



## INFORMATIONAL REPORT

**DATE ISSUED:** May 15, 2009  
**REPORT NO:** HCR09-039  
**SUBJECT:** Third Quarter FY09 Investment Report

**NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION**

### SUMMARY

Attachment 1 reflects the status of the \$90.18 million investment portfolio as of March 31, 2009 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 December 31, 2008. Overall portfolio yield in the last quarter has decreased by 0.74% changing from 3.37% to 2.63%.

### 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**

We continue to create a smooth blend of short and long term liquid investments. This helps to give us the ability to meet anticipated cash flow needs, maintain a moderate 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 decreased slightly from 590 days to 502 and our days to maturity has come down from 529 to 434. We continue our efforts to protect the yield on our portfolio by locking rates 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 March 31, 2009, the monies are invested in the following manner:

1. \$1.59 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 0.40% and has decreased over the last quarter’s rate of 1.00%.
2. \$0.69 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 0.01% compared to 0.08% last quarter.
3. During this period there is no funds 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.
4. \$38.37 million is held with the State of California LAIF, a \$23.74 billion fund managed by the State Treasurer’s office. State law allows local agencies to invest up to \$40 million in LAIF. LAIF is highly liquid and funds may be accessed easily for immediate needs. The second quarter return is 1.91% and down from last quarter’s return of 2.54%.
5. \$45.76 million is held in Agency Bonds. The blended rate of return during the second quarter was 3.43% over 3.82% in the prior period. Our bond

investments decreased by approximately \$17.11 million from the last quarter. The decrease represents called and/or matured bonds where proceeds were used to meet immediate cash needs or rolled into LAIF pending reinvestment. Recent government purchase in the bond market has prices temporarily inflated and yields down making it a challenge to find good investments.

6. \$0.27 million is held in a fully collateralized escrow fund CD through US Bank as required by loan agreements. The return on this CD remains the same as the prior period at 0.09%.
7. \$3.50 million is held in CDs. The CD with Neighborhood National Bank (NNB) is fully FDIC insured. The second CD is a collateralized CD with US Bank. The current blended rate of return is 1.91% as compared to 3.15% in the last quarter.

## CONCLUSION

Recent Federal Reserve actions to stabilize the economy have the U.S. government purchasing large quantities of Mortgage Back Securities (MBS), Government Sponsored Enterprise (GSE) debt and Treasuries. This added competition in the market is driving prices higher and yield lower on the types of short term bonds the Commission has been building in its portfolio.

Working on forward thinking strategies with our investment adviser, we believe the inflated price and poor yields do not make these bonds a good buy at this time. Locking in 2 and 3 year securities with such low rates will provide very marginal returns now and likely drag down the overall portfolio yield in the next year when the economy is expected to be stronger. For this reason, bond investments are down from 62.87 million last quarter to 45.76 million at March 31.

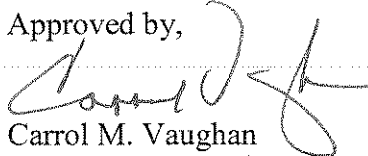
We will continue to maximize the use of LAIF by moving bond proceeds into the pool pending reinvestment. We continue to scan the market for good investments and new asset classes that provide the same security and liquidity as our current portfolio. One such asset class is the fully FDIC insured floating rate bonds. The return on this type of bond is tied to market benchmarks such as the U.S. Treasury or LIBOR plus additional Basis Point Margins, making them an attractive long term investment. They are not likely to outperform the bonds we have in the portfolio in the short term, but rather protect the Commission from future inflation risks that could be an issue down the road. With the market perhaps on the verge of a turnaround, we expect this type of security to provide a good yield over the life of the bond.

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 March 31, 2009
  2. Summary of Portfolio Balances as of December 31, 2008
  3. Local Agency Investment Fund Statement as of March 31, 2009

San Diego Housing Commission  
Cash and Investment Report  
As of March 31, 2009

**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 03/31/2009**

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
<b>Checking Account</b>									
1	SDHC Operating Account	\$1.59	1.76%	\$1.59	100.00%	\$0.00	1	0.40%	1
2	CDBG Loan Loss Res Acct.	\$0.08	0.09%	\$0.08	100.00%	\$0.00	1	0.05%	1
3	Maya Apartments Cap Repl. Res	\$0.61	0.67%	\$0.61	100.00%	\$0.00	1	0.01%	1
	<b>Sub-total Checking Accounts</b>	<b>\$2.27</b>	<b>2.52%</b>	<b>\$2.27</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>1</b>	<b>0.28%</b>	<b>1</b>
<b>Repurchase Agreement</b>									
		\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0
<b>Local Agency Investment Fund</b>									
	State of CA	\$38.37	42.55%	\$38.37	100.00%	\$0.00	1	1.91%	1
<b>Agency Bonds</b>									
	FNMA	\$2.00	2.22%	\$2.01	100.66%	\$0.01	1,095	4.02%	815
	FNMA	\$1.01	1.12%	\$1.00	100.41%	-\$0.01	674	3.95%	409
	FHLB	\$1.01	1.12%	\$1.01	100.59%	-\$0.01	1,044	4.62%	779
	FNMA	\$1.01	1.12%	\$1.00	100.06%	-\$0.01	993	4.61%	736
	FNMA	\$2.02	2.24%	\$2.01	100.47%	-\$0.01	1,021	4.77%	779
	FNMA	\$2.02	2.24%	\$2.02	101.00%	\$0.00	1,036	4.69%	813
	FNMA	\$1.00	1.11%	\$1.00	100.00%	\$0.00	932	3.23%	731
	FHLMC	\$1.00	1.11%	\$1.01	100.78%	\$0.00	1,042	3.76%	849
	FHLMC	\$1.50	1.67%	\$1.51	100.83%	\$0.01	1,024	3.91%	835
	FHLB	\$2.04	2.26%	\$2.05	102.28%	\$0.00	1,086	4.56%	940
	FNMA	\$1.00	1.11%	\$1.01	100.75%	\$0.00	1,025	3.74%	892
	FNMA	\$1.00	1.11%	\$1.01	101.28%	\$0.01	961	3.76%	828
	FHLMC	\$1.00	1.11%	\$1.00	100.25%	\$0.00	981	3.77%	849
	FNMA	\$1.00	1.11%	\$1.01	100.78%	\$0.00	933	3.63%	801
	FNMA	\$1.00	1.11%	\$1.01	101.13%	\$0.01	997	3.86%	870
	FHLMC	\$2.01	2.23%	\$2.00	100.16%	\$0.00	1,278	2.90%	1,179
	FHLB	\$2.01	2.22%	\$2.01	100.34%	\$0.00	1,095	3.19%	1,003
	FNMA P	\$3.19	3.53%	\$3.11	101.12%	-\$0.07	677	2.71%	580
	FNMA P	\$1.48	1.64%	\$1.45	104.86%	-\$0.03	790	2.56%	700
	FNMA P	\$3.88	4.30%	\$3.81	104.50%	-\$0.06	731	2.54%	641
	FNMA P	\$0.47	0.53%	\$0.45	101.17%	-\$0.02	611	2.48%	549
	FNMA P	\$0.38	0.42%	\$0.38	105.05%	-\$0.01	823	2.73%	761

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
31377RHR4	FNMA P	\$3.99	4.43%	\$3.95	106.39%	-\$0.05	1,067	3.03%	1,006
31377EXN4	FNMA P	\$3.27	3.62%	\$3.24	109.71%	-\$0.03	1,206	3.41%	1,158
31377PR22	FNMA P	\$1.27	1.40%	\$1.25	104.50%	-\$0.02	676	2.68%	641
31377RPS3	FNMA P	\$0.45	0.50%	\$0.44	106.82%	-\$0.01	1,088	3.06%	1,066
31385HWW8	FNMA P	\$0.39	0.44%	\$0.39	105.91%	-\$0.01	967	2.90%	945
31385HYT3	FNMA P	\$0.15	0.17%	\$0.15	105.12%	\$0.00	967	2.91%	945
31385H6G2	FNMA P	\$0.31	0.34%	\$0.31	106.42%	\$0.00	1,059	3.06%	1,037
31385JBQ0	FNMA P	\$0.27	0.30%	\$0.27	107.28%	\$0.00	1,088	3.05%	1,066
31385H6G2	FNMA P	\$0.62	0.69%	\$0.61	106.42%	-\$0.01	1,051	3.10%	1,037
31385HWW8	FNMA P	\$0.63	0.69%	\$0.62	105.91%	-\$0.01	959	3.01%	945
31384WJF8	FNMA P	\$0.62	0.69%	\$0.61	104.87%	-\$0.01	775	2.78%	761
31282SB92	FHLMC	\$0.76	0.84%	\$0.74	101.73%	-\$0.01	1,037	2.32%	1,037
<b>Sub-total Agency Bonds</b>		<b>\$45.76</b>	<b>50.75%</b>	<b>\$45.45</b>	<b>99.31%</b>	<b>-\$0.31</b>	<b>972</b>	<b>3.43%</b>	<b>848</b>
<b>Certificate of Deposit (Escrow funds)</b>	U.S. Bank	<b>\$0.27</b>	<b>0.30%</b>	<b>\$0.27</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>90</b>	<b>0.09%</b>	<b>84</b>
<b>Certificates of Deposit (Collateralized)</b>									
Matures 08/27/2009	NNB	\$2.00	57.14%	\$2.00	100.00%	\$0.00	365	3.15%	149
Matures 04/10/2009	US Bank	\$1.50	42.86%	\$1.50	100.00%	\$0.00	30	0.26%	10
<b>Sub-total Certificate of Deposits</b>		<b>\$3.50</b>	<b>3.88%</b>	<b>\$3.50</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>221</b>	<b>1.91%</b>	<b>89</b>
<b>Total Cash &amp; Investments</b>		<b>\$90.18</b>	<b>100.00%</b>	<b>\$89.87</b>	<b>99.65%</b>	<b>-\$0.31</b>	<b>502</b>	<b>2.63%</b>	<b>434</b>

**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 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
<b>Checking Account</b>									
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
<b>Sub-total Checking Accounts</b>		<b>\$1.35</b>	<b>1.43%</b>	<b>\$1.35</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>1</b>	<b>0.54%</b>	<b>1</b>
<b>Repurchase Agreement</b>									
		\$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
<b>Local Agency Investment Fund</b>	State of CA	<b>\$26.88</b>	<b>28.48%</b>	<b>\$26.88</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>1</b>	<b>2.54%</b>	<b>1</b>
<b>Agency Bonds</b>									
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	3.49%	883
31398ARU8	FNMA	\$1.00	1.06%	\$1.01	101.19%	\$0.01	933	3.63%	891
3136F7F44	FNMA	\$2.02	2.14%	\$2.04	102.22%	\$0.02	1,036	4.69%	903
3136F9UP6	FNMA	\$2.00	2.12%	\$2.03	101.53%	\$0.03	1,095	4.02%	905
31398ASQ6	FNMA	\$1.01	1.07%	\$1.02	101.59%	\$0.01	961	3.76%	918
3128X7K52	FHLMC	\$1.00	1.06%	\$1.00	100.07%	\$0.00	1,089	4.63%	919

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
3128X7P57	FHLMC	\$1.51	1.60%	\$1.53	101.73%	\$0.02	1,024	3.91%	925
3136F9YH0	FNMA	\$2.01	2.13%	\$2.00	100.19%	-\$0.01	1,071	4.08%	932
3128X7R48	FHLMC	\$1.01	1.07%	\$1.02	101.56%	\$0.01	1,042	3.76%	939
3128X7R48	FHLMC	\$1.01	1.07%	\$1.02	101.56%	\$0.01	981	3.77%	939
3133XGKA1	FHLB	\$2.02	2.14%	\$2.01	100.59%	\$0.00	1,102	4.95%	960
31398ATD4	FNMA	\$1.00	1.06%	\$1.02	102.03%	\$0.02	997	3.86%	960
31398ATV4	FNMA	\$2.00	2.12%	\$2.01	100.56%	\$0.01	1,095	4.12%	981
3136F9F24	FNMA	\$1.01	1.07%	\$1.02	102.19%	\$0.02	1,025	3.74%	982
3133XHKY7	FHLB	\$2.04	2.16%	\$2.07	103.56%	\$0.03	1,086	4.56%	1,030
3128X73Q5	FHLMC	\$2.01	2.13%	\$2.00	100.21%	\$0.00	1,095	4.59%	1,031
3128X73J1	FHLMC	\$1.50	1.59%	\$1.50	100.21%	\$0.00	1,095	4.43%	1,031
3128X7VW1	FHLMC	\$1.00	1.06%	\$1.00	100.43%	\$0.00	1,098	3.91%	1,056
3133XSQC5	FHLB	\$2.01	2.13%	\$2.02	100.75%	\$0.01	1,095	3.19%	1,093
3128X75N0	FHLMC	\$1.00	1.06%	\$1.00	100.45%	\$0.00	1,278	3.91%	1,252
3128X8BU5	FHLMC	\$2.01	2.13%	\$2.00	99.83%	-\$0.01	1,278	2.90%	1,269
31402CYT3	FNMAP	\$3.22	3.41%	\$3.13	101.06%	-\$0.09	677	2.71%	670
31377PYD0	FNMAP	\$1.50	1.59%	\$1.45	104.16%	-\$0.05	425	2.56%	425
31377PR22	FNMAP	\$3.92	4.16%	\$3.81	103.91%	-\$0.11	366	2.54%	366
<b>Sub-total Agency Bonds</b>		<b>\$62.15</b>	<b>66.62%</b>	<b>\$62.86</b>	<b>99.98%</b>	<b>-\$0.01</b>	<b>874</b>	<b>3.82%</b>	<b>787</b>
<b>Cartificate of Deposit (Escrow funds)</b>	U.S. Bank	<b>\$0.27</b>	<b>0.28%</b>	<b>\$0.27</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>2</b>	<b>0.09%</b>	<b>2</b>
<b>Certificates of Deposit (Collateralized)</b>									
2 Matures 08/27/2009	NNB	\$2.00	100.00%	\$2.00	100.00%	\$0.00	365	3.15%	239
<b>Sub-total Certificate of Deposits</b>		<b>\$2.00</b>	<b>2.12%</b>	<b>\$2.00</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>365</b>	<b>3.15%</b>	<b>239</b>
<b>Total Cash &amp; Investments</b>		<b>\$94.37</b>	<b>100.00%</b>	<b>\$94.35</b>	<b>99.99%</b>	<b>-\$0.01</b>	<b>590</b>	<b>3.37%</b>	<b>529</b>

**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](http://www.treasurer.ca.gov/pmia-laif)  
May 04, 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

March 2009 Statement

<u>Effective Date</u>	<u>Transaction Date</u>	<u>Tran Type</u>	<u>Confirm Number</u>	<u>Authorized Caller</u>	<u>Amount</u>
3/4/2009	3/3/2009	RD	1213645	KEVIN DERIEUX	3,000,000.00
3/10/2009	3/10/2009	RD	1214296	KEVIN DERIEUX	1,400,000.00
3/17/2009	3/16/2009	RW	1214964	KEVIN DERIEUX	-3,200,000.00
3/23/2009	3/23/2009	RD	1215524	KEVIN DERIEUX	1,000,000.00
3/24/2009	3/24/2009	RD	1215659	CHRISTY HUERTO	1,000,000.00

**Account Summary**

Total Deposit:	6,400,000.00	Beginning Balance:	35,174,086.57
Total Withdrawal:	-3,200,000.00	Ending Balance:	38,374,086.57