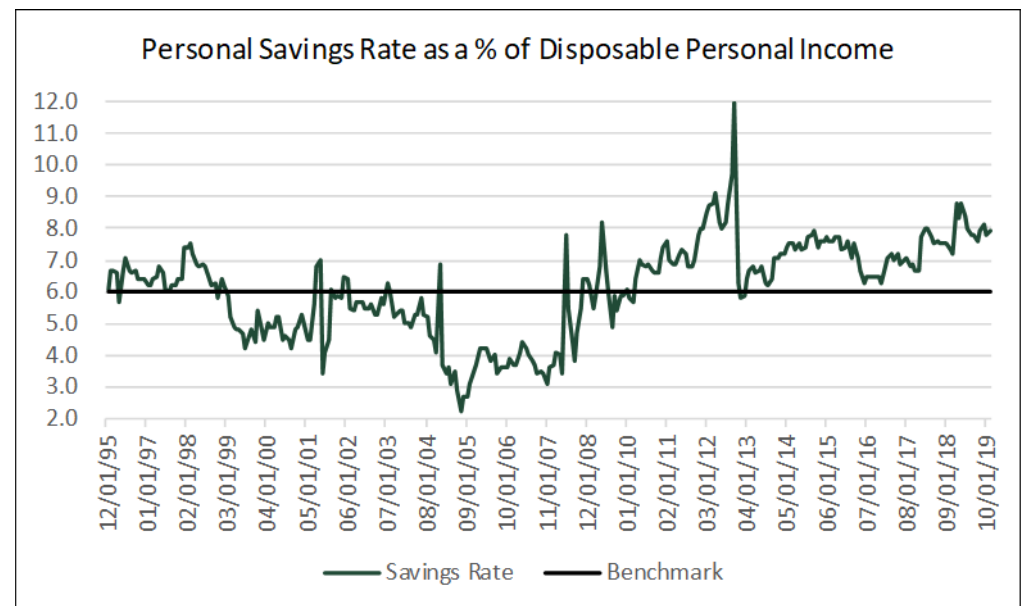
- The US Consumer will remain the engine of domestic economic growth in 2020.
- The low unemployment (U3) and underemployment (U6) rates should continue to support consumer spending.
- Non-Farm Payrolls have remained robust, with a current 3 month moving average at 184k.



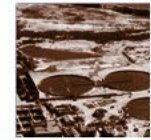
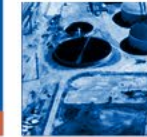
# Economic Update



- The savings rate is elevated, providing further support to the view the US consumer will remain a tailwind for the US economic outlook.
- The coronavirus is a concern for global growth the Chandler team is monitoring closely.
- The US election cycle is likely to impact sentiment in the 2H of 2020.



# OCSD has Two Major Portfolios Long-Term and Short Term



The Orange County Sanitation District's Investment Policy is consistent with California Government Code.

## Long-Term

- Approximately \$580 million
  - Compares to the ICE BAML 1-5 Year Corporate Government Rated AAA – A Index

## Short-Term

- Approximately \$176 million
  - Compares to the 3-month T-Bill rate
  - Operates with a maximum maturity of one year

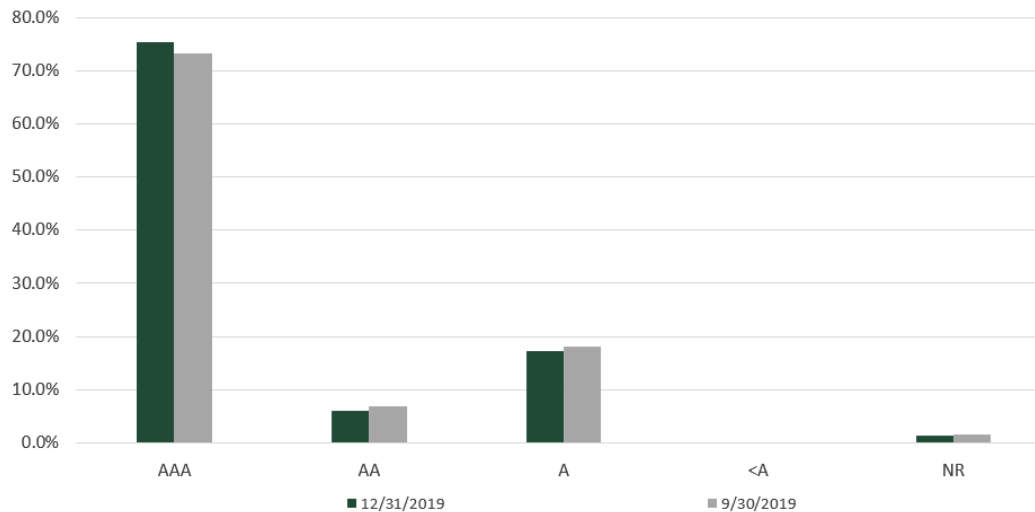
# Long-Term Portfolio – Asset Allocation



## Quality Distribution

As of December 31, 2019

Orange County Sanitation District Long Term  
December 31, 2019 vs. September 30, 2019

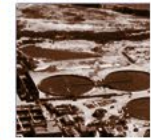
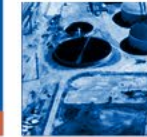


	AAA	AA	A	<A	NR
12/31/2019	75.4%	6.1%	17.2%	0.0%	1.3%
09/30/2019	73.3%	6.9%	18.2%	0.0%	1.6%

Source: Moody's Ratings

Category	Percent
US Treasury	35%
Agency	23%
US Corporate	21%
Asset Backed Sec	8%
Other	7%
Supranational	6%
<b>Total</b>	<b>100%</b>

# Long-Term Portfolio – Performance



## Average Market Yield

December 31, 2019	2.74%
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Benchmark	2.67%
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September 30, 2019	2.82%
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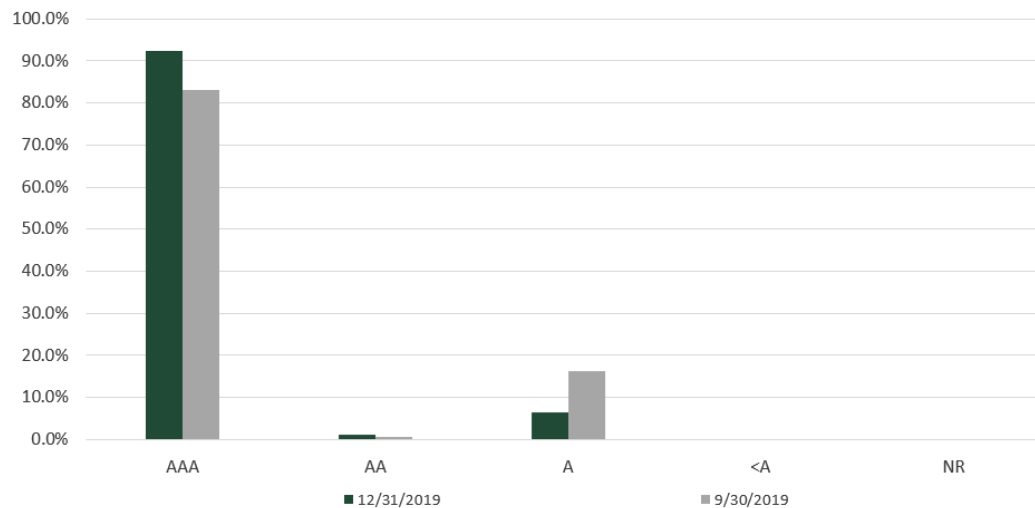
# Short-Term Portfolio – Asset Allocation



## Quality Distribution

As of December 31, 2019

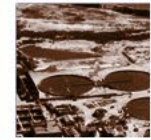
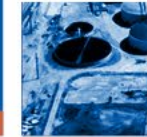
Orange County Sanitation District Liquid  
December 31, 2019 vs. September 30, 2019



Category	Percent
US Treasury	78%
US Corporate	7%
Agency	6%
Commercial Paper	3%
Money Market	3%
Negotiable CDs	2%
Supranational	1%
<b>Total</b>	<b>100%</b>

Source: Moody's Ratings

# Short-Term Portfolio – Performance

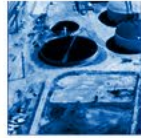
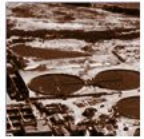


## Average Market Yield

December 31, 2019	1.68%
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Benchmark	1.50%
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September 30, 2019	2.01%
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# Questions?