



City of Grand Island

Tuesday, September 27, 2005

Council Session

Item G18

**#2005-277 - Approving Contract with McCarthy Group Advisors,
L.L.C. for Management Services on Police and Fire Administration**

Staff Contact: David Springer

Council Agenda Memo

From: Dave Springer, Finance Director

Meeting: September 27, 2005

Subject: Approving Contract with McCarthy Group Advisors,
L.L.C. for Investment Advisory Services

Item #'s: G-18

Presenter(s): Dave Springer, Finance Director

Background

The City has investments with Smith Hayes Financial Services in Omaha which serve as reserves for pre 1984 police and fire employees who participate in a defined benefit retirement plan. The management of these investments has been done by Rod Cerny of Kirkpatrick Pettis Investment Management (KPIM). KPIM has recently merged with Davidson Investment Advisors. Mr. Cerny has left KPIM to take a similar position with McCarthy Group Advisors.

Discussion

Under Mr. Cerny's stewardship, the City's investments have appreciated nearly 8% a year through the last five years, for a net return of over three million dollars, while the S&P500 average was negative. Thus, the value investment disciplines Mr. Cerny employs have substantially out performed the peer group and marketplace. The City's investment consultant at Smith Hayes, Terence Millard, has done due diligence and met with both the Davidson investment team and the McCarthy Group. While very capable, the performance history of the Davidson firm does not match that of Mr. Cerny. As our consultant with Smith Hayes, Mr. Millard recommends that the City continue to utilize Rod Cerny's services at the McCarthy Group and is making that recommendation to all their other clients as well. Whether Mr. Cerny is retained or not, the City's account will continue to be administered under the custody of Smith Hayes.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the contract with McCarthy Group Advisors.
2. Disapprove the contract.
3. Table the issue

Recommendation

City Administration recommends that the Council approve the contract with the McCarthy Group Advisors and retain Rod Cerny as investment manager.

Sample Motion

Approve the contract with McCarthy Group Advisors.

RESOLUTION 2005-277

WHEREAS, the City has investments with Smith Hayes Financial Services in Omaha, Nebraska, which serve as reserves for pre-1984 police and fire employees who participate in a defined benefit retirement plan; and

WHEREAS, the management of the investments has been done by Rod Cerny or Kirkpatrick Pettis Investment Management; and

WHEREAS, Kirkpatrick Pettis Investment Management was recently merged with Davidson Investment advisors; and

WHEREAS, Mr. Cerny left Kirkpatrick Pettis Investment Management to take a similar position with McCarthy Group Advisors; and

WHEREAS, due to Mr. Cerny's knowledge, expertise, and success in managing the City's investments, it is recommended that Mr. Cerny continue to be retained by the City for such services.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Rod Cerny of McCarthy Group Advisors is hereby retained as investment manager to manage the investments for the pre-1984 police and fire employees who participate in a defined benefit retirement plan.

BE IT FURTHER RESOLVED, that a contract with McCarthy Group Advisors be entered into for such investment advisory services, and the Mayor is hereby authorized and directed to execute such contract on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, September 27, 2005.

RaNae Edwards, City Clerk