



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

FLORIDA SURPLUS ASSET FUND TRUST
MINUTES OF THE BOARD OF TRUSTEES MEETING

LOCATION: Akerman, LPP, CNL Center II Building,
420 South Orange Avenue, Suite 1200, Orlando, FL 32801

DATE: July 25, 2014

TIME: 12:00 p.m.

MEMBERS IN ATTENDANCE

BOARD OF TRUSTEES: Mark Mason, CPA, Chairman
Linda Senne, CPA, Vice Chairman
Jerry Boop, CPA, Secretary
Christine Trovato, MPA, Treasurer
Robert Clinger, CPA, Trustee

OTHER ATTENDEES: Don Weber, SVP, PMA (By Phone)
Jim Davis, CEO, PMA (By Phone)
Fenil Patel, SVP, PMA
Paula Cooper, VP Operations, PMA (By Phone)
Michael Schuleman, Compliance/Legal, PMA
Lori Ragus, SVP, Legal & Compliance, PMA (By Phone)
Brian Hextrell, Portfolio Manager, PMA
Jeff Larson, President, FMAS
Larry Aubrecht, SVP, FMAS
Nicole Larson, Associate, FMAS
Jesy Acosta, Administrative Assistant, FMAS
James Goldsmith, Legal Counsel, Akerman, LLP
Hank Gay, VP, BMO Harris (By Phone)
Vince Tenaglia, Finance Director, City of Madeira Beach (By Phone)
James Braddock, Clerk/Finance Director, City of Wauchula
John Huber, Investment Advisor, PMA (By Phone)

A. BUSINESS ITEMS

1. Call to Order/ Roll Call

Mark Mason, Linda Senne, Jerry Boop, Robert Clinger and Christine Trovato.

2. Public Comments

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

3. Approval of the Board Meeting Minutes

(A) April 25, 2014,

Mark asks for the approval of prior FLSAFE Board Meeting Minutes for July 25, 2014, Jerry moves to approve, Linda seconds. All in favor say I. Minutes approved.

4. Participant & Guest Introduction

Mark allows the participant and guest introductions.

B. OTHER ITEMS

1. Investment Advisor Operation Managers Report

(A) Economic & Market Update

Brian reviews the latest economic commentary handout. The first quarter was on the decline and GDP growth showed a surprising negative 2.9% annual rate. Bad weather could be a source of this slowdown, but private investments, exports and local government expenditures were also all detractors. A lower level of personal consumption expenditures than previously estimated also contributed to the negative revision. Economist surveys forecast a bounce back in 2nd quarter growth, and low inventory levels could provide some of that needed boost.

Economic Commentary

The federal balance sheet ballooned through quantitative easing programs, and we are beginning to see the shift away from this strongly accommodative stance. It will take time to work off the significant amount of easing that was put in place, but we see it as a healthy course of action to return to a more normal rate environment and reduce the likelihood of the next bubble.

Market Commentary

While the tapering will likely take time, the market anticipates the future. These changes can happen quickly, and it is often a bumpy road to the next level. Ten year U.S. Treasury rates moved towards 3% in 2013 from 1.8% and are now back down around 2.6%. The 2 year went from .25% to .50% in 2013, and continues to bounce between .35% and .50% this year.

Brian reviews the graphs presented in the handouts on Economic Growth, Wealth Effect, Personal Income and Expenditures, Employment and Inflation, Fed Policy, Long Term Yields, Low Short Term Rates, Corporate Profits, and Potential Concerns.

Jerry Boop mentions to Brian that if at all possible to include the later participation rate in the Employment and Inflation section of the handout.

**(B) FLSAFE LGIP Portfolio Update; Comparative Market Review
Investment Advisory Report & Market Update**

Brian reviews the handout documents on the Investment Advisory Report & Market Update. Brian states that looking at the big picture, corporate market, premiums continue to decline, looking at A, AAA and BBB bonds, there's less to be found in treasuries at the rate in which those securities are being issued. The premiums are so tight particularly in one year that the portfolios are just not there. Everyone's chasing after the same assets.

Brian reviews in the handout the direction of treasury rates. He mentions what came up in the last meeting was the Investment Policy and he did read through that, and sees no reason to make a change. There was a request, regarding reverse repos. Jerry mentions it's not permitted.

Mark asks Brian if what the SEC money market fund rules that were passed yesterday have any effect on us. Brian says no, if the fund comes under some liquidity strain, they can stop redemptions and charge fees for redemptions. Brian states that it could be counterproductive, if the markets got bad, then the fees are in place.

Brian mentions that the big piece that we're still watching, that could affect FLSAFE and other LGIP funds like it, is what S&P decides to do. They are not excited about making any changes. It's a rolling market and S&P's ideas on this could evolve over time. For example, on collateralized overnight bank deposits going up to 25% under S&P guidelines, and new rules not wanting to see more than 10% exposure.

(C) Operations Manager Report – June 2014 Term Series Report

Paula Cooper reviews the Operations Manager's Report. Not much has changed, the monthly assets continue to operate in a band between \$200 million and \$240 million total, variation between the fixed investment program and the fund.

The standard monthly expenditures have been the same. Nothing out of the ordinary or even on annual type expenses. The budget analysis is included in the handout. The last page of the report is the approved budget.

Paula mentions that the four page report on Statement of Assets & Liabilities report reflects some of what Brian's report covers. The net assets have gone up this quarter. Also with the change in asset allocation, the cash balances and liquid deposits are up a little, and certificates of deposit are down a little bit. But these allocations are very much the same as last quarter. On the last page of the report is a detailed listing of all the investments held in the fund that rolls up into the statement of assets. Paula mentions the short fall amortization and that we continue to see 2 basis points a day, working that down some. It's down \$100,000 since we took over.

(D) April Term Series Board Ratification

Fenil Patel reviews the Term Series handout. Fenil mentions PMA is ready to execute another Term Series in August. Our biggest Term Series from last February was \$14 million. Jeff Larson mentions that legally Mike Williams and Lori Ragus helped put in place with the Board that these are permitted to go out in advance of a Board Meeting. Fenil said that the details are typically sent out by PMA around 2 weeks in advance of a settlement date. What we want is to have the Board ratify the ones

that have occurred since the last meeting. I think we already ratified the one that occurred on the 22nd of April. So the one that's left is on June 30th Term Series that had a 6 and 12 month component to it. So we would like a motion from the Board to ratify that Term Series. Mark asks if there's a motion. Jerry motions to ratify the Term Series on June 30th, 2014 with the 6 and 12 month Term Series. Linda seconds. All in favor say I. Motion carries 5-0.

(E) PMA Comments

Any comments from PMA. No comments.

2. Administrator Update- FMAS

(A) Marketing Update, Upcoming Presentations

Jeff briefly mentions a successful FGFOA conference, FCCMA conference and Special Association District conference. We got some traction with some fire districts, some CCD's, some water management districts and PMA partnered with us on that. So we have another list of folks to follow up with. We talked with PMA for next year, partnering up for the school conferences.

(B) Report on Conferences (FGFOA, FCCMA, FASD), Presentations

In terms of upcoming presentations, we will be teaching a class at the FGFOA school, in Destin, FL. We reached out and joined the big bend chapter in Tallahassee, and we're speaking to them in August. We are speaking at the SWFGFOA, and the Central Florida chapter asked us to speak next February.

(C) FMAS Comments

Jeff mentions the tax returns and filing is an easy process. Nicole discusses the draft participant questionnaire that she has worked on. We are scheduled for August 11th for distribution. We wanted to get a sense of how participants are feeling about being in the fund and the services provided, and items or areas the fund needs to improve upon. We separated out communications between PMA and FMAS, if you are receiving documents, or reports from both companies, and if they are satisfied. Places in the document for comments and areas you would like to see added like banking services. We ask the board to go over it and give us your feedback so that we may send it out and report back at the October 24th board meeting. Mark states it's a great idea, we've never done that before. Jeff mentions the final items are the rotating Board seats. January 1st Linda Senne and Robert Clinger's seats are due. Jeff mentions he would like to have ballots go out before the October meeting. Jeff will be sending to the participants, their nominations and the voting system is the same. With your permission, we will get the ballots out. The Board provided support to proceed on the ballots.

2. FLSAFE Counsel's Comments

James mentions there are no updates and no items affecting FLSAFE at this time.

3. Participants' Comments

No participant comments.

4. Board Members' Comments

Linda mentions that the last time we met, we had some idea presented on the FLSAFE logo redesign. So we had an admin assistant come up with some ideas. It was agreed to continue to discuss this. Jerry mentions how he appreciates everyone getting their reports out early to the Board.

C. SET NEXT MEETING DATE/ ADJOURNMENT

1. Future meeting dates: October 24, 2014; January 23, 2015

Signature Page

APPROVED THIS ____ DAY OF _____, 2014

FLORIDA SURPLUS ASSET FUND TRUST

**Mark C. Mason, CPA
FLSAFE Chairman**

ATTEST:

**Jeffrey L. Larson
FLSAFE Administrator**