



**CEMETERY SYSTEM BOARD OF TRUSTEES**  
**MINUTES OF MEETING**  
**CITY OF FORT LAUDERDALE**  
**CITY HALL 8<sup>TH</sup> FLOOR CONFERENCE ROOM**  
**100 N. ANDREWS AVENUE, FORT LAUDERDALE, FL 33301**  
**THURSDAY, JANUARY 12, 2023 – 3:30 P.M.**

<b>Members</b>	<b>Attendance</b>	<b>Cumulative Attendance</b>	
		<b>03/2022 through 02/2023</b>	
		<b>Present</b>	<b>Absent</b>
Richard Kurtz, Chair	A	4	1
Chelsea Krebs	P	4	1
Fred Nesbitt, Acting Chair	P	5	0
Mark Van Rees	P	5	0
Michael Watson	A	3	2
Patricia Zeiler, Vice Chair	P	3	2

City Staff

Stacy Spates, Parks and Recreation  
 Kenya Baker, Senior Financial Administrator  
 Jamie Opperlee, Recording Secretary, Prototype, Inc.

Guests

Kim Krause, Truist  
 Dylan Smith, Truist

**1. CALL TO ORDER**

Chair Kurtz called the meeting to order at 3:35 p.m.

A. Roll Call

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

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

No discussion.

**2. OLD BUSINESS**

A. Cemetery Master Plan Project Updates:

- Sunset Memorial Gardens Community Mausoleums (Update)

Ms. Spates advised they are still waiting for Public Works to release the bid. She introduced Kenya Baker, Senior Financial Administrator.

Acting Chair Nesbitt complained that it has been over a year to a year and a half.

Ms. Spates mentioned the City solicitation process and noted that developers have made it clear they are banning together and are not going to bid.

Acting Chair Nesbitt commented that the City needs to do something. He has a friend on the Commission who raised this issue during Candidate Night. He also spoke to Commissioner Glassman briefly and suggested bringing the issue before the Commission.

Vice Chair Zeiler indicated that she spoke to Commissioner Glassman and noted that people want to make arrangements.

Mr. Van Rees thinks the Board needs to come together and figure out a public private partnership because he does not think the bid process is going to work for these companies.

Acting Chair Nesbitt advised he is going to put a strongly worded proposal together.

Mr. Van Rees mentioned there is a strong possibility regarding a public private partnership, but there needs to be a lot of compromise.

Vice Chair Zeiler questioned if they can get on a City Commission conference agenda quicker.

Acting Chair Nesbitt asked how a public private partnership works and if they would share the work.

Ms. Krebs stated the City is currently doing that with War Memorial and the Florida Panthers.

Ms. Spates commented that bulk trash is outsourced.

Acting Chair Nesbitt mentioned this is probably the last space they will acquire unless the City decides to buy some land. He asked if the City can restrict sales and the three new mausoleums to City of Fort Lauderdale residents only.

Ms. Spates advised she would not agree with that and noted that most of their sales come from non-residents.

Mr. Van Rees stated that other cities are restricting their sales.

Ms. Spates indicated that would be advised by Legal and then it would be something the Elected Officials would decide.

Mr. Van Rees commented that in the past non-residents were buying multiple plots for resale.

Vice Chair Zeiler stated they need a timeline for the City Commission, and they need to explore a potential public private partnership.

Ms. Spates advised there is no municipal cemetery system like ours in the State of Florida. Other Cities do not know about Chapter 497. The difference is because since they outsourced for 25 years their offerings are that of a private cemetery because they had a private vendor.

Acting Chair Nesbitt suggested doing the timeline and getting the other materials ready, and then they will ask to get on the City Commission conference agenda.

Ms. Spates stated she would have Parks Management talk to the City Manager.

Vice Chair Zeiler indicated she would try to get on the City Manager's calendar.

Acting Chair Nesbitt advised he would follow up with a letter. The other option might be to have a special meeting/Workshop with the City Manager in February.

- Sunset Memorial Gardens Irrigation Project (Update)

Ms. Spates advised there has been a delay with materials, but they hope to get the project completed this month.

- Cemetery Management Software (Update)

Ms. Spates indicated that a final negotiation term sheet has been sent to the vendor and if they do not agree they will be at an impasse. They are ready to go to the Commission with a Dispute Resolution Agreement saying what and how they would come together. It was going to go on Tuesday, but they had to pull it back.

#### B. Cemetery Investment Policy Review (Discussion/Motion)

**Motion** made by Mr. Van Rees, seconded by Acting Chair Nesbitt, to approve the Investment Policy. In a voice vote, the **motion** passed unanimously. (4-0)

Vice Chair Zeiler advised that one Board member could speak at the City Commission meeting with Ms. Krause.

### 3. NEW BUSINESS

- A. Approval of Meeting Minutes for July 14, 2022 & September 8, 2022  
(Discussion/Motion)

**Motion** made by Mr. Van Rees, seconded by Ms. Krebs, to approve the July 14, 2022 minutes. In a voice vote, the **motion** passed unanimously. (4-0)

**Motion** made by Mr. Van Rees, seconded by Ms. Krebs, to approve the September 8, 2022 minutes. In a voice vote, the **motion** passed unanimously. (4-0)

- B. Profit & Loss Statement FY2 (Update)

Ms. Spates indicated the Profit & Loss Statement FY2 update would be provided at the next meeting.

- C. Perpetual Care Trust Fund Investment Review/Truist Bank (Discussion)

Kim Krause, with Truist, provided a Power Point presentation through December 31, 2022 as follows:

Ms. Krause provided the following information:

- The fourth quarter was pretty good except for December.
- There were double-digit declines in Equity across U.S., Mid Caps, Large Caps, Small Caps, International, Emerging Markets, etc.
- Fixed Income continued to be negative. Our Aggregate Bond is down 13%.
- International investments and the S&P were up almost 8% and Value Stocks did well.
- Overall, for the full year, it was an outlier and there were big draw downs.
- Two sectors were positive in the S&P; Energy, up 65%, and Utilities, up over 1%; everything else was negative. Strongly negative were Communication Services, Consumer Discretionary Stocks, and Technology.
- On a relative basis, some of the more defensive Stocks did well like Consumer Staples, Utilities, Industrials, and some of those make up the Dividend benchmarks. They are heavily invested in Dividend Stocks, so that was a relative outperformer.
- The top Asset Class is Value Stocks within the S&P, which were down 5%. The bottom was Growth Stocks in the S&P, which were down 29%.
- A 60/40 portfolio was down almost 16%, which is the standard long-term portfolio.

- Investment grade Bonds were down 16%.
- The 2022 chart shows negative returns for Stocks and Bonds, the S&P, and the Barclay's Aggregate.
- Forward returns are looking better, especially in Fixed Income in the near term.
- Bonds will be up due to higher interest rates.
- Inflation still exists, but they are looking at year over year at 6.5%.

Vice Chair Zeiler mentioned large investment bank layoffs.

Ms. Krause stated it is common in Finance, but it is also happening in Technology. The Unemployment rate is still low.

- Last year there were six moves in the S&P 10% or greater. Three of them were up 10% and three were down 10%, but the trend line was down for the year. The year ended down roughly 18%. Asset Allocation recommendations are based on Capital Market Assumptions when they set the policy to 50% Equity, which was based on their forward- looking return expectations. Those are currently more attractive than they were a year or two ago because of the reset seen in Equity and Fixed Income.
- Regarding the Global Economy and Recession thoughts and Growth rates, Truist expects a recession in the next 12 months.
- The Growth expectation for 2023 is negative .5% to a positive .7%.
- A recession is also expected in Europe and there are pockets of Asia that are better than others. They still have concerns about China.
- Growth rates in the U.S. were probably 1.5%, and the range for next year is probably .5% to .7%. Even if they do not go into recession, there are very low Growth expectations in the near term.
- The recession risks indicator chart for the first and second quarter 2022 shows they started with a lot of green lots, which mean positive, and then through the year they turned a little more negative towards yellow, and now they are seeing mostly warning signs. The Yield curve has been heavily inverted for a few months, which means short-term Yields are much higher than the ten-year Treasury Yield. Credit spreads are increasing, manufacturing PMI's have softened, the Housing Market has softened throughout the country, Unemployment and Jobless Claims remain decent, so the Labor Market is the key component of the economy. The trend has been more towards warning signals.

An overview of their forward outlook is as follows:

- Fading Growth means slow Growth or recession.

- Easing inflation is good news.
- A wide range of potential outcomes could take place.
- It is believed the next few quarters for Equity Markets will be choppy, so they continue to have a defensive posture in the portfolio and are ready to switch from defense to offense as more positive data is seen later in the year. That means assuming the Commission approves the policy, they can move within the ranges of underweight and overweight, but they would move towards the 55% Equity and perhaps above slightly once things start to turn around.

The focus in 2023 is:

- Diversification. Bonds will play an important role in diversification.
- Tactical, meaning tilting the portfolio to take advantage of opportunities as they are presented and to reduce risk within the portfolio.
- Look for catalysts.

Acting Chair Nesbitt questioned if they are expecting High Yield Corporate Bonds to go lower.

Ms. Krause stated that is their view on the Asset Classes, which means they currently find Corporate Bonds less attractive. As the economy looks like it could be heading into recession, spreads typically widen, which can be a big negative for High Yield Bonds and an increasing default rate could be seen. They would be under-weight High Yield Bonds at this stage of the cycle. When looking at the portfolio, the Board will see that High Yield was removed in the fourth quarter.

Vice Chair Zeiler asked if Truist sees the ten-year Treasury interest rate increasing.

Ms. Krause thinks the range is 4.5%, which is the upper range, and they hit that in the fourth quarter. A little duration was added by eliminating the short-term Bond funds and adding Treasury funds.

Vice Chair Zeiler asked if the Treasury Bond rate will increase if the Feds raise rates once or twice in 2023.

Ms. Krause replied perhaps slightly, but she thinks it is range bound. The biggest move in rates has already occurred in the first and second quarter of 2022.

- The Activity Summary table shows contributions and withdrawals between Fixed Income and Equity, which nets out to zero. Money has not been taken for cemetery maintenance, which has been coming from the City budget.
- There was an unrealized loss in the portfolio, \$5.1 million, due to the pull back in Equity and Fixed Income. \$29.6 million was the Market Value at the end of the

year. The high was December 2021 at \$33.8 million. The impact of last year's impact was significant on Market Value.

- Looking at the structure of the portfolio, they were just under 52% allocation in Equities, which was a conscious decision, but they were managing closer to 55% given the ranges allowed. They have positioned the portfolio with a strong bias to Dividend strategies. Dividend Stocks held up relatively well versus the broader market; they were more defensive in nature, so there was a decent performance from some of those. They also looked for Active Management High Quality Managers and Atlantic Capital in the Small Mid Cap space is one that has a very strong outperformance versus its benchmark. Also, Artisan International, which is a smaller allocation, but did very well. Mostly passive management is seen, the i-Shares, Vanguard's, and SPYDR. On the active side there was Eaton Vance, Atlantic Capital, Artisan, Neuberger Berman, and Western Asset. They are managing to a heavily passive portfolio with select Active Management.

Acting Chair Nesbitt questioned if there is a percentage of breakdown between active and passive.

Ms. Krause stated it is very low active and about 12% passive.

- Within Fixed Income, duration was added by selling the Vanguard short-term Bond fund, which was the last one listed, and the DFA Intermediate Government Fixed Income was added, which is a U.S. Intermediate Treasury Fund, which should help provide some balance to the portfolio.
- There is a significant allocation to the individual Corporate Bonds, 12% to the individual Bond portfolio, so the Treasury exposure will help to diversify away from Corporate Investment grade. The Neuberger Berman High Income, which did well, was eliminated during the quarter because of concerns about going into recession; High Yield Bonds do not perform well. High Yield Bonds will likely be used again in the future, just not at this time. Yield is 2.7%, which has gone up a little as Fixed Income Yields have gone up.
- The Money Market Fund is currently yielding 4.15%.
- Performance of the Portfolio year to date column shows down 12.9%, roughly a 13% Net of Fees negative return, but the policy benchmark was down 15.3%. The quarter of the portfolio is up 6.8%.
- Most outside classes performed relatively well. Domestic Equities versus the S&P; within the outperformance are the Dividend strategies, which held up better than the S&P 500. Mid Cap and Small Cap were down in line with the S&P with Small Cap a little further down. International was down double digits and the Fixed Income as well.
- Looking forward, they expect Fixed Income to contribute positive returns to the portfolio this year and beyond with Yields at a better, more attractive level. On

the Equity side, they are still positioning towards Dividend strategies. High Quality might be a little choppy over the next couple quarters, but there will be a turnaround when positive returns will be seen.

Ms. Krause mentioned there are lots of charts to review in the back of the package. She sent a market update to Ms. Spates a few days ago.

Ms. Spates advised she would send a link to replay the meeting recording so Board members could listen to help satisfy their educational requirements. She noted deadlines are always ahead of time and the next City Commission meeting will be on Tuesday, February 21, 2023, at 6:00 p.m., and the next meeting will be on March 8, 2023.

Acting Chair Nesbitt mentioned Accumulated Earnings from October to December went from \$16 million to \$9 million.

Ms. Krause stated that is not her report.

Acting Chair Nesbitt indicated the Corpus showed about \$17 million.

Ms. Krauss advised that is the Growth; the decline, the unrealized market loss because the markets were negative. There are unrealized gains and now there are fewer unrealized gains because of the draw down of the market. It has not hit the Corpus.

Acting Chair Nesbitt referenced Page 13, the Year to Date \$1 million withdrawals.

Ms. Krause indicated that is rebalancing. Trust manages two underlying accounts; one holds Fixed Income Securities and Individual Bonds, and the other holds Equity Mutual Funds. When they rebalance, they reduce Equity and add Fixed Income as an inner account transfer and that is why it shows a contribution to one and a withdrawal from the other. If that is netted out, it would be the total Trust Asset Contribution and Withdrawals, which means basically there was zero net.

#### D. Other Business

Ms. Krebs questioned the status of pickleball courts at Snyder Park.

Ms. Spates stated that as of Tuesday that was a done deal.

#### E. Communication to the City Commission

Vice Chair Zeiler advised there is no Communication to the City Commission. She is going to contact the City Manager tomorrow and try to set up a Workshop for some time in February. She will let Ms. Spates know if there are any specifics, so she can get them out to the entire Board.



Acting Chair Nesbitt thinks there should be a skeleton outline.

Ms. Spates indicated that the City Manager has access to the CIP because there is a tracking of the projects.

Mr. Van Rees commented the process is still so far behind.

Vice Chair Zeiler stated the original costs are probably 30% to 40% higher now.

Ms. Spates cautioned the Board to be careful when they say they only want residents because when it comes time to raise prices, that is what the Commission will look at.

Mr. Van Rees stated the non-resident rate must be significant. The non-resident rate needs to be reviewed because it is a huge factor, it does not deter the private sector.

Ms. Spates mentioned the City of Deerfield triples the rate for non-residents to discourage them. She noted they have not had a plot increase since 2015.

Mr. Van Rees commented that their review of the general price list is not until June or July and there is no way to push that ahead to get it to the Commission.

Ms. Spates asked the Board if they want to look at the general price list before she sends it to the Commission.

Mr. Van Rees replied yes.

Ms. Spates advised the Board will not be able to look at it unless they have a special meeting in February.

Acting Chair Nesbitt assumed if three new mausoleums are being built there would be new mausoleum rates.

Ms. Spates suggested they focus on the new general price list from their competitors in March.

Mr. Van Rees commented there is surcharge in addition to price increases; there is no temporary.

Ms. Spates asked if any Board members needed parking passes, and everyone replied affirmatively.

Acting Chair Nesbitt mentioned the Operations Report Item #3299, Other Services, and noted the amount was \$20,000 in 2021, and \$108,000 in 2022. He questioned the reason for the increase. He commented that water went from \$240,000 to \$99,000 and

assumed that is because the City is not billing in a timely fashion. He then mentioned the transfer to Special Obligation Bonds and asked if that is Pension Bonds.

Ms. Spates was not sure if that was Pension Bonds; however, she noted they were also paying into the Parks Bond.

#### **4. ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at 4:40 p.m.

The next scheduled meeting is Thursday, March 9, 2023, at 3:30 p.m.

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