

**CEMETERY SYSTEM BOARD OF TRUSTEES
CITY OF FORT LAUDERDALE
CITY HALL 8TH FLOOR CONFERENCE ROOM
THURSDAY, MAY 13, 2010
4 P.M.**

<u>Chair</u>	<u>Attendance</u>	<u>Cumulative Attendance</u> 2/2010 through 1/2011	
		<u>Present</u>	<u>Absent</u>
Victoria Mowrey, Chair	P	2	0
Damon Adams	P	2	0
William Cooke	A	0	2
Cameron Mizell [4:04]	P	2	0
Larry Ott	P	2	0
Jonathan Pearson	P	2	0
Dolores Sallette	A	1	1
Larry Sherman	P	2	0
John Sykes	P	2	0
Susan Telli [until 5:30]	P	2	0

Also Present

Julius Delisio, Cemetery Board Liaison [4:20]
John Banas, Carriage Services
Trevor Jackson, Carriage Services
Lisa Slagle, City of Fort Lauderdale
Dwayne Spence, Assistant City Attorney
John Herbst, City Auditor
Cate McCaffrey, Director, Business Enterprises
J. Opperlee, Recording Secretary

Guests

Mark Van Rees, former Cemeteries Board Chair

Communication to the City Commission

By unanimous vote, the Board reaffirmed the use of the current investment policy.

The meeting was called to order by Chair Mowrey at 4:01 pm.

Guests in attendance introduced themselves in turn.

1. Minutes Approval

o **March 2010 Meeting**

Chair Mowrey noted a correction to the March minutes.

Motion made by Ms. Telli, seconded by Mr. Pearson, to approve the minutes of the Board's March 2010 meeting as amended. 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 Mowrey confirmed that seven members were present for a quorum.

Mr. Mizell arrived at 4:04.

B. City Commission Action Items

The Board agreed to reiterate their communication from the previous meeting.

C. Capital Improvement Project Status

This item was heard out of order.

Mr. Banas showed photos of the new maintenance building at Sunset Memorial Gardens and remarked it was a huge improvement and it would help improve the life of the equipment.

Mr. Banas showed a photo of the entrance at Sunset and explained they would use the existing structure and add to it, including an iron gate instead of the chain link fence. They wanted to replace the west entrance with cement columns with stucco and iron gates to match the front entrance. Mr. Delisio said he wished to replace the chain link fence on Northwest 19th Street at Sunset with iron fencing.

Mr. Banas stated a contract and bid had been received for the new mausoleum at Sunset and he should have a color rendering to present to the Board at the next meeting.

Mr. Banas said this year Evergreen would get new landscaping and new trash cans.

Mr. Banas showed a photo of the new entrance at Lauderdale Memorial Park that was now complete and pointed out they had added new sod and a berm. They had also put in stamped concrete at the entrance.

Mr. Banas reported the cremation garden was coming along, and said once the fountain was complete they would work on the rest of the garden. He stated they had used some of the paving money to pave a hole in the parking lot and in the golf cart area.

In response to a request from Ms. Sallette, Mr. Banas had begun re-sodding parts of Sunset Memorial Gardens. He showed the Board photos of the areas that had been worked on.

D. General Price List Annual Review

Ms. Slagle noted the additional comparison column that had been added to the spreadsheet. She said the only item that had not changed was disinterment. They had discussed this with Mr. Banas and agreed that although the price needed to be raised, in the current economic climate, it was not an appropriate time to do that.

Motion made by Mr. Adams, seconded by Mr. Pearson, to approve the price list. In a voice vote, Board approved unanimously.

Chair Mowrey felt they should re-examine the cost of disinterment in the future.

E. Maintenance Reimbursement Jan-Mar 2010

Ms. Telli clarified that the requested amount was \$305,453. Ms. Slagle stated there was only \$116,033.05 available because the grand total of the investments and dividends was all Carriage was permitted to collect.

Motion made by Ms. Telli, seconded by Mr. Mizell, to approve the maintenance reimbursement. In a voice vote, Board approved unanimously.

Chair Mowrey announced former Cemeteries Board of Trustees Chair Mark Van Reese was in attendance.

F. Perpetual Care Trust Fund Investment Policy

Mr. Delisio arrived at 4:20.

Mr. Delisio stated he had met with Mr. Herbst and Ms. McCaffrey to discuss Mr. Herbst's concerns. He stated they were suggesting changing the asset allocation from 60% fixed income and 40% equity to 70% fixed income and 30% equity with a 5% window.

Mr. Herbst said they had found a balance that would meet the needs of the Cemetery System and address his concerns. The 30% in equity should allow for needed growth and provide the safety and liquidity that the statute required. Mr. Herbst said he would be happy to endorse this to the City Commission.

Ms. McCaffrey said an important issue had been the need to pay for maintenance and the 70/30 asset allocation seemed to be the best compromise to address everyone's concerns.

Mr. Pearson asked how this change would affect the quarterly payouts to Carriage. Mr. Delisio said this would not affect Carriage in the short term because currently the portfolio had some very high-yielding bonds. He said currently, the portfolio was experiencing a \$625,000 return so Carriage would get back approximately \$560,000 next year, which represented 45 – 50% of the maintenance fees.

Mr. Delisio said they must consider two components: the capital gain and interest. Right now, they were receiving a large income back from interest, but growth would be minimized. Mr. Delisio said an analysis had not been performed to determine how the portfolio would have performed at 70% fixed income and 30% equity asset allocation.

Mr. Sykes asked if Mr. Delisio considered this a major change. Mr. Delisio said he considered this a change, and reminded the Board that the Investment Policy was not a permanent document; nothing precluded changing it in the future.

Ms. Telli asked whose comfort level the changes were meant address. Mr. Delisio replied that the State Statute contained the word "safety" but did not define it. Ms. Telli said she was "not comfortable making a decision based on somebody else's comfort level 'til I know that the City Commission knows and understands that we have done our very best to make sure that the monies that we have in this have been done within the safety of our purview."

Ms. McCaffrey stated the discussions they had were meant to address the City Commission's comfort level, and that the Commission was satisfied that the auditor's concerns had been addressed and that the policy complied with State Statute. Their discussions had also needed to consider the maintenance needs of the cemeteries.

Mr. Herbst said this was the City Commission's investment policy that they approved with guidance from the Board, Mr. Herbst and Commissioners' own experience. He acknowledged that there were differing opinions regarding the policy. He explained that there was recognition within the investment industry that they had been overly optimistic about rates of return in the current environment. Mr. Herbst said their understanding of what had happened in the market in the past couple of years had changed opinions of what constituted an acceptable level of risk. Mr. Herbst said his viewed leaned more toward safety than return.

Mr. Adams said he had spoken with Mr. Herbst and they had agreed to disagree. Mr. Adams was comfortable with the existing policy, and felt it was the Board's prerogative to change the policy or not. He noted that converting to more fixed income investments would create more interest that would be paid to the contractor so the Trust fund would not continue to build as it had been.

Ms. Telli felt the Board had done a fine job so far. She said they were doing the best job they could for people who were buried in the cemeteries. Ms. Telli believed members of the Cemeteries Board had done an excellent job over the past 20 years and she felt comfortable leaving the policy as it was.

Mr. Mizell felt that since the policy had worked so well for so long, he thought anyone who considered the performance of the fund would conclude that the Fund had been safe.

Mr. Sykes said he found it incredible that they were increasing safety by paying more to the contractor. Mr. Delisio said this was how the City ordinance had been written: interest and dividends would go to pay the current expenses and the capital appreciation would go toward future capital projects. Mr. Delisio agreed they would be paying the contractor a little more, but "we're technically not paying them very much right now." Mr. Herbst stated this was a contractual issue that could be changed with the next contract renewal.

Mr. Mizell noted the difference between the needs of the City and the needs of the cemeteries and pointed out that eventually the cemeteries would stop making money and the trust fund would be the source of funds for maintenance. Mr. Herbst said the State Statute required that safety must be the priority, then liquidity and then return. Mr. Mizell asked Mr. Herbst how he could accept the 70% fixed income and 30% equity asset allocation he and Mr. Delisio had discussed if he believed in an extremely low level of risk. Mr. Herbst said he had agreed to the 30% in equity because he believed it was better to work together to develop compromises to meet his need for safety and the cemeteries' need for capital. He said he could achieve a level of comfort with a portfolio that had 30% invested in equities, but not beyond that.

Mr. Sykes objected to changing the policy that had worked well for so many years. Mr. Ott asked if changes could be made later if they determined that the proposed changes were not working. Mr. Pearson said the policy could always be changed by the City Commission.

Mr. Mizell wondered what the Board's recourse was if they wished to maintain the current investment policy, despite the fact that the City auditor felt it did not comply with State Statute. Mr. Sykes said there was no one representing the Board in this disagreement. Mr. Herbst said he represented the Board and they all had the same purpose: to advise the City Commission.

Mr. Delisio clarified how this situation had come about. They originally wanted to accept bids for the financial advisor. The City Attorney had indicated he would not define “safety” but they should rely on a financial advisor for this. Mr. Delisio suggested that the financial advisor bid requirements include conducting a thorough review of the investment policy and providing the City with the definitions they were seeking and determining an appropriate asset allocation that was based on their needs and compliance with the State Statute.

Mr. Spence clarified for Chair Mowrey that in 2004, the City Commission had found that the Investment Policy met State Statutes. Recently, the City Auditor had raised the concern that the Policy needed to be re-evaluated under current market conditions. Because the City Attorney was not a financial advisor, he could not determine whether or not the capital was safe. He therefore advised consulting a financial advisor to determine if the capital was safe and if they were abiding by the State Statute.

Chair Mowrey stated they already had financial advisors from Bank of America who believed they were “incredibly safe.” Chair Mowrey believed one should not try to fix things that were not broken. She noted that the Board had continued to pay attention to how the money manager was managing the portfolio to ensure that it was kept safe. Chair Mowrey stated the responsibility for the Trust Fund had been given to the Board. She thought that, “Doing something because it will make people feel more comfortable – if they don’t understand that there isn’t any discomfort to start with – is very foolish, in my opinion.”

Mr. Sykes asked if it was the City Auditor’s responsibility to determine the safety of their investments. Mr. Herbst stated, “My authority, under the Charter, is to review all items of a financial nature that expose the City to risk and to make recommendations to the Commission about those items.” The City Commission could choose to follow or ignore Mr. Herbst’s recommendations.

Ms. McCaffrey said because of Mr. Herbst’s concerns, they had a responsibility to report both the Board’s recommendation and Mr. Herbst’s recommendation to the Commission.

Mr. Banas asked how a change in the asset allocation would affect the capital they were able to use for projects and the maintenance reimbursement. Mr. Herbst could not provide an estimate, but he assumed that if the allocation changed significantly, the contract with Carriage would probably be renegotiated.

Motion made by Ms. Telli, seconded by Mr. Mizell, that they continue with the 60/40 asset allocation and they review with their financial advisors.

Mr. Delisio said the other alternative was to put this out to bid with the review requirement. Mr. Herbst felt this presented a conflict of interest for a financial advisor to

perform the review on a portfolio he/she would be managing. He would rather a review be performed by an independent advisor. Mr. Adams suggested an independent advisor be hired to review the portfolio only, not to manage it. Chair Mowrey pointed out that if the independent advisor determined the current asset allocation was appropriate, Mr. Herbst would still believe it was not appropriate and they would be back to square one.

Mr. Herbst pointed out that Bank of America could not provide an objective opinion because they had been the money manager. Mr. Mizell suggested they could find an independent advisor they all agreed was appropriate. Chair Mowrey said the Board could vote to maintain the current Investment Policy.

Ms. Telli amended her motion to state that the Board wished to maintain the current Investment Policy for the Municipal Cemetery System Perpetual Care Trust Fund that had been revised in April 2004. Mr. Mizell seconded the motion. In a voice vote, Board **approved** unanimously.

Ms. Telli left the meeting at 5:30.

For the Good of the Cemeteries

Ms. Telli asked if there was a plan for water management at Evergreen. Mr. Banas explained that in 1997 they had switched from well water to City water that had a 2" pipe that could only feed so many zones at once. Currently, they were watering 13 zones for 20 minutes each in a 2-day cycle for the entire park. In summer heat, this amount of water was simply not enough to keep the grass green. Mr. Banas said they had a company perform "wet zone" tests to ensure there was sufficient water. He stated the water bill at Evergreen was approximately \$10,000 per month at this time of year. The only alternative was to revert back to the well, which would result in iron stains on the monuments.

Mr. Banas said he could ask an irrigation company to evaluate the property if the Board wished. Chair Mowrey asked Mr. Banas to have an irrigation company do this.

Mr. Banas said the lawn at Evergreen were Bahia and St. Augustine grass. He said he would love to re-sod the entire park with St. Augustine, but the cost would be \$100,000.

Chair Mowrey urged Board members to inform their Commissioners and the Mayor about why they had taken such a strong stance on the Investment Policy issue.

Other Items and Announcements

Mr. Banas distributed information regarding the Memorial Day event. Mr. Delisio remarked events would include a helicopter display

Mr. Banas informed the Board that a customer had inquired about a 10-space private estate, and said he would present designs to the Board at their next meeting.

3. Adjournment

There being no further business to discuss, the meeting was adjourned at 5:50 p.m.

Next meeting: July 8, 2010

[Minutes prepared by: J. Opperlee, Prototype Services]