



APPROVED
CEMETERY SYSTEM BOARD OF TRUSTEES
MINUTES OF MEETING
CITY OF FORT LAUDERDALE
CITY HALL 8TH FLOOR CONFERENCE ROOM
100 N. ANDREWS AVENUE, FORT LAUDERDALE, FL 33301
THURSDAY, NOVEMBER 18, 2021 – 3:30 P.M.

Members	Attendance	Cumulative Attendance	
		03/2021 through 02/2022	
		Present	Absent
Richard Kurtz, Chair	A	1	3
Benjamin Dowers	P	4	0
Paul Gitnik	P	3	1
Chelsea Krebs	P	3	1
John Lilli	A	1	3
Fred Nesbitt	P	4	0
Mark Van Rees	P	1	0
Michael Watson (absent per Asst. City Attorney)	A	3	1
Patricia Zeiler, Vice Chair	P	4	0

City Staff

Stacy Spates, Parks and Recreation
Trevor Jackson, Parks and Recreation
D'Wayne Spence, Assistant City Attorney
Jamie Opperlee, Recording Secretary, Prototype, Inc.

Guests

Mark Hill, Truist (Sun Trust)
Kim Krause, Truist (SunTrust)

1. CALL TO ORDER

Ms. Spates called the special meeting to order at 3:38 p.m.

A. Roll Call

Roll was called and it was determined a quorum was present.

B. City Ordinance No. C-09-05, Quorum Requirement (Discussion)

No discussion.

2. NEW BUSINESS

A. Approval of Meeting Minutes for September 16, 2021 (Discussion/Motion)

Motion by Mr. Nesbitt, seconded by Mr. Dowers, to approve the September 16, 2021 minutes. **Motion** passed unanimously. (6-0)

B. Truist Trust Fund Investment Review (Discussion)

Kim Kraus provided a brief Power Point update on portfolio performance, manager performance, asset allocation, projections/expectations for next year, and capital market assumptions. U.S. Equities are up 26%, International is up 12%, and Fixed Income is negative on a year-to-date basis due to a rise in Yields. Assets as of the end of October are \$33,954,000, which represents an increase in market value of over \$2.9 million from gains, interest, and dividends. They continue to maintain an overweight Equity position and the IPS ranges are 40% to 60% Equity and 40% to 60% Fixed Income with targets of 50% for each; end Equities were 55%. Growth is expected to be in the 4% range in 2022. The focus remains on dividend paying investments; dividends provide income to the portfolio and support cemetery maintenance. SPDR Dow Jones REIT is a Real Estate Investment Trust that is up 34% year-to-date. Fixed Income has been under pressure as Yields move upward; therefore, they are maintaining the lower exposure. There is significant exposure to the Individual Corporate Obligations. Within Fixed Income, the Neuberger Berman Funds is a High Yield Fund, yielding 5% and it has had a 3% positive return on a year-to-date basis. The expectation is that they will maintain these allocation weights with a slight overweight to Equity and at the low end of Fixed Income, and then the cash position at 5%, which is \$1.7 million in the portfolio.

Investment Performance year-to-date: For the ten-month period the portfolio is up 9.16% net of fees.

Manager Performance: A couple active managers were mentioned, which are being used selectively. Wedgewood is a Large Cap Growth Manager with strong earnings, trends, and revisions, and strong balance sheets.

Dividend Strategies: SPDR's and i-Shares have both had strong returns and produced good income to the portfolio.

SPDR Dow Jones is a passively managed Real Estate Investment Trust, and year-to-date it is up 34%, and on a one-year basis it is up 55%.

International: They are keeping International exposure low, around the 8% range. International evaluations remain attractive, but the concern is that the earnings trends have been much weaker relative to the U.S. There are also concerns with China, so there is no direct emerging market exposure in the portfolio.

Fixed Income: Neuberger Berman is a High Yield investment with a lower exposure in the portfolio.

While looking forward to 2022, positive market returns are expected to continue at a moderate pace. While Equities have had double-digit returns this year, they are not expected next year, likely mid to high single-digit returns. The bull market is not over, but it will be more challenged as the Fed starts to pare back accommodations and taper its Bond purchases as the Fiscal Stimulus slows down, which leads towards more volatility in the market. They always look for ways to reduce risk in the portfolio and have done so by eliminating direct emerging market exposure and holding the U.S. bias.

During the last meeting there was discussion about doing some asset allocation work. Three scenarios based on their capital market assumptions were provided as requested by the Board as follows:

The current Fort Lauderdale Cemetery Asset Allocation is at 50% Equity and 50% Fixed Income. The expected return is 4.8% over a ten-year period at the Asset Class level. Truist is an active manager, and they tilt the portfolio to capture return across Small Cap versus Large Cap, International, etc., and use some active management. They want to keep the return by 1% or 1 ½% over a ten-year period, but the 4.8% is relatively low. Two other scenarios were provided with a higher Equity Allocation and a lower Fixed Income Allocation with a 55% Equity target and a 60% target. Performance track records were run for the three allocations. The first was the actual City Cemetery as of September 30, 2021, which is the 50/50 allocation. The second was for a 55^ Equity, which is a representative account for another cemetery account they manage, and the third was another representative account for another cemetery with a 60% Equity exposure. Should the Board decide to adopt a different allocation it would require an IPS change.

Mr. Nesbitt questioned why costs for the 55/45 portfolios are higher than the 50/50 and the 60/40.

Ms. Krauss indicated it does not have to do with the actual allocation, it has to do with the representative account and fee assigned to the specific account. The focus should be on the Net of Fees. The cost of Advisory Fees varies based on the size of the accounts.

Mr. Nesbitt stated he would like to move from 50/50 to 55/45 because it would increase returns and take on a little more risk and flexibility.

Ms. Kraus commented if the Board went to 55/45, her recommendation on the ranges would be to broaden the range to 45% on the lower side and 65% or 70% on the upper side to give a little more flexibility and then the IPS would not have to change should

market conditions change. There is flexibility to add Fixed Income when the environment is favorable or going above 55% in Equity when that environment is favorable. They would still focus on dividend producing Equities and there would be focus on dividend income-oriented Equities, keeping a bias towards the U.S. until the International markets offer a better opportunity. She noted the 40/50 works on Equity because they are currently at 55%, but they are at 40% with Fixed Income and they cannot go any lower because the bottom range is 40%; the range for Fixed Income would have to go to 35%. She clarified the range would be 35/65.

Mr. Gitnik stated he was comfortable with 35/65.

Ms. Kraus advised she could come back with a draft recommendation, so the Board could vote.

Motion by Mr. Nesbitt, seconded by Mr. Van Rees, to have Ms. Kraus come back to the Board with a proposal for the portfolio based on 55/45 with an adjustment of the parameters to reflect the new portfolio allocation. In a roll call vote, the motion passed with no response from Mr. Watson. (6-0)

Ayes: Dowers, Gitnik, Krebs, Nesbitt, Van Rees, Zeiler
Nays: None

Mr. Nesbitt mentioned the Fixed Income portfolio and questioned if they could do Preferred Stocks.

Ms. Kraus replied they could do Preferred Stocks and noted they have been used in the portfolio before. ETF's fall in the Fixed Income category and are used selectively.

Ms. Spates reminded everyone the last time changes were proposed to the IPS they had to go before the Investment Advisory Board and Finance also had to approve.

C. PC Deposits for June, July, August & September 2021 (UPDATE)

Ms. Spates reported they are currently caught up on their deposits to Truist and from this point on they will be timely with the Perpetual Care Deposits.

D. Maintenance Reimbursement Request for June, July, August & September 2021 (Discussion/Motion)

Vice Chair Zeiler asked about the high Water, Sewer, and Storm amounts on the June reimbursement.

Ms. Spates advised sometimes the bills are delayed, so it is a matter of how the bills come in, which was the issue for June.

Vice Chair Zeiler mentioned need in the Tools and Equipment, which made the expenses so much larger than in previous months.

Ms. Spates stated there could have been postings because they have had to buy additional equipment to keep up and they also had to bring in some additional help.

Mr. Nesbitt commented that the charge for Prototype minutes sometimes corresponds with the month and not with the month the Board meets. He questioned if that was because of billing timing.

Ms. Spates clarified it was due to billing timing.

Mr. Van Rees expressed concern about some expenditures and about what is being repaired, replaced, and what is not. He thought some real needs were not being met.

Ms. Spates cautioned this is strictly maintenance and noted that all the interment comes out of Operating, so that is a separate conversation because there are things on order. She agreed to go through this with Mr. Van Rees.

Motion by Mr. Nesbitt, seconded by Mr. Dowers, to approve the June maintenance report in the amount of \$210,996.02. In a roll call vote, the motion passed with no response from Mr. Watson. (6-0)

Ayes: Dowers, Gitnik, Krebs, Nesbitt, Van Rees, Zeiler

Nays: None

Mr. Jackson commented that significant funds were recently spent on irrigation supplies.

Ms. Spates stated this is the third company they will award a contract to in December just to perform irrigation at Sunset alone. Sunset and Lauderdale are still manual and there are battery operated heads. Parts are expensive, but that was something they had to do because they could no longer use the excuse that the cemeteries are not irrigated. She advised there were three payroll deductions in the month of July plus overtime cost. This has been a grueling year and that will be reflected in their Profit and Loss statement.

Motion by Mr. Gitnik, seconded by Mr. Nesbitt, to approve the July maintenance report in the amount of \$158,637.22. In a roll call vote, the motion passed with no response from Mr. Watson. (6-0)

Ayes: Dowers, Gitnik, Krebs, Nesbitt, Van Rees, Zeiler

Nays: None

Motion by Mr. Nesbitt, seconded by Mr. Krebs, to approve the August maintenance report in the amount of \$138,723.74. In a roll call vote, the motion passed with no response from Mr. Watson. (6-0)

Ayes: Dowers, Gitnik, Krebs, Nesbitt, Van Rees, Zeiler
Nays: None

Ms. Spates indicated that contract workers were brought in during the month of September to assist with maintenance activities while they attended to other things. They are looking at releasing a bid for maintenance activities on an as-needed basis to fill those gaps; this should be released in the next month or so. They have also been using employees from other areas on their days off.

Mr. Jackson explained they have been utilizing Parks Department staff; they have been coming in on overtime to help get maintenance activities caught up and this may be ongoing from now until the end of the year. Regarding heavy equipment rental, they rented a bobcat during the road excavation.

Mr. Gitnik thought he heard that temporary help was put in the permanent salary line.

Ms. Spates stated she may have misspoken; they were probably in the overtime line. Permanent salaries were most likely for Park employees if they were ETV because it is not showing up as reallocation of use of Park employees. Employees currently want overtime, but some were coming in on straight time on their days off.

Mr. Gitnik suggested having a line for temporary help because that would more clearly allocate the cost to the right lines.

Ms. Spates stated they would add a temporary help line going forward if they are able to get a response from a successful bidder on as-needed help.

Mr. Watson communicated with Ms. Spates and said he is on the webcast, but his sound is not working, and he agreed with the motions passed.

In checking with David Salomon, City Attorney, Mr. Watson was considered not present at this meeting.

Motion by Mr. Van Rees, seconded by Mr. Gitnik, to approve the September maintenance report in the amount of \$235,474.77. In a roll call vote, the motion passed with no response from Mr. Watson. (6-0)

Ayes: Dowers, Gitnik, Krebs, Nesbitt, Van Rees, Zeiler
Nays: None

E. Cemetery P&L Statement FY2021

Ms. Spates shared her screen and reported they ended the Fiscal Year with around \$8.2 million in revenue with expenditures in the amount of almost \$4.7 million, so they ended with a net profit of \$3.550 million. This includes maintenance reimbursements approved earlier. They pool monies so when they enter a Merchandise and Services contract with their former cemetery vendor, those funds will be remitted for any pre-need Merchandise and Services contracts. They keep those monies separate so they can be tracked.

Vice Chair Zeiler mentioned the change of the investment strategy and thought that was a good adjustment, but as they move forward and if they have a poor Yield on the Corpus of the Fund, they could be using principal to maintain the cemeteries.

Ms. Spates stated they are prohibited from touching the Corpus of the Fund and that is in the IPS. The maintenance reimbursements are from interest and dividends.

Ms. Krause commented that the Yield has gone down in percentage terms because Fixed Income Yields have gone down, but the market value of the overall portfolio has grown, so the dollar amount has stayed strong.

Mr. Hall indicated that interest dividends and capital gains are used to pay these. There is plenty of money over and above the Corpus.

Ms. Spates advised there has never been a situation where the Corpus was ever touched.

F. Other Business

Mr. Nesbitt questioned the status of the Sunset irrigation.

Ms. Spates indicated they have to do a Budget Amendment and it will be awarded at the December meeting.

Mr. Nesbitt questioned the status of the Cemetery Software System.

Ms. Spates advised the training in October did not go well. The system has some glitches and information they need to work out. They will not be going live as anticipated in the month of November and she will keep the Board updated.

Mr. Nesbitt questioned the status of the Mausoleum project at Sunset.

Ms. Spates stated mausoleum bids are going forward; they are being circulated for approvals. She is hopeful the bid solicitation will be released some time in December, and she will send an email to Board members once it is released. Part of the delay is because Public Works is busy, but they are involved. In her opinion, they are doing the best they can. There was a little hold up from the surveyor waiting for the CAD file.

Mr. Nesbitt questioned if Vice Chair Zeiler has had an opportunity to talk to the City Manager to make sure he was aware of the net profit from this year.

Vice Chair Zeiler replied she has not had a chance to speak with the City Manager, but she is on the calendar.

Ms. Spates stated a memo would be sent to the Commission letting them know about this year's net profit.

G. Communication to the City Commission

Vice Chair Zeiler mentioned there was discussion at the last meeting about having another Joint meeting with the Commission, but she was not certain there is a need.

Ms. Spates did not think a Joint meeting was currently needed, but it could be re-evaluated at each meeting.

Vice Chair Zeiler commented that Ms. Spates is keeping the Commission informed about what is going on.

Regarding the availability of Evergreen Cemetery, Ms. Spates indicated there is a waiting list. Typically, someone goes to the Commission or the City Manager's office and then it rolls down. People are waiting for areas to be surveyed and pinned, but they want to be responsible in terms of how spaces are sold. They must have a strategy, so everyone does not come in on a different day and buy, it is going to be prioritized by families and the number of spaces.

Vice Chair Zeiler questioned if it was time for Board members to go to each of their Commissioners to provide an update on what is going on in the cemeteries.

Ms. Spates thinks the Commissioners have agenda briefings. As appointees, the Board can do so, but typically everything is communicated through her chain. The biggest obstacles are maintenance, which has been the challenge over the past year. A "Friday memo" can be sent if needed, updating them about the Cemetery Master Plan objectives, which will be part of the memo they are going to send about how they ended the Fiscal Year.

Vice Chair Zeiler questioned if the work being done at Evergreen is included in the memo.

Ms. Spates stated they have already done what was needed in terms of the expansion, but they are having a problem contacting the surveyor. Sometimes they even have an issue with merchandise and marker installations, so they reach out to third party vendors to assist with installations and have been told no thank you, they have their own problems. Everyone is stretched to the maximum, it is not for a lack of trying; they are going to try another time, but if they find someone who does not have adequate insurance to come on the City's property, which is a liability issue.

Assistant City Attorney Spence announced they are back to in-person meetings starting next month. The Resolution includes telephonic participation and there are some cases where Board members can still attend virtually, which is outlined. They are characterized as extraordinary circumstances, such as business trips, illness, and/or death in the family. If there are health concerns, Board members can utilize that provision to continue to participate virtually by making a request within the time specified in the Resolution. Members of the public will not be afforded that opportunity and would have to come in person.

3. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:37 p.m.

The next scheduled meeting is Thursday, January 13, 2022, at 3:30 P.M.

[Minutes prepared by C. Guifarro, Prototype, Inc.]