



INFORMATIONAL REPORT

DATE ISSUED: January 2, 2020

REPORT NO: HCR20-004

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 10, 2020

SUBJECT: Investment Report – First Quarter Fiscal Year 2020

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 (the Commission) investment portfolio as of September 30, 2019. The report includes both summary and detailed information on all liquid cash and cash equivalents, and core investments owned by the Commission. These funds, however, are not indicative of funds available for discretionary use as they are 1) earmarked for loans and grants that the Commission has committed to fund through Board approval 2) restricted to federal/state/local programmatic requirements 3) designated for property maintenance, and 4) required 3.5% of budgeted new revenue contingency reserves.

The market value of the portfolio at September 30, 2019 was \$164.67 million, compared to \$162.37 million in the previous quarter resulting in an overall investment portfolio increase of \$2.3 million. At September 30, 2019 the overall investment portfolio had a yield to maturity of 2.07 percent, average days to maturity of 465, and an effective duration of 1.22 years, compared to the overall investment portfolio at June 30, 2019 which had a yield to maturity of 2.11 percent, average days to maturity of 485, and an effective duration of 1.26.

Cash and cash equivalents (liquid)

1. \$23.01 million is held in various accounts, including the Housing Commission's bank, US Bank (\$10.44 million) and other various authorized accounts required by lending agreements and program obligations (\$12.57 million).
2. \$37.09 million is held in pooled investment funds. Pooled funds include California's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP).

The blended yield on these liquid accounts was 1.58 percent for the quarter, which down .06 percent from the 1.64 percent in the previous quarter. The decline was due to a decrease in LAIF effective yield to maturity as the amount of pooled money declined in the overall LAIF portfolio.

Core investments

3. \$101.63 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).
4. \$2.95 million is held in various FDIC insured Certificates of Deposit (CD).

The blended yield on core investments for the quarter was 2.34 percent, which is a decrease of 0.03 percent from 2.37 percent in the previous quarter. The decrease is due to agency bonds in which the decrease had been anticipated given previous Federal Reserve comments.

DISCUSSION

The overall market value of the investment portfolio increased to \$164.67 million compared to the prior quarter of \$162.37 million. The \$2.3 million increase during the quarter was principally due to the receipt of \$8.26 million of Affordable Housing Fund in-lieu fees, offset by \$5.96 million of expenditures primarily related to loans made (Paseo La Paz, the Lofts, Nook and New Palace).

The overall investment portfolio yield was 2.07 percent, compared to 2.11 percent from the prior quarter. The effective duration was also lower at 1.22 versus 1.26, in the previous quarter. These decreases reflect the financial market move lower in the yield curve due to Federal Reserve commentary and actions, along with the Commission's conservative approach to duration to ensure liquidity, rather than extending for additional yield.

CONCLUSION

The Fed Funds rate is currently targeted at 1.5% to 1.75%, after the Federal Reserve lowered the Fed Funds rate by 25 basis points at the October 30th meeting. The rationale for this third rate cut was the continuing "weakness" of business investments and exports. These actions will likely continue to influence the agency bond market, moving effective yields downward.

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 principle, remain duration neutral while 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 September 30, 2019

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.