Executive Summary

The most significant potential deficiencies include:

- Missing mandatory procurement instructions and schedule
- No clear evaluation weighting or scoring methodology
- Scope of services is not sufficiently detailed
- Missing legal, regulatory, fiduciary, and insurance requirements
- No required proposal format, making comparisons difficult
- No performance standards or service-level expectations
- No contract terms or termination provisions
- Several requests could unintentionally bias the procurement or invite unrealistic promises (particularly projected returns)

Detailed Gaps and Recommendations

Section	Gap / Deficiency	Suggested Mitigation
Cover Page	Proposal due date left blank. (assume this is because it is DRAFT at this time)	Include complete procurement schedule including issue date, questions due, addenda, proposal due date, interviews, anticipated award, contract start.
Cover Page	No procurement contact identified until final page.	Identify sole procurement contact on first page and prohibit direct contact with elected officials or committee members.
Submission Requirements	No required number of copies, electronic format, page limits, file naming, signature requirements or certifications.	Add standardized submission requirements to ensure complete and comparable proposals.
Entire RFP	No reservation of rights clause.	Add language reserving the Town's right to reject any or all proposals, waive informalities, negotiate scope and

Commented [IC1]: Kate to add before final

Commented [IC2]: Kate to add to final

Commented [IC3]: Electronic submittal only - reduces cost burden on bidders

		pricing, cancel the RFP, or request best and final offers.
Entire RFP	No statement that proposal preparation costs are borne by proposers.	Include standard procurement language that proposers bear all proposal preparation costs.

Commented [IC4]: Some of this was already there. Added BAFO and negotiations

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Scope of Services

Section	Gap	Suggested Mitigation
Services to be Provided	Current scope focuses primarily on investing assets but omits custody, transition, compliance monitoring, cash flow forecasting support, and ongoing portfolio management activities.	Expand the scope into detailed functional requirements including portfolio construction, trading authority, liquidity management, compliance monitoring, performance reporting, policy compliance testing, and transition assistance.
Services	Doesn't clearly define whether firm acts as discretionary investment manager or non-discretionary advisor.	Explicitly state expected fiduciary role and investment authority.
Services	No discussion of custody arrangement.	Specify whether assets remain with third-party custodian or proposer serves as custodian.
Services	No requirements regarding compliance with Delaware statutes or municipal investment laws.	Require compliance with all applicable Delaware municipal investment regulations and Town Investment Policy.

Commented [IC5]: done

Commented [IC6]: Addressed by Bernie suggestion

Commented [IC7]: Addressed by Bernie suggestion

Commented [IC8]: done

Investment Objectives

Section	Gap	Suggested Mitigation

Investment Services	Goal states "maximize return while minimizing expenses."	Replace with standard public-fund hierarchy: **Safety → Liquidity → Return**, consistent with governmental investment best practices.
Investment Services	Liquidity requirement only references needing 10% within 90 days.	Define minimum liquidity targets, acceptable duration, cash reserve expectations, and maximum maturity limits.

Commented [IC9]: I am not sure what this means or how to incorporate

Commented [IC10]: I don't think we have these

Information Requested

Section	Gap	Suggested Mitigation
Corporate Qualifications	Client list requested without references.	Require three to five municipal references with contact information.
Personnel	No commitment requested regarding continuity of assigned staff.	Require identification of primary advisor, backup advisor, and notification requirements for personnel changes.
Investment Process	No request for compliance program.	Request summary of compliance policies, internal controls, cybersecurity program, and business continuity plan.
Litigation History	Requests client complaints without limiting timeframe.	Limit disclosure to previous five years and include SEC, FINRA, or state regulatory actions.
Conflicts	Doesn't request political contribution disclosures.	Require disclosure of political contributions, pay-to-play compliance, and municipal ethics compliance.

Commented [IC11]: done

Commented [IC12]: done

Commented [IC13]: Incorporated with other comment above unders scope

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Pricing

Section Gap	Suggested Mitigation

Fees	Requests fees but provides no pricing template.	Include mandatory fee schedule table listing advisory fees, custody, commissions, transaction costs, manager fees, and any indirect expenses.
Fees	Doesn't require fee guarantee period.	Require pricing to remain valid for specified period (e.g., 180 days).

Commented [IC14]: Updated existing language whichh largely covered this already

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Requested Investment Approach

This section has one significant concern.

Current language

The RFP requests:

projected 1, 3 and 5 year return

This is problematic because reputable fiduciary investment managers generally avoid guaranteeing or projecting investment returns.

Recommendation

Instead request:

- Expected long-term return assumptions
- Capital market assumptions
- Historical performance of similar portfolios
- Scenario analysis
- Risk-adjusted expectations
- Expected volatility

rather than numerical return projections.

Performance Measurement

Gap	Recommendation
No definition of benchmark methodology	Require benchmark(s) for each asset class and total portfolio.

Commented [IC15]: We are asking bidders to propose a methodology. Potentially a discriminator among bidders

No performance standards	Require quarterly and annual reporting against benchmarks.
No attribution analysis	Require performance attribution and compliance reporting.

Commented [IC16]: Already addressed

Proposal Evaluation

The evaluation criteria are generally reasonable.

However:

Missing evaluation weights

Currently every criterion appears equally important.

Recommend assigning weights such as:

- Experience – 20%
- Personnel – 15%
- Investment Philosophy – 20%
- Proposed Approach – 25%
- Reporting/Communications – 10%
- Fees – 10%

No interview scoring

If interviews will occur, specify:

- interview evaluation criteria
- weighting
- whether interviews are optional

Missing Legal Requirements (town counsel should advise on this)

The RFP should request:

- SEC registration status
- ADV Parts 1, 2A and 2B
- Proof of fiduciary status
- Proof of Errors & Omissions insurance
- Cyber liability insurance
- Business Continuity Plan
- Disaster Recovery Plan
- SOC 1 or SOC 2 report (if applicable)
- Most recent audited financial statements

Missing Contract Terms

The RFP should state:

- anticipated contract term
- renewal options
- termination for convenience
- termination for cause
- ownership of records
- confidentiality
- indemnification
- governing law
- public records requirements
- conflict resolution process

Missing Reporting Requirements

Commented [IC17]: We are asking the bidder to provide a sample report - a potential discriminator among bidders

Monthly reporting is mentioned, but minimum content is not defined.

Specify required reports including:

- Market value
- Cost basis
- Unrealized gain/loss
- Asset allocation
- Duration
- Yield
- Performance vs benchmark
- Compliance exceptions
- Transactions
- Fee summary
- Cash flows

Missing Proposal Organization

Commented [IC18]: We have aligned the requested proposal information requested with the evaluation criteria. Good proposals will align so I don't think we need to overspecify

Require proposals to follow a standard outline such as:

1. Executive Summary
2. Firm Qualifications
3. Team
4. Investment Philosophy
5. Proposed Portfolio
6. Reporting
7. Risk Management
8. Fees
9. References
10. Required Certifications
11. Required Forms

This greatly improves comparability among proposals.

Overall Assessment

Strengths

- Clear statement of investment objectives.
- Good emphasis on municipal experience.
- Appropriate request for discussion of investment philosophy and policy recommendations.
- Sensible requirement for regular reporting and committee interaction.

Highest-priority improvements

1. Add standard public procurement and reservation-of-rights provisions.
2. Define proposal format and required attachments.
3. Replace requests for projected investment returns with risk-based expectations and capital market assumptions.
4. Add regulatory, fiduciary, insurance, and compliance requirements.
5. Include weighted evaluation criteria.
6. Expand the scope of services to define fiduciary responsibilities, custody, compliance monitoring, and reporting expectations.
7. Include anticipated contract terms and performance standards.

<u>Some additional context on custody arrangement:</u>

This is one of the biggest omissions in the RFP because it fundamentally affects the services being procured, the fees, and the risks assumed by both the Town and the investment manager.

The current RFP simply requests "investment management services" without specifying **who will hold (custody) the Town's assets**.

For municipal investment accounts, there are generally three models.

Model	**Custody**	**Investment Decisions**	**Typical for Municipalities**

Independent Custodian	Third-party bank or trust company	Investment advisor	**Yes (best practice)**
Advisor also Custodian	Same firm	Same firm	Less common for governments
Brokerage Account	Broker-dealer	Broker or Town	Usually only for simpler portfolios

Why this matters

Suppose the Town hires ABC Investment Advisors.

Without a custody requirement, ABC could propose:

- managing the investments,
- executing all trades,
- holding all securities,
- collecting custody fees,
- sweeping idle cash,
- using affiliated money market funds.

Another proposer might assume that the Town's assets remain at a third-party custodian (such as a trust bank) and only charge an advisory fee.

Those proposals are not directly comparable because the scope of services—and associated fees and risks—are materially different.

Best practice for municipalities

Most public entities separate **investment management** from **asset custody**.

The typical structure is:

- **Town** owns the assets.
- **Independent custodian** safeguards the securities and cash.
- **Investment manager** has limited trading authority.
- **Town Treasurer/Finance Director** receives statements directly from the custodian.

- **Investment manager** cannot withdraw or transfer funds except to authorized Town accounts.

This separation creates an important system of checks and balances.

Benefits of independent custody

An independent custodian provides:

- Independent monthly statements
- Independent valuation of securities
- Settlement of trades
- Income collection
- Corporate action processing
- Recordkeeping
- Segregation of assets from the advisor's balance sheet
- Reduced fraud and operational risk

If an advisor experiences financial distress, the Town's assets remain safely held by the custodian.

What the RFP should clarify

The RFP should answer questions such as:

- Will the Town retain its existing custodian?
- Should proposers include custody services?
- Must the custodian be independent?
- Is the advisor expected to have discretionary trading authority?
- Who will settle trades?
- Who prepares official account statements?
- Who reconciles transactions?
- Can the advisor use affiliated custodians?
- Are assets required to be held in the Town's name?

Without these answers, firms may submit proposals based on different assumptions.

Suggested RFP language

A provision such as the following would provide clarity:

Custody of Assets. Unless otherwise proposed and accepted by the Town, all securities and cash shall be maintained by an independent qualified custodian in the name of the Town. The investment manager shall provide discretionary or non-discretionary investment advisory services, as authorized by the Town, but shall not have authority to withdraw or transfer assets except for the purchase and sale of authorized investments and transfers to Town-designated accounts. The proposer shall describe its recommended custody arrangement, identify any affiliated custodians, disclose all custody-related fees, and explain how assets are safeguarded and reconciled.

Questions to require proposers to answer

To make proposals more comparable, you could also require responses to the following:

1. Describe your recommended custody model.
2. Do you require use of an affiliated custodian?
3. If so, explain why.
4. Identify all custody-related fees.
5. Describe the trade settlement process.
6. Explain cash movement controls and authorization requirements.
7. Describe reconciliation procedures.
8. Describe cybersecurity controls related to custody.
9. Explain SIPC and excess insurance coverage, if applicable.
10. Describe the process if the Town terminates the advisory agreement.

One additional observation

The RFP currently asks firms to disclose advisory fees, commissions, administrative fees, and other investment service expenses, but it does not explicitly ask them to identify **custody fees** or explain whether custody is included in their proposal. Adding a dedicated custody section would make fee comparisons much more transparent and help ensure all proposers are bidding on the same scope of services.

With these revisions, the RFP would more closely align with those typically issued by municipalities seeking professional investment management services and would produce proposals that are easier to evaluate on an objective, apples-to-apples basis.