

CORAL GABLES RETIREMENT SYSTEM
 Minutes of June 30, 2016
 Police Community Meeting Room
 2801 Salzedo Street – Police Station Basement
 9:00 a.m.

MEMBERS:	A	S	O	N	J	F	M	A	M	J-9	J-30	APPOINTED BY:
	15	15	15	15	16	16	16	16	16	16	16	
Andy Gomez	P	P	E	E	P	P	P	P	E	P	P	Mayor Jim Cason
James Gueits	E	P	E	P	P	P	P	E	E	E	P	Vice Mayor C. Quesada
Charles Rigl	P	P	P	P	E	P	E	P	P	P	P	Commissioner Jeanette Slesnick
Michael Gold	E	P	P	P	P	P	P	P	P	P	P	Commissioner Patricia Keon
Rene Alvarez	P	P	P	P	E	P	P	P	P	E	P	Commissioner Vince Lago
Joshua Nunez	P	P	P	E	P	P	P	P	E	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	P	E	E	P	P	P	P	P	P	P	E	General Employees
Troy Easley	P	P	P	P	P	E	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	E	Finance Director
Elsa	P	P	E	P	P	P	P	P	P	E	P	Human Resources Director
Jaramillo-Velez												
Manuel A.	P	P	P	P	P	P	P	E	E	P	P	City Manager Appointee
Garcia-Linares												
Jacqueline Menendez	P	P	P	P	E	P	P	P	E	E	E	City Manager Appointee

STAFF:
 Kimberly Groome, Administrative Manager
 Alan Greenfield, Board Attorney
 Dave West, The Bogdahn Group
 Dan Johnson, The Bogdahn Group

P = Present
 E = Excused
 A = Absent

GUESTS:
 Able Mohica, Tortoise Capital Advisors
 Stephan Phang, Tortoise Capital Advisors

Chairperson Hoff calls the meeting to order at 9:03 a.m.

1. Roll call. Ms. Menendez, Mr. Hill and Ms. Gomez were excused. Mr. Garcia-Linares and Mr. Gueits were not present at the start of the meeting. There was a quorum.
2. Discussion of recommendation from the Administrative Manager to send Service Connected Disability applicant, Steven Del Mazo, to Board appointed doctor as mandated in Retirement Ordinance Section 50-231.

Dr. Gomez asks who decides what the impairment percentage someone receives. Ms. Jaramillo-Velez responds that the doctor makes the decision.

A motion was made by Ms. Jaramillo-Velez and seconded by Mr. Easley to send Mr. Del Mazo to a Board appointed doctor. Motion unanimously approved (8-0).

Chairperson Hoff states that they go through this process every time and he would like to entertain a motion from now on allow the Administrative Manager to be able to send a disability applicant to a Board appointed doctor without receiving approval from the Board.

A motion was made by Mr. Alvarez and seconded by Dr. Gomez to allow the Administrative Manager the authority to send a disability applicant to a Board appointed doctor without having to request approval from the Board. (Motion unanimously approved (8-0)).

Mr. Garcia-Linares arrives to the meeting at this time.

3. Presentation of Tortoise Capital Advisors regarding the Direct Opportunities Strategy.

Dave West introduces the representatives from Tortoise Capital Advisors to give the Board an introduction about the MLP investment space.

Able Mohica informs that Tortoise Capital invest in Master Limited Partnerships or MLPs. They know energy has been an interesting portion of the economy lately and back in 2008 they were in about 2/3 oil and today they are in about 20%. They don't invest into oil and gas but they invest into the things that connects it or carries it away. The pipes and the tanks. These are permanent projects. They are not short-lived projects. These are publically traded, American stock exchange which are structured as a partnership. Mr. Garcia-Linares asks what they are investing in. Mr. Mohica states that they are the actual pipelines. When a gas company gets the gas out of the ground in the old days, the gas company owned a drill, owned the well, carried it under pipes, refined it and took it to the station. They only got merit for oil and gas in the ground. Eventually it made more sense to sell the pipelines and have them structured to different companies. That is what they are investing in. It is the companies that own the tank and the pipelines. When oil is \$40.00 or \$140.00 these companies get paid to transport. The flip side you care it comes from is that they have more pipelines today because they are finding oil and gas in places they used to not find it. Where do you usually find domestic oil and gas? In the past it was Texas, Gulf of Mexico and Oklahoma. Today they get a lot of oil and gas from places like Pennsylvania and North Dakota. The new places need more pipeline and that is what is being invested. They get paid every year and to the investors they pay out quarterly distribution or a yield. People look at this as a bond but these are equities and you receive that distribution of typically 6% and it grows because as they build the pipeline and as they transport they pass it on to you. Whenever they want

to build a new pipeline or buy a new pipeline they have to go back to the capital markets to raise equity. They manage about \$15 billion and of that roughly \$8 billion is in institutions. The other portion of their business they invest in mutual funds. When they invest with plans like this they find the best growth and yield. In the end you have a company that is managing critical assets. They get paid on a fee basis and it doesn't matter what the oil price is because they get paid for transport and they are investing with teams they have known for many years. They have been around since 2003 and the industry has grown from a very small \$20 billion cap market industry and has gotten as high as \$500 billion. It is still a very large industry and continues to be very critical.

The places they are finding oil and gas these days are different than they used to be. Before they found big collections of it like a jelly donut so they would stick a straw in it and the technology they had the resource ran out and it became more difficult to find fossil oil and gas. Now because of new technology they have found ways to get oil and gas from all different places. It doesn't have to be a jelly donut, it has become a double layered cake and going down to the base where all the original stuff was coming from and being able to find base layers all around. The new way of finding oil and gas allows them to meet more production and more pipes. That is the basic of this. You invest in oil and gas which is one of the biggest sectors of the economy and you can do it in a way that doesn't depend on the price of oil and gas you are tapping into something pretty big. The problem every so often is the capital market starts to break up and something happens. In 2000 they had dysfunction, in 2008 they had dysfunction and in 2015 the markets had a problem. These companies get paid on the growth they can show you and the yield they can show you. If you have a company that is not growing they are going to require a higher interest rate and a higher yield. If a company is growing a lot they are going to believe in them and trust them and they are going to pay more yield. That relationship is pretty good. Historically they get paid 6% yield and today they are getting paid 8% yield. The moment of dysfunction is what this fund is trying to capitalize on. They know every so often when the market gets hurt you can step in and something you know is going to turn around but because the capital markets are weak at the moment you can provide alternative financing to them and invest in them directly as opposed to a stock. It is a stable industry that relies on capital markets. They are process driven and methodical. It is a repeatable process. It is all about cash flows. Show me where the pipeline exists, show me where you see additional growth happening and show me who is going to do it.

Steven Pang discusses the investment process. They are very methodical in nature in terms of their investment process. They have proprietary risk models that basically separates all their investments into tiers. These tiers are predicated on the strength of the management team and the quality of the cash flow as an asset footprint. They aren't investing in the oil and gas but are investing in the pipelines. The quality of the cash flow and where these pipelines are located are very strategic and critical in their investment decision process. The management team is also a big piece of the puzzle and they rank their management teams from tier one to tier four. They put a lot of weight in

terms of how they have performed in the past and if they delivered on what they said they would. Then they look at their proprietary models. This is the financial analysis. They have proprietary valuation models they look at. The cash flows forecasting forward and how that is played in the distribution growth and yield are two critical aspects to how these companies perform. When they model the cash flows out they look at various sensitivities and various assumptions they make as to what they believed the company can do they can actually deliver. Lastly they look at the valuation models where they combine the qualitative analysis they look at as well as the quantitative side they look at it through a relative valuation basis and compare a particular with their various portfolio companies and assess whether or not it would make a compelling investment. They are very methodical in nature. They look at all aspects of the company before they arrive at their various investment decisions.

Mr. West states that the index for MLPs has about 45 names. Are they looking at names outside the index? Mr. Pang answers affirmatively.

4. Public Comment.
5. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, August 11, 2016 at 8:00 a.m. in the Police Community Meeting Room, Police Station Basement, 2801 Salzedo Street, Coral Gables, FL.

Meeting adjourned at 9:27 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER