



## INFORMATIONAL REPORT

**DATE ISSUED:** April 4, 2019

**REPORT NO:** HCR19-037

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of April 11, 2019

**SUBJECT:** Investment Report – Second Quarter Fiscal Year 2019

**COUNCIL DISTRICT:** Citywide

### **NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION**

#### **SUMMARY**

The attached Quarterly Investment Report details the San Diego Housing Commission's (Housing Commission) investment portfolio as of December 31, 2018. The report includes both summary and detailed information on all liquid cash and cash equivalents, and core investments owned by the Housing Commission. These funds, however, are not indicative of funds available for discretionary use as they have been earmarked for 1) loans and grants that the Housing Commission has committed to fund through Board of Commissioners' approval; 2) restricted to federal/state/local programmatic requirements; 3) designated for property maintenance; and 4) required 5 percent of budgeted new revenue as contingency reserves.

The market value of the portfolio at December 31, 2018, was \$165.10 million, compared to \$158.13 million in the previous quarter, resulting in an overall investment portfolio increase of \$6.97 million. At December 31, 2018, the overall investment portfolio had a yield to maturity of 1.97 percent, average days to maturity of 472, and an effective duration of 1.21 years, compared to the overall investment portfolio at September 30, 2018, which had a yield to maturity of 1.64 percent, average days to maturity of 411, and an effective duration of 1.08 years.

#### Cash and cash equivalents (liquid)

1. \$28.75 million is held in various accounts, including the Housing Commission's bank, US Bank (\$18.52 million), and other various authorized accounts required by lending agreements and program obligations (\$10.23 million).
2. \$36.47 million is held in pooled investment funds. Pooled funds include California's Local Agency Investment Fund (LAIF), The San Diego Foundation (TSDF) and the San Diego County Investment Pool (SDCIP).

The blended yield on these liquid accounts was 1.47 percent for the quarter, which is an increase of 0.32 percent from 1.15 percent in the previous quarter, primarily due to an increase in yield received from both LAIF and SDCIP.

#### Core investments

3. \$96.2 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

4. \$3.67 million is held in various FDIC insured Certificates of Deposit (CD).

The blended yield on core investments for the quarter was 2.29 percent, which is an increase of 0.24 percent from 2.05 percent in the previous quarter. The reinvestment of interest payments along with maturing bond proceeds into higher yielding Agency bonds were the primary reasons for the increase in yield.

### **DISCUSSION**

The overall market value of the investment portfolio was higher at \$165.10 million compared to the prior quarter of \$158.13 million. The \$6.97 million increase was primarily a result of the receipt of Community Development Block Grant Fiscal Year 2019 Affordable Housing Revolving Loan funds of \$15.0 million during the quarter, offset by the funding of loans in the amount of \$8.7 million (Island Inn, Villa Encantada Apartments and Fairmount Family Housing.)

The overall investment portfolio yield was 1.97 percent, compared to 1.64 percent in the prior quarter. The increase was the result of reinvesting principal and interest payments into higher yielding Agency bonds, coupled with the maturity of lower yielding bonds. The effective duration had a modest increase (1.08 to 1.21), as the Housing Commission continued to keep the overall portfolio duration short due to uncertainty in federal funding timing given the partial federal government shutdown that occurred.

### **CONCLUSION**

The Federal Reserve raised the Fed Funds rate by a quarter point to its new target rate to 2.25 percent – 2.50 percent on December 19, 2018, after holding steady at the November 8, 2018, meeting. There continues to be strong sentiment in the bond markets that the Federal Reserve is less likely to raise rates in 2019 given a slowing global economy. The Housing Commission will continue to monitor federal policy, and the Housing Commission’s investment strategy will continue to focus on ensuring the safety of the principal, maintaining sufficient liquidity to meet operational requirements, generating investment yield and where possible, investing locally. The Housing Commission will continue to manage its investment portfolio with these underlying objectives in mind.

Respectfully submitted,

*Marie Lalas*

Marie Lalas  
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San Diego Housing Commission

Approved by,

*Jeff Davis*

Jeff Davis  
Executive Vice President & Chief Of Staff  
San Diego Housing Commission

Attachments: 1) SDHC Quarterly Financial Investment Report Ending December 31, 2018

Hard copies are available for review during business hours at the security information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).