

# TEXAS LOCAL FIREFIGHTER'S RETIREMENT ACT OF DENTON

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## Regular Monthly Meeting October 16, 2018

The Texas Local Firefighter's Retirement Act of Denton Board met for a regular meeting on October 16, at Central Fire Station, 322 E. Hickory St., Denton, Texas.

Board Members Present: Derek Oswald, Scott Manes, Charlie Parker, Tony Puente, Dick Smith

Board Members Absent: Ray Croff, Chris Reeder

Also Present: Bill Coleman, Gary Calmes,

Northbridge Management/Axis Realty - Rebecca Andreason, Brad Andrus, Alex Payne

Attorney - Hugh Marshall

1. Derek Oswald called the meeting to order at 8:36 a.m., and the following items were considered:
2. Approval of minutes from the September 18, 2018 meeting.

Puente made a motion to approve the minutes followed by a second from Smith. Motion passed unanimously.

3. Discuss actuary assumptions with Rudd & Wisdom via conference all.

Mark Fenlaw discussed the assumptions related to the actuarial study and how the study is developed. Review included rate of return before expenses, asset allocation and target goals, as well as development their own asset allocation. Fenlaw recommended keeping all assumptions the same as the 2015 study.

Inflation (Price)	2.50%
Net real rate of return	<u>4.25</u>
Net total investment return	6.75%
Firefighter pay increase	4.98%
Aggregate payroll increases	3.00%
General and administrative expenses	0.55%

Bill Coleman recommended changing "alternative investment" on page 2 of the report to "additional advisory services and subsequent hire of a third-party manager."

Parker made a motion to approve the minutes followed by a second from Smith.

4. Receive a report and discuss information provided by investment advisors and/or real estate committee relating to investment and real estate matters and take action.

Rebecca Andreason reported to the Board regarding the Lumicare lease and the new tenant Community Medical. There have been several ownership changes from Lumicare. Once it was determined that Lumicare was not paying and we were unsure about who had purchased the operations, a lockout occurred and no rents were accepted from anyone claiming to have access to the suite. Community Medical has approached Northbridge regarding leasing the property. Community Medical has 7 locations and the owner is willing to sign a personal guarantee for 5 years.

The Board discussed current conditions of the property. Smith requested the DEA be contacted regarding prescription drugs including narcotics. After discussion it was agreed Northbridge would consult a healthcare attorney regarding the proper disposal of drugs and supplies and would include as an addendum to the lease a hold harmless agreement for DFP Properties I, LLC regarding the drugs and equipment. Community Medical has stated they have the proper medical authority to dispose and take control of all medications as well as medical records.

Andreason also stated the equipment in the facility was leased and is owned by Capital Asset Resources who is requesting access to the facility to retrieve equipment. Hugh Marshall, attorney, addressed UCC filings for the asset purchase agreement with Capital Asset Resources and the personal guarantee/indemnification for the removal of equipment.

No vote was taken on Lumicare or Community Medical. The Board did give direction for Northbridge to consult a health care attorney for the drugs and medical records as well as a hold harmless agreement from Community Medical and Capital Asset Management.

Brad Andrus updated the Board on the recent bankruptcy filing by Mattress Firm. Mattress Firm has stated they are closing 700 locations; however, they have sent a contract amendment for lowered rents to keep the Crossroads store open. If the amendment is not signed, the store will be closed within 7 days.

Parker moved to reject the Mattress Firm offer with a second from Puente. Motion passed unanimously.

Alex Payne stated the tenant next to Mattress Firm, Leigh Jacobs Salon, has requested more space, approximately 1,000 square feet. He also stated a national bank was interested in the location. The bank would only need about 2,000 square

feet of the 3,000 total square feet. Payne recommended the board consider splitting the property. The Board recommended Axis verify with Walmart regarding restrictions on any banking tenants.

Smith moved to have Axis Realty pursue the national bank and Leigh Jacobs Salon regarding the Mattress Firm space with a second from Parker. Motion passed unanimously.

The Board took a brief break at 9:46 am and Parker excused himself for the remainder of the meeting.

Oswald called the meeting back to order at 9:51.

The Board requested attorney Hugh Marshall review the billing for the 2 parcels at Villages of Crossroads to identify billing errors by Mustang Special Utility District. Based on prior review it appeared Mustang had attached the meter readings to the wrong address for billing, creating an issue for tenants and their prorata share of water billings. After review, Marshall reported finding some billing issues regarding the address on several occasions. It was determined there was not enough evidence to pursue a claim against Mustang for the discrepancies. Smith asked Andreason who should have caught the discrepancies? Andreason responded the consumption issues should have been caught by the property manager.

Smith moved Northbridge pursue the original \$13,000 credit offered by Mustang with a second from Manes. The motion passed unanimously.

Coleman reported Morgan Stanley would not be able to custody the plan's securities and advise on the account due to a provision in the Texas Code. Reynders McVeigh will continue as an outside manager. He reviewed performance and presented the following recommendations to the Board for approval:

Schulumberger Limited – sell all (14,000) shares

Enbridge Inc. – sell all (25,000) shares

Kinder Morgan – purchase 17,000 shares

Phillips 66 Partners – purchase 2,900 shares

Plains All-American – purchase 4,100 shares

Velero Energy – purchase 3,000 shares

Bond Ladder

Purchase \$500,000 one-year US Treasury

Purchase \$500,000 two-year US Treasury

Puente moved to approve the recommendations by Coleman with a second from Smith. Motion passed unanimously.

5. Receive a report from the plan administrator, Gary Calmes, and provide direction. No additional comments were provided by Calmes.
6. Receive a report from the chair on any non-material transactions. No additional comments were provided by the chair.
7. Respond to inquiries from trustees or the public with specific factual information or recitation of policy or accept a proposal to place the matter on the agenda for an upcoming meeting. One citizen, Ken Gold, requested to speak.
8. There being no further business, the meeting was adjourned by Chairman Derek Oswald at 10:35 a.m.

Respectfully Submitted,



Gary Calmes, Plan Administrator

Approved,



Derek Oswald, Chairman