

REQUEST FOR PROPOSALS
FOR
INVESTMENT ADVISORY AND SERVICES
Town of Belleair, Florida

I. GENERAL INFORMATION

The Town of Belleair, Florida (Town) is currently seeking proposals from qualified firms interested in providing investment advisory services for approximately ten million dollars (\$10,000,000) of the Town's investment portfolio. The Town desires to contract for services from a firm registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 who will act in a fiduciary capacity for the Town and present performance numbers in accordance with the CFA Institute. The Investment advisor will be required to manage the funds in accordance with the laws of the State of Florida, the Town's investment policies and procedures established by the Town.

1. It is the town's intent for the principal to be constantly reinvested utilizing nationally recognized performance benchmarks for short, medium and long term portfolios, while maintaining safety and liquidity.

The town encourages all prospective investment advisors to examine this RFP carefully. Qualified advisors, as defined below, are requested to submit proposals to provide the services described in this RFP. The Town expects its investment advisor to be highly experienced, a leader and innovator in the management of investments, and is able to provide comprehensive investment advisory, services.

II. PROPOSAL PROCEDURES

A. SCHEDULE OF PROPOSAL

Issue RFP	5/19/2010
Final Date for Receipt of Inquiry's	6/10/2010
Proposals due	6/18/2010
Oral Presentation, if necessary	TBD
Award by Town	7/18/10

B. ADDITIONAL INFORMATION

Inquiries regarding this RFP shall be in written form only. Inquiries may be mailed, e-mailed or sent by overnight courier. All inquiries must include contact person, address and facsimile number. Responses to questions will be provided to all prospective offers. Questions should be submitted to:

JP Murphy
Finance Director
Town of Belleair

Phone: 727-588-3769
Fax: 727-588-3778
E-mail: jmurphy@townofbelleair.net

C. PREPARATION OF PROPOSAL

Proposals should be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. All costs associated with the preparation of a proposal will be born by each proposer.

D. NUMBER OF PROPOSAL

One (1) original and Three (3) copies of the proposal should be submitted.

E. SUBMISSION OF PROPOSALS

The proposals should be sent to:

Donna Carlen, Town Clerk
Town of Belleair
901 Ponce de Leon Blvd.
Belleair, FL 33756

All proposals must be delivered to the above office on or before 6/18/2010 at 3:00 p.m. Eastern Time. **(Proposals received after the above date and time will not be considered.)** The town is under no obligation to return proposals. The envelope containing the proposal should clearly be marked on the outside with "Request for Proposal for Investment Advisory Services".

F. TIME AND LOCATION OF PROPOSER'S PRESENTATION

Selected proposers **may** be requested to make oral presentations. Those proposers will be notified to arrange specific times. The town will not be responsible for any cost associated with the preparation of the proposer's presentation.

G. EFFECTIVE PERIOD OF PROPOSALS

All proposals must state the period for which the proposal shall remain in effect. Such period shall not be less than 120 days from the proposal due date.

H. RIGHT OF REJECTION BY TOWN

Notwithstanding any other provisions of this RFP, the TOWN reserves the right to award this contract to the investment advisor that best meets the requirements of the RFP, and not necessarily, to the lowest bidder. Further, the TOWN reserves the right to reject any or all proposals prior to execution of the contract, with no penalty to TOWN.

I. CONTRACT NEGOTIATIONS

After a review of the proposals, and possible oral presentations, the town intends to enter into contract negotiations with the selected investment advisor. These negotiations could include all aspects of services and fees.

J. AWARD OF CONTRACT

A proposer to whom a contract is awarded shall be required to enter into a written contract with TOWN in a form approved by legal counsel for TOWN. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. Town reserves the right to negotiate the terms and conditions of the contract with the selected proposer.

K. CONTRACT TERM

It is the intent of the Town to award a contract for an initial three (3) year period with the option to renew it for a two year period for a possible total of five years. The decision to renew the contract will be at the discretion of the Town Commission

III. MINIMUM QUALIFICATIONS

To be considered by the town, proposing investment advisors must:

- Have a minimum of five years of experience in managing fixed income assets for state and local governments.
- Currently manage at least \$1 billion of domestic fixed income assets for public organizations. The firms own funds will not be counted as public funds.
- Assign an account manager to the Town who has a minimum of 7 years experience in public funds investment management in Florida.

- Be familiar with all applicable Florida statutes with regard to qualified investments for public entities.
- Be registered with the Securities and Exchange Commission under the Investment Advisor's Act of 1940.
- Be financially solvent and appropriately capitalized to be able to service the town for the duration of the contract.
- Have Errors & Omissions and Fiduciary Liability Insurance coverage of at least \$5 million.
- Adhere to the Code of Professional and Ethical Standards as described by the CFA Institute.

IV. SCOPE OF SERVICES

Specific responsibilities of the selected investment manager will include, but not be limited to the following:

- A. Manage on a daily basis the town's separate investment portfolios pursuant to the specific, stated investment objectives. Place all orders for the purchase and sale of securities, communicate settlement information to the Town staff and assist in coordinating security settlement.
- B. Serve as a general resource to the town staff, advisory boards, and Town Commission for information, advice and training regarding fixed income securities, investments, and Treasury operations.
- C. Provide monthly statements on investment activity, earnings and the value of the investment portfolio. These reports must include a mark-to-market valuation as required by GASB 31 and 40. The selected investment manager must maintain accurate reports of investments including the diversity of investments and compliance with applicable investment policies of the town and Florida Statutes.
- D. Provide quarterly investment reports including a description of market conditions, investment strategies employed performance and suggested changes to investment strategy. The performance numbers shall be presented as required by the CFA Institute.
- E. The investment advisors **Will** provide custodial services or security safekeeping.
- F. The investment advisors will act as a fiduciary

V. REQUIRED INFORMATION

- A. Firm Background

1. Describe the organization, date founded and ownership of your firm. Has the firm experienced a significant change in organizational structure, ownership or management during the past three years and, if so, please describe.
2. Describe any other business affiliations (e.g., subsidiaries, joint ventures, "soft dollar" arrangements with brokers).
3. Identify the types of accounts primarily managed by your firm.
4. Does your firm have an office in the State of Florida and describe the staff in the Florida office?
5. Is your firm a registered investment advisor under the Investment Advisor's Act of 1940? Please attach Part II of your most recent Form ADV.
6. Describe any SEC, NASD or any other regulatory censure or litigation involving your firm during the past five (5) years.
7. Summarize fidelity bond coverage, errors and omissions, employee dishonesty, fiduciary liability insurance, or other fiduciary coverage your firm carries.
8. Provide a copy of your firm's most recent audited financial statement.
9. Does your firm adhere to the Code of Professional and Ethical Standards as described by the CFA Institute?

B. Experience

1. Describe your firm's experience in managing investment portfolios for public funds and governmental entities including any relevant experience managing public funds in Florida.
2. Summarize your assets under management (public funds only) over the past five years by the following categories: short-term, medium-term and long-term non-operating and non restrictive funds. Also, please separate these asset totals by Government Institutions and Other Institutions.
3. What is your firm's experience in developing investment policies and portfolio management guidelines for government funds?
4. Does your firm act as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for client transactions aside from the direct fee paid by clients?
5. Provide five client references (public references) including client name, contact personnel, address, phone number, length of time you have managed their assets and a list of any other related services provided (e.g. cash flow analysis, etc.).

C. Personnel

1. Provide a summary organizational chart showing your proposed project team including analytical investment and research staff, other decision support and back office support. Identify the primary contact and describe the roles of each key person.
2. Provide detailed resumes for all key investment professionals who will be directly responsible for the investment of the Town's funds. Include the following information; title, number of years at your firm, total number of years of experience, professional designations or licenses.
3. Describe your firm's activities to keep portfolio managers informed of developments relevant to the management of local government funds.

D. Investment Management Approach and Discipline

1. Describe your firm's investment management philosophy.
2. Describe the investment program you are proposing for the town, including the type of securities you propose to purchase, how the funds will be managed after the initial investments are made and how you will provide liquidity.
3. What are the primary strategies employed by your firm for adding value to portfolios (e.g., market timing, credit research, etc.)?
4. Describe how investment ideas are originated and how researched, and how the ultimate investment decision is made. Explain how investment decisions are then implemented, monitored and evaluated.
5. Describe your firm's research capabilities and resources. Does your firm assign credit research to specialists for public funds accounts?
6. Provide your firm's intermediate-term investment (0-3 year) performance for the most recent five years. Please show annualized quarterly returns, gross of all management fees. All performance numbers must be presented in accordance with the CFA Institute.
7. Briefly describe any additional feature, attributes or conditions, which Town should consider in selecting your firm.

E. Accounting and Reporting

1. Describe the investment accounting and reporting system used by your firm and if it complies with CFA Institute standards.
2. Describe the frequency and format of reports that you would provide to Town (including the methods and formulas used to calculate yield and performance). Sample reports should be included.
3. What performance benchmark would you suggest for the Town's portfolios given the current investment policy requires a short-term and a long-term benchmark?

F. Fees

1. Provide the fee schedule that would apply to this account.
2. What expenses, not covered by the fees, are expected to be paid by the Town?
3. Provide a sample of a proposed contract for your firm's services.

**SWORN STATEMENT PURSUANT TO SECTION 287.133(3)(a),
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES**

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS.

1. This sworn statement is submitted to _____
[print name of the public entity]
by _____
[print individual's name and title]
for _____
[print name of entity submitting sworn statement]
whose business address is _____

and (if applicable) its Federal Employer Identification Number (FEIN) is _____.

(If the entity has no FEIN, include the Social Security Number of the individual signing
this _____ sworn _____ statement:
.)

2. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), **Florida Statutes**, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or of the United States, including, but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, or material misrepresentation.
3. I understand that "convicted" or "conviction" as defined in Paragraph 287.133(1)(b), **Florida Statutes**, means a finding or guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record relating to charges brought by indictment or information after July 1, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), **Florida Statutes**, means:
1. A predecessor or successor of a person convicted of a public entity crime: or
 2. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment or income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been

convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.

5. I understand that a "person" as defined in Paragraph 287.133(1)(e), **Florida Statutes**, means any natural person or entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.
6. Based on information and belief, the statement which I have marked below is true in relation to the entity submitting this sworn statement. **[indicate which statement applies.]**

___ Neither the entity submitting this sworn statement, nor any officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, nor any affiliate of the entity, has been charged with and convicted of a public entity crime subsequent to July 1, 1989.

___ The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.

___ The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989. However, there has been a subsequent proceeding before a Hearing Officer of the State of Florida, Division of Administrative Hearings and the Final Order entered by the Hearing Officer determined that it was not in public interest to place the entity submitting this sworn statement on the convicted vendor list. **[attach a copy of the final order]**

I UNDERSTAND THAT THE SUBMISSION OF THIS FORM TO THE CONTRACTING OFFICER FOR THE PUBLIC ENTITY IDENTIFIED IN PARAGRAPH 1 (ONE) ABOVE IS FOR THAT PUBLIC ENTITY ONLY AND, THAT THIS FORM IS VALID THROUGH DECEMBER 31 OF THE CALENDAR YEAR IN WHICH IT IS FILED, I ALSO UNDERSTAND THAT I AM REQUIRED TO INFORM THE PUBLIC ENTITY PRIOR TO ENTERING INTO A CONTRACT IN EXCESS OF THE THRESHOLD AMOUNT PROVIDED IN SECTION 287.017, FLORIDA STATUTES FOR CATEGORY TWO OF ANY CHANGE IN THE INFORMATION CONTAINED IN THIS FORM.

[signature]

[date]

STATE OF _____

TOWN OF _____

Subscribed and Sworn to)or affirmed) before me on
by

[date]

_____. He/she is personally known to me or has
presented

[name]

as identification.

[type of identification]

[Notary's Signature and Seal]

Print Notary Name and Commission

No. Form PUR 7068 (Rev. 06/11/92)

Truth – In – Negotiation Certificate

The undersigned warrants (i) that it has not employed or retained any company or person, other than bona fide employees working solely for the undersigned, to solicit or secure the Agreement and (ii) that it has not paid or agreed to pay any person, company, corporation, individual or firm other than its bona fide employees working solely for the undersigned or agreed to pay any fee, commission, percentage, gift or any other consideration contingent upon or resulting from the award or making of the Agreement.

The undersigned certifies that the wage rates and other factual unit costs used to determined the compensation provided for in the Agreement are accurate, complete and current as of the date of the Agreement. This document must be executed by a Corporate Officer.

By: _____

Title: _____

Date: _____

DRUG FREE WORKPLACE CERTIFICATION

If identical tie bids exist, preference will be given to the vendors who submit a certification with their bid/proposal certifying they have a drug-free workplace in accordance with Section 287.087, Florida Statutes. The drug-free workplace preference is applied as follows:

IDENTICAL TIE BIDS: Preference shall be given to businesses with drug-free workplace programs. Whenever two or more bids which are equal with respect to price, quality, and service are received by the State or by any political subdivision for the procurement of commodities or contractual services, a bid received from a business that certifies that it has implemented a drug-free workplace program shall be given preference in the award process. Established procedures for processing tie bids will be followed if none of the tied vendors have a drug-free workplace program.

As the person authorized to sign this statement, I certify that this firm complies fully with the following requirements:

1. This firm publishes a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.
2. This firm informs employees about the dangers of drug abuse in the workplace, the business's policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for drug abuse violations.
3. This firm gives each employee engaged in providing the commodities or contractual services that are under bid a copy of the statement specified in subsection (1).
4. In the statement specified in subsection (1), this firm notifies the employees that, as a condition of working on the commodities or contractual services that are under bid, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea guilty or nolo contendere to, any violation of chapter 893 or any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days after such conviction.
5. This firm imposes a sanction on or requires the satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee's community, by any employee who is so convicted.
6. This firm will continue to make a good faith effort to maintain a drug-free workplace through implementation of this section.

(Vendor's Signature)

(Firm Name)

____/____/____
(Date)

RESOLUTION NO. 2002-26

**A RESOLUTION OF THE TOWN OF BELLEAIR, FLORIDA,
ADOPTING AN INVESTMENT POLICY FOR THE TOWN OF
BELLEAIR.**

WHEREAS, the Town Commission of the Town of Belleair, Florida, is desirous of obtaining the maximum income possible on the Town's investments; and

WHEREAS, the Town is desirous of providing a policy to allow the Town to obtain the best interest rate and to provide for the proper cash flow to operate the Town, and further providing the standards to be addressed in the required written policies; and

WHEREAS, the Florida Legislature passed FS 218.415, mandating that local government units shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF BELLEAIR, FLORIDA, that the Town hereby adopt the following alternative investment policy:

A. INVESTMENT DECISIONS

The Finance staff shall adhere to the guidelines of the Town of Belleair Investment Policy regarding all investments purchases and investment transactions.

B. SCOPE

This investment policy applies to all financial assets of the Town of Belleair. These funds are accounted for in the Town's Comprehensive Annual Financial Report and include:

General Fund
Capital Projects Fund
Special Revenue Funds
Water, Wastewater and Solid Waste Enterprise Funds
Trust and Agency Funds
Any new fund created by the Town, unless specifically exempted by the legislative body.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

C. CHAIN OF COMMAND

The Town commission delegates the authority and responsibilities for control of the Town's cash and investments to the Town Manager and the Town Finance Director who shall establish written

procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Town Manager and Town Finance Director. The Town Manager and the Town Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

For the purpose of obtaining approval on investment matters not addressed in the Investment Policy, the following chain of command is appropriate:

1. Town Commission
2. Town Manager
3. Finance Director

D. INVESTMENT OBJECTIVES

The primary objectives, in priority order, of the Town of Belleair's investment activities shall be:

SAFETY: Safety of principal is the foremost objective of the investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

LIQUIDITY: The investment portfolio of the Town of Belleair will remain sufficiently liquid to enable the Town to meet all operating requirements, which might be reasonably anticipated.

RETURN ON INVESTMENT: In investing public funds, the Town will strive to maximize the return on the portfolio and to preserve the purchasing power but will avoid assuming unreasonable investment risk.

E. PRUDENCE AND ETHICAL STANDARDS

Investments shall be made with judgment and care (under circumstances then prevailing) which persons of prudence discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers 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 change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Officers and employees involved in the investment process 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. Employees and investment officials shall disclose to the Finance Administrator any material financial interest in financial institutions that conduct business within this jurisdiction and they shall further disclose any material personal financial/investment positions that could be related to the performance of the portfolio. Employees and officers shall subordinate their personal investment transactions to those transactions made in the portfolio, particularly with regard to the time of purchase and sales.

Bond swaps are appropriate when undertaken with the prudent person test and overall portfolio objectives in order to (a) increase yield to maturity without affecting the asset liability match; (b) reduce maturity while maintaining or increasing the yield to maturity or (c) increasing portfolio

quality without affecting the asset liability match while maintaining or increasing the yield to maturity.

The Town should not however, have a policy against selling securities at a loss if undertaken in connection with prudent portfolio management. For the protection of the Town it is imperative that full disclosure be made by the Commission, Manager and Finance Director any material interests which they may hold in a financial institution (broker/dealers, banks, etc.), which conducts business with the Town of Belleair. This disclosure shall be reported to the Town Commission.

F. AUTHORIZED INVESTMENTS

In accordance with Section 125.31, Florida Statutes, authorized investments include:

- a. The Florida Local Government Surplus Funds Trust Fund. (administered by the State Board of Administration and commonly referred to as the "SBA").
- b. Direct obligations of the U.S. Government, such as U.S. Treasury obligations.
- c. Obligations guaranteed by the U.S. Government as to principal and interest.
- d. Interest bearing savings accounts, money market accounts, certificates of deposit, money market certificates or time deposits constituting direct obligations of any bank or savings and loan association certified as a Qualified Public Depository by the State of Florida.
- e. Obligations of the:
 - Federal Farm Credit Banks (FFCB)
 - Federal Home Loan Bank Mortgage Corporation (FHLMC) (participation certificate)
 - Federal Home Loan Bank (FHLB) or its banks
 - Government National Mortgage Association (GNMA)
 - Federal National Mortgage Association (FNMA)
 - Student Loan Marketing Association
- f. Securities or, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio is limited to U.S. Government obligations and repurchase agreements fully collateralized by such U.S. Government obligations (i.e. Mutual Funds).

G. MATURITY AND LIQUIDITY REQUIREMENTS

The objective will be to match investment cash flow and maturity with known cash needs and anticipated cash flow requirements (i.e., match assets to liabilities) to the extent possible.

Investment of funds shall have final maturities of not more than five (5) years, except for:

- 1. SBA - No stated final maturity.
- 2. Certificates of Deposits as approved by Town Commission.

H. PORTFOLIO COMPOSITION

<u>Investment Type</u>		<u>Maximum</u>
1. Florida Local Government Surplus Trust Fund (SBA)	100%	
2. US Government Securities		100%
3. US Federal Agencies**	100%	
4. Instrumentalities**		50%
5. Certificates of Deposits	30%	

6. Repurchase Agreements 20%

Funds in the Depository Account will not be considered a part of the portfolio for purpose of the section.

*Does not include bond proceeds invested in construction funds established under a bond resolution.

I. RISK AND DIVERSIFICATION

The Town will diversify its investments by security type, specific maturity, dealer or bank through which financial instruments are bought or sold. Subject to limitation under Portfolio Composition, the following are the limits on individual issuers or dealers of bank:

1. No limitation on SBA, now accounts, US Government Securities, US Federal Agencies or US Federal Instrumentalities.
2. Limitations on other approved investments are 10% of total portfolio.

J. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The Financial Administrator will maintain a list of the financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Administrator with the following:

1. audited financial statements,
2. certification that no material adverse events have occurred since the issue of their most recent financial statements,
3. proof of National Association of Securities Dealers, the registration (where applicable) or other securities registration,
4. proof of state registration, when required,
5. certification of having read and agreeing to abide by the investment Policy and depository contracts in place with the Town, and
6. a copy of the firms established internal oversight and review guidelines controlling business with government entities.

Criteria for addition to or deletion from the list will be based on the following:

1. state law or investment police requirement where applicable,
2. perceived financial difficulties,
3. consistent lack of competitiveness,
4. lack of experience or familiarity of the account representative in providing service to large institutional accounts,
5. request of the institution or broker/dealer, and
6. when deemed in the best interest of the Town.

K. THIRD PARTY CUSTODIAL AGREEMENTS

All security transactions including collateral for repurchase agreements, entered into by the Town shall be conducted on a delivery-versus-payment (DVP) basis.

All securities shall be properly designated as an asset of the Town. Securities will be held by a third party custodian authorized by the Finance Administrator and evidenced by safekeeping receipts or advice of the transaction. The third party custodian shall be a third party custodian

bank or other third party custodial institution with certified fiduciary powers chartered by the United States Government or the State of Florida and have combined capital and surplus of at least \$100,000,000.

The Finance Administrator will execute third party custodial agreements approved by the Town with the banks and depository institutions. Such agreement will include letters of authority from the Finance Administrator with details as to the responsibility of each party, notification of security purchases, sales, delivery, repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure of other unforeseen mishaps including liability of each party.

L. MASTER REPURCHASE AGREEMENTS

1. Each firm involved in a repurchase agreement must execute the Town's Master Repurchase Agreement that will be based on the Public Securities Association (PSA) Master Repurchase Agreement.
2. A third party custodian shall hold collateral for all repurchase agreements with a term of more than one business day.
3. Custodial agreements shall be based on economic and financial conditions existing at the time of execution, as well as the credit risk of the institution that enters into the repurchase agreement with the Town.

M. REPORTING REQUIREMENTS

The Town Finance Director shall provide to the Town Manager and to the Town Commission a quarterly investment report which provides a comprehensive review of investment activity and performance for the quarter. The Town Finance Director shall provide to the independent auditors and to the Town Commission an annual report of types of investments, book value, market value, risk characteristics and rate of return.

The Town Finance Director shall provide other such reports and information as deemed reasonable, upon request, from other internal and external sources.

N. SELECTION OF DEALERS AND BANKERS

As stated in the Town Investment Policy, only primary dealers as designated by the Federal Reserve Bank of New York and through secondary government securities dealers shall be permitted to conduct business with the Town, furthermore, only institutional brokers from institutional departments shall be selected.

O. SECURITY SELECTION PROCESS

When purchasing or selling securities, the Town Commission shall approve the security which provides both the highest rate of return within the established parameters for the Investment Policy and satisfies the current objectives and needs of the portfolio. These selections shall be made based on a minimum of three (3) quotes from banks or dealers.

It is also realized that in certain very limited cases the Town will not be able to get three quotes on a certain security. For those cases the Town will obtain market prices from various sources including a daily market pricing provided by the Town custody agent or their corresponding institution.

The Finance Department shall utilize the three (3) quote process to select the securities to be purchased or sold. If for some reason the highest to purchase quote is not selected, then the reason leading to the decision will be clearly indicated in the authorization.

P. OPERATIONS

An operation is defined as a necessary procedures and duty required to provide for properly authorized transactions, timely processing, segregation of duties and proper internal controls.

These procedures revolve around the monitoring of the Banks Pooled Cash Account on a monthly basis by the Finance Director.

The basic policy is to ensure that there are the necessary funds available to cover the weekly expenditures. The majority of cash receipts are deposited regularly into the Bank. Some revenue from the State, County, and Florida Power have been set up to be electronically deposited into the Bank thereby saving administrative time in depositing of these proceeds and thus increasing interest earnings.

The policy will be to transfer any excess funds in the Bank, over \$50,000 into the SBA accounts keeping in mind the funds that will be necessary for upcoming expenditures. There may be occasions based on capital project drawdowns that the balance in the Bank may exceed this threshold for short periods of time. The SBA on average pays interest at approximately 25 basis points or one-quarter of one percent more than the Bank. If the balance in the Bank falls below \$10,000 it will be closely monitored keeping in mind upcoming cash receipts and expenditures, and if it is deemed necessary a transfer will be done from the SBA into the Bank.

The balance in the Bank can be found by a weekly review of the Accounts Payable Reconciliation.

If it is established that a transfer is necessary, the following procedures are followed:

- 1. The following are the procedures that the Town will follow in transferring funds between the State Board of Administration (SBA) and the Bank.**

BANK to SBA

The Finance Director will initiate a wire transfer.

In order to receive credit to our account as soon as possible, it is required that we call the SBA and inform them of the funds that are being transferred to the SBA.

A Journal Entry Form is completed to provide the accounting entries. This is signed by the preparer. In the Finance Director's absence the Town Manager will initial the wire transfer.

The completed forms are then given to the Finance Director or Accounts Payable Clerk for entry into the General Ledger.

- 2. The following are the procedures that the Town will follow in transferring funds between the SBA and the Bank.**

This process is followed in the event funds are necessary to cover a shortage in the Pooled Cash Account. This process can be initiated by the Finance Director or Town Manager. The first step is to prepare a form authorizing the transfer. It must be signed by the Finance Director or Town Manager. The money transferred out of all SBA accounts is established per agreement to only go into the Bank. The transfer is completed using the SBA automated authorized service. Transfers done before 11:00 A.M. will be posted in the Pooled Cash Account that same day.

The next step is to complete a Journal Entry Form. This form will provide the accounting entries for input into the General Ledger.

The completed forms are then given to the Finance Director or Accounts Payable Clerk for entry into the General Ledger.

3. Securities' Confirmations

The processing of securities' confirmations, including filing and reconciling, shall be conducted by the Finance Director. All confirmations for securities, including certificates of deposit, shall be held in the Town's Safety Deposit Box.

Upon receipt, all current investment confirmations shall be reconciled against the appropriate investment documents.

4. Safekeeping Procedures

Upon purchasing a security, the confirmation from the purchasing agent (faxed confirmation of purchase and settlement date is normally received within two days of purchase) will be attached to a faxed copy of the notification. The faxed copy should state the security, book value of the security and accrued interest to agree to the settlement amount. The settlement date on the fax must be the same date as the settlement date on the confirmation.

The Safekeeping Agent will only accept instructions from the authorized staff identified under C, Chain of Command.

The Safekeeping Account statements will be mailed monthly and reconciled to the supporting documentation and maintained in a file by month for each custodian.

Certificates of deposit are permitted to be safe kept at the issuing bank; however, all certificate of deposit confirmations must be verified against the appropriate investment reports on a quarterly basis.

Q. ACCOUNTING FOR INVESTMENT TRANSACTIONS

The investment function and the accounting staff will work closely together to ensure the transactions are reported in the month in which they occur. Accounting entries will be prepared by the finance staff and overseen by the Finance Director. Whenever possible, persons who perform investment transactions shall not be responsible for the reconciliation of the accounts; furthermore, adequate separation of duties requires that persons who perform investment transactions should not also be responsible for journalizing or reconciling the confirmations and monthly custodial statements.

R. INTERNAL CONTROL REVIEW

The Town Finance Director and the Town External Auditor will review the Internal Control Manual on an annual basis. As part of the annual financial audit, the external auditor will review the internal controls and verify compliance with the Town's Investment Policy.

S. INVESTMENT TRAINING

Periodic training and educational opportunities will be provided to authorized staff responsible for the investment function of the Town of Belleair. Those Town officials responsible for making investment decisions should seek continuing education in subjects or course of study related to investment practices and products on an annual basis.

PASSED AND ADOPTED BY THE TOWN COMMISSION OF THE TOWN OF BELLEAIR, FLORIDA, this 17th day of SEPTEMBER, A.D., 2002.

Mayor

ATTEST:

Town Clerk