



SAN DIEGO  
HOUSING  
COMMISSION

## INFORMATIONAL REPORT

**DATE ISSUED:** October 8, 2020 **REPORT NO:** HCR20-102

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of October 16, 2020

**SUBJECT:** Investment Report – Fourth 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 (Housing Commission) investment portfolio as of June 30, 2020. The report includes both summary and detailed information on all liquid cash and cash equivalents and core investments the Housing Commission owned. These funds, however, are not indicative of funds available for discretionary use as they are: 1) earmarked for loans and grants that the Housing Commission has committed to fund through Board of Commissioners approval; 2) restricted to federal, state or local programmatic requirements; 3) designated for property maintenance; and 4) designated for the required 3.5 percent of budgeted new revenue contingency reserves.

The market value of the portfolio on June 30, 2020, was \$170.79 million, compared to \$174.57 million in the previous quarter, resulting in an overall investment portfolio decrease of \$3.78 million. On June 30, 2020, the overall investment portfolio had a yield to maturity of 1.64 percent, average days to maturity of 411, and an effective duration of 1.07 years, compared to the overall investment portfolio on March 31, 2020, which had a yield to maturity of 1.81 percent, average days to maturity of 412, and an effective duration of 1.07.

#### Cash and cash equivalents (liquid)

1. \$37.26 million is held in various accounts, including the Housing Commission's bank, US Bank (\$24.68 million) and other various authorized accounts required by lending agreements and program obligations (\$12.58 million).
2. \$37.70 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 liquid accounts was 0.84 percent, a decrease of 0.28 percent from 1.12 percent in the previous quarter, with the decrease due to a decline in both the LAIF and SDCIP effective yield to maturity due to the impact of Federal monetary policy lowering interest rates.

#### Core investments

3. \$93.35 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).
4. \$2.48 million is held in various FDIC insured Certificates of Deposit (CD).

The blended yield on core investments was 2.24 percent, which is a decrease of 0.08 percent from 2.32 percent in the previous quarter, with the decline in yield also primarily due to the impact of Federal monetary policy on interest rates.

### **DISCUSSION**

The overall market value of the investment portfolio decreased to \$170.79 million compared to the prior quarter of \$174.57 million. The \$3.78 million decrease during the quarter was principally due to funding multifamily development loans (Ivy Senior Apartments and East Block Senior Apartments.)

The overall investment portfolio yield was 1.64 percent, compared to 1.81 percent from the prior quarter. The decrease in the portfolio's yield was the result of the Federal Reserve's actions to drastically lower interest rates to ensure liquidity in the financial markets due to the adverse impact of the COVID-19 pandemic on the U.S. economy.

### **CONCLUSION**

The Federal Reserve held steady the Federal Funds rate at 0.00 – 0.25 percent at the June 10, 2020, meeting due to the continued effects of COVID-19 on the U.S. economy. In August 2020 at the Economic Policy Symposium, Federal Reserve Chairman Jerome Powell implied that interest rates would only be raised if unemployment rates fall below estimates and inflation increases to “unwelcome” levels above 2 percent. The Housing Commission will continue to monitor the financial markets and act prudently, especially in light of the threat of a second wave of COVID-19, coupled with flu season and its potential to worsen the U.S. economy. The Housing Commission will continue its conservative approach to its investment strategy with the focus on ensuring the safety of the principal; remaining duration-neutral while maintaining sufficient liquidity to meet operational requirements, generate investment yield, and when possible, invest locally; and 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 June 30, 2020

Docket materials are available online on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org)