



INFORMATIONAL REPORT

DATE ISSUED: February 8, 2024

REPORT NO: HCR24-032

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of February 16, 2024

SUBJECT: Investment Report – 1st 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 Sept 30, 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 September 30, 2023, was \$173.51 million, compared to \$161.92 million in the previous quarter, resulting in an overall investment portfolio increase of \$11.59 million. On September 30, 2023, the overall investment portfolio had a yield to maturity of 2.01 percent, average days to maturity of 523, and an effective duration of 1.21 years, compared to the overall investment portfolio on June 30, 2023, which had a yield to maturity of 2.14 percent, average days to maturity of 610, and an effective duration of 1.52 years.

Cash and cash equivalents (liquid)

1. \$39.14 million is held in various accounts, including the Housing Commission's bank, US Bank (\$27.92 million) and other various authorized accounts required by lending agreements and program obligations (\$11.23 million).
2. \$29.27 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 2.01 percent, which is a decrease of 0.13 percent from the previous quarter.

Core investments

3. \$105.10 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

The blended yield on core investments was 2.49 percent, which is an increase of 0.16 percent from 2.33 percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio increased of \$11.59 million compared to the prior quarter of \$176.45 million. The \$11.59 million increase during the quarter was mainly due to Moving to Work revenues received in anticipation for upcoming acquisitions.

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 raised the Federal Funds rate by 0.25% at the May 3, 2023, meeting, and as expected, held steady with no rate change at the June 14, 2023, meeting. This positioned the Federal Funds rate at that time to 5.25%. Recent economic data, the downward revisions to Non-Farm Payrolls and the spike in the unemployment rate offer additional confirmation the Fed tightening remains a powerful tool, that policy works with a lag, and the pace of the hiking cycle is uncertain for the remainder of 2023.

The Housing Commission's investment portfolio is well-positioned for a continued rate hike in 2023 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 V.P., Business Administration
and Chief Financial Officer

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) SDHC Quarterly Financial Investment Report Ending Sept 30, 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.