

CEMETERY SYSTEM BOARD OF TRUSTEES
 CITY OF FORT LAUDERDALE
 CITY HALL 8TH FLOOR CONFERENCE ROOM
 WEDNESDAY, JULY 9, 2009
 3:30 p.m.

<u>Board Member</u>	<u>Attendance</u>	<u>Cumulative Attendance</u> 2/2009 through 1/2010	
		<u>Present</u>	<u>Absent</u>
Mark Van Rees, Chair	P	3	0
Victoria Mowrey, Vice Chair	P	3	0
Alfred Calloway	A	1	2
William Cooke	P	2	0
Cameron Mizell	P	1	1
Larry Ott	P	3	0
Jose Portela	P	2	1
Dolores Sallette	A	2	1
Larry Sherman	P	3	0
Susan Telli	P	1	2

Also Present

Julius Delisio, Cemetery Board Liaison
 Andrea Stewart, Asset Strategy Management
 John Banas, Carriage Services
 Trevor Jackson, Carriage Services
 Johnny Miller, U.S. Trust
 Penelope Blair, U.S. Trust
 James Buchanan, U.S. Trust
 Michael Kineer, Finance Director
 Lisa Slagle, City of Fort Lauderdale
 D.J. Williams-Persad, Assistant City Attorney
 Cate McCaffrey, Director, Business Enterprises
 J. Opperlee, Recording Secretary

Communication to the City Commission

- The Board supports the current investment policy for the Cemetery Perpetual Care Trust Fund, and asked that Mr. Miller's hypothetical comparison of the Perpetual Care Trust Fund under the two investment policies be provided to the City Commission
- The Board wants all City cemeteries to be able to offer as many memorialization options to families as possible

The meeting was called to order by Chair Van Rees at 3:33 pm.

Chair Van Rees welcomed Mr. Mizell back to the Board.

Mr. Portela arrived at 3:34.

1. Minutes Approval

○ **May 2009 Meeting**

Motion made by Ms. Mowrey, seconded by Mr. Portela, to approve the minutes of the Board's May 2009 meeting. In a voice vote, the motion passed unanimously.

2. New Business

A. City Ordinance No. C-09-05, Quorum Requirement

Currently, there were ten appointed Board members, so six members present would constitute a quorum. Chair Van Rees confirmed that seven members were present for a quorum.

B. City Commission Action Items

[This item was heard out of order]

The Board agreed there had been confusion regarding the Communication to the City Commission section of the minutes. Ms. McCaffrey said the City Clerk was working to clarify the procedure. Chair Van Rees felt he must send his own bullet points to his own Commissioner, and he advised other Board members to do the same. Mr. Delisio explained that after the Board's last meeting, the City Clerk had accepted a draft set of their minutes. The problem arose when the Commission discussed an item included in the Communication to the City Commission section of their minutes, but no Board member was present for the discussion.

Regarding the difference between the City's investment policy and the Perpetual Care Trust Fund's investment policy, Chair Van Rees stated the City's policy served a cash flow need and the Trust Fund's policy was a long-term investment for the perpetual care of the cemeteries. He asked that Mr. Miller's comparison be provided to the City Commission.

Ms. Telli suggested the Board inform the new City Commission that they had confidence in Us Trust and that the Commission should postpone making any

changes regarding the Trust Fund account for three to six months until the Board had the opportunity to consider the best course of action.

Mr. Delisio stated the investment policy would be on the Commission's agenda on July 21. The selection committee for the consultant would be on a later agenda. Chair Van Rees wanted it made clear to the City Commission that the Board's goal for the Trust Fund was different from the City's goal. Ms. Mowrey suggested each Board member contact Commissioners prior to the July 21 Commission meeting. Commissioners should be shown Mr. Miller's comparison and Board members should stress that the City should not risk putting the cemeteries in the same position the City itself was now in because of the way their investment policy dictated they operate.

Motion made by Ms. Mowrey, seconded by Ms. Telli, to inform the City Commission that the Board supported the current Perpetual Care Trust Fund investment policy. In a voice vote, Board unanimously approved.

Chair Van Rees wanted the City Commission to understand that the Board wanted all City cemeteries to be able to offer as many memorialization options to families as possible, not just the few they currently had.

Ms. Telli asked Mr. Banas to provide copies of the PowerPoint presentation for Board members to show to the City Commission.

Ms. Slagle advised Board members to inform their Commissioners that the Capital Improvement Projects they spoke of would require no City funds.

Ms. Mowrey requested that a "For the Good of the City Cemeteries" section be added to their agenda. She requested a workshop in the next three months regarding the cremation gardens.

C. US Trust Bank of America Quarterly Trust Fund Review

Mr. Miller informed the Board there had been an almost 40% rally in the Stock Market between the first of the year and June. He believed the Market would correct back 10 – 15% but would recover through the end of the year.

Mr. Miller drew the Board's attention to the Investment Performance Review page in the booklet he had distributed and pointed out that the account return, net after all fees had risen 6% this year. Equities were up 8.7%, vs. the S&P Index, which was only up 3%. The bond portion of the portfolio was up 4.5%. The portfolio had considerably outperformed both indexes for the year.

On the Year to Date Asset Reconciliation page, Mr. Miller noted there had been an actual investment gain of \$815,000. Mr. Miller stated he was holding the stocks portion of the portfolio to 40% because he believed the Market would pull back again, and because there were very attractive corporate bond interest rates. He had sold a lot of short-term bonds and put the funds into longer maturities to lock in additional yield.

Mr. Miller informed the Board that the portfolio was now at 58% bonds and 2% cash. The average yield on bonds was 5.5%. Current yield on stocks was 1.3%. Mr. Miller had increased investment in small caps because he believed these would do better in recovery. He felt there would come a time when the portfolio had 6 – 7% in emerging markets instead of the historical 2.5 – 3% because there would be enormous growth opportunities there.

Mr. Miller said the City Auditor had remarked that the Trust Fund was “far too aggressive an investment objective” and the account should be invested like the City’s funds were. Mr. Miller had used the City’s investment policy to create a hypothetical investment scenario to compare with the portfolio’s actual performance under its own investment policy.

Mr. Miller explained that the City’s fund accounts were more like savings accounts and the funds were needed for cash flow. The Perpetual Care Trust Fund was more like a 401K plan and the funds were used to service the cemeteries. He noted that State law determined that the Cemetery funds must be segregated, and the City had no responsibility to fund this account if it went down in value.

Mr. Miller had created a chart, beginning in 1986, comparing the portfolio’s actual performance to the hypothetical performance if the portfolio had been invested using the City’s investment policy. In 22 years, the portfolio had actually grown to \$15 million, vs. \$7 million if it had been invested using the City’s policy.

Mr. Delisio stated the City’s definition of the account “corpus” differed from the bank’s definition. Ms. Blair explained that in the trust world, corpus referred to: “Whatever has been put into the account, *plus* any growth.” The City defined corpus as: “*Only* what you put into the account.” The Board was not permitted to use any corpus funds; they could only utilize growth, interest and dividends. Chair Van Rees clarified that additions to the corpus account were from the sale of “interment rights” as well as any other merchandise, such as memorialization benches. Mr. Delisio said they received a check from Carriage each month for these sales, which was deposited into the corpus.

Chair Van Rees referred to Mr. Miller’s comparison sheet, and Mr. Delisio reminded the Board that the first year they had a private management company

was 1994. Mr. Delisio stated from 1950 to 1994, the account had accumulated \$7 million; in the next 14 years, the account had made \$10 million, even after making improvements to the cemeteries and paying for maintenance costs.

Mr. Miller pointed out that the portfolio was set up to generate enough income to cover cash flow needs while the income was continuing to grow the corpus. Mr. Miller noted that with the power of compounding, the portfolio would grow; if they had utilized the City's investment policy, the growth would have remained almost flat over the years. Mr. Miller informed Mr. Delisio that State law dictated Prudent Expert Management of the account; this did not mean putting the funds in short term instruments.

Mr. Miller explained how he had created his hypothetical comparison. He noted that as time went on, if the Trust Fund had used the City's investment policy, disbursements would have exceeded income. Mr. Delisio said the major capital improvements would have been impossible with such an investment strategy. They would have barely been able to cover maintenance expense. Mr. Miller remarked that switching to the City's investment policy would be a "recipe for disaster." Ms. Telli felt that when the City suggested this, there had been "a little bit of a panic amongst not only us as Board members, but at the time, the stocks were starting to plummet and everybody was looking at everything." She apologized to Mr. Miller for that panic, and noted that the account had done "very, very well."

Ms. Mowrey stated past Cemetery Boards had ensured that their investment policy was adhered to, and this was why "there's money today where it's supposed to be."

Mr. Miller stated he had been concerned that they were moving away from a corporate trustee because of the "higher standard of fiduciary responsibility that a large, deep-pocket firm has." The structure they were moving to utilized a trustee as a custodian of the assets only.

Chair Van Rees asked Mr. Miller how US Trust evaluated fund managers. Mr. Miller said their Consulting Services Division spent millions of dollars on research and monitoring. Smaller firms might not have the resources to perform this type of review. Mr. Miller confirmed that the managers being utilized for the trust fund were Bank of America managers.

Mr. Miller explained that paying different entities to perform different functions for the account was less profitable for each entity, and US Trust did not feel it was profitable enough for them to continue in this reduced capacity. He said this also rendered the account a "small fish in a big pond."

D. Capital Improvement Project Status

Mr. Delisio distributed a sheet outlining the planned capital improvements.

Mr. Banas gave a power point presentation [a copy of which is attached to the minutes for the public record] describing planned capital improvements.

The Board made the following suggestions for the cremation garden at Lauderdale Memorial:

- Sell pavers with people's names on them like those sold at Riverwalk to generate revenue
- Make pavers that contain cremains
- Prioritize what should be done first in the cremation garden, and how they could partner with Carriage to get the entire project completed

Chair Van Rees felt that in order to sell the cremation garden option, they must have a whole project to present. Ms. Mowrey suggested a workshop with Carriage regarding the cremation garden. Mr. Mizell asked if there was a plan to create cremation gardens at all City cemeteries so this option would be available to everyone. Ms. Banas stated there were no current plans, but he would be happy to discuss this. He said they were in the process of vacating some property at Evergreen and he and Mr. Delisio both had the idea that some of this property could be used for a cremation section.

Mr. Delisio explained to the Board that they had agreed to use money from the Trust Fund to pay for the portion of the new wall at Sunset that the City would not pay for. When the wall was installed, it was discovered that the main irrigation line was located in that location, and this had resulted in an additional \$35,000 cost. When this was finished, 80% of the cemetery's irrigation would be automated.

Mr. Banas informed the Board that Mr. Farrington, a certified arborist, had volunteered to design and landscape a section of Evergreen near where his wife's grave was located. He had provided the plantings, mulch and stones. The Board agreed to present Mr. Farrington with a plaque thanking him for his efforts.

Other Items

Mr. Delisio said it had never been clearly documented what the Board had meant last September when it suggested that they go out for a bid for the financial services. He felt it appeared that the City put out the bid and the Board agreed to it all. There was nothing in previous minutes that indicated the Board wanted to take this approach. Chair Van Rees said this approach was to hire a custodial trustee and a separate consultant who would recommend money managers.

Mr. Delisio stated the minutes did not reflect that every Board member understood what they were doing when they separated the responsibility for the account. Ms. Telli felt the Board members had understood it well, but were "sort of at the mercy of how the investments were performing. The Board had been assured by Mr. Delisio that they were going about this the right way. Mr. Delisio said the presentation made to the Board last July had made it clear that there were different ways to oversee the account, and everyone had understood that one person may not have complete discretion over the account.

Chair Van Rees reminded that Board that US Trust had informed them that certain changes would take place with the account, but instead, the account had been taken in another direction without consulting with the Board.

Ms. Mowrey said the Board had been given the opportunity to understand the differences with this method of managing the Trust Fund. She believed Board members fully understood what they were doing when they voted to do it.

3. Adjournment

The Board's next regular meeting was scheduled for September 10, 2009.

There being no further business to discuss, the meeting was adjourned at 5:43 p.m.

Minutes prepared by: J. Opperlee, Prototype Services