



INFORMATIONAL REPORT

DATE ISSUED: July 11, 2024

REPORT NO: HCR24-059

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 19, 2024

SUBJECT: Investment Report – Third 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 March 31, 2024. 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 March 31, 2024, was \$162.86 million, compared to \$166.13 million in the previous quarter, resulting in an overall investment portfolio decrease of \$3.27 million. On March 31, 2024, the overall investment portfolio had a yield to maturity of 2.09 percent, average days to maturity of 442, and an effective duration of 1.12 years, compared to the overall investment portfolio on December 31, 2023, which had a yield to maturity of 2.11 percent, average days to maturity of 496, and an effective duration of 1.25 years.

Cash and cash equivalents (liquid)

1. \$44.57 million is held in various accounts, including the Housing Commission's bank, US Bank (\$34.7 million) and other various authorized accounts required by lending agreements and program obligations (\$9.87 million).
2. \$16.87 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 1.33 percent, a decrease of .05 percent from the previous quarter.

Core investments

1. \$101.43 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

The blended yield on core investments was 2.55 percent, an increase of .01 percent from 2.54 percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio decreased \$3.27 million compared to the prior quarter of \$166.13 million. The \$3.27 million decrease during the quarter was mainly due to a \$2.30 million increase in costs in the Housing Instability Prevention Program and Bridge Shelters and renovations costs of \$0.82 million for the newly acquired Pacific Village property.

The overall investment portfolio yield was 2.09 percent, compared to 2.11 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 conclusion of the January 31, 2024, and March 20, 2024, meetings. This marks the fifth consecutive meeting the rate has held steady at 5.25% - 5.50%. Despite the recent leveling of both inflation and employment, Federal Reserve Chairperson Jerome Powell remains cautious and likely will hold terminal rates in place until there is greater clarity on the trajectory of consumer prices. Much has been written about the departure point for rate cuts; however, it is equally important from a Federal Reserve's perspective to message the pace of future moves as well.

The Housing Commission's investment portfolio is well-positioned for lower rates in 2024 and 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) SDHC Quarterly Financial Investment Report Ending March 31, 2024

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.

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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.

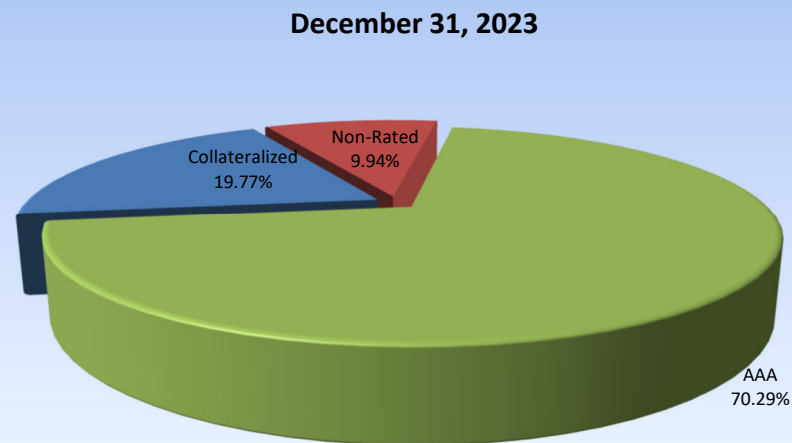
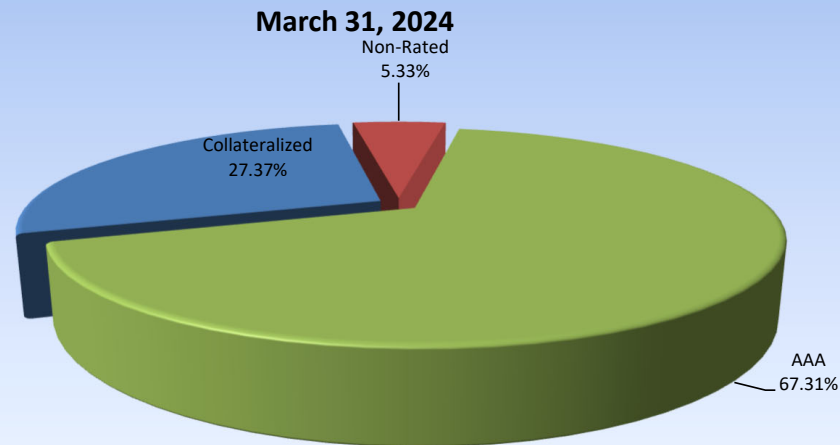
SAN DIEGO HOUSING COMMISSION

PORTFOLIO SUMMARY BY INVESTMENT TYPE

March 31, 2024								
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	\$34.70	20.81%	\$34.70	100.00%	\$0.00	1	0.30%	1
Cash - restricted	\$9.87	5.92%	\$9.87	100.00%	\$0.00	1	0.29%	1
Local Agency Investment Fund (LAIF)	\$8.68	5.21%	\$8.68	100.00%	\$0.00	1	3.92%	1
San Diego County Investment Pool (SDCIP)	\$8.19	4.91%	\$8.19	100.00%	\$0.00	1	4.22%	1
Total liquid investments	\$61.44	36.85%	\$61.44	100.00%	\$0.00	1	1.33%	1
Agency Bonds	\$105.29	63.15%	\$101.43	93.72%	\$3.86	1,479	2.55%	709
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$105.29	63.15%	\$101.43	93.72%	\$3.86	1,479	2.55%	709
Total liquid and core investments	\$166.72	100%	\$162.86	96.09%	\$3.86	921	2.09%	442
Current Portfolio Effective Duration	1.12 Years							

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							

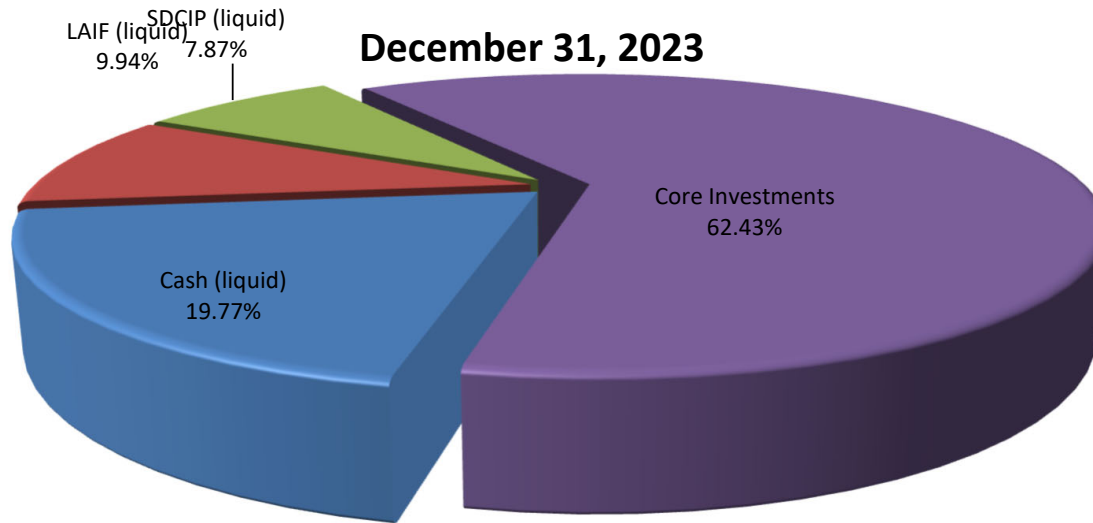
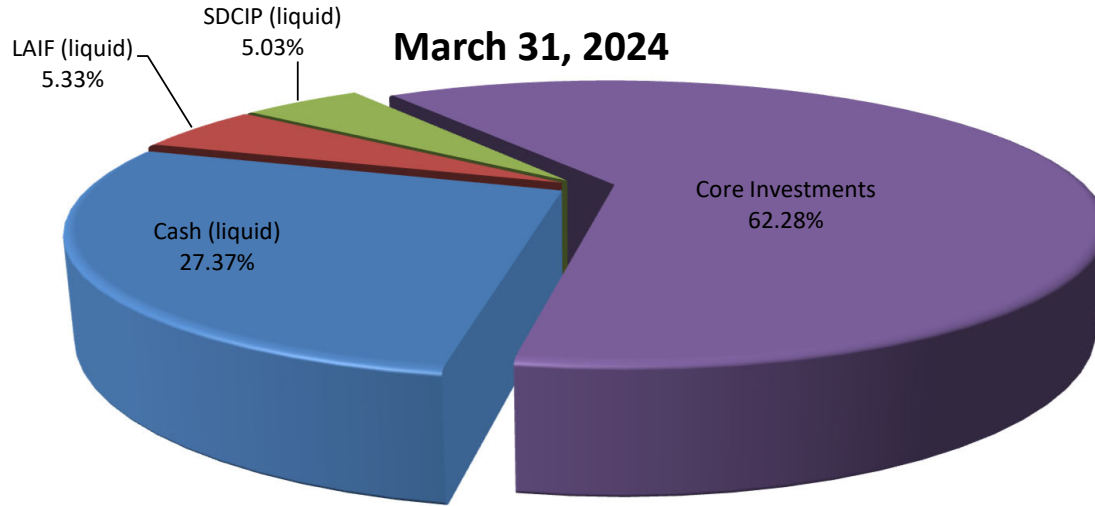
PORTFOLIO CREDIT QUALITY* BY QUARTER



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

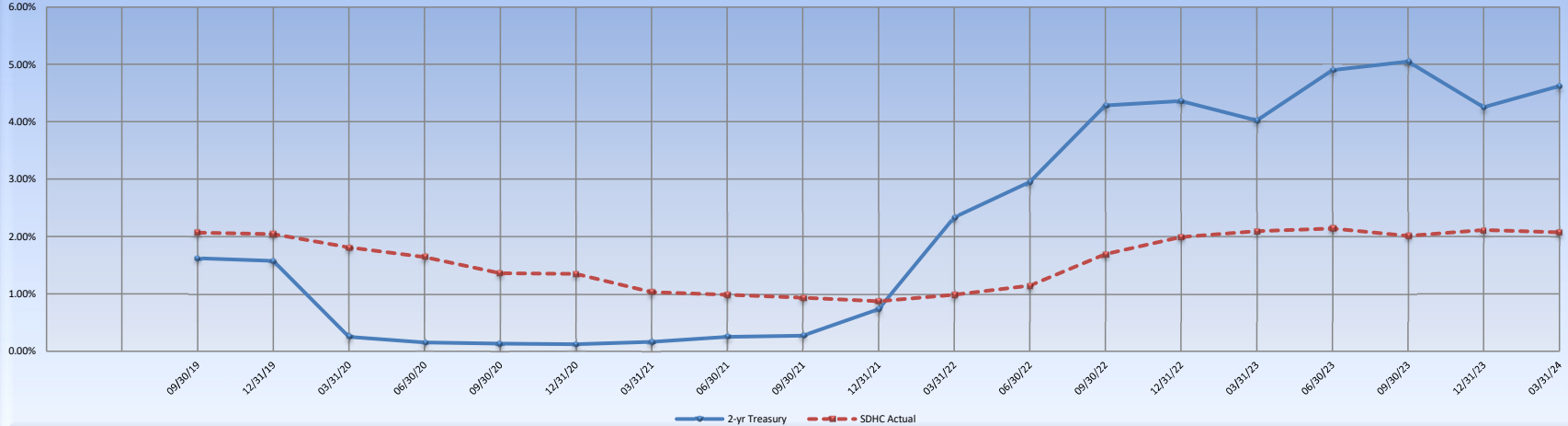


Market Value in Millions			
	12/31/23	03/31/24	Variance
Cash (liquid)	\$ 32.84	\$ 44.57	\$ 11.72
LAIF (liquid)	\$ 16.51	\$ 8.68	\$ (7.83)
SDCIP (liquid)	\$ 13.07	\$ 8.19	\$ (4.88)
Core Investments	\$ 103.71	\$ 101.43	\$ (2.28)
Total	\$ 166.13	\$ 162.86	\$ (3.27)

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	44.57	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44.57
LAIF	8.68	-	-	-	-	-	\$ 8.68
SDCIP	8.19	-	-	-	-	-	\$ 8.19
Agency Bonds	0.17	24.63	38.35	17.19	21.09	-	\$ 101.43
CD (FDIC)	-	-	-	-	-	-	\$ -
Total	\$ 61.61	\$ 24.63	\$ 38.35	\$ 17.19	\$ 21.09	\$ -	\$ 162.86
Percent	37.83%	15.12%	23.55%	10.56%	12.95%	0.00%	100.00%

2-Year Treasury Note vs. SDHC Actual Yield



San Diego Housing Commission
Portfolio Holdings Detail

As of **March 31, 2024**

Investments - Liquid	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash Accounts									
SDHC Operating Account	U.S. Bank	\$34.70	21.31%	\$34.70	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Operating	U.S. Bank	\$0.17	0.11%	\$0.17	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	\$0.08	0.05%	\$0.08	100.00%	\$0.00	1	0.05%	1
Central FNMA LLC Operating	U.S. Bank	\$0.99	0.61%	\$0.99	100.00%	\$0.00	1	0.30%	1
Central FNMA LLC Security Deposit	U.S. Bank	\$0.14	0.09%	\$0.14	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	\$0.29	0.18%	\$0.29	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	\$0.05	0.03%	\$0.05	100.00%	\$0.00	1	0.05%	1
Central FHA LLC Operating	U.S. Bank	\$0.57	0.35%	\$0.57	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	\$0.34	0.21%	\$0.34	100.00%	\$0.00	1	0.05%	1
Northern FHA LLC Operating	U.S. Bank	\$0.47	0.29%	\$0.47	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	0.12%	\$0.19	100.00%	\$0.00	1	0.05%	1
Southern FHA LLC Operating	U.S. Bank	\$0.78	0.48%	\$0.78	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	0.29%	\$0.47	100.00%	\$0.00	1	0.05%	1
Hotel Sandford Rep. Res. (7828)	U.S. Bank	\$0.26	0.16%	\$0.26	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	\$0.53	0.33%	\$0.53	100.00%	\$0.00	1	0.30%	1
SDHC Building Opportunities	Banc of California	\$0.20	0.12%	\$0.20	100.00%	\$0.00	1	0.40%	1
Red Loan Courtyard	Red Mortgage	\$0.01	0.01%	\$0.01	100.00%	\$0.00	1	0.40%	1
For Benefit of the County of SD	U.S. Bank	\$0.01	0.01%	\$0.01	100.00%	\$0.00	1	0.40%	1
PMCO operating accounts	Wells Fargo	\$0.91	0.56%	\$0.91	100.00%	\$0.00	1	0.40%	1
PMCO security deposits	Wells Fargo	\$0.51	0.32%	\$0.51	100.00%	\$0.00	1	0.40%	1
SDHC PM Operating Reserve	U.S. Bank	\$1.87	1.15%	\$1.87	100.00%	\$0.00	1	0.40%	1
SDHC PM Replacement Reserve	Wells Fargo	\$0.21	0.13%	\$0.21	100.00%	\$0.00	1	0.40%	1
Total Cash Accounts		\$44.57	27.37%	\$44.57	100.00%	\$0.00	1	0.30%	1
Investments - Liquid Pooled Investments									
Local Agency Investment Fund	State of CA	\$8.68	5.33%	\$8.68	100.00%	\$0.00	1	3.92%	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	\$8.19	5.03%	\$8.19	100.00%	\$0.00	1	4.22%	1
Total Pooled Investments		\$16.87	10.36%	\$16.87	100.00%	\$0.00	1	4.06%	1
Investments - Core									
Agency MBS									
Total Agency Bond Investments		\$105.29	62.28%	\$101.43	93.72%	\$9.53	1,479	2.55%	709
Total Cash & Investments		\$166.72	100.00%	\$162.86	96.09%	\$9.53	921	2.09%	442

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.

June 3, 2024

Executive V.P., Business Administration _____ Date