



INFORMATIONAL REPORT

DATE ISSUED: February 20, 2009
REPORT NO: HCR09-010
SUBJECT: Second Quarter FY09 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the \$94.37 million investment portfolio as of December 31, 2008 and includes information on each account, issuer, amount, percentage of total portfolio, term, unrealized gain or loss, yield and remaining days to maturity. For comparative purposes, Attachment 2 reflects the status of the investment portfolio as of September 30, 2008. Overall portfolio yield in the last quarter has decreased a very modest 0.06% changing from 3.43% to 3.37%.

BACKGROUND

On August 19, 2005 the San Diego Housing Commission approved an Investment Policy which provides the surplus funds, not required for the immediate necessities of the local agency, may be invested 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 approved Investment Policy contains provisions concerning the Standard of Care that include Prudence, Ethics, Conflict of Interest and Delegation of Authority. Additional provisions of the Investment Policy covered the General Objectives of Safety, Liquidity, Yield and Local Considerations; Authorized Financial Institutions, Depositories and Broker/Dealer; Safekeeping and Custody of Investment Instruments; Authorized and Suitable Investments; Collateralization and Diversification.

Also, the Investment Policy contains a Reporting requirement that states:

“The Investment Officer shall submit to each member of the Board of Commissioners a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, book values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the San Diego Housing Commission will

meet its expenditure obligations for the next six months. [DCGC 53646(b)]. The Investment Officer shall maintain a complete and timely record of all investment transactions.”

DISCUSSION

Despite continued declines in the U.S. and world economies as a whole, we have been able to maintain a steady blended rate of return in the second quarter of this fiscal year dropping only 0.06%. This is a direct result of closely managing our portfolio and working diligently with our investment advisor to find quality investments. During this period our overall portfolio yield changed from 3.43% to 3.37%.

With no immediate turnaround in our economy expected, we are continuing to create a smooth blend of short and long term liquid investments. This should give us the ability to meet anticipated cash flow needs, maintain the yield on our investment portfolio, limit interest rate risk and give us the ability to act quickly when the market changes and/or sound investment opportunities present themselves.

A summary of the comparison between the last period and this reporting period show the average original term of investments has increased from 476 days to 590 and our days to maturity has increased from 439 to 529. This is a result of our continued efforts to protect the yield on our portfolio by locking rates for 2-3 years on a portion of our investments. We anticipate the “call” feature to be exercised on a number of our investments thus reducing the actual days significantly.

This report includes all money under the direction or care of the San Diego Housing Commission. As of December 31, 2008, the monies are invested in the following manner:

1. \$0.68 million is held in the main Housing Commission authorized checking account that provides for earnings credit on the account balance. This earnings credit is utilized to pay for the normal bank services. The current rate of return is 1.00% and has decreased over the last quarter’s rate of 1.98%.
2. \$0.67 million is held in several other Housing Commission authorized accounts that provide interest earnings. It includes accounts required by lending institutions that have provided loans for the Housing Commission. The current blended rate of return is 0.08% compared to 0.36% last quarter.
3. \$1.00 million was held with US Bank in Repurchase Agreements (Repos). Repos are used to invest funds that have a specific purpose and will usually be consumed within the next 1 to 7 days. The advantage of using Repos over the main checking account is they provide an actual cash return rather than

“use it or loose it” credits for bank services. The return this period was 1.90%.

4. \$26.88 million is held with the State of California LAIF, a \$23.39 billion fund managed by the State Treasurer’s office. State law allows local agencies to invest up to \$40 million in LAIF and HUD permits the investment of 30% of HUD funds with LAIF. LAIF is highly liquid and funds may be accessed easily for immediate needs. The second quarter return is 2.54% and down from last quarter’s return of 2.78%.
5. \$62.87 million is held in Agency Bonds. The blended rate of return during the second quarter was 3.82% over 3.96% in the prior period. Our investment in Agency bonds increase by approximately \$8.78 million over the last quarter. This increased investment in Agency bonds is the direct reason for a steady blended rate of return on the investment portfolio as a whole.
6. \$2.27 million is held with Neighborhood National Bank (NNB), a fully FDIC insured CD, and fully collateralized CDs with US Bank as required by HUD and the Housing Commission’s investment policy. The current rate of return is 3.15 as compared to 2.97% in the last quarter. There were no new investments in CDs during this period. The prior period was a blended rate of return between the NNB CD at 3.15% and a lower yield US Bank CD that matured during the period thereby increasing blended percentage yield on this investment class.

CONCLUSION

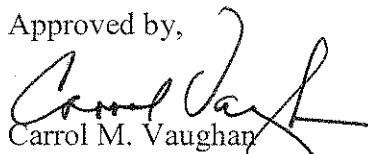
It is recommended that the Housing Commission continue to work on forward-thinking strategies. With approximately 30% of our portfolio invested in the highly liquid LAIF fund, the Housing Commission should continue to invest in securities with a longer maturity while maintaining its ability to meet liquidity needs.

We continue to expand our investment portfolio further into Agency Bonds. As predicted, they have provided an immediate positive impact on our portfolio and have resulted in a steady return over the prior period. These investments have helped further secure our portfolio, diversify our interest rate risk and increase the yield in spite of the most troubling economies in the Housing Commission’s existence.

Respectfully submitted,


John Pfeiffer
Chief Financial Officer

Approved by,


Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

- Attachment(s):
1. Summary of Portfolio Balances as of December 31, 2008
 2. Summary of Portfolio Balances as of September 30, 2008
 3. Local Agency Investment Fund Statement as of December, 2008

San Diego Housing Commission
Cash and Investment Report
As of December 31, 2008

A. Description of Investment Portfolio

The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD programs. The investment options currently utilized include the Local Agency Investment Fund of the State of California, Agency Bonds and certificates of deposits.

B. Summary of Investment Portfolio for Quarter Ending 12/31/2008

Account Type	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Checking Account									
1 SDHC Operating Account	U.S. Bank	\$0.68	0.72%	\$0.68	100.00%	\$0.00	1	1.00%	1
2 CDBG Loan Loss Res Acct.	Wells Fargo	\$0.08	0.08%	\$0.08	100.00%	\$0.00	1	0.08%	1
3 Maya Apartments Cap Repl. Res	WaMu	\$0.60	0.63%	\$0.60	100.00%	\$0.00	1	0.08%	1
Sub-total Checking Accounts		\$1.35	1.43%	\$1.35	100.00%	\$0.00	1	0.54%	1
Repurchase Agreement									
		\$1.00	1.06%	\$1.00	100.00%	\$0.00	1	1.90%	1
		\$1.00	1.06%	\$1.00	100.00%	\$0.00	1	1.90%	1
Local Agency Investment Fund	State of CA	\$26.88	28.48%	\$26.88	100.00%	\$0.00	1	2.54%	1
Agency Bonds									
3128X7M84	FHLMC	\$2.00	2.12%	\$2.00	100.01%	\$0.00	365	3.10%	184
3133XSJ82	FHLB	\$2.00	2.12%	\$2.00	100.16%	\$0.00	358	3.39%	293
3128X6X76	FHLMC	\$2.00	2.11%	\$2.01	100.29%	\$0.01	478	3.43%	415
3128X67H3	FHLMC	\$1.99	2.11%	\$2.01	100.29%	\$0.01	498	3.47%	434
31398ABT8	FNMA	\$1.01	1.07%	\$1.02	101.56%	\$0.01	674	3.95%	499
3133XSDB1	FHLB	\$1.00	1.06%	\$1.00	100.09%	\$0.00	730	3.90%	653
3133XSHP6	FHLB	\$1.40	1.49%	\$1.40	100.13%	\$0.00	730	3.93%	658
3133XSHP6	FHLB	\$0.60	0.64%	\$0.60	100.13%	\$0.00	730	3.95%	658
3133XELN7	FHLB	\$1.01	1.07%	\$1.01	100.53%	\$0.00	955	4.46%	778
3128X4N56	FHLMC	\$2.01	2.13%	\$2.01	100.62%	\$0.00	951	4.66%	785
3128X4N56	FHLMC	\$1.01	1.07%	\$1.01	100.62%	\$0.00	927	4.67%	785
3136F9TX1	FNMA	\$0.99	1.05%	\$1.01	100.66%	\$0.01	1,003	4.02%	812
3128X4S44	FHLMC	\$1.01	1.07%	\$1.01	101.04%	\$0.00	972	4.71%	813
31398APR7	FNMA	\$1.00	1.06%	\$1.01	100.56%	\$0.01	932	3.23%	821
31359MK93	FNMA	\$1.01	1.07%	\$1.01	101.16%	\$0.00	993	4.61%	826
3133XFL95	FHLB	\$1.01	1.07%	\$1.02	101.81%	\$0.01	1,044	4.62%	869
3136F7B48	FNMA	\$2.02	2.14%	\$2.03	101.47%	\$0.01	1,021	4.77%	869
3128X7S28	FHLMC	\$1.00	1.06%	\$1.00	100.47%	\$0.00	912	4.77%	869
31398ARU8	FNMA	\$1.00	1.06%	\$1.01	101.19%	\$0.01	933	3.49%	883
3136F7F44	FNMA	\$2.02	2.14%	\$2.04	102.22%	\$0.02	1,036	3.63%	891
3136F9UP6	FNMA	\$2.00	2.12%	\$2.03	101.53%	\$0.03	1,095	4.69%	903
31398ASQ6	FNMA	\$1.01	1.07%	\$1.02	101.59%	\$0.01	961	4.02%	905
3128X7K52	FHLMC	\$1.00	1.06%	\$1.00	100.07%	\$0.00	1,089	3.76%	918
3128X7P57	FHLMC	\$1.51	1.60%	\$1.53	101.73%	\$0.02	1,024	4.63%	919

3136F9YH0	\$2.00	FNMA	\$2.01	2.13%	\$2.00	100.19%	-\$0.01	1,071	4.08%	932
3128X7R48	\$1.00	FHLMC	\$1.01	1.07%	\$1.02	101.56%	\$0.01	1,042	3.76%	939
3128X7R48	\$1.00	FHLMC	\$1.01	1.07%	\$1.02	101.56%	\$0.01	981	3.77%	939
3133XGKA1	\$2.00	FHLB	\$2.02	2.14%	\$2.01	100.59%	\$0.00	1,102	4.95%	960
31398ATD4	\$1.00	FNMA	\$1.00	1.06%	\$1.02	102.03%	\$0.02	997	3.86%	960
31398ATV4	\$2.00	FNMA	\$2.00	2.12%	\$2.01	100.56%	\$0.01	1,095	4.12%	981
3136F9F24	\$1.00	FNMA	\$1.01	1.07%	\$1.02	102.19%	\$0.02	1,025	3.74%	982
3133XHKY7	\$2.00	FHLB	\$2.04	2.16%	\$2.07	103.56%	\$0.03	1,086	4.56%	1,030
3128X73Q5	\$2.00	FHLMC	\$2.01	2.13%	\$2.00	100.21%	\$0.00	1,095	4.59%	1,031
3128X73J1	\$1.50	FHLMC	\$1.50	1.59%	\$1.50	100.21%	\$0.00	1,095	4.43%	1,031
3128X7VW1	\$1.00	FHLMC	\$1.00	1.06%	\$1.00	100.43%	\$0.00	1,098	3.91%	1,056
3133XSQC5	\$2.00	FHLB	\$2.01	2.13%	\$2.02	100.75%	\$0.01	1,095	3.19%	1,093
3128X75N0	\$1.00	FHLMC	\$1.00	1.06%	\$1.00	100.45%	\$0.00	1,278	3.91%	1,252
3128X8BU5	\$2.00	FHLMC	\$2.01	2.13%	\$2.00	99.83%	-\$0.01	1,278	2.90%	1,269
31402CYT3	\$3.09	FNMAP	\$3.22	3.41%	\$3.13	101.06%	-\$0.09	677	2.71%	670
31377PYD0	\$1.39	FNMAP	\$1.50	1.59%	\$1.45	104.16%	-\$0.05	425	2.56%	425
31377PR22	\$3.67	FNMAP	\$3.92	4.16%	\$3.81	103.91%	-\$0.11	366	2.54%	366
Sub-total Agency Bonds	\$62.15		\$62.87	66.62%	\$62.86	99.98%	-\$0.01	874	3.82%	787
Cartificate of Deposit (Escrow funds)		U.S. Bank	\$0.27	0.28%	\$0.27	100.00%	\$0.00	2	0.09%	2
Certificates of Deposit (Collateralized)										
2 Matures 08/27/2009	\$2.00	NNB	\$2.00	100.00%	\$2.00	100.00%	\$0.00	365	3.15%	239
Sub-total Certificate of Deposits	\$2.00		\$2.00	2.12%	\$2.00	100.00%	\$0.00	365	3.15%	239
Total Cash & Investments			\$94.37	100.00%	\$94.35	99.99%	-\$0.01	590	3.37%	529

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. I further assert that sufficient investment liquidity and anticipated revenues and subsidies are available to meet the expected obligations of the San Diego Housing Commission expenditures for six months.

Kevin DeRieux

Investment Officer

Date

San Diego Housing Commission
Cash and Investment Report
As of September 30, 2008

A. Description of Investment Portfolio

The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD programs. The investment options currently utilized include the Local Agency Investment Fund of the State of California, Agency Bonds and certificates of deposits.

B. Summary of Investment Portfolio for Quarter Ending 9/30/2008												
Account Type	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity			
Checking Account												
1 SDHC Operating Account	U.S. Bank	\$2.55	2.73%	\$2.55	100.00%	\$0.00	1	1.98%	1			
2 CDBG Loan Loss Res Acct.	Wells Fargo	\$0.08	0.08%	\$0.08	100.00%	\$0.00	1	1.20%	1			
3 Maya Apartments Cap Repl. Res	WaMu	\$0.58	0.63%	\$0.58	100.00%	\$0.00	1	0.25%	1			
Sub-total Checking Accounts		\$3.21	3.44%	\$3.21	100.00%	\$0.00	1	1.65%	1			
Repurchase Agreement												
		\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0			
		\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0			
Local Agency Investment Fund												
	State of CA	\$32.68	35.05%	\$32.68	100.00%	\$0.00	1	2.78%	1			
Agency Bonds												
313384L80	FHLB	\$3.48	3.73%	\$3.50	99.97%	\$0.02	86	2.42%	24			
313588P82	FNMA	\$3.47	3.73%	\$3.49	99.75%	\$0.02	110	2.47%	48			
313588Q24	FNMA	\$3.49	3.74%	\$3.49	99.73%	\$0.00	92	2.45%	50			
3128X7M84	FHLMC	\$2.00	2.15%	\$2.00	99.85%	-\$0.01	365	3.10%	276			
31398ABT8	FNMA	\$1.02	1.09%	\$1.01	101.31%	-\$0.01	674	3.94%	591			
3133XSE38	FHLB	\$1.00	1.07%	\$1.00	100.25%	\$0.00	730	3.92%	730			
31398AJK9	FNMA	\$1.01	1.08%	\$1.00	100.19%	\$0.00	833	4.47%	766			
3128X5PV4	FHLMC	\$1.01	1.08%	\$1.00	100.34%	\$0.00	860	4.74%	785			
3128X7UX0	FHLMC	\$1.80	1.93%	\$1.80	100.08%	\$0.01	913	3.63%	793			
3128X6UA2	FHLMC	\$2.01	2.16%	\$2.01	100.29%	-\$0.01	928	3.97%	808			
31398AKV3	FNMA	\$2.01	2.16%	\$2.01	100.28%	-\$0.01	888	4.12%	813			
3133XELN7	FHLB	\$1.01	1.09%	\$1.01	100.69%	-\$0.01	955	4.46%	870			
3128X4N56	FHLMC	\$2.03	2.18%	\$2.02	100.79%	-\$0.01	951	4.66%	877			
3128X4N56	FHLMC	\$1.01	1.09%	\$1.01	100.79%	-\$0.01	927	4.67%	877			
3136F9TX1	FNMA	\$0.99	1.06%	\$1.00	100.25%	\$0.01	1,003	4.02%	904			
3128X4S44	FHLMC	\$1.02	1.09%	\$1.01	101.03%	-\$0.01	972	4.71%	905			
31398APR7	FNMA	\$1.00	1.07%	\$1.00	99.59%	\$0.00	932	3.23%	913			
31359MK93	FNMA	\$1.02	1.09%	\$1.01	101.06%	-\$0.01	993	4.61%	918			
3133XFL95	FHLB	\$1.02	1.10%	\$1.01	101.34%	-\$0.01	1,044	4.62%	961			
3136F7B48	FNMA	\$2.04	2.19%	\$2.03	101.50%	-\$0.01	1,021	4.77%	961			
3136F7F44	FNMA	\$2.04	2.19%	\$2.03	101.59%	-\$0.01	1,036	4.69%	995			
3128X7H64	FHLMC	\$2.01	2.16%	\$2.01	100.28%	\$0.00	1,030	4.19%	996			
3136F9UP6	FNMA	\$2.00	2.14%	\$2.01	100.47%	\$0.01	1,095	4.02%	997			
3128X7K52	FHLMC	\$1.00	1.08%	\$1.00	100.03%	\$0.00	1,089	4.63%	1,011			
3128X7P57	FHLMC	\$1.51	1.62%	\$1.51	100.53%	\$0.00	1,024	3.91%	1,017			
3136F9YHO	FNMA	\$2.01	2.15%	\$2.01	100.34%	\$0.00	1,071	4.09%	1,024			
3128X7R48	FHLMC	\$1.01	1.08%	\$1.00	100.41%	\$0.00	1,042	3.76%	1,031			
3133XGKA1	FHLB	\$2.03	2.18%	\$2.02	100.81%	-\$0.01	1,102	4.95%	1,052			

Account Type	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
31398ATV4	FNMA	\$2.00	2.15%	\$2.00	100.13%	\$0.00	1,095	4.13%	1,073
3133XHFV9	FHLB	\$5.00	5.39%	\$5.00	100.09%	-\$0.02	1,162	5.13%	1,112
Sub-total Agency Bonds		\$53.80	58.01%	\$53.99	99.82%	-\$0.10	804	3.96%	744
Cartificate of Deposit (Escrow funds)	U.S. Bank	\$0.27	0.29%	\$0.27	100.00%	\$0.00	7	2.00%	2
Certificates of Deposit (Collateralized)									
1 Matures 10/14/2008	U.S. Bank	\$1.00	33.33%	\$1.00	100.00%	\$0.00	125	2.61%	14
2 Matures 08/27/2009	NNB	\$2.00	66.67%	\$2.00	100.00%	\$0.00	365	3.15%	331
Sub-total Certificate of Deposits		\$3.00	3.22%	\$3.00	100.00%	\$0.00	285	2.97%	225
Total Cash & Investments		\$93.25	100.00%	\$93.15	99.89%	-\$0.10	476	3.43%	439

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. I further assert that sufficient investment liquidity and anticipated revenues and subsidies are available to meet the expected obligations of the San Diego Housing Commission expenditures for six months.

Kevin DeRieux
Investment Officer

_____ Date



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
February 09, 2009

SAN DIEGO HOUSING COMMISSION

PMIA Average Monthly Yields

BUDGET MANGER
1122 BROADWAY, SUITE 300
SAN DIEGO, CA 92101

Account Number: 25-37-001

Transactions

Tran Type Definitions

December 2008 Statement

<u>Effective Date</u>	<u>Transaction Date</u>	<u>Tran Type</u>	<u>Confirm Number</u>	<u>Authorized Caller</u>	<u>Amount</u>
12/11/2008	12/10/2008	RW	1202196	KEVIN DERIEUX	-1,500,000.00
12/18/2008	12/18/2008	RD	1203242	KEVIN DERIEUX	2,800,000.00
12/29/2008	12/29/2008	RW	1204193	KEVIN DERIEUX	-1,000,000.00
12/31/2008	12/31/2008	RW	1204616	KEVIN DERIEUX	-4,500,000.00

Account Summary

Total Deposit:	2,800,000.00	Beginning Balance:	31,075,844.92
Total Withdrawal:	-7,000,000.00	Ending Balance:	26,875,844.92