



Office of the State Treasurer Colleen C. Davis

MEMORANDUM

To: Cash Management Policy Board
From: Stephen W. McVay, Cash Manager
Date: July 24, 2024
Subject: **Endowment Account Participants and Activity**

Background

The Delaware Department of Natural Resources and Environmental Control (“DNREC”) proposed the creation of the 21st Century Fund Parks Endowment and the Delaware Land and Water Conservation Trust Fund Grant Program to build and maintain parks and other recreational facilities across the state. With the enactment of Delaware General Assembly Senate Bill 75 in 2015, assets from the 21st Century Parks Endowment and the Delaware Land and Water Conservation Trust Fund Grant Program (together, the “Endowment”) were invested in perpetuity subject to a withdrawal up to 5% of the value per year as directed by DNREC. The Endowment is invested in a manner consistent with guidelines approved by the Delaware Cash Management Policy Board (Board). These funds, approximately \$60 million, were invested with Board approved endowment investment managers, in July 2015.

In 2017, based on a review by the Auditor of Accounts and the Division of Accounting, the Board directed OST to work with two school districts (Smyrna and Woodbridge) to transition certain scholarship monies to Board-approved investment managers. The Board directed that the scholarship funds be managed as part of the Endowment Portfolio. These monies were invested with the endowment managers beginning in March 2018 (see below table for more detail).

Finally, in July 2021, the Department of State (“DOS”) established a Cultural Access endowment fund. The purpose is to use funds to support a matching grant program for capital projects and related programs that will enhance the quality of availability of Delaware’s recreational and cultural offerings. These funds were invested with Board approved endowment investment managers, in July 2021.

The below table summarizes the above organizations’ participation in the endowment investment portfolio.

Organization	Purpose of Proceeds	Start Date	Reason	Initial Investment
Dept. of Natural Resources and Environmental Control (DNREC)	Land & Water and Parks Endowments	July - 2015	Legislation	\$60.0 MM
Woodbridge School District	Scholarship Funds	March - 2018	Request to OST	\$553 K
Smyrna School District	Scholarship Funds	March - 2018	Request to OST	\$46.1 K

Endowment Account Participants

<u>Organization</u>	<u>Initial Funding</u>	<u>Market Value (06/30/24)</u>	<u>% of Total</u>
L&W Principal (07/2015)	\$ 50,000,000.00	\$ 68,302,138.07	57.0%
Parks Endowment (07/2015)	10,000,000.00	18,925,557.17	15.8%
Cultural Arts Endowment (07/2021)	10,000,000.00	31,384,654.58	26.2%
Smyrna SD (03/2018)	46,149.14	564,738.83	0.5%
Woodbridge SD (03/2018)	<u>553,000.00</u>	<u>731,223.16</u>	<u>0.6%</u>
Total	\$ 70,599,149.14	\$ 119,908,311.81	100.0%

Materials Provided to Participants:

- Northern Trust Monthly Plan Allocation Reports (by organization – not total participant report)
- NEPC Monthly Performance Report (school districts and Department of State)
- Northern Trust Performance Reports (DNREC only – both gross and net of fee reports).

Contribution and Funding Activity (by Agencies):

DNREC Funds

Withdrawals:

- Annual withdrawal of about \$1.5 million to \$2.5 million, drawn from two subcategories: Land/Water Endowment Fund and Park Endowment Fund.

Contributions:

- Annual Loan Repayments from Indian River School District to Park Endowment Fund.
 - In FY 2021, contribution amount of \$2,036,000 equals catch-up of four years' worth of annual payments.
 - In FY 2023, contribution an amount of \$733,000 equals one annual payment and an early principal payment of \$224,000.

Woodbridge Scholarship Funds

Withdrawals:

- Varying amounts frequently drawn (at least 6 times a year) from any of eight subcategories of scholarship funds: American Legion Post #26, Mary H. Bailey, Fillmore & Mabel Clifton, Margaret Lynch Davis Memorial, Ralph E. Davis Memorial, Merritt Littrell Future Teachers, Woodbridge Endowed and Sam Wylie.

Contributions:

- Infrequent contribution amounts, none received since 2023.

Smyrna Scholarship Fund

Withdrawals:

- None since inception.

Contributions:

- One time contribution of \$468,000 in fiscal year 2022, since initial deposit of \$46,149.

Cultural Access Fund (DOS)

Withdrawals:

- None since inception.

Contributions:

- Contributions of \$15,000,000.00 in both fiscal year 2022 and 2024.

See below table for recent endowment account activity related to contribution and/or withdrawal requests.

<i>Fiscal Year Endowment Account Contributions and Draws</i>										
Fund (Agencies)	Fiscal Year 2020		Fiscal Year 2021		Fiscal Year 2022		Fiscal Year 2023		Fiscal Year 2024	
	Amount	Frequency	Amount	Frequency	Amount	Frequency	Amount	Frequency	Amount	Frequency
Land & Water (DNREC)										
Contributions										
Draws	(1,335,514.00)	1	(2,057,495.00)	1			(2,129,912.00)	2	(2,510,000.00)	1
Park Endowment (DNREC)										
Contributions			2,036,000.00	1	509,000.00	1	509,000.00	1	733,000.00	2
Draws	(272,486.00)	1	(442,505.00)	1			(370,764.00)	1	(647,426.00)	1
Woodridge Scholarships										
Contributions	73,704.89	3	6,624.00	1	9,200.00	1				
Draws	(54,500.00)	6	(34,000.00)	5	(14,200.00)	3	(2,681.00)	1	(28,026.90)	5
Smyrna Scholarships										
Contributions	5,694.81	1			467,614.55	1				
Draws										
Cultural Access Fund (DOS)										
Contributions					15,000,000.00	2			15,000,000.00	1
Draws										