

**Golden State Finance  
Authority (GSFA)  
Executive Committee Meeting**



**Wednesday, October 21, 2015  
10:00 A.M.**

**1215 K Street, Suite 1650  
Sacramento CA 95814  
916-447-4806**



**Golden State Finance Authority (GSFA)  
Executive Committee Meeting  
1215 K Street, Suite 1650  
Sacramento, CA 95814**

**October 21, 2015 – 10:00 a.m.**

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County  
Supervisor Les Baugh, Shasta County  
Supervisor Lee Adams, Sierra County  
Supervisor John Viegas, Glenn County  
Supervisor Bob Williams, Tehama County

Supervisor Nate Beason, Nevada County  
Supervisor Tim Fesko, Mono County  
Supervisor Rex Bohn, Humboldt County  
Supervisor Doug Teeter, Butte County  
Supervisor Roger Abe, Yuba County

**Agenda**

<p style="text-align: center;"><b>10:00 a.m.</b> <b>Special Order of Business</b> <b>Simultaneous Meeting</b> <b>RCRC Executive Committee Meeting</b> <b>GSFA Executive Committee Meeting</b> <b>NHF Board of Directors Meeting</b></p> <p style="text-align: center;"><b><u>CLOSED SESSION</u></b></p> <p><b>1. Closed Session: Conference with Legal Counsel – Existing Litigation</b> <b>(Gov. Code Section 54956.9(d)(1)) <i>Washington State Housing Finance Commission v. National Homebuyers Fund, et al.</i>, (King County WA, Superior Court Case No. 15-2-12454-4SEA)</b></p>
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**I. Call to Order and Determination of Quorum**

*Chair, Supervisor Kevin Cann, Mariposa County*

**II. Approval of Minutes of the July 22, 2015 Meeting**

*(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)*

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**III. Member County Concerns**

**IV. Public Comment**

**V. Quarterly Reports for GSFA (Discussion and possible action relative to)**

*Greg Norton, Executive Director*

*Lisa McCargar, Chief Financial Officer*

**a. GSFA Quarterly Budget Report (September 30, 2015)**

**b. GSFA Quarterly Investment Report (September 30, 2015)**

**c. GSFA Cash and Securities Asset Report (September 30, 2015)**

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- VI. Business and Administrative Matters** (Discussion and possible action relative to)  
*Greg Norton*  
*Patricia Megason, Deputy Director*  
*Craig Ferguson, Vice President*

- a. GSFA Investment Policy Renewal 2016 – ACTION**
- b. Proposed Disaster Assistance Effort Update**
- c. Infrastructure Program Update**
- d. Other Business and Administrative Matters**

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- VII. Program Updates** (Discussion and possible action relative to)  
*Greg Norton*  
*Craig Ferguson*

- a. Energy Program Update**
- b. Housing Programs Update**

**VIII. Adjournment**

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Executive Committee of the Golden State Finance Authority was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.

**Golden State Finance Authority (GSFA)  
Executive Committee Meeting  
1215 K Street, Suite 1650 Board Room  
Sacramento, CA 95814  
(916) 447-4806**

**July 22, 2015 – 10:00 a.m.**

**Executive Committee Members:**

Supervisor Kevin Cann, Mariposa County  
Supervisor Les Baugh, Shasta County  
Supervisor Lee Adams, Sierra County  
Supervisor John Viegas, Glenn County  
Supervisor Bob Williams, Tehama County

Supervisor Tim Fesko, Mono County  
Supervisor Nate Beason, Nevada County  
Supervisor Rex Bohn, Humboldt County  
Supervisor Doug Teeter, Butte County  
Supervisor Roger Abe, Yuba County

**Minutes**

**Call to Order and Determination of Quorum**

GSFA and NHF Chair, Supervisor Kevin Cann, Mariposa County and RCRC Vice Chair, Supervisor John Viegas, Glenn County, called the simultaneous meeting of the Golden State Finance Authority Executive Committee, the National Homebuyers Fund Board of Directors, and the RCRC Executive Committee to order at 10:04 a.m. A quorum was determined at that time; those present were as follows:

<b><u>Supervisors in Attendance</u></b>	<b><u>County</u></b>
Doug Teeter	Butte
John Viegas	Glenn
Rex Bohn	Humboldt
Kevin Cann	Mariposa
Tim Fesko	Mono
Nate Beason	Nevada
Bob Williams	Tehama
Roger Abe	Yuba

**Absent Members**

Lee Adams	Sierra
Les Baugh	Shasta

**Staff in Attendance**

Greg Norton, Executive Director  
Patricia Megason, Deputy Director  
Craig Ferguson, Vice President  
Lisa McCargar, Chief Financial Officer  
Sarah Bolnik, Office Manager  
Paul A. Smith, Senior Legislative Advocate  
Terrance Rodgers, Business Analyst

### **Others in Attendance**

None

### **Special Order of Business: Closed Session Conference with Legal Counsel – Existing Litigation**

The GSFA Executive Committee, RCRC Executive Committee, and the National Homebuyers Fund Board of Directors convened a closed session at 10:04 a.m. pursuant to Section 54954.5(e) and 54957 of the Government Code.

**At 10:20 a.m. the simultaneous meeting of the GSFA Executive Committee, the RCRC Executive Committee, and the NHF Board of Directors was adjourned.**

**At 10:28 a.m. the GSFA Executive Committee was convened.**

### **Approval of Minutes of the May 6, 2015 Meeting**

*(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)*

**Supervisor Nate Beason, Nevada County, motioned to approve the minutes of the May 6, 2015 GSFA Executive Committee Meeting. Supervisor Bob Williams, Tehama County, seconded the motion. Motion passed.**

### **Member County Concerns**

Supervisor Kevin Cann, Mariposa County informed the GSFA Executive Committee that Mariposa County is in support of the Ygrene Pace Program, and asked when the program is to start.

Supervisor Tim Fesko, Mono County, reported that Mono County currently has two energy programs in place and are hoping to implement two additional programs in the coming weeks. Supervisor Fesko commented that approving a variety of programs is proving to be beneficial for the county.

### **Public Comment**

None

### **PACE Program Update**

Greg Norton, Executive Director, provided an update on the Ygrene program. Mr. Norton reported that the program is moving forward slower than expected due to the required civil validation process. Mr. Norton reported that while no complaints have been filed during the process, the validation has been waiting in the Sacramento Superior Court for a long period of time. On Friday July 24 an ex parte will be filed which will allow the program to begin.

### **Second Mortgage Portfolio Performance**

Craig Ferguson, Vice President, reviewed the status of the GSFA Second Mortgage Portfolio Performance with the Executive Committee.

**Down Payment Assistance Programs**

Craig Ferguson gave an update on the down payment assistance program. Mr. Ferguson reported on the increase in program production, resulting in a greater amount of low-moderate income families obtaining homeownership via the GSFA down payment assistance gift program.

**Multi Family Program Update**

Craig Ferguson gave an update on the multi-family projects. The senior housing rehabilitation project in Ventura County is scheduled to close in August. The three, Yuba, Kern and Riverside projects, are currently on hold due to changes made to renter income limits at the Tax Credit Allocation Committee hurting the projects financial feasibility.

**Mortgage Credit Certificate Program Update**

Craig Ferguson reported that the Mortgage Credit Certificate (MCC) program is running on target.

**Quarterly Budget and Investment Reports for GSFA**

Lisa McCargar, Chief Financial Officer, presented the GSFA Quarterly Investment Report for period ending June 30, 2015 and the GSFA Budget Report and the GSFA Cash and Securities Asset Report for the period ending May 31, 2015.

**Adjournment**

Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Executive Committee at 11:04 a.m.







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**To:** GSFA Executive Committee  
**From:** Lisa McCargar, Chief Financial Officer  
Greg Norton, Executive Director  
**Date:** October 13, 2015  
**Re:** GSFA Quarterly Budget Report

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**Summary**

The Statement of Revenues and Expenses for GSFA provides a comparison of budgeted versus actual results for the nine months ended September 30, 2015.

**Attachment**

- GSFA Statement of Revenues and Expenses Budget Versus Actual for the Nine Months Ended September 30, 2015



**GOLDEN STATE FINANCE AUTHORITY**  
**Statement of Revenue and Expenses**  
**2015 Budget Vs. Actual**  
**For the Nine Months Ended September 30, 2015**

<b>Income:</b>	<b>2015 Annual Budget</b>	<b>9 Months Ended September 30, 2015 Budget</b>	<b>9 Months Ended September 30, 2015 Actual</b>	<b>Varalance Favorable / (Unfavorable)</b>	<b>Percent Favorable / (Unfavorable)</b>
Grant Reimbursed Costs	\$ 363,000	\$ 272,250	\$ 263,682	\$ (8,568)	-3.15%
Housing Program Revenue	22,216,500	16,662,375	\$ 22,826,114	6,163,739	36.99%
Interest Income	120,000	90,000	144,520	54,520	60.58%
Ongoing Issuer Fees	15,000	11,250	28,309	17,059	151.64%
2nd Mortgage Interest	650,000	487,500	568,329	80,829	16.58%
<b>Total Income</b>	<b>\$ 23,364,500</b>	<b>\$ 17,523,375</b>	<b>\$ 23,830,954</b>	<b>\$ 6,307,579</b>	<b>36.00%</b>
<b>Expenditures:</b>					
Accounting & Auditing	\$ 30,000	\$ 22,500	\$ 21,600	\$ 900	4.00%
Arbitrage Rebate	5,000	3,750	0	3,750	100.00%
Board Member Travel and Reimbursement	15,000	11,250	0	11,250	100.00%
Business Development and Expansion	50,000	37,500	36,894	606	1.62%
CDLAC fees	35,000	26,250	32,020	(5,770)	-21.98%
Consultants	84,000	63,000	63,000	0	0.00%
Contract Support Services	1,461,275	1,095,956	1,095,956	0	0.00%
Contract Performance Fee	1,150,000	862,500	1,014,600	(152,100)	-17.63%
Grant Costs	363,000	272,250	263,682	8,568	3.15%
Insurance	40,270	30,203	26,100	4,103	13.58%
Legal Services	100,000	75,000	26,712	48,288	64.38%
Loan Losses	250,000	187,500	122,562	64,938	34.63%
Gift Program	16,000,000	12,000,000	16,913,106	(4,913,106)	-40.94%
Pipeline Services	180,000	135,000	131,250	3,750	2.78%
DPA Program Management (40 bps)	1,500,000	1,125,000	1,436,737	(311,737)	-27.71%
Promotion and Marketing	50,000	37,500	23,184	14,316	38.18%
Rent	49,916	37,437	38,602	(1,165)	-3.11%
Sponsorships	50,000	37,500	11,000	26,500	70.67%
Travel	10,000	7,500	5,721	1,779	23.72%
Other Expenses	61,600	46,200	18,465	27,735	60.03%
<b>Total Expenditures</b>	<b>\$ 21,485,061</b>	<b>\$ 16,113,796</b>	<b>\$ 21,281,191</b>	<b>\$ (5,167,395)</b>	<b>-32.07%</b>
<b>Net Revenues Over Expenditures</b>	<b>\$ 1,879,439</b>	<b>\$ 1,409,579</b>	<b>\$ 2,549,763</b>	<b>\$ 1,140,184</b>	<b>80.89%</b>





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**To:** GSFA Executive Committee  
**From:** Lisa McCargar, Chief Financial Officer  
Greg Norton, Executive Director  
**Date:** October 13, 2015  
**Re:** GSFA Quarterly Investment Report

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**Summary**

In accordance with GSFA's investment policy, staff is providing the 3<sup>rd</sup> quarter investment report. This report provides a summary of investment transactions for the quarter ending September 30, 2015. In addition, the report provides the quarter's annualized yields by investment type and a comparison to the 90 day Treasury Rate.

The CalTRUST yields are the funds' reported September 30, 2015 yields. The LAIF return is the fund's 3<sup>rd</sup> quarter apportionment rate.

**Attachment**

- GSFA Investment Report –As of and for the Quarter Ending September 30, 2015



**GOLDEN STATE FINANCE AUTHORITY**  
**Investment Report**  
**As of and for the Quarter Ended September 30, 2015**

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 6/30/15	\$19,390,761	\$7,387,951	\$11,818,927	\$183,883
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (accrued)	34,507	9,499	24,998	10
Capital Gain/(Loss)	23,529	-	23,529	-
Balance 9/30/15	\$19,448,797	\$7,397,450	\$11,867,454	\$183,893

<u>Yield:</u>	Short Term	Mid Term	LAIF*
Annualized One Year	45.00%	79.00%	0.33%
Average Maturity (days)	398	719	239
90 Day Treasury Bill Rate	-0.01%		

\* LAIF estimated

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million:  
 -None







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**To:** GSFA Executive Committee  
**From:** Greg Norton, Executive Director  
Patricia Megason, Deputy Director  
Lisa McCargar, Chief Financial Officer  
**Date:** October 13, 2015  
**Re:** GSFA Investment Policy Renewal 2016 - **ACTION**

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**Summary**

The Investment Committee is responsible for overseeing the investment activity of GSFA and annually presents the Investment Policy to the Board for review and approval.

**Issue**

The Investment Policy was last revised and approved on December 10, 2014. The Investment Committee consisting of the GSFA Executive Director, Executive Deputy Director, and Chief Financial Officer has reviewed and is submitting the policy for annual review as required.

The Investment Committee does not have any suggested revisions for 2016 other than applicable dates, and the change of the name from California Home Finance Authority to Golden State Finance Authority.

**Staff Recommendation**

Staff recommends that the GSFA Executive Committee review and approve the attached draft Investment Policy and direct staff to present the draft Investment Policy to the GSFA Board of Directors for adoption

**Attachment**

- 2016 GSFA Investment Policy Draft



# GOLDEN STATE FINANCE AUTHORITY

Subject:	Class: <b style="text-align: center;">ACCOUNTING</b>	Number: <b style="text-align: center;">A – 03</b>
<b>INVESTMENT POLICY</b>	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 12/10/14  Approved:  Date: 10/21/15
		<b>Page: 1 of 5</b>

## INTRODUCTION

The investment policies and practices of Golden State Finance Authority (GSFA) are based upon state law and provide guidelines for the prudent investment of GSFA's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing GSFA's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

## OBJECTIVES

GSFA's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. GSFA's objective is to diversify its portfolio by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and the Local Agency Investment Fund (LAIF) and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion - understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

## GOLDEN STATE FINANCE AUTHORITY

Subject:  <b>INVESTMENT POLICY</b>	Class: <b>ACCOUNTING</b>	Number: <b>A - 03</b>
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supercedes: Policy dated 12/10/14  Approved:

### DELEGATION OF AUTHORITY

Authority to manage GSFA's investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of GSFA's Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of GSFA's Executive Director, Deputy Director, and Chief Financial Officer (CFO). The Investment Committee shall be responsible for all investment transactions undertaken.

### RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant's role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

### LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

### MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

### AUTHORIZED AND SUITABLE INVESTMENTS

GSFA is empowered to invest in LAIF, CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by GSFA or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

## GOLDEN STATE FINANCE AUTHORITY

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### Allowable Assets

#### 1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

#### 2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

#### 3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

### ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of GSFA shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

# GOLDEN STATE FINANCE AUTHORITY

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## **ETHICS AND CONFLICTS OF INTEREST**

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with GSFA and they shall further disclose any large personal financial/investment positions that could be related to the performance of GSFA. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

## **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read GSFA's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers utilized by GSFA will be conducted by the Chief Financial Officer.

## **INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the GSFA Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

# GOLDEN STATE FINANCE AUTHORITY

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The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

## **INVESTMENT POLICY REVIEW**

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the Executive Director, Deputy Director and Chief Financial Officer) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of GSFA and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.

