

December 4, 2017

**City of Fort Lauderdale Police and Fire Retirement System
Fixed Income Investment
Monday, December 4, 2017**

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee

Also Present

Lynn Wenguer, Executive Director
Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Aide
Paul Debold, Vice-President Retirees Association
Derek Joseph- Police
Burgess Chambers, President Burgess Chambers & Associates
Frank Wan, Vice-President Burgess Chambers & Associates
Robert M Masrieh, President International Business Consulting Services, Inc.

Pursuant to authority of Ordinance C-00-34, Article II, the meeting of the Police & Firefighters' Pension Board convened at 10:00A.M., Monday, December 4, 2017 at the Police & Fire Retirement System, 888 S Andrews Avenue, Fort Lauderdale, Florida.

ROLL CALL/CALL TO ORDER

Chair Dew called the Fixed Income Investment meeting to order at 10:00am. Roll was called and a quorum was determined to be present.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

The Pledge of Allegiance was followed by a moment of silence.

The Chair acknowledges the presence of Burgess Chambers & Associates. The purpose of the meeting is for the sub-committee team to gain a better understanding of infrastructure investment in public projects, look up alternatives to fixed income, P3 strategies- long term strategies and the possibility of investing in the new City of Fort Lauderdale Police Station.

Chair Dew explained that liquidity will not be a problem, the City Manager, the City Auditor and the Commission are aware of what the plan is doing and support it. Chair Dew added that this is an educational meeting and that they recognize that the project will take time to complete. The plan's liquidity for this project is between 75-100 million.

Mr. Chambers said that they have looked into the Florida status and it said that you can allocate 5% with no problem into illiquid investments. He said that 75-100 million is a little over 5%.

Mr. Chambers started his presentation by looking into page 9 of the presentation portfolio which list several different areas:

1. Public Safety & Training Buildings.
2. University student Housing - An 800 million dollar project with the FIU in Boca Raton.
At the moment, they are discussing with the City and the two major pension plans.
3. Parking Garages is another area that is interesting.

Mr. Chambers introduced Mr. Robert Masrieh an outside consultant that works with his company and who has an expertise in building parking garages. He stated that he wants

this opportunity to be an education for the trustees and that he is not going to push or force his firm.

Mr. Rudominer said that looking thru the presentation he sees that P3 is the real asset class; he thinks that the board made its decision and that they want to invest in this type of investment.

Mr. Wan explained P3 only stands for private partnership, private –public partnership, but P3 has defining due process. Everything in P3 whether you buy a water plant, parking garage or a police station, all of that falls into infrastructure which is part of P3 process

Mr. Chambers said that the beauty of infrastructure from an allocation prospective is that it doesn't correlate with the stocks. The kinds of infrastructure you will be investing in are somewhat immune from the cycles. If you are investing in water plants, cell towers, public safety buildings or parking garages in downtown. These are not susceptible to the kinds of risk in volatility seen in the stock market and that's the beauty of infrastructure. The ancillary benefits are obvious, the economy, creating jobs, everything is positive.

- 1- You need a firm that is willing to work with the City, City Manager, the Pension Fund, with an outside party that may bring in proposals that company needs to appraise and evaluate this deals.
- 2- The company needs to serve as a fiduciary to this Pension Plan and have no conflict of interest, you need to pay that company some kind of retainer to work for you and once the project is up running and funded you need someone to keep an eye on it.

Mr. Wan pointed out that the State statutes says: "An illiquid investment without any method of valuation, the board is limited to 5%" so, currently, you own core real estate, whether American Realty or some other company within their quarterly statement will show you a method, that method is allowed; so this 5% will be in addition to whatever else that is an approved methodology "

Mr. Chambers explained that as long as the state of Florida is satisfied with the valuation metrics then the asset that you choose let's say \$ 75 million, then it will be a part of the balance sheet, it will be a part of the asset of the Plan. That's the key. We have total confidence that we can make that happen.

Chair Dew asked how they come with the valuation for a building such as the Fire Department or the Police Station.

Mr. Masrieh said the income stream is the key; The City owns the land but they have to pay someone the cost of the construction. There is an in heritage value to that income stream. You funded the building instead of the city, and then you could own the structure and the city lease the land, the structure or both. There is an inherit value weather the city owns it or not.

Mr. Bayne: Correct me if I'm wrong; the income stream, is the City paying the interest on the lease. The income stream is to us not to the City or to the builder. The City is paying that interest.

Mr. Chambers answered yes; the net present value of the entire income stream is mayor value valuation metrics.

Chair Dew: I want to go back to page 6 of your presentation: the expected rate of return 7.5 - 8 percent. One of the bigger things we preach here is stable predictable returns. We

want to give the city stable predictable cost. What is the cost for a firm such as yours? What will be the fee base on a firm to coming in and assist us with this project?

Mr. Chambers explained that they would start out on a retainer somewhere around \$2,500 per month; for that fee which is about 30K a year we are available to meet with the city officials, to evaluate prospective investments, to come to the meeting as requested and try it out for a while to see if you like the relationship and learning process. That is phase one: trying to find a first deal that makes sense and is going to take a little time but it won't take long once it is made public. We will look for projects that the city approved. We will look and evaluate that project and see if that make sense for the Pension Fund. We are going to shoot for 8% that's what we want; if we are not getting 8 % then we certainly will figure out to the best of our ability to get the 8%. Phase two will be the oversight and monitoring of the investment. We can negotiate that.

Mr. Rudominer asked if the fee was based on the amount of assets- based on the 75 million. That's how you came to that amount or is just for the retainer fee?

Mr. Chambers said if you take \$30,000 divide by 75 million is .004, a very small fee and it will be fixed. We want it to work, we want this first one done and we think it will energize the State; the FPPTA will be all over it. This will be a model for the State, we want others plans to try to follow Fort Lauderdale.

Mr. Chambers said everything is negotiable. Let's see this thing moving. I'm not greedy; I've been in this business for 30 years. We take care of our clients and friends. We want to see you be successful. So we will work with you.

Mr. Bayne: We have a base of 75 to 100 million. We are looking into maybe one project or maybe multiple projects. One of the concerns is how much it will change the cost. We are looking for the best deals, not only in Fort Lauderdale but in other places too.

Mr. Chambers answered we will make it work. \$2500 a month is a reasonable amount, we are going to have some qualified people involved in this. The stable return of 8% that's really the key and the social governance that will come with it.

Mr. Chambers said we can't compete in the bond market. The rate of the municipal bond market is between 3 1/2 to 4 % and that rate is expecting to go up. But we don't want be in the lending side, we want to own it, like the developer. When you own that public safety building you are now going to get a higher rate of return because of the equity side on the balance sheet as opposed to the lender debt side. Keep that in mind. We never will be able to compete with municipal bonds. The developer will get a fee of approximately 10%. He will do everything, select the architects and manage the project, then when he is finished and the project meets all the requirements then we buy it from him. He gets his fee and will continue to the next project. We can look into other options in other cities, not only in Florida.

Mr. Rudominer suggests putting out RFP.

Mr. Bayne said we need to bring this to the board and present that this is the area that we agree has potential on bringing back a 7.5- 8% return. We need an expert, a firm that will helps us get that kind of return and that's the direction we want to go with this and get the Board approval.

Chair Dew said the board will have follow up questions. We would like to invite you for another educational presentation in front of the whole board. Then, most probably we will make a decision at that point.

Ms. Wenguer said that she is worried about the 5%. The State has agreed that you can have up to 5% investment in illiquid assets, as long as we can get it value in whatever we are doing. Then is not considering illiquid?

Mr. Chambers: The State says "We limit you at 5 % if is illiquid, you need to come here and show us how you going to value it. It's ok to use a local MAI appraisal every year that's fine with us, so when you submit the state report, that's the numbers we are happy with.

Chair Dew thanked Mr. Chambers and associates for their expertise and educational presentation.

Meeting adjourned at 11:30pm.

Chairman

Vice- Chairman

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