

INFORMATIONAL REPORT

DATE ISSUED: March 07, 2024 **REPORT NO:** HCR 24-033
ATTENTION: Chair and Members of the San Diego Housing Commission For
the Agenda of March 15, 2024
SUBJECT: Investment Report – Second Quarter, Fiscal Year 2024
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, 2023. 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 are: 1) earmarked for loans and grants that 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% of budgeted new revenue contingency reserves.

The market value of the portfolio on December 31, 2023, was \$166.13 million, compared to \$173.51 million in the previous quarter, resulting in an overall investment portfolio decrease of \$7.38 million. On December 31, 2023, the overall investment portfolio had a yield to maturity of 2.11 percent, average days to maturity of 496, and an effective duration of 1.25 years, compared to the overall investment portfolio on September 30, 2023, which had a yield to maturity of 2.01 percent, average days to maturity of 523, and an effective duration of 1.21 years.

Cash and cash equivalents (liquid)

1. \$32.84 million is held in various accounts, including the Housing Commission's bank, US Bank (\$20.85 million) and other various authorized accounts required by lending agreements and program obligations (\$12.00 million).
2. \$29.58 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 2.11 percent, which is an increase of .10 percent from the previous quarter.

Core investments

3. \$103.71 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

The blended yield on core investments was 2.54 percent, which is an increase of .06 percent from 2.49 percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio decreased of \$7.38 million compared to the prior quarter of \$173.51 million. The \$7.38 million decreased during the quarter was mainly due to voucher program costs higher than the Moving to Work revenue collected and the funding of multifamily housing loans.

The overall investment portfolio yield was 2.01 percent, compared to 2.14 percent from the prior quarter.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to a Core Value in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Believe in transparency and being good financial stewards.

CONCLUSION

The Federal Reserve held steady the Federal Funds rate at the November 1, 2023, and December 13, 2023, meetings. This was expected by economists and market participants. The Federal Funds rate holds steady at 5.25% - 5.50%. Federal Reserve Chairman Jerome Powell recently said, "Core inflation is still well above target on a 12-month basis. While encouraging, we are not declaring victory at all at this point." While these and other statements indicate a higher-for-longer rate path, the markets do anticipate an easing of rates at the May 1, 2024, meeting.

The Housing Commission's investment portfolio is well-positioned for lowering of rates in 2024. The Housing Commission will remain conservative in its approach to its investment strategy. The investment portfolio will be managed with these underlying objectives in mind: focus on ensuring the safety of the principal, extending duration while maintaining sufficient liquidity to meet operational requirements, generate investment yield, and when possible, invest locally.

Respectfully submitted,



Suket Dayal
Executive Vice President of Business Administration and
Chief Financial Officer
San Diego Housing Commission

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Housing Commission Quarterly Financial Investment Report Ending December 31, 2023

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

Table of Contents

I.	Investment Policy Summary	1
II.	Portfolio Summary by Investment Type	2
III.	Portfolio Credit Quality by Quarter	3
IV.	Portfolio Asset Allocation by Quarter	4
V.	Portfolio Maturity Schedule	5
VI.	Portfolio Yield Comparison	6
VII.	Portfolio Holdings Detail	7
VIII.	Glossary of Investment Terms	8

INVESTMENT POLICY SUMMARY

In 2005, SDHC approved an Investment Policy which allows the agency to invest surplus funds in accordance with the provisions of U.S. Department of Housing & Urban Development (HUD) Notice PIH 96-33 and California Government Code Sections 5922 and 53601.

The Investment Policy contains the required standards of care that include prudence, ethics, conflict of interest and delegation of authority. Additionally, the policy states the general objectives of safety, liquidity, yield and local considerations must be followed. Finally, the policy provides guidance concerning authorized financial institutions, depositories and broker/dealers; asset safekeeping and custody; authorized and suitable investment types; collateralization and diversification.

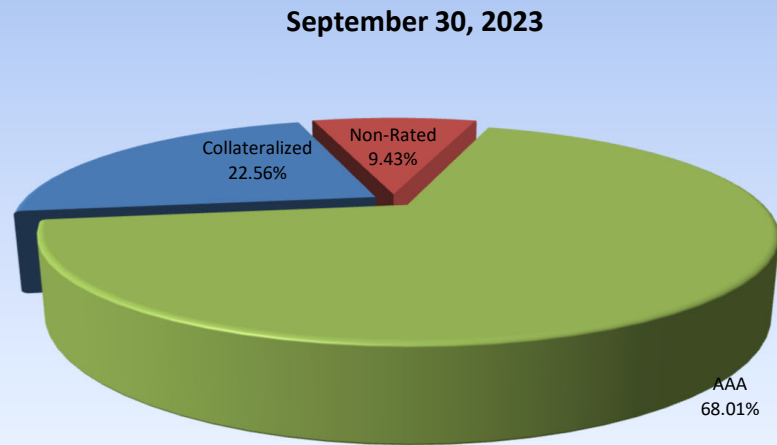
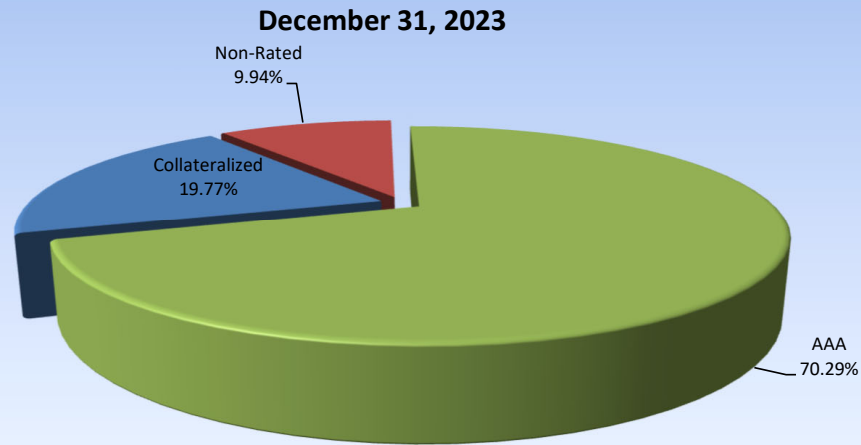
SAN DIEGO HOUSING COMMISSION

PORTFOLIO SUMMARY BY INVESTMENT TYPE

December 31, 2023								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$20.85	12.28%	\$20.85	100.00%	\$0.00	1	0.30%	1
Cash - restricted	\$12.00	7.06%	\$12.00	100.00%	\$0.00	1	0.29%	1
Local Agency Investment Fund (LAIF)	\$16.51	9.72%	\$16.51	100.00%	\$0.00	1	2.29%	1
San Diego County Investment Pool (SDCIP)	\$13.07	7.70%	\$13.07	100.00%	\$0.00	1	2.97%	1
Total liquid investments	\$62.42	36.76%	\$62.42	100.00%	\$0.00	1	1.38%	1
Agency Bonds	\$107.40	63.24%	\$103.71	95.99%	\$3.69	1,479	2.54%	794
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$107.40	63.24%	\$103.71	95.99%	\$3.69	1,479	2.54%	794
Total liquid and core investments	\$169.83	100%	\$166.13	97.50%	\$3.69	924	2.11%	496
Current Portfolio Effective Duration	1.25 Years							

September 30, 2023								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$27.92	15.56%	\$27.92	100.00%	\$0.00	1	0.30%	1
Cash - restricted	\$11.23	6.26%	\$11.23	100.00%	\$0.00	1	0.29%	1
Local Agency Investment Fund (LAIF)	\$16.36	9.12%	\$16.36	100.00%	\$0.00	1	2.29%	1
San Diego County Investment Pool (SDCIP)	\$12.91	7.19%	\$12.91	100.00%	\$0.00	1	2.97%	1
Total liquid investments	\$68.42	38.14%	\$68.42	100.00%	\$0.00	1	1.28%	1
Agency Bonds	\$110.97	61.86%	\$105.10	95.44%	\$12.26	1,471	2.49%	863
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$110.97	61.86%	\$105.10	95.44%	\$12.26	1,471	2.49%	863
Total liquid and core investments	\$179.39	100%	\$173.51	97.24%	\$12.26	891	2.01%	523
Current Portfolio Effective Duration	1.21 Years							

PORTFOLIO CREDIT QUALITY* BY QUARTER

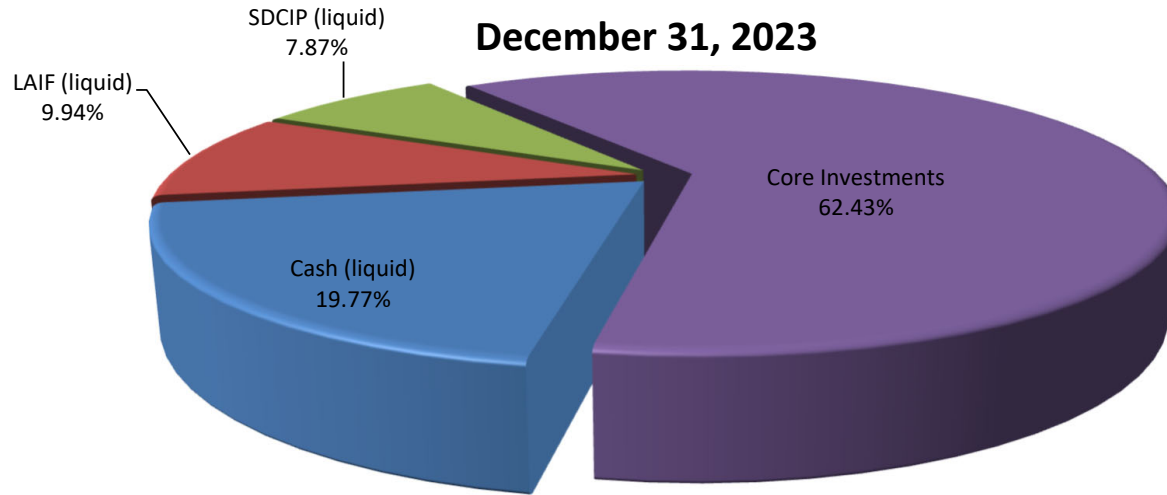


Note: Mortgage-backed securities (MBS) are included with other AAA rated securities. While the rating agencies do not specifically rate MBS, they carry an implied AAA rating based on the collateral and the rating of the Agency (Fannie/Freddie) that issues/guarantees them.

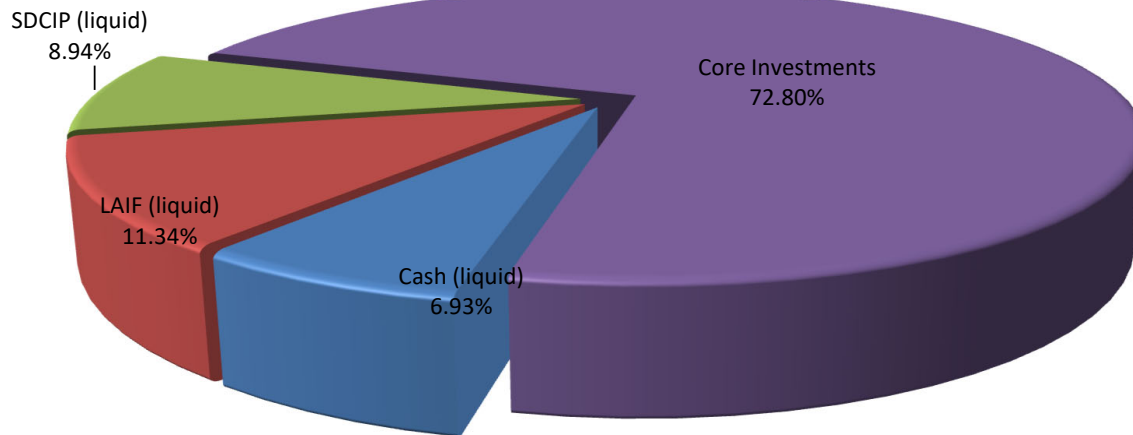
Non-Rated securities in SDHC's portfolio represents investments in the State of California's Local Agency Investment Fund (LAIF). The lack of a rating does not imply a negative credit quality.

ASSET ALLOCATION BY QUARTER

December 31, 2023



September 30, 2023

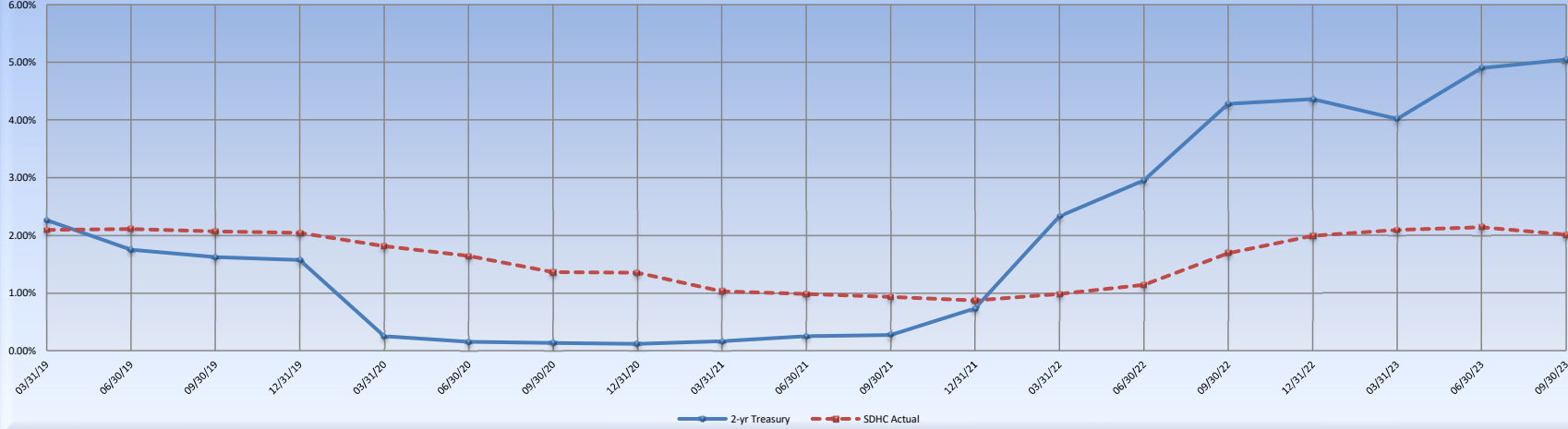


Market Value in Millions			
	09/30/23	12/31/23	Variance
Cash (liquid)	\$ 10.00	\$ 32.84	\$ 22.84
LAIF (liquid)	\$ 16.36	\$ 16.51	\$ 0.15
SDCIP (liquid)	\$ 12.91	\$ 13.07	\$ 0.16
Core Investments	\$ 105.10	\$ 103.71	\$ (1.38)
Total	\$ 144.37	\$ 166.13	\$ 21.77

Portfolio Maturity Schedule

Investments	1 day to 90 days	91 days to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Total by Asset
Cash	32.84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32.84
LAIF	16.51	-	-	-	-	-	\$ 16.51
SDCIP	13.07	-	-	-	-	-	\$ 13.07
Agency Bonds	0.79	18.26	29.71	31.29	8.65	15.01	\$ 103.71
CD (FDIC)	-	-	-	-	-	-	\$ -
Total	\$ 63.21	\$ 18.26	\$ 29.71	\$ 31.29	\$ 8.65	\$ 15.01	\$ 166.13
Percent	38.05%	10.99%	17.88%	18.83%	5.21%	9.04%	100.00%

2-Year Treasury Note vs. SDHC Actual Yield



**San Diego Housing Commission
Portfolio Holdings Detail**

As of **December 31, 2023**

Investments - Liquid Cash Accounts	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
SDHC Operating Account	U.S. Bank	\$20.85	12.55%	\$20.85	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Operating	U.S. Bank	\$0.52	0.31%	\$0.52	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Security Deposit	U.S. Bank	\$0.12	0.07%	\$0.12	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Res. (10002)	Greystone	\$0.06	0.04%	\$0.06	100.00%	\$0.00	1	0.05%	1
Central FNMA LLC Operating	U.S. Bank	\$0.87	0.53%	\$0.87	100.00%	\$0.00	1	0.30%	1
Central FNMA LLC Security Deposit	U.S. Bank	\$0.15	0.09%	\$0.15	100.00%	\$0.00	1	0.30%	1
Central FNMA LLC Res. (10003)	Greystone	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.05%	1
North FNMA LLC Operating	U.S. Bank	\$0.37	0.22%	\$0.37	100.00%	\$0.00	1	0.30%	1
North FNMA LLC Security Deposit	U.S. Bank	\$0.10	0.06%	\$0.10	100.00%	\$0.00	1	0.30%	1
North FNMA LLC Res. (10004)	Greystone	\$0.04	0.02%	\$0.04	100.00%	\$0.00	1	0.05%	1
Central FHA LLC Operating	U.S. Bank	\$0.75	0.45%	\$0.75	100.00%	\$0.00	1	0.30%	1
Central FHA LLC Security Deposit	U.S. Bank	\$0.17	0.10%	\$0.17	100.00%	\$0.00	1	0.30%	1
Central FHA LLC Res. (0538)	PNC Bank	\$0.35	0.21%	\$0.35	100.00%	\$0.00	1	0.05%	1
Northern FHA LLC Operating	U.S. Bank	\$0.84	0.50%	\$0.84	100.00%	\$0.00	1	0.30%	1
Northern FHA LLC Security Deposit	U.S. Bank	\$0.12	0.07%	\$0.12	100.00%	\$0.00	1	0.30%	1
Northern FHA LLC Res. (0539)	PNC Bank	\$0.19	0.11%	\$0.19	100.00%	\$0.00	1	0.05%	1
Southern FHA LLC Operating	U.S. Bank	\$1.86	1.12%	\$1.86	100.00%	\$0.00	1	0.30%	1
Southern FHA LLC Security Deposit	U.S. Bank	\$0.22	0.13%	\$0.22	100.00%	\$0.00	1	0.30%	1
Southern FHA LLC Res. (0540)	PNC Bank	\$0.47	0.28%	\$0.47	100.00%	\$0.00	1	0.05%	1
Hotel Sandford Rep. Res. (7828)	U.S. Bank	\$0.18	0.11%	\$0.18	100.00%	\$0.00	1	0.30%	1
Deposit Escrow - Non current	U.S. Bank	\$0.08	0.05%	\$0.08	100.00%	\$0.00	1	0.40%	1
FSS Escrow	U.S. Bank	\$0.59	0.35%	\$0.59	100.00%	\$0.00	1	0.30%	1
SDHC Building Opportunities	Banc of California	\$0.39	0.23%	\$0.39	100.00%	\$0.00	1	0.40%	1
Red Loan Courtyard	Red Mortgage	\$0.02	0.01%	\$0.02	100.00%	\$0.00	1	0.40%	1
For Benefit of the County of SD	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
PMCO operating accounts	Wells Fargo	\$0.90	0.54%	\$0.90	100.00%	\$0.00	1	0.40%	1
PMCO security deposits	Wells Fargo	\$0.50	0.30%	\$0.50	100.00%	\$0.00	1	0.40%	1
SDHC PM Operating Reserve	U.S. Bank	\$1.87	1.13%	\$1.87	100.00%	\$0.00	1	0.40%	1
SDHC PM Replacement Reserve	Wells Fargo	\$0.26	0.16%	\$0.26	100.00%	\$0.00	1	0.40%	1
Total Cash Accounts		\$32.84	19.77%	\$32.84	100.00%	\$0.00	1	0.30%	1

Investments - Liquid Pooled Investments	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Local Agency Investment Fund	State of CA	\$16.51	9.94%	\$16.51	100.00%	\$0.00	1	2.29%	1
San Diego Foundation	TSDf	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
SD County Investment Pool	County of SD	\$13.07	7.87%	\$13.07	100.00%	\$0.00	1	2.97%	1
Total Pooled Investments		\$29.58	17.81%	\$29.58	100.00%	\$0.00	1	2.59%	1
Total Agency Bond Investments		\$107.40	62.43%	\$103.71	95.99%	\$12.98	1,479	2.54%	794

Total Cash & Investments		\$169.83	100.00%	\$166.13	97.50%	\$12.98	924	2.11%	496
-------------------------------------	--	-----------------	----------------	-----------------	---------------	----------------	------------	--------------	------------

Statement of Compliance:

I certify to the best of my knowledge and belief that all investment transactions executed have been in full compliance with the investment policy of the San Diego Housing Commission.

Executive V.P., Business Administration

Date

March 1, 2024