



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

LOCATION: Zoom
DATE: July 26, 2023
TIME: 1:00 p.m.
RE: FL SAFE Board Meeting Minutes

MEMBERS IN ATTENDANCE

BOARD OF TRUSTEES: Linda Senne, CPA, Chair
Jerry Boop, CPA, Vice Chair
Bill Spivey, Secretary
Christine Cajuste, CPA, MBA, Advisory Council Liaison

OTHER ATTENDEES: 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
Hank Gay, BMO Harris Bank, FL SAFE Custodian
Lori Ragus, Esq., PMA Counsel
Michele Wiberg, PMA, Chief Sales and Marketing Officer
Lisa Nusko, PMA, AVP, Investment Services
Zach Falconer, PMA, Coordinator, FL Sales and Relationship Mgmt.
Matt Orseske, PMA, VP, Marketing
Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager
Greg Kubitz, PMA, SVP Operations
Chris Reeder, City of Auburndale, Advisory Council
Jerry Gray, City of Maitland, Advisory Council

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 July 26, 2023. 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 April 27, 2023. Jerry Boop made a motion and Bill Spivey seconded, passed 4-0.

B. Staff Reports

1. Investment Advisor/Operations Manager Update - PMA

a. Economic and Market Update

Brian Hextell presented the Economic and Market Update. He stated that the second quarter of 2023 continued with a volatile path focusing on headlines from the Federal Reserve and the United States Treasury. The U.S. Debt Ceiling was reached January 19, 2023, and Treasury utilized extraordinary measures to prevent the United States from a potential default. Investors anxiously monitored events as the U.S. legislative branch worked out a compromise prior to the June deadline when extraordinary measures would have been exhausted. During this time, different types of liquidity funds, including money market funds and local government investment pools, avoided buying Treasury securities maturing in June causing an unusual shape to the front end of the Treasury curve. A deal reached on May 27th made its way through Congress and onto the President's desk for a signature on June 3, 2023.

The Federal Reserve's actions remained in focus during the second quarter by pausing rate hikes for the first time in ten meetings. The previous meeting without a Federal Funds Rate hike was in January of 2022. The market interpreted this as a hawkish pause due to higher rate projections from Fed members. Chairman Powell also made hawkish comments as the Fed continues its efforts to reduce persistent inflation.

Consumer Price Index continued to decline but remained elevated at 4.0% in May. Although this is the 11th consecutive declining print, it is still well above the 2% long-term target from the Fed. Unemployment remained tight in the second quarter with 3.7% unemployment in May. The labor force participation rate also continued to increase, approaching pre-pandemic levels.



Despite declining, potentially negative GDP estimates in late 2023 and early 2024, price stability is the largest risk to our economy. For this reason, the Fed adjusted its projections to include two more hikes to 5.50%-5.75% before the end of 2023. In comments after the June Meeting, Chairman Powell stated the Fed will remain data dependent with rate decisions going forward. We expect market volatility to continue following this statement.

Market yields increased across the curve in the second quarter on expectations for additional Fed rate hikes and projections that the Federal Reserve will maintain rates higher for longer. Treasuries ended the period with 3-, 6-, and 12-month T-bills at 5.28%, 5.41%, and 5.39% respectively. Longer-maturity yields also rose, though the curve inverted further.

Bill Spivey asked if in the past, how were recessions categorized for their severity. Brian stated that the 2008-2009 was very deep in multiple categories while the 2001 recession was not as severe. He stated that he does not see a deep depression in the future, possibly milder. Brian stated that you typically look for two quarters of decline in GDP as an indicator of a recession.

Linda Senne asked how the economy is affecting homebuyers. Brian explained that it is difficult to have an income that can sustain a home purchase and mortgage rates and housing prices are making it even more difficult.

b. FLSAFE LGIP Portfolio Update

During the quarter ended June 30, 2023, the FL SAFE Stable NAV Fund's gross yield increased 45 basis points to 5.38% in June from 4.93% in March. The net yield increased to 5.21% in June from 4.77% in March. The portfolio's Weighted Average Maturity (WAM) rose during the quarter as we extended maturities with a view the Federal Reserve is nearing the end of its rate hiking cycle. The allocation to investments maturing in 1-12 months increased modestly during the quarter. Our team of portfolio managers was active in analyzing investment opportunities across sectors and increased the allocation to CD's. We also continued to seek high quality overnight investment options during the quarter resulting in increases in FDIC insured deposits and deposits secured by FHLB LOC's.

For the FL SAFE Variable NAV Fund, the Net Market Yield increased 38 basis points to 4.98% at the end of June. The 30-Day Net Yield of 3.17% as of June 30 is an income-based measure of yield. This measure lags changes in market yield, but rose 43 basis points for the period as funds were reinvested at higher yields. FL SAFE VNAV generated gross returns of



0.79% in the second quarter and 2.65% for the 12 months ending June 30, 2023. The gross return exceeded the benchmark by 13 basis points over the past year.

We see economic and policy uncertainty, in addition to geopolitical risks, resulting in a resurgence of volatility over the next 12 months. We also recognize the rising risk of a recession and the potential for declining short-term interest rates in the quarters ahead. To meet the Fund's objectives of safety, liquidity and yield, we remain diligently focused on research and multiple layers of risk management.

Brian stated that tighter policy was creating an uneven impact across Countries and sectors. The prospect of the Fed maintaining higher rates for longer period of time to combat persistent inflation, strong labor and balance sheets delays the recession risk. Domestic and international geopolitical risks remain in focus, helping to create market volatility and economic and policy uncertainty. Expected returns improve for cash, bonds and equities in 2023.

Bill Spivey asked if an entity withdrew money from a VNAV would they have lost money. Brian explained that it depends on when you initially invested and booking a gain or loss based on year end.

c. Operations Manager Report

Greg Kubitz reviewed the Report. He reviewed the Summary of Account Balances and Financial Statements for the SNAV and VNAV Funds. Greg stated that assets at the end of the period were at \$975 Million, slightly down from last quarter due to a large redemption, however the gross investment income level is up.

Greg stated that there was an 8 month Term Series totaling \$11 Million during the last quarter. Jeff asked the Board to make a motion to ratify the Term Series, Jerry Boop made a motion and Christine Cajuste seconded, approved 4-0.

Bill Spivey asked a question regarding accrued expenses and legal fees versus the budget from last year. Greg stated that the legal expenses are volatile and an accrual is set up to anticipate that. Jeff stated additional legal fees were accrued due to logo and trademark filing.

d. Marketing & Sales Update

Zach presented his recent client and prospect activity. He mentioned he met with several FL SAFE Participants and prospects.



Also in April, Jeff held a training session with the North Central Florida FGFOA Chapter. Zach was invited to kick off the presentation and led a discussion on several topics, notably emphasizing the benefits of laddering.

In May, Fenil Patel visited Florida. He and Zach conducted several meetings, one of which included Bill Spinelli, now with the Hillsborough County Sheriff's Department. Bill indicated an interest in FL SAFE membership and is currently reviewing the membership forms. Fenil and Zach also had a constructive meeting with the Lake County Clerk's Office. As a rapidly growing county, the office may find it practical to seek the services of an investment adviser in the not-too-distant future to manage its expanding portfolio. Zach reviewed some of the key metrics highlighted below:

- Fund Balance as of 6/30/23: \$1,374,037,350.05
- SNAV \$975,705,137.20; FIIP/Term Series \$332,174,565; VNAV \$66,157,647.44
- Annual Goal of \$1.15B
- All time fund highpoint balance reached June 16, 2023 of \$1,394,663,969.46
- YOY total balance increase of \$494,919,477.08
- VNAV YOY balance decrease of \$220,505

e. PMA Comments

PMA had no further comments.

2. Administrator Update-FMAS

a. Marketing Plan Comments, Presentations, Annual FGFOA & FCCMA Conferences, FGFGOA School

Nicole stated there were two dinners for the FGFOA and FCCMA Conferences. Jeff stated that Zach and Brian helped with a presentation at the FGFOA Conference, and Mark Mason and Jeff also spoke. He stated Linda Senne also spoke with Brenda from her SRF team. Jeff stated he will be speaking at the FGFOA School in October. Efforts continue to support the local chapters, some of which are not fully active after the COVID Period.

b. Open Board Seats

Jeff reviewed the open Board seats that will mature in January 2024, Linda Senne and Christine Cajuste. Both Board Members agreed to serve again and were nominated. Ballots will be sent



around to participants. Jeff stated that Mark Mason would like his Treasury Manager, Heather Abrams, to serve in his place. Jeff stated that she would need to be voted in and once nominated, would be added to the ballot. Jeff would discuss further with the Board Chair and arrange a time to visit with Ms. Abrams. Election responses will be presented at the October Board Meeting.

c. Plan for October Board Meeting (PMA/FMAS)

Zach stated that they are planning to have a Board Dinner and activity on October 25th with a Board Meeting in the morning on Thursday, October 26th in Cape Coral.

d. LGIP's Overview

Typo, removed from meeting.

e. FMAS Comments

Jeff stated that the Board E&O Policy was renewed for another year, with a savings against the budgeted amount. He also stated that there were new FIIP trades and activities last quarter with new clients, thanks to PMA's team.

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

Jerry Boop stated that he appreciated everyone working together from PMA and FMAS.

Linda agreed with Jerry and stated that she heard positive feedback regarding the FL SAFE logo at the conference. Bill added his support for the hard work.



Signature Page

APPROVED THIS 26th DAY OF October 2023.

FLORIDA SURPLUS ASSET FUND TRUST



Linda Senne, CPA
FL SAFE Chair

ATTEST:



Jeffrey T. Larson
FL SAFE Administrator