



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

LOCATION: Zoom
DATE: April 27, 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
Mark Mason, CPA, Treasurer
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, Sales and Relationship Mgmt.
Matt Orseske, PMA, VP, Marketing
Nathan Nissen, PMA, AVP, Investment Services
Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager
Greg Kubitz, PMA, SVP
Chris Reeder, City of Auburndale, Finance Director
Christopher Knopik, CLA, FL SAFE Auditor

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 April 27, 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 January 26th, 2023. Jeff mentioned there were a few typo corrections. Jerry made a motion to approve the minutes as amended, Christine seconded, passed 5-0.

5. 2022 FL SAFE Audit, Jeff Larson, Administrator; Christopher Knopik, CLA

Jeff introduced Chris with CLA who reviewed the 2022 Audit. Linda asked for questions. Bill Spivey asked a question regarding page 7 of the report, included in the first table regarding the net versus average position and why that would be marked as a negative. Greg Kubitz stated that towards the end of the year the balances were up but recently they have been down reflecting the negative. Chris confirmed it was negative as well because it is a daily average. Bill also asked a question regarding net investment income versus gross in the SNAV. Chris stated the net is there to reflect realized and unrealized gains and not gross. Bill asked a few questions regarding the VNAV and how PMA advises clients regarding investing in the current climate. Brian stated that investments are based on client need and that clients from a year ago had a nice return.

Chris stated that the Audit is going through its second review process with CLA and has a few things to finish with PMA. FLSAFE will receive an unmodified opinion from CLA which is always the goal.

Linda asked for a motion. Jerry Boop made a motion to accept the Audit with adjustments and minor changes, Bill Spivey seconded, passed 5-0.

6. CLA 3-Year Statement of Work, Fees, and Audit Services – Jeff Larson

Jeff explained the Statement of Work provided by CLA. Jeff reviewed the fees presented and that Chris adjusted from last year. Chris confirmed that there are now built in not to exceed fees that will not exceed 7% each year. Linda asked for a motion to approve the proposed Statement of Work and Fees. Christine asked if the proposed fees were within our budget, Jeff confirmed yes. Bill asked a question regarding page 3, management responsibilities, he wanted to have the responsibilities clarified between PMA and FMAS. Jeff explained that his contract includes his duty to help make sure an Audit is done. Bill asked that some wording be reflected to change to “management” instead of “employees/staff members/personnel” on page 6.

Linda asked for a motion to approve with changes. Jerry made a motion, Christine seconded, passed 5-0.

7. Update on FL SAFE Logo and Trademark – FMAS, Akerman, PMA

Jeff reviewed the approved new logo from last meeting. He reviewed the types of trademark filings that were available presented by Akerman and David. He stated that they chose to move forward with a Florida only Trademark filing. Jeff asks for the Board’s approval and states that Matt Orseske has a proposed timeline and Akerman presented fees and these fees will be

absorbed within the budget via the waived fees from both PMA and FMAS. Matt Orseske presented the proposed timeline for the Website and new Logo roll out on May 25th once the trademark is filed. Linda asked for a motion to have the trademark filed. Bill made a motion, Jerry seconded, passed 5-0. Jerry made a comment and request to PMA to have a login link added to the top banner. Matt said he would add a link on the homepage prior to rollout.

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 Markets that opened 2023 in charging fashion and finished the quarter with near record volatility. On February 1, the Fed increased rates by 25 basis points, a slower pace compared to the string of large rate hikes beginning in March 2022. At the same time, markets were focused on positive factors including slower inflation and other encouraging economic data. In February and early March, markets responded to higher- than- expected January CPI data and testimony from Federal Reserve Chair Powell about the potential for larger rate hikes that led to a sharp selloff. Sentiment then turned in mid-March to banking sector turmoil and slower expected growth. Treasury yields and fed funds futures declined sharply on this news. These changes in economic data and market developments resulted in high market volatility for the quarter. The MOVE Index, a measure of bond volatility, spiked to levels only surpassed by the Global Financial Crisis (GFC) of 2007-2008. Debt ceiling concerns and other geopolitical risks also contributed to the bumpy quarter for markets.

Sudden deposit withdrawals at multiple banks represented a major market development in March. Quick and decisive action by bank regulators stemmed panic selling of deposits for most banks. It is important to note the events causing stress on the banking system in 2023 are different than those leading to the GFC. During the GFC, loose lending standards resulted in large losses for banks. Most banks today benefit from stronger capital and asset quality. Rapidly rising interest rates in 2022, which placed downward pressure on securities prices, are largely responsible for the banking industry stress in March. Following a 25 -basis point rate hike in February, the Fed opted in March for another 25- basis point rate hike. With uncertainty high and economic data mixed, the Fed softened their language about possible future hikes. Nonetheless, Federal Reserve Chair Powell has indicated the Fed still has work to do to return inflation to the its 2% target. The market, meanwhile, is pricing in multiple rate cuts in the second half of 2023 on slower economic growth expectations.

The short end of the U.S. Treasury yield curve continued to move higher by 18-62 basis points during the three months ended March 31st in response to continued rate hikes. Treasuries ended the period with 3-, 6-, and 12-month T-bills at 4.85%, 4.94%, and 4.64% respectively. Longer-maturity yields, including even the 1-year Treasury, fell as the market began pricing in rate cuts with yields on the 10- and 30-year bonds ending March at 3.48% and 3.67%, respectively.

b. FLSAFE LGIP Portfolio Update

During the quarter ended March 31, 2023, the FL SAFE Stable NAV Fund's gross yield increased 71 basis points from 4.22% in December to 4.93% in March. The net yield increased from 4.08% in December to 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 3-12 months increased modestly during the quarter. Our team of portfolio managers was active in analyzing investment opportunities across sectors and increased allocation to floating rate CD's. We also continued to seek high quality overnight investment options during the quarter resulting in increases in uncollateralized bank deposits and deposits secured by FHLB LOC's.

For the FL SAFE Variable NAV Fund, the Net Market Yield was nearly steady ending March at 4.60%. The 30-Day Net Yield of 2.74% as of March 31 is an income-based measure of yield. This measure lags changes in market yield, but rose 68 basis points for the period as funds were reinvested at higher yields. FL SAFE VNAV generated strong gross returns of 1.18% in the first quarter and 1.56% for the 12 months ending March 31, 2023. We believe higher yields position VNAV to perform well in the quarters ahead.

Given PMA's outlook for continued market volatility, ongoing stress in the banking industry and a slowing economy, our resources are fully dedicated to risk management, robust research, and due diligence. As always, we remain focused on meeting Fund investment objectives which include safety of principal, maintaining appropriate levels of liquidity, and generating income. Higher treasury yields at 6 months reflect default and liquidity risks related to the debt ceiling debate. Additional Information on timing is expected after April 15. PMA's Market Outlook is a tighter policy globally, slowing economic growth, the Fed nearing end of rate hiking cycle which is data dependent, tighter credit conditions, increased risk of recession, domestic and international geopolitical risks in focus, market volatility including Banking Sector caution, and expected returns to improve for cash, bonds and equities in 2023

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 he will change the way that Fees are stated and broken down prior to the next meeting.

d. Board Ratification of Term Series

Greg stated that there were some Term Series opened that are still outstanding and require Board Action. There were two 6 month Term series and one 7 Month Term Series totaling \$56.7 Million. Linda asked for a motion to ratify the three Term Series, Jerry made a motion, Christine seconded, approved 5-0.

e. Marketing Update

Zach presented his recent client and prospect activity. He mentioned there were three new accounts opened. He stated that the Fund Balance as of March 31st was \$1,353,533,290.48. The SNAV balance was \$1,099,307,747.91, FIIP/Term Series \$188,539,094.7, and VNAV \$65,686,447.88. Zach stated that there was an all-time fund highpoint balance reached March 16, 2023 of \$1,362,980,160.39. He stated there has been a total balance increase of \$563,168,917.30 from last year. He reviewed that the VNAV balance decreased by \$6,301,001.50 from last year. PMA also focused on reaching out to clients regarding ad valorem and successfully marketed three term series, filling \$56M in capacity. The program hit two separate all-time highs, with the SNAV exceeding \$1 billion for the first time and total assets surpassing \$1.3 billion.

e. PMA Comments

PMA had no further comments.

2. Administrator Update-FMAS

a. Presentations, Conferences, FIIP Update, General Comments

Jeff reviewed the upcoming Presentations for the FGFOA Annual Conference by himself, Brian and Zach, Mark and Jeff L, and Linda and Brenda from Venice, Conferences, and client Dinners planned. FIIP activity for the past quarter was reviewed.

b. FMAS Comments

PMA had no further 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

Jerry appreciated everyone's joint efforts on the new rebranding and logo. Christine stated that she appreciated PMA's efforts and communications during the Silicone Valley Bank time period with issues to be proactive and reach out to participants. Bill Spivey stated that he agreed with the other Board Member's comments and appreciates everyone's efforts. Mark had to jump off.

Jeff stated that he had a question from Jerry regarding a potential need for management policies. He has reviewed some other Board's policies as well as some from PMA and CLA's point of view and Akerman. He stated that the Board is held to a fiduciary standard to their government and the participants as they are elected as guided in various areas of the Trust Indenture, and the letter a new Board member signs once elected. Bill stated that he would like to ask CLA what they would recommend and supports Jerry's comments.

Linda stated that she appreciated everyone's joint efforts on the Audit and new logo and website.

D. Set Next Meeting Date/Adjournment

Setting the future dates for the next FL SAFE Board Meetings. Due to conflict with Linda, the July meeting will be moved to Wednesday, July 26, 2023 and be Zoom. October 26, 2023 is set aside and Zach and Jeff will work on some ideas for this meeting. Meeting is adjourned.

Signature Page

APPROVED THIS 26th DAY OF JULY 2023.

FLORIDA SURPLUS ASSET FUND TRUST

Linda Senne

7/26/23

**Linda Senne, CPA
FL SAFE Chair**

ATTEST:

Jeffrey T. Larson

**Jeffrey T. Larson
FL SAFE Administrator**

7/26/23