



SAN DIEGO  
HOUSING  
COMMISSION

## INFORMATIONAL REPORT

**DATE ISSUED:** December 30, 2020

**REPORT NO:** HCR21-006

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of January 8, 2021

**SUBJECT:** Investment Report – First Quarter Fiscal Year 2021

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

The market value of the portfolio on September 30, 2020, was \$185.47 million, compared to \$170.79 million in the previous quarter, resulting in an overall investment portfolio increase of \$14.68 million. On September 30, 2020, the overall investment portfolio had a yield to maturity of 1.36 percent, average days to maturity of 415, and an effective duration of 1.00, compared to the overall investment portfolio on June 30, 2020, which had a yield to maturity of 1.64 percent, average days to maturity of 411, and an effective duration of 1.07.

#### Cash and cash equivalents (liquid)

1. \$51.66 million is held in various accounts, including the Housing Commission's bank, US Bank (\$43.15 million) and other various authorized accounts that lending agreements and program obligations require (\$8.51 million).
2. \$37.85 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 0.56 percent, a decrease of 0.28 percent from 0.84 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 continued impact of federal monetary policy lowering interest rates.

#### Core investments

3. \$94.50 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

4. \$1.47 million is held in various FDIC-insured Certificates of Deposit (CD). The blended yield on core investments was 2.06 percent, a decrease of 0.18 percent from 2.24 percent in the previous quarter, with the decline in yield also primarily due to the continued impact of federal monetary policy on interest rates.

### **DISCUSSION**

The overall market value of the investment portfolio increased to \$185.47 million compared to the prior quarter of \$170.79 million. The \$14.68 million increase during the quarter was primarily due to the receipt of \$17.35 million from the City of San Diego (\$15.1 million for the City of San Diego COVID-19 Emergency Rental Assistance Program [ERAP] and \$2.25 million for Low and Moderate Income Fund loan funding reimbursement) and the receipt of \$3.8 million for Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 8 Housing Choice Voucher Administration. The receipts were offset by \$4.4 million expended on ERAP rental assistance payments and administration costs and \$2.07 million expended on hotel acquisition due diligence costs and loans made in the quarter (San Ysidro Family, Vista del Puente, Beacon and various single-family loans.)

The overall investment portfolio yield was 1.36 percent, compared to 1.64 percent from the prior quarter. The decrease in the portfolio's yield is the result of the Federal Reserve's continued accommodative actions of lower interest rates to ensure liquidity in the financial markets due to the sustained impact of the COVID-19 pandemic on the United States and global economies.

### **CONCLUSION**

The Federal Reserve's Summary of Economic Projections revealed policymakers intend to retain Zero Interest Rate Policy through 2023. The Housing Commission will continue to monitor the financial markets and act prudently, especially in light of the recent rise in COVID-19 cases in the United States and Europe. The Housing Commission will also 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 September 30, 2020

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org)