



**FLORIDA SURPLUS ASSET FUND TRUST  
10151 University Blvd., #227, Orlando, Florida 32817**

**LOCATION:** Venice Community Center  
326 S. Nokomis Avenue  
Venice, Florida 34285

**DATE:** April 27, 2017

**TIME:** Noon

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**MEMBERS IN ATTENDANCE:**

**BOARD OF TRUSTEES:** Mark Mason, CPA, Chairman  
Linda Senne, CPA, Vice Chairman  
Jerry Boop, CPA, Secretary  
Bill Kleinsorge, CPA, Treasurer (by phone)  
Harry Kyne, Liason to Advisory Council

**OTHER ATTENDEES:** Michelle Alexander, CPA, FL SAFE Auditor, CLA  
Rene' O'Day, VP, Florida, PMA  
Brian Hextell, SVP, FL SAFE Portfolio Manager, PMA  
Paula Cooper, SVP Operations, PMA (By phone)  
Jeff Larson, President, FMAS, FLSAFE Administrator  
Hank Gay, VP, Custodian, BMO Harris Bank (by phone)  
Mike Williams Esq., Akermen LLP, FLSAFE Counsel (By phone)  
Bonnie Mims, Executive Director, PRM  
Joe Welch, CPA, Controller, Venice

**A. BUSINESS ITEMS**

**1. Call to Order/ Roll Call**

Mark Mason calls to order the meeting of board of directors for the Florida Surplus Asset Fund Trust for April 27<sup>th</sup>. Jeff Larson calls roll. Quorum requirements are met.

**2. Public Comments**

Mark asks if there are any public comments. No public comments made.

### **3. Approval Prior Board Meeting Minutes- January 26, 2017**

Mark asks for the approval of the prior FLSAFE Board Meeting Minutes for January 26, 2017. Jerry makes a motion to approve the minutes from the Board Meeting, Harry Kyne. All those in favor, say I, motion carries, 5-0.

### **4. Participant and Guest Introductions**

Mark asks for the participant and guest introductions, both in attendance, and on the phone.

### **5. FL SAFE Audit FYE 12/31/16, Clifton Larson Allen**

Michelle Alexander went over the Audit with the Board and group. She cited GASB 79 as new, and GASB 72 regarding Fair Market Value. She noted the reduction in the Reserve Capital Loss, and that it is fully covered by the Capital Support Agreement and deposit with PMA. Financials are provided with an unqualified opinion. She asked if there were any questions, and noted the support from PMA, FMAS and the Board Chairman again this year. No questions. Mark asked if there was a motion to accept the audit. Motion made to accept the 2016 Audit by Jerry Boop, second by Harry Kyne, and 5-0 Board vote.

## **B. OTHER ITEMS**

### **1. Investment Advisor/Operations Manager Update - PMA**

#### **(a) Economic, Market Update and LGIP Report**

Brian Hextell provided an update on the Market. He noted the impact from some elections overseas in Netherlands and France. Potential tax cuts, US to approach debt ceiling, some geopolitical fears. Fed increased rates in March. 1<sup>st</sup> Quarter experience GDP at less than 1% growth, drag from inventories, exports had slow growth in 2016. Jerry Boop asked for some more commentary on estimated growth. Brian shared that the underlying trends appeared to be ok, employment numbers seem ok, but markets looking for some more consistency out of Washington, D.C. Expects growth to muddle along less than 2%. Jerry asked how many rate increases do we expect to see, will we see one in June? Brian shared the the Fed and market traders expect to see two more rate increases, once the market turns, and keep moving forward. Mark Mason asked how will growth come, as some in DC expect 3 to 4%? Brian expects more like 2 to 2.5%. Some have a fear of inflation, with talks of tariffs and trade wars, as historically protectionism has not been good for growth. Europe seems to be moving more to the right, Fed seems to be more hawkish. So maybe we see two more rate increases in 2017, one in June and one in December. Joe Welch asked about the effect of Rate Increases versus the Fed easing back on its portfolio holdings, and how will this impact FL SAFE's rates? Brian suggested that it is best to watch the Fed, see commentary from the doves and hawks, and Janet Yellen in the middle. Second rate hike in March was not a big pop, but a surprise increase in November may trigger a larger rise. FL SAFE positioned well with its portfolio, with a portion of overnight rates, and floating rate investments and said he would point that out later in the update.

Market Update- Brian referred to page 11, and one would ask if the Financial Depression or Recession is ending. Banks are still paying close to Zero on overnight rates. We see a question on Housing, as the Baby Boomers liked traditional housing, but nationally the younger generation is choosing more urban, affordable housing, MF options.

Brian updated the Board on a potential new Series, and addressed some questions from the Board. Comparable rates were shared, and it was agreed to come back with more information following input from FMAS, Rene and Brian, Jerry Boop, and others. Jerry noted that it is important to remember that FL SAFE does an excellent job supporting the smaller to medium sized local governments. Bill K agreed and noted that the new Fund would provide a nice place for some core funds and that there is a market for it. Board discussed the importance of the educational material and Jeff added the suitability responsibility. PMA provided some history from its other States, and reactions from those clients. Mark Mason suggested we may want to first focus on continuing with our recent growth and perhaps set a few benchmarks prior to any new offering. Jeff provided an update on the number of participants, and how that has grown. Just like the LGIP and services help provide investment support services like an IA without having to pay for one, a new fund may do the same for core portions of a portfolio. Linda and Joe suggested a comparison of this with their current Laddered Approach at Venice, with the short term out to 2 years with FIIP and Term Series, and then staff buying Agencies out to Five Years. Mark and Jeff discussed the legal options, and FMAS promised to get with Mike Williams and his team at Akerman to review this. Good discussions ensued for about an hour, with an agreement for PMA to continue its research, develop some materials for a future Board meeting, and come up with a Timetable with Key Steps. Brian agreed to work on that, and coordinate with others at PMA, FMAS, and also FL SAFE Counsel.

### **FL SAFE as Qualified Institutional Buyer ( "QIB" )**

Brian shared that with the LGIPs growth and consistently being in excess of \$200Million, that it would be beneficial if PMA could document that FL SAFE met the test of being a QIB, a key part of that having a portfolio consistently above \$100million. He had reviewed the paperwork with Jeff Larson in advance of the meeting, and this could enable FL SAFE to buy some additional permitted investments that would add some more diversification and potential yield. Jeff Larson agreed, and recommended that the Board take this suggestion from PMA. Mark asked for a motion to that effect. Linda made the motion, and Jerry provided a second, and all voted in favor 5-0, that gave Mark as Chairman the OK to sign the QIB Certification Under Rule 144A and provide same to PMA.

### **(b) Operations Managers Report**

Paula Cooper, PMA, gave the Operations Manager Report. Provided an update on the Budget to Actual numbers, the LGIP comparison, and also the Portfolio that Brian had earlier discussed. The other PMA Compliance and Mark to Market reports were included. Fenil states that the LGIP fund has reached a new watermark in the month of January. Total LGIP/Term/FIIP balances as of March 31<sup>st</sup> totaled in excess of \$388.1Million, with the LGIP beginning to consistently be above \$200Million. Fee waivers by FMAS and PMA continue, as does the hold on the Revenue Recognition Policy as approved by the

Board in January 2016. FL SAFE LGIP has consistently outperformed the major industry benchmarks such as I Money Net, S&P Index, etc.

**(c) Term Series Ratification**

Paula asked per Page 41 of the Report for the Board to ratify the Term Series in January, February and March that totaled approx. \$98.2Million. December and January. Mark asks for a motion. Linda moves for approval, Harry seconds. All those in favor, say I, motion passes, 5-0.

**(d) PMA Comments**

Rene O'Day provided an update on her calling efforts, and recent joint calls with Brian. She mentioned the attraction to many of the One Month Term Series with many participants, and the potential interest in the new fund. Many upcoming conferences that PMA will attend this summer including the FL League of Cities, FL Schools, National Association of Public Treasurers, GFOA, FGFOA School, FGFOA, FCCMA to name a few. The package included her April 27<sup>th</sup> report to the Board. Many potential and new Participants appreciate the FL SAFE support services, including Cash Flow Analysis, review of ERCs, updates on Investment Policies.

**2. Administrator Update – FMAS**

**(a) Marketing Update and (b) Upcoming Conferences and Presentations**

Jeff shared that LCS and Mark Mason will be on a panel at the FGFOA, and LCS will teach a Class at the FGFOA was able to arrange for Rene and Mark to do a session also at the FGFOA School on Banking Relationships.

He provided a copy to the Board of an updated Participant Map that Nate and Regan had prepared, showing our presence throughout the State with strong concentrations in certain areas. Jeff also provided a FL Map of the 16 FGFOA regional Chapters, with FMAS having worked to compile an Email Distribution List of Ten of the key chapter with over approximately 1,200 to 1,300 emails for the key Finance and Investment Officers for FL Local Governments. FMAS shares PMA Economic Reports and other material provided by FL SAFE to these folks, and have the ability now to monitor the potential impact of this, all in addition to the monthly contacts with our existing Participants. In the past few months, FMAS has conducted about 13 contact campaigns for either specific regions, or across the State, and will continue to use this enhanced technology to get our name out there.

**(c) Recommendations**

Per Board direction, FMAS will work with Mike Williams on the process and legal review cited earlier, and then with PMA on the potential new fund and bring that back to the Board. Board provided consensus to do that.

**3. FLSAFE Counsel Comments**

Mark asks if there are any comments. Mike Williams confirms he will look at the new fund in context with the existing Indenture with FMAS. No other comments are made.

**4. Participant Comments**

Mark asks if there are any participant comments. Joe Welch shared that the meeting and information provided was helpful and informative. Bonnie seconded those comments.

**5. Board Comments**

Mark asks if there are any Board Member comments. Jerry enjoyed the discussions today , learned a lot, and appreciated Linda hosting us in Venice. Bill has no comments. Linda thanked FMAS and PMA for all of their support, new ideas via PMA, and the efforts being made to continue to grow FL SAFE. Exciting to see all of this happen. Harry had no comments, and shared that he may not be available in July. Mark also shared his thanks to the hard work and travels of FMAS and PMA teams. Asked that no one take his questions and comments as negative, rather just trying to make sure we stay on the same path of success and don't steer get away from that. Mark thanks PMA for the update, and looks forward to more information.

**C. SET NEXT MEETING DATE/ ADJOURNMENT**

Setting the future date for the next FLSAFE Board Meetings.

July 27<sup>th</sup> is targeted for City of Oviedo, with Jerry to get back to Jeff on the details.

Mark states meeting adjourned at 1:55 p.m.

**Signature Page**

APPROVED THIS 27 DAY OF July, 2017.

**FLORIDA SURPLUS ASSET FUND TRUST**



**Mark Mason, CPA  
FL SAFE Board Chair**

**ATTEST:**



**Jeffrey T. Larson  
FL SAFE Administrator**