

Chapter 24

INVESTMENT POLICY

§ 24-1. Purpose and applicability.

- A. The Mayor and Town Council 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 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 Investment Policy shall be operated in conformity with all applicable federal, state, local and other legal requirements.
- B. The policy shall apply to the investments of the Town's two major funds, the General Fund and the Beach Replenishment Fund.

§ 24-2. Investment strategy.

- A. The Investment Policy shall be designed 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 somewhat different and shall differ 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.
 - (2) 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.
 - (3) Allowable assets for investing in either fund for short-term to medium needs include:
 - (a) 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 three months' maturity, and commercial bank money market and savings accounts.
 - (b) Fixed income: U.S. Treasury and agency obligations (including agency-backed mortgage-backed securities (MBS) and commercial mortgage-

backed securities (CMBS), corporate bonds and bond funds, collateralized debt obligations (CDO), collateralized loan obligations (CLO), and asset-backed securities (ABS), all subject to the following constraints:

- [1] 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.
- [2] The weighted average credit quality of the portfolio shall be AA- or better.

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

- (a) 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.

§ 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.
- 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 decisionmaking. 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 requests for proposals).

- C. 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.

§ 24-5. Reporting.

The Investment Committee will review the investment manager's decisions and performance on at least a semiannual 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.

