



INFORMATIONAL REPORT

DATE ISSUED: October 27, 2008
REPORT NO: HCR 08-120
SUBJECT: First Quarter FY09 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the \$93.25 million investment portfolio as of September 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 June 30, 2008. Overall portfolio yield in the last quarter has increased from 2.77% to 3.43%.

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 economy and the investment market, we were able achieve our predictions of an increase in overall portfolio returns during the first quarter of this fiscal year. This is a direct result of our recent change in investment strategy and working closely with our investment advisor to find quality investments. During this period our overall portfolio yield went from 2.77% to 3.43%.

During the first quarter of the fiscal year, we were able to convert the majority of our Certificates of Deposit (CDs) into bonds as they matured. 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 still significantly lower than previous years, we are continuing 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 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 significantly from 113 days to 476 and our days to maturity has increased from 85 to 439. This is a result of our new investments in the bond market. We anticipate the “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 September 30, 2008, the monies are invested in the following manner:

1. \$2.55 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 1.98% and has increased over the last quarter’s rate of 1.74%.
2. \$0.66 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 0.36% compared to .33% received last quarter.
3. No money 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 that they provide an actual cash return rather than “use it or lose it” credits for bank services.

4. \$32.68 million is held with the State of California LAIF, a \$22.51 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 first quarter return is 2.78% and down from last quarter’s return of 3.11%.
5. \$54.09 million is held in Agency Bonds. The blended rate of return during the first quarter was 3.96% over 3.92% in the prior period and again represents our highest returns in the portfolio for this reporting period. Although the return is only slightly higher than the prior period, our investments in bonds have increased from 8.72% to 58.01% resulting in a significantly improved overall return.
6. \$3.27 million is held with US Bank in CDs 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 2.97% as compared to 2.38% received last quarter.

CONCLUSION

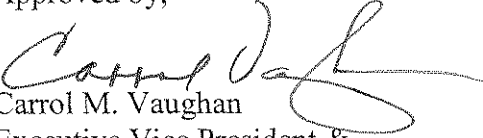
It is recommended that the Housing Commission continue to work on forward-thinking strategies. With almost one third of our portfolio invested in the highly liquid LAIF fund, the Housing Commission should continue to invest in securities with a longer maturity while maintaining its ability to meet liquidity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

Now in our second quarter working with a financial advisor, we have been able 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 an increase in return over the prior period. These investments have helped diversify our interest rate risk and increase the safety, liquidity and yield of our portfolio.

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 September 30, 2008
 2. Summary of Portfolio Balances as of June 30, 2008
 3. Local Agency Investment Fund Statement as of September, 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%	\$0.00	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	\$2.01	2.15%	\$2.00	100.13%	\$0.00	1,095	4.13%	1,073
3133XHFV9	FHFB	\$5.03	5.39%	\$5.00	100.09%	-\$0.02	1,162	5.13%	1,112
Sub-total Agency Bonds		\$54.09	58.01%	\$53.99	99.82%	-\$0.10	804	3.96%	744
Certificate 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 Date
 Investment Officer

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	2.01%	\$1.81	100.54%	\$0.01	928	3.63%	900
Freddie Mac (FHLMC)	\$2.00	Merrill Lynch	2.25%	\$2.00	100.11%	-\$0.01	913	3.97%	885
Fannie Mae (FNMA)	\$1.00	Merrill Lynch	1.11%	\$1.00	100.00%	\$0.01	970	4.02%	963
Fannie Mae (FNMA)	\$2.00	Merrill Lynch	2.24%	\$2.01	100.47%	\$0.01	910	4.02%	904
Fannie Mae (FNMA)	\$1.00	Merrill Lynch	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	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	US Bank	\$1.50	4.41%	\$1.50	100.00%	\$0.00	95	2.34%	42
12 Matures 9/11/2008	US Bank	\$1.00	2.94%	\$1.00	100.00%	\$0.00	91	2.47%	72
13 Matures 10/14/2008	US Bank	\$1.00	2.94%	\$1.00	100.00%	\$0.00	125	2.61%	106
Sub-total Certificate of Deposits		\$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.

Kevin DeRieux
Kevin DeRieux
Investment Officer
Date 11-7-08



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

www.treasurer.ca.gov/pmia-laif
November 07, 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

September 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>
9/8/2008	9/8/2008	RW	1186864	KEVIN DERIEUX	-3,000,000.00
9/11/2008	9/10/2008	RW	1187215	KEVIN DERIEUX	-1,000,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	36,684,774.12
Total Withdrawal:	-4,000,000.00	Ending Balance:	32,684,774.12