

Approved: Juanita Lewis

FNSB No: 25.04  
DATE: 10/19/90

INVESTMENT BIDDING POLICY

This policy establishes the investment bidding process.

I. POLICY

It is the policy of the Fairbanks North Star Borough administration that investment bidding procedures be established and followed.

II. SUPPLEMENTAL INFORMATION

- A. Reference - FNSB 3.04
- B. Definitions - None
- C. Attachments - None

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SUPERSEDES: None  
PRIMARY RESPONSIBILITY: FS

APPROVED:

Juanita Helms

FNSB NO: 25.04.01

DATE: 10/19/90

## INVESTMENT BIDDING PROCEDURES

This procedure outlines the program for implementing the investment bid process.

### I. PROCEDURE

#### A. Evaluation of Cash Flow and Investments

1. Future cash flow requirements and availability of excess cash over current cash obligations are evaluated by the Revenue Supervisor on a daily basis.
2. After the Borough's cash requirements have been evaluated and it is determined there are funds available for investment, the Revenue Supervisor refers the information to the Treasury Budget Manager for review and evaluation. The investment recommendation is then referred to the Chief Financial Officer (CFO) for approval.
3. Excess funds are invested in order to maximize the yield and provide the appropriate maturity date to meet the Borough's cash requirements.
4. Excess funds are invested in authorized security investments as designated in FNSB 3.04.030.

#### B. Delegation of Authority

1. Standing Delegation of Investment Program Management
  - a. The CFO is delegated authority by the Mayor to manage the Borough's investment program on a daily basis.
  - b. The Treasury Budget Manager and the Revenue Supervisor are delegated the authority to solicit and receive investment bids in compliance with FNSB 3.04.110 as well as to manage record keeping of the investment program.
2. Delegation of Transaction Authorization (Investment Operations)
  - a. All investment strategies and bids are submitted for approval by the CFO. In the

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PRIMARY RESPONSIBILITY: FS

event the CFO is unavailable, the transaction is to be approved by the Mayor. If the Mayor is unavailable, authority for approval goes to the Administrative Director. Finally, if the Administrative Director is unavailable, authority flows to the Controller.

C. Bid Process

1. If time permits, three or more bids will be solicited. Only one bidder will be selected from each of the following categories, in the order presented:
  - a. Last successful bidder
  - b. Local bidder (Fairbanks)
  - c. State of Alaska bidder
  - d. Bidder with nationwide branches
2. The Borough will solicit bids according to a systematic method which will, over time, afford reasonable opportunities for bidding to all persons on the qualified bidders list.
3. The bid process normally takes three (3) days.
  - a. Day 1 - Bid Notification
    - i. Bidders are contacted before 3:00 p.m. and given the following information:
      - aa. Type of securities the Borough wants to purchase/sell
      - bb. Maturity date
      - cc. Settlement date
      - dd. Face value of the securities to be purchased/sold, and
      - ee. Date and exact time the Borough wants the bid called back (usually Day 2 by 9:00 a.m.).
  - b. Day 2 - Bid Date
    - i. Brokers call bids in to the Revenue Supervisor or Treasury Budget Manager and give the following information:
      - aa. For purchase of investments:
        - (1) Coupon rate of the securities
        - (2) Purchase price (in decimals)
        - (3) Equivalent bond yield

bb. For sale of investments:

- (1) Offered price for the security
- ii. Bids are reviewed by the Revenue Supervisor and the Treasury Budget Manager. For purchases, the lowest bid for each security is circled on the bid form. For sales, the highest bid is circled. In the event of a tie, the order of bid preference is as follows:
- aa. Local
  - bb. In-state
  - cc. Out-of-state

iii. The CFO approves or disapproves the recommended bids, noting approval by signing the bid form. The Revenue Supervisor then contacts the brokers to advise which bid has been awarded.

In the event the CFO is unavailable for bid approval, refer to section I.B.2, Delegation of Authority.

iv. Brokers will generally not guarantee the price of a security for longer than ten minutes, therefore, the time factor on the bid award is critical. Bids received after the established time deadline, will be considered non-responsive.

v. Upon completion of the award process the Revenue Supervisor:

aa. For purchases:

- (1) Instructs the bidder where to deliver the securities on the settlement date and to which account number(s).

- (2) Receives the following information from the bidder:

- (a) Principal amount on each security
- (b) Accrued interest
- (c) Total purchase price
- (d) Cusip number (Federal Registry Number)

## (e) Delivery instructions for payment

## bb. For sales:

(1) Instructs the bidder where to deliver payment on the settlement date and to which account number(s)

(2) Obtains information from the bidder regarding the sales price, principal, and accrued interest and verifies the bidder's computation of the total payment due to the Borough from the sale of the security

vi. The Revenue Supervisor contacts the custodial bank to relay all pertinent information regarding the purchase/sale. This contact is usually done via a computer link which accesses the custodial bank's computer system.

## c. Day 3 - Settlement Date

i. For Purchases: The custodial bank handles the receipt of the security and the delivery of the payment as agreed to in the custodial services contract. (Delivery vs. Payment)

ii. For Sales: The custodial bank delivers the security in accordance with the instructions given upon receipt of the payment. (Payment vs. Delivery)

## D. Confirmation of the Security Purchases

1. The brokerage firm must provide written confirmation of the security purchase and the Revenue Supervisor verifies the data against the bid request. Under contract, the custodial bank must notify the Borough immediately, if any discrepancy occurs between the instruction transmitted and the processing of the actual transaction.

## E. Documentation of Bid

1. A well documented bid is required. The Revenue Supervisor documents all conversations and approvals.

## F. Borough Investment Schedule

1. The Revenue Supervisor updates the Borough Investment Schedule weekly. All securities purchased are added and securities matured or sold are deleted. It is prepared on a weekly and month-end basis.
2. Copies of the Borough Investment Schedule are sent weekly and monthly to the CFO and Treasury Budget Manager and only monthly to the Controller.

## II. SUPPLEMENTAL INFORMATION

## A. References

1. FNSB 3.04.110
2. FNSB Policy and Procedure Manual 25.05.01

## B. Definitions

1. Equivalent bond yield - Annual yield on a short-term, non-interest bearing security calculated so as to be comparable to yields quoted on coupon securities.
2. Coupon rate - The annual rate of interest which the borrower promises to pay to the bond-holder (computed on par value).
3. Face value - The par value of a bond that appears on the face of the bond. This is the amount that the issuer promises to pay at maturity and also the amount on which interest is computed.
4. Investment Schedule - A detailed listing of the Borough's current investment portfolio.
5. Maturity date - The date upon which the principal or stated value of an investment becomes due and payable.
6. Qualified bidder - A bidder who has met the requirements to be included on the Borough's Qualified Bidder List. (See Qualified Bidders' List for Investments Procedures, 25.05.01.)

7. Settlement date - The date on which a trade is cleared by delivery of securities against funds.

C. Attachments - None

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