

Texas Local Firefighter's Retirement Act of Denton  
Regular Monthly Meeting  
May 15, 2019

After determining that a quorum was present, the Texas Local Firefighter's Retirement Act of Denton Board of Directors convened in a regular monthly meeting on Wednesday, May 15, 2019 at 8:30 a.m. in the Community Conference Room at the Central Fire Station.

Board Members Present: Derek Oswald, Scott Manes, Chris Reeder, Tony Puente, Dick Smith  
Board Member Absent: Charlie Parker  
Also Present: Gary Calmes, Bill Coleman, Brad Andrus, Rebecca Andreason

1. Call to Order

Chairman Oswald called the meeting to order at 8:34 a.m.

2. Approval of minutes from the April 17, 2019 meeting.

Puente motioned; Reeder seconded to approve the minutes as presented. Motion carried unanimously.

3. 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.

- Letter of Intent-Arconic-4401 N. Locust

Brad Andrus, Axis, presented information concerning the Letter of Intent from Arconic. He noted that the lease term expired on 12/31/19. He stated that the broker commission agreement at the lease renewal had been negotiated at 4% plus 2%. The renewal would be for 3 years beyond the existing term. The current rate was \$5.06 per square foot with Arconic proposing \$4.75 along with \$13,000 for requested improvements. Andrus felt this was fair with the 2% annual increases for the 3 years. His recommendation was to counter with \$4.85 per square foot with a cap at \$4.95. He noted that with the 2% annual increases, the rate would be back to the current rate at the next year of the lease.

Rebecca Andreason, Axis, informed the Board that the current lease contained an early termination clause which she would recommend be stricken from the renewal.

The Board discussed whether it would be better to have a new lease rather than maintaining a series of amendments to the original lease. Andreason noted that it was easier administration wise to keep the amendments rather than different leases. Additional discussion included whether there were other properties available that Arconic could move to instead of renewing the current lease, the fact that the value of the property was dropping with the appraised value

of the property going down the past several years and possible future development of the area around the property.

Reeder motioned, Smith seconded to authorize Axis to renew the lease with Arconic at \$4.95 per square foot, remove the termination clause and provide up to \$13,000 for improvements which would not be done unless the lease was renewed. After the renewal was completed, the Board would have a later discussion on whether the property was the right property to keep. Motion carried unanimously.

- Mattress Firm lease

Andreason noted that the Mattress Firm lease ended at the end of August with a current base rental at \$25.00 with a 5-year option to renew with a set price of \$27.50 for renewal and the second five-year renewal at \$30.25.

Charlie Parker joined the meeting.

Andreason continued that Mattress Firm had filed for Chapter 11 reorganization. Mattress Firm requested a renewal rate of \$25 for 3 years and \$27.50 for the final 2 years. Andreason suggested countering with \$25 for 2 years and the final 3 years at \$27.50 but the landlord had the right to not agree to those terms. She felt it would be better to work with them than try to get a new tenant. Currently there was no security deposit and she suggested including a 2-month security deposit with the renewal.

The Board discussed the need to consider bankruptcy regulations with these negotiations.

Smith motioned, contingent on a determination that there was no problem with the bankruptcy regulations to change the lease terms, to offer two years at \$25.00 and the final three years at \$27.50, plus incorporate a 2-month security deposit. Parker seconded the motion. Motion carried unanimously.

- Mustang Water

Andreason noted that a \$53,000 credit had been received from Mustang. This was a credit on the account and once the credit was under \$50,000, they would ask Mustang to cut a check for the remaining amount.

The Board discussed the amount of undercharges to the tenants of the building; whether to charge out the entire amount or only the \$13,000; consider a credit on the lease and not give the tenants cash.

Andrus stated that he would like to work with the tenants to bridge the gap and would like Board approval to perform those negotiations.

Calmes questioned if the Board wanted each individual negotiation to come back for Board approval or provide a range for approval.

The Board discussed the water usage for the various tenants of the building and associated undercharges.

Reeder motioned; Manes seconded to allow Northbridge to negotiate with the tenants to collect, at a minimum, the amount necessary to make the Fire Pension whole. Northbridge was authorized to proceed and report back to the Board when completed. Motion carried unanimously with Parker abstaining due to a conflict of interest.

Bill Coleman presented information/updates on the following items:

- Market – it was expected that the market would be more volatile going forward with fluctuation in parts of the market. The GDP over the past 5 years was reviewed.
- Portfolio – the portfolio was down in the month but was doing well overall in the year. Bonds were doing well with the performance of the bonds and stocks noted.
- Reynders – closing of the account went well and it was good timing to make the move. The portfolio with them was liquidated and Vanguard funds were purchased as was previously recommended with the exception of the Danaher stock which was sold when it was to have been maintained in the account. Coleman would add Danaher back into the portfolio when the price was equal to the sale price. Stryker and Abbott was added to the portfolio. Coleman noted that he was still working on CVS.
- Asset allocation – the asset allocation and bond ladder information for the previous month was reviewed.

- Recommendations

Add \$200,000 each of Abbott and Stryker

Add \$100,000 to CVS

Add \$100,000 to 3M

Add \$100,000 to Master Card

Sell all of Apple

Add a Vanguard value fund – Windsor 2 value play at \$250,000

Add Danaher at the appropriate value equal to the sale value

Parker motioned; Reeder seconded to approve the recommendations as noted by Coleman. Motion carried unanimously.

4. Confirm action of plan administrator for annual Directors and Officer's Liability policy renewed with Chubb Insurance.

Parker motioned, Smith seconded to ratify the action of the Plan Administrator for the renewal of the annual Directors and Officer's Liability policy. Motion carried unanimously.

5. Review, discuss and take action if necessary, on the City of Denton proposal to move current (dispatcher option) and all future dispatchers to TMRS.

Calmes noted that there was no movement on this issue.

6. Receive a report from plan administrator, Gary Calmes, and provide direction.

Calmes did not have anything further to report.

7. Receive a report from the chair on any non-material transactions.

There were no items for discussion.

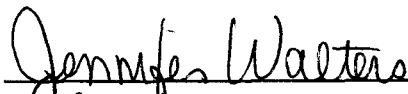
8. Respond to inquiries from trustees or the public with specific factual information or recitation of policy or accept a proposal to place the matter on the agenda for an upcoming meeting.

No items were noted.

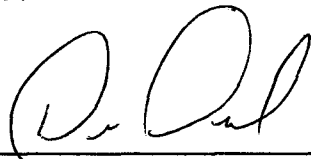
9. Adjourn

With no further business, Reeder motioned, Manes seconded to adjourn at 10:03 a.m. Motion carried unanimously.

Respectfully submitted,

  
\_\_\_\_\_  
Jennifer Walters  
Recording Secretary

Approved,

  
\_\_\_\_\_  
Derek Oswald  
Chairman