

## Investment Management Services for the Town of Dewey Beach

The Town of Dewey Beach, Delaware is seeking proposals from financial institutions for providing investment management services based upon the current draft investment policy. See [www.townofdeweybeach.com/bids](http://www.townofdeweybeach.com/bids).

All RFP responses must be received no later than August 1<sup>st</sup>, 2014 with e-mail preferred in PDF format. Send replies by e-mail to [Ashleigh@townofdeweybeach.com](mailto:Ashleigh@townofdeweybeach.com) with Attn: Investment Committee in the Subject line. Or mail to:  
Town of Dewey Beach  
Attn: Investment Committee  
105 Rodney Ave  
Dewey Beach, DE 19971.

RFP responders may be asked to meet with the Investment Committee and the Council to explain their proposal in greater detail.

The Town of Dewey Beach reserves the right to reject any of the RFP(s), in the best interest of the Town.

### Services to be Provided:

Investment management services for the short and long term portfolio, which has a valuation range of 5-10 million dollars.

### RFP Information Requirements

1. Brief description of the investment management firm's ownership, including identification of any affiliated companies.
2. Total number of people employed at the firm.
3. The total dollar value of the firm's assets under management.
4. Brief description of the firm's investment services provided to entities.

5. A description of the firm's investment process, including research, governance, and portfolio management.
6. Description of how your firm would make its services available to the Investment Committee.
7. State the commission rates in brokerage transactions, management fees, and fees relevant to the ETFs/funds the Town is likely to hold.
8. Taking the draft investment policy, state what you project as the historic 1 and 3 yr return. Please break out fees (including your management fee, commissions, and any ETF/Fund fees).
9. Samples of monthly and quarterly statements. Do you have the capability to provide customization for the Town's multiple portfolios?
10. Provide a list of principal account references including institutional accounts, public entity client list, and other relevant entities.
11. Provide biographies of Investment Personnel who will be servicing the Town's account.
12. Technology utilized.
13. Provide information concerning your firm's historical stability.
14. Provide any other information which would be of assistance to the Investment Committee in evaluating your firm's responses and its qualifications to serve as the Town's Investment Manager.
15. Under your proposed contract, will the Town be able to make immediate changes to the financial portfolio including re-allocations and withdrawals?
16. Has any client filed a complaint, sued, or taken you to arbitration/mediation? Please explain.

RFP's will be evaluated by the Investment Committee on the basis of:

1. The completeness and adequacy of responses to the questions in the RFP.
2. The level of management fees and fees/sales charges in offerings.
3. The diversity of offerings.
4. Reporting capability and internal controls.
5. The ability of the Investment Manager to provide services, the background and qualifications of the Officers who will be servicing the Town's account, and the overall quality of the RFP submission.

Questions concerning this RFP can be e-mailed to:  
Ashleigh@townofdeweybeach.com, with Attn: Investment Committee in the  
Subject line.

## **TOWN OF DEWEY BEACH INVESTMENT POLICY**

The purpose of this document is to establish the investment policy for the Town of Dewey Beach, Delaware. This policy involves money that is both long term and short term as identified to provide for the town's requirements. Long term money as identified by the Town Manager will be invested in a broad range of no-load (minimal fees) ETFs or mutual funds with a balance between equity and fixed or bond funds. The longer the time frame the greater the percentage of equity funds. The Investment Committee would monitor the performance of the long term monies and make adjustments as needed to strive to assure always a positive performance. Money that needs to be liquid would be deposited into short term instruments such as savings/checking accounts, short term CDs, or short term Treasury Bills for easy access. Adjustments to meet the Town's needs (as provided by the Town Manager) can be accomplished as needed at the direction and action of the Investment Committee. The Investment Committee will review the investment report and provide a quarterly update to the Commissioners and the Town Manager.

### **Objective**

The objective of the investment program is to generate an annual total rate of return sufficient to produce the following results:

1. Preserve the real (inflation-adjusted) value of the portfolio
2. Facilitate meeting the Town's short and long term requirements.
3. To the extent possible, increase the real (inflation-adjusted) value of the portfolio beyond that currently achieved with those funds needs for the Town's short-term operational and capital needs.
4. Maintain liquidity and match cash-flow requirements.

The objectives stated above 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 prudent investor concept should be used.

### **Total Return**

The investment policy seeks to achieve a reasonable total return, consistent with acceptable investment risk, derived from both appreciation and earnings, and balancing out anticipated liquidity needs. The Commissioners have determined that this practice is consistent with the long-term preservations of assets.

### **Distinction of Responsibilities**

The Commissioners of the Town assume the responsibility for establishing the investment policy that is to guide the investment of the portfolio. The investment policy describes the degree of investment risk that the committee deems appropriate.

The investment manager appointed to execute the policy will invest the portfolio in accordance with this policy. In particular, the investment manager is accorded full discretion, within policy limits, to (1) select individual securities, (2) adjust the maturity mix, where applicable, and (3) diversify the assets.)

**Allocation of Assets**

The Funds should be allocated as follows:

**Short Term:**

		<b>Range</b>
<b>Equities</b>	<b>10% +/- 20%</b>	<b>0% to 30%</b>
<b>Fixed Income</b>	<b>50% +/- 20%</b>	<b>30% to 70%</b>
<b>Cash/Cash Equivalent</b>	<b>40% (- 20%/+30%)</b>	<b>20% +/- 70%</b>
<b>Total</b>	<b>100%</b>	

**Long Term\*:**

		<b>Range</b>
<b>Equities</b>	<b>40% +/- 20%</b>	<b>20% to 60%</b>
<b>Fixed Income</b>	<b>60% +/- 20%</b>	<b>40% to 80%</b>
<b>Total</b>	<b>100%</b>	

- \* Including as a percentage of the total portfolio up to:
- 20% International and emerging markets equities
  - 15% Small cap and mid cap equities
  - 10% Alternative investments/hedge funds/real estate

The town manager will specify on a quarterly basis what money is needed short term and long term. The investment manager will execute the policy. The investment committee will review that the investment manager is executing properly, with the council holding ultimate authority for supervision of the investment manager.

**Liquidity.**

The Town Manager shall notify the investment committee, who will work with the investment manager of any anticipated need for cash withdrawals in the future. The manager may assume that a cash reserve of 20% of the portfolio value is reasonable for investments deemed “short-term” unless otherwise indicated by the Commissioners. For Investments deemed “long-term”, the manager may assume no need to maintain a cash reserve for this purpose other than that indicated by the Commissioners.

**Fees and Taxes**

Investments should be made with fees and commissions in mind giving consideration to return and risk. Ex: If a S&P 500 ETF is offered with a 2% annual charge and a similar S&P 500 ETF product is offer with a 0.5% charge, the one with the lower charge should

be chosen, barring another factor such as liquidity or risk. Commissions should be minimized but not to the detriment of total return or risk.

The Town of Dewey Beach's tax structure should be accounted for when trading. If there are no taxes the town would pay, then investing in tax-free bonds which generally offer lower yields would not be prudent unless for investment opportunity or risk diversification.

### **Types of Investable Assets**

#### **Equities**

High-quality common stocks or equivalents (i.e., ADRs, convertible bonds) as well as small cap and mid cap stock mutual funds/ETFs, and international and emerging markets stock mutual funds/ETFs. Specific constraints include the avoidance of extremely volatile issues, as well as issues with limited marketability. The investment manager should diversify equities in an attempt to minimize the impact of substantial loss in any specific industry or issue. In addition, no more than 10% of equities may be invested in any one company and the stock price should be above \$5 on a daily closing basis before and after purchase. If a held stock goes below \$5, there will be 60 days before the investment manager needs to sell the security. The investment committee may grant an extension of an additional 120 days, to avoid forced selling of what the investment manager believes is a good stock that went down due to unusual circumstances such as market volatility.

#### **Fixed-Income**

The investment manager should also diversify the fixed-income portion of the portfolio within the quality and duration guidelines (described below) in an attempt to minimize the adverse effects of interest rate fluctuations. Therefore, except for U.S. Treasury and Agency obligations, the fixed-income portion may not contain more than 10% of a given issuer (regardless of the number of differing issues). Further, if used, international bonds are limited to 15% of the fixed portfolio. The duration of the portfolio should not exceed 120% of the duration of the Barclays Capital Bond Index. No more than 10% of all bonds should be below investment grade (Baa/BBB) or better. The average quality of the portfolio should be AA- or better. Alternatively,) The use of fixed-income ETFs or/and mutual fund(s) will be used to provide this portion of long term investment requirement. (with similar characteristics is acceptable. Agency backed Residential and Commercial Mortgage backed securities both by itself and as part of a ETF/Mutual Fund are permitted. Other structured products such as CLOs and ABS are also permitted as a limited (up to 10%) portion of the Fixed Income Investment of the portfolio if the investment managers have the proper models to analyze such securities and they are used to achieve diversity of the portfolio in a total return context. However the overall quality of the portfolio still must be maintained.

**Very Short Term Investments** (Expenses due within a year)

Collateralized Repurchase Accounts (Sweeps Accounts), US Treasury Obligations, Collateralized Certificate of Deposits, Insured Savings & Checking Accounts

**CDs**

Considered the same as cash, the town can place their money in a CD of up to a year's maturity at a FDIC insured bank or NCUA insured credit union that does not have known financial trouble. Past banks used include Fulton and Community Bank. When possible the CDs deposited should be diversified between two or three banks to decrease risk.

The Investment Committee or Chair may offer the Financial Officer guidance or/and strategy on very short term investments such as suggested maturities, choosing between similar offerings of CDs at the same or different banks, etc. but the ultimate authority is the Commissioners of the town.

**Portfolio Break-Out**

The town has two major portfolios, the General Fund and the Beach Replenishment Fund. Balances in the Town's smaller (minor) portfolios shall be treated according to cash flow needs (short term or long term asset) with minor accounts (those under \$10,000) treated as very short term investments. The exception would be a pension account which regardless of balance will be considered a long term asset with asset liability management invoked to manage current and future payouts to the participants.

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, with those assets treated as a "short-term" asset.. The surplus for anticipated cash flow requirements shall fall under the guidelines of a "long-term" asset.

The **Beach Replenishment Fund** monies are restricted as to use to support the Town's Atlantic Ocean beach and, if required, to help finance future beach replenishment projects. It is difficult to predict when, if ever, and to what extent the funds (which have accumulated from a tax on property owners) may be needed. Accordingly, preservation of principal and liquidity of investments are important from a fiduciary perspective. Invest it as a long term asset with 20% of it very liquid.

**Performance Evaluation**

The relevant benchmarks for each asset class are as follows:

**Asset Class**

Very Short Term Investments  
Fixed Income Bonds (Short Term)  
Fixed Income Bonds (Long Term)

**Benchmark**

3 Month USD LIBOR Rate  
Barclays 1-3 Year Bond Index  
Barclays Capital Aggregate Bond Index

Large Company Stocks	S&P 500
Mid-Cap Stock	S&P Mid-Cap 400 Index
Small Company Stocks	S&P Small Cap 600 Index
International Stocks	MSCI EAFE Index
International Emerging Market Stocks	MSCI EMI Index)

### **Revisions**

The Town Manager or Finance Officer shall facilitate the forwarding of the investments and their projected liquidity needs to the Investment Committee on at least a quarterly basis (monthly preferred). The Mayor and Town Council, based on the advice of the Investment Committee, may authorize a revision of the percentages above or how investments are treated, as conditions warrant.

### **Financial Shocks and Diasters**

In the event of a financial shock, terroristic act, or/and disaster, reinvestment and liquidity needs may suddenly change. The mayor can allow either the Investment Committee chair or the Committee as a whole to work with the Investment Manager to temporarily alter the investment plan to preserve assets or/and increase liquidity. This power will be granted until the next council meeting.

### **Internal Controls**

Internal controls. The Financial Officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Investment Committee and the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Town of Dewey Beach.

### **Living Document**

This investment policy can be considered a “living document” which should be reviewed annually by the investment committee. The Commissioners of the Town assume the responsibility for the investment policy.