

DEMEC



Delaware Municipal Electric Corporation

Delaware Municipal Electric Corporation (“DEMEC”), located in Smyrna, Delaware, is seeking proposals from qualified Investment Advisors to provide Investment Management Services.

DEMEC is a political subdivision and body public and corporate of the State constituted as a joint action agency and a wholesale public utility. The creation of DEMEC was made possible by an act of the Delaware General Assembly on June 6, 1978, which led to the incorporation of DEMEC on July 12, 1979. DEMEC’s members are the City of Newark, the Municipal Services Commission of the City of New Castle, the Town of Middletown, the Town of Smyrna, the City of Seaford, the Lewes Board of Public Works, the Town of Clayton and the City of Milford. The members of DEMEC comprise all the major municipalities in Delaware with the exception of the City of Wilmington and the City of Dover. More information on DEMEC can be found at the following:

<https://www.demecinc.net/>

As a baseline assumption, DEMEC will have \$18,000,000 available for investment management.

SCOPE OF SERVICES

The firm selected will be required to effectively invest and manage the Investment Portfolio on a discretionary basis in accordance with Delaware code, DEMEC’s investment policy (Annex A), cash flow needs and guidance from staff. In addition, the firm will be expected to provide periodic (at least quarterly) written reports on the performance of the portfolio and must be available to make periodic oral reports to the Finance Committee and Board. The firm will also be expected to advise DEMEC and assist in the review and amendment of its investment policy and cash flow analysis from time to time. Custodial services are not included in this RFP. Assume the initial contract term is three (3) years with one additional renewal for two (2) years. Additionally, assume that DEMEC reserves the right to cancel this contract or an extension of this contract, without cause, with a thirty day (30) written notice or immediately with cause.

In your response, please address the following areas:

- I. Organization**
 - a. Describe your organization, date founded, and ownership.
 - b. Describe your firm’s sources of revenue, categorized by retail and institutional accounts (e.g., investment management, institutional research, etc.).
 - c. Describe your firm’s business affiliations (subsidiaries, joint ventures, and all “soft dollar” arrangements) and policy on soft dollar arrangements.
 - d. Is your firm a registered investment advisor under the Investment Advisor’s Act of 1940, as amended?



- e. Provide your firm's most recent ADV, Part 2 as on file with the SEC. Include as an Appendix to your response.
- f. Describe the firm's professional/errors and omissions insurance coverage. Include proof of coverage as an Appendix to your response.
- g. Describe any SEC regulatory censure, state censure or litigation related to services the firm provides to public sector investors.
- h. Describe any pending administrative proceeding, investigations and civil suits against your firm pertaining to the performance of your professional duties.
- i. Detail the business and professional licenses your firm holds. Confirm your ability to transact in the state of Delaware.
- j. Please provide a brief description of the cybersecurity protocols. How will you safeguard DEMEC's information? If applicable, include your cyber policy as an attachment/appendix.

II. Experience

- a. Provide an overall statement of the firm's understanding of governmental investment policies, guidelines, and philosophies in general and as it pertains to municipal utilities specifically.
- b. Describe your firm's experience in developing formalized investment policies, goals and objectives for entities similar to DEMEC (electric and or water/sewer utilities).
- c. Describe your firm's experience, including number of years and total assets under management, in managing fixed income portfolios for governmental entities as well as for utilities (electric and or water/sewer utilities) and Delaware governmental organizations.

III. Personnel/Staffing

- a. Identify the number of professionals employed by your firm, by level.
- b. Provide an organizational chart showing function, positions and titles of professionals in your organization that would be assigned to DEMEC. This list should include the primary person(s) assigned to our account as the primary point of contact.
- c. Provide biographical information on investment professionals, including number of years at your firm, who will be involved in the decision-making process for our portfolio. Include this as an appendix to your submission.
- d. Detail whether there has been any turnover of key personnel in the firm or additions to staff in the past year.
- e. Detail the number of professionals assigned to your accounting, compliance and research/analytics areas.

IV. Assets Under Management

- a. Summarize your institutional investment management asset totals by category as of June 30, 2022.
- b. Provide data on account/asset growth over the past 10 years ended December 31, 2021
- c. Provide 10 years of average annual performance history for short and intermediate-term fixed income composites. Data should be reported as of December 31, 2021
- d. Please provide details of each composite, including the following, as of the most recent quarterly reporting period:



1. Market value weighted duration compared to benchmark
2. Number of portfolios in each composite
3. Composite assets
4. Composite risk measure compared to benchmark, such as standard deviation of returns, max-min or range of performance, or other risk metric such as appropriate.

V. Philosophy/Approach

- a. Please describe your firm's investment philosophy for managing operating and operating reserve funds, including your firm's philosophy of average duration, maturity, and yield.
- b. What are the primary strategies for adding value to these types of portfolios?
- c. What is your credit monitoring and research process both related to selecting eligible investments for a client's portfolio?
- d. Describe the process you would recommend for establishing the investment objectives and constraints for this account? To assist your analysis, please review DEMEC's investment policy (attached) and provide a few recommendations on how this can be improved while also ensuring preservation of capital and liquidity.
- e. Describe how investment decisions are made in your firm.
- f. How frequently do you formulate and review fixed income strategy?
- g. How is strategy carried out and who is involved?
- h. How quickly, after strategy is implemented, are specific decisions made?

VI. Portfolio Management

- a. Are portfolios managed by teams or individuals?
- b. What is the average number of accounts handled per individual?
- c. Who is the backup when a dedicated portfolio manager is not available?
- d. Describe procedures that ensure portfolio compliance with client investment objectives and policies.
- e. What system of controls/audits are in place to prevent loss of funds due to fraud, error, or other irregularities?
- f. Please detail your risk management process.
- g. How will you handle fluctuating cash flows and the cash forecasting process?
- h. How will your firm provide assurance that the Investment Portfolio adheres to applicable policies and laws?
- i. What would your firm propose as an appropriate performance benchmark or benchmarks?

VII. Reporting

- a. How frequently do you meet with similar clients and who from your firm attends these meetings?
- b. Describe the frequency and format of reports that you would provide to us. Include samples as an attachment to your response. DEMEC prefers quarterly reports with an annual summary.



- c. Describe your online reporting capabilities, including the timing/frequency of publishing monthly statements. Is a client portal available? What information is provided on this portal?

VIII. Fees

- a. Include your proposed fee schedule, in detail.
- b. On a sample \$20 million portfolio, what are your expected annual fees? How are these calculated?
- c. Is there a minimum fee requirement?
- d. Describe minimum investment periods, surrender, withdrawal or deferred sale charges within your products available to DEMEC.
- e. What additional expenses not covered through the fee structure will be expected in order to implement your Investment Management services?

IX. References

- a. Please provide five (5) references that would be of a similar size as DEMEC's expected investment portfolio. Include client name, address, and phone number, and length of time as a client. Please detail the value your firm provided to the client over the term of your engagement.

SUBMISSION INSTRUCTIONS

There is a 25 page limit on the RFP (excluding cover letter, necessary disclosures and appendices). **The proposal is due on November 14, 2022, 5 P.M (Eastern)**. Submit an electronic version of your bank's response (Acrobat), to the following:

DEMEC: Stephanie Dove
sdove@demecinc.net

PFM: Chris Lover
LoverC@pfm.com

Below is the form of submission DEMEC prefers

- Cover letter
- Items identified in the proposed scope of work
 1. Business Organization
 2. Experience
 3. Personnel and Staffing
 4. Assets Under Management
 5. Investment Philosophy and Approach
 6. Portfolio Management
 7. Fees
 8. References
 9. Appendix
 - Form ADV

- Team resumes
- Proof of insurance

Expected timeline – DEMEC notes that selection will be contingent on Finance committee review (December) and recommendation and then subsequent Board approval (January) of this recommendation:

October 27	Distribution of RFP
November 7	Any questions or clarifications due from firms
November 9	Questions and Answers/Clarifications provided
November 14	Responses Due
November	Review and Evaluation of proposals
December 15th-16th	Phone interviews (virtual, if necessary)
December	Finance Committee review and recommendation
January 2023	Board approval
January 2023	Notification
January 2023	Engagement starts

Dates subject to change as necessary.

Respondents should block off time for their interview teams December 15th - 16th.

Evaluation Criteria: The following table details the criteria that will be used to evaluate proposals:

1	Assigned team expertise and experience
2	Institutional and Fixed Income Experience
3	Risk management and research capabilities
4	Reporting capability and client portal capabilities
5	Demonstrated ability to fulfill items detailed in the scope of work
6	Fee Structure

DEMEC reserves the right to reject any or all proposals, to waive any informality, mistake, error or omission in any bid, and to enter into individual negotiations concerning any proposal. All works becomes the property of DEMEC and are subject to release under FOIA. If there is confidential information, please mark as such and reference this content in your cover letter.