


**MEMORANDUM**

**TO:** Honorable Mayor and City Council Members  
**FROM:** Christine C. Davis, Finance Director   
**DATE:** October 28, 2008  
**SUBJECT:** Investment Advisor Resolution 511-08

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**PURPOSE**

To retain Davidson Fixed Income Management as the City's Investment Advisor.

**BACKGROUND**

Historically the City invested in the State Board of Administration Local Government Investment Pool (SBA) where we deposited funds for liquidity purposes. In light of the events which occurred in late 2007, this investment is no longer a viable option. Over the course of the year the City updated the Investment Policy and moved to diversify our Fund Balance investment funds. Unfortunately there have been significant events over the past couple of weeks in the market, which has caused changes in both the investment and banking environment which brings us to the point where it is prudent to retain an Investment Advisor as a consultant to assist with restructuring our portfolio and for ongoing management. The City Manager has recommended Davidson Fixed Income Management to provide investment management services. The cost will be a maximum of 0.09% or 9 basis points. Example: if the interest income for one month was \$1,000, Orange City would receive \$991 and the consultant would receive \$9.

Davidson Fixed Income Management manages approximately \$5 billion in fixed income investments for entities like Orange City around the country (non-profit and public funds). Investment Advisor, Mr. Glenn Scott manages non-profit and public funds in Florida, Iowa and Kansas and has done so for 19 years. In Florida, Mr. Scott serves as the Investment Advisor for the cities of Deltona, Tamarac and Sebastian. Mr. Scott provides a different type of money management than traditional money management. It is very safe and the investments chosen keep in mind the fact that this is taxpayers' money. One of the more important aspects of this contractual relationship is the communication with staff regarding cash flows. The one thing we don't want to do is make investments and not have enough cash around that would result in the need to go back in and sell those investments to raise cash which could result in a potential loss. The Investment Advisor will also provide monthly reports on all City assets.

Staff will be bringing back a list of vetted secured safe money markets, US Treasuries, and certain government backed securities that once approved will be utilized for investment of City funds.

At the time of this writing staff was awaiting the proposed contract. Staff anticipates receiving the contract no later than Friday, October 24<sup>th</sup> and once received it will be distributed by email and a copy will be placed in your box. Be advised, if you wish to have a copy delivered to you, contact me and we will accommodate your request.

**RECOMMENDATION**

Staff recommends that the City Council approve Resolution No. 511-08.

**RESOLUTION NO. 511-08**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORANGE CITY, FLORIDA, AUTHORIZING THE INTERIM CITY MANAGER TO EXECUTE AN AGREEMENT WITH DAVIDSON FIXED INCOME MANAGEMENT TO SERVE AS THE CITY'S INVESTMENT ADVISOR; AND PROVIDING FOR AN EFFECTIVE DATE.**

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**WHEREAS**, due to the current instability of the financial markets, staff has recommended, and Council has agreed, that it would be in the best interests of the citizens of Orange City to retain the services of an Investment Advisor to assist with the management of the City's cash assets in accordance with the adopted investment policy; and

**WHEREAS**, after careful consideration and examination of options available for the role of Investment Advisor, the City of Orange City wishes to retain the services of Davidson Fixed Income Management.

**NOW, THEREFORE, BE IT RESOLVED AND ENACTED BY THE CITY COUNCIL OF THE CITY OF ORANGE CITY, FLORIDA:**

**SECTION 1.** The City Council of the City of Orange City, Florida hereby authorizes the Interim City Manager to execute an agreement with Davidson Fixed Income Management to serve as the City's Investment Advisor.

**SECTION 3.** A copy of the agreement for services is attached to this resolution as Exhibit "A".

**SECTION 4.** That this resolution shall take effect immediately upon its adoption by the City Council of the City of Orange City, Florida.

**ROLL CALL VOTE AS FOLLOWS:**

Jim Mahoney	_____	Donald C. Sherrill	_____
Donald Sandford	_____	Tom Abraham	_____
Tom Laputka	_____	Jeff H. Allebach, Vice Mayor	_____
Harley Strickland, Mayor	_____		

**ADOPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2008.**

**ATTEST:**

**AUTHENTICATED:**

\_\_\_\_\_  
Deborah J. Renner, CMC, City Clerk

\_\_\_\_\_  
Harley Strickland, Mayor

This Resolution approved  
as to form and legal sufficiency:

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W. E. Reischmann, City Attorney