



INFORMATIONAL REPORT

DATE ISSUED: August 15, 2008
REPORT NO: HCR 08-73
SUBJECT: Fourth Quarter FY08 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the \$89.43 million investment portfolio as of June 30, 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 March 31, 2008. Overall portfolio yield in the last quarter has fallen from 3.20% to 2.77%.

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

The fourth quarter of this year reflects another period of declining interest rates. This is a direct result of the decline in the U.S. economy and continued fallout from the country's sub-prime mortgage crisis. Thus, the overall portfolio yield was 2.77% against a yield of 3.20% from last quarter.

However, recent changes in our investment strategy should net an increase in overall portfolio yield in the first quarter of the new fiscal year. Our investments in Certificates of Deposit (CD's) are being converted to bonds as they mature. In keeping with the General Objectives of our Investment Policy, bonds provide a higher level of safety, liquidity and yield over CDs.

With market conditions significantly lower than previous years, we are looking to create a smooth blend of short and long term liquid investments that will give us the ability to meet anticipated cash flow needs, improve the yield on a portion of our investment portfolio, reduce interest rate risk and give us the ability to act quickly when the market changes and 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 52 days to 113. The days to maturity has increased from 33 to 85 as reported in the Third Quarter Investment Report. This is a result of our new investments in the bond market. We anticipate the “one time call” feature to be exercised on some thus reducing the actual days significantly.

This report includes all money under the direction or care of the San Diego Housing Commission. As of June 30, 2008, the monies are invested in the following manner:

1. \$1.57 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 the normal bank services. The current rate of return is 1.74% and has decreased over last quarter's rate of return of 2.50%.
2. \$0.65 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 0.33% compared to .22% received last quarter.
3. \$5.3 million is 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. In this case, proceeds from

matured CDs are being set aside to purchase bonds that are due to settle in the first few days of the new fiscal year. The advantage of using Repos over the main checking account is that they provide an actual cash return rather than "use it or lose it" credits for bank services. The blend yield at fiscal year end was 1.7%.

4. \$39.88 million is held with the State of California LAIF, a \$25.16 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 fourth quarter return is 3.11% which is down moderately from 3.77% last quarter.
5. \$7.8 million is held in Agency Bonds and represents 8.72% of our investment portfolio. The blended rate of return during the fourth quarter was 3.92% and represents our highest returns in the portfolio for this reporting period.
6. \$34 million is held with US Bank in 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 2.38% as compared to the 2.77% received last quarter.

CONCLUSION

It is recommended that the Housing Commission continue to work on forward thinking strategies and get away from investing the entire portfolio in short term investments. That strategy resulted in interest rate risk to the portfolio that has been reflected in the last two reports. With almost half of our portfolio invested in the highly liquid LAIF fund, the Housing Commission should continue to invest in securities with a longer maturity while continuing its ability to meet its liquidity needs.

In the fourth quarter of FY2008, the Housing Commission has been able to develop a good working relationship with a financial advisor. Working closely with our advisor, we have been able to expand our investment portfolio into Agency Bonds. These investments will help diversify our interest rate risk and increase the safety, liquidity and yield of our portfolio.

The Agency Bond investments are Federal Home Loan Bank, Fannie Mae and Freddie Mac bonds. All bonds are senior debt. The Agency Bonds include new and secondary market issues.

Fannie Mae was created in 1938 under President Roosevelt. Freddie Mac was established in 1970 to provide direct competition in the secondary mortgage market, to provide an additional supply of money available for mortgage lending and end Fannie Mae's monopoly.

Despite widespread instability in the financial markets and public perceptions of looming insolvency of some mortgage lenders, staff believes bonds issued by these Agencies to be a secure and solid investment. Again, we only purchase the senior debt. Both Fannie Mae and Freddie Mac are Government Sponsored Entities (GSEs) and they continue to receive a credit rating of AAA by Standards & Poors - the best quality borrowers, reliable and stable. To increase confidence and stability in the housing and finance market, the government recently passed and signed into law a bill giving the Treasury Department "unlimited power" to lend money to Fannie Mae and Freddie Mac and buy their stock should they need it. This reinforces the 'implied guarantee' by the U.S. Government.

Investments in Fannie Mae and Freddie Mac bonds compliment the efforts of the Housing Commission. The two companies back or own \$5 trillion in U.S. mortgages, nearly half the nation's total, servicing a large majority of families at or below the median income of their communities. They sponsor activities that support seniors, affordable housing, assisted living and offer families education and refinancing options in excess of 100% of their property value to help fight off foreclosure. They support innovative solutions to address the desperate need for transitional and permanent housing for vulnerable families and help meet basic housing needs by providing critical services in connection with housing, such as after-school programs, parenting classes, job training, financial literacy and counseling.

We expect these investments will provide an immediate positive impact on our portfolio and strongly believe their continued success helps reduce the number of families in need of Housing Commission assistance.

Respectfully submitted,


John Pfeiffer
Chief Financial Officer

Approved by,


Carrol M. Vaughan
Interim President & Chief Executive Officer

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

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

A. Description of Investment Portfolio

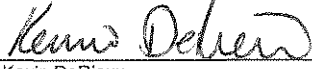
The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD programs. The investment options currently utilized include the Local Agency Investment Fund of the State of California and certificates of deposits. The blended rate of return on the portfolio as of 6/30/2008 is 2.77%.

B. Summary of Investment Portfolio for Quarter Ending 6/30/2008

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	\$1.57	1.75%	\$1.57	100.00%	\$0.00	1	1.74%	1
2 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.08	0.09%	\$0.08	100.00%	\$0.00	1	0.90%	1
3 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.57	0.64%	\$0.57	100.00%	\$0.00	1	0.25%	1
Sub-total Checking Accounts		\$2.22	2.48%	\$2.22	100.00%	\$0.00	1	1.33%	1
Repurchase Agreement									
Repo I	U.S. Bank	\$4.30	4.81%	\$4.30	\$100.00	\$0.00	1	1.65%	1
Repo II	U.S. Bank	\$1.00	1.12%	\$1.00	100.00%	\$0.00	1	1.90%	1
		\$5.30	5.93%	\$5.30	100.00%	\$0.00	1	1.70%	1
Local Agency Investment Fund	State of California	\$39.88	44.59%	\$39.88	100.00%	\$0.00	1	3.11%	1
Agency Bonds									
Freddie Mac (FHLMC)	\$1.80 Merrill Lynch	\$1.80	2.01%	\$1.81	100.54%	\$0.01	928	3.63%	900
Freddie Mac (FHLMC)	\$2.00 Merrill Lynch	\$2.01	2.25%	\$2.00	100.11%	-\$0.01	913	3.97%	885
Fannie Mae (FNMA)	\$1.00 Merrill Lynch	\$0.99	1.11%	\$1.00	100.00%	\$0.01	970	4.02%	963
Fannie Mae (FNMA)	\$2.00 Merrill Lynch	\$2.00	2.24%	\$2.01	100.47%	\$0.01	910	4.02%	904
Fannie Mae (FNMA)	\$1.00 Merrill Lynch	\$1.00	1.12%	\$1.00	100.31%	\$0.00	730	4.00%	725
		\$7.80	8.72%	\$7.82	100.30%	\$0.02	900	3.92%	883
Certificate of Deposit (Escrow funds)	U.S. Bank	\$0.23	0.26%	\$0.23	100.00%	\$0.00	7	1.82%	1
Certificates of Deposit (Collateralized)									
1 Matures 7/01/2008	US Bank	\$2.00	5.88%	\$2.00	100.00%	\$0.00	120	2.57%	1
2 Matures 7/02/2008	US Bank	\$4.50	13.24%	\$4.50	100.00%	\$0.00	14	2.11%	2
3 Matures 7/03/2008	US Bank	\$3.00	8.82%	\$3.00	100.00%	\$0.00	14	2.11%	3
4 Matures 7/07/2008	US Bank	\$4.00	11.76%	\$4.00	100.00%	\$0.00	90	2.40%	7
5 Matures 7/09/2008	US Bank	\$5.50	16.18%	\$5.50	100.00%	\$0.00	120	2.36%	9
6 Matures 7/15/2008	US Bank	\$2.50	7.35%	\$2.50	100.00%	\$0.00	90	2.42%	15
7 Matures 7/21/2008	US Bank	\$2.00	5.88%	\$2.00	100.00%	\$0.00	150	2.67%	21
8 Matures 7/24/2008	US Bank	\$2.00	5.88%	\$2.00	100.00%	\$0.00	150	2.74%	24
9 Matures 7/29/2008	\$29.00 US Bank	\$3.50	10.29%	\$3.50	100.00%	\$0.00	112	2.50%	29
10 Matures 8/04/2008	US Bank	\$1.50	4.41%	\$1.50	100.00%	\$0.00	62	2.11%	35
11 Matures 8/11/2008	\$3.00 US Bank	\$1.50	4.41%	\$1.50	100.00%	\$0.00	95	2.34%	42
12 Matures 9/11/2008	\$1.00 US Bank	\$1.00	2.94%	\$1.00	100.00%	\$0.00	91	2.47%	72
13 Matures 10/14/2008	\$1.00 US Bank	\$1.00	2.94%	\$1.00	100.00%	\$0.00	125	2.61%	106
Sub-total Certificate of Deposits	\$34.00	\$34.00	38.02%	\$34.00	100.00%	\$0.00	89	2.38%	18
Total Cash & Investments		\$89.43	100.00%	\$89.45	100.03%	\$0.02	113	2.77%	85

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.

 7/30/08
 Kevin DeRieux Date
 Investment Officer

San Diego Housing Commission
Cash and Investment Report
As of March 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 and certificates of deposits. The blended rate of return on the portfolio as of 3/31/2008 is 3.20%.

B. Summary of Investment Portfolio for Quarter Ending 3/31/2008

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	\$3.70	4.33%	\$3.70	100.00%	\$0.00	1	2.50%	1
4 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.07	0.08%	\$0.07	100.00%	\$0.00	1	0.90%	1
5 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.54	0.63%	\$0.54	100.00%	\$0.00	1	0.25%	1
Sub-total Checking Accounts		\$4.31	5.04%	\$4.31	100.00%	\$0.00	1	2.19%	1
Local Agency Investment Fund	State of California	\$39.47	46.14%	\$39.47	100.00%	\$0.00	1	3.77%	1
Treasury Bills									
University Canyon Reserve Account	Bank of Am	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Cartificate of Deposit (Escrow funds)	U.S. Bank	\$0.26	0.30%	\$0.26	0.00%	\$0.00	365	2.20%	1
Certificates of Deposit (Collateralized)									
1 Matures 4/07/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	91	4.32%	7
2 Matures 4/16/2008	US Bank	\$2.50	6.02%	\$2.50	100.00%	\$0.00	70	2.92%	16
3 Matures 4/17/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	90	3.62%	17
4 Matures 4/30/2008	\$9.50 US Bank	\$3.00	7.23%	\$3.00	100.00%	\$0.00	90	2.87%	30
5 Matures 5/13/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	90	2.83%	43
6 Matures 5/16/2008	US Bank	\$3.00	7.23%	\$3.00	100.00%	\$0.00	94	2.81%	46
7 Matures 6/02/2008	\$7.00 US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	90	2.65%	63
8 Matures 6/12/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	120	2.75%	73
9 Matures 6/16/2008	US Bank	\$2.50	6.02%	\$2.50	100.00%	\$0.00	122	2.72%	77
10 Matures 6/18/2008	US Bank	\$4.50	10.93%	\$4.50	100.00%	\$0.00	90	2.28%	79
11 Matures 6/20/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	120	2.71%	81
12 Matures 6/24/2008	\$13.50 US Bank	\$2.50	6.02%	\$2.50	100.00%	\$0.00	120	2.75%	85
13 Matures 7/01/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	120	2.57%	92
14 Matures 7/09/2008	US Bank	\$5.50	13.43%	\$5.50	100.00%	\$0.00	120	2.36%	100
15 Matures 7/21/2008	US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	150	2.67%	112
16 Matures 7/24/2008	\$4.00 US Bank	\$2.00	4.82%	\$2.00	100.00%	\$0.00	150	2.74%	115
Sub-total Certificate of Deposits		\$34.00	48.52%	\$41.50	100.00%	\$0.00	104	2.77%	67
Total Cash & Investments		\$85.54	100.00%	\$85.54	100.00%	\$0.00	52	3.20%	33

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.

 5/5/2008
 Kevin DeRieux Date
 Investment Officer



Local Agency Investment Fund
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 Sacramento, CA 94209-0001
 (916) 653-3001

www.treasurer.ca.gov/pmia-laif
 July 29, 2008

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

June 2008 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	39,879,799.98
Total Withdrawal:	0.00	Ending Balance:	39,879,799.98