



**FLORIDA SURPLUS ASSET FUND TRUST
3452 LAKE LYNDA DRIVE, SUITE 365, ORLANDO, FLORIDA 32817**

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

LOCATION: Temple Terrace City Hall, First Floor, Council Workroom
11250 N. 56th Street
Temple Terrace, Florida 33617

DATE: April 30, 2010

TIME: 12:35 p.m.

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES: Hank Fishkind, Chairman
Jim Anderson, Vice-Chairman
Mark Mason, Treasurer Trustee
Linda Senne, Treasurer Trustee
Fritz Behring, Treasurer Trustee (via telephone)

OTHER ATTENDEES: Chris Blackwood, Managing Director – FLSAFE
Bill Spivey, VP Client Service Manager – FLSAFE
Michael Williams – Akerman Senterfitt
Jeff Larson – Larson Consulting Services
Diane Reichard – City of Temple Terrace
Ted Beason – City of Temple Terrace
Missy Clarke – Town of Redington Beach
Vice-Mayor Mark Deighton, Town of Redington Beach
Eileen Brown – Palm Harbour Special Fire & Rescue District
Steve Brady – Hillsborough County Schools
Lou Frey
Marcia Bexley

1. CALL TO ORDER/ROLL CALL

Hank Fishkind, called the meeting to order at 12:35 p.m. and a quorum was present.

2. BUSINESS ADMINISTRATION

- a. Minutes of January 29, 2010 meeting
The Board reviewed the January 29, 2010 minutes and no corrections were made. *Mark Mason motioned to approve and Jim Anderson seconded.* The minutes were approved unanimously.

Hank Fishkind asked that everyone introduce themselves.

Hank Fishkind asked Chris Blackwood to lead the discussion on the economic update.

b. Economic and Financial Market Update

Chris Blackwood gave a general discussion of the current economy and presented an economic indicator analysis. He explained that the economy in the US is under repair after a severe recession reflecting signs of recovery. In 3 of the past 5 months, employment growth has been positive. Unemployment is still high at 9.7%, but decreased from peak of 10%. Personal Income Growth and Retail Sales are growing, but recovery is still weak.

Rising oil prices increased the CPI, but Core CPI (minus food and energy) remains below 2%. Core Inflation for 2009 was at its lowest numbers in 59 years. Inflation in the short term is not an issue, but the seeds of inflation have been planted. Manufacturing is better with more domestic demand and a weak dollar. Housing starts remain near the bottom. Preliminary GDP numbers were released this morning at 3.2%. By definition three consecutive quarters of positive growth would indicate that the US is out of a recession. 2/3rd of GDP is consumer spending. Dr. Fishkind confirmed that half of consumer spending was inventories and half was consumption investment in government spending. The savings rate has also increased due to the recession.

Once the Fed Funds rate increases, it will have a negative impact on the stock market. The Fed Funds rate has remained below .25% for a year. The stimulus package has helped the economy, but not all of it has been spent. The Federal Reserve can only directly hold short-term interest rates down, but not long-term. The Fed can influence longer-term rates by a process called “quantitative easing” which means they are buying and holding Treasuries and Mortgage-backed securities to push down longer term rates. They are carefully unwinding this program.

Chris stated that he is limited in the type and duration of investments due to the current economic situation. Short-term rates are increasing slightly and there are economic indicators that show this trend such as 1-month LIBOR rates, which is influenced by the perception of rates. He predicts that three months of good employment growth (200,000 plus) is needed before the Fed will raise short-term rates. Dr. Fishkind added that he thinks rates will only move after the elections. Also, Dr. Fishkind said it will be important to see how fast the Federal Balance Sheet shrinks in terms of putting the Treasuries and Mortgage-backs securities back into the market and not into Fannie Mae and Freddie Mac. There is a greater probability of substantially higher rates next year on the longer end of the yield curve. Chris added that interest rates will also move very quickly.

Chris Blackwood reviewed the current FLSAFE performance, asset levels and some history. Total assets were slightly less than \$200,000,000. Current yields are slightly higher than the S&P LGIP Index.

Vice-Mayor Mark Deighton asked, given the economic situation in Europe regarding Greece, Spain and Portugal is there a flight to safety to the US dollar, and how this would impact rates? Chris Blackwood stated the 2-year Treasury dropped 20 basis points showing this impact, but it all depends on the solutions drafted by the EU. It would affect the 20-year and 30-year rates even more. Dr. Fishkind added in the context of our portfolio, there is not a lot of additional yield so the impact is if the Fed raises rates earlier.

- c. Fourth Quarter Unaudited Financial Report
Chris Blackwood discussed various elements of the financial statements and portfolio composition.
- d. Budget Analysis
Chris Blackwood reviewed the bank checking ledger and 2010 Budget to Actual results.

Jim Anderson motioned to approve the 1Q unaudited financial statements and Mark Mason seconded. The motion was approved unanimously.

3. BUSINESS ITEMS

- a. Appointment of Officers
Chris Blackwood reviewed the Officer positions of the Board for the audience. The Board voted to keep the officers the same for the remainder of 2010 with Hank Fishkind as Chairman, Jim Anderson as Vice-Chairman and Joe MacLaren as Secretary/Treasurer.

Mark Mason motioned to approve the current officer positions and Linda Senne seconded. The motion on was approved unanimously.

- b. Amended Revenue Recognition Policy
Chris Blackwood explained that back in November 2008 the Board approved a Revenue Recognition Policy. It was drafted for FLSAFE due to an audit comment from a previous fund and for the purpose of recognizing how FLSAFE would account for realized gains or losses. An SEC money market fund amortizes realized gains or losses. The original policy stipulated a minimum of 2 basis points per day. In the current economic environment, 2 bp would have a big impact so the proposed language strikes the minimum 2 bp and states “in amounts deemed appropriate in light of current market conditions and other applicable circumstances.” The Board had no further discussion.

Mark Mason motioned to approve the Amended Revenue Recognition Policy as proposed and Linda Senne seconded. The motion was approved unanimously.

- c. Investment Policy: Addition of highly rated corporate bonds
Chris Blackwood briefly reviewed the Indenture of Trust and the Investment Policy for permitted and prohibited investments. Commercial Paper is the only corporate security permitted. Due to the recession, the volume of commercial paper issuance has decreased to half the levels prior to the recession and access to commercial paper is limited. For example, the only way to acquire GE and Ford commercial paper in the current market environment is to place a phone call directly to the company. The secondary market has opportunities to acquire short-term corporate bonds that may begin long-term, but have a remaining duration of less than 13 months. There are very few ‘AAA’ and ‘AA’ rated corporate bonds in the market. Once the board accepts this change, FLSAFE staff will draft a memo to participants explaining the change in greater detail for their vote. Mark Mason commented that the word “corporate bonds” imply many types of securities. Chris Blackwood suggested the inclusion of “fixed-income securities” to simplify participant understanding. The Board agreed. Chris reviewed floating-rate securities and how the rating agencies look at compliance. Other discussion included a statement in the memo to let participants know that the AAAM rating will not be affected by the inclusion of the fixed-income corporate bonds. Mark Mason also discussed the ‘AA-’ rating in the proposed language. Chris Blackwood discussed long-term and short-term ratings. A long-term ‘AA-’ almost insures that the

short-term rating would be 'A1+', but there may be a scenario where a long-term security may not have a short-term rating when it was originally issued. The Board reiterated that any memo must provide context to participants so that they understand these securities will fit within an 'AAAm' rated portfolio and are in the highest rated short-term category. Dr. Fishkind suggested that an additional WHEREAS clause should state that nothing will compromise the rating of the fund. Board and audience discussion also continued about additional WHEREAS clauses to clarify no compromise to the Weighted Average Maturity and the previously stated AAAm rating language. No additional comments from the Board or audience were received.

Jim Anderson motioned to accept the addition of highly rated corporate bonds for participant vote per the board discussion and Mark Mason seconded. The motion was approved unanimously.

d. Indenture of Trust: Amending of acceptance procedure for audited financials

Chris Blackwood stated that the Indenture of Trust requires participants to approve the audit. As more participants join, this process becomes more cumbersome, but more importantly, the audit is the audit and there is no approval required. What would happen if this wasn't approved by all the participants? It was suggested to either strike the current language or replace it so that the Board accepts the audit. Discussion ensued about how local governments "present the audit" or how they "acknowledge receipt of the audit". It was determined that in any case, there should be a mandate that the audit be distributed to the participants.

Jim Anderson motioned to accept the amendment to strike the current participant approval language and replace it with a required distribution to the participants and Mark Mason seconded. The motion was approved unanimously.

4. STAFF REPORTS

a. Credit Rating Criteria update

Chris Blackwood briefly explained that money market funds must abide by new 2a-7 rule requirements starting May 5th. Similarly, S&P has solicited their AAAm rated funds for comments on proposed changes to their rating criteria. The biggest change pertains to floating-rate securities. S&P wants AAAm funds to not only keep track of the WAM based on the reset date, but also the final maturity date. FLSAFE has implements tracking both WAM calculations on a daily basis prior to any new S&P requirements. Chris also explained proposed diversification rule changes including decreasing the maximum issuer concentration from 25% to 5%, which FLSAFE currently meets. Weekly stress testing would be required as well.

b. Marketing

Bill Spivey discussed recent marketing activities and new participants. He also discussed initiatives to assist with helping amend investment policies and with cash flow analysis. The FCCMA, FGFOA and FSFOA conferences were discussed as well. Some of the benefits of FLSAFE were discussed.

c. 2009 financial audit

Chris Blackwood stated that the audit was attached. It was a clean audit with no management letter.

d. Expense reimbursement: Travel expenses for Board members

Chris Blackwood explained that based on their own policies within their local government, Board members have the option to be reimbursed for travel expenses through FLSAFE. Mark Mason clarified his position that he personally did not want to be reimbursed and he did not want people thinking that he joined for any reason other than to make sure FLSAFE provided another “tool in the tool chest” and not just to be on a board. Jim Anderson added that founding members almost view their appointment to the board as a public service in order to give local governments another option for investments. Fritz Behring stated that the discussion is about expense reimbursement, not compensation and ultimately his entity pays for the travel. Further discussion ensued about costs associated with long travel distances as board meetings are located in different parts of the state and not wanting future board of trustee appointments to be undermined by the cost of travel. Jim Anderson suggested leaving the discussion as an open item so that it is a personal decision based on the reimbursement policies of local governments. The Board decided to table this discussion, but wanted a formal policy for board review.

e. Board Liability Insurance renewal

Chris Blackwood is still waiting to hear back on the renewal, and will follow up with Dr. Fishkind.

5. SET NEXT MEETING DATE / ADJOURNMENT

The Board would be notified of the next meeting in July and will be hosted by the City of Tamarac. It was requested that the next meeting be held sometime on the week of July 19th.

Mark Mason motioned to adjourn the meeting and Linda Senne seconded. The motion passed unanimously. The Board meeting adjourned at 2:14 p.m.

**Meeting Minutes – April 30, 2010
Signature Page**

APPROVED THIS _____ DAY OF _____, 2010.

FLORIDA SURPLUS ASSET FUND TRUST

ATTEST:
