

THE CABINET
STATE OF FLORIDA

Representing:

FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Bush
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Wednesday, May 31,
2006, commencing at approximately 9:29 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
(850)878-2221

APPEARANCES:

Representing the Florida Cabinet:

JEB BUSH
Governor

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CHARLES H. BRONSON
Commi ssi oner of Agri cul ture

CHARLIE CRIST
Attorney General

TOM GALLAGHER
Chi ef Fi nanci al Offi cer

* * *

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(Presented by KEVIN McCARTY)

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FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
(Presented by TERESA TINKER)

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(Presented by COLLEEN CASTILLE)

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STATE BOARD OF ADMINISTRATION
(Presented by COLEMAN STIPANOVICH)

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FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION
(Chaired by JACK NICHOLSON)

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1 PROCEEDINGS
2 (The agenda items commenced at 9:29 a.m.)
3 GOVERNOR BUSH: In March we appointed a new
4 Parole Qualifications Committee to provide us
5 with three names to fill an upcoming vacancy on
6 the Commission. Chairman Monica David's term
7 will expire June 30th, making it necessary for us
8 to select a new Commissioner for a full six-year
9 term. We also need to appoint a chair and
10 vice-chair for a two-year period beginning in
11 July of 2006.
12 The Parole Qualifications Committee has
13 forwarded the following three names for our
14 consideration: Monica David, William Huffcut,
15 and Martha Shruggs -- excuse me, Scruggs. Our
16 vote today will be by ballot. We then will
17 appoint a Commissioner to a six-year term. I
18 will then entertain a motion to select a chair

19 and vice chair and to approve the list of retired
20 Commissioners for temporary duty.

21 Is there a -- we're going to do the ballot
22 first.

23 Monica David has been elected.
24 Congratulations, Monica.

25 CFO GALLAGHER: Governor, I would like to

6

1 move that Monica David remain as chair and Tena
2 Pate be named as vice-chair, and that the
3 following former Commissioners who have been
4 previously approved could be called on and
5 continue temporary duty: Maurice Crockett, A. M.
6 "Tony" Fontana, Charles Lawson, Guy Revel I, Jr.,
7 Charles Scri ven, Kenneth Simmons, and Judy A.
8 Wilson.

9 COMMISSIONER BRONSON: Second.

10 GOVERNOR BUSH: There's a motion and a
11 second. Any discussion? Without objection, the
12 motion passes.

13 Congratulations, Monica and Tena. Thank you
14 all for your service. Work hard.

15 MS. DAVID: We will. Thank you.

16 GOVERNOR BUSH: Get the backlog done. How
17 did we do on the budget on the backlog?

18 (Applause.)

19 (Discussion of other agenda items.)

20 GOVERNOR BUSH: By the way, the vote for the
21 Parole Commissioner was unanimous for Monica
22 David. Let the record show that.

23

24
25

7

1 GOVERNOR BUSH: Financial Services
2 Commission, Office of Insurance Regulation.

3 CFO GALLAGHER: Motion on the minutes of
4 April 4th and April 21st.

5 COMMISSIONER BRONSON: Second.

6 GOVERNOR BUSH: There's a motion on Item 1
7 and a second. Without objection, the item
8 passes.

9 Item 2.

10 MR. McCARTY: Item Number 2 is adoption of a
11 new rule, 690-125.003, on unfair discrimination
12 based on plans for foreign travel.

13 CFO GALLAGHER: Motion on 2.

14 COMMISSIONER BRONSON: Second.

15 GOVERNOR BUSH: There's a motion and a
16 second. Without objection, the motion is
17 approved.

18 MR. McCARTY: Agenda Item Number 3 is
19 adoption of amendments to Rule 690-149.037 and
20 .038, Calculation of Premium Rates and Employee
21 Health Care Access Act Statement Reporting
22 Requirements.

23 CFO GALLAGHER: Motion on 3.

24 COMMISSIONER BRONSON: Second.

25 GOVERNOR BUSH: There's a motion and a

8

1 second. Without objection, the item passes.

2 MR. McCARTY: Agenda Item Number 4 is
Page 6

3 adoption of new Rule 890-204.201, Life Expectancy
4 Providers, Florida Administrative Code.
5 CFO GALLAGHER: Motion on 4.
6 COMMISSIONER BRONSON: Second.
7 GOVERNOR BUSH: There's a motion and a
8 second. Without objection, the item passes.
9 MR. McCARTY: Thank you, Governor.
10 GOVERNOR BUSH: Thank you, Kevin. Have you
11 got any other words of wisdom for us?
12 MR. McCARTY: Let's pray for a safe season,
13 hurricane season.
14 GOVERNOR BUSH: Tomorrow it starts.
15 MR. McCARTY: Yes, indeed.
16 GOVERNOR BUSH: I've got my rosary.
17 CFO GALLAGHER: Well, make sure you say --
18 MR. McCARTY: Say a novena.
19 CFO GALLAGHER: It's needed.
20 MR. McCARTY: Yes. And as any state can be,
21 Florida is as prepared. And I want to thank the
22 Florida Legislature for their courage and
23 leadership in passing Senate Bill 1980, which I
24 think provides an impetus to the marketplace,
25 additional capital.

9

1 GOVERNOR BUSH: How's that going?
2 MR. McCARTY: It's going well. I mean,
3 certainly we've been working in cooperation with
4 the SBA, bringing an infusion of a quarter of a
5 billion dollars. Treasurer Gallagher is working
6 very diligently on the mediation retrofitting
7 program, and we're ready to launch that I think
Page 7

8 shortly. And I think it's a short-term/long-term
9 solution. And in the meantime, all we can hope
10 is pray to the Lord that we have a mild and
11 peaceful summer.

12 GOVERNOR BUSH: Amen, brother. Thank you,
13 Kevin.

14 By the way, the vote for the Parole
15 Commissioner was unanimous for Monica David. Let
16 the record show that.

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1 GOVERNOR BUSH: Okay. Florida Land and
2 Water Adjudicatory Commission.

3 CFO GALLAGHER: Motion on the minutes of May
4 16th.

5 COMMISSIONER BRONSON: Second.

6 GOVERNOR BUSH: T-Square, how are you?

7 MS. TINKER: I'm good, Governor. How are
8 you?

9 GOVERNOR BUSH: Doing well.

10 There's a motion and a second on Item 1.

11 Without objection, the motion passes.

12 MS. TINKER: Item 2, recommend approval of
 Page 8

13 the establishment of the Pioneer Community
14 Development District and authorize the Secretary
15 to file the final rule for final adoption.

16 CFO GALLAGHER: Motion on 2.

17 COMMISSIONER BRONSON: Second.

18 GOVERNOR BUSH: Are there some speakers?

19 MS. TINKER: Oh, I'm sorry, Governor. There
20 are speakers. We have actually three people from
21 the local community and then the petitioner's
22 representative. Louelle Friend.

23 GOVERNOR BUSH: There's a motion and a
24 second, and now we'll have our discussion.

25 Good morning.

11

1 MS. FRIEND: Good morning. Let's see. I
2 stand here --

3 GOVERNOR BUSH: Are you going to show that
4 to us?

5 MS. FRIEND: I would like to.

6 GOVERNOR BUSH: I think there's a way to do
7 it if you put it on the table. We've got some
8 secret squirrel camera that -- there it goes. It
9 works.

10 MS. FRIEND: That's it.

11 GOVERNOR BUSH: Is that it?

12 MS. FRIEND: That's it.

13 GOVERNOR BUSH: Where is north and -- just
14 make sure it's --

15 MS. FRIEND: North is up.

16 GOVERNOR BUSH: Okay. That's all I needed
17 to know.

18 MS. FRIEND: My name is -- yep, that's it.
19 My name is Louelle Friend. I'm on the board of
20 directors of Friends of Spruce Creek Preserve.
21 And I brought a map of Doris Leeper Spruce Creek
22 Preserve in Volusia County. And just a moment to
23 tell you about that, the preserve contains many
24 acres of black needle rush flats and impressive
25 sand bluffs rising from Spruce Creek.

12

1 GOVERNOR BUSH: Now, you're -- the preserve
2 is to the east of --

3 MS. FRIEND: I-95.

4 GOVERNOR BUSH: I-95?

5 MS. FRIEND: Exactly.

6 CFO GALLAGHER: Can you turn that map around
7 a little bit so --

8 MS. FRIEND: Sure. What should I do with
9 it?

10 GOVERNOR BUSH: The preserve --

11 CFO GALLAGHER: If you turn it around, I
12 think it's easier.

13 MS. FRIEND: Turn it -- it's up right on the
14 monitors.

15 GOVERNOR BUSH: I think that's north, south,
16 east, west.

17 CFO GALLAGHER: You've got north up?

18 MS. FRIEND: I've got north up, straight up.

19 GOVERNOR BUSH: The preserve, though, abuts
20 the property that is --

21 MS. FRIEND: Exactly. It shares a
22 three-mile boundary with the property, with the

23 CDD property.

24 GOVERNOR BUSH: The jagged --

25 MS. FRIEND: The jagged staircase. There we 13

1 go. It's a big map and a small screen.

2 Okay. Ceremonial Indian mounds and middens,
3 and most recently, a multi-use trail system
4 enjoyed by more and more hikers, equestrians, and
5 bicyclists all the time.

6 So now I have this map. That's really cool.
7 That's neat. Okay. This is the east of I-95
8 parcel of the Stanaki/ICI tract, which is the
9 subject of the Pioneer CDD, and this parcel
10 shares a three-mile boundary with Spruce Creek
11 Preserve. My husband and I have ridden a
12 volunteer patrol on the preserve for the past 20
13 years, and we've gotten to know the east of I-95
14 parcel quite well. The acquisition of the east
15 parcel for preserve inventory would ensure Spruce
16 Creek Preserve's place as an outstanding
17 equestrian destination.

18 Last map. It's the same map, different
19 highlighter. There we go. This is what remains
20 of the tributarial hardwood hammock not yet under
21 preserve protection.

22 GOVERNOR BUSH: Who owns that?

23 MS. FRIEND: The Stanaki -- it's part of the
24 Pioneer CDD.

25 GOVERNOR BUSH: Oh, I'm sorry. That's

14

1 another one of those jags.

2 MS. FRIEND: It's what remains of the
3 tributarial hardwood hammock not yet under
4 preserve protection. And the 60 or so acres of
5 pristine habitat is the same hammock that the
6 east of I-95 alignment of Williamson Boulevard
7 was to have crossed through the middle of until
8 our county council voted seven to nothing to say
9 no to the road.

10 And it's our understanding that the State of
11 Florida and the County of Volusia are in
12 negotiations to acquire the east of I-95 parcel
13 for the public benefit. We are told that the
14 appraisal process is almost complete.

15 Given these facts, I came here to ask how
16 can this CDD petition be granted when the result
17 will surely be to drive up the price of the land?
18 What benefit could the public possibly derive by
19 the granting of tax-exempt status to the
20 developer in this case? I've asked these
21 questions before, but haven't received answers,
22 and that's why I'm here today. And I thank you.

23 GOVERNOR BUSH: Thank you very much. Stick
24 around. Stay close. Why don't you sit up here?

25 MS. TINKER: Thank you, Ms. Friend. The

15

1 next speaker is Tomm Friend.

2 MR. FRIEND: My name is Tomm Friend. I'm
3 with the task force that was formed by Friends of
4 Spruce Creek Preserve. For obvious reasons, I go
5 wherever Lourelle goes. And we've been riding

6 there -- this is another 21-year-old story.

7 Twenty-one years ago, Reid Hughes put down
8 some money on the Oates parcel, and he contacted
9 the Nature Conservancy, and the Nature
10 Conservancy made arrangements with seven
11 municipalities, the Port Authority, Port Orange,
12 et cetera, in that area, and they decided that
13 maybe it would be a good idea to put some of this
14 land away for the future, save a little bit. And
15 they wanted to save what was on the creek, they
16 wanted to save what was wet, and they wanted to
17 save what was water recharge.

18 And from that day forward, this has been --
19 and they then donated that land to the State of
20 Florida. So for 21 years, we've been in a very
21 successful, very pleasant private-public
22 relationship. Every municipality has without
23 exception stood behind the concept of this
24 preserve.

25 A number of years back, Louelle identified

16

1 for the Friends of Spruce Creek, which is a
2 Florida state nonprofit, eight parcels that
3 needed to be included if we were really to pull
4 this off. Three of them, through FCT and all
5 this wonderful cooperation that we've had, have
6 already been acquired. And we met with the
7 owners of the Stanaki parcel, the Zdarsky
8 brothers, on the property, and we convinced them
9 that indeed Florida Forever and Volusia Forever
10 were real, that they had money, and they then

11 said, "Fine. We'll negotiate, and we'll go in",
12 and they entered the program.

13 And the Florida Forever program sent experts
14 to look at the land, Florida State DEP and so
15 forth, and they found that indeed it was
16 appropriate on this low land to finish the
17 preserve and to bring it all the way up to I-95
18 and to cover it. And that's where we thought we
19 were.

20 The original PUD was based on a
21 55-mile-an-hour limited access road, which was
22 denied by Volusia County, so there was no longer
23 any justification for the intensity of
24 development. They're now discussing 2-1/2
25 million square feet of commercial development.

17

1 That's larger than Volusia Mall, which is
2 currently the largest mall in our area. They're
3 doing this in a mature neighborhood that has
4 absolutely no ability to handle the traffic.
5 This, in effect, is a concurrency exemption
6 without a concurrency exemption.

7 The roads that they want to dump onto -- one
8 of the reasons that the original high-speed road
9 was denied is New Smyrna Beach said, "What are we
10 going to do with all this traffic from Ormond,
11 Daytona, Port Orange? You're putting it into a
12 tiny little intersection, you know, where it's
13 inappropriate." And that is why New Smyrna
14 originally voted against and requested that the
15 high-speed road be denied.

16 I don't know what else to say. I would love
17 to hear that you're going to continue our
18 public-private partnership, that we're going to
19 get to complete Spruce Creek Preserve. I know
20 our members, when they build, they don't ask for
21 this kind of enormous rezoning that these people
22 are seeking.

23 Basically, you've never seen us before
24 because we happen to be happy taxpayers. We
25 think that the State has done what it set out to

18

1 do. It has fulfilled the Constitution. This
2 land has been acquired. This preserve has been
3 established. The people are happy. Our members
4 are happy.

5 Thank you.

6 GOVERNOR BUSH: Thank you very much for
7 coming.

8 MS. TINKER: We have one additional local
9 resident, Robert Hurst, representing the
10 Historical Society.

11 GOVERNOR BUSH: Good morning.

12 MR. HURST: Good morning, Governor and
13 members of the Cabinet. I'm Robert Hurst. I'm
14 vice president of the Historical Society of Bay
15 County. I'm --

16 GOVERNOR BUSH: Bay County?

17 CFO GALLAGHER: Bay County?

18 GOVERNOR BUSH: Bay County?

19 MR. HURST: Bay County. Not Volusia County,
20 no.

21 GOVERNOR BUSH: Okay. Well, you're going to
22 have to explain that. That's an interesting --

23 CFO GALLAGHER: This is in Volusia, though;
24 right?

25 MR. HURST: The tract under consideration

19

1 here is in Volusia County; that's correct.

2 I'm an archeologist by education and a
3 merchant by profession. Certainly our cultural
4 resources are to be considered here and are of
5 vital concern, but secondary are our cultural
6 resources.

7 And I want to call your attention to a very
8 important historical site that is on this tract
9 of land. It is the historic Kings Road or Kings
10 Highway. This is probably the most significant
11 road in Florida's history, perhaps next to the
12 Spanish Trail, more correctly called the Federal
13 Military or Bellamy Road. It's characterized by
14 many Floridians as Florida's first highway. It
15 is one of only three historic roads recognized on
16 a national level. The Kings Road was established
17 in 1976 as a national historic civil engineering
18 landmark by the American Society of Civil
19 Engineers.

20 By the way, I have a map of this tract. Is
21 that of interest?

22 GOVERNOR BUSH: Sure.

23 MR. HURST: Would you like to -- okay. This
24 is a topo map, and I've color enhanced it. It
25 does not show the Leeper Spruce Creek Preserve,

20

1 which would be further to the east, but in red, I
2 have indicated --

3 GOVERNOR BUSH: Where would this road be in
4 relation to I-95?

5 MR. HURST: It runs parallel to I-95 and is
6 to the east of there. It pretty much runs
7 parallel. Now, it crosses I-95 up there at the
8 top. And it's pretty much erased on the west
9 side of I-95 already by development. But the
10 portion on the east side of I-95 is the only
11 relatively pristine section of this road left in
12 Volusia County.

13 Why am I interested in this? Well, I've
14 been researching pioneer trails in Florida for
15 many years, and this, of course, is one of the
16 most important ones. It would be great if this
17 road was turned into a greenway or perhaps a
18 trail to be used, and that would preserve its
19 footprint.

20 I might add that property adjacent to
21 greenways, statistics have shown, have increased
22 in value by about 5 percent.

23 I would plead with you all, please, to take
24 this into consideration in whatever decisions you
25 make for the preservation of this road. And if

21

1 nothing else, if it's not turned into a
2 recreational trail, at least let it be utilized
3 as a functioning road for any development that
4 takes place in there. It could be used for that

5 purpose.

6 Thank you very much.

7 GOVERNOR BUSH: Thank you, sir. Thank you
8 for being here.

9 MS. TINKER: The last speaker is Jonathan
10 Johnson representing MHK of Volusia County, who
11 is the petitioner.

12 GOVERNOR BUSH: Good morning.

13 MR. JOHNSON: Good morning, Governor and
14 members of the Cabinet. Jonathan Johnson with
15 Hopping, Green & Sams here today on behalf of MHK
16 Volusia and its parent company, ICI Homes.

17 I wanted to begin today with a brief
18 apology. Mori Hosseini, the chairman of ICI
19 Homes and MHK Volusia, had hoped to be here and
20 was unavoidably detained. However, Mr. Doug
21 Ross, also with MHK Volusia and ICI Homes, is
22 here representing the company.

23 You have heard today and elsewhere in the
24 record of the proceedings below that you should
25 do one of two things, deny the petition or delay

22

1 today's vote, and you've been told you should do
2 it for one of two reasons, either because the
3 development should not occur at all or because
4 you should wait for the potential purchase of
5 some of this property by the Division of State
6 Lands and Volusia County to play out and see what
7 happens.

8 I would like to address those in turn, and
9 I'll start with the consideration of whether to

10 delay today's vote. It's our position that you
11 should not do so, and I would like to put a few
12 facts into the record related to that.

13 As you may know from reviewing the record
14 below, the petition seeking the establishment of
15 this community development district was filed on
16 May 2, 2005. The Division of Administrative
17 Hearings conducted their local public hearing on
18 August 2, 2005, and the administrative law judge
19 issued his order or his report recommending the
20 establishment on September 21, 2005.

21 MHK and Mr. Hosseini have waited patiently
22 while your staff reviewed the entire record, and
23 it was a longer and more voluminous one than most
24 proceedings, understanding their need to be
25 thoughtful. And we've waited patiently while

23

1 they have taken the unusual step of referring the
2 matter to the Division of State Lands.

3 The Division of State Lands issued a letter
4 which you have before you on November 14, 2005,
5 indicating their desire to consider the
6 acquisition of some piece of this property on the
7 eastern boundary of Interstate 95, but also
8 stating that they saw no reason to delay the
9 establishment of the community development
10 district.

11 MHK and Mr. Hosseini have continued to
12 patiently wait until today, which of course is
13 the very last day of May, 2006, almost 13 months
14 from the date the petition was filed. As you

15 know from other CDD proceedings, we would usually
16 have been in front of you in probably December,
17 or January at the very latest, without the
18 additional considerations that have been taken
19 into account.

20 But it is nearly June, and from the
21 perspective of considering delay, I would like to
22 point out just a couple of interesting pieces of
23 information from last week's Jacksonville
24 Business Journal. During the time from the
25 filing of this petition through today's date, the

24

1 price of drywall has increased 24 percent.
2 Copper piping is up 71 percent. Asphalt is up 43
3 percent. Our bankers tell us that the interest
4 rates on tax-exempt bonds typically issued by
5 special districts have increased over 40 basis
6 points.

7 From our perspective, it's not simply a
8 matter of whether another 30 or 45 days is
9 appropriate. It's a matter of 30 or 45 days plus
10 the additional six months beyond the usual
11 process which we have noted on this project,
12 especially when, in this case, it's not a matter
13 of whether the development will occur or not.
14 That's not the decision before you. The property
15 is the subject of an existing planned unit
16 development approval adopted by the City of Port
17 Orange.

18 GOVERNOR BUSH: Let's go through that for a
19 second. When was the PUD granted?

20 MR. JOHNSON: The PUD was initially granted
21 by Volusia County prior to the annexation and has
22 been amended and adopted by the City of Port
23 Orange. Mr. Ross can give us the dates
24 associated with that.

25 MR. ROSS: The initial PUD was granted, I

25

1 believe, around 1996, 1997, and there was an
2 amendment when the road alignment was made for
3 Williamson around 2000 and --

4 GOVERNOR BUSH: So the landowner went
5 through the development process and got his
6 development, all the rights --

7 MR. ROSS: Yes, sir. When we purchased the
8 property, the PUD was already in place.

9 GOVERNOR BUSH: Okay. Eva, are you about
10 ready to answer -- you know what my question is
11 going to be, don't you? Oh, Colleen is going to
12 answer it?

13 MR. JOHNSON: And just briefly diverting to
14 the notion -- to the comments made regarding
15 archaeological resources, I would note that in
16 conjunction with the development under that PUD
17 and the approval of plans and permits that are
18 ongoing, the site has been examined by Breedlove,
19 Dennis & Associates, our environmental and
20 archaeological consultant, who did not find any
21 significant archeological sites.

22 GOVERNOR BUSH: How about Kings Road?

23 MR. JOHNSON: We're unaware of any
24 allegations that the Kings Road runs through this

25

property until today. And again, the reports

26

1 that we have back and that have been on file with
2 the City and the Water Management District do not
3 indicate the presence of that site.

4 GOVERNOR BUSH: It either is or it isn't. I
5 mean, it shouldn't be that hard. Is like
6 underground or something?

7 MR. JOHNSON: I would simply say that I
8 think there's some confusion, perhaps that those
9 archaeological sites may be nearby, but they're
10 not located upon our property.

11 GOVERNOR BUSH: Okay.

12 MR. JOHNSON: In short, the reasons that
13 you've heard today to deny the petition based
14 upon development fall squarely within the Section
15 190.002 prohibition, which states that matters
16 related to the planning and permitting of
17 development are not relevant to your decision
18 here today.

19 We further believe that there's no basis for
20 linking the potential purchase of a portion of
21 these lands by the State of Florida and/or
22 Volusia County to your decision today to
23 establish the Pioneer Community Development
24 District. There's no basis in Chapter 190, and
25 there's no basis in the State Comprehensive Plan.

27

1 Having said that, Mr. Hosseini has asked me
2 to be very clear that he is a willing negotiant,

3 and he has said time and time again that he will
4 entertain reasonable offers and will come to the
5 bargaining table to discuss the potential
6 acquisition of that property. We're aware of the
7 appraisals that are ongoing and the basis for
8 those appraisals.

9 But I've also been asked to be quite clear
10 that given what we feel is an inappropriate
11 linkage that has been urged upon you, further
12 delay and linkage of that matter with the state
13 land purchase would turn Mr. Hosseini from a very
14 willing negotiant into an unwilling seller, and
15 we think that everybody loses in that instance.

16 We think that the appropriate thing to do
17 today is to move forward with the establishment
18 of the community development district. We've
19 committed to you that we will continue to come to
20 the bargaining table to discuss the state land
21 acquisition when and if the offer is made, and we
22 would ask for your support of the petition.

23 Thank you.

24 GOVERNOR BUSH: All right. Thank you.

25 Colleen?

28

1 MS. CASTILLE: Governor, we have been in --
2 in 2003, we put this property on the list for
3 acquisition. And we have been working with
4 Volusia County, who is actually one of our best
5 acquisition partners, and they have been the lead
6 in the negotiation. The last offer that we made
7 to Mr. Stanaki was on January 14, 2004, which was

8 100 percent of appraised value, and he declined
9 that offer.

10 CFO GALLAGHER: That was 6,000 an acre?

11 MS. CASTILLE: We were trying not to say how
12 much that was in a public venue. But was it
13 6,000 an acre?

14 It was higher than that. It was much higher
15 than that.

16 GOVERNOR BUSH: Much higher? Is that what
17 you --

18 MS. CASTILLE: Let me continue another
19 issue. Mr. Hosseini recently closed on the 244
20 acres on the other side of I-95, and he paid
21 17,000 an acre on that piece of property. I
22 don't happen to know what the development
23 entitlements were on that piece of property,
24 however.

25 Do you know, Eva, on the west property?

29

1 CFO GALLAGHER: Well, the bottom line is,
2 he's willing to negotiate, and you all are in the
3 process of coming up with an offer, so that's
4 really where we are.

5 MS. CASTILLE: We are. And there is -- we
6 had a letter that -- we had asked the appraiser
7 whether he thought the property was more valuable
8 with the CDD. In this one appraiser's opinion,
9 he says yes, but --

10 GOVERNOR BUSH: What do you say?

11 MS. CASTILLE: I don't think so. I mean, in
12 all of my years in dealing with CDDs, it's a

13 financing arrangement, not necessarily a
14 development approval.

15 GOVERNOR BUSH: Well, the only benefit would
16 be the tax-exempt status of the financing.

17 MS. CASTILLE: Right.

18 GOVERNOR BUSH: There is value there in some
19 marginal --

20 CFO GALLAGHER: Well, there's value there,
21 but the other side of it is that there's the
22 issue of, if we would buy part of it, obviously,
23 we're not going to be contributing as the owner
24 to the CDD.

25 MS. CASTILLE: We would ask that the CDD be

30

1 amended to take our property out of it.

2 CFO GALLAGHER: Exactly. So you at that
3 point -- I mean, somebody is going to have pay,
4 whoever owns the property, or if we own it, we
5 don't pay, so --

6 GOVERNOR BUSH: Or we purchase before the
7 closing.

8 MS. CASTILLE: Yes.

9 GOVERNOR BUSH: He doesn't own the property
10 yet. I think it's under contract, isn't it?
11 Isn't this under option?

12 MS. CASTILLE: Mr. Hosseini? Is this a
13 representative of MHK?

14 ATTORNEY GENERAL CRIST: So we need to try
15 to get his done before there's a closing.

16 MR. JOHNSON: The property in its entirety
17 is subject to a purchase agreement. It's on a

18 rolling take-down, so technically it's not an
19 option. We have closed on a portion of it, but
20 we do have a contract on the whole piece.

21 CFO GALLAGHER: Well, would we be able to
22 quite possibly take advantage of the contract and
23 be the buyer at the closing as opposed to running
24 it through --

25 MR. JOHNSON: I think that's certainly an

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1 option that could be put on the table for
2 consideration as a part of those negotiations.

3 CFO GALLAGHER: Because my feeling is that
4 you negotiated the best deal you could get, you
5 know, probably better than we could negotiate,
6 considering what you're doing with it. You know,
7 if we could take over that and buy it, I would
8 feel comfortable with that price, because it's
9 certainly -- it's better than our appraisers.
10 It's a real price that somebody is willing to pay
11 for it, you know, now.

12 MS. CASTILLE: I would like -- excuse me. I
13 would like to ask the representative of MHK if
14 you believe whether the CDD increases the value
15 of the property or not.

16 GOVERNOR BUSH: Why would they --

17 MR. JOHNSON: I think that a community
18 development district provides a means, but not
19 necessarily a requirement to finance
20 infrastructure in a particular way. So I think
21 it's hard to place a value upon that, because at
22 the end of the day, the value of a community

23 development district over a piece of property is
24 going to be very different, depending upon the
25 purchaser and the intended use. There are

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1 developers and builders in the state who would
2 find that advantageous, and there are others who
3 would prefer that their property not be within
4 there, so that's not an objective --

5 GOVERNOR BUSH: Was that a yes or a no?

6 CFO GALLAGHER: Is that yes or no?

7 MR. JOHNSON: I think it's a maybe.

8 GOVERNOR BUSH: Commissioner Bronson.

9 MR. JOHNSON: But I think it's unlikely that
10 most appraisals -- at least I have seen a number
11 of appraisals that do not take that into account
12 in determining the actual value when purchasing
13 property that is located within a CDD.

14 GOVERNOR BUSH: Commissioner Bronson.

15 COMMISSIONER BRONSON: Well, I had a couple
16 of questions too. One, I'm confused about
17 exactly where the historic properties are in
18 comparison to where the development is going to
19 be. Is it on the property, off the property?
20 I'm a little confused about what we were
21 listening to, because I kept hearing the west
22 side of 95 and then the east side of 95. So
23 those are issues that I would like to make sure
24 of.

25 And secondly, as far as the value, even with

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1 the development, if the State were to purchase

2 the historic sites, let's say, if a deal was
3 worked out there, that still increases, I would
4 think, the property value to some extent because
5 of its historic component next to any type of
6 development that would be going in, much like a
7 forest or a state park next to a development
8 generally increases the value.

9 GOVERNOR BUSH: Let's remember that the land
10 use decisions, we're not -- thank God, we're not
11 involved in the decision-making, because that
12 would really make --

13 COMMISSIONER BRONSON: The historic
14 component does --

15 GOVERNOR BUSH: Governor Jennings would be
16 in charge. I would be back in Miami, because I'm
17 not sure that's -- that's not our mission here.
18 But as it relates to the purchase of the
19 property, these are all valid questions.

20 You had a comment, sir?

21 MR. FRIEND: The Kings Highway --

22 GOVERNOR BUSH: Get next to the microphone.
23 It won't hurt you.

24 MR. FRIEND: Just to answer your question,
25 the Kings Highway is plainly visible from

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1 aeri als. You can just see it. It's still there.
2 It's been there. It's always been there. And
3 what Bob was trying to show is that on his 1800s
4 maps it's there, and if you look at today's
5 aeri als, it's still there.

6 A brief misstatement from my learned
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7 opponent. Judge --
8 GOVERNOR BUSH: He's not your opponent.
9 We're not -- thank God, we're not the County
10 Commission or the City Council. He might have
11 been your opponent then, but not here.
12 MR. FRIEND: Judge Johnston did indicate
13 that if the State wished to acquire the property,
14 that even though they were entitled to a CDD,
15 that it should be rethought. He said that three
16 times in his, you know, final summation.
17 GOVERNOR BUSH: Well, if the State did buy
18 the property, it would have to be modified by the
19 land that was purchased, I assume.
20 MR. FRIEND: Right.
21 CFO GALLAGHER: Let me just get clear here.
22 I see this PUD outline. Is that all of this?
23 MR. FRIEND: Yes.
24 CFO GALLAGHER: Okay. And so the land that
25 we're looking at buying is where? It's not in

35

1 here?
2 GOVERNOR BUSH: It's on the east side.
3 MR. FRIEND: It's east of I-95.
4 CFO GALLAGHER: Okay. So this is -- is that
5 I-95 right there?
6 MR. FRIEND: Yes.
7 GOVERNOR BUSH: Yes. This is north, and
8 this is east. It's this jagged --
9 MR. FRIEND: So it's east of I-95.
10 CFO GALLAGHER: But right now, this has
11 plans for housing?

12 MR. FRIEND: 450 homes, 25 acres commercial,
13 many, many things. And they're using the fact of
14 this infrastructure to try and get an I-95
15 interchange as well, and two and a half million
16 square feet of commercial.

17 CFO GALLAGHER: So what we and the State are
18 interested in is everything east of I-95?

19 MR. FRIEND: Correct. That's what --

20 GOVERNOR BUSH: Well, let's get -- Colleen,
21 let's try to get a little control back here for a
22 second. Colleen, the purchase of the property
23 under consideration, one of the people that came
24 from Volusia County to speak, the nice woman, the
25 first lady that spoke --

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1 MS. CASTILLE: Ms. Friend.

2 GOVERNOR BUSH: -- mentioned that there was
3 a hammock that was not the full amount of the
4 property east of I-95, but a portion of it, and
5 she pointed that out on her map. Is our strategy
6 to -- I know you don't want to do this publicly,
7 but is our strategy to purchase the entire east
8 of I-95 or the portion that would be --

9 MS. CASTILLE: I'll have to look at our map.

10 GOVERNOR BUSH: -- that creek and the
11 hammock?

12 MS. CASTILLE: Let me ask Mike Herran. He's
13 our appraiser.

14 We're looking at several options, and that
15 is one of them.

16 (Laughter.)

17 CFO GALLAGHER: Good definitive answer. But
18 all of those options are east of 95; is that
19 correct?

20 MS. CASTILLE: Yes, sir, all of them are
21 east of 95.

22 CFO GALLAGHER: That will help.

23 MS. CASTILLE: And the most preferential is
24 the one north so that we keep the boundary as we
25 start from the north and go south.

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1 CFO GALLAGHER: Well, but not this piece
2 over here, because it's on the other side of 95?

3 MS. CASTILLE: You know, this is the first
4 time I've ever seen this map before.

5 MR. FRIEND: That's on the other side.

6 CFO GALLAGHER: So that's on the other side,
7 so that's not -- okay. So we're talking about
8 all this over here.

9 MS. CASTILLE: Yes.

10 CFO GALLAGHER: Or a part of it that's
11 important to us.

12 MS. CASTILLE: Yes.

13 CFO GALLAGHER: All right.

14 MR. FRIEND: The City of Port Orange stated
15 that they were unable to provide police or fire
16 to the eastern, northeastern portion.

17 GOVERNOR BUSH: Then why did they grant the
18 development rights?

19 MR. FRIEND: You know, when I spoke to Ken
20 Parker, who is city manager, he said, "I wish we
21 had never done it."

22 GOVERNOR BUSH: But they did.

23 MR. FRIEND: They gave them only five years.

24 GOVERNOR BUSH: I know, but, see, that's our
25 dilemma here. And you have every right to come

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1 and express your opinion, which we're grateful
2 for, because it adds a little context to what the
3 discussion here is. But our discussion today is
4 focused on whether or not a CDD is going to be
5 approved after a judge has already made that
6 ruling, and it's the county's and other
7 departments of state government's responsibility
8 to determine whether the development rights
9 should be granted. It's that simple.

10 CFO GALLAGHER: The CDD doesn't allow you to
11 build anything. It just allows you to tax
12 people.

13 MR. FRIEND: Okay. But as you said, it
14 should have been dealt with at the county level,
15 and I agree with you 100 percent. There have
16 been no hearings at the county level. The only
17 hearing that was held at the Port Orange level
18 was the administrative law judge, who said, "I'm
19 only here to decide whether the application is
20 filled out right. Other comments will be just
21 comments."

22 GOVERNOR BUSH: Well, the development rights
23 were granted a while back.

24 Teresa?

25 MR. FRIEND: That was a long time ago.

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1 CFO GALLAGHER: Teresa? There she is.
2 Stand up.

3 GOVERNOR BUSH: Thank you, sir.

4 MR. FRIEND: Thank you.

5 GOVERNOR BUSH: Explain where we are in the
6 process and what our responsibilities are.

7 MS. TINKER: You have a request to establish
8 the community development district. There are no
9 development rights that would be granted or
10 denied today, you know, irrespective --

11 GOVERNOR BUSH: We're already there.

12 MS. TINKER: -- of what your decision is.
13 Development has been approved at the local level.
14 There is a planned unit development already
15 approved for this property.

16 450 acres are on the CARL list to be
17 purchased. They're on the priority list. DEP is
18 in active negotiations to purchase all or a
19 portion of those properties. Those negotiations
20 will continue irrespective of your decision today
21 to create the CDD.

22 If at some point in time the State does
23 purchase that land and you have actually
24 authorized the creation of the CDD, we can come
25 back and amend the boundaries to remove any

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1 portions of land that the State might purchase in
2 the future from the community development
3 district. It's a very simple process to do that.

4 CFO GALLAGHER: And just to clarify in my

5 head, one of the things I was thinking about is,
6 okay, if the State buys some of this, then that's
7 less assessment for the development to put in the
8 water, sewer, and all the amenities they want to
9 do. But at the same time, they're not going to
10 be putting water and sewer and everything in this
11 part anyway, so everybody is sort of paying their
12 own way, so it's really a wash on whether it
13 hurts or helps the district, short of the fact
14 that there's some houses you don't build.

15 GOVERNOR BUSH: And if it doesn't, if it's
16 not a wash, the developer has the right not to
17 establish the CDD.

18 CFO GALLAGHER: Right. This is just the
19 authority. He can not do it.

20 MS. TINKER: He could not move forward,
21 that's right.

22 GOVERNOR BUSH: My biggest concern on these
23 issues relates to our lack of agility or lack
24 of agility to be an aggressive purchaser of these
25 properties before rights are embedded in the

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1 property. But in this case, I guess I can't
2 scold Colleen, because those rights were granted
3 before --

4 CFO GALLAGHER: Way back.

5 MS. TINKER: And also, just to be clear, the
6 administrative law judge in the final
7 recommendation to the Administration Commission
8 found that, and I'll just read verbatim, "Based
9 on the record evidence as supplemented and

10 corrected, the petition appears to meet all
11 statutory requirements, and there appears to be
12 no compelling reason not to grant the petition as
13 supplemented and corrected and establish the
14 proposed Pioneer Community Development District
15 by rule, unless establishment would be at odds
16 with state plans to purchase the 450 acres east
17 of I-95," which is why we took the additional
18 time to work with State Lands to determine
19 whether in fact establishing the CDD would be at
20 odds with any potential acquisition of that
21 property, and we do not believe that it would be.

22 GOVERNOR BUSH: Okay. Any other discussion?
23 There's a motion and a second. All in favor say
24 aye.

25 (Simultaneous affirmative responses.)

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1 GOVERNOR BUSH: All opposed?

2 Sir, can you visit with the developer just
3 to give your information to them, because I'm
4 surprised that your historical information --
5 they looked very surprised to see it, so --

6 MR. HURST: That's what I understand. The
7 point was made that there were no historical
8 sites found on this tract. I have a 1835 survey
9 that shows the Kings Road on this tract, and it's
10 labeled Kings Road.

11 GOVERNOR BUSH: Well, maybe just while you
12 all are together, you can discuss it.

13 CFO GALLAGHER: And I'm sure they're
14 interested in seeing it, because local

15 governments all of a sudden stop development --

16 GOVERNOR BUSH: Like Indian mounds.

17 CFO GALLAGHER: Yes, like Indian mounds and
18 the little issue we had in Miami on the river.

19 COMMISSIONER BRONSON: An expensive little
20 issue.

21 CFO GALLAGHER: Internal Improvement Trust
22 Fund.

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1 GOVERNOR BUSH: Board of Trustees of the
2 Internal Improvement Trust Fund. Secretary
3 Castille, good morning again.

4 MS. CASTILLE: Good morning, Governor and
5 members of the Cabinet.

6 Item 1 is a request from the Jacksonville
7 Port Authority for a 25-year sovereignty
8 submerged land lease containing 9.05 acres. It
9 also includes a letter of consent for dredging a
10 public channel, authorization for severance of
11 1.5 million cubic yards of sovereignty submerged
12 land, a letter of consent for placement of a
13 700-foot-long riprap revetment along the
14 shoreline, and acceptance of a donation of 1.25
15 acres of submerged land created from excavation
16 of the upland property.

17 The Jacksonville Port Authority is proposing
18 to build a new cargo facility just west of Blount
19 Island on the St. Johns River. The terminal will

20 be on 165 acres of undeveloped land on Dames
21 Point peninsula along the river. The terminal
22 will accommodate Panamax vessels which also
23 traverse the Panama Canal and will introduce a
24 direct trade route with Asia.

25 There is a considerable economic impact of

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1 the Dames Point container terminal of 1,647 jobs
2 and over \$33 million in state and local taxes, as
3 well as other --

4 GOVERNOR BUSH: Is this the Mitsui
5 investment?

6 MS. CASTILLE: Mitsui, yes, it is.

7 GOVERNOR BUSH: Anybody here that wants
8 to --

9 MS. CASTILLE: We do have a couple of people
10 here. We have Frederick Ferrin, who is the
11 executive director of the Jacksonville Port
12 Authority. Mr. Ferrin, would you like to come up
13 and say a few words?

14 MR. FERRIN: Governor and members of the
15 Cabinet, thank you very much for giving me a
16 moment just to speak. This is truly a momentous
17 occasion for us. The development of the TraPac
18 terminal in Jacksonville is probably the single
19 largest business development item since the
20 inception of the Jacksonville Port Authority in
21 1963.

22 I would just like to take a moment here, if
23 I could, to thank a number of people who have
24 been very instrumental in moving this project

25 forward. We will actually initiate construction

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1 here at the end of the summer and early fall and
2 open the terminal in Jacksonville in probably
3 December of 2008, or at the very -- excuse me,
4 2007 or January of 2008.

5 This project brings to northeast Florida and
6 to Jacksonville a tremendous economic benefit.
7 We are talking, just with this one project, the
8 establishment of about 56 to 57 hundred new jobs
9 in the Jacksonville region. And the economic
10 benefit to Jacksonville and the region is over
11 \$900 million per year, so you can see what a
12 tremendous asset this will be to the economic
13 stability and vitality of the region.

14 But I would like to thank the Cabinet
15 members and their aides for the time that they
16 have taken in reviewing this project.

17 I would also like to especially thank the
18 Secretary of Transportation, Denver Stutler, for
19 his involvement and his staff's involvement and
20 their ongoing participation in this project.

21 I would especially like to thank the Florida
22 Department of Environmental Protection, and
23 especially the local office, for being very good
24 and very fine stewards for the State and also
25 very cooperative as partners with the

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1 Jacksonville Port Authority in permitting this
2 project and making sure that it is a project that
3 will be sustainable and will serve us well

4 economically and environmentally for years to
5 come.

6 And I would also like to thank our partner,
7 Mitsui O.S.K. Lines, and TraPac, their terminal
8 operator.

9 And, Governor, today I have two individuals
10 here that I would like to introduce to you, Scott
11 Axelson, who is the vice president for
12 development for TraPac -- and, Scott, if you
13 would stand up -- and Dennis Kelly, who is the
14 vice president, the regional vice president for
15 operations and a new resident of Jacksonville.
16 He will be operating the region and also
17 overseeing the operations of the terminal when we
18 open for business in 2007.

19 GOVERNOR BUSH: TraPac is not a subsidiary
20 of Mitsui?

21 MR. FERRIN: TraPac is owned entirely by
22 Mitsui O.S.K. and is their terminal operator.

23 GOVERNOR BUSH: Haven't had any opposition
24 of owning -- having a terminal be owned by a
25 foreign entity?

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1 MR. FERRIN: No, Governor, we haven't.

2 GOVERNOR BUSH: You shouldn't either. It
3 just angers me that we had to have that debate a
4 few months ago.

5 MR. FERRIN: Absolutely.

6 GOVERNOR BUSH: When you see the billions of
7 dollars that are being invested that create these
8 jobs, we should be grateful rather than

9 xenophobic. One man's opinion.

10 MR. FERRIN: And in summation, I would --

11 GOVERNOR BUSH: And a minority opinion,
12 apparently.

13 (Laughter.)

14 MR. FERRIN: Not with us. But again, thank
15 you very much, and thanks to your Cabinet and to
16 all of the officers who have helped make this a
17 reality for Jacksonville.

18 GOVERNOR BUSH: If someone came of the scale
19 of Mitsui again to your port and said, "We're
20 considering Savannah, and we're considering
21 Jacksonville for a major expansion of our trading
22 operations," is there more room for expansion?

23 MR. FERRIN: If Mitsui O.S.K. were filled,
24 if they were operating at capacity, which will
25 probably be somewhere in the neighborhood of a

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1 million containers a year, that would boost our
2 annual throughput up to about 1.8 million
3 containers per year.

4 GOVERNOR BUSH: So Mitsui will double your
5 -- more than double your capacity at full
6 capacity.

7 MR. FERRIN: Exactly, exactly. At that
8 point, we would be almost out of space, so that's
9 why we continue to look for available property
10 along the riverfront that is appropriately zoned
11 so that we can continue --

12 GOVERNOR BUSH: But there is the possibility
13 of additional --

14 MR. FERRIN: Absolutely. What we have
15 found, Governor, is that with the advent of
16 TraPac and Mitsui O.S.K. coming to Jacksonville,
17 there are a number of other Asian carriers and
18 foreign carriers who have indicated tremendous
19 interest in establishing a hub in Jacksonville.

20 GOVERNOR BUSH: We're excited about it.

21 COMMISSIONER BRONSON: Motion on Item 1.

22 ATTORNEY GENERAL CRIST: Second.

23 GOVERNOR BUSH: There's a motion and a
24 second. Any other presenters?

25 MS. CASTILLE: I would like to just make a

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1 final comment, that when TraPac and the Port came
2 to the district to begin negotiations on this,
3 their original plan had impact to 11 acres of
4 sovereignty submerged land, and they reduced that
5 to a net gain of 1.25 acres of sovereignty
6 submerged land that they will turn over to us and
7 put it in our district, in our ownership. And so
8 they have been great partners. They are doing
9 the same amount of work on the 800 acres of
10 Blount Island on 162 acres, so it's a very
11 efficient operation as well.

12 GOVERNOR BUSH: There's a motion and a
13 second. Without objection, the item passes.

14 Thank you all. Good luck.

15 MS. CASTILLE: Item 2 is the City of
16 Marathon Boot Key Harbor. Governor and members
17 of the Cabinet, this is an application for a
18 10-year sovereignty submerged land lease for

19 approximately 80 acres for a managed municipal
20 mooring field and anchorage and a waiver of the
21 lease fees.

22 The City is proposing -- the City of
23 Marathon is proposing to create a 62-acre mooring
24 field consisting of two lease areas and an
25 18-acre anchorage area. The mooring field will

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1 contain 164 mooring spaces. The anchorage
2 additionally will contain 45 anchorage spaces,
3 depending upon the season and vessel length, for
4 overnight stays of less than 30 days.

5 GOVERNOR BUSH: There's a motion and a
6 second. Do we have any speakers?

7 MS. CASTILLE: The assistant city manager,
8 C. J. Geotis, is here, but I don't believe he
9 wants to speak. He's just looking for an
10 approval.

11 GOVERNOR BUSH: Oh, come on. This is a well
12 done -- this was well done by the City and DEP, I
13 think.

14 MS. CASTILLE: Thank you, sir. It truly is.
15 We were beginning to see significant degradation
16 to the harbor from unregulated --

17 GOVERNOR BUSH: Let the record show I caught
18 a 40-pound tarpon last Saturday on a 10-pound
19 test line in Florida Bay, so we want to make sure
20 those waters are nice and clean.

21 (Laughter.)

22 MS. CASTILLE: Congratulations, sir.

23 GOVERNOR BUSH: And you know those -- what's

24 the name of the birds, the rosy spoon --

25 MS. CASTILLE: Ibis, or spoonbill?

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1 GOVERNOR BUSH: Yes. There were a hundred
2 of them in a flock flying over our -- I've never
3 seen anything like it. It was the most
4 spectacular -- it was even better than catching a
5 40-pound tarpon.

6 MS. CASTILLE: Well, due to the --

7 GOVERNOR BUSH: And they are a leading
8 indicator, aren't they?

9 MS. CASTILLE: They are, sir. Due to the
10 very dogged efforts of our friend, Mike Collins,
11 we have changed the water management of fresh and
12 salt water in that area, and the spoonbills have
13 come back.

14 GOVERNOR BUSH: It's funny you should bring
15 his name up.

16 MS. CASTILLE: Pardon me, sir?

17 GOVERNOR BUSH: He was the one that got me
18 on top of the fish.

19 All right. There's a motion and a second.
20 Any discussion? Without objection, the item
21 passes.

22 MS. CASTILLE: Item 3 is Cineret, the Jockey
23 Club, an application for a lease modification to
24 allow liveboards at the facility, not to exceed
25 six months, due to the nature of the moored

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1 vessel s, which are megayachts which require

2 full-time crews, and removal of a special lease
3 condition which requires a minimum of 90 percent
4 of the slips of the facility be made available
5 for rent to the public on a first-come,
6 first-served basis.

7 CFO GALLAGHER: Motion on 2.

8 ATTORNEY GENERAL CRIST: Second.

9 MS. CASTILLE: I would like to recognize the
10 company for coming forward when it realized that
11 it was not consistent with the lease on their own
12 to let us know.

13 CFO GALLAGHER: Good job.

14 GOVERNOR BUSH: There's a motion and a
15 second. Any discussion?

16 Without objection, the item passes.

17 MS. CASTILLE: And also, Governor and
18 members of the Cabinet, if you remember, we had
19 an additional audit position to begin auditing
20 the leases, and since that time, which was a
21 little less than a year ago, we have increased
22 revenues by \$400,000.

23 CFO GALLAGHER: What are you doing with all
24 the money?

25 MS. CASTILLE: We have that in the trust

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1 fund, and we work that on an annual basis.

2 GOVERNOR BUSH: She's saving it for the next
3 Governor to sweep it in times of difficulty.

4 MS. CASTILLE: Did we get a vote on that?

5 GOVERNOR BUSH: Yes, we did.

6 MS. CASTILLE: Okay.

7 GOVERNOR BUSH: I think.
8 CFO GALLAGHER: We're on 4.
9 GOVERNOR BUSH: We're on Item 4.
10 MS. CASTILLE: Okay. Item 4 is a Rybovich
11 lease, which we would like to defer until the
12 next meeting.
13 GOVERNOR BUSH: There's a motion to defer?
14 COMMISSIONER BRONSON: Motion to defer.
15 CFO GALLAGHER: Are we renegotiating that?
16 MS. CASTILLE: Pardon?
17 CFO GALLAGHER: Are we renegotiating this
18 deal?
19 MS. CASTILLE: I'm not sure what the problem
20 is. We had an agreement.
21 MS. ARMSTRONG: It's mitigation issues.
22 MS. CASTILLE: It's in litigation?
23 MS. ARMSTRONG: Mitigation issues.
24 MS. CASTILLE: Oh, there are mitigation
25 issues that are deferring the issue.

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1 CFO GALLAGHER: Don't get too greedy on
2 that.
3 GOVERNOR BUSH: There's a motion to defer.
4 ATTORNEY GENERAL CRIST: Second.
5 GOVERNOR BUSH: And a second. Without
6 objection, the item is deferred.
7 MS. CASTILLE: Item 5 is an amendment of the
8 purchase agreement, amendment for Babcock Ranch.
9 This is an amendment to the purchase
10 agreement between the Board of Trustees, Florida
11 Fish and Wildlife Conservation Commission, the

12 Department of Agriculture, Lee County, Florida,
13 and MSKP III, Inc. This is a reflection of
14 changing some of the boundaries to make it easier
15 and less expensive to do the surveys, and also to
16 reflect a 300-foot right-of-way to be given to
17 the Florida Department of Transportation for
18 State Road 31 expansion.

19 Additionally, there is a change for Lee
20 County which lifts the cap of their contribution
21 from \$40 million to whatever price it takes to
22 buy the section of land that is in Lee County.

23 GOVERNOR BUSH: How's --

24 CFO GALLAGHER: Motion on 5. I'm sorry.

25 GOVERNOR BUSH: That's okay. There's a

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1 motion.

2 ATTORNEY GENERAL CRIST: Second.

3 COMMISSIONER BRONSON: Second.

4 GOVERNOR BUSH: Is there a second? How --
5 is there an unanswered item here with Lee County?

6 MS. CASTILLE: I don't believe there is.

7 GOVERNOR BUSH: So what --

8 MS. CASTILLE: The contract that we had
9 called for a cap of a \$40 million contribution to
10 buy the Lee County portion, and Lee County wants
11 to buy it all rather than to have the \$40 million
12 cap. So if it's 41 million or \$42 million to buy
13 all of that land on the deal that they --

14 GOVERNOR BUSH: But our contribution --

15 MS. CASTILLE: Our contribution remains the
16 same.

17 GOVERNOR BUSH: It remains what's
18 appropriated, and it is enough to make this deal
19 work?

20 MS. CASTILLE: Yes, it is, and Mr. Kitson is
21 here to confirm that.

22 CFO GALLAGHER: I have a question. Tell me
23 why we're moving the references to be State's
24 purchase price instead of Board of Trustees'
25 purchase price? What's the significance of the

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1 change?

2 GOVERNOR BUSH: Legislation, statute.

3 MS. CASTILLE: Changing the wording from
4 Board of Trustees to State?

5 MS. STOCKWELL: The original contract
6 provided for three contributions, one from the
7 Board of Trustees' share of Florida Forever, one
8 from Fish and Wildlife's share of Florida
9 Forever, and one from Forestry's share of Florida
10 Forever. With the appropriation and the recent
11 litigation, which was in addition to the Florida
12 Forever appropriation for each of these three
13 agencies, we no longer have to take the purchase
14 price out of our three shares of Florida Forever.
15 It's in addition to, so we just renamed it the
16 State's.

17 CFO GALLAGHER: Got you. Okay. It was a
18 matter of how we're paying for it. Thank you.

19 GOVERNOR BUSH: When are we signing the law,
20 the bill?

21 MS. CASTILLE: The 19th of June.

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GOVERNOR BUSH: Down south?

MS. CASTILLE: Down south, yes, on the property.

GOVERNOR BUSH: Get the bug spray out.

CFO GALLAGHER: Going to be outside, huh?

GOVERNOR BUSH: Let's find a really good swamp.

CFO GALLAGHER: Better than August.

GOVERNOR BUSH: This is exciting.

MS. CASTILLE: It is very exciting.

GOVERNOR BUSH: I appreciate the Legislature --

CFO GALLAGHER: It's a biggie.

MS. CASTILLE: It was a huge deal. It is the most significant acquisition of the State's land acquisition process, I think, ever.

GOVERNOR BUSH: Since Ponce de Leon.

MS. CASTILLE: Ever.

CFO GALLAGHER: We have a motion on 5.

GOVERNOR BUSH: All right. There's a motion and -- 1527? 1513. Excuse me. There's a motion and a second. Without objection, the item passes.

MS. CASTILLE: Thank you, Governor and members of the Cabinet.

GOVERNOR BUSH: See you later. See you on the 19th. We'll be doing it.

CFO GALLAGHER: I move to defer 6.

MS. CASTILLE: Can you hold on one second,

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1 because --

2 CFO GALLAGHER: Oh, you got a deal?

3 MS. CASTILLE: -- they were negotiating

4 while we were talking, and I want to make sure.

5 Are we deferring, or are we going to --

6 MS. ARMSTRONG: We're deferring.

7 MS. CASTILLE: We're going to defer.

8 MS. ARMSTRONG: But we're close.

9 MS. CASTILLE: But we're close. Maybe we

10 can do Item 7 and then they'll --

11 GOVERNOR BUSH: How much time do you need?

12 MS. ARMSTRONG: We need two weeks.

13 MS. CASTILLE: They need two weeks.

14 CFO GALLAGHER: They ought to be able to do

15 it by then. Defer to the next meeting.

16 GOVERNOR BUSH: There's a motion to defer

17 Item 6 and a second. The item will be deferred

18 for two weeks until the next Cabinet meeting.

19 MS. CASTILLE: Item 7.

20 GOVERNOR BUSH: Without objection, the item

21 is deferred.

22 MS. CASTILLE: Item 7 is Palm Beach County

23 School Board. This is a request to modify a deed

24 restriction approved by the Board of Trustees

25 that conveyed 19.77 acres of state-owned land to

1 the Board of Public Instruction in Palm Beach

2 County.

3 CFO GALLAGHER: Motion on 7.

4 ATTORNEY GENERAL CRIST: Second.

5 GOVERNOR BUSH: There's a motion and a

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second. Without objection, the item passes.

MS. CASTILLE: Item 8. Governor and members of the Cabinet, we sent a good cause item over to you last week. This is a request to pay specific closing costs in lieu of litigation and related to a purchase and sale agreement between the Board of Trustees and Sunland I, LLC and Sunland II, LLC for the purchase of 25.36 acres.

CFO GALLAGHER: Motion on 8, good cause.

COMMISSIONER BRONSON: Second.

GOVERNOR BUSH: There's a motion and a second. Without objection, the item passes.

MS. CASTILLE: Thank you. And we will have closing today. That concludes our agenda. Thank you, sir.

GOVERNOR BUSH: Thank you, Colleen.

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GOVERNOR BUSH: State Board of Administration.

CFO GALLAGHER: Motion on the minutes.

ATTORNEY GENERAL CRIST: Second.

GOVERNOR BUSH: There's a motion and a second. Without objection, Item 1 passes. Where is Coleman?

CFO GALLAGHER: He's here, or he was. He was standing in the back. There's Jack. Jack is here. Coleman was here too.

11 GOVERNOR BUSH: Item 2.

12 CFO GALLAGHER: Here he comes.

13 GOVERNOR BUSH: Item 2.

14 MR. STIPANOVICH: That went quick. Thank
15 you, Governor. Just give me a moment, please.

16 GOVERNOR BUSH: Item 2.

17 MR. STIPANOVICH: Item 2 is a --

18 GOVERNOR BUSH: Budget.

19 MR. STIPANOVICH: Budget, right. Okay. I'm
20 sorry, Governor. You caught me off guard. The
21 agenda went a little quicker than I thought it
22 would.

23 Item 2 is the SBA's budget proposal for
24 '06-07, and under this agenda item we have five
25 budget proposals that require your approval. The

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1 budgets are for the SBA Pension Fund, the SBA
2 Defined Contribution Fund, the Florida Hurricane
3 Catastrophe Fund, the Division of Bond Finance,
4 and the Florida Prepaid College Program.

5 The SBA's budget proposal represents a
6 continued commitment to long-term fiscal
7 management. The \$24.45 million budget represents
8 a 5.88 percent increase over last year. In the
9 four previous fiscal years, the budget in
10 aggregate was only increased by 2 percent, and
11 the budget for the last two fiscal years was
12 actually reduced.

13 A 3 percent competitive pay increase --

14 GOVERNOR BUSH: That's because of the
15 Defined Contribution?

16 MR. STIPANOVICH: Sir?

17 GOVERNOR BUSH: That's because the Defined
18 Contribution budget declined?

19 MR. STIPANOVICH: No.

20 GOVERNOR BUSH: No?

21 MR. STIPANOVICH: No. That's a separate
22 budget. It's a separate trust fund and a
23 separate budget. So the numbers I'm giving you
24 now literally are for the pension fund budget and
25 the other 25 mandates that we have that are paid

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1 out of that budget. The DC budget is entirely
2 separate.

3 GOVERNOR BUSH: Okay. So just explain to us
4 why it's going up now instead of going down.

5 CFO GALLAGHER: In dollars instead of
6 percentages, because probably the percentages
7 will go down if you were to look at what we're
8 managing.

9 MR. STIPANOVICH: Well, overall, if you look
10 at the three budgets that are being proposed
11 today in the SBA, being the Cat Fund, the Pension
12 Fund, and the Defined Contribution Plan, the
13 budget actually would go down I think about 2
14 percent in aggregate. But you have the Cat Fund
15 budget up, you have the Defined Contribution
16 budget down by 14 percent, and you have the
17 Defined Benefit budget up by 5.8 percent.

18 CFO GALLAGHER: Well, I have a question.

19 GOVERNOR BUSH: Yes, Treasurer.

20 CFO GALLAGHER: On the -- there's a couple

21 of things I'm interested in on the optional
22 retirement program, defined contribution.

23 MR. STIPANOVICH: Yes, sir.

24 CFO GALLAGHER: One is, why have we got such
25 a big capital outlay floating around here,

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1 \$95,000? What are we doing? It was 20,000, and
2 now you've got 95? Are you remodeling something?

3 MR. STIPANOVICH: No, sir. That's replacing
4 -- that's updating and replacing a tool that we
5 use on the financial services aspect where
6 participants, the 950,000 members of the Florida
7 Retirement System -- it's a tool that we use, so
8 it's basically, my understanding is, I think to
9 upgrade some tool that we use from Ernst & Young
10 and/or Financial Engines.

11 CFO GALLAGHER: I'm familiar with the
12 Financial Engines. What kind of usage are we
13 getting on that? Does anybody --

14 MR. STIPANOVICH: As far as Financial
15 Engines, Treasurer, the usage has increased
16 significantly. We were concerned about that, and
17 we actually reduced that cost by well over
18 50 percent --

19 CFO GALLAGHER: Because nobody was using it.

20 MR. STIPANOVICH: -- because of usage. So
21 we've got it down now, and finally usage is
22 coming up. And I think it's approaching -- and
23 I'm not certain about this, but I think it's
24 approaching like maybe 20 percent. That might be
25 high, whereas it was down literally around

1 5 percent usage.

2 CFO GALLAGHER: And why are we kicking up
3 the administrative fee by so much? Is that a
4 percentage?

5 MR. STIPANOVICH: Well, the plan is very
6 participant driven, and so when we -- if you
7 remember, the original budget was \$34 million,
8 and we renegotiated most all those contracts and
9 got the budget down to initially in the first
10 year or two about 17 million. And so now the
11 contracts are more participatory, so we pay for
12 success. So as we get more participants in the
13 plan and assets grow, then the budget will have
14 some correlation to the growth and success of the
15 plan. So it's more participatory, and so the
16 costs that go with like record keeping, you
17 know --

18 CFO GALLAGHER: You all are doing all the
19 record keeping for it?

20 MR. STIPANOVICH: Well, you know, it's
21 external. We don't do it. The Division of
22 Retirement, we have an interagency agreement with
23 them where they do the contribution rate
24 collection, employer collection, and reconciling
25 that data and scrubbing that data down, and then

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1 the actual custodian is CitiStreet, which is
2 outside.

3 CFO GALLAGHER: Now, let me ask you this.

4 On salaries and benefits, again, in this same
5 area, retirement costs have gone from 50,000 to
6 61, a 22 percent increase. Have we got more
7 people working there or something? Why has that
8 gone up so much?

9 MR. STIPANOVICH: Is this about the PR
10 budget, or is this overall? This is the pension
11 fund budget?

12 CFO GALLAGHER: No, this is PR.

13 MR. STIPANOVICH: Okay. Salaries --

14 CFO GALLAGHER: In your retirement area,
15 your salaries went up 3 percent, but your
16 retirement costs went up 22 percent, from 50,000
17 to 61. How could that be?

18 MR. STIPANOVICH: Well, all I know is, the
19 positions have not gone up. We had nine
20 positions originally. We have now six positions.
21 And the only thing that had been factored in in
22 the salary line is the 3 percent and the
23 commensurate costs that go along with the 3
24 percent, which includes contribution rates,
25 health costs, premium increases. And I think

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1 that 20 percent is literally that line item.

2 CFO GALLAGHER: Yes, that's a line item.
3 Here's what I'm asking you. Your salaries go up
4 3 percent. Your Social Security goes up 2.99,
5 which is 3 percent, which makes sense. But all
6 of sudden, retirement hits here, and it's up 22.
7 You know, even your health insurance only went up
8 3.9. Did you drop -- I mean, it looks --

9 disability went down 34 percent. I'm not sure
10 whether you hired younger people or --

11 GOVERNOR BUSH: They may have done a payout
12 when some guy left or something. You know, you
13 could budget for --

14 CFO GALLAGHER: Do you have a bunch of
15 people that are on DROP in there or something?

16 MR. STIPANOVICH: We do. You're exactly
17 right.

18 No. No, I don't think so. Actually, in the
19 Cat Fund, we've got somebody going in DROP that's
20 a significant DROP person.

21 I can't answer your question, Treasurer. I
22 just know that what is factored in there -- and
23 maybe the percentage is not right. I suspect
24 that it is. I'm just not --

25 CFO GALLAGHER: Well, it jumps out, so if

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1 you'll give me the answer to it, that will be
2 fine.

3 MR. STIPANOVICH: But I can just tell you it
4 is the 3 percent and the commensurate costs with
5 it. There's nothing else, no new positions, no
6 merit pay increases or anything like that.

7 GOVERNOR BUSH: Any other discussions on the
8 budget?

9 CFO GALLAGHER: Well, on the other one, on
10 the Cat Fund.

11 MR. STIPANOVICH: Yes. The Cat Fund
12 budget --

13 CFO GALLAGHER: A 20 percent increase on the

14 salaries. Did you hire more people?

15 MR. STIPANOVICH: One new position. We're
16 asking for one new analyst position for the Cat
17 Fund to help deal with the reimbursement, the new
18 loss reimbursement examination program.

19 GOVERNOR BUSH: Is that the guy that's doing
20 to be doing the rosary for 24 hours a day, seven
21 days a week?

22 CFO GALLAGHER: Coordinate people all over
23 the state to continue it with, 24-hour prayer.

24 MR. STIPANOVICH: But it really has to do
25 with the increased workload resulting from the

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1 hurricanes that occurred over the past couple of
2 years. And there are increased audits, as you
3 would know, Treasurer, that are going on. So we
4 do need that added position.

5 GOVERNOR BUSH: Director of Prayer Warriors.

6 MR. STIPANOVICH: You know, 82 percent of
7 that budget is dedicated to external service
8 providers, so with the increased activity, that's
9 where most of the cost increase is coming from,
10 and only 18 percent is coming from expenses in
11 salary and benefits, which is that new position,
12 essentially.

13 CFO GALLAGHER: Again, in the Cat Fund, you
14 hired one person, and your salaries go up
15 15 percent, Social Security goes up 13 percent,
16 and retirement goes up 83 percent, from 48,000 to
17 88,000. There again, it's got to be the same
18 issue. I would like to know what that is.

19 MR. STIPANOVI CH: I'll look into that for
20 you.

21 CFO GALLAGHER: Thank you.

22 MR. STIPANOVI CH: Yes, that would be DROP.
23 Now, that's where I did have a significant
24 person, a higher salary person --

25 CFO GALLAGHER: Have we got Jack in DROP?

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1 MR. NICHOLSON: Not me. I wish I were.

2 MR. STIPANOVI CH: Actually, it's Anne Bert,
3 the number two position down there, who does a
4 great job. She will be sorely missed when she
5 does retire. But, yes, there's no DROP money set
6 aside for the Cat Fund. This will be the first
7 year we've set aside DROP money, and if I'm not
8 mistaken, it was very significant.

9 CFO GALLAGHER: Well, you've got the same
10 thing in Bond Finance.

11 GOVERNOR BUSH: Ben, are you leaving?

12 CFO GALLAGHER: You're not in DROP, are you?

13 MR. WATKINS: No, sir, not that I'm aware
14 of.

15 CFO GALLAGHER: Well, somebody is. Have you
16 got people in DROP? Ben, do you have people in
17 DROP?

18 MR. WATKINS: No, sir.

19 CFO GALLAGHER: Well, see, you've a 3
20 percent increase in salaries, which would be
21 normal, and 3 percent Social Security, and
22 29 percent in retirement. So something is going
23 on here that doesn't make sense to me.

24 MR. STIPANOVI CH: Well, Treasurer, I will
25 find out for you, but all I can tell you, just

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1 know that it's the 3 percent and the cost of the
2 benefits with it. So if there's a calculation
3 there that's wrong, the percentage is just not
4 correct, whatever the contribution rate increase
5 that we have to pay as a result of the
6 legislative -- because of the rate increase that
7 was done by the Legislature for contribution
8 rates, that increase --

9 CFO GALLAGHER: Not that much.

10 GOVERNOR BUSH: That's not a big --

11 MR. STIPANOVI CH: That's all we're paying,
12 whatever those dollars are.

13 CFO GALLAGHER: You know, I'll tell you what
14 it may be. You know, your disability in each one
15 of those has dropped significantly. You may have
16 switched something from disability to retirement
17 or reallocated it differently or something. But
18 whatever it is, just let me know what it is,
19 please.

20 MR. STIPANOVI CH: I will.

21 CFO GALLAGHER: Thank you.

22 GOVERNOR BUSH: All right.

23 CFO GALLAGHER: I'll move it.

24 GOVERNOR BUSH: There's a motion.

25 MR. STIPANOVI CH: Well, you have the

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1 prepaid, Governor. You all are including that in
2 there, your comments on prepaid?

3 CFO GALLAGHER: Just give me the increases
4 on that.

5 MR. STIPANOVICH: Pardon?

6 CFO GALLAGHER: What's the increase on
7 prepaid?

8 MR. STIPANOVICH: Well, it's 8.85 percent.
9 But again, that's a program that is -- you know,
10 the Florida Prepaid College Board approved it on
11 March 9th, but you all have ultimate budget
12 authority. And again, that's a program that is
13 very participatory driven, so the more new
14 contracts they receive, they get, there's a cost
15 commensurate with that.

16 Also, in the administrative support that we
17 provide for them, we do a review every year.
18 This is the first time in three years that we've
19 actually updated it, calculated our actual cost
20 for supporting them, so there's a significant
21 increase there of a couple hundred thousand
22 dollars for us providing administrative support
23 to them. And then they're trying to take the
24 Prepaid College Plan from 11 percent to
25 15 percent domestic equities, and there's a cost

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1 in that.

2 CFO GALLAGHER: Motion on 2.

3 GOVERNOR BUSH: There's a motion.

4 ATTORNEY GENERAL CRIST: Second.

5 GOVERNOR BUSH: And a second. Without
6 objection, the item passes.

7 Item 3.

8 MR. STIPANOVICH: Yes, sir. Item 3 is the
9 reappointment of the chair to the Florida
10 Commission on Hurricane Loss Methodology. The
11 recommendation from the Commission members is
12 Robert Ricker.

13 CFO GALLAGHER: Where are we with the rules
14 for that?

15 MR. STIPANOVICH: Well, we'll be getting --
16 in terms of the rules, we'll be getting to them
17 on the next agenda items.

18 GOVERNOR BUSH: Is there a motion on Item 3?

19 CFO GALLAGHER: Motion on 3.

20 ATTORNEY GENERAL CRIST: I have a question,
21 if I might.

22 GOVERNOR BUSH: Yes, please.

23 ATTORNEY GENERAL CRIST: His name is Robert
24 Ricker?

25 MR. STIPANOVICH: Yes.

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1 ATTORNEY GENERAL CRIST: He's the executive
2 director of Citizens?

3 MR. STIPANOVICH: He is.

4 ATTORNEY GENERAL CRIST: How long has he
5 been the executive director?

6 MR. STIPANOVICH: I don't know the answer to
7 that question. I'm guessing. Certainly Jack or
8 the Treasurer might know, but I'm thinking he has
9 probably been executive director for three, two
10 years for sure.

11 CFO GALLAGHER: He took over probably within
12 the first year Citizens started.

13 MR. STIPANOVICH: Typically the chair serves
14 -- there's a precedent there, General, where the
15 chair serves three years, and then they rotate.
16 He will be going into his third year as chair of
17 this Commission, and he'll rotate out next year.
18 But that has been the general practice.

19 CFO GALLAGHER: He's a statutory
20 appointment, I believe. Is that correct?

21 MR. STIPANOVICH: Yes, he's a statutory
22 appointment, but the chair is --

23 CFO GALLAGHER: Right. They rotate, but the
24 board is basically statutory driven.

25 MR. STIPANOVICH: That's correct.

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1 CFO GALLAGHER: And he's one of the
2 statutory persons.

3 MR. STIPANOVICH: That's correct.

4 GOVERNOR BUSH: There's a motion. Is there
5 a second?

6 ATTORNEY GENERAL CRIST: Second.

7 GOVERNOR BUSH: There's a motion and a
8 second. Any other discussion? Without
9 objection, the item passes.

10 Item 4.

11 MR. STIPANOVICH: Governor, let me give you
12 a little background that will lead up to these
13 next agenda items, 5 through 9, which primarily
14 have to do with rulemaking and the financing that
15 will come before you all today that you'll have
16 to approve.

17 About a year and a half ago -- obviously,

18 these hurricanes have been going on with great
19 intensity for the past two years. About a year
20 and a half ago, I asked Ben Watkins to join our
21 team, and I wanted to divide responsibility and
22 have a steering committee, so to speak, that
23 would begin to work on a potential financing, and
24 the steering committee consisted of myself, Jack
25 Nicholson, and Ben.

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1 And then in the last six months, we've
2 really kicked it up and went into overdrive in
3 terms of getting ready for the financings that
4 became inevitable, and I established an
5 evaluation team that would lead in that effort.
6 The evaluation team is made up of Ben Watkins,
7 who serves as chair; Tim Tinsely, his number two
8 person in the Division of Bond Finance; Jack
9 Nicholson; Rob Smith, my senior investment
10 officer over fixed income is an integral part of
11 the evaluation team; and then John Forney, the
12 financial advisor for the Florida Hurricane
13 Catastrophe Fund with Raymond James. So you have
14 then an evaluation team.

15 And then finally, there will be a
16 negotiation team, because of the intent to
17 negotiate, the ITN that's out, that will consist
18 of Ben, Rob Smith, and John Forney.

19 So the next agenda items, Jack Nicholson
20 will first of all do Agenda Item Number 4.
21 Governor, you've asked for a progress report, and
22 I think we've got good news on the insurance

23 capital build-up incentive program. And I know
24 you and the members are very interested in this
25 program. So Jack will update you on the progress

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1 of this program, and we'll have an emergency rule
2 that we need to adopt, and I think we're going to
3 be able to start getting some money out the door
4 in compliance with the legislation.

5 Agenda Items 5 through 9, I will have Jack
6 do the ones having to do with rulemaking, and
7 then Ben will talk to you about the two that have
8 to do with financing.

9 GOVERNOR BUSH: All right. Let's do it.
10 Good morning, Jack.

11 MR. NICHOLSON: Good morning. Item 4 has to
12 do with the insurance capital build-up incentive
13 program, and we have an emergency rule.

14 CFO GALLAGHER: Before we get there, I know
15 that he said we were going to do rules, which
16 we're getting into, but my question dealt with 3,
17 and that's the rules on the Hurricane Loss
18 Methodology Commission.

19 MR. NICHOLSON: Those don't require
20 emergency rules. We're looking --

21 CFO GALLAGHER: They don't require emergency
22 rules, but my question is, when are you going to
23 do the rules for it?

24 MR. NICHOLSON: We are looking at that right
25 now. I don't know that we need to do rules,

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1 based on our discussions with our attorneys. But
2 we are going to look at that in due course to
3 come back to you with a recommendation.

4 CFO GALLAGHER: I understand that you have
5 made the decision that you don't need to do
6 rules, and my question is, I think that the
7 companies and the State should have a set of
8 rules by which you're going to do this
9 methodology, and that's the issue, not whether
10 you need to do them or not.

11 MR. NICHOLSON: Like I say, we will look
12 into that. The issue is rulemaking authority for
13 the Florida Commission on Hurricane Loss
14 Projection Methodology. And there is a procedure
15 that the companies are very aware of --

16 CFO GALLAGHER: You're operating under
17 nonrule policy is what you're doing, and the
18 Legislature has spoken very clearly that they
19 don't want nonrule policies. So I'm saying, set
20 up some rules. Let people know what the rules
21 are and how it works.

22 MR. NICHOLSON: Well, I'm one member of 11
23 on the Commission, and that will be a
24 consideration for the Commission. We discussed
25 that --

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1 GOVERNOR BUSH: Do you need a little
2 guidance from the State Board of Administration
3 on this subject?

4 CFO GALLAGHER: I move that they do rules
5 for the hurricane --

6 GOVERNOR BUSH: We can encourage it,
7 couldn't we? I mean, it seems like they might
8 listen to us. The Treasurer's point I think is a
9 good one. Whether you have policy or you have
10 rules, I think given just the --

11 CFO GALLAGHER: It's a big deal.

12 GOVERNOR BUSH: -- climate we're operating
13 in right now, and given the commitment of the
14 Legislature to fund aggressively to the tune of
15 over a billion dollars a variety of different
16 things to try to help consumers and to try to
17 create a more robust insurance market, their
18 expectations should be respected. If the rules
19 created end up being, you know, a validation of
20 your policy, what's the harm?

21 MR. NICHOLSON: The Florida Commission on
22 Hurricane Loss Projection Methodology was created
23 as an independent commission housed in the State
24 Board of Administration. I'm on it only by
25 virtue of the fact that I'm named in the statute,

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1 just like Bob Ricker is named, in terms of my
2 position. I'm one of 11 people on that
3 Commission. The Commission statute does not
4 mention anything with regard to authority to
5 adopt rules, but it does talk about standards and
6 procedures, and those have been adopted for the
7 last 10 years. There's much more detail than
8 what you normally get in rules. It's a very
9 complex document that requires submissions by
10 modelers.

11 GOVERNOR BUSH: But the difference, I think,
12 with all due respect, is that a rulemaking
13 process is transparent and requires hearings,
14 requires input, whereas the creation of policy
15 may be an insular process that is done by the
16 members of the board, and they leave it at that.

17 MR. NICHOLSON: Well, I took it immediately
18 to the Commission. After the Treasurer talked
19 about that, I mentioned it to the Commission, and
20 the Commission -- I mean, it's not an emergency
21 that we have to do it this week or next week.

22 GOVERNOR BUSH: Right.

23 MR. NICHOLSON: But it's something we need
24 to look at, so that is in the process of being
25 done as we speak.

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1 CFO GALLAGHER: It's not something you need
2 to look at. It's something you need to do, so
3 let's get off the "look at" part.

4 MR. NICHOLSON: I'm one of 11 people on the
5 Commission, and the Commission will look at it.
6 I'll --

7 CFO GALLAGHER: The Commission has to do
8 rules. It's that simple. And we're directing
9 them to do it. If we need to vote on it, we
10 will.

11 GOVERNOR BUSH: Do you want us to vote on
12 it? Will that help you?

13 CFO GALLAGHER: I move to have them --

14 MR. NICHOLSON: I'm one of 11 people on that
15 Commission, so I'm --

16 CFO GALLAGHER: Those 11 people have some
17 statutory --

18 MR. STIPANOVICH: Governor, we would be
19 happy to take direction from the board.

20 GOVERNOR BUSH: Thank you, Coleman.

21 MR. STIPANOVICH: If you will give us that
22 direction, we'll take it to the chair of the
23 Commission, and the Commission --

24 GOVERNOR BUSH: You want to state your --

25 CFO GALLAGHER: I move that rules be adopted 81

1 for the Commission on Loss Methodology
2 Projection.

3 GOVERNOR BUSH: Is there a second?

4 ATTORNEY GENERAL CRIST: Second.

5 GOVERNOR BUSH: All in favor say aye.
6 (Simultaneous affirmative responses.)

7 GOVERNOR BUSH: All opposed? No one? Thank
8 you.

9 MR. STIPANOVICH: That will be taken to the
10 next Commission meeting, and I'll ask them to put
11 it on the agenda, and then we will bring back to
12 you their action.

13 GOVERNOR BUSH: Okay. Now, Item 4. Thank
14 you.

15 MR. NICHOLSON: Item 4 deals with the
16 insurance capital build-up incentive program, and
17 we have an emergency rule which incorporates
18 three forms. The first form is an application,
19 the second form is a surplus note, and the third
20 form is a reporting form.

21 CFO GALLAGHER: I'll move Item 4.

22 ATTORNEY GENERAL CRIST: Second.

23 GOVERNOR BUSH: There's a motion and a
24 second. Without objection, the item passes. So
25 you're optimistic that the --

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1 MR. NICHOLSON: It will be posted on the
2 website today. As you've just approved it, it
3 should be up momentarily, and so it's ready to go
4 for the companies.

5 GOVERNOR BUSH: You can't explain it to us?

6 MR. NICHOLSON: Oh, yes, I'll be glad to.

7 MR. STIPANOVICH: Governor and members, we
8 expect, as Jack mentioned, to start receiving
9 hopefully applications tomorrow. We'll certainly
10 have the forms and the process in place. And we
11 would anticipate, assuming there is interest and
12 people qualify, that we might be able to start
13 issuing loans possibly as early as June 15th.

14 GOVERNOR BUSH: Wow.

15 CFO GALLAGHER: Let me just say that you
16 guys did a great job in getting these emergency
17 rules out. Being able to do rules that quick, I
18 can't imagine why you couldn't do the other ones
19 in a timely manner also. But these were done
20 well and quick, and it's allowing people to put
21 their applications in.

22 MR. STIPANOVICH: Thank you, Treasurer. By
23 the way, we worked very closely with the Office
24 of Insurance Regulation, and it was a very
25 productive working relationship, so that's really

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1 what helped make things expedient.

2 GOVERNOR BUSH: Item 5. Did we -- there's a
3 motion and a second on Item 4. Without
4 objection, the item passes.

5 Item 5.

6 MR. NICHOLSON: Item 5 is the premium
7 formula rule, Rule 19-8.028. You've already
8 adopted the formula. This is just the formal
9 rule.

10 ATTORNEY GENERAL CRIST: Motion on 5.

11 CFO GALLAGHER: Second.

12 COMMISSIONER BRONSON: There's a motion and
13 a second.

14 CFO GALLAGHER: Let me just mention --

15 GOVERNOR BUSH: Treasurer.

16 CFO GALLAGHER: -- one thing here that
17 people ought to be aware of. What this Florida
18 Hurricane Catastrophic Fund does for the citizens
19 of Florida I don't think is really recognized.
20 The premium amount is going to be a little higher
21 than 800 million. It's going to be a billion
22 dollars now, Jack?

23 MR. NICHOLSON: That's right.

24 CFO GALLAGHER: This billion dollars that is
25 being paid in by the insurers for this coverage

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1 from about 5.1 to 15 billion, 90 percent and
2 10 percent, is a savings that if they were to buy
3 this in the open market, my guess is \$3-1/2
4 billion.

5 MR. NICHOLSON: I would think so, yes, sir,
6 if they could get it.

7 CFO GALLAGHER: So we are saving the
8 insurers of this state \$2-1/2 billion. That is
9 passed on to the insureds of this state, probably
10 -- I'm going to guess 400 to \$500 average per
11 policy. That's what's being saved because of
12 this Hurricane Catastrophic Fund, and I don't
13 think people realize that is a direct connection.
14 Without this fund, first of all, there isn't the
15 capacity for reinsurance out there.

16 GOVERNOR BUSH: So what happens for a
17 homeowner in Biloxi, Mississippi? How is he
18 doing this year?

19 CFO GALLAGHER: I'll tell you, they're not
20 getting any insurance. There is no -- they are
21 looking at copying Citizens for property
22 insurance because they --

23 GOVERNOR BUSH: But they don't have a Cat
24 Fund.

25 CFO GALLAGHER: And they also don't have a

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1 Cat Fund.

2 GOVERNOR BUSH: So they have to buy the --

3 CFO GALLAGHER: They can't get it. What's
4 happening in those states right now is, they're
5 looking for a cat -- they're looking at exactly
6 what we've done, because they don't have a market
7 right now. People cannot buy insurance.

8 GOVERNOR BUSH: Brutal.

9 CFO GALLAGHER: They're getting nonrenewed

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all over the coast.
GOVERNOR BUSH: And tomorrow is hurricane season.
CFO GALLAGHER: Tomorrow is hurricane season, and they have no answer at this point. So we've done pretty well planning ahead.
GOVERNOR BUSH: Okay. Where are we now? We've had a motion and a second. We have already.
CFO GALLAGHER: Yes.
GOVERNOR BUSH: Without objection, the item passes.
MR. NICHOLSON: Item 6 is the emergency rule adopting --
CFO GALLAGHER: Item 5.
GOVERNOR BUSH: We did 5.

CFO GALLAGHER: Oh, we did 5? Okay.
MR. NICHOLSON: The revenue bond emergency rule, basically. It deals with revenue bonds, and it's really a conforming rule with some of the activities we were doing with regard to being ready to issue bonds. So it just does a couple of tweaks to facilitate that process.
CFO GALLAGHER: Motion on 6.
ATTORNEY GENERAL CRIST: Second.
GOVERNOR BUSH: There's a motion and a second. Without objection, the item passes.
Item 7.
MR. STIPANOVICH: I think Ben is going to handle that.

15 MR. WATKINS: Good morning, Governor and
16 board members.

17 GOVERNOR BUSH: You're going to have a busy
18 year this year, Ben.

19 MR. WATKINS: Yes, sir. More work than I
20 can stand, Governor.

21 Item number 7 is a resolution authorizing
22 the issuance of revenue bonds by the Florida
23 Hurricane Catastrophe Finance Corporation. Just
24 by way of background, the Cat Fund is operated
25 exactly as designed and has paid out in the last

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1 two years in excess of \$6 billion in
2 reimbursement to insurers for losses due to the
3 eight hurricanes that have hit Florida. What
4 this has done from a financial standpoint is
5 created a shortfall for excess of claims for
6 reimbursing losses in excess of the resources
7 that the Cat Fund had accumulated over the last
8 10 years, over \$1.425 billion. So the estimated
9 shortfall is intended to be financed on a
10 post-event, tax-exempt, fixed-rate basis in order
11 to provide the monies to pay for the losses in
12 excess of the resources that the Cat Fund
13 currently has available.

14 So we are asking for authorization to issue
15 up to a billion and a half dollars of post-event,
16 tax-exempt bonds to provide the resources
17 necessary to pay those claims. And we're doing
18 that -- the official action that needs to be
19 taken is twofold. There are two items that are

20 acted on by the State Board of Administration as
21 the governing board of the Cat Fund.

22 The first is a resolution requesting the
23 issuance of bonds by the Florida Hurricane
24 Catastrophe Fund Finance Corporation on behalf of
25 the Cat Fund, and the second resolution is a

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1 resolution adopting an order that directs the
2 Office of Insurance Regulation to impose an
3 emergency assessment of 1 percent on all property
4 and casualty insurance policies to generate the
5 revenues necessary to repay the debt that's being
6 authorized.

7 And lastly, which will be an agenda item of
8 the Florida Hurricane Catastrophe Fund Finance
9 Corporation board, will be a resolution which
10 actually authorizes the issuance of up to \$1-1/2
11 billion of tax-exempt bonds on behalf of the Cat
12 Fund.

13 CFO GALLAGHER: Let me ask a question.
14 We're not on 9 yet, which is when the board
15 meets. In my mind, it seems like in the past, on
16 some years we've had an actual meeting just to
17 have the annual meeting, and other years it seems
18 like we haven't. Are our corporate records and
19 minutes and everything up to date?

20 MR. WATKINS: Yes, sir, they should be.
21 They will be if they're not already.

22 CFO GALLAGHER: Right. It's real important
23 that they are. And I would -- when we get to
24 Item 9, I'm going to make a motion that all those

25 be brought up to date by us making that motion so 89

1 that anything that we needed to do gets done by
2 the staff.

3 MR. WATKINS: Yes, sir.

4 CFO GALLAGHER: And we'll be glad to sign
5 the minutes or whatever needs to be done.

6 Actually, the present secretary can do it.

7 GOVERNOR BUSH: Is there a motion on Item 7?

8 CFO GALLAGHER: Are we on 7 or 8?

9 GOVERNOR BUSH: This is 7, 8, and 9, isn't
10 it?

11 MR. WATKINS: Item 7 first.

12 CFO GALLAGHER: Motion on 7.

13 ATTORNEY GENERAL CRIST: Second.

14 GOVERNOR BUSH: There's a motion and a
15 second. Without objection, the item passes.

16 Item 8. Is there a motion?

17 ATTORNEY GENERAL CRIST: Motion.

18 CFO GALLAGHER: Second.

19 GOVERNOR BUSH: There's a motion and a
20 second. Any discussion? Without objection, the
21 item passes.

22 Item 9, Treasurer.

23 CFO GALLAGHER: Now, on 9, we need to get
24 the Board -- we're only on part of 9. Nine is
25 this Catastrophe Fund Finance Corporation, which

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1 includes Jack Nicholson as president, Anne Bert
2 as Treasurer, and Tracy Allen as secretary. And

3 I believe the three of us make up the board. Is
4 that correct?

5 MR. STIPANOVICH: Well, you've got --
6 actually, the board is made up of the three
7 trustees, Jack Nicholson, and Ben Watkins.
8 That's the board. The officers of the
9 corporation are Jack Nicholson as president, Anne
10 Bert as treasurer, and Tracy as secretary.

11 CFO GALLAGHER: So there's five board
12 members.

13 MR. STIPANOVICH: That's correct.

14 CFO GALLAGHER: Jack, you need to call the
15 meeting to order.

16 MR. STIPANOVICH: And we need to adjourn.
17 We're going to adjourn the SBA, State Board of
18 Administration meeting and convene the Florida
19 Hurricane Catastrophe Fund Corporation meeting.

20 GOVERNOR BUSH: Excellent.

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1 MR. NICHOLSON: As president of the Florida
2 Hurricane Catastrophe Fund Finance Corporation, I
3 would like to call the meeting to order. And at
4 this point, there is --

5 GOVERNOR BUSH: Let the record show it's
6 done.

7 ATTORNEY GENERAL CRIST: We're meeting.

8 MR. NICHOLSON: There is one item. Ben
9 Watkins had mentioned it earlier in the SBA
10 meeting with regard to the -- to adopt a
11 resolution authorizing the corporation to issue
12 and sell, a negotiated sale regarding \$1.5
13 billion of Florida Hurricane Catastrophe Fund
14 revenue Series A bonds.

15 ATTORNEY GENERAL CRIST: So moved.

16 CFO GALLAGHER: Before we do that, Jack, I
17 would like to move that the officers of the
18 corporation make sure that all the corporate
19 records are updated and in proper order.

20 ATTORNEY GENERAL CRIST: Second.

21 GOVERNOR BUSH: So there's a motion, an
22 amended motion and a second. Any discussion?
23 Without objection, the item passes. Thank you.

24 CFO GALLAGHER: Wait a minute.

25 GOVERNOR BUSH: What's up?

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1 CFO GALLAGHER: They've got to be two
2 separate things, one -- and Jack is running the
3 meeting.

4 MR. NICHOLSON: Thank you, sir.

5 GOVERNOR BUSH: Is this the same guy that's
6 only one of 11 people? I'm just joking.

7 CFO GALLAGHER: We had a motion and a
8 second, Jack, on bringing the minutes up to date,
9 so would you call a vote on that.

10 MR. NICHOLSON: I would like to call be a
11 vote on Item 9.

12 CFO GALLAGHER: No, on the motion I just

13 made.

14 MR. NICHOLSON: On the motion that you made
15 with regard to updating -- the minutes being
16 brought up to date, I would like to call a
17 motion. Is there any objections? Hearing none,
18 the item passes.

19 GOVERNOR BUSH: Very good.

20 CFO GALLAGHER: Okay. That's one way to do
21 it. Now you want to bring up what Item 9 is.

22 MR. NICHOLSON: Okay. Item 9 is the --

23 CFO GALLAGHER: No, this is Item 2 on your
24 agenda.

25 MR. NICHOLSON: Item 2 on our agenda is a

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1 resolution authorizing the corporation to issue
2 and sell by negotiated sale not exceeding \$1.5
3 billion Florida Hurricane Catastrophe Fund
4 revenue bonds, Series A. The bonds will have a
5 fixed interest rate, will be exempt from federal
6 taxes, and will be secured by emergency
7 assessments and reimbursement premiums.

8 GOVERNOR BUSH: Come at us, Jack.

9 CFO GALLAGHER: I'll make a motion on that.

10 GOVERNOR BUSH: Second.

11 MR. NICHOLSON: Any other discussion?

12 Hearing none --

13 CFO GALLAGHER: All in favor.

14 MR. NICHOLSON: All in favor?

15 (Simultaneous affirmative responses.)

16 CFO GALLAGHER: Opposed?

17 MR. NICHOLSON: Opposed?

18 Is there any other business to be brought
19 before the corporation?

20 CFO GALLAGHER: I move we adjourn.

21 MR. NICHOLSON: We're adjourned.

22 GOVERNOR BUSH: Thank you. Thank you,
23 Coleman.

24 (Proceedings concluded at 10:56 a.m.)
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1 CERTIFICATE OF REPORTER

2

3 STATE OF FLORIDA:

4 COUNTY OF LEON:

5 I, MARY ALLEN NEEL, Registered Professional
6 Reporter, do hereby certify that the foregoing
7 proceedings were taken before me at the time and place
8 therein designated; that my shorthand notes were
9 thereafter translated under my supervision; and the
10 foregoing pages numbered 1 through 93 are a true and
11 correct record of the aforesaid proceedings.

12 I FURTHER CERTIFY that I am not a relative,
13 employee, attorney or counsel of any of the parties,
14 nor relative or employee of such attorney or counsel,
15 or financially interested in the foregoing action.

16 DATED THIS 13th day of June, 2006.
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MARY ALLEN NEEL, RPR
2894-A Remington Green Lane
Tallahassee, Florida 32308
(850) 878-2221

053106. txt

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