

## Dewey Investment Committee

### Recommended Change to Town Code, Chapter 24 – Investment Policy

By unanimous vote of the Committee members present at the meeting held on April 14, 2022, the Committee recommends that the Town Council amend Chapter 24 of the Town Code, section 24-2 as follows:

#### § 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.

(c) Equities: High-quality, large capitalization common stocks or equivalents (i.e., American depositary receipts (ADR), convertible bonds) that trade on U.S. stock exchanges, as well as large-cap stock mutual funds or exchange-traded funds (ETF), whether index-based or actively managed, but excluding funds that focus on international or emerging markets.

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

(a) All investments permitted for short and medium term needs.

(b) 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.

~~(a)~~(c) Real assets or less liquid or illiquid securities (whether characterized as equities or fixed income), which may include investments in closed-end registered investment companies, business development companies (BDCs), real estate investment trusts (REITs) or similar real estate focused investment funds, hedge funds, and private equity funds, provided that such investments shall not exceed 10% of the long-term investment portfolio at time of purchase.