

# **The Lewes Public Library**

## **Investment Policy and Guidelines**

**October 2, 2007; revised May 10, 2011**

The Lewes Public Library is an independent, non-profit, tax-exempt organization incorporated under the laws of Delaware with management authority vested in its Board of Commissioners. The Board is charged with the responsibility for managing the Library's funds, to maintain a sound spending policy while preserving the purchasing power of its assets, and to promote the purposes of maintaining perpetually a free public library for the benefit of its patrons.

The Investment Policy and Guidelines cover the investment management of the Endowment and the Short-to-Intermediate Term (cash, money market and bond) Funds.

### **Purpose of the Endowment**

The purposes of the Endowment of the Lewes Public Library are

- to provide a financial reserve against a serious financial shortfall due to unforeseen events,
- to provide seed money for capital projects approved by the Board of Commissioners, and
- through a separate Withdrawal Policy, to provide a contribution to the annual operating budget of the Library as deemed appropriate by the Board of Commissioners.

### **Contributions to the Endowment**

Individual donors may dictate the specific purpose for donations. When not so dictated, the Board will determine whether funds received by the Library from donors are to be used as contributions to the endowment or to the annual operating budget.

### **Investment Objectives**

The investment objective for the management of the Endowment Fund of the Lewes Public Library is to achieve growth of both principal value and income over time that is sufficient to preserve or increase the purchasing power of the assets against inflation. The Board will:

- establish and adjust asset allocation policies for the investments of the endowment as necessary;
- select professional investment managers who are registered with the Security and Exchange Commission to manage these funds;
- review the performance of these managers; and

- issue a request for proposal at least every 5 years and, based on the result, recommend changes in managers as deemed necessary.

### **Asset Allocation**

The general policy includes diversified investments in both equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk from concentration in any single asset class or investment style.

To do this, the fund managers shall buy mutual funds having a Morningstar rating with a minimum of three and preferably five stars. The equity funds should balance to include the different sectors and styles within the market place. The bond investments should be concentrated in short- to medium-term maturities with a minimum of an investment grade rating by the major rating services, Moody, S&P, and Fitch.

No investments will be made which carry a high degree of risk, such as options and commodities.

Prudent adjustment to the portfolio should be made periodically to maintain the portfolio near these asset allocations.

### **Domestic Equity Guidelines**

The purpose of equity investments is to provide for appreciation of principal and growth of future income and, secondarily, to provide current income. Securities that are acceptable for investment by the fund must be marketable securities of well-seasoned companies that are traded on any major U.S. exchange or through NASDAQ, or mutual funds invested primarily in such securities and may include common stocks, preferred stocks, and convertible securities.

The fund's investment in domestic equity securities should be diversified at all times to ensure that no single equity position in a corporate issuer exceeds a significant percentage of the market value of the fund's entire equity portfolio. In most cases an investment in a reputable mutual fund would satisfy this diversification requirement.

### **International Equity Guidelines**

The purpose of international equity investments is to diversify the equity holdings of the fund portfolio. An investment in international equity securities is made with the recognition that, in addition to the normal risks and uncertainties associated with equity securities in general; international securities also carry with them the risks and uncertainties attendant to the countries from which such securities originate, as well as currency exchange variability.

## **Fixed Income Guidelines**

The purpose of fixed income investments is to provide a predictable and dependable source of income and to reduce the volatility of the fund's total portfolio market value. The objective for the fixed income portion of the portfolio is to provide balance to the overall portfolio and to meet short-term needs for cash demands. The returns should match the respective index of short- to medium-term maturities.

Fixed income securities that are acceptable for investment by the fund must be marketable securities such as CDs, Government Bonds, Government Agency Bonds, Corporate Bonds with investment grade rating, and mutual funds holding the just- described securities. The investments in fixed income securities should be diversified at all times to ensure that no single obligation of an issuer (other than those of the U.S. Government and its agencies) exceeds a significant percentage of the market value of the fund's entire fixed income portfolio. In most cases an investment in a reputable mutual fund would satisfy this investment diversification requirement.

## **Cash Guidelines**

Any portion of the fund portfolio held in "cash" (i.e., not invested in equities or fixed income securities) shall be invested in interest bearing instruments that shall achieve the highest return which does not impair the principal of the fund, while maintaining liquidity at all times. All such assets should represent maturities of one year or less at the time of purchase.

Adopted by the *Board of Commissioners*  
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