



INFORMATIONAL REPORT

DATE ISSUED: August 31, 2017

REPORT NO: HCR17-072

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September 8, 2017

SUBJECT: Investment Report – Fourth Quarter Fiscal Year 2017

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, 2017. The report includes both summary and detailed information on all liquid cash and cash equivalents, and core investments owned by the Housing Commission. The market value of the portfolio on June 30, 2017, was \$155.48 million, compared to \$146.06 million in the previous quarter, resulting in an overall investment portfolio increase of \$9.42 million. On June 30, 2017, the overall investment portfolio had a yield to maturity of 1.33 percent, average days to maturity of 521, and an effective duration of 1.31 years, compared to March 31, 2017, when the overall portfolio had a yield to maturity of 1.16 percent, average days to maturity of 502, and an effective duration of 1.27 years.

Cash and cash equivalents (liquid)

1. \$26.21 million is held in various accounts, including the Housing Commission's bank, US Bank (\$16.7 million) and other various authorized accounts required by lending agreements and program obligations (\$9.51 million).
2. \$28.36 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 0.77 percent for the quarter, which represents an increase from the yield of 0.45 percent in the prior quarter, stemming primarily from increased posted yields related to the LAIF and SDCIP.

Core investments

3. \$98.45 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).
4. \$2.45 million is held in various FDIC insured Certificates of Deposit (CD).

The blended yield on core investments for the quarter was 1.63 percent, an increase from 1.58 percent in the previous reporting period, primarily due to an increase in rates on longer-term CDs and government bonds.

DISCUSSION

The increase in the overall market value of the investment portfolio was primarily due to \$4.6 million received related to the Community Development Block Grant –Affordable Housing Revolving Loan Fund grant in April and an additional \$6.6 million Moving to Work Section 8 payment received in late June from the U.S. Department of Housing and Urban Development. These funds were reinvested into government agency bonds, offset by the use of \$2.0 million for the escrow for the Vista Del Puente development, which will create 51 affordable rental housing units, including 38 for homeless San Diegans through HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan.

The overall investment portfolio yield was 1.33 percent, compared to 1.16 percent in the prior quarter, reflecting the Housing Commission’s movement out of cash into higher yield government bonds. For comparison, the two-year treasury closed at 1.38 percent, and three-year treasury closed at 1.54 percent on June 30, 2017.

CONCLUSION

The Federal Reserve raised the Fed Funds rate by 0.25 percent to its new target rate of 1.00 percent - 1.25 percent on June 14, 2017, after holding steady at the May 3, 2017, Federal Reserve Board meeting. The Fed Fund futures market reflects a low probability of immediate Federal Reserve increases; therefore, the Housing Commission will continue to add duration to achieve higher yields, while still maintaining security of principal.

The Housing Commission’s investment strategy continues 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 build its investment portfolio with these underlying objectives in mind. Durations continue to remain conservative (approximately two years) in Housing Commission core holdings. Also, the Housing Commission will continue to contemplate purchasing Agency Step Up bonds and perhaps Agency Floating Rate coupons as defensive investments in this potential rising rate environment.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Chief Financial Officer
Financial Services Department

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, 2017

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk 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 “Public Meetings” section of the San Diego Housing Commission website at www.sdhc.org.