



INFORMATIONAL REPORT

DATE ISSUED: August 11, 2009
REPORT NO: HCR09-070
SUBJECT: Fourth Quarter FY09 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

Attachment 1 reflects the status of the \$95.94 million investment portfolio as of June 30, 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 March 31, 2009. Overall portfolio yield in the last quarter has decreased from 2.63% to 2.22%.

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.

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 increased slightly from 502 days to 561 and our days to maturity have gone from 434 to 489. We continue our efforts to protect the yield on our portfolio by locking rates on a portion of our investments.

This report includes all money under the direction or care of the San Diego Housing Commission. As of June 30, 2009, the monies are invested in the following manner:

1. \$4.74 million is held in the main Housing Commission authorized checking account that provides earnings credit on the account balance. This earnings credit is utilized to pay for normal banking services. The current rate of return is up slightly to 0.45% over the last quarter's rate of 0.40%.
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 to the Housing Commission. The current blended rate of return is unchanged this quarter and remains at 0.01%.
3. As with the last quarter, there were 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 lose it" credits for bank services.
4. \$31.33 million is held with the State of California LAIF, a \$24.29 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 1.51% and down from last quarter's return of 1.91%.
5. \$49.83 million is held in Agency Bonds. The blended rate of return during the second quarter was 2.98% over 3.43% in the prior period. Yields continue to decline as older higher interest rate bonds roll out of the portfolio and get replaced with newer bonds at today's lower interest rates. However, bonds continue to provide a higher rate of return in today's market and continue to be the focus of our investing efforts.
6. \$7.09 million is held in fully FDIC insured floating rate corporate bonds. Unlike other bonds in the portfolio that provide a fixed coupon payment, these bonds are adjusted to inflation each quarter. Coupon yields are based on the London Inter-Bank Offer Rate (LIBOR) plus additional Basis Points (BP). LIBOR is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks around the world and is often used as an index like the US Treasury or US Federal funds rate.

7. \$0.26 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%.
8. \$2.00 million is held in a single fully FDIC insured CD with Neighborhood National Bank (NNB). The rate of return is 3.15% over a 1.91% blended rate of return in the last quarter. Rates are up because a short term lower interest rate CD matured during the period leaving a longer term higher interest rate CD at the end of the period.

CONCLUSION

As discussed in the Q3 Investment Report, a small amount of FDIC insured corporate floating rates bonds were added to the portfolio during this period. This type of investment is aimed at hedging our return in the event rates move higher at a rate faster than the market expects. Because interest rates are tied to a market index, these bonds are not expected to produce a high rate of return in the short run and the reason they have a much higher average original term to maturity. We expect higher returns in the last year(s) of these securities providing a better average return over the life of the bond.

During this period, the call feature on a number of the Commission's regular Agency bonds was exercised. The proceeds from these securities were reinvested in MBS type bonds. With market conditions the way they are now and a slow recovery expected these bonds provide better interest rate protection and a steady monthly cash flow through regular principle and interest (P&I) payments.

Our plans moving forward are to continue to maximize the use of LAIF by moving excess cash into the pool pending investment. We continue to scan the market for good investments and new asset classes that provide the same security and liquidity as our current portfolio. Having the ability to act quickly on good investments, a portfolio with a relatively short life and a steady monthly cash flow keeps us in a good position to take advantage of a recovering economy.

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 June 30, 2009
 2. Summary of Portfolio Balances as of March 31, 2009
 3. Local Agency Investment Fund Statement as of June 30, 2009

San Diego Housing Commission
Cash and Investment Report
As of June 30, 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 06/30/2009

	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	\$4.74	4.94%	\$4.74	100.00%	\$0.00	1	0.45%	1	
2	CDBG Loan Loss Res Acct.	Wells Fargo	\$0.08	0.08%	\$0.08	100.00%	\$0.00	1	0.05%	1	
3	Maya Apartments Cap Repl. Res	JPMorgan	\$0.62	0.64%	\$0.62	100.00%	\$0.00	1	0.01%	1	
Sub-total Checking Accounts			\$5.43	5.66%	\$5.43	100.00%	\$0.00	1	0.39%	1	
Repurchase Agreement			\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0	
Local Agency Investment Fund			\$31.33	32.65%	\$31.33	100.00%	\$0.00	1	1.51%	1	
Agency Bonds											
	3128X7R48	\$1.00	FHLMC	\$1.00	1.05%	\$1.00	100.23%	\$0.00	1,042	4.00%	758
	3128X7P57	\$1.50	FHLMC	\$1.50	1.57%	\$1.50	100.13%	\$0.00	1,024	4.13%	744
	3133XHKY7	\$2.00	FHLB	\$2.02	2.11%	\$2.03	101.50%	\$0.01	1,086	5.30%	849
	3136F9F24	\$1.00	FNMA	\$1.00	1.05%	\$1.00	100.00%	\$0.00	1,025	4.00%	801
	31398ASQ6	\$1.00	FNMA	\$1.00	1.05%	\$1.01	100.66%	\$0.00	961	4.00%	737
	3128X7R48	\$1.00	FHLMC	\$1.00	1.05%	\$1.00	100.23%	\$0.00	981	4.00%	758
	31398ATD4	\$1.00	FNMA	\$1.00	1.04%	\$1.00	100.47%	\$0.00	997	4.00%	779
	31402CYT3	\$3.06	FNMA P	\$3.15	3.29%	\$3.09	100.82%	-\$0.06	677	2.71%	489
	31377PYD0	\$1.38	FNMA P	\$1.46	1.52%	\$1.45	105.12%	-\$0.01	790	2.56%	609
	31377PR22	\$3.63	FNMA P	\$3.83	3.99%	\$3.79	104.30%	-\$0.04	731	2.54%	550
	31377L4F7	\$0.44	FNMA P	\$0.47	0.49%	\$0.45	100.33%	-\$0.02	611	2.48%	458
	31377QJ29	\$0.36	FNMA P	\$0.38	0.39%	\$0.38	105.47%	\$0.00	823	2.73%	670
	31377RHR4	\$3.68	FNMA P	\$3.94	4.11%	\$3.93	106.80%	-\$0.01	1,067	3.03%	915
	31377EXN4	\$2.92	FNMA P	\$3.21	3.35%	\$3.20	109.76%	-\$0.01	1,206	3.41%	1,067
	31377PR22	\$1.19	FNMA P	\$1.25	1.30%	\$1.26	106.14%	\$0.01	676	2.68%	550
	31377RPS3	\$0.41	FNMA P	\$0.44	0.46%	\$0.44	107.20%	\$0.00	1,088	3.06%	975
	31385HVVW8	\$0.36	FNMA P	\$0.39	0.40%	\$0.38	105.18%	-\$0.01	967	2.90%	854
	31385HYT3	\$0.14	FNMA P	\$0.15	0.15%	\$0.15	105.45%	\$0.00	967	2.91%	854
	31385H6G2	\$0.29	FNMA P	\$0.31	0.32%	\$0.30	105.36%	-\$0.01	1,059	3.06%	946
	31385JBQ0	\$0.25	FNMA P	\$0.27	0.28%	\$0.27	107.66%	\$0.00	1,088	3.05%	975
	31385H6G2	\$0.57	FNMA P	\$0.61	0.64%	\$0.60	105.36%	-\$0.01	1,051	3.10%	946
	31385HVVW8	\$0.58	FNMA P	\$0.62	0.65%	\$0.62	107.26%	\$0.01	959	3.01%	854
	31384WJF8	\$0.58	FNMA P	\$0.62	0.64%	\$0.61	105.19%	\$0.00	775	2.78%	670
	31282SB92	\$0.64	FHLMC	\$0.67	0.69%	\$0.66	103.25%	\$0.00	1,037	2.32%	946
	31377T2H8	\$1.26	FNMA P	\$1.31	1.37%	\$1.30	103.57%	-\$0.01	756	2.38%	701
	31381GRA8	\$1.37	FNMA P	\$1.47	1.54%	\$1.46	106.38%	-\$0.02	817	2.58%	762
	31385HVB5	\$0.89	FNMA P	\$0.96	1.00%	\$0.95	105.97%	-\$0.01	878	2.59%	823
	31385H6G2	\$0.31	FNMA P	\$0.33	0.35%	\$0.36	117.06%	\$0.03	987	2.81%	946
	31385H6G2	\$3.43	FNMA P	\$3.73	3.88%	\$3.68	107.11%	-\$0.05	974	2.55%	946
	31385HVA7	\$4.09	FNMA P	\$4.42	4.61%	\$4.38	107.08%	-\$0.03	851	2.30%	823
	31385H6G2	\$1.04	FNMA P	\$1.13	1.17%	\$1.09	104.49%	-\$0.04	967	2.61%	946
	31377PPX6	\$0.99	FNMA P	\$1.05	1.09%	\$1.04	104.20%	-\$0.01	563	2.55%	550
	31385JA40	\$0.86	FNMA P	\$0.94	0.98%	\$0.92	106.27%	-\$0.02	954	2.71%	946
	31409KTN7	\$0.61	FNMA P	\$0.64	0.67%	\$0.64	104.98%	\$0.00	709	2.74%	701
	31385HWT5	\$1.78	FNMA P	\$1.90	1.99%	\$1.89	106.26%	-\$0.01	861	2.71%	854
	31385JA40	\$1.32	FNMA P	\$1.43	1.49%	\$1.44	108.42%	\$0.00	953	2.75%	946
	31384WJN1	\$0.21	FNMA P	\$0.22	0.23%	\$0.22	104.77%	\$0.00	670	2.85%	670
Sub-total Agency Bonds			\$47.17	51.93%	\$49.49	104.92%	-\$0.33	910	2.98%	791	
FDIC Insured Corporate Bonds											
	06050BAE1, 90-day Libor +38	\$3.00	BAC	\$3.03	3.16%	\$3.04	101.39%	\$0.01	1,172	0.99%	1,088
	17314AAB8, 90-day Libor +33	\$1.00	Citigroup	\$1.01	1.05%	\$1.01	101.24%	\$0.00	1,118	1.37%	1,035
	36967HAC1, 90-day Libor +93	\$1.00	GE	\$1.02	1.07%	\$1.03	102.57%	\$0.00	970	1.56%	892
	59157CAA8, 90-day Libor +32	\$1.00	MetLife	\$1.02	1.06%	\$1.01	101.25%	\$0.00	1,102	0.92%	1,095
	61757UAL4, 90-day Libor +28	\$1.00	Morgan Stanley	\$1.01	1.06%	\$1.01	101.10%	\$0.00	962	1.24%	955
Sub-total Corporate Bonds			\$7.00	7.39%	\$7.10	101.47%	\$0.01	1,095	1.15%	1,034	
Certificate of Deposit (Escrow funds)			\$0.26	0.27%	\$0.26	100.00%	\$0.00	14	0.09%	10	
Certificates of Deposit (Collateralized)											
	Matures 08/27/2009	\$2.00	NNB	\$2.00	2.08%	\$2.00	100.00%	\$0.00	365	3.15%	58
Sub-total Certificate of Deposits			\$2.00	2.08%	\$2.00	100.00%	\$0.00	365	3.15%	58	
Total Cash & Investments			\$95.94	100.00%	\$88.52	92.26%	-\$0.33	561	2.22%	489	

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 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		
Checking Account											
1	SDHC Operating Account	U.S. Bank	\$1.59	1.76%	\$1.59	100.00%	\$0.00	1	0.40%	1	
2	CDBG Loan Loss Res Acct.	Wells Fargo	\$0.08	0.09%	\$0.08	100.00%	\$0.00	1	0.05%	1	
3	Maya Apartments Cap Repl. Res	WaMu	\$0.61	0.67%	\$0.61	100.00%	\$0.00	1	0.01%	1	
Sub-total Checking Accounts			\$2.27	2.52%	\$2.27	100.00%	\$0.00	1	0.28%	1	
Repurchase Agreement			\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0	
Local Agency Investment Fund			\$38.37	42.55%	\$38.37	100.00%	\$0.00	1	1.91%	1	
Agency Bonds											
	3136F9UP6	\$2.00 FNMA	\$2.00	2.22%	\$2.01	100.66%	\$0.01	1,095	4.02%	815	
	31398ABT8	\$1.00 FNMA	\$1.01	1.12%	\$1.00	100.41%	-\$0.01	674	3.95%	409	
	3133XFL95	\$1.00 FHLMC	\$1.01	1.12%	\$1.01	100.59%	-\$0.01	1,044	4.62%	779	
	31359MK93	\$1.00 FNMA	\$1.01	1.12%	\$1.00	100.06%	-\$0.01	993	4.61%	736	
	3136F7B48	\$2.00 FNMA	\$2.02	2.24%	\$2.01	100.47%	-\$0.01	1,021	4.77%	779	
	3136F7F44	\$2.00 FNMA	\$2.02	2.24%	\$2.02	101.00%	\$0.00	1,036	4.69%	813	
	31398APR7	\$1.00 FNMA	\$1.00	1.11%	\$1.00	100.00%	\$0.00	932	3.23%	731	
	3128X7R48	\$1.00 FHLMC	\$1.00	1.11%	\$1.01	100.78%	\$0.00	1,042	3.76%	849	
	3128X7P57	\$1.50 FHLMC	\$1.50	1.67%	\$1.51	100.83%	\$0.01	1,024	3.91%	835	
	3133XHKY7	\$2.00 FHLMC	\$2.04	2.26%	\$2.05	102.28%	\$0.00	1,086	4.56%	940	
	3136F9F24	\$1.00 FNMA	\$1.00	1.11%	\$1.01	100.75%	\$0.00	1,025	3.74%	892	
	31398ASQ6	\$1.00 FNMA	\$1.00	1.11%	\$1.01	101.28%	\$0.01	961	3.76%	828	
	3128X7R48	\$1.00 FHLMC	\$1.00	1.11%	\$1.00	100.25%	\$0.00	981	3.77%	849	
	31398ARU8	\$1.00 FNMA	\$1.00	1.11%	\$1.01	100.78%	\$0.00	933	3.63%	801	
	31398ATD4	\$1.00 FNMA	\$1.00	1.11%	\$1.01	101.13%	\$0.01	997	3.86%	870	
	3128X8BU5	\$2.00 FHLMC	\$2.01	2.23%	\$2.00	100.16%	\$0.00	1,278	2.90%	1,179	
	3133XSQC5	\$2.00 FHLMC	\$2.01	2.22%	\$2.01	100.34%	\$0.00	1,095	3.19%	1,003	
	31402CYT3	\$3.08 FNMA P	\$3.19	3.53%	\$3.11	101.12%	-\$0.07	677	2.71%	580	
	31377PYD0	\$1.38 FNMA P	\$1.48	1.64%	\$1.45	104.86%	-\$0.03	790	2.56%	700	
	31377PR22	\$3.65 FNMA P	\$3.88	4.30%	\$3.81	104.50%	-\$0.06	731	2.54%	641	
	31377L4F7	\$0.45 FNMA P	\$0.47	0.53%	\$0.45	101.17%	-\$0.02	611	2.48%	549	
	31377QJ29	\$0.36 FNMA P	\$0.38	0.42%	\$0.38	105.05%	-\$0.01	823	2.73%	761	
	31377RHR4	\$3.71 FNMA P	\$3.99	4.43%	\$3.95	106.39%	-\$0.05	1,067	3.03%	1,006	
	31377EXN4	\$2.95 FNMA P	\$3.27	3.62%	\$3.24	109.71%	-\$0.03	1,206	3.41%	1,158	
	31377PR22	\$1.20 FNMA P	\$1.27	1.40%	\$1.25	104.50%	-\$0.02	676	2.68%	641	
	31377RPS3	\$0.41 FNMA P	\$0.45	0.50%	\$0.44	106.82%	-\$0.01	1,088	3.06%	1,066	
	31385HWW8	\$0.37 FNMA P	\$0.39	0.44%	\$0.39	105.91%	-\$0.01	967	2.90%	945	
	31385HYT3	\$0.14 FNMA P	\$0.15	0.17%	\$0.15	105.12%	\$0.00	967	2.91%	945	
	31385H6G2	\$0.29 FNMA P	\$0.31	0.34%	\$0.31	106.42%	\$0.00	1,059	3.06%	1,037	
	31385JBQ0	\$0.25 FNMA P	\$0.27	0.30%	\$0.27	107.28%	\$0.00	1,088	3.05%	1,066	
	31385H6G2	\$0.57 FNMA P	\$0.62	0.69%	\$0.61	106.42%	-\$0.01	1,051	3.10%	1,037	
	31385HWW8	\$0.59 FNMA P	\$0.63	0.69%	\$0.62	105.91%	-\$0.01	959	3.01%	945	
	31384WJF8	\$0.58 FNMA P	\$0.62	0.69%	\$0.61	104.87%	-\$0.01	775	2.78%	761	
	31282SB92	\$0.73 FHLMC	\$0.76	0.84%	\$0.74	101.73%	-\$0.01	1,037	2.32%	1,037	
Sub-total Agency Bonds			\$44.21	\$45.76	50.75%	\$45.45	99.31%	-\$0.31	972	3.43%	848
Cartificate of Deposit (Escrow funds)			\$0.27	0.30%	\$0.27	100.00%	\$0.00	90	0.09%	84	
Certificates of Deposit (Collateralized)											
	Matures 08/27/2009	\$2.00 NNB	\$2.00	57.14%	\$2.00	100.00%	\$0.00	365	3.15%	149	
	Matures 04/10/2009	\$1.50 US Bank	\$1.50	42.86%	\$1.50	100.00%	\$0.00	30	0.26%	10	
Sub-total Certificate of Deposits			\$3.50	\$3.50	3.88%	\$3.50	100.00%	\$0.00	221	1.91%	89
Total Cash & Investments			\$90.18	100.00%	\$89.87	99.65%	-\$0.31	502	2.63%	434	

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
July 24, 2009

SAN DIEGO HOUSING COMMISSION

BUDGET MANGER
1122 BROADWAY, SUITE 300
SAN DIEGO, CA 92101

PMIA Average Monthly Yields

Account Number: 25-37-001

Transactions

Tran Type Definitions

June 2009 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/2/2009	6/2/2009	RW	1225534	KEVIN DERIEUX	-3,500,000.00
6/9/2009	6/9/2009	RW	1226148	KEVIN DERIEUX	-2,500,000.00
6/17/2009	6/17/2009	RD	1227037	KEVIN DERIEUX	1,500,000.00
6/23/2009	6/23/2009	RW	1227548	KEVIN DERIEUX	-2,700,000.00

Account Summary

Total Deposit:	1,500,000.00	Beginning Balance:	38,528,069.37
Total Withdrawal:	-8,700,000.00	Ending Balance:	31,328,069.37