



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

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**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:** January 18, 2013

**TIME:** 12:00 p.m.

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**MEMBERS IN ATTENDANCE:**

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

**OTHER ATTENDEES:** Bob English, Chairman, PMA  
Fenil Patel, VP, PMA  
Paula Cooper, VP Operations, PMA (By Phone)  
Jeff Larson, President, FMAS, FLSAFE Executive Director  
Larry Aubrecht, SVP, FMAS  
Jesy Acosta, Associate, FMAS  
Mike Williams, Esq., Akerman Senterfitt, FLSAFE Counsel  
Hank Gay, VP, BMO Harris Bank, FLSAFE Custodian  
Tom Gregory, BMO Harris Bank  
Mauricio Mares, BMO Harris Bank  
Cindy Dompe, Finance Manager, St Augustine Airport Authority  
Dan Carpenter, Finance Director, Indian Rocks Beach  
Christine Trovato, Finance Director, Treasure Island  
Diane Mackie, Treasure Island  
Al Braithwaite, Director of Admin Services, City of Oldsmar (By Phone)

## **MEETING OF THE BOARD OF TRUSTEES**

### **A. BUSINESS ITEMS**

1. **Call to Order/ Roll Call is made by Jesy Acosta of FMAS**

Mark Mason, Linda Senne, Jerry Boop, and Robert Clinger are present. Nancy Duggan is not present, we have a quorum. Jeff Larson noted that Ms. Duggan is no longer with the City of Dunedin, and therefore not their Participant representative, and FLSAFE Board Member. (Appointed when Jeff Yates took a position in N.C.)

2. **Approval Prior Board Meeting Minutes**

Mark Mason states we need Approval of the Prior Board Meeting Minutes for October 19, 2012. Linda makes a motion to adopt the minutes, Jerry seconds. All those in favor, say I. Minutes approved 4-0.

3. **Participant and Guest Introductions**, Mark Mason welcomed and thanked all for coming today, and introductions were made.

### **B. OTHER ITEMS**

1. **Investment Advisor/Operations Manager Update – PMA**

**(a) Economic and Market Updates:**

Fenil Patel reviewed the Economic Overview handout. He discussed employment being weak, the US Transit/ Housing, Consumer Credit numbers are encouraging, and Unemployment is at 7.8% in November and remains steady in December. The housing market is showing encouraging factors and is expected to keep the economy in a slow and steady mode. The Federal Reserve does not expect to increase rates until employment falls below 6.5% which they don't expect to happen until February 2015, then that's when they would start raising rates.

Europe seems to have avoided the big crisis, and the market does not anticipate any major countries having huge issues. They have put a lot of protective and supporting measures in place, and at the same time, the individual governments have implemented many backstops.

World GDP grew at 1.3% following a negative period (Fenil refers to the graph handout). Regarding the IMF forecast, Europe is in a recession and also reduced the forecast for the UK to contract at 2.4% for the year ending in 2012. They are projecting the US to grow at 2.2% which is 1.1% higher than what they estimated in July. The US economy is growing but growing at a slow and steady pace. Unfortunately Europe will be a factor that will be weighing on us. Regarding Europe, Germany had a negative fourth quarter GDP, which was a surprise since Germany's economy is what has kept Europe going.

While the unemployment rate fell .7% in December year over year, the key was that labor participation was also down .4%, so we actually have fewer people looking for jobs and that affects the equation.

In the housing market, we are seeing signs of recovery in pockets throughout the country. Sustained recovery in housing was maintained through the summer and fall. Existing home sales and home prices have gone up, in general trends on the uptick. Housing stocks are up 22% in November after increasing 30% in November 2011.

Growth and inflation, measured by CPI, just came in at 1.7% for December. It points to the fact that inflation really isn't there, which may be why the Fed changed their key target or focus from inflation to employment. The manufacturing index did recover in December after a negative November with core PPI steadily declining in 2012, reflecting the fact that producers can increase prices in things. We also have some big political factors that will play a role in how this economy will recover. We do expect housing to gain momentum this coming year. Consumer confidence is slowly on the uptick as well. The Fed again publicly linked the future policy on unemployment at 6.5% and they didn't expect it to hit this rate until 1 ½ years from now. Fenil asks if there are any questions on the economic outlook. There were no comments.

Fenil reports on the current investment environment, and refers to the handout of the graph.

(b) FLSAFE LGIP Portfolio Update:

Fenil comments on the FLSAFE gross and net yields and refers to the graph. The FLSAFE Portfolio was able to maintain a gross yield of a little less than 30 basis points. Our net yield to the participants is 10 b.p.; Fenil wanted to point out the expense ratio versus the gross yield as we've been able to maintain the 10 basis points due to PMA's fee waivers. The next powerpoint slide really indicates how FLSAFE compares with similar money market funds. And the IMoney Net for October was 3 basis points with a gross of 22 b.p., with FLSAFE at 29 netting 10. IMoney Net is the average of all investment pools, recalling that FLSAFE's Policy and Board direction mandates having a US focus safe liquid daily liquidity fund. We feel that the 29 gross is really a good rate considering that we have minimized any exposure outside the US compared to the other funds that are out there.

Fenil asks if there are any questions. Mike English, CEO, PMA commented on the data provided, what is the market at this point. With a fund like ours, we have an average of a 2 month weighted average maturity ("WAM") or less, so you are really looking at the instruments that are available at that second tier, 2 month, range on that chart. The yields that are available in that space are extremely low, an average at about 6-9 basis points. Refers to page 11 on powerpoint handout.

Fenil comments on the Portfolio comparison, currently the fund has a WAM of 26 days. Mark Mason comments that both PMA and Jeff Larson have done well.

(c) Operations Manager Report:

Paula Cooper, VP Operations PMA, comments on the Quarterly Operations Manager Report. She referred to a chart showing the money market LGIP portion at a high level since August of 2011. On the following page, she refers to the net assets of the fund and the income statement.

This forms the basis for the upcoming audit, which is beginning to get started with CliftonAllenLarsen next month. In the Statement of Operations, you have all the expenses and fee waivers. The next page has the list of holdings in the Portfolio. Paula asks if there are any questions.

Jeff comments that FMAS will be working with PMA on the insurance policies of the Board this year to try to reduce some of the cost to the Fund for the Board insurance.

Paula comments on the next page detailing the fiscal budget analysis.

(d) PMA Comments – Investment Policy:

Fenil wanted to find out if there are any questions on the Investment Policy changes that had been previously distributed by FMAS. Most of it is wordsmithing, with the real change on page 5 updating the commercial paper and corporate obligations and descriptions. Brian Hextell, Portfolio Manager, and I had reviewed this with Jeff Larson.

Jeff reminds the Board that the Indenture of Trust requires that the Board review and renew the Investment Policy on an “assumed” annual basis. That renewed and reviewed process gives PMA and FMAS a chance to see if any updates are appropriate and keeps the Investment Policy up to date. Jeff states we will need a motion to approve it. Mike Williams concurs. Mark asks if there are any questions on the Investment Policy, no comments. Mark asks for a motion to adopt the Investment Policy as revised. Linda makes a motion to adopt the Investment Policy dated January 18, 2013 as revised. Jerry seconds, all those in favor. Motion passes 4-0.

2. **Administrator Update- FMAS**

(a) Marketing Update, Upcoming Conferences, Presentations:

Jeff states that we have two major conferences coming up this year. The FGFOA conference will be held June 22-26 in Boca Raton. We’ll be working with PMA again on the booth and FMAS has been asked to arrange an Investment Best Practices session again. A month earlier is the Florida City and County Manager’s Conference Orlando, at the Orlando Hilton on May 22<sup>nd</sup> -25<sup>th</sup>.

We have also discussed with Don Weber, Jim Davis and Fenil Patel, about the school conferences this year. PMA was going to research the dates for the School Financial Officers Conference, and get with FMAS about starting to renew a presence there. (Bill Spivey had gone in the past to represent FLSAFE).

We were able to assist the Southwest FGFOA Chapter presentation on December 7<sup>th</sup> (both Jeff and Fenil presented) and on December 14<sup>th</sup> worked with Bob English on similar presentations for the Volusia Flagler FGFOA Chapter. This was important because it raised the visibility and credibility of FLSAFE, and we did have people come up to us.

Jeff states that the session that really has some intrigue for the other groups is an update Bob gave at one of the chapters on “The Banking Sector.”. What helps borrowers and finance officers for governments is better understanding why banks are operating a little differently and what stress they’re under. Bob points out how that fits with FLSAFE, where we can come in and work with only approved and typically US banks on the investment side, and via FIIP with a select group of F.S. 280 QPD banks. It has been very well received. PMA has a huge amount of expertise across the country and the presentation does not take an adversarial role, it’s a complimentary thing like I taught at the FGFOA School of Governmental Finance in November. We focus on the local FGFOA chapters. Robert really helped us on that from Deltona for his Volusia Flagler chapter. Jerry Boop takes a lot of time and helped us with some of the chapters and participation on panels. Mark Mason helped arrange our participation in South Florida FGFOA chapter and FGFOA webinar with me and Don Weber. Positioning us on these presentations takes time and effort as the presentations are arranged 6 to 9 months in advance, so we spend a lot of time on this.

#### FLSAFE Advisory Council:

Christine Trovato and Bill Spinelli were also asked to comment. Christine stated that they have been a FLSAFE participant for over a year and PMA was very helpful with the original cashflow analysis and the laddering of our CD’s. Treasure Island doesn’t have a lot of money to investment. We’ve had a great amount of help in laddering our CD’s and we really appreciate it, because Diane and I are the full time staff in the Finance Department, and we don’t have a lot of spare time to go out looking for CD rates. It gives us a voice, which we really appreciate. Mark states that Treasure Island was the first FIIP participant, and your support of this organization is very much appreciated. Jeff states that a third of the participants have taken advantage of the FIIP competitive bidding process. Many do not have the time to go out and find banks, and thinks there’s around 25 banks on the FLSAFE QPD bid list now with PMA.

Linda thanked Christine for her efforts and asked who else is on the Advisory Council. Jeff replied Bill Spinelli, Finance Director, Leesburg, who was able to meet with PMA and FLSAFE yesterday on other matters, give his input and feedback, but was not been able to come today due to a prior meeting at Leesburg. We are going to try to work on getting other folks involved regionally. Mark also comments that if there are any participants here that are interested in volunteering, we would appreciate it. The story with Christine at Treasure Island, and with Leesburg when Jerry was there and now with Bill, really resonate with their peers. It validates the different things that we try to do to service the governments and FLSAFE Participants, and that’s what we’re all about here.

#### (b) FMAS Comments:

As noted during roll call, Jeff states we have a Board vacancy. Nancy Duggan was appointed to Mr. Yates’ seat, and Nancy was the interim Finance Director. She has now taken a position with Pinellis County Sheriff’s Department. You have to be an investment officer to be a

participant in FLSAFE and only Participants can serve as a Treasurer Trustee per Indenture in order to be on the Board. So we thank Nancy.

3. **FLSAFE Counsel's Comments** –

Mark asks if Mike Williams wants to add anything. Mike replies no legal comments.

4. **Participants' Comments** –

Mark asks the participants in attendance if they have any comments. Dan Carpenter from Indian Rocks Beach, said that they recently invested in FLSAFE and then also participated with FIIP. This was well received, a nice service and is going to benefit us. He had worked with Jeff and Fenil to get it up and going within the first 6 months after joining Indian Rocks Beach from Gulfport. It's a good move for myself and the City, with the money and the time and staff we have. Mark thanks Dan for his comments and that it's appreciated.

5. **Board Members' Comments** –

Mark asks if there are any Board Member comments. Linda wanted to thank Jeff and all the people from PMA for all the continuing hard work and to keep it going. Venice worked with FLSAFE on its Bond Proceeds Investment Program in December on its recent \$20 Million bond issue. She states that Jeff is right about continuing the visibility and having people know that you're there for them. The relationship is really important and what matters with people. Jerry adds that the level of professionalism when it comes from PMA is just incredible, and notes the road mileage and efforts from Jeff. Mark wants to thank the participants for coming as you are the ones we really serve here. We appreciate you all being here.

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

1. Mark sets the next meeting date set for Friday, April 26, 2013, for 12:00 pm, located at Akermann Senterfitt and Mark states meeting is adjourned.

**Signature Page**

APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2013.

**FLORIDA SURPLUS ASSET FUND TRUST**

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**Mark C. Mason, CPA**  
**FL SAFE Chairman**

**ATTEST:**

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**Jeffrey T. Larson**  
**FL SAFE Administrator**