

## November, 2017 Special Meeting



### City of Fort Lauderdale Police and Fire Retirement System Fixed Income Investment Friday, November 10, 2017

#### Present

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

#### Also Present

Lynn Wenguer, Executive Director  
Alexandra Goyes, Deputy Director  
Lee Feldman, City Manager  
John Herbst, City Auditor- by phone  
Paul Debold, Vice-President Retirees Association  
Derek Joseph  
Jack Chew, Retirees Association

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

Chair Dew called the Fixed Income Investment meeting to order at 10:00 am.

#### **PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE**

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

The Chair acknowledges the presence of Lee Feldman the City Manager. The purpose of the meeting is for the sub-committee team to follow up on the directions of investing in infrastructure funding by the pension plan. Chairman Dew gave an overview of the previous meeting.

Chair Dew invited Mr. Feldman to explain the P3 aspect to gain a better understanding of it and how it applies to the possibility on investing in the new City of Fort Lauderdale Police Station.

Mr. Feldman explained that the P3 comes in a couple different varieties, the most common to government is the idea that a developer comes in and figures out the need that the government has. In this case for example: the Police department needs a new police station and knows the cost of it, 90 million plus give or take 10 million on the side. The City has the land, but not necessarily the funding. The P3 partner comes in with the following equation: I can provide you with the police station; we build it for you and lease it back to you. Then, the equation comes in how is that different from leasing from a builder, landlord or how do you replace this bond financing. The P3 element comes in when the P3 partner will do the police station and discount the cost of that police station by using the balance of your land for something else maybe is low income housing or more office buildings. The P3 partner said your 90 million dollar Station will cost you now 40 million because we will, over the next 30 years, is able to generate additional income off this property by putting housing as an incentive. A good example of a P3 partnership will be Las Olas Marina.

Mr. Feldman said the question will be how the Pension Plan will fit in to any P3 model? The question for a P3 will be Can you provide capital with a cheaper cost? And can you go borrow from your own lender or hedge funds? That will be the main discussion with a

developer that is interested in proposing the P3. He finalized by hoping his explanation makes some sense.

Chair Dew said it did, and recapped that the basic objective is for the plan not to increase risk and to take it off the table as far as return in value and in interest return. Right now, we are doing about 2.5 % fixed income possibly to be used as a funding source.

Chair Dew asked Mr. Feldman if he has any idea of what a P3 return is.

Mr. Feldman said probably north of 4% it depends from where the developer gets their capital, if the project has some risk associated with it, then, the cost probably goes up. Government tends to be less risky and less costly.

Chair Dew stated that the Plan has to develop this partnership and doesn't have the expertise to do so and asked if the City will be willing to champion that. Mr. Feldman said that the city does not have the expertise either. He recommends hiring a firm or consultant that specializes in P3's. Chair Dew asked if the City will be willing to assist with the effort. Mr. Feldman said that they could.

Mr. Rudominer asked for the P3 project- Police Station, the city will make the design standards and work with the builder, and then the only relationship for the plan will only be financial? The plan will be in quasi partnership with the city.

Mr. Feldman said there is a problem with that scenario. The city can borrow money cheaper on the market as tax exempt debt; the city doesn't want to borrow at 4% when they can borrow at 3%. It doesn't make sense to the city.

Mr. Rudominer asked why choose a P3.

Mr. Feldman (a) - The only way for a P3 is if it comes as a second project where they are basically using the city land and giving us a lower cost so the 90 million station becomes a 50 million police station.

Chair Dew asked if the city will be willing to give out some property. Like the 7 and 6 area. 7<sup>th</sup> Avenue & 6<sup>th</sup> Street? Mr. Feldman said that he doesn't have that property.

Mr. Bayne wants to be clear with the P3 project - the developer will come and say that there is part of the land that can be utilized for other purposes. The return he can get from that will help to offset the interest rate that you are getting if he borrows at 5% that will help offset the 2 % or he can get the money right out the top.

Mr. Rudominer asked if there are any other opportunities available for the Plan like low income housing, where the Plan can invest and it can provide a good return.

Mr. Feldman responded that they are working on projects likes the 613 affordable housing project over on West Sistrunk and 142 unit housing that the CRA is putting money into to help subsidize it. Those are the type of projects out there.

Mr. Dew asked if it has the same low risk. Mr. Feldman recommends bringing professionals in to make sure that the investment is a sound one.

Mr. Bayne said we are not willing to risk return for goodwill. We want to make sure that we get the best return for the Plan at the end.

Mr. Herbst agreed with what Mr. Feldman had previously said.

Mr. Feldman said that the Parker Playhouse project will be something to consider and it will be out on the market soon. The YMCA can be another project which has a 10 million grant from the CRA. The city is not investing, they are subsidizing these projects.

Mr. Rudominer said that doing multiple projects reduces the concentration of risk.

Mr. Bayne & Chair Dew agreed with Mr. Rudominer. Mr. Bayne said that his main concern is not to be constrained within the City Fort Lauderdale, the Plan wants the goodwill but also needs to keep in mind that if we want to invest in multiple smaller projects, maybe we can build in other regions of the country and not only in Fort Lauderdale.

Mr. Dew said he doesn't want the Board to be in charge of a building and not be able to manage it.

Mr. Feldman said that they are given grants and not providing loans.

Mr. Herbst said that he can clarify on this because he is part of the Performing Arts Finance Committee. They are going to extend construction financing based on projects. The Parker deal has not yet talked about the financing. He will ask for more information for next meeting.

Chair Dew asked what will be the benefit for the Plan to champion together with the city.

Mr. Herbst said the benefit will be that the city, the county, the community and the Plan are partners, working together, bringing arts and culture to the City of Fort Lauderdale.

Mr. Rudominer asked what these matchmaker firms are. Mr. Feldman explained that they are a combination of attorneys and investment bankers focused on our area.

Mr. Herbst said that the City was looking to the federal court house project as a P3; they retained PricewaterhouseCoopers LLP consulting practices. He can get the contact information for the Board to look into and get some ideas from them.

Mr. Bayne likes these ideas but needs to look into other options as well.

Kevin Schmid has submitted some strategies for fixed income & alternative lending.

Mr. Feldman and Mr. Herbst support the Plan on their goals.

Chair Dew wants to continue looking into the building of the police station P3, the Parker Playhouse & the YMCA. He wants to know more details and what are the risks, types of funding and returns.

Mr. Herbst said to keep on our radar the Federal court P3 which is a 200 million project. There is an opportunity to participate as a developer in the future. He feels that it is a rock solid project to invest in.

Mr. Feldman said that another thing to keep an eye on is the Tax reform efforts. If the tax exempt debt goes away the City may be getting a bond at taxable rates that can make the investing in infrastructure be more palatable as a lender. But at this moment he doesn't know what is going to happen in Washington.

There was conversation regarding bringing someone to explain and educate the Board on how P3 works and get a better understanding of the process.

Mr. Feldman recommended getting in touch with the NOVA business school

Ms. Wenguer will contact Burgess Chambers Associates to invite them to come to the next meeting to explain and give a clear understanding of investing into public projects.

The next Fixed Income Investment meeting was set for December 4, 2017 at 10 a.m.

Meeting adjourned at 12:30 pm.

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Chairman

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Vice- Chairman

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