



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

**LOCATION:** Zoom  
**DATE:** October 27, 2022  
**TIME:** 1:00 p.m.  
**RE:** FL SAFE Board Meeting Minutes

---

**MEMBERS IN ATTENDANCE**

**BOARD OF TRUSTEES:** Linda Senne, CPA, Chair  
Jerry Boop, CPA, Board Member  
Mark Mason, CPA, Treasurer  
Christine Cajuste, CPA, Board Member

**OTHER ATTENDEES:** Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager  
Jeff Larson, President, FMAS, FL SAFE Administrator  
Nicole Larson Sydney, VP, FMAS, FL SAFE Administrator  
Larry Aubrecht, SVP, FMAS, FL SAFE Administrator  
David Rosen, Esq., Akerman LLP, FL SAFE Counsel  
Paula Cooper, SVP Operations, PMA  
Hank Gay, BMO Harris Bank, Custodian  
Lori Ragus, Esq., PMA Counsel  
Chris Knopik, Clifton Larson Allen, FL SAFE Auditor  
Lisa Nusko, PMA, AVP, Investment Services  
Zach Falconer, PMA, Coordinator, Sales and Relationship Mgmt.  
Greg Kubitz, PMA, Operations

**A. BUSINESS ITEMS**

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

Linda Senne called to order the meeting of the Board of Directors for the Florida Surplus Asset Fund Trust for October 27, 2022. Nicole Larson Sydney called roll. Quorum requirements are met.

**2. Participant and Guest Introductions**

Linda asked for introductions via Zoom.

**3. Public Comments**

Linda asked if there were any public comments. Jeff Larson stated that there are no public comments online, present, or via Zoom.

#### **4. Approval of Prior Board Meeting Minutes**

Linda asked for a motion to approve the prior Board Meeting Minutes from July 28<sup>th</sup>, 2022. Jerry made a motion to approve, Mark Mason seconded. Approved 4-0.

#### **5. Board Seat Update**

Jeff reviewed the options for the current open Board Seat. He mentioned that Bill Spivey would like to serve again, pending the Seminole County Port Authority's approval. Jeff asked that the Board give approval for Bill to serve once his external Board approves. Mark Mason made a motion to appoint Bill Spivey to the open Board seat, Jerry Boop seconded. Approved 4-0.

#### **6. Proposed Budget 2023**

Jeff Larson presented the proposed Budget and mentioned the increase in Auditor's fees. Custodial fees have increased due to larger fund balances. Linda asked for a motion to approve the budget, Mark Mason made a motion, Jerry Boop seconded. Approved 4-0.

#### **7. Proposed Update to FL SAFE Logo**

Zach presented and reviewed updated logo ideas developed by PMA marketing for the Board to review. He mentioned FL SAFE historically has had a lighthouse in its logo and PMA thinks it would be good to keep a lighthouse in an updated logo. Mark Mason asked some questions about the various proposed logos. Zach reviewed the ideas behind each image. Christine commented that she liked the images with the idea of "safe in your hands". Mark agreed and mentioned he is ok with the current logo. Jerry mentioned that he mentioned in the past he would like to change the logo. He stated he would like a new logo for the Fund. Linda agreed with Jerry that a new logo would be positive. Christine asked if the marketing team was also going to try to acquire flsafe.com along with the logo update. Zach said he would check into the acquisition. Brian stated that he would go back to marketing and get their opinions and present them to the Board at the next meeting.

### **B. Staff Reports**

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

##### **a. Economic and Market Update**

Brian Hextell presented the Economic and Market Update. He reviewed Market developments during the third quarter that were driven in large part by the words and actions of the Federal Reserve and continued high inflation. The Fed turned increasingly hawkish in its battle to lower inflation including Federal Reserve Chairman Powell's speech at Jackson Hole and two Federal Open Market Committee (FOMC) meetings. While a decrease in oil and gas prices helped reduce headline CPI to 8.3% in August from 8.5% in July, the market's focus was on Core CPI, which remained high. Prices for shelter, medical care and new vehicles represented some of the fastest growing goods and services in July and August. The FOMC raised the Federal Funds rate by 75 basis points at both their July and September meetings. As of September 30th, the target rate range was 3.00-3.25%.

Brian stated raising rates with this velocity led to volatile and negative performance across assets classes in the third quarter. Negative returns in the fixed income market have been particularly striking and the deepest in recent history. The Bloomberg U.S. Aggregate, a widely-used U.S. bond market index, returned -4.75% in the third quarter. This followed the

first two quarters of the year at -5.93% and -4.69%. The past three quarters have represented the three worst quarters for the index since 1990. Equity markets have also been under continued pressure. In the third quarter, the S&P 500 lost 6.27%. The index has returned -23.9% year-to-date through September 30th. Negative returns have primarily been driven by inflation concerns, higher interest rates, and reduced valuations given recession uncertainty. Given this backdrop, earnings forecasts have started to be revised lower, but not as low as we would expect if the economy enters a deep recession.

Real GDP contracted by 0.6% in Q2. This is less than half the rate of contraction experienced in the first quarter; however, it was still negative. Consumer spending growth remained positive, but slowed for the quarter, while business investment turned negative. Decreases in inventories and declines in residential fixed investment and government spending also contributed to negative second quarter GDP. Despite negative economic growth, the labor market is adding jobs at nearly four times the historical average and the unemployment rate remained low at 3.7% in August.

The short end of the U.S. Treasury yield curve continued to move higher by 125-161 basis points during the three months ended September 30th in anticipation of further rate hikes. Treasuries ended the period with 3-, 6-, and 12-month T-bills at 3.33%, 3.92%, and 4.05% respectively. Longer-maturity yields also pushed higher with yields on the 10- and 30-year bonds ending September at 3.83% and 3.79%, respectively.

Inflation risks peaking, though elements may persist. Market foresees slowing economic growth and rising recession risk. Economy and markets increasingly sensitive to higher rates. Higher volatility continues. Market valuations are becoming more attractive. Healthy bank, corporate and consumer balance sheets limit impact.

#### **b. FL SAFE LGIP Portfolio Update; Comparative Market Review**

Brian Hextell reviewed the SNAV Fund. During the quarter ended September 30, 2022, the FL SAFE Stable NAV Fund's gross yield increased 130 basis points from 1.22% in June to 2.52% in September. The net yield increased from 1.08% in June to 2.37% in September with continued support from fee waivers.

While short-term interest rates rose significantly during the quarter, the FL SAFE SNAV market NAV remained stable, close to \$1.00. We have positioned the portfolio to perform well in a rising rate environment with a larger allocation to overnight deposits. Our overall strategy includes maintaining a short WAM, investing in overnight deposits and selectively buying high-quality securities such as bank CD's, commercial paper, corporates, and municipal bonds. These strategies should enhance portfolio yield while maintaining minimal credit risk.

For the FL SAFE Variable NAV Fund, the Net Market Yield increased 123 basis points to 3.96% at the end of September from 2.73% at the end of June. The 30-Day Net Yield of 1.28% as of September 30 is an income-based measure of yield. This measure lags changes in market yield, but has grown as funds are reinvested at higher yields. Price pressure has continued to outweigh income and the FL SAFE Variable NAV Fund generated a total net return of -0.13% for the 3-month period ending September 30, 2022.

Given PMA's outlook for continued market volatility, our resources are fully dedicated to risk management, robust research, and due diligence. We remain focused on meeting Fund investment objectives which include safety of principal, maintaining appropriate levels of liquidity, and generating income.

**Investing in VNAV:**

- Net Market Yield of 3.96% indicates strong expected returns over the next 12 Months
- Reinvesting at over 4% is quickly growing income
- Income provides cushion against rising rates
- Higher income should support higher returns in the years ahead
- Portfolio diversified by security type and maturity
- High quality, income producing sectors improve portfolio yield
- Maintaining an investment portfolio with 0-2 year investments will produce attractive returns through market cycles
- VNAV can be a strategic part of participants' long-term investment portfolios

**c. Operations Manager Report**

Greg Kubitz reviewed the Report. He reviewed the summary, balance information, and financial statements from the quarter. Greg discussed the statement of operations and changes due to the rising rate environment. He reviewed fee waivers and expenses from the quarter.

**d. PMA Update on Term Series – New Flex Program, Information Statement**

Zach presented the new flex program. He stated that it would provide weekly availability and states it is currently under compliance review. He said it could be viewed as a "1 week Term Series". Linda asked how often the rate would adjust. Zach stated that the rates would renew on a weekly basis with weekly availability but be on continuous renewal. Lori from PMA compliance is reviewing the program. It would be collateralized by a letter of credit. Lori Ragus stated it would be a deposit account. She stated that the term in the Information Statement may need to be updated from a minimum of 30 days to 7 days to align with this potential product. Linda asked how this would be different from the SNAV. Brian stated the goal would be to have this flex programs rate be above the SNAV. Mark asked Brian why this would not be a fit for the total fund. Brian replied that it is due to limited capacity and a bank's requirement to have a stable balance. Jerry stated that he could see this being useful for the remaining AARPA funds his City has.

Lori Ragus asked if the Board would like to approve a change to the Information Statement to reduce the amount of days from 30 days to 7 days for investments. Linda asks how the limited capacity would be marketed. Brian stated that it would be first come first serve and targeted initially to the Board, Advisory Council, and other key Participants. Jerry Boop made a motion to approve the changes to the Information Statement reducing the minimum to 7 days for investments, Christine seconded. Approved 4-0. PMA to provide an update in January.

**e. Sales Update**

- Client/Prospect Visits: 8
- Quarterly Face-to-Face Visit Goal of 52
- Calls: 101

- Quarterly Phone Call Goal of 120
- New Participants for 2022
- New Accounts: 3
- Existing Client New money: \$181.8M
- Annual Goal of \$225M
- New Client New Money: \$7M
- Annual Goal of \$150M
- Fund Balance as of 9/30/22: \$942,314,862.29
- SNAV \$637,743,630.38; FIIP/Term Series \$218,281,155.88; VNAV \$66,290,076.03
- Annual Goal of \$1.15B
- All time fund highpoint balance reached December 12, 2021 of \$998,160,212
- YOY total balance increase of \$112,218,002
- VNAV YOY balance decrease of \$6,384,328

#### Highlights Overview:

The FL SAFE fund balances increased by \$63.2M during the third quarter which included a number of fixed rate deposits as clients continued to lock in attractive yields. While Q3 is historically a challenging time to visit with clients and prospects, with many taking vacation and/or focusing on fiscal year end preparations after Labor Day, the team still held several productive in person meetings with Delray Beach, Davenport and Auburndale to name a few. With the June conference season over, Zach made many calls to introduce himself to FL SAFE members. He and Michele also attended the Florida League of Cities annual conference in August where both interacted with many of the City Council members and Mayors in attendance including those representing Lake Alfred, Micanopy, Indiantown, Pahokee, Hypoluxo, Atlantis, Tarpon Springs and St. Petersburg. In September, the team scrubbed its email distribution lists and started a new Treasury rate email campaign aimed not only at stimulating Treasury purchases but also better understanding which prospects are engaging with FL SAFE communications. Also, during the quarter new accounts were opened by Lake Alfred and Medley and Zach passed both the SIE and Series 7 examinations so he is now licensed/registered in Florida.

#### **f. PMA Comments**

PMA had no further comments.

### **2. Administrator Update-FMAS**

#### **a. Marketing Plan Comments, Presentations, FGFOA School, Chapters, Annual Conference**

Jeff reviewed the proposed agreement from CLA for Audit services. He stated that the fees have risen, but acceptably so due to a rise in participant balances. Jeff asked for a motion to approve the Agreement and Audit Engagement for the 2022 Audit. Chris Knopik reviewed the Master Service Agreement that is to be re-signed every five years with the Annual Statement of Work being signed every year. Chris stated he believes there will be an increase in fees by 7-8% per year. Mark made a motion to approve with a revision to a statement of work pending an estimate of fees for a not to exceed for 3 years. Christine asks if the estimate is locked, Chris stated that no they are not locked. Jerry made a second, approved 4-0.

**b. Upcoming Board Elections**

Jeff stated that elections for the Bill Spivey seat will be done in December-January, with results to the Board at January 2023 meeting.

**c. FMAS Comments**

There were no additional comments.

**C. Other Items**

**1. FL SAFE Counsel's Comments**

David Rosen had no comments.

**2. Participants Comments**

No comments.

**3. Advisory Council Member Comments**

No comments.

**4. Board Member's Comments**

No comments.

**D. Set Next Meeting Date/Adjournment**

Setting the future dates for the next FL SAFE Board Meetings. Normal meeting date will be January 26, 2023 via Zoom. Meeting is adjourned.

**Signature Page**

**APPROVED THIS 26th DAY OF January 2023.**

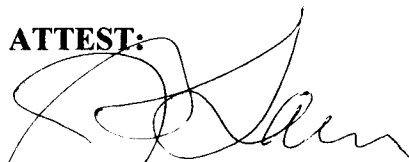
**FLORIDA SURPLUS ASSET FUND TRUST**

*Linda Senne*

---

**Linda Senne, CPA  
FL SAFE Chair**

**ATTEST:**



---

**Jeffrey T. Larson  
FL SAFE Administrator**