



INFORMATIONAL REPORT

DATE ISSUED: November 3, 2006
REPORT NO: HCR06-95
SUBJECT: First Quarter FY07 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the investment portfolio as of September 30, 2006 and includes information on each account, issuer, amount, percentage of total portfolio, term, yield and remaining days to maturity. For comparative purposes, Attachment 2 reflects the status of the investment portfolio as of June 30, 2006. Overall portfolio yield in the last quarter has risen from 4.46% to 4.72%. This increase reflects that maturing investments with lower rates are being reinvested at newer higher rates available due to the recent increase by the Federal Reserve Bank in the federal funds rate and is approximately the rate of return currently available from the State of California's Local Agency Investment Fund.

Other comparisons between the two attachments show the average term of investments has decreased from 388 days to 350 days and the average remaining days for each investment has also decreased from 181 days to 137 days. Finally, it should be noted that the percentage of the portfolio maturing within the next 6 months has increased from 56% to 71%. This information demonstrates that staff recognizes that the interest rate curve is essentially flat and there is no additional reward for investments beyond 6 months. Staff is continuing to pursue a laddering strategy for investment maturities that maximizes yield while maintaining safety and liquidity.

BACKGROUND

On August 19, 2005 the San Diego Housing Commission approved an Investment Policy. This policy contained a requirement that:

“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. [CGC 53646(b)]. The Investment Officer shall maintain a complete and timely record of all investment transactions.”

DISCUSSION

This report includes all money under the direction or care of the San Diego Housing Commission. As of September 30, 2006, the monies are invested in the following manner:

1. \$570,000 is held in the main Housing Commission authorized checking account and it provides for earnings credit on the account balance that is utilized to pay for normal bank services.
2. \$1.26 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.
3. \$460,000 is held with the State of California Local Agency Investment Fund (LAIF), a \$16.4 billion fund managed by the State Treasurer’s office. State law allows local agencies to invest up to \$30 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.
4. \$70.7 million is held with US Bank in overnight repurchase agreements and certificates of deposits that are fully collateralized by US Bank’s treasuries as required by HUD and the Housing Commission’s banking agreement.

CONCLUSION

It should be noted that the returns on longer term investments are not realizing the normal significant increase in return as they have in the recent past. If this situation continues, staff will continue to pursue shorter term investments until the yield on longer term investments adequately compensates for the additional liquidity risk inherent in longer term investments.

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Respectfully submitted,

Tim Sturtevant
Budget Officer

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
President & Chief Executive Officer

- Attachment(s):
1. Summary of Portfolio Balances as of September 30, 2006
 2. Summary of Portfolio Balances as of June 30, 2006

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 and certificates of deposits. The blended rate of return on the portfolio as of 9/30/06 is 4.72%.

B. Summary of Investment Portfolio for Quarter Ending 9/30/06

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	\$0.57	0.78%	\$0.57	100.00%	\$0.00	1	4.58%	1
2 University Canyon Operating Account	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0
3 University Canyon Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0
4 University Canyon Reserve Account MMkt	Bank of Am	\$0.10	0.14%	\$0.10	100.00%	\$0.00	1	2.97%	1
5 University Canyon Residual Receipts Acct	Bank of Am	\$0.40	0.55%	\$0.40	100.00%	\$0.00	1	2.25%	1
7 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.07	0.10%	\$0.07	100.00%	\$0.00	1	0.80%	1
8 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.47	0.64%	\$0.47	100.00%	\$0.00	1	0.40%	1
Sub-total Checking Accounts		\$1.61	2.21%	\$1.61	100.00%	\$0.00	1	2.52%	1
Local Agency Investment Fund	State of California	\$0.46	0.63%	\$0.46	100.00%	\$0.00	1	5.02%	1
Treasury Bills									
University Canyon Reserve Account	Bank of Am	\$0.22	0.30%	\$0.22	100.00%	\$0.00	24	3.18%	24
Repurchase Agreement	U.S. Bank	\$0.20	0.27%	\$0.20	0.00%	\$0.00	3	5.03%	3
Certificates of Deposit (Collateralized)									
1 Matures 10/6/2006	U.S. Bank	\$1.50	2.06%	\$1.50	100.00%	\$0.00	67	5.23%	6
2 Matures 10/16/2006	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	483	3.83%	16
3 Matures 10/23/2006	U.S. Bank	\$2.00	2.74%	\$2.00	100.00%	\$0.00	182	5.00%	23
4 Matures 10/23/2006	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	159	5.04%	23
5 Matures 10/27/2006	\$8.00 U.S. Bank	\$0.50	0.69%	\$0.50	100.00%	\$0.00	36	5.14%	27
6 Matures 11/08/2006	U.S. Bank	\$1.50	2.06%	\$1.50	100.00%	\$0.00	92	5.23%	39
7 Matures 11/15/2006	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	483	4.08%	46
8 Matures 11/21/2006	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	210	5.01%	52
9 Matures 11/21/2006	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	200	5.05%	52
10 Matures 11/21/2006	US Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	173	5.16%	52
11 Matures 11/28/2006	\$8.00 U.S. Bank	\$0.50	0.69%	\$0.50	100.00%	\$0.00	61	5.15%	59
12 Matures 12/15/2006	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	512	4.08%	76
13 Matures 12/15/2006	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	168	5.35%	76
14 Matures 12/21/2006	U.S. Bank	\$2.00	2.74%	\$2.00	100.00%	\$0.00	230	5.07%	82
15 Matures 12/21/2006	US Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	202	5.14%	82
16 Matures 12/21/2006	\$8.00 U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	84	5.16%	82
17 Matures 01/15/2007	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	525	4.31%	107
18 Matures 01/16/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	194	5.38%	108
19 Matures 01/23/2007	U.S. Bank	\$1.50	2.06%	\$1.50	100.00%	\$0.00	259	5.08%	115
20 Matures 01/23/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	230	5.21%	115
21 Matures 01/23/2007	U.S. Bank	\$0.50	0.69%	\$0.50	100.00%	\$0.00	223	5.24%	115
22 Matures 01/25/2007	\$8.00 U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	122	5.13%	117
23 Matures 02/02/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	141	5.19%	125
24 Matures 02/08/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	168	5.20%	131
25 Matures 02/15/2007	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	512	4.13%	138
26 Matures 02/22/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	253	5.24%	145
27 Matures 02/22/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	231	5.42%	145
28 Matures 02/22/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	227	5.38%	145
29 Matures 02/26/2007	\$9.00 U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	154	5.12%	149
30 Matures 03/15/2007	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	546	4.15%	166
31 Matures 03/15/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	191	5.16%	166
32 Matures 03/23/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	210	5.20%	174
33 Matures 03/23/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	192	5.19%	174
34 Matures 03/23/2007	\$8.00 U.S. Bank	\$2.00	2.74%	\$2.00	100.00%	\$0.00	211	5.20%	174
35 Matures 04/13/2007	U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	548	4.52%	195
36 Matures 04/23/2007	U.S. Bank	\$1.00	1.37%	\$1.00	100.00%	\$0.00	241	5.19%	205
37 Matures 04/25/2007	\$6.50 U.S. Bank	\$2.50	3.43%	\$2.50	100.00%	\$0.00	212	5.10%	207
38 Matures 05/14/2007	\$3.00 U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	546	4.77%	226
39 Matures 05/29/2007	\$3.00 U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	547	4.66%	241
40 Matures 06/14/2007	\$3.00 U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	555	4.73%	257
41 Matures 07/16/2007	\$3.00 U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	562	4.67%	289
42 Matures 8/15/2007	\$3.00 U.S. Bank	\$3.00	4.11%	\$3.00	100.00%	\$0.00	586	4.70%	319
Sub-total Certificate of Deposits		\$70.50	96.59%	\$70.50	100.00%	\$0.00	362	4.77%	141
Total Cash & Investments		\$72.99	100.00%	\$72.99	100.00%	\$0.00	350	4.72%	137

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.

Tim Sturtevant Date
Investment Officer

San Diego Housing Commission
Cash and Investment Report
As of June 30, 2006

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 US Treasuries, the Local Agency Investment Fund of the State of California, repurchase agreements and certificates of deposits. The blended rate of return on the portfolio as of 6/30/06 is 4.46%.

B. Summary of Investment Portfolio for Quarter Ending 6/30/06

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	\$1.59	2.26%	\$1.59	100.00%	\$0.00	1	3.17%	1
2 University Canyon Operating Account	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0
3 University Canyon Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0
4 University Canyon Reserve Account MMkt	Bank of Am	\$0.10	0.14%	\$0.10	100.00%	\$0.00	1	3.25%	1
5 University Canyon Residual Receipts Acct	Bank of Am	\$0.40	0.57%	\$0.40	100.00%	\$0.00	1	2.25%	1
7 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.07	0.10%	\$0.07	100.00%	\$0.00	1	0.80%	1
8 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.47	0.67%	\$0.47	100.00%	\$0.00	1	0.40%	1
Sub-total Checking Accounts		\$2.63	3.74%	\$2.63	100.00%	\$0.00	1	2.47%	1
Local Agency Investment Fund	State of California	\$0.46	0.65%	\$0.46	100.00%	\$0.00	1	4.77%	1
Treasury Bills									
University Canyon Reserve Account	Bank of Am	\$0.22	0.31%	\$0.22	100.00%	\$0.00	90	3.18%	34
Repurchase Agreement	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	-	0.00%	-
Certificates of Deposit (Collateralized)									
1 Matures 07/07/2006	U.S. Bank	\$2.00	2.84%	\$2.00	100.00%	\$0.00	91	4.90%	7
2 Matures 07/18/2006	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	456	3.64%	18
3 Matures 08/08/2006	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	455	3.80%	39
4 Matures 08/24/2006	U.S. Bank	\$2.00	2.84%	\$2.00	100.00%	\$0.00	122	5.01%	55
5 Matures 08/24/2006	U.S. Bank	\$1.00	1.42%	\$1.00	100.00%	\$0.00	94	5.08%	55
6 Matures 09/13/2006	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	483	3.75%	75
7 Matures 09/25/2006	U.S. Bank	\$2.00	2.84%	\$2.00	100.00%	\$0.00	154	5.04%	87
8 Matures 09/25/2006	U.S. Bank	\$1.00	1.42%	\$1.00	100.00%	\$0.00	131	5.09%	87
9 Matures 10/16/2006	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	483	3.83%	108
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13 Matures 11/21/2006	U.S. Bank	\$1.00	1.42%	\$1.00	100.00%	\$0.00	210	5.08%	144
14 Matures 11/21/2006	U.S. Bank	\$1.00	1.42%	\$1.00	100.00%	\$0.00	200	5.12%	144
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18 Matures 12/21/2006	U.S. Bank	\$2.00	2.84%	\$2.00	100.00%	\$0.00	230	5.14%	174
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24 Matures 02/15/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	512	4.13%	230
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26 Matures 03/15/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	545	4.16%	258
27 Matures 04/13/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	535	4.52%	287
28 Matures 05/14/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	546	4.78%	318
29 Matures 05/29/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	547	4.66%	333
30 Matures 06/14/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	555	4.73%	349
31 Matures 07/16/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	577	4.67%	381
32 Matures 8/15/2007	U.S. Bank	\$3.00	4.27%	\$3.00	100.00%	\$0.00	579	4.70%	411
Sub-total Certificate of Deposits		\$67.00	95.29%	\$67.00	100.00%	\$0.00	407	4.54%	190
Total Cash & Investments		\$70.31	100.00%	\$70.31	100.00%	\$0.00	388	4.46%	181

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.

Tim Sturtevant Date
Investment Officer