

CEMETERY SYSTEM BOARD OF TRUSTEES
CITY OF FORT LAUDERDALE
CITY HALL 8TH FLOOR CONFERENCE ROOM
THURSDAY, NOVEMBER 12, 2009
3:30 p.m.

<u>Board Member</u>	<u>Attendance</u>	Cumulative Attendance 2/2009 through 1/2010	
		<u>Present</u>	<u>Absent</u>
Mark Van Rees, Chair	P	4	1
Victoria Mowrey, Vice Chair	A	4	1
William Cooke	P	3	1
Cameron Mizell	A	2	2
Larry Ott	P	5	0
Jonathan Pearson	P	1	0
Jose Portela	A	3	2
Dolores Sallette [3:55]	P	4	1
Larry Sherman	P	5	0
Susan Telli	P	3	2

Also Present

Commissioner Romney Rogers
Lisa Slagle, City of Fort Lauderdale
Cate McCaffrey, Director, Business Enterprises
Michael Kinneer, Finance Director, Office of Management & Budget
Julius Delisio, Cemetery Board Liaison
John Banas, Carriage Services
Chuck Horvath, Carriage Services
Trevor Jackson, Carriage Services
Johnny Miller, U.S. Trust
Jim Buchanan, U.S. Trust
John Sykes, resident
Fred Johnson, resident
Ingo Pfothenhauer, resident

J. Opperlee, Recording Secretary

Communication to the City Commission

None

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

1. Minutes Approval

o September 2009 Meeting

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

Chair Van Rees asked about the sod situation at Sunset that the Board had discussed at the previous meeting. Mr. Delisio reported the wall was complete and the contractor was providing some sod each week.

Chair Van Rees asked about the discrepancies in the contractor's billing for work at Sunset Mr. Delisio had mentioned. Mr. Delisio clarified that it had been thought that the irrigation line surrounded the entire outer perimeter of the property, but when section seven was done, it was discovered that approximately one-third of the line had already been relocated farther inside the property. The contractor had never deducted for the section of irrigation line that did not need to be replaced. Mr. Delisio noted that the location of the lines was not known when the project was originally bid. They had now finalized the project and the Perpetual Care Trust fund had paid approximately \$75,900 of the \$211,000 total project costs.

Mr. Delisio confirmed for Chair Van Rees that the City had not waived the \$3,000 permit fee for the Planning and Zoning application. He informed the Board that at their October meeting, the Planning and Zoning Board had deferred the item to their December meeting to clarify the vacation and where the easement would be. One Planning and Zoning Board member had visited the cemetery and Mr. Delisio had explained it. After the Planning and Zoning Board approved the vacation in December, it would go to the City Commission for approval.

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 six members were present for a quorum.

B. City Commission Action Items/Communication to the City Commission

None.

C. U.S. Trust Bank of America Trust Fund Review

Mr. Johnny Miller, U.S. Trust, distributed an investment review package to Board members and provided an historical overview of the account. He stated the account was originally invested in Certificates of Deposit, which earned very low interest on short-term time frames.

Mr. Miller explained that as plots and services were sold, the money was put in the Trust Fund to care for the graves in perpetuity. The funds were put into the Trust to segregate them for the benefit of those who had purchased the plots for their perpetual care, so this would not be an obligation of the City. Mr. Miller supposed that the City might be required to pay for repairs after an event such as a hurricane only if the Trust Fund did not have sufficient money to cover the repairs. Mr. Miller stated the Perpetual Care Trust Fund was a long-term planning vehicle, and an investment policy like the City's was a cash management system.

In the 1980's, the City had passed an investment policy statement allowing the use of the financial markets, and Mr. Miller said the Trust Fund had grown substantially since then, which would not have been possible with Certificates of Deposit. He explained that approximately \$500,000 to \$600,000 was paid out annually for maintenance. Mr. Miller doubted that this need could be met with income from an interest-bearing instrument, and there would be no growth to keep up with increasing expenses.

In order to plan for growing expenses, Mr. Miller said a portfolio had been created that carried very moderate risk and was balanced between growth and income. The fund had grown to the point that there was enough money in bonds to fund the income they needed, and 50% of the portfolio was in stocks.

Chair Van Rees clarified that a percentage of merchandise sales also went to the Perpetual Care Trust Fund.

Mr. Miller drew the Board's attention to the Investment Strategy Overview page in the investment review documents, which explained the investment premise for the account in the current climate. He advised that cash positions should be lowered and invested in different markets. Since the United States and China would likely lead the world in the next global expansion, he recommended over-weighting equities, especially those in the United States and commodity-based economies whose currency should appreciate more strongly against the dollar.

Mr. Miller continued to favor mid and small caps, with emphasis on emerging markets. He also recommended under-weighting bonds.

[Ms. Sallette arrived at 3:55]

Mr. Miller referred to the Investment Performance Review page illustrating performance since 1999, and remarked that total account return for 2009 was up 14.75%; stocks were up 24%, compared to 17% for the S&P 500 and 13% for the Dow Jones Industrial Average. Mr. Miller said the Trust fund's fixed income bonds were up 10.5%, compared to a 10.25% average.

On the Year to Date Asset Reconciliation page, Mr. Miller noted that they had begun the year at \$13.7 million. The additions were \$532,000 and withdrawals were \$370,000. As of October 31, 2009, the account had made back \$2 million and when Mr. Miller had checked earlier in the day, the account was worth \$16.3 million.

Mr. Miller explained that this was a balanced portfolio, and the investment policy statement guided how the funds were invested. The current asset allocation was \$6.7 million [42%] in stocks with 18% in large cap, 12% in mid cap, 4% in small cap, 2.5% in international and 5% in emerging markets. Mr. Miller planned to shift some funds from mid and large cap to international.

Mr. Miller continued that the account had approximately 56% in bonds, with 85% in corporate bonds and 15% in federal agencies. He remarked that the credit spreads between corporate bonds and treasuries was as high as they had been in 50 years.

Mr. Miller pointed out that the amount paid out in interest was approximately the same as the amount added to the account.

Mr. Miller referred to the Cemetery Actual vs. Fort Lauderdale City Investment Policy comparison chart he had prepared. The chart showed that the account had grown to \$16.3 million using the Perpetual Care Fund's investment policy; the account would currently be worth \$8 million if they had utilized bond-type investments. Mr. Miller explained that as the account grew, the income would grow.

Mr. Miller said the investment policy was well suited to this type of trust that was invested in perpetuity.

Ms. Telli said the Board was confident that Mr. Miller had done a great job with the account.

Mr. Banas indicated that the performance of the Trust Fund was a vital part of the reason that Carriage had wanted to continue to operate the cemeteries. He remarked that Carriage contributed approximately \$600,000 per year to the Trust

Fund, and they paid the City another \$600,000 to be there. If the investment policy were changed to something that would produce less, it would essentially change a portion of what Carriage would be getting paid without adjusting what Carriage would be paying. Mr. Banas noted it cost approximately \$1.2 million to operate the cemeteries each year, not including administrative fees. He wanted to be sure Carriage was able to continue to offer capital improvements to the City whenever they bid, and that the cemeteries would continue to be taken care of in perpetuity.

Ms. Telli mentioned an abandoned cemetery that Carriage had rehabilitated. Ms. Sallette said the cemetery - Woodlawn – had been in deplorable condition and Carriage had replaced markers, leveled the ground, fenced the property and installed memorials for people buried there but whose graves could not be located. Ms. Telli believed that not every contractor would have done this, and they should be proud of this. Mr. Delisio explained that this had been an abandoned cemetery and it was specified in the 2003 agreement that Carriage would provide \$250,000 to renovate it. The ordinance had also been changed to include this cemetery in the Perpetual Care Fund, even though it generated no revenue.

Ms. Cate McCaffrey, Director of Business Enterprises, explained that staff had been directed to provide recommendations to the City Commission regarding the investment policy. The specific question raised by the City auditor was whether the cemetery policy should be the same as City policy. This had been brought to the Commission's attention when staff brought up the issue of whether the custodial and investment management services should be separated last year.

Commissioner Rogers explained that Mr. Herbst, the City Auditor, had noticed that the cemetery investment policy was different from the City's policy and pointed this out to the Commission. Commissioner Rogers had examined the Trust Agreement because he had heard the Trust Fund might be used to purchase new property in the future. Although the Trust allowed for a future contribution of property, there was no provision allowing it to pay for the purchase of additional property. He said the fund was relegated to maintenance and capital improvements, and this indicated the investment policy should be "more on the conservative side." Commissioner Rogers said the fact that the fund's bond income could cover expenses caused him to wonder how the rest of the Trust Fund would be used.

Chair Van Rees said the Board had discussed where they would expand in the future, but had never indicated the fund could be used to buy land. He reminded everyone that any recommendations for expenditures the Board made required the approval of the City Commission. Chair Van Rees pointed out that Carriage took care of everyday maintenance items and had gone above and beyond in

emergencies and expended thousands of dollars that were not included in the contract.

Ms. McCaffrey stated one of the most basic questions was whether the cemetery investment policy should be in accord with the City's investment policy; if it were, it would be much less aggressive. She explained that public entity investment policy was based on Florida Statute 218.415, Local Government Investment Policies, which dictated the objective must be safety of capital, liquidity of funds and investment income, in that order. The City Attorney had determined that this Statute applied to the cemetery investment policy, but this did not suggest that the cemetery investment policy was in conflict with that Statute.

Ms. McCaffrey said the statute did not specify what the investment percentages should be; it just called for appropriate diversification. Ms. McCaffrey remarked that this fund was unique because it was designed to last in perpetuity, and at some point, the cemeteries would be filled and this would alter their ability to generate income.

Ms. McCaffrey said at a recent Commission conference meeting, the issue of purchasing land had come up. Chair Van Rees had explained earlier that the Board had never discussed this. Another question that had arisen was "a desire for more memorialization products" and "a suggestion that the City cemeteries were somehow in competition with the funeral homes." Chair Van Rees said in his six-year tenure on this Board, and in his business for 15 years, he had never heard this comment from anyone, including his business colleagues. Ms. Telli said she had never heard this type of remark from any funeral director with whom she had contact. Ms. Sallette concurred, and wondered how a Commissioner could have a question about this.

Commissioner Rogers said the Mayor's comment was that this had been heard from funeral directors. He said the Commission wanted to understand what the issues were, so they could be sure they did not make a wrong move regarding their fiduciary responsibility. Ms. Telli acknowledged the Commissioners had a responsibility, and said this Board was very passionate about and proud of the Trust Fund's performance, and how they had fulfilled their fiduciary responsibility to the residents.

Chair Van Rees believed that there was no possible way that the cemeteries could have achieved what they had without the current investment policy. He said the cemeteries had been taken over by a contractor in 1993 because the City had determined it could not fulfill this responsibility, and he did not believe the City could do this today. He contended that the public/private partnership had benefited the cemeteries more than the City had ever seen. Ms. Telli

remarked on how effective Mr. Delisio had been in acting as the liaison with the contractor.

Mr. Delisio pointed out that the account's corpus had always been very safe. They had survived 2008 quite well, which had been one of the worst years they had seen. He noted that the maintenance expenses did not cover expenses such as heavy equipment replacement.

Mr. Delisio proposed hiring a consultant to perform an independent assessment of the investment policy vis a vis the Trust Fund's objectives. The consultant could determine whether the investment mix was proper and this would ensure that the Board had fulfilled their fiduciary responsibility.

Commissioner Rogers stated one of the overriding questions was whether their goal was "to build the biggest fund we can build; our goal is to meet the requirements of the perpetual care and capital improvements of the cemetery." He admitted that the City Commission did not know what the ultimate build-out of the cemeteries was, or what the anticipated ongoing maintenance costs were, and he felt all of these ingredients should be laid out. Ms. Sallette agreed that an assessment by an independent consultant would be fair.

Commissioner Rogers said the City Auditor had indicated he did not like the inconsistency of the cemetery investment policy, and Commissioner Rogers was therefore wary about indicating his approval of this without looking into it.

Ms. Sallette remarked on the improvement in the care of Sunset Cemetery since the contractor had taken over maintenance.

Mr. Delisio said they must determine how far into the future the cemeteries would be valuable to a contractor, and how much they needed in income and appreciation. This would determine what type of investment policy was appropriate. Mr. Delisio said he understood the Commission was questioning what the cemeteries needed and what they were trying to achieve.

Ms. Telli suggested limiting the amount they would spend for an independent consultant to evaluate the investment policy to \$5,000.

Motion made by Ms. Sallette, seconded by Mr. Pearson, to spend up to \$5,000 for an independent auditor to evaluate the cemetery investment policy and the City investment policy, and to look at actuarials, earnings projections and what their future needs would be for interest dividends and capital appreciation. In a voice vote, Board approved unanimously.

Ms. Telli asked Mr. Banas to prepare a report detailing what they had done at the cemeteries, what their projections were and what the projected build-out dates

were for the cemeteries. Mr. Banas remarked that this was a unique and special cemetery system because it served all of the City's demographics. He noted that the progress made at the cemeteries in the past several years had been fueled by the Perpetual Care Trust Fund.

D. Capital Improvement Plan Update

Mr. Delisio stated the permit for the entrance to Lauderdale Memorial should be approved the following day; he hoped to begin work in two weeks and finish by the first of the year. Mr. Delisio informed Chair Van Rees that the exterior would be beige stone.

Mr. Delisio reported the floor at the Lauderdale Memorial mausoleum would be completely redone because they were unhappy with it. He added that the drive would be pavers instead of blacktop. He hoped to have the Certificate of Occupancy by the first week in December.

Mr. Delisio stated they had ordered the trees for Evergreen but were waiting for delivery until after the vacation process to ensure they would be planted in the correct spots.

Mr. Delisio stated the Sunset maintenance building had passed all appropriate boards and he hoped to break ground within the next month or so. The wall was complete and the sod installation was progressing.

Ms Sallette asked about installing a nicer fence at Sunset on 19th Street. Mr. Delisio said they could consider this next year. Mr. Banas said if the Board wished to do this, Carriage could partner with the cemeteries by providing the labor.

Mr. Delisio said when the Board met in January they could discuss the capital improvement allocations for next year.

Mr. Delisio distributed a rendering for the Lauderdale Memorial cremation garden and said it would be completely different from what they had projected. He believed they could accomplish one phase of this project with the \$40,000 they had earmarked.

E. Maintenance Reimbursement Jul – Sept 2009

Motion made by Ms. Telli, seconded by Ms. Sallette, to approve. In a voice vote, the motion passed unanimously.

For the Good of the Cemeteries

Other Items

Mr. Delisio reminded the Board that they had agreed to vacate a parcel of land and sell it as surplus to a resident. A problem had arisen with the City's appraisal of the parcel for \$40,000. The resident must now get his own appraisal to dispute the City's appraisal. Mr. Ingo Pfotenhauer, the homeowner who wished to purchase the property, said appraisers were not interested in this because there were no comparables to use for an appraisal.

Mr. Pfotenhauer stated the City's appraisal used the wrong zoning and square footage and was therefore inadequate. Chair Van Rees felt the City should examine the qualifications of the appraiser. Mr. Delisio advised Mr. Pfotenhauer that the Board could do no more for him; it was up to the City's Real Estate Department now. Commissioner Rogers asked Mr. Pfotenhauer to call him about this.

Chair Van Rees announced that a Candlelight Remembrance Service would be held at Lauderdale Memorial Park on Saturday, December 5 at 5:30 p.m. and at Sunset Memorial Gardens on Saturday, December 12 at 5:30 p.m.

Mr. Delisio distributed a calendar of Board meetings for 2010.

Chair Van Rees announced this was his last meeting. He thanked Board members for their service and advised them to keep up the good work.

On behalf of Carriage Services, Mr. Banas thanked Chair Van Rees, and said he had been "a fantastic partner and a great leader."

3. Adjournment

There being no further business to discuss, the meeting was adjourned at 5:30 p.m.