



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 Senterfitt, CNL Center II Building,
420 South Orange Avenue, Suite 1200, Orlando, FL 32801

DATE: April 26, 2013

TIME: 12:00 p.m.

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES: Mark Mason, CPA, Chairman (By Phone)
Linda Senne, CPA, Vice Chairman
Jerry Boop, CPA, Secretary/ Treasurer
Robert Clinger, CPA, Trustee

OTHER ATTENDEES: Fenil Patel, VP, PMA
Paula Cooper, VP Operations, PMA (By Phone)
Jim Davis, CEO, PMA (By Phone)
Lori Ragus, SVP, Legal & Compliance, PMA (By Phone)
Don Weber, SVP, PMA (By Phone)
Bob English, Chairman, PMA
Brian Hextell, Portfolio Manager, PMA
Jeff Larson, President, FMAS, FLSAFE Executive Director
Larry Aubrecht, SVP, FMAS (By Phone)
Jesy Acosta, Associate, FMAS
Mike Williams, Esq., Akerman Senterfitt, FLSAFE Counsel
David Martin, Finance Director, Pinellas Suncoast Fire & Rescue District
Laura Martin, Board Member, Pinellas Suncoast Fire & Rescue District
Hank Gay, VP, BMO Harris Bank, FLSAFE Custodian
John Mattern, SVP BMO Harris Bank
Gail Bradley, BMO Harris Bank, Cash Management
Dan Carpenter, Finance Director, Indian Rocks Beach (By Phone)
Christine Trovato, Finance Director, Treasure Island, FLSAFE Advisory Council
Steve Shanks, CliftonLarsenAllen, FLSAFE Auditor (By Phone)
Joe McLaren, Fishkind & Associates

MEETING OF THE BOARD OF TRUSTEES

A. BUSINESS ITEMS

1. **Call to Order/ Roll Call is made by Jesy Acosta of FMAS**
Linda Senne, Jerry Boop, and Robert Clinger are present, quorum, Mark Mason joined by teleconference and Linda as Vice Chair will conduct the meeting.
2. **Approval Prior Board Meeting Minutes**
Jerry motions to approve the prior Board Meeting minutes, Robert seconds. No comments. All in favor, Minutes approved, 4-0.
3. **Participant and Guest Introductions**, Linda Senne welcomed and thanked all for coming today, and introductions were made.
4. **Open Board Seat Appointment**, Linda announced that there's an open Board Seat with Nancy Duggan leaving Dunedin for the Pinellas County Sheriff's Dept. Jeff Larson states we had Jeff Yates previously, and Nancy Duggan took his open seat by Board appointment. FMAS suggests still having a representative from the Tampa/St Pete area, so after conferring with the Board Chairman, we are recommending Christine Trovato, to take that open seat by Board appointment, and had sent around her Bio for everyone. Jerry makes a motion for Christine Trovato, Robert seconds, all in favor. Motion approved 4-0, and Linda welcomes Christine to the Board. Jeff mentions that Christine is also a member of the FLSAFE Advisory Council and suggests she remain as the Board liaison to that group.
5. **FLSAFE Audit FYE 12/31/12**
Linda mentions the FLSAFE Audit which was done by CliftonLarsonAllen and earlier provided to the Board by FMAS, and asked if there are any comments on the audit. Jeff mentions that Paula was great with helping on this and so was Larry.

Steve Shanks, Auditor, mentions that there's a SAS114 letter in the packet. First caption covers significant audit findings, accounting policies, accounting estimates, financial statement disclosures and losses amortized. There were no mis-statements that we noted, so there were none that needed corrections. We had no disagreements with management. Attached to this letter is the representation that management is making showing that they provided everything that we requested. We are not aware that management consulted independent accountants on any issues, and we did not have any significant discussions with management over the issues other than just normal in the course of continuing the work from year to year. Discussions and analysis with management is considered required supplementary information, we don't give an opinion other than to read that and we make sure it's not misleading to the Financial Statements. It's very helpful and has good information in it. We had a great experience working on this audit, everyone made themselves available and it was appreciated. Linda asks if there are any other comments. Jerry makes a motion to accept the audit for fiscal year 2011-2012, Robert seconds, all in favor. Motion passed, 5-0.

B. OTHER ITEMS

1. Investment Advisor/Operations Manager Update – PMA

(a) Economic and Market Update: Presented by Brian Hextell, a perspective on 2012. The year started relatively strong. You had corporate earnings coming in a big way, the European central bank was pumping liquidity into Europe, there was optimism that the problems were behind them, then in the Spring you saw a big pull back in the stock market and markets in general. There was concern about China, all of sudden Europe wasn't looking so good, and there was concern that the Spanish bank problem might expand across Europe further. The FED stepped in once again with a new round of quantitative easing. The ECB made a stronger stance that they were going to continue to support the EU nations. The fourth quarter brought the US elections, the fiscal cliff problems and it has been an up and down year, but what you see is an overall improvement in the end. The housing market, consumer growth, employment dropped, and it should remain this way as we look ahead in 2013, a slow and steady improvement. Looking at the market update, treasury rates are low, there's a little bit of yield in commercial paper and CD markets, which we certainly try to take advantage of the deposit yields. LIBOR still reflects the credit risk that is in the markets around on the European banks, inside 3 months, the rates have come down. We've held the FLSAFE net yield at 10 basis points through some PMA earnings waivers. The average yield comparison is at 26 b.p., from a gross perspective. The money market net funds' yields and other comparable, S&P AAA rated LGIP funds are in the 15-22 b.p. range. Now when you look to a couple of the funds in the State achieving a net yield above what the average gross yields are, that speaks to the fact that they're clearly taking on greater than average level of risk in order to generate greater returns.

(b) FLSAFE LGIP Portfolio Update:

Looking at the portfolio in total, compared to last December and March, we're showing a tremendous amount of overnight liquidity in this fund. The only real significant changes we saw over the quarter were a little bit less repo rate. The other change that we made in the January 2013 Board meeting was a small change in the Investment Policy. This involved clarifying a technicality. We originally had commercial paper approved through the investment policy, and we clarified that to also include in the short term, highly rated corporate paper. Since the January Board approval, we already picked up a corporate piece that offered a little more incremental yield. The portfolio has been really steady.

Brian asks if there's any questions. Jeff mentions that as Fenil, Don and you get to know the participants for their cash flow needs, and what their FLSAFE fund balance represents, is there a need to be as liquid as we are? Brian states it's a very fair question, and mentions that some of the best rates that we're finding out in the market are overnight bank deposits. So if we could do 40 basis points, we likely would do that, but if you saw the rate chart, it's not out there. We're in an anomaly and rates aren't supposed to be this low. So the portfolio looks a little bit different as a result.

(c) Operations Manager Report:

Paula Cooper refers to the document titled Operations Manager's Report, mentioning the Statement of Assets and Liabilities. The fee payable is a little higher than normal because we still need to pay for the audit that was just completed. Net LGIP assets are at \$134 million. The next page provides the Statement of Operations, showing the income expenses, fee waivers, inflow and outflow of assets, showing the change between December and March. The fund is down a bit since year end, from \$150 million to \$134 million. The portfolio has no major change with the exception of what Brian noted about corporate notes. The last page of the document shows the budget that was approved, and what the accrual is expected to be on a quarterly basis. The short fall amortization was down to about \$269,000, and per Board Policy we continue to amortize that on a daily basis. Any of the revenue sharing on the FIIP program that was earned monthly also is applied to the amortization. Paula also started doing a schedule to make sure we're going to amortize it over the stated period of time that's allowable, as we are 2 years into the 8 years. Paula is doing an analysis based on what she thinks is going to happen to assets, and to see if we need to increase the accrual. This analysis also covers what we think is going to happen in the FIIP program. There is still quite a bit of time to go, so she's going to recommend changes as we need them, but feels we're good right now.

(d) Update on Term Series - Resolution

Linda states we did an amendment to our Indenture to include an additional series to get an unlimited number of Trust designated Term Series. As part of that process, we have to adopt a resolution. Jeff asked Fenil to give us an update.

Fenil recaps the background of the Term Series, as another optional series within FLSAFE that allows us to pool investors money more as a fixed term investment. We finally believe we are ready to roll out our first Term Series for FLSAFE. We've talked to a number of participants and we do have quite a few that are interested. Right now we are considering a 1 year Term Series, probably around a 31-32 basis points. We are still going to hammer out the details, but feel that's a great rate and attractive to lock in that one year money. We think it's going to be somewhere between \$10-15-20 million dollar, and some smaller participants, able to put in \$100,000 or \$500,000 and still gain access to the pool.

Linda asked if they will send out a notice to all participants for the Term Series. Fenil said every Participant will get an email, have equal chance to participate, on a first come first serve basis. Jeff mentions that Mike Williams looked at this Resolution that was prepared by Lori Ragus, PMA Counsel, upon review of the Indenture. FMAS also reviewed it, we made sure you had the Resolution. There's no need to sign it, according to Mr. Williams, but we are asking for you to see this and authorize PMA will move forward with it. Linda asks if there is a motion, Jerry moves to approve, Robert seconds. All in favor, motion approved, 5-0.

(d) PMA Comments:

Bob English mentions that following some material that Jeff had put together from last year at a Volusia/Flagler Chapter FGFOA presentation, we did get to meet a number of them. FMAS and PMA had identified 21 local governments in that region. Bob reported that he had called

16 of them, 10 had returned calls and communicated with him. Those who haven't called back, and for a number of those I've drive to their office and dropped off a FLSAFE package. He's delivered 10 sets of packets and had 4 meetings, with 2 scheduled for next week. This a long sell cycle and as soon as he gets through with this, he'll move forward on some new FL calls. Bob mentions he quite enthused.

2. **Administrator Update- FMAS**

(a) Marketing Update, Upcoming Conferences, Presentations:

Jeff provided the Marketing Update. We've been very busy making presentations to the regional FGFOA Chapters. The most important thing we do is bring up the awareness of investments, their options, how they should be prudent, address suitability and diversification. This approach takes time but once they hear us in a group setting with direct follow up, Q and A session, we have seen some continued success. It does involve you going to see them at their offices.

Bradenton sent us money the other day. They had been receiving via FMAS the PMA monthly market update. When we went to see the folks in Bradenton, their CFO thought it would be a good idea to diversify and put money into FLSAFE. We are very prepared for the upcoming annual conferences, and the various group dinners. We also have some of the sponsors in the room, Hank from BMO Harris, and the PMA team, and Mr. Williams Akerman.

FLSAFE Board's Insurance:

Jeff asks Larry to review his one page summary. Larry had reviewed the Board's insurance policies that we inherited, with PMA support. There's a way to save some money for the fund by reducing some expenses. FMAS got Chubb to bid on it (as they are the insurer on other PMA funds). Typically they won't give you a firm bid until you're within 30 days of renewal which would be May 19th. But they understood we had the Board meeting today, and they gave us a bid and the ability to extend and renew it on June 19th. The policy, via DS&P Insurance Services, a subsidiary of Chubb, has the same D&O as we had on XL. The main difference between XL and Chubb is that Chubb is D&O only and while XL is D&O and E&O. Chubb takes the position that E&O exposure is limited because they are insuring a Board of Directors. E&O only comes into play when you are providing advisory services for a fee, so they don't provide the E&O services because its not applicable. Jeff noted FMAS and PMA have their own separate professional E&O insurance so your two main consultant service providers have a level of insurance required under their agreements.

The policy that came in from Chubb had a premium of \$18,703.00, is straight forward, and net of their commission, represents a savings of \$4,133.00. Also we never received a renewal on the separate Traveler's Insurance policy, but agree with PMA that it is not needed, so that is another \$842.00 in annual savings. The other policy is in the third year at \$1,960.00. So the Fund could save an additional \$2,800.00 if you did not have those insurances which are covered by the overall overlap of FMAS and PMA, for a total of approx. \$6,935.00 in annual savings.

Jeff mentions that the other policies covered Board members driving to meetings, and the potential cost to the host of the Board meetings. A Board Member is probably covered under a

number of policies, your government as an officer of your community, as well as, your personal policy. But if the Board feels there's a need for these other policies which the broker was encouraging, we are happy to have this extra coverage. Jeff mentioned that he just wanted to bring that up so that the Board doesn't think we're trying to take away something they want, as it is ultimately your decision. We think there's some way we could save some money which is what we're recommending for your consideration.

Linda asks if we could open the floor for any questions, or any comments from the Board. Jerry said that under the current expense pressures, I know that I'm adequately insured, and I can't speak for everybody's that on the Board, but we represent a fund that we're trying to feed, and not take away from, so I fully support this. I think it's something that we should definitely try to move forward with. We are not talking about much money, and the risk is not that great. We are all professional folks and we all do what we need to do to protect ourselves. Linda agrees. Jerry states that it's a very prudent move. Mark agrees as well. Linda states she opens the floor for a motion. Jerry makes a motion that we pursue these insurances as discovered by Larry at FMAS, Mark seconds, all in favor. Motion passed 5-0.

S&P Rating Confirm

Jeff mentions that S&P did an annual surveillance report on the Fund that confirmed the AAAM, and it will be on the website. It's in the package that we would give any new participant. They like to know that we're AAA rated, as there are some funds in Florida that are not AAA rated.

(b) Banking Services Presentation – BMO Harris:

Jeff referred to Hank Gay, VP, BMO and he introduced Gail Bradley, BMO, Cash Management. Banking services seems to resonate with participants. We feel its time to have the Board to hear about this and consider it. They like the other services we are providing and this could be another one. Hank mentions that BMO see it as value added to existing and prospective participants. It can be done a la carte, depending on what particular needs a participant might have. Overall, Jeff asked us to make suggestions as your Custodian Bank about this area. As a premier treasury management organization, I asked our colleague Gail Bradley, VP Global Treasury Group, to put together this presentation for your reading pleasure. Gail gives a brief overview of what's contained in the handout.

Jeff asks the Board if this is something we should spent time and investigate with the FLSAFE Advisory Council (Christine, Ted Beason and Bill Spinelli). Linda asks if when FMAS/PMA are going around to possible entities to be participants, are they asking for banking services or looking for banking services? Jeff mentions that typically when we get in there and try to figure out where else they have their funds, you hear about their local bank, and banking services does tend to come up. They question the rate they are getting, what fees they are paying someone, or the Earnings Credit paid on the balances.

Christine mentioned that when the City of Treasure Island was banking with the same bank that another Participant had also issues with, we were fortunate enough to not have those issues when we move our money into FLSAFE. But in the meantime, our Commissioners were convinced that we could get "free checking" from the local banks. After two requests for

information I could not procrastinate long enough and finished my banking services analysis. With the help of Jeff and Fenil Patel, I had a spreadsheet to compare them apples to apples. I asked Jeff to sit in on two presentations from banks as part of our decision on what bank we were going to go with. I feel this would be a great addition to especially some of the small municipalities because a lot of them don't have the ability to go out and look for these services. So I think this would be a great asset to FLSAFE. Mark asks Christine if they found any free checking from any of these banks, and Christine states no she did not. Mark states that as another level of service to FLSAFE, he doesn't see an issue with asking FMAS/PMA and the Advisory Council to research how to best provide it. The other Board members agreed with Christine and Mark. Jeff mentions that we will continue to investigate this further and report back to the Board.

3. **FLSAFE Counsel's Comments** –
Mike Williams has no comment.

4. **Participants' Comments** –
Dave Martin, Fire District, is a fairly new participant. He mentioned they had entered an agreement with the process of transferring investments that we had approximately for three years, worked tirelessly and leaping through hoops trying to get this questionable investment fund transferred over to BMO Harris bank. Unfortunately, and not because of anything Fenil did, because he did such a magnificent job with me, but we had to take a different route going through a liquidation process with the local broker dealer. But as soon as those funds are going to be back in my hands, we are definitely going to be processing them through Fenil, with support from Jeff and for many years to come. I came today to thank everybody from PMA for helping with all of this to get where we are.

Laura Martin, Commissioner for the District also wanted to come to the Board meeting, which is a special district, and want to thank Fenil and his colleagues for all their efforts. And we do appreciate everything that the FLSAFE group is doing to hold us, and Jeff who is working on our behalf to get us where we need to be.

5. **Board Members' Comments** –
Jerry mentions that he appreciates everyone coming here today and those on conference call. Again great work from Jeff's Team, BMO, and PMA. We appreciate all the hard work the team has done in getting us a return on our 10 basis points. You can really see the creativity. We appreciate the fruits of your labor. Christine mentions that she just wants to thank everyone for the vote of confidence for being appointed to being on the Board, and appreciates that and hopes to serve well. Mark thanks all the participants and appreciates them showing interest in the Fund and organization. Mark thanks Linda for running a great meeting. Linda thanks Paula Cooper, Mark Mason and Jeff Larson with helping with the audit, well done and completed in timely fashion. She thanked PMA and BMO for the help that they do for FLSAFE as a whole, appreciate the participants input, and Mike Williams for all the legal advice. Bob supported all these prior comments.

C. SET NEXT MEETING DATE/ ADJOURNMENT

1. The next meeting is set for Friday, July 26, 2013, noon at the Akerman Senterfitt office. Meeting is adjourned.

Signature Page

APPROVED THIS 26 DAY OF July, 2013.

FLORIDA SURPLUS ASSET FUND TRUST



Mark C. Mason, CPA
FL SAFE Chairman

ATTEST:



Jeffrey T. Larson
FL SAFE Administrator