



Good Neighbors

San Diego
Housing Commission

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INFORMATIONAL REPORT

DATE ISSUED: May 1, 2006

REPORT NO: HCR06-36

SUBJECT: Third Quarter FY06 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 March 31, 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 December 31, 2005. Overall portfolio yield in the last quarter has risen from 3.94% to 4.15% and this increase mirrors increases by the Federal Reserve Bank in the federal funds rate and is approximately the rate of return currently available from LAIF.

Other comparisons between the two attachments show the average term of investments has decreased from 468 days to 425 days and the average remaining days for each investment has also decreased from 291 days to 227 days. Finally, it should be noted that the percentage of the portfolio maturing within the next 6 months has increased from 32% to 44%. This information demonstrates that staff is pursuing 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 including funds of the San Diego Model Schools Development Agency. As of March 31, 2006, the monies are invested in the following manner:

1. \$350,000 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 and payroll charges.
2. \$1.02 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. \$1.16 million 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. \$61.9 million is held with US Bank in certificates of deposits that are fully collateralized by US Bank’s treasuries as required by HUD and our 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.

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 March 31, 2006
 2. Summary of Portfolio Balances as of December 31, 2005

San Diego Housing Commission
Cash and Investment Report
As of March 31, 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 3/31/06 is 4.15%.

B. Summary of Investment Portfolio for Quarter Ending 3/31/06										
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	\$0.35	0.54%	\$0.35	100.00%	\$0.00	1	4.08%	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	\$0.09	0.14%	\$0.09	100.00%	\$0.00	1	2.81%	1	
5 University Canyon Residual Receipts Acct	Bank of Am	\$0.40	0.62%	\$0.40	100.00%	\$0.00	1	2.08%	1	
6 CDBG Loan Loss Reserve Account	Wells Fargo	\$0.07	0.11%	\$0.07	100.00%	\$0.00	1	0.60%	1	
7 Maya Apartments Capital Replacement Res	Washington Mutual	\$0.46	0.71%	\$0.46	100.00%	\$0.00	1	0.40%	1	
Sub-total Checking Accounts		\$1.37	2.12%	\$1.37	100.00%	\$0.00	1	2.00%	1	
Local Agency Investment Fund	State of California	\$1.16	1.79%	\$1.16	100.00%	\$0.00	1	4.19%	1	
Treasury Bills										
University Canyon Reserve Account	Bank of Am	\$0.22	0.34%	\$0.22	100.00%	\$0.00	30	4.43%	30	
Certificates of Deposit (Collateralized)										
1 Matures 04/07/2006	U.S. Bank	\$2.00	3.09%	\$2.00	100.00%	\$0.00	23	4.55%	7	
2 Matures 04/07/2006	U.S. Bank	\$1.00	1.55%	\$1.00	100.00%	\$0.00	42	4.49%	7	
3 Matures 04/17/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	426	3.37%	17	
4 Matures 04/24/2006	U.S. Bank	\$2.00	3.09%	\$2.00	100.00%	\$0.00	40	4.58%	24	
5 Matures 05/09/2006	U.S. Bank	\$1.40	2.17%	\$1.40	100.00%	\$0.00	60	4.64%	39	
6 Matures 05/17/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	426	3.57%	47	
7 Matures 05/24/2006	U.S. Bank	\$1.50	2.32%	\$1.50	100.00%	\$0.00	58	4.70%	54	
8 Matures 06/13/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	391	3.63%	74	
9 Matures 07/18/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	456	3.64%	109	
10 Matures 08/08/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	456	3.80%	130	
11 Matures 09/13/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	483	3.75%	166	
12 Matures 10/16/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	483	3.83%	199	
13 Matures 11/15/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	483	4.08%	229	
14 Matures 12/15/2006	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	518	4.08%	259	
15 Matures 01/15/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	525	4.31%	290	
16 Matures 02/15/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	512	4.13%	321	
17 Matures 03/15/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	546	4.15%	349	
18 Matures 04/13/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	548	4.52%	378	
19 Matures 05/14/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	546	4.77%	409	
20 Matures 05/29/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	547	4.66%	423	
21 Matures 06/14/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	555	4.73%	440	
22 Matures 07/16/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	562	4.67%	472	
23 Matures 8/15/2007	U.S. Bank	\$3.00	4.64%	\$3.00	100.00%	\$0.00	586	4.70%	502	
Sub-total Certificate of Deposits		\$61.90	95.75%	\$61.90	100.00%	\$0.00	444	4.19%	237	
Total Cash & Investments		\$64.65	100.00%	\$64.65	100.00%	\$0.00	425	4.15%	227	

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

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 12/31/05 is 3.94%.

B. Summary of Investment Portfolio for Quarter Ending 12/31/05										
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										
SDHC Operating Account	U.S. Bank	\$0.61	0.99%	\$0.61	100.00%	\$0.00	1	3.95%	1	
University Canyon Operating Account	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0	
University Canyon Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.00%	0	
SDMSDA Operating Account	U.S. Bank	\$0.18	0.29%	\$0.18	100.00%	\$0.00	1	3.26%	1	
Sub-total Checking Accounts		\$0.79	1.28%	\$0.79	100.00%	\$0.00	1	3.79%	1	
Local Agency Investment Fund	State of California	\$0.80	1.30%	\$0.80	100.00%	\$0.00	1	3.63%	1	
Certificates of Deposit (Collateralized)										
1. Matures 1/13/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	365	3.15%	13	
2. Matures 2/17/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	393	3.21%	48	
3. Matures 3/15/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	393	3.33%	74	
4. Matures 4/17/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	426	3.37%	107	
5. Matures 5/17/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	426	3.57%	137	
6. Matures 6/13/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	391	3.63%	164	
7. Matures 7/18/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	456	3.64%	199	
8. Matures 8/08/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	456	3.80%	220	
9. Matures 9/13/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	483	3.75%	256	
10. Matures 10/16/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	483	3.83%	289	
11. Matures 11/15/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	483	4.08%	319	
12. Matures 12/15/2006	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	518	4.08%	349	
13. Matures 1/15/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	525	4.31%	380	
14. Matures 2/15/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	512	4.07%	411	
15. Matures 3/15/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	546	4.10%	439	
16. Matures 4/13/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	548	4.46%	468	
17. Matures 5/14/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	546	4.71%	499	
18. Matures 5/28/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	547	4.60%	513	
19. Matures 6/14/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	555	4.67%	530	
20. Matures 7/16/2007	U.S. Bank	\$3.00	4.87%	\$3.00	100.00%	\$0.00	562	4.61%	562	
Sub-total Certificate of Deposits		\$60.00	97.42%	\$60.00	100.00%	\$0.00	481	3.95%	299	
Total Cash & Investments		\$61.59	100.00%	\$61.59	100.00%	\$0.00	468	3.94%	291	

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