

**CEMETERY SYSTEM BOARD OF TRUSTEES
CITY OF FORT LAUDERDALE
CITY HALL 8TH FLOOR CONFERENCE ROOM
Thursday March 12, 2015
3:30 P.M.**

Members	Attendance	Cumulative Attendance	
		2/2015 through 2/2016	
		Present	Absent
Michael Ruddy, Chair	P	1	0
Patricia Hayes, Vice Chair	P	1	0
Damon Adams	P	1	0
Victoria Mowrey	P	1	0
Larry Ott	P	1	0
John Sykes	P	1	0
Mark Van Rees	P	1	0
Myrna Pototsky	P	1	0
Delores Sallette	P	1	0
Dennis Ulmer	P	1	0

City Staff

Yoly Colarusso, Parks and Recreation Cemetery Liaison/Recording Minutes

Guests

Julius Delisio, Carriage Services
 Scott Drzewiecki, Carriage Services
 Chris Manceaux, Carriage Services
 Trevor Jackson, Carriage Services
 Kim Krause, Suntrust

1. City Ordinance No. C-09-05, Quorum

The meeting was called to order at 3:34 pm and it was determined a quorum was present.

2. New Business

A. Requirement Minutes Approval

Motion to approve proposed changes to minutes of the January 8, 2015 meeting by Damon Adams and seconded by Patricia Hayes. In a voice vote, the motion passed unanimously.

B. Trust Fund Investment Review SunTrust

Kim Krause from SunTrust distributed handouts to the Board to present Market update and portfolio review. The month of January was rocky; it didn't start out well for US

equities however, International equities did well. In the month of February the four major equity global markets were all positive. All Country World Index, EAFE which is developed International, emerging markets, and the S&P in the US were all in the range of 3%-6% positive returns.

When we last met, I spoke quite a bit about diversification which was punished in 2014, meaning, if you diversified your equity outside the US that did not help returns. Our expectations for 2015 are US returns and non-US returns won't be as far apart as last year. In fact, the first two months of the year we have seen International equity returns outperform here in the US, and emerging market returns positive as well. Diversification is back doing its job, providing fund returns but most importantly, reducing risk in the portfolio.

Interest rates recoiled in February from a 20-month low; the 10-year US Treasury yield started the month at 1.64%, and jumped to 2.13% before setting a 1.99% at month end; it was the biggest monthly rise since December 2013.

Most bond indices posted declines, giving back some of their January gains; the Barclays Aggregate Bond Index fell 0.9% in February, but clings to a 1.1% gain for 2015; high yield bonds bucked the trend, up 2.4% for the month.

We have seen some improvement in Europe, Euro area fourth-quarter GDP increased at a 0.3% quarterly pace, on strength in Germany and Spain; early 2015 gauges show economic improvement aided by central bank easing, which is weakening the euro, and lower energy prices; yet significant headwinds remain, especially for France, Italy, and Greece.

In looking at the Trust Portfolio, this is from your statements; the Market Value at the end of February was \$26.2 million, yield just over 3% through the first week and a half of March. We have seen a dip in equities, so the portfolio is now at \$25,720,000.

On page four is an Activity Summary to show the Quarterly Market Value Trend over time. Going back the last couple of years, the portfolio has grown very nicely along with good market returns over the last several years.

Looking at the Portfolio Composition and how it is structured, we rebalanced at the end of January. We brought the equity exposure down closer to the 50% per the investment policy; it had worked its way up to 55%. We reallocated the assets back into the fixed income portion of the portfolio. We trimmed Mid Cap equity exposure from 7.5% to 4.5%, and that's the portion of equity that we put back into fixed income. We are maintaining your International exposure at just below 10% as per investment policy limits. In fixed income, we brought the exposure up closer to target range of 50%, through a new fund called Western Asset Core Plus. This is a core investment grade bond fund able to invest in the fluff sector, a little bit of high yield, and a little bit of floating rate debt. They have the flexibility to add yield potential to the portfolio with a 5% exposure. We continue to look within the fixed income portfolio for ways to reduce

duration, which is the sensitivity of the portfolio to an increase or change in interest rates. The portion of the portfolio most susceptible to an interest rate increase is the Corporate Bond portfolio. That is the core of your fixed income exposure and is providing a great yield potential to the portfolio. As interest rates go up, those bond prices will drop down. We look elsewhere within the fixed income portfolio to diversify the returns. That's why you will see different types of fixed income, mutual funds, and exposure there; some high yield, mortgage exposure, and some emerging market and global debt. We believe the portfolio is well positioned going forward to the rest of the year and continue to position the portfolio to capture asset class potential.

Performance through February had positive returns for the month of 1.5%. The growth net of fees year to date is 1.89%, so the first couple of months is in line with the benchmark. One year return is 7.5%, a good absolute return given the issues we have seen over the last year with international and emerging market equities. Long term returns since inception date of August 2011, about 3.5 years, are up 8.8%.

The next few pages are the individual money managers that we are using in the portfolio. We like to show you this for transparency and long term performance comparison on how managers do versus benchmarks. We continuously monitor to determine if managers need to be replaced, if through a management change or a personnel change, or performance issues. Mr. Adams asked; are you seeing any performance issues? Ms. Krause said, No, but I would highlight we are using in the large cap equity portion of your portfolio passive management with dividend select, and also in the mid cap space. Passive is a good place to be since active managers have struggled to outperform indexes for the last couple of years. We are always looking for an opportunity when we think that will change, but in the fourth quarter of 2014 we saw a huge change from retail investors and their 401K or personal accounts moving money out of actively managed funds into passive managed funds. Billions and billions of dollars flowed out of active funds and into passive funds. Sometimes that is a trigger of an inflection point when an individual retail investor moves out, that signals things are about to change. We believe in active management over time, and will look for opportunities to replace passive managers with active managers where it makes sense. That is important to us, as it is to you.

C. General Price List (Discussion/Motion)

Mr. Delisio stated at our last meeting, we made minimal changes to our GPL. We raised the property, second right, archiving fees, duplicate deed fee, and the vault installation. The opening and closing costs stay the same, because we are getting to the point where we cannot continue to raise it. I go back to the 25% resident discount, where a non-resident pays \$1560 for the opening and closing; it is quite high versus the resident costs of \$1170.

Look at the comparison sheet on page two, where we show our prices compared to other cemeteries to ensure we are not giving away or over charging for property and services. A resident costs are below market pricing, and significantly lower than a non-

resident due to the 25% discount. That will not change because it is part of the agreement to provide residents with a discount. If you look at everything here, we are competitive and less expensive than some of the other cemeteries listed. These three cemeteries that we compared are our biggest competitors. Bailey is picking up some of our Sunset business mostly from the island community. We can't do anything because of the island concentration in the Margate and Tamarac areas. Bailey is convenient and closer. Overall, we look very good in comparison to these cemeteries. The Veterans special on the next page did not change other than raising the grave spaces to \$2495. If anyone else wanted to buy into the veterans section, it would be a minimal of \$3595, a significant savings for a veteran. The opening and closing is a significant reduction compared to what a resident versus non-resident pays. There is an advantage for a veteran, but we are losing business to the new National cemetery. If you go back several years prior, you can see we sold a lot of veteran property in those gardens, but minimal amounts the last couple of years. The veteran prices did not change much. We have made minimal changes this year, but since our payment to the city increases 5%, we have to increase our prices.

Moving on from the GPL, we created some new products this year that worked very well for us, the hedge estates and cremation garden expansion. I believe the new cremation garden will diversify our product line in the cemetery. The cremation bench program at Evergreen should assist in providing families with options since the cemetery is down to roughly 150 spaces. If we can promote the niche banks, they are private upright memorials for families that can be placed along the lake bank. At Lauderdale, we have the largest range of product from the \$2495 space to however much you choose to spend on a private mausoleum, and everything in between.

Let's look at the Interment sheet from last year. We had a total of 716 for all three cemeteries in 2014. At LMP any years prior to 2012 was averaging from 316-340, and Sunset is 475 and above in prior years. Evergreen I don't really judge because it does a small quantity of business. All these years we can look back and can say from the high point, Sunset is down 20% burials and Lauderdale is down 10%. I attribute it to the competition because there is no reason why we would lose business in Sunset. LMP is difficult to figure out, unless it is due to the cremation market. It is not product diversity or anything else from an interment perspective it could be an increase in cremation and not doing anything with the ashes. When we look at our operating margin, we don't include rent paid to the city or the Perpetual Care. Looking at our operating margin without these two large components, in 2011 we have a \$790,000 margin, and in 2012 we almost pushed \$1,000,000; in 2013 \$708,000 and in 2014, \$828,000. That is telling me at LMP we are selling higher quality products, and generating more revenue because of the large product line. If someone buys a niche, after PC is paid we may have \$1000. If you buy a hedge estate for \$14,000, it makes a big deal for our revenue. When we want to build these things, it makes this cemetery very lucrative in this contract period. At Sunset we aggressively created a special to match Forest Lawn Central dollar for dollar. We did not lower the price, but cut our opening and closing, and vault costs. It's hard because funeral directors dictate a lot with the families and push them to certain locations. Dr. Ruddy asked, if the people going to LMP are looking for a

higher quality product? Mr. Delisio stated that they are willing to pay for something if it is nicer. If you have a regular space across from the hedge estate, those are \$3595 and on the perimeter they are \$4500. The Hedge Estate is a good product for us, and we built it for \$88,000 and it came out very nice. We have sold 16 out of the 39, and it has been less than a year since we opened it. Mr. Van Rees asked, at our last meeting we discussed going head to head with Forest Lawn Central, is it working or not working? Mr. Delisio explained, it is working with a resident, but does not work with a non-resident due to the 25% discount. We have to charge the \$2395 for the space, because I don't ever want anyone to come back and say we shorted the Perpetual Care. We keep the space the same and cut our service and vault pricing. So, we match their costs but it makes it tough for a non-resident. I almost have to give away the opening and closing. Mr. Van Rees asked; do you know the percentage of resident versus non-resident at Sunset that you are getting? Mr. Delisio said we attract a larger percentage of residents. Ms. Sallette said that most Fort Lauderdale residents do go to Sunset. I know personally that Sunset looks 100% better than Central. Central has a water problem, if it rains too much, the water settles in the cemetery. I tell all my friends not to go to Central because our prices are equal to them. Our cemetery is beautiful at night, but we need some lights at the new mausoleum; it's dark behind the building. Mr. Delisio, said they are looking to install some lights to shine on the building. From a pricing perspective at Sunset, we will continue offering the at-need special for a while longer. In discussion with Clarice, our Family Service Manager, she stated it has been very effective in competing with Central. Mr. Ott stated that when John was here, we had issues with people claiming to be residents. Ms. Sallette added that you have to show two pieces of ID and they have to match. Mr. Delisio stated, that the issues regarding residency is they can call and say it is their brother or sister, or another immediate family member. We have no way of checking that. Dr. Ruddy asked, if there was a difference if purchased in advance? Mr. Delisio stated they would have to provide names if buying in advance for family members.

Mr. Ott recalled a previous conversation about a business woman installing markers that did not meet our standards, and her business, Angelic Monument was hurt because we stopped her from doing business in our cemeteries. Mr. Delisio said; she's touched us once again. At that time her business was hurt because of the poor quality product she supplied. Carraige Services puts out a quality product that will last for eternity. Angelic Monument now has a marker cleaning business in the cemetery that we are looking into. I have no idea of what type of chemical she uses, and if it ruins the finish it comes from our perpetual care fund. We offer a refinishing service if families chose that option. Ms. Colarusso stated she would ask the city attorney for advice in this matter.

Motion made by Ms. Salette to approve the changes to the 2015 General Price List, seconded by Mr. Adams. In a voice vote, the motion passed unanimously.

D. Capital Improvements Project Update

Mr. Delisio stated we currently have one capital improvement project we are working on, the addition to the fountain cremation garden at Lauderdale Memorial that we previously spoke of. We added some new unique stone benches we will put in the garden. The

fence project previously approved is being handled by the city, but it won't be completed by Memorial Day as we hoped. We are looking at adding another hedge estate across from the maintenance building at Lauderdale; it is the last island parcel suitable for this project.

E. Quarterly Maintenance Reimbursement (Discussion/Motion)

Motion to approve the Maintenance Reimbursement in the amount of \$220,331.20 by Mark Van Rees and seconded by Damon Adams. In a voice vote, the motion passed unanimously.

F. Nomination/Acceptance Chair and Vice Chair (Discussion/Motion)

Motion made by Mr. Sykes, seconded by Ms. Mowrey to re-elect Dr. Michael Ruddy as Chair, and Patricia Hayes as Vice-chair. In a voice vote, the motion passed unanimously.

G. Carriage Management Addition

Mr. Delisio said Carriage made some recent changes at the beginning of this year that took effect on February 1. Scott Drzewiecki, whom I will introduce momentarily, will be the Managing Partner, and I will become the Operations Manager. You will see no difference in services, but this will allow me to concentrate on city issues; and not the day to day operations of the cemeteries. With that, I present Scott Drzewiecki.

I came from Denver, Colorado, where I worked for a combination funeral home and cemetery. We did 1700 burials and 700 funerals per year. Prior to that, I managed a cemetery in the Buffalo, New York area for six years. I'm happy to be here servicing the citizens of the City of Fort Lauderdale; it has been a great transition thus far. As Julius stated, we will be working as a team, and I am looking forward to a partnership here in the future. Dr. Ruddy thanked and welcomed Scott aboard.

The meeting was adjourned at 4:34 pm.

Minutes prepared by: Y. Colarusso, Parks and Recreation