

**Meeting Minutes**  
**Investment Committee**  
**Dewey Beach, DE**  
**May 21, 2019**

Chair called the meeting to order at 3:02 PM.

Meeting was conducted remotely using Zoom.

Committee members present included Chairman Manuel Bramao, Mike Schaffer, Bernie Krauss, Jimmie Lee, Brian Privor, Dennis Trencher, and Bernie Krauss. Each member gave a short introduction

Attendees from the public: Dominic Difebo from Brown Advisory, Commissioner David Moskowitz, Commissioner Gary Persinger, Town Manager Scott Koenig

The meeting minutes from the previous meeting were reviewed. Unanimous vote to accept the meeting minutes.

Scott Koenig presented update on Town of Dewey Beach finances:

- Looking at potential impact of COVID-19 on town with Commissioners Moskowitz and Persinger
- Estimate a \$1 million drop in revenue this year
- We are seeing an improvement in income in May with uptick in parking permits
- Impact of restaurant businesses returning to something closer to normal
- Rental income is a wildcard. Expect \$103K income from rental license fees but currently have only \$40K. Currently, the accommodation tax is only \$30K.
- Looking at options of bank loan and borrowing from beach replenishment fund to deal with projected shortfalls
- May need to dip into Short Terms funds
- Question about Group long term rentals. Some correlation to DE Governor's lifting of restrictions on short term rentals currently banned scheduled to occur 15 June 2020
- Looking at have a University of DE doctoral student examine ways to deal with issues such as licenses, enforcement and what constitutes a family.

Dominic DiFebo from Brown Advisory updated the committee on the Dewey Beach investment portfolio and the current investment environment:

- COVID-19 has been a significant event impacting on investing generating high volatility
- Biggest influence on Dewey investments is in the fixed income and equities markets
- Small Cap Funds outperformed Large Cap Funds
- Mutual Funds sell offs to get cash
- Significant Corporate Quality Bond Market
- Brown Advisory analysis shows US is in a recession
- Portfolio Overview
  - 60% Treasury Notes (some came due during the last period but it made sense to reinvest because of performance)
  - 40% Cash/Money Market

- Global Development International Fund: moving out of European investments because of what Brown saw in “structural hierarchies” before COVID-19
- Emerging Markets Funds: 80% of fund is invested in Asia
- Global Fund not restricted on where in the world to invest providing flexibility to invest
- Seeing corporate behavior changing e.g. dropping dividends
- Flexible Equity mostly US Strategy/Large Cap
- Chairman asked why Dominick is leaning on the Brown Advisory Global Fund (BAGF). Dominick replied that BAGF is a conservative fund has more flexibility and can invest where in the world they invest based on the value and risk rather than being limited to a geographic area.
- In terms of market value, 5 stocks account for 20% of the S&P 500: Facebook, Amazon, Apple, Microsoft and Google
- Concern with small cap/mid cap funds because of the number of small businesses experiencing difficulties. Over the last 30 years, these funds have performed well but experience a lot of volatility. Dominick does not think 3.9% slice of portfolio is a big risk.
- Recommend moving out of iShare Funds. 50% of iShares Misc Index funds investment is in the US.
- Brian commented that we should refrain from small cap stocks selling at bottom and buying at top syndrome. He also agrees with getting rid of the iShare Funds.

Discussion of proposed changes to move out of iShares and adjust Small/Med Cap funds

- Jimmie commented that it seems we spend a lot of time managing a small percentage of the portfolio
- Manny replied that it was good for the committee to ask questions to understand proposed changes

Manny thought we should discuss other investment instruments

- Brian noted that the current investment policy definition of how we can invest is not too onerous, but he recommends reviewing the policy
- Dave thought a broader definition would work better in the current investment environment
- Mike asked Dominic if he could share what he thinks are examples of good municipal investment policies. Dominic replied he would share examples
- Dominic commented that the committee should look at risk and if we can accept more risk. Risk is limited by the size of the Dewey portfolio
- Manny not sure we need a new investment policy. Brian noted the policy has a few ticks but it is workable
- Dominic suggest an annual review of the investment policy
- Brian and Dominic will do initial review of the investment policy

Discussion of Beach Replenishment Fund: only change proposed by Town is to borrow from the beach fund as an option to close anticipated budget gap. Paying back to loan would include a yet to be determined interest.

Suggest late August 2020 for next meeting

Meeting adjourned 4:16 PM

