

Texas Local Firefighter's Retirement Act of Denton  
Regular Monthly Meeting  
April 15, 2020

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, April 15, 2020 at 8:30 a.m. via video/teleconference.

Board Members Present: Derek Oswald, Scott Manes, Dick Smith, Charlie Parker, Chris Reeder, Erik Clark, Tony Puente

Also Present: Gary Calmes, Bill Coleman, Alex Payne, Rebecca Andreasen

**1. Call to Order**

Chairman Oswald called the meeting to order at 8:38 a.m.

**2. Approval of the minutes from the March 18, 2020 meeting**

Parker motioned; Puente seconded the motion to approve the March 18, 2020 minutes. 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.**

Alex Payne presented information/updates on the following:

He received a call from the agent broker for the EDSCO property indicating that the property will not be closing under the current contract. The agent broker asked if the DFR&R is still interested in purchasing this property. The contract doesn't officially terminate until April 22, 2020 but the agent expressed interest in working with us.

The original asking price was \$3.086M with a 7% cap rate. We originally offered \$3.150M but the agent is now asking \$3.3M with a target range of \$2.75-3.3M.

My analysis revealed that over the term of lease if the purchase price was \$2.75M, at a 15 year with annual increases the average NLY on the \$241,000 or 7.2% cash on cash with the first year starting out at 6.24%. The time frame would be a 45-day inspection and a 30-day closeout. We are expected to decide today so he can respond if we are interested.

Discussion continued regarding inspections, contracted terms, and recent business impacts.

Clark motioned; Parker seconded to make an offer on the EDSCO property with a maximum limit of \$3.275M with a 40-day inspection, and a 10-day closeout. Motion carried unanimously.

Rebecca Andreasen Joined the Meeting.

Andreasen presented updates and information on the following:

In May I will be requesting a letter from each tenant from the Small Business Administration that shows the status of their application for the for the PPP (Paycheck Protection Program) loan.

The report lists what each tenant has agreed to pay at this time. I have also communicated that these agreements are not extensions of their leases and all unpaid amounts must be paid by the end of the year. Any deferrals will need to be determined after the shelter-in-place order is lifted.

Discussion regarding tenant retainage during difficult times such as COVID, abating rent instead of deferring but continuing to collect triple net. Also, for every month that is abated will be added onto the end of their lease.

Parker motioned; Reeder seconded the motion to authorize Andreasen to abate rent where necessary at her discretion one month at a time and to report this information to the board monthly. Motion carried unanimously.

Tony Puente left the meeting

Calmes presented information regarding an amendment to the NorthBridge contract allowing an additional minimum amount of \$750 per property for a total of \$1500.

Smith motioned; Parker seconded the motion to accept the contract amendment allowing an additional \$1,500 monthly to NorthBridge. Motion carried unanimously.

Oswald and Andreasen stated that they made a call to the owner of Hirschbach company to discuss drainage concerns and Hirschbach was not agreeable to having any discussion.

The Committee continued discussing other options regarding cost splitting and additional possibilities that might lead to a resolution. The committee also decided to continue research and discuss any findings at the next meeting.

Payne and Andreasen left the meeting.

Bill Coleman presented information/updates on the following:

The target for Real Estate is 15%, currently we are in the 17% range. But we are in position to grow so he is not concerned. Everything went up except medical devices and that is due to elective surgeries not being allowed. MLP's are down approximately 37% because they are highly levered names. Currently in the market, growth stocks have performed very well.

- Performance – Cash has declined approximately \$1.5M but we also had a Treasury come due for \$1.5M so those amounts make up our \$3M. Monthly performance for Bonds reflect a 300 basis point difference. This should never happen and shows how dislocated the

market was in March. The S&P is down 12% but we are down only 8%. We are up about \$450,000 for the month with a current amount of \$95.5M. I'm leaving Treasuries where they are. I may recommend an ETF in the future.

➤ Recommendations

- Purchase \$250,000 in Vanguard Strategic Equity Fund
- Purchase 2100 shares of Emerson
- Purchase 750,000 shares of Honeywell

Spending \$450,000 in total.

Reeder motioned; Parker seconded the motion to approve recommendations made by Coleman. Motion carried unanimously.

**4. Consider approval of the retirement payout of Charles Goodman.**

Reeder motioned; Clark seconded the motion to approve the retirement payout of Charles Goodman after 30 plus years of service. Motion carried unanimously.

**5. Consider approval of the 1<sup>st</sup> quarter investment advisors fee for Garnett Advisors, LLC.**

Parker motioned; Smith seconded the motion to approve the 1<sup>st</sup> quarter investment advisor fee. Motion carried unanimously.

**6. Consider for approval the audit engagement by Hankins, Eastup, Deaton, Tonn & Seay.**

Oswald stated that fees seem high and is concerned about future continuing increases for an annual audit.

Calmes recommended to shop around and check with the City of Denton's Auditor for next year but continuing with the current firm for this year.

Parker motioned; Reeder seconded the motion to approve proposed audit engagement. Motion carried unanimously.

**7. Receive a report from the plan administrator, Gary Calmes, and provide direction.**

There were no additional items for discussion.

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

There were no items to discuss.

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

No items were noted.

**10. Adjourn**

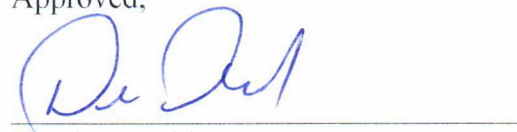
**With no further business, the meeting was adjourned at 10:25 a.m.**

Respectfully submitted,



Sarah Lollar  
Recording Secretary

Approved,



Derek Oswald  
Chairman