



SAN DIEGO
HOUSING
COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: May 1, 2025

REPORT NO: HCR25-038

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of May 9, 2025

SUBJECT: Investment Report – Second 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 December 31, 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, designated for property maintenance; and 4) required 3.5 percent of budgeted new revenue contingency reserves as detailed in the approved Fiscal Year 2025 budget.

The market value of the portfolio on December 31, 2024, was \$138.08 million, compared to \$157.39 million in the previous quarter, resulting in an overall investment portfolio decrease of \$19.31 million. On December 31, 2024, the overall investment portfolio had a yield to maturity of 3.55 percent, average days to maturity of 494 and a current Portfolio Average Maturity of 1.35 years, compared to the overall investment portfolio on September 30, 2024, which had a yield to maturity of 3.18 percent, average days to maturity of 484 and an effective duration of 1.33 years.

Cash and cash equivalents (liquid)

1. \$23.66 million is held in various accounts, including SDHC's bank, US Bank (\$11.53 million) and other various authorized accounts required by lending agreements and program obligations (\$12.13 million).
2. \$17.48 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 4.16 percent, which is an increase of 0.02 percent from the previous quarter.

Core investments

1. \$96.94 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 3.44 percent, which is an increase of 0.43 percent from 3.01 percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio decreased \$19.3 million compared to the prior quarter. The \$19.3 million decrease during the quarter was mainly due to second-quarter expenditures of higher amounts than expended in the first quarter, such as: \$4.7 million more in loans issued, \$5.3 million more in payments to fund homelessness shelters and services programs, \$2.0 million more in payments to other Housing Instability Prevention programs, \$1.73 million more in payments to assist families displaced from their homes by catastrophic floods, \$1.72 million more in the use of federal Moving to Work (MTW) funding for higher rental assistance costs, \$1.1 million more toward construction costs at Pacific Village, a property SDHC acquired with state Homekey funds in collaboration with the City of San Diego and County of San Diego to create 62 single-room occupancy affordable housing units with supportive services for people experiencing homelessness; \$0.85 million more for Rapid rehousing; and \$0.7 million more in supportive services costs.

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 Year (FY) 2022 - 2024. SDHC is in the process of developing a new Strategic Plan.

NONDISCRIMINATION ASSURANCE

At SDHC, we’re about people. We are committed to ensuring a compassionate, person-centered approach to SDHC’s programs, policies, projects and activities and serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

CONCLUSION

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.

SDHC is in the process of finalizing an agreement with a qualified firm for financial advisory services, which include but are not limited to reviewing the investment portfolio and making recommendations that maximize yield while providing the necessary liquidity for SDHC’s operations. In addition, they will assist with trade settlements, conduct an annual asset allocation review, and provide asset class research and recommendations. The firm will provide market analysis, investment education and training to staff and the SDHC Board, as needed. The analysis will cover a range of topics, including but not limited to: local economy, national economy, SDHC’s portfolio holdings and composition, sector analysis, return, weight average maturity, duration, performance objectives, and policy compliance. The fees for these services are based on assets under management with an amount not to exceed \$100,000 per year.

Respectfully submitted,



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

Approved by,



Lisa Jones
President and Chief Executive Officer
San Diego Housing Commission

Attachments: 1) SDHC Quarterly Financial Investment Report Ending December 31, 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

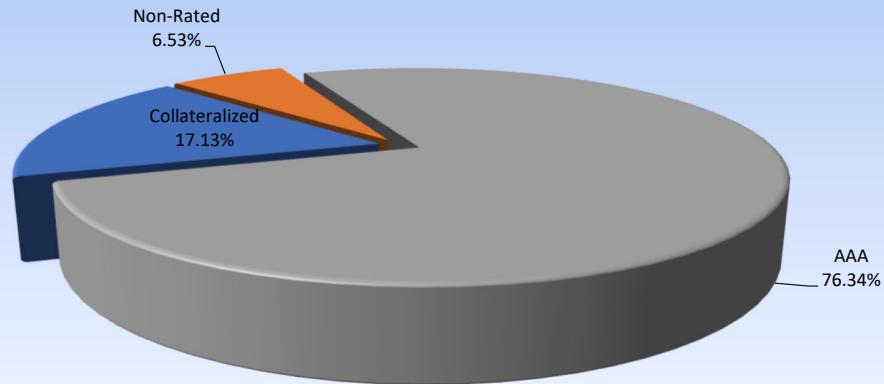
PORTFOLIO SUMMARY BY INVESTMENT TYPE

December 31, 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	\$11.53	8.27%	\$11.53					
Cash - restricted	\$12.13	8.70%	\$12.13					
Local Agency Investment Fund (LAIF)	\$9.01	6.46%	\$9.01	100.00%	\$0.00	1	4.55%	1
San Diego County Investment Pool (SDCIP)	\$8.47	6.07%	\$8.47	100.00%	\$0.00	1	3.75%	1
Total liquid investments	\$41.14	29.50%	\$41.14	100.00%	\$0.00	1	4.16%	1
Agency Bonds	\$98.34	70.50%	\$96.94	98.61%	\$1.40	1,378	3.44%	583
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$98.34	70.50%	\$96.94	98.61%	\$1.40	1,378	3.44%	583
Total liquid and core investments	\$139.48	100%	\$138.08	98.82%	\$1.40	1,168	3.55%	494
Current Portfolio Average Maturity		1.35 Years						

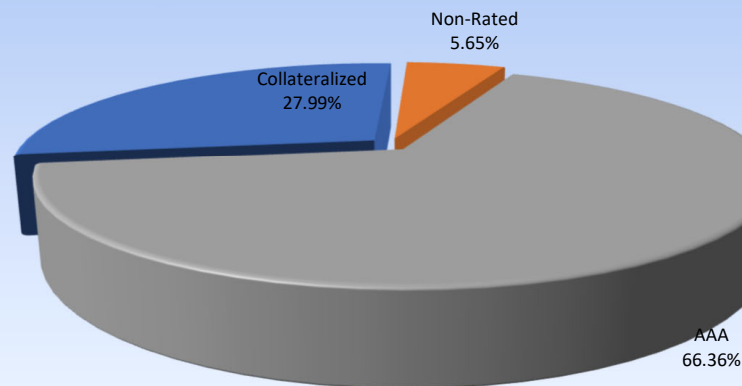
September 30, 2024								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Fair Market Value Adj.	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$32.69	20.65%	\$32.69					
Cash - restricted	\$11.36	7.18%	\$11.36					
Local Agency Investment 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						

PORTFOLIO CREDIT QUALITY* BY QUARTER

December 31, 2024



September 30, 2024

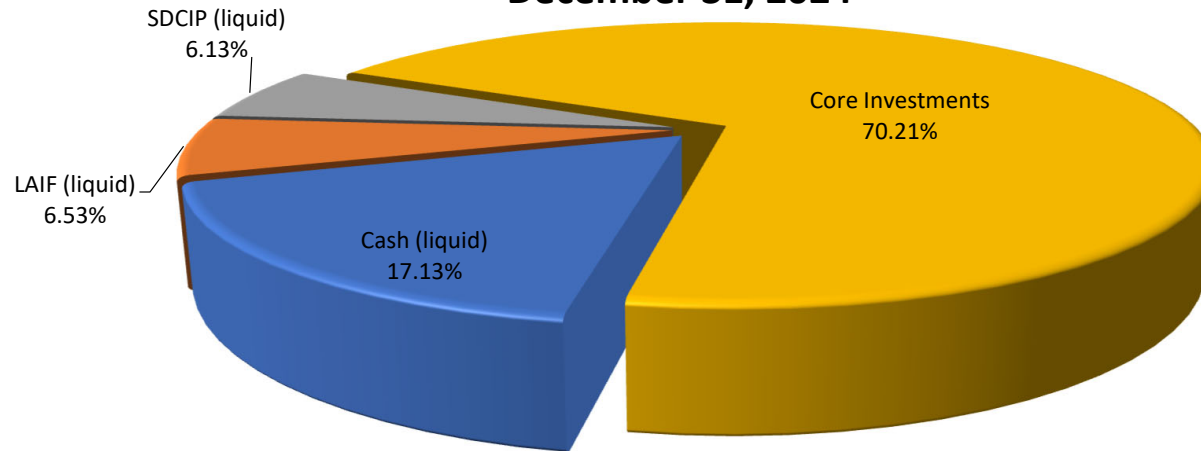


Note: Mortgage-backed securities (MBS) are included with other AAA rated securities. While the rating agencies do not specifically rate MBS, they carry an implied AAA rating based on the collateral and the rating of the Agency (Fannie/Freddie) that issues/guarantees them.

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.

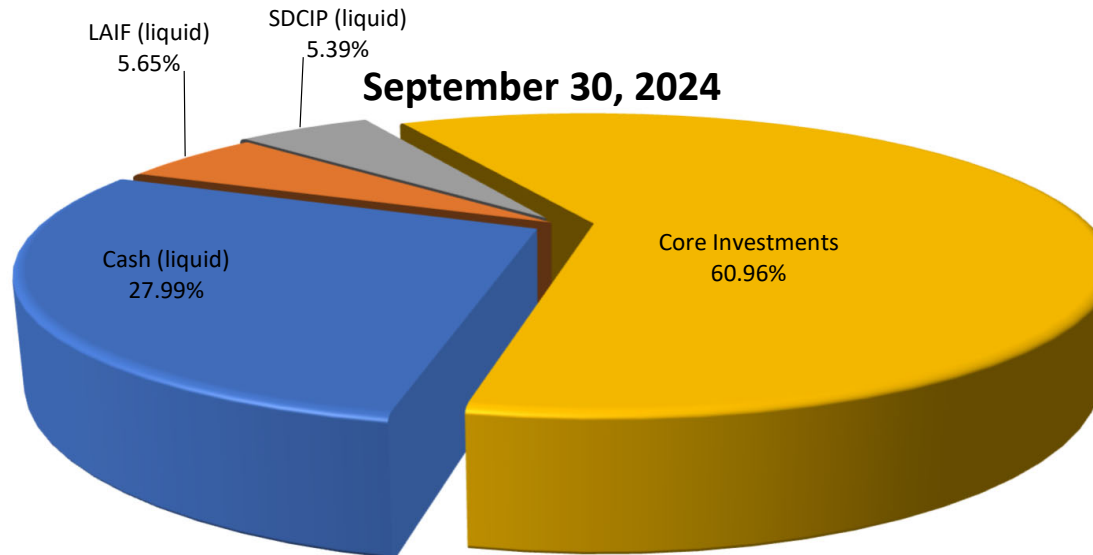
ASSET ALLOCATION BY QUARTER

December 31, 2024



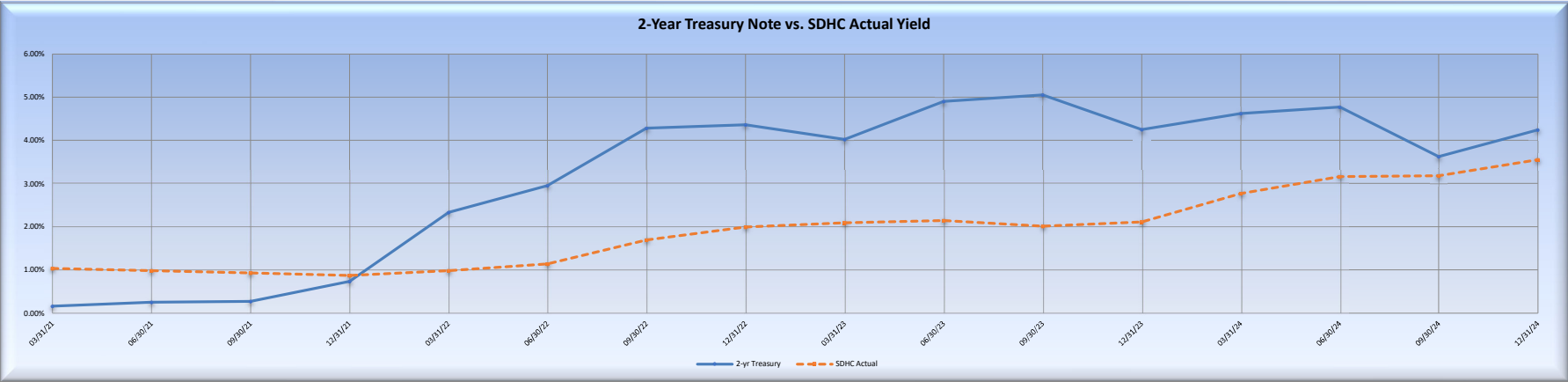
Market Value in Millions			
	09/30/24	12/31/24	Variance
Cash (liquid)	\$ 44.05	\$ 23.66	\$ (20.39)
LAIF (liquid)	\$ 8.90	\$ 9.01	\$ 0.11
SDCIP (liquid)	\$ 8.49	\$ 8.47	\$ (0.02)
Core Investments	\$ 95.95	\$ 96.94	\$ 0.99
Total	\$ 157.39	\$ 138.08	\$ (19.31)

September 30, 2024



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	23.66	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23.66
LAIF	9.01	-	-	-	-	-	\$ 9.01
SDCIP	8.47	-	-	-	-	-	\$ 8.47
Agency Bonds	4.69	28.97	29.82	13.68	19.78	-	\$ 96.94
CD (FDIC)	-	-	-	-	-	-	\$ -
Total	\$ 45.83	\$ 28.97	\$ 29.82	\$ 13.68	\$ 19.78	\$ -	\$ 138.08
Percent	33.19%	20.98%	21.60%	9.91%	14.33%	0.00%	100.00%



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.