CEMETERIES BOARD OF TRUSTEES
CITY OF FORT LAUDERDALE
CITY HALL 8TH FLOOR CONFERENCE ROOM
THURSDAY, JULY 10, 2008
3:30 p.m.

Board Member	Attendance	Cumulative Attendance 2/2008 through 1/2009 Present	Absent
Mark Van Rees, Chair	P	3	0
Victoria Mowrey, Vice Chair	P	3	0
Alfred Calloway	P	3	0
Larry Ott	P	2	0
Anne Platt	A	1	2
Jose Portela	P	3	0
Dolores Sallette	A	2	1
Larry Sherman [4:00]	P	3	0
Susan Telli	P	2	1

Also Present
Julius Delisio, Cemetery Board Liaison
Frank Snedaker, Chief City Architect
John Banas, Carriage Services
Trevor Jackson, Carriage Services
John Miller, U.S. Trust
Penelope Smith, U.S. Trust
J. Opperlee, Recording Secretary

The meeting was called to order by Chair Van Rees at 3:35 pm.

1. Minutes Approval

- **May 2008 Meeting**

Motion made by Mr. Calloway, seconded by Mr. Portela, to approve the minutes of the Board's May 2008 meeting. In a voice vote, the motion passed unanimously.

Ms. Telli asked if a detailed explanation had been provided regarding the jump in "Grounds, markers, repair and replacement" costs from less than $1,000 to over $5,000 at Lauderdale Memorial within one month. Chair Van Rees said Mr. Banas had surveyed the park and discovered markers that needed repair or replacement. Ms. Telli wanted Mr. Banas to prepare a report for the next meeting detailing the list of expenses, to be included with the Board meeting minutes. Chair Van Rees pointed out that one marker could cost up to $1,000.

Chair Van Rees recommended that when an item on the Quarterly Maintenance Report varied from the previous quarter, a summary explanation should be provided. Mr. Delisio asked Board members to make a request for this information a few days ahead of their meeting, since he must request this from Houston.

Mr. Banas agreed that marker replacement could be expensive and agreed to provide detail if the Board desired it.

Chair Van Rees said he had also had a discussion with Mr. Banas that the damages could sometimes be avoided, and Mr. Banas and Mr. Jackson had agreed to remind the maintenance staff that if they broke markers, they must be replaced.

Ms. Telli asked who was responsible for replacement if an employee damaged markers with equipment. Mr. Delisio explained that per the ordinance, it was the City's responsibility.

2. Old Business

A. Cemetery Capital Projects/Master Plan

Sunset Memorial Gardens Wall

Mr. Delisio reminded Board members that there had been a code violation at Sunset Memorial Gardens requiring the installation a wall between the cemetery and the residential property. The City had agreed to pay for the section of wall to line the property that abutted residences, but this would leave 600 feet of the cemetery without a wall on that side of the property.

Mr. Delisio distributed a map depicting where the fence would be located. Mr. Frank Snedaker, Chief Architect, explained that the City had only planned 1,300 feet of wall. He explained that when the cemetery was developed, there was no requirement for the wall, but subsequently the City had passed an ordinance requiring the wall. During the permit process at Sunset, they had discovered that the wall must be installed to comply.

Mr. Delisio did not feel it was appropriate to leave a significant portion of that side of the cemetery without a wall. He estimated it would cost $60,000 to complete the wall. Mr. Snedaker confirmed they could not put the project out to bid until the funds were in place and the wall would cost approximately $100 per lineal foot. Mr. Snedaker recommended allowing $100,000 and assured the Board the City would not spend more than necessary to complete the work. Mr. Delisio recommended that the funds come from the perpetual care trust fund.

Mr. Snedaker explained that currently, a six-foot utility easement ran on either side of the existing chain link fence. The chain link fence was permitted because it was not considered permanent. The wall must be built six feet inside the cemetery property, leaving a "no man's land" that the cemetery would need to maintain. Mr. Snedaker stated there were many Gumbo Limbo trees located along this stretch and they had decided to create a break in the wall approximately three feet from each side of each tree. He noted that this would facilitate access to and maintenance of the "no man's land."

Mr. Delisio pointed out that these were old trees, and people intentionally purchased gravesites because they were located under trees. He clarified that this would not cause them to lose any potential gravesite; they would lose approximately six feet between the graves and the wall line.

Mr. Ott was concerned about the gaps in the wall presenting a security risk, but Mr. Delisio informed him that the chain link fence in the easement would remain and provide security. Mr. Delisio explained that some of the residential properties had tied fences into the chain link, so removing it would present a problem. Mr. Snedaker added that some of the fencing might actually be installed on the residential property, and that would require the homeowners' permission to remove it.

Motion made by Ms. Mowrey, seconded by Ms. Telli, to approve allocation of up to $100,000 from the Perpetual Care Fund to complete the approximately 600 additional feet of wall the City was constructing between the cemetery and the residences on the north side of the Sunset Memorial Gardens property. In a voice vote, motion passed unanimously.

The Board discussed color treatments for the completed wall, and Mr. Delisio recommended stone casting in a color to camouflage the inevitable rust stains from the irrigation system.

Capital Improvements

Mr. Delisio had distributed a spreadsheet of proposed capital improvements for the next five years, and remarked that the Board might wish to consider altering the timetable for some projects.

Mr. Delisio reminded Board members that they had not yet pinned or surveyed section two at Sunset Memorial. This must be done in order to locate the footprint for the mausoleum. Currently there were approximately 300 indigents buried in this section, and only the last three rows were pinned. For these reasons, Mr. Delisio felt they should consider moving this project up to year one instead of year two. This would necessitate moving another project at Sunset back one year to ensure they had sufficient funding. Mr. Delisio suggested the new entrance project at Sunset be moved back one year.

Chair Van Rees thought nothing would be gained by creating a new Master Plan, and they should look at the ideas they already had. He felt the management company had the ability to prioritize and provide ideas for what could be done on the land. Chair Van Rees said he was opposed to spending the $75,000 for the new Master Plan.

Mr. Delisio agreed, and noted that once they pinned Sunset, there was nothing left to Master Plan. The same was true at Evergreen; once the roads were vacated and the pinning was complete, there would be nothing to Master Plan there either. In Lauderdale, Mr. Banas had been working with companies regarding the design of the cremation gardens, and they just needed to identify the areas to locate them.

Mr. Calloway pointed out that they could utilize part of the $75,000 Master Plan funds to pin Sunset. Chair Van Rees agreed, and said they could also use some of these funds to pin Evergreen. Mr. Delisio recommended moving the pinning at Evergreen up to year one. Chair Van Rees did not think the new entrance at Lauderdale Memorial could be done for $50,000 and some of the Master Plan funds could be used there.

Mr. Delisio stated some Trust Fund dollars would be spent on these projects. He said there were some private estates that would add significant money to the Trust fund, plus the income from the new mausoleum units, and this would allow them to use several hundred thousand dollars from the Trust fund for capital expenses. He reminded the Board that none of the projects could actually be completed for the costs quoted on the spreadsheet.

Mr. Delisio advised the Board to set priorities for Year One and he and Mr. Banas could begin to work on them. He wanted to start looking at entrance gates next year. He explained that they had considered utilizing students from an architecture school to submit gate designs for Lauderdale Memorial and Sunset.

Mr. Calloway summarized that they would use $30,000 of the $75,000 Master Plan funds to vacate the roads, survey and pin at Evergreen, and $20,000 to survey and pin Sunset Memorial. Ms. Telli suggested the remainder of the funds could go toward the new entrance at Lauderdale Memorial. Ms. Mowrey clarified that Year One was 2009.

The Board set the following Year One priority projects:

- Survey and pin Sunset and Evergreen
- Lauderdale Memorial entranceway

- New maintenance building at Sunset
- Trash units for all three cemeteries
- Landscaping at Evergreen

Chair Van Rees suggested moving the new entrance project at Sunset back one year, and Mr. Delisio suggested moving the generator for Lauderdale back indefinitely. Ms. Mowrey wanted assurance that no road resurfacing would be done until major construction projects were complete. Mr. Delisio asked that the Landscaping at Evergreen include trees for the center area in front of the mausoleums.

3. New Business

A. U.S. Trust Bank of America Product Review

[This item was heard out of order]

Mr. John Miller, U.S. Trust, reported that instead of going back into mutual funds, he would use managers who specialized in specific areas. He informed the board that the portfolio would now own individual stocks. He explained that in a mutual fund, one only owned shares of a stock portfolio.

Mr. Miller informed the Board that there was an additional expense for using the outside managers. He had reviewed this with Mr. Delisio recently, and they agreed it was a good time to describe the fee structure to the Board.

Mr. Miller drew the Board's attention to the first page of the report, and noted that he had selected Victory Newbridge for the equity manager, and stated he was still leaning toward growth in large, mid and small cap growth as opposed to core or value. Mr. Miller stated the growth indexes had started moving again. Mr. Miller said value used to be the best asset class for International, but now International growth was undervalued and made for an attractive opportunity.

Mr. Miller said he and Mr. Deliso had considered other asset classes he wished to add to the portfolio to ensure this complied with policy. He wanted to add emerging markets and tangible assets such as real estate. Mr. Miller explained that even thought the real estate market had a way to go down, this was already priced into the share of the stock and he believed this was fully reflected. He thought this was a place to obtain good income return in the portfolio.

Mr. Miller also wanted to add commodities to the portfolio in the form of a mutual fund. He explained that the policy stated they could use shares of mutual funds that were U.S. traded. He said the fund typically consisted of oil and timber and provided exposure to a different asset class to buffer the account's overall exposure.

Mr. Miller said they were adding six new asset classes, which would provide broader diversification and lower risk to the portfolio considerably.

Mr. Miller stated they would maintain 34% of the portfolio in government and corporate bonds, and 6% in foreign bonds: 3% in developed nations and 3% in emerging market government bonds.

Mr. Miller explained that he would open sub-accounts for the different managers. He said he was moving from Marsico to Victory Newbridge because Newbridge's performance was better. He explained that they had originally used Marsico because U.S. Trust owned it, and the fees were lower. Marsico had recently been bought back, and Mr. Miller said the fees would now increase.

Mr. Miller stated he was switching equity income over to value. He explained that people favored equity income because the dividend was taxed at 15%, but this would sunset in 2010. He added that equity dividend growth had been an average of 13 – 15% per year, but with the current economy, he felt they would not see this type of growth for some time.

Mr. Miller drew the Board's attention to the manager evaluations on the next page. He explained that the "Annualized Alpha" was the return the managers gave back over and above the market. The "R-Squared" number reflected the percentage of return that came from market movement, with the remainder coming from the manager's stock-picking ability.

Mr. Miller described the portfolio fee structure. U.S. Trust charged 56 basis points, which translated to $89,500 at today's market value of the portfolio. The fee covered administration, accounting, investment management and the trust responsibilities. Mr. Miller informed the Board that the average fee for the outside managers was 40 basis points, which amounted to $23,000 more. In the past, they had used mutual finds, and the cost for this was $14,000. The net difference between using the mutual funds and the outside manager was an $8,800 increase. Total account fees would be $99,200.

Mr. Delisio remarked that the portfolio statement would become much more complex and it would be separated into groups the Board could examine for performance.

Mr. Miller stated the managers issued quarterly reports that would be sent directly to the Board. This report would detail the manager's performance against the benchmark. Mr. Miller said the new statement would be simplified as well.

Mr. Miller informed the Board that even though the market was down 15%, the portfolio was only down 5%. He was confident they would make this up and be in positive territory by the end of the year.

Mr. Miller stated there were no commission costs to liquidate the stocks, since the trust was a non-taxable entity. There was also no termination cost to leave a manager and they were not locked into any of the new managers.

By consensus, the Board approved the change in investment strategy to individual managers, and the attendant fee structure. They also acknowledged they had been fully informed by Mr. Miller of the changes regarding the investments and fees.

At the end of the meeting, Ms. Telli informed the Board that she had asked Mr. Miller as he was leaving to provide Board members with information regarding the Sarbanes Oxley Act, and he had agreed to email this to Mr. Delisio. She suggested Mr. Miller give the Board a presentation as well. Mr. Delisio suggested the presentation could be made at the next quarterly review, which should be in November.

Mr. Delisio advised the Board that now that they had many different managers for the portfolio, they would not keep any outside manager that was under-performing.

4. Adjournment

The Board's next regular meeting was scheduled for September 11, 2008.

There being no further business to discuss, the meeting was adjourned at 5:06 p.m.

Minutes prepared by: J. Opperlee, Prototype Services