



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

**LOCATION:** PMA Offices, 7380 Sank Lake Road, Suite 650  
Orlando, FL 32819

**DATE:** January 25, 2024

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

**RE:** FL SAFE Board Meeting Minutes

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**MEMBERS IN ATTENDANCE**

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

**OTHER ATTENDEES:** Jeff Larson, President, FMAS, FL SAFE Administrator  
Nicole Larson Sydney, VP, FMAS, FL SAFE Administrator  
David Rosen, Esq., Akerman LLP, FL SAFE Counsel  
Wes Karsten, PMA, Relationship Manager  
Rajesh Chainani, PMA, SVP, Head of Business Development  
Lori Ragus, Esq., PMA Counsel  
Michele Wiberg, PMA, Chief Sales and Marketing Officer  
Zach Falconer, PMA, FL Coordinator, Sales and Relationship Mgmt.  
Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager  
Paula Cooper, PMA, SVP Operations  
Megan Foster, PMA, Relationship Manager  
Larry Aubrecht, SVP, FMAS  
Jordan Steffans, Okaloosa Clerk, FL SAFE Advisory Council  
Hank Gay, BMO Harris, FL SAFE Custodian

**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 January 25, 2024. Nicole Larson Sydney called roll. Quorum requirements are met.

## **2. Participant and Guest Introductions**

Linda asked for introductions via Zoom.

## **3. Results of Board Seat Elections**

Jeff Larson presented the results of the Election. He stated that there were three Board Seats available. Jeff stated that Heather will be joining the Board, and Linda and Christine were reelected for three-year terms.

## **4. Nomination of Board Officers – 2024**

Linda asked for Board Nominations. Jerry Boop nominated Linda Senne for Chair, Bill Spivey seconded. Board voted 5-0. Linda asked for nominations for Vice Chair, Linda nominated Jerry Boop, Bill Spivey seconded. Board voted 5-0. Jeff Larson explained that Heather’s role on the Board began at the beginning of the meeting and her vote is included. Linda asked for votes for Treasurer, Christine nominated Heather, Bill seconded, Board voted 5-0. Linda asked for nominations for Secretary, Jerry Boop nominated Bill Spivey, Christine seconded, Board voted 5-0. Jeff explained that he would appreciate if Christine would continue to be the Advisory Council Liaison. Linda asked for nominations, Bill nominated Christine, Jerry seconded, Board voted 5-0.

## **5. Public Comments**

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

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

Linda asked for a motion to approve the prior Board Meeting Minutes from October 26, 2023. Jerry Boop made a motion to approve, Bill Spivey seconded. Bill stated that there were a couple of spelling errors to be amended. The Board voted 5-0, with amendments.

## **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 GDP came in at 3.1%, amended inflation, on the soft side, the market reacted favorably. The 4<sup>th</sup> quarter was a quarter of change, with signals that pointed to three projected rate cuts in the year ahead. The final quarter of 2023 began with a continuation of the bond sell-off that started in the third quarter. This sell-off was caused, in part, by market participants buying into the Federal Reserve's "higher for longer" mantra. The 10-year bond yield peaked on October 19th at 4.99% before suddenly reversing and ending the year over one percent lower at 3.88%.

The current policy rate of 5.25%-5.50% was left unchanged by the Federal Reserve at both fourth quarter meetings. The Federal Reserve appears to have been successful in reducing inflation without excessive strain on the labor market or broader economy. The Consumer Price Index (YoY) continued its downward trend throughout the quarter with numbers at 3.7% and 3.1%, in September and November, respectively. As inflation continues its downward trajectory, Gross Domestic Product has been surprisingly positive with the most recent quarter-over-quarter GDP statistic annualizing to a growth rate of 4.9%. Expected full year GDP growth for 2023 is projected at 2.4%. This narrative is supportive of market expectations for a soft landing following the recent rate hiking cycle by the Fed.

As always, the consumer remains in focus for the Federal Reserve as well. From a historical perspective, the employment picture remains strong although it has recently begun to cool from exceptional levels. The November jobs report showed the U.S. economy added 199,000 jobs, well above the replacement rate of around 50,000. The unemployment rate also remained low at 3.7%.

Disposable income decreased slightly in 2023 from 4.4% of savings in January to 4.1% in December while credit card debt and delinquency rates crept up, indicating consumers starting to struggle with persistent inflation and transitioning back to living primarily off earned income. Despite this, consumer spending persisted at around a 2% rate in 2023. Third quarter corporate earnings calls revealed management teams' expectations for lower fourth quarter demand as consumers cope with higher prices and diminished savings. Consumption indicators will be key to economic expectations in 2024.

PMA expects long and variable effects from the tighter monetary policy seen during the previous two years, but it appears the hard part is mostly over. Moving out of another wild year for capital markets in 2023, the environment is constructive for financial assets, and we



expect positive returns to continue in 2024. As always, we encourage our clients to invest with a purpose; invest with a plan and stay invested.

Rates across the yield curve moved lower in the fourth quarter of 2023 despite the stable Fed Funds rate during the period. Treasuries in the short end of the curve moved as much as 70 basis points and ended the period with 3-, 6-, and 12-month T-bills at 5.34%, 5.54%, and 4.77% respectively. Yields in the longer end of the rates curve moved even more dramatically by over 100 basis points with yields on the 10- and 30-year bonds ending December at 3.88% and 4.03%, respectively.

Brian stated that given PMA's outlook for higher rates pressuring growth and markets, their team remains focused on building well-diversified portfolios of high-quality securities with a priority on safety of principal and meeting the Fund's liquidity needs.

Brian stated an expectation that there are projected to be multiple Federal Reserve rate cuts in 2024. Lagging impacts of tighter Monetary Policy create growth headwinds. Market volatility continues on economic and policy uncertainty, domestic and international geopolitical risks in focus. Corporate balance sheets supportive, signs of consumer stress. Outlook for solid returns across asset classes in 2024.

Jerry Boop asked if PMA has any concerns about the current inflation numbers. Brian stated that PMA closely monitors inflation rates and they focus on year over year and month to month numbers. Jerry also asked about recent corporate layoffs. Brian stated that there were not strong corporate earnings in 2023, and due to the tight job market, companies did not want to let employees go. Brian stated technology will probably be the most affected in the industry. Linda asked if the election year could impact the market. Brian stated that yes, the markets are anticipating volatile markets. Bill Spivey asked how the changing markets would affect future Term Series. Brian stated that Term Series are determined by the demand by the banks and the market and with rate cuts coming, banks are cutting or reducing rates in advance anticipation.

Brian stated that during the quarter ended December 31, 2023, the FL SAFE Stable NAV Fund's gross yield decreased 8 basis points to 5.58% in December from 5.66% September. The net yield decreased to 5.40% in December from 5.49% in September. The portfolio's Weighted Average Maturity (WAM) decreased over the quarter. Our team of portfolio managers was active in analyzing investment opportunities across sectors and increased the allocation to CD's as we reduced the allocation to corporates.



For the FL SAFE Variable NAV Fund, the Net Market Yield decreased 41 basis points to 4.79% at the end of December. The 30-Day Net Yield of 4.28% as of December 31 is an income-based measure of yield. This measure lags changes in market yield, but rose 33 basis points for the period as funds were reinvested at higher yields. FL SAFE VNAV generated strong gross returns of 1.93% in the fourth quarter and 5.13% for the 12 months ending December 31, 2023. The gross return exceeded the benchmark by 11 basis points over the past year.

Linda asked if there was more money coming into the Fund due to the taxes coming in at year end. Zach stated that yes, and PMA has been sending out email marketing pieces to target the end of year monies. Jerry Boop asked if there could be a one pager developed that lists all of FL SAFE's offerings side by side to assist clients in making an easier decision. Zach stated that he would be happy to work on something like that moving forward.

#### **b. Operations Manager Report**

Paula Cooper reviewed the Report. She reviewed the Fund balances and Financials Statements for the SNAV and VNAV Funds. Paula presented that 2023 Expense Budget and Holdings Report and stated that there are four current outstanding Term Series. Jerry Boop stated that he was happy to see an unrealized gain. Bill Spivey asked Paula about the label on the Fees column and also asked why expenses for December are posted on the following quarter. Paula explained it is because of the time between accrual and cash disbursement.

#### **c. Board Ratification of Term Series**

There were no new Term Series.

#### **d. Marketing Update**

Zach presented his quarterly Marketing Report. He stated that he continues to work to introduce Wes and Megan to clients. He reviewed his past quarter's meetings with clients.

Zach mentioned that FL SAFE received \$242 million in bond proceeds from the City of Cape Coral for water/sewer projects. There was a Bond proceeds webinar held, covering BPM program and arbitrage. The Hillsborough County Sheriff's Office invested in the SNAV. Zach mentioned that PMA and FMAS will be planning a larger Investment Seminar in April. In December, there was a Webinar on investing Ad Valorem tax revenues. Reached \$1.802 billion in assets in December, ending year at \$1.626 billion.



**e. PMA Comments**

The PMA Team presented their 2024 Goals. Zach reviewed the year over year data, projected data, and projected growth for 2024. Rajesh reviewed PMA’s approach to exceptional client service and Innovation Goals. Bill Spivey asked how the new direct deposit product works, PMA explained how the separate account would be established. Jerry Boop stated he likes the idea of the new product offering. Jerry also asked if there could be a marketing page developed explaining how the VNAV could help clients as a secondary investment option with the changing market. Heather asked how PMA’s goals are aligned with client’s Investment Policy restrictions (allocation parameters). Rajesh stated that PMA will take that into account and appreciated the idea. The PMA team thanked the Board for their feedback.

**2. Administrator Update-FMAS**

**a. Presentations, General Comments, FIIP Overview 4<sup>th</sup> Quarter**

Jeff Larson presented the adopted Budget. He reviewed the contracted fees and waivers and the applicable Funds. Bill Spivey stated that he was concerned that the Budgeted amount for expenses was too low based on projected growth. The Board agreed to revisit and amend the Budget if needed in July. Board voted 4-1 to review the Budget in July.

Jeff reviewed the upcoming conferences and FGFOA Preconference and annual FGFOA client dinner.

**b. FMAS Comments**

Jeff 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**



The Board stated that they appreciated FMAS and PMA’s teamwork and look forward to the future growth of the Funds.

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

Setting the future dates for the next FL SAFE Board Meeting. Next meeting date will be in Tamarac on April 25, 2024. Meeting is adjourned.



**Signature Page**

**APPROVED THIS 25th DAY OF April 2024.**

**FLORIDA SURPLUS ASSET FUND TRUST**

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**Linda Senne, CPA**  
**FL SAFE Chair**

**ATTEST:**

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