



INFORMATIONAL REPORT

DATE ISSUED: July 20, 2007
REPORT NO: HCR07-68
SUBJECT: Fourth Quarter FY07 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the \$77.05 million investment portfolio as of June 30, 2007 and includes information on each account, issuer, amount, percentage of total portfolio, term, accrued interest, yield and remaining days to maturity. For comparative purposes, Attachment 2 reflects the status of the investment portfolio as of March 31, 2007. Overall portfolio yield in the last quarter has risen from 4.97% to 5.11% and year to date interest is \$3,749,398 and this represents the sixth largest source of new funds for the San Diego Housing Commission.

BACKGROUND

On August 19, 2005 the San Diego Housing Commission approved an Investment Policy which provides that 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. [CGC 53646(b)]. The Investment Officer shall maintain a complete and timely record of all investment transactions.”

DISCUSSION

The increase in the overall portfolio yield from the last quarter from 4.97% to 5.11% 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. The blended rate for the existing portfolio of Certificates of Deposit is slightly less than 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 original term of investments has decreased from 225 days to 218 days and the average remaining days for each investment has also decreased from 59 days to 21 days. Finally, it should be noted that the percentage of the portfolio maturing within the next 6 months remains unchanged at 100%. This information demonstrates staff’s recognition of the interest rate curve is slightly inverted and lack of additional return for the loss of liquidity for investments beyond 6 months. For the short-term, staff is pursuing a greater utilization of the LAIF as these deposit rates exceed rates available for Certificates of Deposit and provide greater liquidity.

This report includes all money under the direction or care of the San Diego Housing Commission. As of June 30, 2007, the monies are invested in the following manner:

1. \$1.62 million 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. The current rate of return is 4.67% and is the same as last quarter.
2. \$1.03 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 1.51% and is slightly higher than the 1.44% received last quarter.
3. \$38.75 million is held with the State of California LAIF, a \$17.7 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 quarterly return is 5.23%

4. \$35 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. The current rate of return is 5.09% and is slightly greater than the 4.99% received last quarter.

CONCLUSION

It should be noted that the returns on longer term investments are not realizing the normal significant increase in return in comparison to shorter term investments as they have in the past. As 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.

In addition, staff will meet with members of the Housing Commission's Investment Review Committee to discuss two matters that involve compliance with the approved Investment Policy. The first issue concerns the required quarterly review of the Investment Report and the second issue concerns the required annual review of the Investment Policy. Members of the Committee will review the performance of the investment portfolio and determine if any modification to the Investment Policy is required at this time.

Respectfully submitted,



Tim Sturtevant
Budget Officer

Approved by,



Elizabeth C. Morris
President & Chief Executive Officer

- Attachment(s):
1. Summary of Portfolio Balances as of June 30, 2007
 2. Summary of Portfolio Balances as of March 31, 2007

San Diego Housing Commission
Cash and Investment Report
As of June 30, 2007

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 6/30/07 is 5.10%.

B. Summary of Investment Portfolio for Quarter Ending 6/30/07

Account Type	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Accrued Interest	Original Term	Yield to Maturity	Days to Maturity
Checking Account									
1 SDHC Operating Account	U.S. Bank	\$1.62	2.10%	\$1.62	100.00%	\$3,955.55	1	4.67%	1
2 University Canyon Reserve Account MMkt	Bank of Am	\$0.13	0.17%	\$0.13	100.00%	\$357.20	1	3.25%	1
3 University Canyon Residual Receipts Acct	Bank of Am	\$0.42	0.55%	\$0.42	100.00%	\$886.82	1	2.60%	1
4 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.07	0.09%	\$0.07	100.00%	\$57.95	1	0.90%	1
5 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.51	0.66%	\$0.51	100.00%	\$107.51	1	0.25%	1
Sub-total Checking Accounts		\$2.75	3.57%	\$2.75	100.00%	\$5,365.03	1	3.37%	1
Local Agency Investment Fund	State of California	\$38.75	50.29%	\$38.75	100.00%	\$430,146.28	1	5.25%	1
Treasury Bills									
University Canyon Reserve Account	Bank of Am	\$0.22	0.29%	\$0.22	100.00%	\$988.75	30	5.27%	7
Eurodollar deposit	U.S. Bank	\$0.33	0.43%	\$0.33	0.00%	\$32,555.87	1	4.95%	1
Certificates of Deposit (Collateralized)									
1 Matures 07/16/2007	US Bank	\$3.00	3.89%	\$3.00	100.00%	\$5,378.33	577	4.61%	16
2 Matures 07/23/2007	US Bank	\$3.00	3.89%	\$3.00	100.00%	\$54,933.33	151	5.15%	23
3 Matures 07/23/2007	US Bank	\$1.50	1.95%	\$1.50	100.00%	\$8,401.25	62	5.17%	23
4 Matures 07/26/2007	US Bank	\$3.50	4.54%	\$3.50	100.00%	\$79,263.33	184	5.16%	26
5 Matures 07/30/2007	US Bank	\$1.00	1.30%	\$1.00	100.00%	\$21,828.89	182	5.17%	30
6 Matures 07/31/2007	\$13.00 US Bank	\$1.00	1.30%	\$1.00	100.00%	\$21,398.06	181	5.17%	31
7 Matures 08/03/2007	US Bank	\$2.00	2.60%	\$2.00	100.00%	\$42,796.11	182	5.17%	34
8 Matures 08/08/2007	US Bank	\$2.50	3.24%	\$2.50	100.00%	\$50,622.92	180	5.17%	39
9 Matures 08/15/2007	US Bank	\$3.00	3.89%	\$3.00	100.00%	\$17,786.67	579	4.64%	46
10 Matures 08/17/2007	US Bank	\$2.50	3.24%	\$2.50	100.00%	\$48,375.00	183	5.16%	48
11 Matures 08/20/2007	US Bank	\$1.50	1.95%	\$1.50	100.00%	\$8,401.25	90	5.17%	51
12 Matures 08/22/2007	US Bank	\$1.00	1.30%	\$1.00	100.00%	\$19,531.11	189	5.17%	53
13 Matures 08/24/2007	US Bank	\$1.00	1.30%	\$1.00	100.00%	\$18,346.67	183	5.16%	55
14 Matures 08/31/2007	\$16.50 U.S. Bank	\$3.00	3.89%	\$3.00	100.00%	\$12,542.50	91	5.19%	62
15 Matures 09/19/2007	U.S. Bank	\$2.00	2.60%	\$2.00	100.00%	\$2,600.00	90	5.20%	81
16 Matures 09/28/2007	\$4.50 US Bank	\$2.50	3.24%	\$2.50	100.00%	\$1,083.33	93	5.20%	90
17 Matures 10/1/2007	\$1.00 US Bank	\$1.00	1.30%	\$1.00	100.00%	\$144.44	94	5.20%	93
Sub-total Certificate of Deposits	\$35.00	\$35.00	45.43%	\$35.00	100.00%	\$413,433.19	217	5.08%	45
Interest Income Accrued as of 6/30/07						\$882,489.12			
Interest Income Received as of 6/30/07						\$2,866,908.76			
Total Cash, Investments & Interest Income		\$77.05	100.00%	\$77.05	100.00%	\$3,749,397.88	99	5.10%	21

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.

 7/20/07

Tim Sturtevant Date
Investment Officer

San Diego Housing Commission
Cash and Investment Report
As of March 31, 2007

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 3/31/07 is 4.97%.

B. Summary of Investment Portfolio for Quarter Ending 3/31/07

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	\$0.86	1.19%	\$0.86	100.00%	\$0.00	1	4.65%	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	3.44%	1
5 University Canyon Residual Receipts Acct	Bank of Am	\$0.40	0.55%	\$0.40	100.00%	\$0.00	1	2.52%	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	\$0.49	0.68%	\$0.49	100.00%	\$0.00	1	0.25%	1
Sub-total Checking Accounts		\$1.92	2.66%	\$1.92	100.00%	\$0.00	1	2.88%	1
Local Agency Investment Fund	State of California	\$13.70	18.94%	\$13.70	100.00%	\$0.00	1	5.22%	1
Treasury Bills									
University Canyon Reserve Account	Bank of Am	\$0.22	0.30%	\$0.22	100.00%	\$0.00	30	3.44%	4
Repurchase Agreement									
	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	5.03%	0
Certificates of Deposit (Collateralized)									
1 Matures 04/06/2007	U.S. Bank	\$2.50	3.46%	\$2.50	100.00%	\$0.00	156	5.16%	6
2 Matures 04/09/2007	US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	91	5.17%	9
3 Matures 04/13/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	548	4.52%	13
4 Matures 04/23/2007	U.S. Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	241	5.19%	23
5 Matures 04/25/2007	U.S. Bank	\$2.50	3.46%	\$2.50	100.00%	\$0.00	212	5.10%	25
6 Matures 04/27/2007	\$13.50 US Bank	\$3.50	4.84%	\$3.50	100.00%	\$0.00	94	5.18%	27
7 Matures 05/07/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	187	5.14%	37
8 Matures 05/10/2007	US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	184	5.14%	40
9 Matures 05/14/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	546	4.71%	44
10 Matures 05/22/2007	US Bank	\$3.50	4.84%	\$3.50	100.00%	\$0.00	90	5.18%	52
11 Matures 05/29/2007	\$13.50 U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	547	4.60%	59
12 Matures 06/14/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	555	4.67%	75
13 Matures 06/20/2007	US Bank	\$2.00	2.76%	\$2.00	100.00%	\$0.00	155	5.14%	74
14 Matures 06/27/2007	\$6.00 US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	153	5.16%	88
15 Matures 07/16/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	562	4.67%	107
16 Matures 07/23/2007	US Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	151	5.15%	114
17 Matures 07/26/2007	US Bank	\$3.50	4.84%	\$3.50	100.00%	\$0.00	184	5.16%	117
18 Matures 07/30/2007	US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	181	5.17%	120
19 Matures 07/31/2007	\$11.50 US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	180	5.17%	122
20 Matures 08/03/2007	US Bank	\$2.00	2.76%	\$2.00	100.00%	\$0.00	182	5.17%	125
21 Matures 08/08/2007	US Bank	\$2.50	3.46%	\$2.50	100.00%	\$0.00	180	5.17%	130
22 Matures 08/15/2007	U.S. Bank	\$3.00	4.15%	\$3.00	100.00%	\$0.00	586	4.64%	137
23 Matures 08/17/2007	US Bank	\$2.50	4.42%	\$2.50	100.00%	\$0.00	183	5.16%	139
24 Matures 08/22/2007	US Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	189	5.17%	144
25 Matures 08/24/2007	\$12.00 U.S. Bank	\$1.00	1.38%	\$1.00	100.00%	\$0.00	183	5.16%	146
Sub-total Certificate of Deposits		\$56.50	78.10%	\$56.50	100.00%	\$0.00	287	4.99%	76
Total Cash & investments		\$72.34	100.00%	\$72.34	100.00%	\$0.00	225	4.97%	59

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