



TOWN OF DEWEY

BEACH

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ORDINANCE NO. _____

AN ORDINANCE TO AMEND CHAPTER 24 INVESTMENT POLICY, TO ALLOW A WIDER SELECTION OF INVESTMENTS.

WHEREAS, the Investment Committee met on April 14, 2022 via Zoom and made the recommendation to the Commissioners of the Town of Dewey Beach to amend Chapter 24 Investment Policy, to allow a wider selection of investments.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED, by the Commissioners of the Town of Dewey Beach, Sussex County, Delaware, in session met, as follows:

Section 1. Amend §24-2 Investment Strategy, of the Code of Ordinances of Dewey Beach, by adding thereto new language in sections B(3)(c), and B(4)(a)(c) as follows:

§ 24-2 Investment strategy.

B. In as much 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 depository 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 depository 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) 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.

Section 2. If any provisions of this Ordinance shall be deemed or held to be invalid or unenforceable for any reason whatsoever, then such invalidity or unenforceability shall not affect any other provision of this Ordinance which may be given effect without such invalid or unenforceable provision, and to this end, the provisions of this Ordinance are hereby declared to be severable.

Section 3. This Ordinance shall take effect immediately upon its passage by a majority vote of the Commissioners of the Town of Dewey Beach. Enacted this 20th day of May 2022.

William Stevens, Mayor

Bill Zolper, Town Manager

SYNOPSIS

This Act amends §24-2 by adding language to allow a wider selection of investments