

Town of Dewey Beach, DE Thursday, October 10, 2019

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Chapter 24. Investment Policy

§ 24-1. Purpose and applicability.

- A. The Mayor and Town Council, Commissioners and management of the Town of Dewey Beach have the responsibility to manage the Town's financial resources in such a manner as to maximize its investment return while preserving its invested principal. The ~~is~~ Town's Investment Policy is intended to provide the Town's fiduciaries with guidance as to the planning, management, control and safeguarding of the Town's financial assets. The ~~is~~ Investment Policy shall be operated in conformity with all applicable federal, state, local and other legal requirements.
- B. The ~~is~~ policy shall applies to the investments of the Town's two major funds, the General Fund and the Beach Replenishment Fund. ~~Balances in the Town's smaller (minor) funds will continue to be invested in collateralized repurchase agreements (sweep accounts) as is the current practice or other no-risk investments such as U.S. Treasury obligations, certificates of deposit, etc.~~

§ 24-2. Investment strategy.

- A. The ~~is~~ Investment Policy shall be designed to take a more aggressive approach to develop an appropriate strategy for investing portions of the Town's General Fund surplus amounts and Beach Replenishment Fund balances that are not needed to meet short-term operational and capital needs in order to increase the Town's total return on its investments and to provide additional resources for the Town's mid- and long-term requirements.
- B. Inasmuch as the General Fund and Beach Replenishment Fund have different financial objectives, liquidity requirements, and restrictions (Beach Replenishment Fund), the investment strategy of each ~~will be~~ is somewhat different and ~~shall differ~~ is directed to in accordance with each fund's specific requirements.

- (1) The General Fund as the operating fund of the Town of Dewey Beach is used to account for all financial resources (operating and capital) of the Town except for revenue sources that are legally restricted to expenditures for specific purposes. ~~To the extent possible, the Town shall attempt to match its investments of General Fund surplus monies with anticipated cash flow requirements. Based on anticipated short-term (one year or less), mid term (two years to five years) and long-term (five years and beyond) financial operating and capital needs, Allowable assets for investing the General Fund surplus shall be invested as follows:~~

- (a) ~~Invest all funds required to meet specific short-term operating and capital needs in high-yield collateralized repurchase agreements (sweep account) as is the current practice or other liquid, low-risk investments such as U.S. Treasury obligations, certificates of deposits, etc. as set forth in Exhibit A (Authorized Investments).~~¹⁴

[1] Editor's Note : Exhibit A is included at the end of this chapter.

Cash or Cash equivalents including: short-term highly marketable securities that are readily convertible to cash such as bank CDs, U.S. Treasury Bills of no more than 3-months maturity, Commercial Bank Money Market and Savings accounts. Invest funds needed to meet specific mid-term capital requirements, up to 0% of surplus funds, in appropriate stock (e.g., dividend-paying conservative growth funds) and/or bond mutual funds regulated by the SEC.

- (a) ~~Invest funds required to meet specific long-term capital needs, up to 0% of surplus funds, in appropriate stock and bond mutual funds regulated by the SEC or other authorized long term~~

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investments as set forth in Exhibit A.

Allowable assets for investing in either fund for short-term to medium needs include:

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or other marketable long-term investments authorized in Exhibit A.¹²⁴

- All individually held fixed income securities, mutual funds and any classes of structured securities held must be rated A- (or equivalent) or better by two of the three major ratings agencies.
- The weighted average credit quality of the portfolio shall be AA- or better.

Allowable assets for investing to meet long-term needs include:

Equities: High-quality common stocks or equivalents (i.e., American depositary receipts (ADR), convertible bonds) as well as small cap and mid cap stock mutual funds, exchange traded funds (ETF), and international and emerging markets stock mutual funds/ETFs.

C. The Mayor and Town Council, delegate authority to recommend and implement investment decisions, consistent with this strategy, to the Investment Committee, in consultation with the Town on liquidity matters. The plan of implementation for the investment strategy shall be reviewed at least annually by the Investment Committee and approved by the Mayor and Town Council.

§ 24-3. Objectives.

The objectives will be sought utilizing the prudent investor concept without incurring a level of rate-of-return volatility materially greater than that generally associated with funds of similar character. The objectives are:

- A. Preserve the real (inflation-adjusted) principal value of the town's invested assets.
- B. Maintain liquidity and match fund to ensure that the Town can meet its short and long term cash flow requirements.
- C. Within the constraints of this Policy, increase the real (inflation-adjusted) value of the portfolio beyond that currently achieved with those funds needed for the Town's short-term operational and capital needs.

The primary objectives, in order of priority, of investment activities are safety, liquidity and yield.

§ 24-4. Standards of care.

- A. Prudence. The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. ~~accordance with written procedures and this 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 the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "prudent person" standard states that "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~~
- B. Ethics and conflicts of interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees, investment officials, and Commissioners, shall disclose any material interests in financial institutions including investments and

employments with which they conduct business that could interfere in their decision making. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town of Dewey Beach. Employees, Investment officials and Commissioners should recuse themselves from any decision on the status or selection of an investment manager when they have an employment or material interest in the investment manager or a proposed investment manager (in the case of Request for Proposals).

A.—Delegation of authority. Authority to manage the investment program is granted by the Mayor and Town Council of Dewey Beach to the Investment Committee. A qualified investment manager selected by the Investment Committee and approved by the Mayor and Town Council shall be responsible for the operation of the investment program in accordance with this investment strategy and the plan of implementation approved by the Mayor and Town Council.

(3) The Investment Officer may not originate or implement a new investment program or make investments without Budget and Finance Committee, Mayor and Town Council approval. The Investment Officer, with the approval of the Chairman of the Budget and Finance Committee, may renew an existing investment that has matured.

The Investment Committee will review the Investment Manager's decisions and performance on at least a semi-annual basis, with a quarterly-basis preferred. Financial reports to the Town shall be provided by the Investment Manager on a monthly basis.

§ 24-6. Amendments.

The Investment Committee shall review the Investment Policy and the implementation plan on an annual basis and recommend changes if any to the Town Council for approval. Any changes to this policy or the plan for its implementation must be approved by the Town Council.