



INFORMATIONAL REPORT

DATE ISSUED: March 6, 2025 **REPORT NO:** HCR25-028
ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners For the Agenda of March 14, 2025
SUBJECT: Investment Report – First Quarter Fiscal Year 2025
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 (SDHC) investment portfolio as of September 30, 2024. The report includes both summary and detailed information on all liquid cash and cash equivalents and core investments owned by SDHC. These funds, however, are not indicative of funds available for discretionary use as they are: 1) earmarked for loans and grants that SDHC has committed to fund through approval by the SDHC Board of Commissioners (Board); 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 September 30, 2024, was \$157.39 million, compared to \$160.59 million in the previous quarter, resulting in an overall investment portfolio decrease of \$3.2 million. On September 30, 2024, the overall investment portfolio had a yield to maturity of 3.18 percent, average days to maturity of 484 and a current Portfolio Average Maturity of 1.33 years, compared to the overall investment portfolio on June 30, 2024, which had a yield to maturity of 3.16 percent, average days to maturity of 551 and an effective duration of 1.51 years.

Cash and cash equivalents (liquid)

1. \$44.05 million is held in various accounts, including SDHC's bank, US Bank (\$32.69 million) and other various authorized accounts required by lending agreements and program obligations (\$11.36 million).
2. \$17.39 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 pooled investment funds was 4.14%, which is a decrease of 0.12% from the previous quarter.

Core investments

1. \$95.95 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS) and Asset Backed Securities (ABS).

The blended yield on core investments was 3.01 percent, which is an increase of .02 percent from 2.99

percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio decreased \$3.2 million compared to the prior quarter. The \$3.2 million decrease during the quarter was mainly due to payments made to assist families displaced from their homes by the January 2024 floods, which increased \$4.6 million; payments toward capital construction and ongoing rental assistance costs, which reflected an increase of \$3.7 million in the use of Moving to Work (MTW) funds; and \$2.5 million in asset management costs. These increases in the uses of funds were partially offset by SDHC receiving \$7.8 million more in funding from the City of San Diego to for various homelessness shelters.

SDHC STRATEGIC PLAN

This item relates to the Core Value “Believe in transparency and being good financial stewards” in SDHC’s Strategic Plan for Fiscal Years (FY) 2022 – 2024. SDHC is in the process of developing a new Strategic Plan.

CONCLUSION

In September of 2024, the Fed began a series of monetary policy adjustments in response to easing inflation and a weaker labor market. At the conclusion of their September 18th meeting they reduced the Federal Funds target rate by 50 basis to a range of 4.75% to 5.00%, marking its first rate cut in four years.

Financial markets exhibited notable volatility during this period. U.S. equity markets reached new highs, with the S&P 500 Index rising 5.53% over the quarter, driven by strength across various sectors, including interest-rate sensitive and cyclical industries.

In anticipation of further reductions in the Fed Funds target rate at subsequent meetings in 2024 and into 2025, yields on short term U.S. Treasury securities fell over 100 basis points from 4.75% on June 30, 2024, to 3.64% on September 30, 2024.

SDHC’s investment portfolio maintains its conservative profile with high-quality, short-duration core investments and sufficient cash and liquidity to meet SDHC’s anticipated expenditures.

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.

On November 19, 2024, SDHC issued a Request for Proposals (RFP) for Financial Advisor Services from qualified, licensed, and insured firms to provide financial advisory services with a submittal deadline of December 19, 2024. SDHC is proceeding in accordance with its procurement policies. The successful proposer will assist SDHC with analytical, advisory and support services on matters of financial investment planning and general fund management. Services include monthly review of SDHC’s investment portfolio and recommendations that provide security of principal and maximize yield while providing the necessary liquidity for SDHC’s operations. The scope also requires coordination of investment trades and assistance with the delivery of the securities and trade settlements. Evaluation of the portfolio, researching applicable regulations and providing technical market research, including detailed reports of investment portfolio activity, performance and evaluation are also included in the scope.

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 September 30, 2024

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC's offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of SDHC's 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.

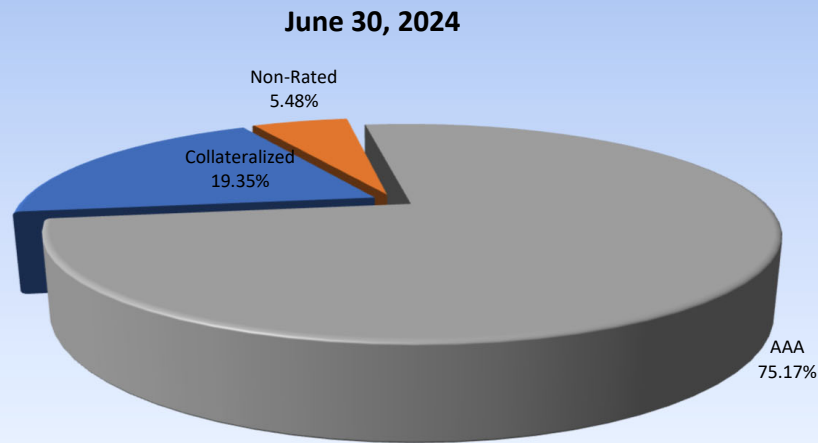
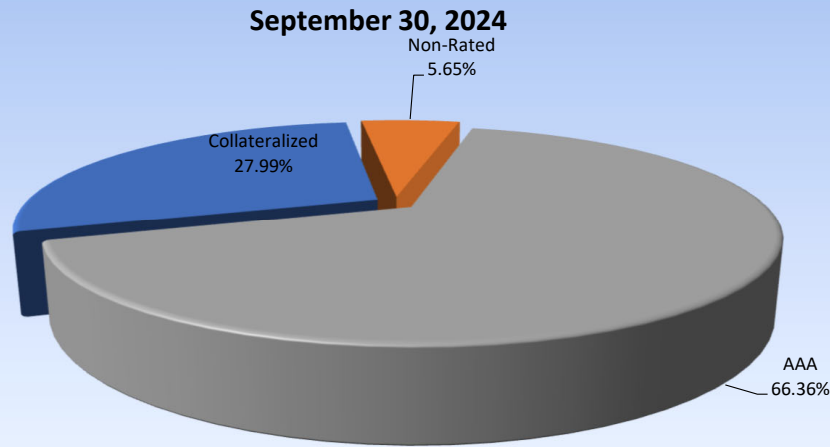
SAN DIEGO HOUSING COMMISSION

PORTFOLIO SUMMARY BY INVESTMENT TYPE

September 30, 2024								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Fair Market Value Adj.	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$32.69	20.65%	\$32.69					
Cash - restricted	\$11.36	7.18%	\$11.36					
Local Agency Investment Fund (LAIF)	\$8.90	5.62%	\$8.90	100.00%	\$0.00	1	4.58%	1
San Diego County Investment Pool (SDCIP)	\$8.49	5.36%	\$8.49	100.00%	\$0.00	1	3.67%	1
Total liquid investments	\$61.44	38.81%	\$61.44	100.00%	\$0.00	1	4.14%	1
Agency Bonds	\$96.85	61.19%	\$95.95	97.52%	\$0.90	1,405	3.01%	572
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$96.85	61.19%	\$95.95	97.52%	\$0.90	1,405	3.01%	572
Total liquid and core investments	\$158.29	100%	\$157.39	97.90%	\$0.90	1,190	3.18%	484
Current Portfolio Average Maturity	1.33 Years							

June 30, 2024								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Fair Market Value Adj.	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$21.18	12.97%	\$21.18					
Cash - restricted	\$9.89	6.06%	\$9.89					
Local Agency Investment Fund (LAIF)	\$8.80	5.39%	\$8.80	100.00%	\$0.00	1	4.55%	1
San Diego County Investment Pool (SDCIP)	\$8.30	5.08%	\$8.30	100.00%	\$0.00	1	3.94%	1
Total liquid investments	\$48.17	29.50%	\$48.17	100.00%	\$0.00	1	4.25%	1
Agency Bonds	\$115.11	70.50%	\$112.42	97.69%	\$2.69	1,372	2.99%	635
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$115.11	70.50%	\$112.42	97.69%	\$2.69	1,372	2.99%	709
Total liquid and core investments	\$163.28	100%	\$160.59	98.00%	\$3.86	921	3.16%	551
Current Portfolio Average Maturity	1.51 Years							

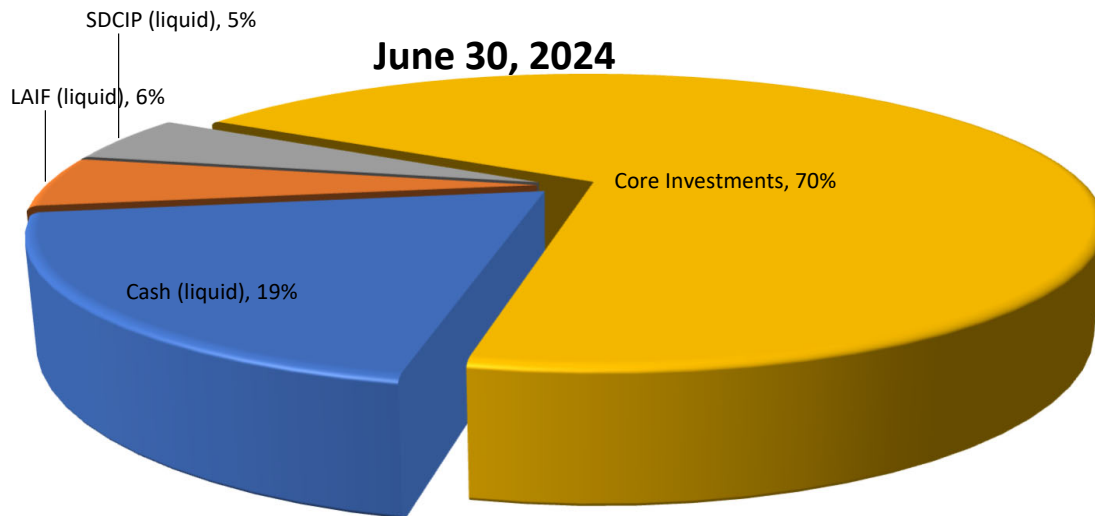
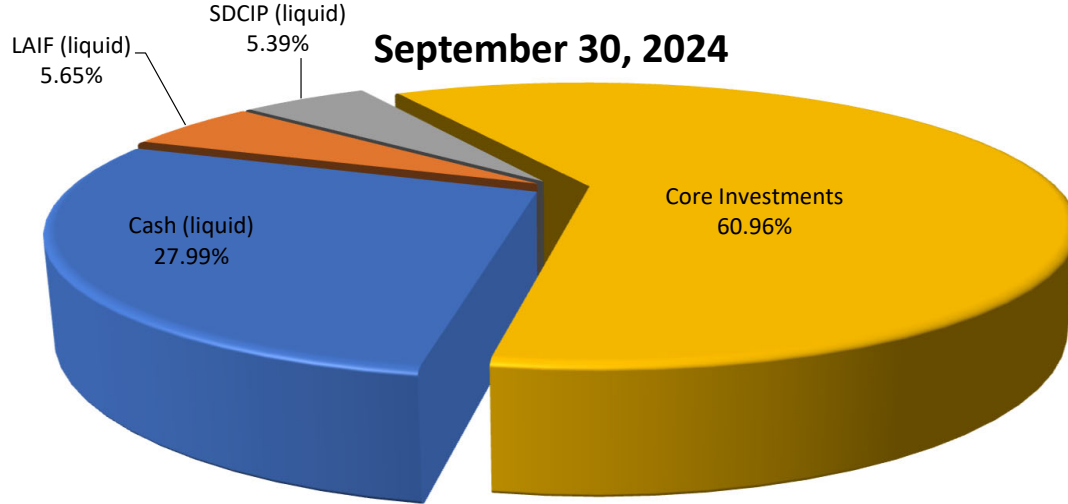
PORTFOLIO CREDIT QUALITY* BY QUARTER



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

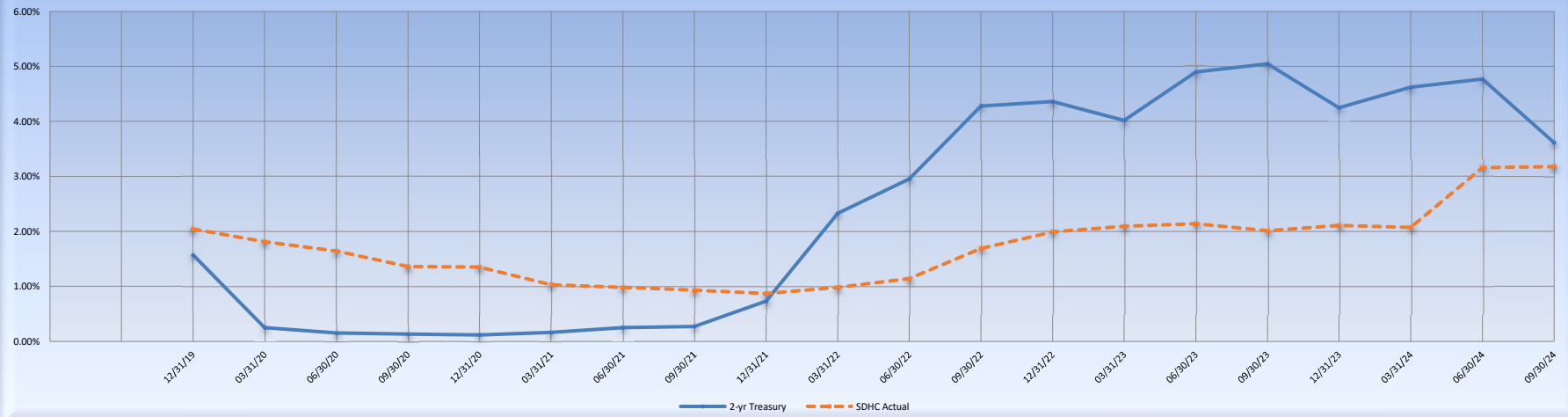


Market Value in Millions			
	06/30/24	09/30/24	Variance
Cash (liquid)	\$ 31.07	\$ 44.05	\$ 12.98
LAIF (liquid)	\$ 8.80	\$ 8.90	\$ 0.10
SDCIP (liquid)	\$ 8.30	\$ 8.49	\$ 0.19
Core Investments	\$ 112.42	\$ 95.95	\$ (16.47)
Total	\$ 160.59	\$ 157.39	\$ (3.20)

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	44.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44.05
LAIF	8.90	-	-	-	-	-	\$ 8.90
SDCIP	8.49	-	-	-	-	-	\$ 8.49
Agency Bonds	5.74	33.83	28.51	10.23	17.64	-	\$ 95.95
CD (FDIC)	-	-	-	-	-	-	\$ -
Total	\$ 67.18	\$ 33.83	\$ 28.51	\$ 10.23	\$ 17.64	\$ -	\$ 157.39
Percent	42.68%	21.49%	18.11%	6.50%	11.21%	0.00%	100.00%

2-Year Treasury Note vs. SDHC Actual Yield



GLOSSARY OF INVESTMENT TERMS

Agency - Privately owned, publicly chartered entities, such as Fannie Mae or Freddie Mac, created by Congress to reduce the cost of capital for certain borrowing sectors of the economy.

Blended Rate of Return - See Weighted Average Return.

Book Value - The value at which a security is carried on the financial records of an investor. The book value may differ significantly from the security's current value in the market or market value.

Basis Point (BP) - is one hundredth of a percentage point (0.01%). Basis points are often used to measure changes in yields between securities that often move in very

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. CDs are 100% collateralized and/or FDIC insured.

Collateralization - Process by which financial institutions pledge securities, property, or other deposits for the purpose of securing cash and investments.

CUSIP - Committee on Uniform Security Identification Procedures. A unique 9-character alphanumeric identifier assigned to a bond at the time it is issued.

Debenture - A bond secured only by the general credit of the issuer.

Effective Duration - A measure of price sensitivity of a fixed income portfolio given a parallel shift in interest rates. Lower duration (in years) = lower price sensitivity.

FDIC - Federal Deposit Insurance Corporation a federally sponsored corporation that insures accounts in national banks and other qualified institutions.

FFCB - Federal Farm Credit Bank, a GSE.

FHLB - Federal Home Loan Banks, a GSE.

FHLMC - Federal Home Loan Mortgage Corporation or Freddie Mac, a GSE.

FNMA - Federal National Mortgage Association or Fannie Mae, a GSE.

GSE (Agency) - Government Sponsored Enterprise. Privately owned, publicly chartered entities, such as Fannie Mae or Freddie Mac, created by Congress to reduce the cost of capital for certain borrowing sectors of the economy.

Liquidity - The ability to convert an asset to cash quickly.

Market Value - An estimation of the price that could be obtained for a particular investment or asset if it were sold in an arm's length transaction on the current market.

MBS - Mortgage-Backed Security is a type of asset-backed security that is secured by a mortgage or collection of mortgages where monthly interest and principle payments are often redirected to bondholders.

SDCIP - San Diego County Investment Pool.

SLY - Safety, Liquidity & Yield. An investment strategy where the primary objective is the Safety of principle first, the Liquidity of investments to meet operating requirements second and where Yield only considered after the requirements of Safety and Liquidity have been met.

S&P - Standard and Poors, a credit ratings agency

Unrealized Gain (Loss) - The difference between the book value of an investment and the current market value/price.

Weighted Average Return - The average yield on a group of investment that takes into account the proportional relevance of each component.

Yield-To-Maturity (YTM) - The rate of return yielded on a bond or other investment if it is held until the maturity date.