

T H E   C A B I N E T  
S T A T E   O F   F L O R I D A

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Representing:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF  
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF  
INSURANCE REGULATION

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

DEPARTMENT OF LAW ENFORCEMENT

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 Tuesday, October 3,  
2006, commencing at 9:05 a.m.

Reported by:

JO LANGSTON

Registered 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

CHARLES H. BRONSON  
Commissioner of Agriculture

CHARLIE CRIST  
Attorney General

TOM GALLAGHER  
Chief Financial Officer

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1	I N D E X		
2	DIVISION OF BOND FINANCE (Presented by BEN WATKINS)		
3	ITEM	ACTION	PAGE
	1	Approved	5
4	2	Approved	6
	3	Approved	6
5	4	Approved	7
6			
7	FINANCIAL SERVICES COMMISSION, OFFICE OF FINANCIAL REGULATION		
8	(Presented by ANDREA MORELAND)		
9	ITEM	ACTION	PAGE
	1	Approved	11
10	2	Approved	12
11			
12	FINANCIAL SERVICES COMMISSION, OFFICE OF INSURANCE REGULATION		
13	(Presented by KEVIN McCARTY)		
14	ITEM	ACTION	PAGE
	1	Approved	13
15	2	Approved	25
	3	Approved	27
16	4	Approved	32
17			
18	DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES (Presented by FRED DICKINSON)		
19	ITEM	ACTION	PAGE
20	1	Approved	33
	2	Approved	33
21	3	Approved	35
	4	Approved	36
22	5	Approved	38
	6	Approved	39
23	7	Approved	39
	8	Approved	54
24			
25			

1	CONTINUED INDEX		
2	DEPARTMENT OF LAW ENFORCEMENT		
	(Presented by JERRY BAILEY)		
3			
	ITEM	ACTION	PAGE
4	1	Approved	56
	2	Approved	60
5			
6			
7			
	BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND		
8	(Presented by COLLEEN CASTILLE)		
9	ITEM	ACTION	PAGE
	1	Approved	68
10	2	Approved	68
	3	Approved	68
11	4	Approved	69
	5	Approved	69
12	6	Approved	101
13			
14	STATE BOARD OF ADMINISTRATION		
	(Presented by COLEMAN STIPANOVICH)		
15			
	ITEM	ACTION	PAGE
16	1	Approved	102
	2	Approved	102
17	3	Approved	102
	4	Approved	103
18	5	Approved	103
19			
20			
21	CERTIFICATE OF REPORTER		104
22			
23			
24			
25			

1 P R O C E E D I N G S

2 (Agenda items commenced at 9:25 a.m.)

3 GOVERNOR BUSH: Division of Bond Finance.

4 CFO GALLAGHER: Motion on the minutes.

5 ATTORNEY GENERAL CRIST: Second.

6 GOVERNOR BUSH: There's a motion and a second.

7 Without objection, the item passes. Item 2. Hello,

8 Ben. How are you?

9 MR. WATKINS: Good morning, Governor. I'm fine.  
10 Thank you, sir.

11 GOVERNOR BUSH: Ben, Joanie James asked me about  
12 the AAA bond rating today. I hope we're going to have  
13 a lengthy discussion about that.

14 MR. WATKINS: We can talk about it as long as you  
15 would like to, Governor, as long as you can stand it or  
16 as long as the audience can stand it.

17 ATTORNEY GENERAL CRIST: Governor, can I take a  
18 moment of personal privilege?

19 GOVERNOR BUSH: Yes.

20 ATTORNEY GENERAL CRIST: Since you mentioned  
21 Joanie James, both of us attended Wake Forest  
22 University. And the Demon Deacons are 5 and 0, Joanie.  
23 I told you they would. Thank you, Governor. You're  
24 kind.

25 CFO GALLAGHER: On an important issue.

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1           GOVERNOR BUSH: That is important. Particularly  
2           for them. That doesn't happen often. I thought you  
3           were an FSU man.

4           ATTORNEY GENERAL CRIST: I am. I transferred.

5           GOVERNOR BUSH: When you're running for office,  
6           you've got to be --

7           ATTORNEY GENERAL CRIST: The U.

8           GOVERNOR BUSH: Not this year. All right, Ben.

9           MR. WATKINS: Item 2 is a resolution authorizing  
10          the issuance and competitive sale of up to \$25 million  
11          in Dormitory Revenue Refunding Bonds for Florida  
12          Atlantic University.

13          CFO GALLAGHER: Motion.

14          ATTORNEY GENERAL CRIST: Second.

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

17          MR. WATKINS: Item Number 3 is a resolution  
18          authorizing the issuance and competitive sale of up to  
19          \$104 million of Lottery Revenue Refunding Bonds.

20          COMMISSIONER BRONSON: Motion on Item 3.

21          ATTORNEY GENERAL CRIST: Second.

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

24          MR. WATKINS: And Item Number 4 is the report of  
25          award on the competitive sale of \$400 million in PECO

1 bonds. The bonds were awarded to the low bidder at a  
2 true interest cost of 4.41 percent.

3 CFO GALLAGHER: Motion.

4 COMMISSIONER BRONSON: Second.

5 GOVERNOR BUSH: There's a motion and a second.

6 Without objection, the item passes.

7 MR. WATKINS: Another item of interest, which  
8 isn't on the agenda, which you've already mentioned,  
9 that you should know about is that Standard & Poor's  
10 has affirmed the State's AAA rating after completing  
11 their annual review.

12 And S & P in the credit report was very  
13 complimentary of the financial management of the State.  
14 And some of the factors that they cited in their  
15 rationale in affirming the State's AAA rating are first  
16 the strong and conservative financial and budget  
17 management practices utilized in the State.

18 Secondly --

19 GOVERNOR BUSH: Reporters, stop reading the paper  
20 and start taking notes. They're reading the sports  
21 page back there. I'm sorry, Ben.

22 MR. WATKINS: That's okay. The S & P report also  
23 talks about the State's strong economy and revenue  
24 growth. And more importantly, consistently, the State  
25 has generated operating surpluses, which has enabled

1 the creation of significant reserves, which provides  
2 financial flexibility to deal with true financial  
3 challenges confronting the State, like hurricanes, the  
4 cost of insurance, and enables the State to make  
5 substantial investments using cash in State  
6 infrastructure.

7 Thirdly, moderate debt burden and a stable debt  
8 burden going forward, along with well-defined debt  
9 management policies and legal guidelines relating to  
10 the debt affordability of the State were cited as  
11 credit strengths in affirming the AAA rating.

12 Also embedded within the credit report is a  
13 financial management assessment, which S & P is really  
14 formalizing and providing transparency to how they  
15 evaluate the criteria of a governmental body in terms  
16 of how they manage the State financially.

17 And with respect to the financial management  
18 assessment, they indicated the State's financial  
19 management practices are strong. So, again, consistent  
20 with the State's AAA rating, that's the highest  
21 category available pursuant to the financial management  
22 assessment.

23 So this is very good news on the State's rating.  
24 And more importantly it's a validation of the State's  
25 conservative budgetary and financial management



1 practices, which helps lower the overall cost of  
2 financing infrastructure in the State.

3 GOVERNOR BUSH: Wow, that was just inspirational,  
4 Ben. There's one part of this that I'm not sure -- I  
5 think they mentioned in the report, but you may have  
6 avoided it, which is that they also spoke very highly  
7 of the talented team that manages the debt for the  
8 State, which you head, and I appreciate your service.

9 MR. WATKINS: Thank you, sir. I appreciate it.  
10 This is exciting only to us bond nerds, Governor. The  
11 rest of the people it leaves, in terms of the  
12 significance of that.

13 GOVERNOR BUSH: We're all bond nerds right now.  
14 Great work.

15 MR. WATKINS: Thank you, sir.

16 GOVERNOR BUSH: Kudos to the Legislature as well.  
17 They don't get credit, but they -- this year they did  
18 something pretty extraordinary. This will be really  
19 nerdy, Ben, so listen carefully. This year the budget  
20 had more recurring revenue than recurring expenses. We  
21 had not just a surplus of generating extra monies that  
22 were put in reserve, but we underspent, based on what  
23 the continuation budget, what the base budget is.

24 And I don't believe that that's happened in at  
25 least -- I know going back in the nineties, past the

1           eighties. It hasn't happened in the last 15 years.  
2           That requires an incredible amount of discipline. And  
3           Representative Negron and Senator Carlton and their  
4           teams deserve a lot of credit for that because that's  
5           just extraordinary. It means the next governor and  
6           next legislature will have more money than they  
7           envisioned or than what's typical. Thank you, Ben.

8                        (Applause)

9                        GOVERNOR BUSH: Thank you, Dennis.

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

3 MS. MORELAND: Good morning.

4 GOVERNOR BUSH: Good morning. How are you?

5 MS. MORELAND: Fine, thank you. I'm Andrea  
6 Moreland. I'm the legislative director for the Office  
7 of Financial Regulation. Commissioner Saxon sends his  
8 apologies that he couldn't be here this morning. He is  
9 a guest speaker in Jacksonville at a conference for  
10 state securities regulators. So he has asked me to  
11 present our agenda items for him today.

12 GOVERNOR BUSH: Happy to have you.

13 MS. MORELAND: The first item is adoption of  
14 amendments to Rule 69W-600.013, which relates to  
15 prohibited business practices for dealers and their  
16 associated persons.

17 CFO GALLAGHER: Motion on 1.

18 ATTORNEY GENERAL CRIST: Second.

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

21 MS. MORELAND: The second item is adoption of  
22 amendments to Rule 69W-600.0131, prohibited business  
23 practices for investment advisors and their associated  
24 persons.

25 CFO GALLAGHER: Motion on 2.

1                   ATTORNEY GENERAL CRIST:  Second.

2                   GOVERNOR BUSH:  There's a motion and a second.  
3           Without objection, the item passes.  Thank you very  
4           much.

5                   MS. MORELAND:  Thank you.

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

3           CFO GALLAGHER: Motion on the minutes of August  
4 15th.

5           COMMISSIONER BRONSON: Second.

6           GOVERNOR BUSH: There's a motion and a second.  
7 Without objection, Item 1 passes. Kevin, how are you?

8           MR. McCARTY: Good morning, Governor. A point of  
9 personal privilege. On behalf of Commission Saxon and  
10 myself, we'd like to point out that the Florida Gators  
11 are also undefeated and 5 and 0.

12           (Applause)

13           MR. McCARTY: Governor, as you are aware, in  
14 Pensacola this past week, our office, your office --

15           GOVERNOR BUSH: As a point of personal privilege,  
16 I'd like to tell you that the Miami Hurricanes are two  
17 and two this year, after eking out a 14-13 victory  
18 against the University of Houston.

19           MR. McCARTY: Well, I'm a fan of all of Florida  
20 state universities.

21           GOVERNOR BUSH: That just didn't seem sincere,  
22 Kevin.

23           MR. McCARTY: Let's put it this way. I'm rooting  
24 for Wake Forest to stay undefeated.

25           GOVERNOR BUSH: All right. Item 2.

1           MR. McCARTY: Governor, as you are aware, in  
2           Pensacola this past weekend, our office and your  
3           office, Department of Financial Services, conducted a  
4           second in our series for Fortify Florida Fairs. These  
5           fairs are targeted towards educating Florida homeowners  
6           about mitigating their homes and how important that is,  
7           not only in reducing potential losses but in providing  
8           a safe environment for their families in the event of a  
9           catastrophic event.

10           These fairs have brought in experts and resources  
11           under one roof to educate and assist policyholders by  
12           providing information on how to better mitigate their  
13           homes. At the Pensacola fair there were about 50  
14           exhibits and eight workshops were conducted on  
15           construction, experts in mitigation techniques,  
16           insurance companies and representatives from across the  
17           industry.

18           I think that this was an overall success. The  
19           first one was held in St. Pete. We had several hundred  
20           show up. Unfortunately, it was a very rainy day, but  
21           we had a beautiful day in Pensacola, and there were  
22           about 2,500 people who attended that mitigation fair.

23           We're expecting even a better turnout in our third  
24           fair, which is scheduled in Pensacola. The culmination  
25           of this really dovetails with --

1           GOVERNOR BUSH:  Where is the third one?  I'm  
2           sorry.

3           MR. McCARTY:  In Palm Beach.  What did I say?

4           GOVERNOR BUSH:  Pensacola.  Thought it was so  
5           successful you were just going to go back.

6           MR. McCARTY:  Palm Beach.  I beg your pardon.  
7           This really dovetails with our next two agenda items,  
8           in educating consumers about mitigation programs.  Item  
9           Number 2 specifically is providing for notice of  
10          premium discounts for hurricane mitigation.

11          As you approved for publication in the August 15th  
12          meeting, the office, in an effort to assist  
13          policyholders to better understand the various premium  
14          discounts available, has developed a new  
15          consumer-friendly forum that provides information on  
16          how these credits are calculated.

17          Now policyholders can take advantage of credits  
18          and discounts and provide information in a plain  
19          English form.

20          This form differs than the past.  As you remember,  
21          the past form was a range from three percent to 45 or  
22          60 percent.  And this form requires the companies to  
23          provide policyholder-specific information about the  
24          various discounts.

25          GOVERNOR BUSH:  Is this a standard form for

1           everybody now?

2           MR. McCARTY: Yes, it will be. Now, by operation  
3           of law, the Administrative Procedures Act, that will  
4           take effect at the 21 days after publication of the  
5           rule, which would be the end of this month. We held a  
6           workshop yesterday, finalization of the rule. The  
7           industry has expressed some concern about their ability  
8           to implement it on such a short time frame.

9           They have requested an implementation date of July  
10          1st. We believe that that probably would be -- didn't  
11          think it would meet with your approval. We would  
12          suggest as a maximum that it would be March 1st. The  
13          reason we're suggesting March 1st is all the companies  
14          are going to be required to file the new discounts in  
15          the next rule that we're going to discuss by January  
16          1st. And that's 90 days for the approval process,  
17          which dovetails with March 1st.

18          GOVERNOR BUSH: Actually, that's 60 days from  
19          January 1st.

20          MR. McCARTY: Yes, it is. It doesn't dovetail as  
21          well; does it?

22          GOVERNOR BUSH: But, I mean, the point here is  
23          that there's an estimated premium discount, so it will  
24          be a single number.

25          MR. McCARTY: Yes.



1           GOVERNOR BUSH: Although it could change, but it's  
2 a single number. And then the annual premium is  
3 reduced by a dollar amount, so you have both. And it's  
4 in English. I can verify that. The form is in English  
5 not in insurance --

6           MR. McCARTY: We worked with your office and  
7 consumer groups to make sure that this was put in plain  
8 English.

9           GOVERNOR BUSH: One of the questions I had --  
10 kudos for getting this done this quickly, or at least  
11 where we are right now. One of the questions I had  
12 was, there's not a total on this form. It's just a  
13 series of different things that you can do to create  
14 savings.

15           Is it true that -- I mean, could you total it?  
16 Could you take at the end and have a total and have,  
17 under the column estimated annual premiums reduced by,  
18 and have a total amount? Or is there something in  
19 contradiction? There was some discussion in one of our  
20 meetings that these things can be contradictory to one  
21 another.

22           MR. McCARTY: The credits are not necessarily  
23 discrete credits for each number amount. So sometimes  
24 they're taken in combination. If you take a hip roof  
25 with a shutter discount, individually they may be one

1 number. Collectively, they would be -- and that might  
2 be multiplicative. It would be a different number. So  
3 it's potential that the companies would be able to.  
4 But there is a caveat at the end that says that it's  
5 estimated. And I don't think it would vary by a  
6 significant amount.

7 The other option is the companies could file the  
8 discount so that they're discrete discounts for each  
9 one, so it could be added up at the end and be  
10 cumulative.

11 GOVERNOR BUSH: I think it's important if this --  
12 the whole focus of this is to make this consumer  
13 friendly so people can know about it and take advantage  
14 of it, and they're not going to care so much, at least  
15 I wouldn't care, about each individual savings.

16 I want to know what the total amount is. I want  
17 to know how much I have to put up, how much I get in  
18 return. And most people can say, well, that's a  
19 two-year payout or a three-year payout, and it's worth  
20 doing because I want to have a safer home.

21 But if you don't give them the total estimated  
22 amount of savings, are you going to create some  
23 frustration?

24 CFO GALLAGHER: This rule is very helpful, but  
25 what actually the plan is, is on the My Florida Safe

1 Homes, which is the inspection program that the  
2 Legislature funded with a quarter of a billion dollars,  
3 is that that inspector will check with the company and  
4 that particular policy and get that information on that  
5 policy.

6 So his report to the homeowner will be, here are  
7 the things of the seven that count, could be roof,  
8 could be windows, et cetera, shutters. If you do  
9 these, here is how much you're going to save from your  
10 insurance, spelled out exactly, and here is how much  
11 it's estimated for it to cost, so that at the end of  
12 that form, you will get to see your cost benefit. That  
13 will be done on the individual home.

14 The problem that Kevin is having and the  
15 Department is having and the insurance companies are  
16 having is that when you really look at it, each home  
17 being different with how many windows it may have or  
18 whether it has a tie-down on the roofs or not, how  
19 large it is, all those things make a difference. So to  
20 put an actual percentage or an actual amount for all  
21 houses doesn't work.

22 GOVERNOR BUSH: I'm not asking for that because  
23 that -- you also could have an insurance company that  
24 has a lower premium, so the discount may not be as  
25 high. But the question here is the mitigation program

1 is great and the inspections that would come with it, I  
2 could see how that could bring some clarity, but that's  
3 50,000 homes out of four million or whatever.

4 MR. McCARTY: Right.

5 GOVERNOR BUSH: So how do we get without -- all  
6 I'm saying is it could be misleading if people look at  
7 each individual element and because the combinations  
8 may yield a higher or lower credit, I don't know --

9 CFO GALLAGHER: Could be either way.

10 GOVERNOR BUSH: It could be either way. If there  
11 was a way -- I don't know how to do it. I know this  
12 isn't an easy request. But what we don't want to do is  
13 to put this in plain English so people can understand  
14 and make it confusing at the end. I mean, the whole  
15 point of this is to make it easy for people to  
16 understand so that their interests are aligned with the  
17 State's interest to harden their homes. Am I --

18 MR. McCARTY: Very clearly. But my concern is  
19 that if we do have a tallied number at the end, it may  
20 vary by more than a little bit, in which case I think  
21 it could cause some --

22 GOVERNOR BUSH: Then you need to put something in  
23 the form itself so that there's a degree of consumer  
24 protection about this. And maybe get an --

25 CFO GALLAGHER: One of the things you have to do

1 in real life is you've got to get an inspection. If  
2 you're a homeowner in Dade or Broward County, primarily  
3 Dade, you probably already should get discounts that  
4 you may or may not be getting, because if your home was  
5 built to the code or been improved to the code because  
6 it's had some improvements on it, you qualify for  
7 discounts that you may not have gotten.

8 And almost every inspection that we've done has a  
9 two to three to eight percent that already could be  
10 just because of the construction, and then the things  
11 that you could do would go on top of that. And they're  
12 finding that out because they're getting an inspection.  
13 So many people pay them to, if they're not part of the  
14 50-some-thousand that have already signed up and locked  
15 down, to go get an inspection on their own and see what  
16 it would cost, because there is some pretty good  
17 savings already there plus what you can get.

18 GOVERNOR BUSH: Is there a way to put something  
19 into the form itself that does say -- you know, that  
20 encourages people to get an inspection --

21 MR. McCARTY: Yes.

22 GOVERNOR BUSH: -- or gives them some information  
23 just to deal with this one issue that I wasn't aware  
24 of. This is kind of new turf for me so --

25 CFO GALLAGHER: Here's the thing. Are the people

1 ever going to see this form?

2 MR. McCARTY: Yes. The form is required to be  
3 sent on issuance of a new policy and on every renewal.  
4 So it comes in your -- it generally comes in your  
5 renewal notice, and they're widely distributed and  
6 widely read. And we've received a number of inquiries  
7 and your office has received a number of inquiries.  
8 But the problem has been is that there's been such a  
9 wide degree of variation with regard to -- within each  
10 of those different mitigation prospects.

11 So they would be between three and 45 percent.  
12 They'd go out and make the investment. And you read  
13 the occasion where somebody gets a 16 or 18 dollars,  
14 and we clearly want to make that not the case.

15 CFO GALLAGHER: What needs to be the form that  
16 gets sent out is that there's a wide variation, but if  
17 you'd like to know exactly what you can save, you can  
18 get your home inspected, and basically tell them how.

19 GOVERNOR BUSH: But we're also eliminating the  
20 wide variation.

21 MR. McCARTY: Right.

22 CFO GALLAGHER: Well, that too.

23 MR. McCARTY: The purpose here was to move away  
24 from the form that was not only difficult to understand  
25 but really didn't provide very specific information

1 with regard to the structure to the homeowner. And  
2 what we're attempting to do here is to provide plain  
3 language, but also focus on those things that are being  
4 targeted by Senate Bill 1980, the \$250 million  
5 mitigation program, and then also give specific  
6 discrete credits for those with the specific  
7 policyholders, with the obvious caveat that that is an  
8 estimate and that there might be a small variation on  
9 that, as we work through this system to perfect it.

10 CFO GALLAGHER: Well, obviously, there's a way.  
11 Unfortunately, it's probably underwrite one policy at a  
12 time, when it comes to what -- I mean, okay, look, I've  
13 got all my windows covered with shutters. They've got  
14 to give you a number how much you save. The problem  
15 is, I guess, each one has to be looked at.

16 MR. McCARTY: And there's also consideration. You  
17 might shutter your windows, but if you fail to fortify  
18 your garage, you're still going to compromise the  
19 building, so you might not get as much credit as you  
20 want. So it's an ongoing process of education and a  
21 better way to communicate the way to mitigate homes to  
22 make Florida's homes safer.

23 GOVERNOR BUSH: General?

24 ATTORNEY GENERAL CRIST: Thank you, Governor.  
25 Kevin, I guess it's along the lines or maybe analogous

1 to, you know, if you're a safe driver, you get a  
2 discount on your auto insurance. So if you harden your  
3 home, you should get a discount on your homeowner's  
4 insurance. Is that fair to say?

5 MR. McCARTY: Absolutely, General. And as you  
6 know, when you get your auto insurance, they'll  
7 specifically say, seat belt, passive restraints,  
8 antilock brakes, and they'll accumulate those. So it's  
9 very analogous to what we've done with regard to  
10 promoting safety in automobile driving as well.

11 GOVERNOR BUSH: Except there's an asterisk, which  
12 is that the combination of these things may not yield  
13 the logical, you do four things and you add them up and  
14 you get a discount of X.

15 MR. McCARTY: Another one of the responsibilities  
16 under the provisions of 1980 was to require the Office  
17 to go back and revisit the credits that we're currently  
18 using. And one of the things we can do is separate  
19 those out and give discrete numbers with regard to each  
20 of those. And, therefore, when we republish the rule  
21 in the future, we can be more specific and not have so  
22 much of a variance with regard to those credits and  
23 discounts.

24 GOVERNOR BUSH: All right.

25 CFO GALLAGHER: Motion on 2.



1           ATTORNEY GENERAL CRIST:  Second.

2           GOVERNOR BUSH:  There's a motion and a second.  
3           Any other discussion?  Without objection, the item  
4           passes.  Thank you, Kevin.  Item 3.

5           MR. McCARTY:  I would like your guidance,  
6           Governor, and members of the Commission, with regard to  
7           effective date.  As I established when we first started  
8           our discussion it was by operation of the  
9           Administrative Procedures Act.  It would take effect at  
10          the end of October, which was within our time frame.

11          Unfortunately, the industry, through challenges  
12          with putting this in their system, because we are now  
13          going from a general statement to a policy specific,  
14          will have to obviously do a number of programming  
15          changes in their system.

16          They've requested until July 1st.  I think that  
17          that probably is probably way too long.  January 1st is  
18          when we're going to require them to make the filing.  
19          Certainly we were originally contemplating a January  
20          effective date.  The two of them can be together.  
21          Somewhere in between would be a March date, which we  
22          originally suggested.  We await your guidance.

23          GOVERNOR BUSH:  You wanted 90 days after January  
24          1st, March 1st, or 60 days after?

25          CFO GALLAGHER:  He likes March 1st.  He doesn't

1 care --

2 MR. McCARTY: I like March 1st, but not for the  
3 reasons previously stated, but we certainly could -- my  
4 concern is --

5 GOVERNOR BUSH: The December date is really the  
6 earliest that it can be done?

7 MR. McCARTY: Because, remember, they have to give  
8 the time for the renewals. So if they put it in March,  
9 you still have to put it in the renewal dates earlier  
10 than that.

11 GOVERNOR BUSH: Okay.

12 MR. McCARTY: So suggest a March 1st effective  
13 date.

14 CFO GALLAGHER: I move -- this is for 3 now,  
15 right?

16 MR. McCARTY: No. That's Number 2. Number 3 is  
17 actually January 1st.

18 GOVERNOR BUSH: We don't need a motion. You're  
19 just looking for guidance?

20 MR. McCARTY: Yes, because we're going to --

21 CFO GALLAGHER: March 1st.

22 MR. McCARTY: -- publish the rule with the  
23 effective --

24 GOVERNOR BUSH: Item 3.

25 CFO GALLAGHER: Motion on 3.

1           ATTORNEY GENERAL CRIST:  Second.

2           GOVERNOR BUSH:  There's a motion and a second.

3           Would you like to --

4           MR. McCARTY:  Briefly, Governor.

5           GOVERNOR BUSH:  There are people that are actually  
6           listening to this, unlike the S & P thing maybe.  Maybe  
7           they were right about this.

8           MR. McCARTY:  I think you're right, Governor.  
9           This is where we're providing -- previously, with  
10          regard to mitigation discounts and credits, we provided  
11          a publication of a memorandum, suggestions.  We are now  
12          going to the full actuarial indications as published by  
13          the Department of Community Affairs in their study,  
14          which effectively, for most companies, would double  
15          those discounts and credits.

16          In conjunction with what was previously adopted,  
17          the doubling of the credits, along with a better  
18          education program, we believe will provide  
19          policyholders with incentives to mitigate their homes,  
20          not only to reduce losses but to provide a safe  
21          environment for their families.

22          GOVERNOR BUSH:  Thank you.  Any discussion?  
23          There's a motion and a second.  Without objection, Item  
24          3 passes.  Item 4.

25          MR. McCARTY:  Before I go to Item 4, Governor, I'd

1           like to ask the Interim Executive Director Dan Sumner  
2           to give you an update on the Property and Casualty  
3           Joint Underwriting Association that was established by  
4           emergency rule.

5                     GOVERNOR BUSH: All right.

6                     MR. SUMNER: Good morning. The Property and  
7           Casualty JUA --

8                     GOVERNOR BUSH: Good morning.

9                     MR. SUMNER: Good morning. -- received its rate  
10          and policy form approval on September 15th. So we've  
11          had 13 days of being eligible to write coverage. The  
12          policy form that was approved calls for a maximum  
13          structural value limit of \$1 million and covers the  
14          perils of wind and hail.

15                    Since that time 343 insurance agents have been  
16          appointed to write business with the Property and  
17          Casualty JUA. In those 13 business days, there have  
18          been 521 quotes for coverage. Under the requirements  
19          for the JUA, once a quote is made, there is a ten-day  
20          period where the quote has to be shopped in the private  
21          market with the Florida Market Assistance Plan so that  
22          only --

23                    GOVERNOR BUSH: Speak English now.

24                    MR. SUMNER: I'm sorry?

25                    GOVERNOR BUSH: English. No acronyms, so we can

1 understand it.

2 MR. SUMNER: With the Florida Market Assistance  
3 Plan --

4 GOVERNOR BUSH: Thank you.

5 MR. SUMNER: -- to make sure that the coverage is  
6 unavailable in the private market. Some basic  
7 information on the quotes so far, the total value of  
8 the buildings quoted to this point is 179,321,000.  
9 That would be for the total for the 521 quotes. The  
10 average property value is 344,000. The total quoted  
11 premium is 5.7 million, and the average quoted premium  
12 is \$10,897.

13 The most significant risk characteristic of the  
14 quotes is that 44 percent of the quotes are for  
15 structures that are less than one mile from the coast.  
16 Of the quotes, 84.6 percent are for structures that are  
17 less than five miles from the coast.

18 There has been one risk that has been shopped by  
19 the Market Assistance Plan. There was no private  
20 market coverage and a policy has been bound for that  
21 one risk. It is a building in Naples, Florida, with a  
22 value limit of \$1 million and the premium was 19 --

23 GOVERNOR BUSH: Does that mean all the rest found  
24 private insurance or it's still working --

25 MR. SUMNER: They're still in the ten-day period.

1 CFO GALLAGHER: Ten-day period, and we've only had  
2 13 days.

3 MR. SUMNER: And I'll be happy to answer any  
4 questions.

5 GOVERNOR BUSH: How do you price it?

6 MR. SUMNER: There was a rate filing which was  
7 submitted to the Office of Insurance Regulation. Very  
8 similar to any other property coverage that is based  
9 upon hurricane risk. There were two hurricane models  
10 used, which presumed a one- and 250-year storm  
11 potential, which is a very conservative estimate.

12 We are also, to make sure that the rates are  
13 appropriate, going to do an independent actuarial peer  
14 review of the rates within the first 30 days after that  
15 September 15th date so that we have not only the rate  
16 filing that was submitted but an independent second  
17 opinion to make sure that the rates are, in fact,  
18 actuarially sound.

19 GOVERNOR BUSH: What is your insurance agent  
20 commission?

21 MR. SUMNER: Seven percent.

22 GOVERNOR BUSH: Good lesson for Citizens.

23 CFO GALLAGHER: These policies are limited to \$1  
24 million.

25 MR. SUMNER: Yes, sir.

1 CFO GALLAGHER: And it's wind only.

2 MR. SUMNER: Yes, sir.

3 CFO GALLAGHER: And the mile, it must be the areas  
4 where Citizens obviously has just a very small area of  
5 the coastal. So we've got a lot of these coming from  
6 the panhandle? Because I think 98 is the line for  
7 Citizens, if I remember correctly, or somewhere close  
8 to that.

9 MR. SUMNER: You are correct that the Property and  
10 Casualty Joint Underwriting Association cannot write in  
11 the areas that Citizens writes, including the Citizens  
12 high risk area, which is their coastal product.  
13 Actually, the quotes are very evenly distributed around  
14 the state. There are quite a few from southwest  
15 Florida and also from Tampa Bay. But we are getting a  
16 number from the panhandle as well.

17 GOVERNOR BUSH: Thank you.

18 MR. SUMNER: Thank you.

19 CFO GALLAGHER: Motion on 4.

20 COMMISSIONER BRONSON: Second.

21 GOVERNOR BUSH: Is this -- that's what we just  
22 discussed?

23 CFO GALLAGHER: Rule adoption, yes.

24 MR. McCARTY: Four is the adoption of -- this is  
25 the regular non-emergency rule adoption of the

1           formation of the Property and Casualty Joint  
2           Underwriting Association.

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

5                   MR. McCARTY:  And I just want to show the  
6           distinction in that it just provided for how you would  
7           apportion the losses of the company.  That's the only  
8           change from the emergency rule.

9                   GOVERNOR BUSH:  Thank you, Kevin.

10                   MR. McCARTY:  Thank you, Governor.

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1           GOVERNOR BUSH: Department of Highway Safety and  
2 Motor Vehicles.

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

4           ATTORNEY GENERAL CRIST: Second.

5           GOVERNOR BUSH: There's a motion and a second.

6 Without objection, the item passes. Item 2.

7           MR. DICKINSON: Good morning, Governor and

8 Cabinet. Item 2 is the quarterly report for the

9 quarter ending June of '06.

10          CFO GALLAGHER: Motion on accepting the report.

11          ATTORNEY GENERAL CRIST: Second.

12          GOVERNOR BUSH: There's a motion and a second.

13 Without objection, the item passes.

14          MR. DICKINSON: Governor, can I mention one thing

15 that is going on right now? We're trying to make

16 technology work a little better for us.

17          GOVERNOR BUSH: Sure.

18          MR. DICKINSON: Yesterday we unveiled something

19 down at Representative Bill Galvano's office. A young

20 lady whose daughter had been killed, unfortunately, in

21 a motorcycle crash some time ago had -- the law

22 enforcement, it took them about six hours to notify

23 her. She knew something had happened, but she was

24 frantically going around the hospitals.

25          We have put together a Web-based application for

1           you, anybody, to go onto our site and go ahead and put  
2           in personal information to where law enforcement or  
3           emergency people can contact you in the event of an  
4           emergency, free to the public, and it can only be  
5           accessed by law enforcement through a certified system.

6           CFO GALLAGHER: Now, is the information one would  
7           put in about who to contact if something happens to  
8           them?

9           MR. DICKINSON: Correct.

10          CFO GALLAGHER: And that information is public?

11          MR. DICKINSON: No. That information is only  
12          available to what we call the DAVID system. I know I'm  
13          going to hear about that. But the DAVID system is the  
14          driver system that is available only to law enforcement  
15          or somebody that FDLE has a certification through, for  
16          them to access the system. Nobody would be able to get  
17          into that information, unless you're law enforcement or  
18          a firefighter, first responder.

19          CFO GALLAGHER: How are we going to -- are we  
20          going to start asking people when they get a renewal on  
21          their driver's license to give us that person so that  
22          that will help?

23          MR. DICKINSON: We will ask -- it's all voluntary,  
24          and at this point we will ask them if they want to  
25          involve themselves in that.

1 CFO GALLAGHER: I know it's voluntary, but we  
2 really should push that when you renew. Otherwise  
3 people aren't -- it's hard to get --

4 MR. DICKINSON: Well, we'll push it when we renew,  
5 but it's not mandatory yet. Yes, we are asking the  
6 question or we're making it available when they come in  
7 for renewal. We're still working out the kinks on this  
8 thing, and we want to get it fine-tuned before we open  
9 the doors wide open to advertising.

10 CFO GALLAGHER: I think it's a great idea.

11 GOVERNOR BUSH: All right. Thank you, Fred. Item  
12 3.

13 MR. DICKINSON: Item 3 is a rule amendment to  
14 adoption of the Florida Administrative Code with regard  
15 to noise coming from vehicles. We're changing it by  
16 statute. We're just conforming to the statute, which  
17 changes from 100 feet plainly audible to 25 feet.

18 CFO GALLAGHER: Motion on 3.

19 COMMISSIONER BRONSON: Second.

20 GOVERNOR BUSH: You're changing the rules to  
21 comply with the new statute.

22 MR. DICKINSON: Correct.

23 GOVERNOR BUSH: There's a motion and a second.  
24 Without objection, the item passes. I thought you were  
25 going to bring -- like the license plates, they always

1 bring the big plate. I thought you'd bring your big  
2 boom box.

3 CFO GALLAGHER: You could bring a little tiny one  
4 at 25 feet.

5 MR. DICKINSON: I left it on the tractor this  
6 morning, Governor.

7 GOVERNOR BUSH: Item 4.

8 MR. DICKINSON: Item 4 is our annual performance  
9 report from '05-'06.

10 CFO GALLAGHER: Approve the item for the  
11 performance report.

12 ATTORNEY GENERAL CRIST: Second.

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

15 MR. DICKINSON: Do you want any comments on the  
16 performance last year, Governor?

17 CFO GALLAGHER: Sure. You can tell us how great  
18 you did.

19 MR. DICKINSON: Well, we hit about 75 to 80  
20 percent of our goal. The one thing is, we have -- 85  
21 percent of the folks that are standing in our driver  
22 license offices are waiting 30 minutes or less. So  
23 that is a substantial improvement over previous years.  
24 And I thank you and the Legislature for helping us.  
25 You gave us some resources there that certainly picked

1 up the slack.

2 CFO GALLAGHER: But how many are being done  
3 through the mail?

4 MR. DICKINSON: About 25 percent on the vehicle  
5 side and about 13 percent on the driver license side.  
6 And when you say "mail," I mean mail, voice or  
7 Internet. They have three different ways other than  
8 coming in the office. And that has improved roughly 25  
9 percent a month since we got rid of the convenience  
10 fee. So we're seeing substantial improvement there.

11 CFO GALLAGHER: And is there an age at which we  
12 want to -- that somebody starts taking a driver's test  
13 again?

14 MR. DICKINSON: We require a vision test on  
15 everyone now if you come in the office. If you apply  
16 through mail, phone or Internet and are over -- are 80  
17 years old or over, you have to submit an eye test at  
18 that age. There's only a written test if you come  
19 under some kind of medical scrutiny or law enforcement  
20 requests it.

21 GOVERNOR BUSH: All right. Did we do a motion on  
22 that?

23 CFO GALLAGHER: Yes.

24 GOVERNOR BUSH: I think we did; didn't we? Item  
25 5, please.

1 MR. DICKINSON: Item 5 is the '06-'07 annual  
2 performance contract.

3 CFO GALLAGHER: Motion on 5.

4 ATTORNEY GENERAL CRIST: Second.

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

7 MR. DICKINSON: Item 6 is the Department's '07  
8 legislative package, which is basically to conform to a  
9 federal Attorney General or Justice Department's  
10 request that we tailor the law a little bit. We are  
11 already doing the Driver Privacy Protection Act, which  
12 means we're holding Social Security, personal  
13 information, your name, your address, things of that  
14 nature, at a high scrutiny. And this would change the  
15 law a little bit at their suggestion. We don't think  
16 it will change any operation in Florida.

17 CFO GALLAGHER: Motion on 6.

18 ATTORNEY GENERAL CRIST: Second.

19 GOVERNOR BUSH: There's a motion and a second.  
20 I'm going to maintain my posture of abstaining from the  
21 vote, to keep the seat warm for the next governor. All  
22 in favor say aye.

23 COMMISSIONER BRONSON: Aye.

24 ATTORNEY GENERAL CRIST: Aye.

25 CFO GALLAGHER: Aye.

1 GOVERNOR BUSH: And one abstention.

2 MR. DICKINSON: Item 7, Governor, is our --

3 GOVERNOR BUSH: No. You just did that, I think.  
4 Didn't you?

5 CFO GALLAGHER: Seven is budget. The other was --

6 GOVERNOR BUSH: I'm sorry. Okay. My bad. I  
7 didn't have to abstain on that.

8 MR. DICKINSON: Item 7 is the legislative budget  
9 request for '07-'08.

10 GOVERNOR BUSH: Is there a motion?

11 COMMISSIONER BRONSON: Motion on 7.

12 GOVERNOR BUSH: And a second?

13 CFO GALLAGHER: Second.

14 GOVERNOR BUSH: All in favor?

15 COMMISSIONER BRONSON: Aye.

16 CFO GALLAGHER: Aye.

17 ATTORNEY GENERAL CRIST: Aye.

18 GOVERNOR BUSH: All right. There's three ayes and  
19 an abstention. The Governor abstains.

20 MR. DICKINSON: Governor, I did want to mention in  
21 there -- and I know there's some interest amongst you.  
22 We went ahead with a pay raise request for law  
23 enforcement. We have met with the new union, which is  
24 the Police Benevolent Association. And the suggestion  
25 is for a five -- well, up to a \$5,000 pay raise. It

1 would be \$500 a year per year of service up to ten  
2 years. That is in there. There's also an item in  
3 there, a one-dollar item on our Real ID Act, which is a  
4 federally sanctioned program that I know you've read  
5 about, that you've been involved with the Governors'  
6 Association and some others.

7 They're requiring us to amend some of our driver  
8 license procedures in order to gain access not only at  
9 federal buildings but also aircraft after '08. I  
10 suspect that they're going to delay that, relax those  
11 rules a little bit because the feds have been a little  
12 bit slow in coming to us with some rule-making. But we  
13 should know a lot more about that.

14 I have been before you before, or before before  
15 before, and said that we are trying to get Real ID --  
16 we're trying to be compliant with some of the things  
17 that Real ID, we thought were coming forward. We have  
18 done that, but it looks like they may be going even  
19 further.

20 One of the things they're doing is trying to put a  
21 polycarbonate card together. Our card currently costs  
22 a buck fifty. This card by itself, without the  
23 security features, is anywhere from five to seven  
24 dollars. So you can see what kind of impact that may  
25 have. We are working with them, and we've been on the



1 ground floor, so we've reserved that in there, just in  
2 case they come forward with rule-making before next  
3 session.

4 GOVERNOR BUSH: Thank you, Fred. Item 8.

5 MR. DICKINSON: Item 8, what we've all waited for.  
6 We have four tags today, and these are the four that  
7 were passed by our Legislature. I think, if I can,  
8 Governor, I know there are people here in the audience.  
9 Representative Baxley and his son Jeffrey are here on  
10 the State of Vision tag. And I'd like to just talk  
11 about them individually, let them come up and have  
12 their thing, and then you want to roll the whole -- all  
13 the tags together?

14 GOVERNOR BUSH: We can do them individually and  
15 we'll get a picture and we'll keep it rolling that way.

16 MR. DICKINSON: First is the State of Vision tag.  
17 Senator Baker couldn't be here. Do y'all want to go on  
18 up for a photo op, or you want to go through the --  
19 which way do you want to do it?

20 MS. GOODSON: We can do it all at the end or --

21 GOVERNOR BUSH: Whatever you want to do, Fred.  
22 Why don't you go through all of them and then we'll do  
23 the pictures.

24 MR. DICKINSON: All right, sir.

25 CFO GALLAGHER: By the way, just for whatever it's

1           worth, if you count the local government tags and all  
2           the other tags, this will put us at 185 tags that are  
3           allowed to be on vehicles in this state.

4           GOVERNOR BUSH:  It's a great state.  I overcame my  
5           concerns about that about year three.  My position has  
6           evolved on this a long time ago.  And, Jeffrey, are you  
7           going to --

8           REPRESENTATIVE BAXLEY:  Thank you.  I'm going to  
9           ask Jeff to join me.

10          GOVERNOR BUSH:  Tell us about the bill, too,  
11          because it's pretty historic.

12          REPRESENTATIVE BAXLEY:  Absolutely.  And if I  
13          could, just an aside for a minute, I don't make a lot  
14          of these Cabinet meetings.  You folks do this work  
15          without the legislators needing to be here usually.  
16          And I just want to tell you how grateful I am to serve  
17          in the Florida House during the tenure of these Cabinet  
18          officials.

19          Each of you, I'm just incredibly -- when I came in  
20          here today and just thought about the privilege of  
21          serving in the time that you've been here, and I know  
22          you don't have a lot more meetings together, I'm just  
23          extremely grateful.  I'm extremely grateful that I've  
24          been able to serve with each of you.

25          GOVERNOR BUSH:  Thank you, Dennis.

1           REPRESENTATIVE BAXLEY:  And I'm very proud of you  
2           and how you serve this state and how fortunate we are  
3           to have the integrity that we have at this Cabinet  
4           level, and I'm very grateful to you.

5           GOVERNOR BUSH:  Thank you, Dennis.

6           REPRESENTATIVE BAXLEY:  Today, Jeffrey has been  
7           through this experience with me.  He's testified in  
8           committee.  He's been before the press, the media.  And  
9           I want to tell you that the specialty plate --

10          GOVERNOR BUSH:  Sorry to hear that.

11          REPRESENTATIVE BAXLEY:  He's worked hard.  And  
12          he's also a good campaigner if you need one for  
13          anything, Charlie.  But I can't think of a better tool  
14          for visually impaired people than this specialty plate  
15          because the specialty plate and the marketing of it is  
16          a self-help mechanism.  It's not a handout.  It's a  
17          mechanism by which they can actually go out and  
18          encourage people to help the agencies that help blind  
19          people.

20          So the independent nature of this plate and the  
21          way that they can use this to raise funds is very  
22          exciting.

23          I'm also very proud of this, of having started the  
24          Vision Caucus, that this is the first project of the  
25          Vision Caucus to do something for visual impairment.

1           And we have so many people who are living longer in our  
2           state, thankfully, who are going to have vision  
3           problems. And the more we can keep people living  
4           independently, their quality life individually is so  
5           much improved, and the budget is a lot easier to handle  
6           when we keep people living independently instead of  
7           them feeling that they've become a dependent on the  
8           State.

9           So for all those reasons and because I'm very  
10          grateful for the association and all of our  
11          professionals that have worked so hard on this, we're  
12          grateful to come and stand in support of it and  
13          grateful for your support of this opportunity today.

14          GOVERNOR BUSH: Dennis, you forgot to mention the  
15          bill that we signed.

16          REPRESENTATIVE BAXLEY: Yes, I do want to mention  
17          that bill. There was an historic moment at which  
18          Jeffrey received the first brailled bill, this bill  
19          signed by the governor. And to our knowledge, that's  
20          never happened in history. And for that, we're  
21          extremely grateful. He's just telling me I should have  
22          brought the bill with me. Do you want to thank the  
23          governor?

24          JEFFREY BAXLEY: Thank you, Governor, for bringing  
25          the bill.

1           GOVERNOR BUSH: You bet. It was a joy to see it.  
2           Okay. If you guys sit down, we'll get our pictures in  
3           a little bit.

4           MS. NASEHI: Good morning, Governor and members of  
5           the Cabinet. My name is Lee Nasehi. And I'm the  
6           president of the association that Representative Baxley  
7           was talking about, the Florida Association of Agencies  
8           Serving the Blind. We also want to thank you very  
9           much. We're very excited about the State of Vision  
10          license plate.

11          And just wanted to mention that the proceeds from  
12          the license plate will be used for our day-to-day  
13          hands-on direct support services to blind and visually  
14          impaired Florideans. We serve people throughout the  
15          state through 14 local nonprofit organizations, like  
16          Lighthouse Central Florida, my organization, the Tampa  
17          Lighthouse for the Blind, the Lighthouse of Pinellas,  
18          the Miami Lighthouse and others from Pensacola to  
19          Jacksonville to Miami and Naples.

20          I'd like to ask my colleagues to stand. Cliff  
21          Olstrom, Sheryl Brown, both from Tampa Lighthouse. Dan  
22          Mann from the Pinellas Lighthouse. Robert Kelly from  
23          the Conklin Center for the Blind. And I think  
24          that's -- and there's Barbara Ross, who is with the  
25          agency right here in Tallahassee called the Florida

1           Institute for Rehabilitative Education. Also here is  
2           Jim Montgomery, who designed our lovely plate. Jim,  
3           would you please stand, too. We just think it's  
4           beautiful.

5                     And of course we want to thank Dennis and Jeffrey  
6           Baxley for all your support and involvement. This  
7           would not have happened without him and Senator Carey  
8           Baker, who was our Senate bill sponsor. And I'd also  
9           like to thank Craig Kiser. He's the director of our  
10          Division of Blind Services, who has been very  
11          supportive. We are a team. And I don't believe this  
12          would have happened without that team spirit. Craig is  
13          a tremendous advocate for the blind and a man of great  
14          vision.

15                    FAASB is already the point of delivery for many  
16          State-funded blind services through the Division of  
17          Blind Services. With voluntary proceeds from this  
18          license plate, we'll be able to add to what money the  
19          State provides for blind services.

20                    I'd also like to mention, in view of the Auditor  
21          General's report, that our plate did pass all the  
22          requirements. I want to thank you for your support of  
23          this license plate. And I'd like to close by inviting  
24          all of you to attend the first ever Florida Vision  
25          Summit, which we hope will happen sometime this

1           January. Thank you.

2                   GOVERNOR BUSH: Thank you very much.  
3           Congratulations. Well done. All right, Fred.

4                   MR. DICKINSON: Governor, the second tag is the  
5           agricultural education tag. And, Commissioner, I don't  
6           know if you wanted to say anything about that.

7                   COMMISSIONER BRONSON: Well, Governor and Cabinet  
8           members, this has been something that's been in the  
9           making for quite some time, and we have some of our  
10          vocational agriculture educators here to support this  
11          that have been working on this for a long time, and  
12          that's why the FFA State officers stayed for this  
13          event, in hopes that this is going to help their  
14          educational purposes.

15                   I know it's kind of unusual to look at education  
16          from this standpoint. But for what FFA gets or what  
17          the educators get in their support from the school  
18          system, almost everything else that goes with FFA is  
19          raised through parents, grandparents and the kids  
20          themselves.

21                   GOVERNOR BUSH: Where is the plate?

22                   COMMISSIONER BRONSON: We've got it here. It's a  
23          smaller -- there you go. But it's an effort that  
24          they've put together.

25                   GOVERNOR BUSH: Is that a grapefruit? What is

1           that thing?

2                   UNIDENTIFIED SPEAKER: That's our FFA emblem.

3                   COMMISSIONER BRONSON: I think that they may want  
4           to speak on it briefly.

5                   GOVERNOR BUSH: I can't see it very well. That's  
6           great. It's pretty. I just want to make sure, when  
7           I'm back driving again and I'm getting close to a  
8           license plate, I know --

9                   CFO GALLAGHER: Do you have a driver's license?

10                  GOVERNOR BUSH: I have one, yeah.

11                  MS. BURLESON: Commissioner Bronson introduced me  
12           earlier. But my name is Sarah Burleson, and this year  
13           I'm the state president for the Florida FFA  
14           Association.

15                  GOVERNOR BUSH: Where are you from?

16                  MS. BURLESON: I'm from Osteen, Florida, southwest  
17           of Daytona.

18                  GOVERNOR BUSH: Yes.

19                  MS. BURLESON: And we just wanted to say thank you  
20           for the approval of our tag because this license plate  
21           will continue to further agriculture education and FFA  
22           students here in Florida for years to come. And this  
23           is going to give students some amazing opportunities  
24           and some chances to help better agriculture and  
25           continue to make it one of the top industries in our



1 nation, or in our state, so thank you.

2 GOVERNOR BUSH: Thank you very much.

3 MS. GEIGER: My name is Jodi Geiger, and I'm an  
4 agriculture teacher in Volusia County in Deltona. And  
5 I'm here representing the teacher association. I have  
6 some colleagues here with me, Robert Philpot, who is  
7 from Williston, and Perry Byars from Escambia County.

8 GOVERNOR BUSH: Welcome.

9 MS. GEIGER: And we're very thankful for you for  
10 approving this tag. The funds will help ensure the  
11 future of agriculture in our state. As well, some of  
12 the funds generated are going to be used to help to  
13 recruit and retain agriculture teachers so that we  
14 ensure that the future is there for many years to come.  
15 And once again, thank you so much for your support.

16 GOVERNOR BUSH: Thank you. All right. You guys  
17 wait and we'll get a picture after we go through the  
18 other two.

19 MR. DICKINSON: The third tag is the organ  
20 donation, Donate Organs, Pass It On. This was  
21 Representative Anne Gannon and Senator Margolis' bill.  
22 And the fees are distributed to the transplant  
23 foundation to provide statewide grants for patient  
24 services, including preoperative, rehabilitative and  
25 housing assistance, organ donor education awareness

1 programs and statewide medical research. Ms. Compton.

2 MS. COMPTON: Good morning. I'm Eli Compton. I'm  
3 the executive director for the Transplant Foundation,  
4 and I really appreciate all that you have done to help  
5 promote organ donation. I am the mother of a heart  
6 transplant -- he's a heart transplant recipient, had  
7 his transplant when he was 12 years old. He is now 26  
8 and he is a professional golfer. So he is a prime  
9 example that transplantation works.

10 I have with me here today two of the individuals  
11 that have been --

12 GOVERNOR BUSH: The guy with the big sign.

13 MS. COMPTON: -- behind the effort. Jeff  
14 Goldstein, who is a double lung transplant recipient,  
15 and Alan Tolsky who is a liver transplant recipient.  
16 There are 90,000 Americans currently waiting for a  
17 life-saving organ transplant. And we hope that this  
18 license plate is going to make the difference,  
19 particularly in the state of Florida.

20 I would also like to take this opportunity to  
21 introduce a young lady that I have with me. Imani  
22 Jones is 14 years old, and she's waiting for a  
23 life-saving transplant.

24 GOVERNOR BUSH: Welcome.

25 MS. JONES: Thank you. I am waiting for a liver

1 transplant, and I hope this license plate will help  
2 bring my transplant closer.

3 GOVERNOR BUSH: I hope so, too. Where are you  
4 from?

5 MS. JONES: Florida, here. I'm from here.

6 GOVERNOR BUSH: I was guessing Florida, but what  
7 part?

8 MS. JONES: Fort Lauderdale.

9 GOVERNOR BUSH: Fort Lauderdale? Great. Good  
10 luck to you. Thank you for being here. Thank you all.  
11 And we're going to get a picture with you in a little  
12 bit. You brought the largest license plate.  
13 Congratulations.

14 MS. COMPTON: Thank you.

15 GOVERNOR BUSH: Thank you all. Okay. And last  
16 but not least.

17 MR. DICKINSON: The last tag, Governor, is Support  
18 Home Ownership For All. It was a bill by  
19 Representative Smith and Senator Aronberg, and the fees  
20 are distributed to Home Ownership For All, Inc., to  
21 provide, promote and otherwise support affordable  
22 housing.

23 GOVERNOR BUSH: It looks like it's on the beach,  
24 which means that I hope it's to the land side of the  
25 coastal development line, and I hope that inspectors

1           come to already harden the home to make sure that you  
2           get your insurance credit because it's going to be very  
3           expensive to live there.

4           MS. RILEY: Good morning. Governor, General,  
5           Chief and Commissioner, my name is Nancy Riley, and I'm  
6           the president-elect of the Florida Association of  
7           Realtors. And I brought with me today our treasurer,  
8           Maggie Morris, our secretary, Bob Hudgens, and our  
9           legislative management team from Tallahassee for the  
10          Florida Association of Realtors.

11          We're very proud of this license plate. This  
12          plate was designed by one of our members.

13          GOVERNOR BUSH: It's beautiful.

14          MS. RILEY: We currently have -- our new numbers  
15          are 161,000 members in the state of Florida who are  
16          Realtors. It probably will go down next year, but  
17          currently that's our numbers. And we're very proud --

18          GOVERNOR BUSH: There are no fees. When you renew  
19          your license, you won't have to pay a fee, so maybe it  
20          will keep people in the game.

21          MS. RILEY: Hopefully that will give them an  
22          incentive to stay in there. We're proud of this  
23          additional stream of revenue that has been afforded for  
24          affordable housing. It's not the total answer, but  
25          every little bit helps our teachers, our police,

1 firefighters, in addition to that, the service people  
2 in the state of Florida who are so important to our  
3 economy in this state.

4 So we'd like to thank you for that, and we are  
5 going to go out there and we're going to market this  
6 license plate, as we're good in doing. And we're going  
7 to beat that panther license plate and we are going to  
8 become the number one license plate in the state of  
9 Florida. Thank you.

10 GOVERNOR BUSH: Competition is good. Yes,  
11 Commissioner.

12 COMMISSIONER BRONSON: Governor, if I could, I'd  
13 like to dovetail something that we heard earlier when  
14 we heard about the potential for increases due to  
15 various factors of our law enforcement personnel with  
16 salary and compression issues. And it goes right along  
17 with this plate.

18 There are, as you are aware, areas in the state  
19 where the growth is so high and the cost of buying  
20 property and a home is so high now that a lot of our  
21 law enforcement officers that we have in those areas of  
22 the state are having a tough time even trying to find a  
23 home that they can forward. And I think that that  
24 needs to be part of the consideration when we look at  
25 those issues coming up in the next legislative session,

1           that along with compression, that we do look at those  
2           areas of the state that we are requiring our law  
3           enforcement officers to be in, as trying to help them  
4           afford to have a place.

5           GOVERNOR BUSH:  Commissioner, when you started, I  
6           knew where you were going, and I looked over to General  
7           Crist, who is not used to your unbelievably eloquent  
8           advocacy on behalf of your department.  I said, "He's  
9           lobbying you."  And I noticed when you were making your  
10          remarks and we were both looking, that you were looking  
11          at him, not me.  And I can't tell you how that warms my  
12          heart.

13          ATTORNEY GENERAL CRIST:  Governor and  
14          Commissioner, I will caution you that your lobbying me  
15          will have no effect unless things go well November 7th.  
16          Stay focused.

17          GOVERNOR BUSH:  I promise you, if your opponent  
18          was here, he would be lobbying him, too.  Anyway,  
19          appreciate the comments, Commissioner.  Should we start  
20          the --

21          CFO GALLAGHER:  Motion on 8.

22          ATTORNEY GENERAL CRIST:  Second.

23          GOVERNOR BUSH:  There's a motion and a second.  
24          Without objection, the item passes.  It's all one  
25          motion, right, Fred?

1 (Applause)  
2 (Photographs taken.)  
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1 GOVERNOR BUSH: Florida Department of Law  
2 Enforcement.

3 CFO GALLAGHER: Motion on the minutes of August  
4 15.

5 ATTORNEY GENERAL CRIST: Second.

6 GOVERNOR BUSH: There's a motion and a second.  
7 Item 1 is approved. Item 2. Jerry, how are you doing?

8 MR. BAILEY: Doing well, Governor. Thank you.  
9 Good morning. Gentlemen, I have a very special guest  
10 with me today, Kevin Barrett. Kevin is our 2006  
11 gubernatorial fellow. He's a criminology major at the  
12 University of Florida.

13 GOVERNOR BUSH: Go Gators.

14 MR. BAILEY: And he'll be working this school year  
15 in our sexual predator unit, helping them track down  
16 absconders.

17 GOVERNOR BUSH: Good seeing you.

18 MR. BAILEY: Our remaining item is our proposed  
19 legislative budget request for '07-'08. You have the  
20 full packet before you. And our issues are in priority  
21 order. We've put together a request that I think shows  
22 a continuation of the delivery of our critical services  
23 and provides resources to our core mission. I want to  
24 briefly highlight a few of those priorities.

25 We have a continuation of our two currently funded



1 pay plans, both of which are essential for us to  
2 recruit and retain key personnel. You'll see that  
3 we're also seeking funds for our crime laboratories and  
4 their backlogs. As I have briefed you on before, we're  
5 now working with the sheriffs, chiefs and prosecutors  
6 to modify our submission and acceptance guidelines.  
7 We're also requesting funds to outsource a portion of  
8 our backlogged DNA to a private lab, and that will  
9 allow us to work in our labs on incoming cases.

10 Also we want the ability to send newly hired  
11 scientists to private institutions for their basic  
12 training rather than taking our scientists off casework  
13 to train those individuals.

14 Now, that DNA I've been talking to you about is  
15 the incoming casework, the evidence submitted by our  
16 sheriffs and chiefs. The other side of our DNA program  
17 is the database. We're asking funds to help expand  
18 that, as the Legislature has required. Three months  
19 ago we started adding theft-related felonies to the  
20 database.

21 GOVERNOR BUSH: Is that done by the Legislature,  
22 Jerry?

23 MR. BAILEY: Sir?

24 GOVERNOR BUSH: The additional crime categories?

25 MR. BAILEY: Yes. Like I say, July 1 we started

1 with the theft-related. And this year's request will  
2 complete that legislative mandate by adding  
3 drug-related crimes and the remaining felonies.

4 GOVERNOR BUSH: How many -- if fully implemented,  
5 how many samples would that mean, how many people?

6 MR. BAILEY: How many people are in the database  
7 now?

8 GOVERNOR BUSH: No. Well, how many are in now and  
9 how many would be once your --

10 MR. BAILEY: Another 87,000 will go in this year,  
11 and the other figure will add another 110,000.

12 GOVERNOR BUSH: So how many do we have now? Turn  
13 around and they'll tell you.

14 MR. BAILEY: Roughly a third of a million in there  
15 now.

16 GOVERNOR BUSH: 300,000?

17 MR. BAILEY: Yes.

18 GOVERNOR BUSH: Which is the most extensive of any  
19 state in the country?

20 MR. BAILEY: We're the leader.

21 GOVERNOR BUSH: It's a great tool for crime  
22 fighting.

23 MR. BAILEY: Another priority is the continuation  
24 of our FALCON project. As you know, just yesterday we  
25 implemented the Rapid ID function. And that system

1 allows our probation officers using the portable  
2 fingerprint devices to identify probationers when they  
3 report in. And it also allows our sheriffs to confirm  
4 the ID of sexual offenders as they register and  
5 reregister.

6 It's the first of a kind in the nation. We have  
7 plans to open this technology to a variety of criminal  
8 justice customers, including our officers on patrol,  
9 our courts and our jails.

10 Finally, we're requesting additional resources to  
11 meet a skyrocketing demand for criminal history records  
12 checks. Gentlemen, this is a system that pays for  
13 itself. Our customers are paying anywhere from \$23 to  
14 \$47 per hit, and the money is there, and for us to  
15 maintain the exemplary service, we need an increase in  
16 the funding for that system. We believe our request  
17 supports our continued resource needs and we appreciate  
18 your support.

19 CFO GALLAGHER: Motion on Item 2.

20 ATTORNEY GENERAL CRIST: Second.

21 GOVERNOR BUSH: There's a motion and a second.

22 All in favor, say aye.

23 ATTORNEY GENERAL CRIST: Aye.

24 CFO GALLAGHER: Aye.

25 COMMISSIONER BRONSON: Aye.

1 GOVERNOR BUSH: Three ayes and an abstention.

2 MR. BAILEY: Thank you.

3 GOVERNOR BUSH: Thank you.

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1 GOVERNOR BUSH: Board of Trustees.

2 MS. CASTILLE: Good morning, Governor, members of  
3 the Cabinet. How are you this morning?

4 GOVERNOR BUSH: Doing well.

5 MS. CASTILLE: Great.

6 GOVERNOR BUSH: You're pretty cheery today,  
7 Colleen. That's good.

8 MS. CASTILLE: I am cheery today. I always try to  
9 be cheery, look on the bright side of things. I am  
10 very excited today to talk to you about a benchmark  
11 that we have made in the Department of Environmental  
12 Protection, Division of State Lands. It is our five  
13 billionth celebration. We just recently surpassed a  
14 land acquisition for our environmentally sensitive  
15 lands, and we've got \$5 billion worth of lands that we  
16 have acquired over the last 15 years or so.

17 And exactly we have \$5,582,553,000 in lands that  
18 we have purchased. And that equates to 2,308,175 acres  
19 of land throughout all of Florida. And we prepared a  
20 top ten list for you of all of the acquisitions that we  
21 have purchased over the years.

22 And let me talk about our pride and joy, which is  
23 Babcock Ranch. You've all been to Babcock Ranch and  
24 have seen the incredible cultural history that remains  
25 as part of old Florida at Babcock Ranch. The South

1           Walton County Ecosystem is a very long coastal parcel  
2           of land that has freshwater lakes that are found  
3           nowhere else in the northern hemisphere of the world.  
4           The only others are found in coastal Africa.

5           The Levy County Forest, some of the largest swaths  
6           of state forest that we have throughout Florida, the  
7           Goethe Forest, many of you have been, if you've been to  
8           some of our trips through the Cross Florida Greenway,  
9           you've gone through the forest on those bike rides with  
10          us.

11          The Pinhook Swamp, the 15-year deal that we  
12          consummated earlier this year with the U.S. Forestry  
13          Service. Green Swamp, Green Swamp is the headwaters of  
14          four of Florida's major rivers, the Ocklawaha, the  
15          Hillsborough, the Withlacoochee and Peace River.

16          Fisheating Creek, Fisheating Creek, of course, was  
17          the culmination of a decade-long lawsuit, with our  
18          friends the Lykes Brothers, who have come to help us  
19          protect those lands and to keep them in their wonderful  
20          natural state.

21          GOVERNOR BUSH: Was that a fee simple? Did we buy  
22          all that, or was there some conservation easement?

23          MS. CASTILLE: There was some conservation  
24          easement, and we're working on further conservation  
25          easement.

1           GOVERNOR BUSH: Phase three or whatever. We kind  
2 of had a slow-down there. We had a disagreement on  
3 value?

4           MS. CASTILLE: We're back in discussions with the  
5 Lykes brothers. In fact, they've invited me down to  
6 see the property that they would like us to purchase.

7           Catfish Creek, which is in Polk County, Catfish  
8 Creek is not a place that I've ever been personally.  
9 But many of the folks who have been in land acquisition  
10 have been on that property. We bought that from  
11 Mr. Andy Machata. And it is an incredible piece of  
12 property where wildlife still abounds to this day. No  
13 matter what time of day you're on the property, you can  
14 see numerous different types of flora and fauna that we  
15 strive to protect.

16           And Tate's Hell State Forest, the story of Tate's  
17 Hell, Tate went in for two weeks and couldn't find his  
18 way out and came back, and he said he was going through  
19 Tate's Hell. And there's a lot of historical songs,  
20 folk songs that were written about Tate.

21           GOVERNOR BUSH: Is that where that bird is that we  
22 found?

23           MS. CASTILLE: It is not.

24           GOVERNOR BUSH: It's not near there?

25           MS. CASTILLE: No. It's in the Choctawhatchee

1 Basin, which is on the western side of Panama City.

2 GOVERNOR BUSH: I was figuring if there was going  
3 to ever be an endangered bird that was finally going to  
4 be found, it would be found in Tate's Hell.

5 MS. CASTILLE: Well, it's really hard to go  
6 through Tate's Hell.

7 GOVERNOR BUSH: One man's hell could be a bird's  
8 paradise.

9 MS. CASTILLE: I am sure that it is plenty of  
10 birds' paradises. It's an incredible piece of  
11 property.

12 GOVERNOR BUSH: It is unbelievable.

13 MS. CASTILLE: Twelve-mile Swamp over in the  
14 St. Johns County area, an incredible acquisition that  
15 we've had through there that protects water resources  
16 in perpetuity. And, lastly, Kissimmee River Prairie,  
17 which has become a state park. It's the Latt Maxcy  
18 parcel. Many of you in the back row there have been on  
19 that parcel with us and have seen the absolutely  
20 gorgeous stands of oak trees that are in the middle of  
21 the plains of this prairie.

22 GOVERNOR BUSH: Colleen, the Treasurer has pointed  
23 out that this seems to be a warmup for Item 6.

24 CFO GALLAGHER: It's the early warmup.

25 MS. CASTILLE: But I'm going to keep you waiting



1 on that one.

2 CFO GALLAGHER: Charles Lee has even shown up  
3 again, two times in a row. Tell you what, he's going  
4 to burn up all his tires driving up here.

5 MS. CASTILLE: Something else worthy of note,  
6 Governor, last week you asked us to compare our land  
7 acquisition program with other states because we always  
8 make the claim that we are the largest land acquisition  
9 program in the United States and quite frequently the  
10 world.

11 CFO GALLAGHER: In the rest of the world they just  
12 take the land.

13 MS. CASTILLE: That's true. They do. They have  
14 ownership and sometimes sell it to private industry for  
15 development.

16 GOVERNOR BUSH: So how do we compare, Colleen?

17 MS. CASTILLE: We compare very well. California  
18 in 1996, following on our tail in the early nineties,  
19 authorized a \$4 billion land acquisition program over  
20 ten years, not quite our 6 billion over a 20-year  
21 period, so they are trying to catch up dutifully.

22 However, they are going back to the voters this  
23 fall in another land acquisition and in 2008 for  
24 additional land buying authority. They do not,  
25 however, have a dedicated stream of revenue, and their

1 program is competing in an annual budget of \$132  
2 billion.

3 GOVERNOR BUSH: How do they -- if they have debt,  
4 they have a dedicated source of revenue. You better go  
5 check, because there's no way that the bond holders  
6 would --

7 MS. CASTILLE: They pay cash out of the budget.

8 GOVERNOR BUSH: It's junk bond debt.

9 CFO GALLAGHER: But they can do full faith and  
10 credit, the State, but their credit has been a little  
11 shaky in the past years.

12 GOVERNOR BUSH: All right. So we have a  
13 competitor.

14 MS. CASTILLE: We have a competitor. And  
15 Pennsylvania has a keystone fund which receives, again,  
16 from the legislature 125 million and sometimes 200  
17 million on an annual basis. And Massachusetts spends  
18 about \$110 million per year.

19 GOVERNOR BUSH: Thank you.

20 MS. CASTILLE: So those are our top competitors.  
21 On a final note --

22 GOVERNOR BUSH: So we're still number one.

23 MS. CASTILLE: We're still number one. All 50  
24 states, with the exception of Hawaii, Florida has a  
25 greater diversity of species which we protect, both

1           flora and fauna, than any other state. We also have a  
2           greater number of endangered species in our state that  
3           need additional protection. And people visit us to see  
4           them, so it creates quite a tourism element of the  
5           economic development for us. So as you see, we are  
6           number one in the state -- in the United States.

7           GOVERNOR BUSH: Okay. Item 1.

8           CFO GALLAGHER: Motion on Item 1.

9           ATTORNEY GENERAL CRIST: Second.

10          GOVERNOR BUSH: There's a motion and a second.

11          MS. CASTILLE: Item 1, City of Key West?

12          GOVERNOR BUSH: Yes. I would like to make an  
13          amendment to this motion that we buy this property but  
14          only with a deed restriction that Allison DeFoor, any  
15          time he comes in front of the Cabinet, must wear --

16          CFO GALLAGHER: Real clothes?

17          GOVERNOR BUSH: -- real clothes and a coat and  
18          tie. Could you please stand?

19          MS. CASTILLE: We'd like to make sure that Mr.  
20          DeFoor has met that criteria.

21          GOVERNOR BUSH: Let me see. I've got to see the  
22          full --

23          CFO GALLAGHER: He's got the real clothes.

24          MS. CASTILLE: Shoes and socks.

25          GOVERNOR BUSH: I withdraw my amendment. There's

1 a motion and a second. Without objection, the item  
2 passes.

3 MS. CASTILLE: Item 2 is the Brevard Coastal Scrub  
4 Ecosystem and the Grissom Parkway. This is  
5 consideration of an assignment to acquire 79.55 acres  
6 within the Brevard Coastal Scrub/Grissom Parkway  
7 Florida Forever Project.

8 CFO GALLAGHER: Motion on 2.

9 COMMISSIONER BRONSON: Second.

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

12 MS. CASTILLE: Item 3 is the Florida Keys  
13 Ecosystem Florida Forever Project. This is  
14 consideration of a purchase agreement for .69 acres  
15 within the Florida Keys Ecosystem Florida Forever  
16 Project for \$406,250.

17 CFO GALLAGHER: Motion on 3.

18 MS. CASTILLE: You'll note that this acquisition  
19 is more expensive than the next acquisition, which is  
20 also in the Keys, and the Item 3 has ROGO development  
21 units approval for it.

22 COMMISSIONER BRONSON: Second.

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

25 MS. CASTILLE: Item 4 is the Florida Keys

1 Ecosystem purchase of a parcel of 5.54 acres from  
2 Marianne Jansa for \$315,000.

3 CFO GALLAGHER: Motion on 4.

4 ATTORNEY GENERAL CRIST: Second.

5 GOVERNOR BUSH: There's a motion and a second.

6 Without objection, the item passes.

7 MS. CASTILLE: Item 5 is Peacock Springs Division  
8 of Recreation and Parks' Additions and Inholdings.  
9 This is consideration of an option agreement to acquire  
10 481.7 acres within Peacock Springs State Park.

11 CFO GALLAGHER: Motion on 5.

12 COMMISSIONER BRONSON: Second.

13 GOVERNOR BUSH: There's a motion and a second.

14 Without objection, the item passes.

15 MS. CASTILLE: Item 6, Joshua Creek property in  
16 the Econ - St. Johns Ecosystem Florida Forever Project.  
17 Governor, members of the Cabinet, we do have two  
18 speakers here, including the seller, three including  
19 the seller. And I would like to ask Charles Lee to  
20 come up and --

21 GOVERNOR BUSH: Charles, before you come up,  
22 there's a -- you must not have heard about the 15-yard  
23 penalty and loss of down when you use the word "legacy"  
24 and my name in the same sentence.

25 CFO GALLAGHER: He's not taking credit for that.

1           GOVERNOR BUSH: Were you in charge of the headline  
2 in the paper? Okay. Please come up and speak then.

3           CFO GALLAGHER: At least read it so the audience  
4 -- let them know what it says.

5           GOVERNOR BUSH: I'm not going to do that. That  
6 encourages bad behavior.

7           MR. LEE: Governor, I have long since lost the  
8 thought that I could ever be in charge of anything in a  
9 newspaper. Thank you very much. Governor, we stand  
10 here again strongly in favor of this project. We think  
11 that it is a crucial piece in the mosaic of remaining  
12 ecosystems in East Orange County. We believe the  
13 pressures are there and we also believe the value is  
14 there.

15           I simply want to leave you with a thought in  
16 comparison to this project. I think your judgment on  
17 this project ultimately rests in the appraisals that  
18 you have and the requirements for those appraisals  
19 under the law that governs the Florida Forever Program.

20           There are, however, some important comparisons I  
21 would ask you to think about. Earlier this year you  
22 also bought another stellar piece of property. This  
23 property was known as the Overstreet parcel. It was  
24 located in the Green Swamp, the Green Swamp area of  
25 critical concern.

1           It was located some 15 miles from the city of  
2           Lakeland. It was purchased, the entire 5,118 acres for  
3           \$54,370,000, \$10,623 an acre, zoned agricultural. The  
4           permissible density on that tract was one unit per five  
5           acres.

6           We think it's a good property to look at when you  
7           examine this one, which is within a half a dozen miles  
8           of the new Burnham Institute, which is within a half a  
9           dozen miles of the University of Central Florida, is  
10          within about the same distance of the proposed new  
11          medical school, is within a very close proximity to a  
12          corridor study area for a new expressway linking the  
13          east coast of Florida to the 417 beltway in Central  
14          Florida.

15          We think the appraisers have it right. We think  
16          the property, if you buy it today -- and we pray that  
17          you will -- will be bought for 21 percent less than  
18          it's worth, and we hope that this ecosystem could be  
19          protected by you today. And I thank you for your time.

20          GOVERNOR BUSH: Thank you, Charles. Colleen, who  
21          is the other speaker?

22          MS. CASTILLE: Howard Pardue from the Florida  
23          Trails Association.

24          MR. PARDUE: Governor and honorable members of the  
25          Cabinet, it's my pleasure to be here today. Y'all know

1 about the Florida Trail. I don't have to talk about  
2 it, the statewide non-motorized trail in the state of  
3 Florida. I just mention that this is an absolutely  
4 critical piece for the Florida National Scenic Trail.

5 As you look on the screen, this is the Joshua  
6 Creek property. We're working to make a connection  
7 between the Orlando Wetlands Park and the Little Big  
8 Econ State Forest. The federal government, U.S. Forest  
9 Service, has acquired this piece here, as well as a  
10 connecting pathway, footpath area from a private  
11 agricultural owner, connecting all the way to the park.

12 So if this acquisition can be completed, we will  
13 convert what is now about 11 to 12 miles of road walk  
14 to about 1.75 miles of road walk, making it a much  
15 safer and of course scenic and appropriate hiking  
16 experience for the Florida National Scenic Trail.

17 We urge your favorable consideration of this. In  
18 our experiences in acquisitions in the area, it's  
19 reasonable. Thank you very much.

20 GOVERNOR BUSH: Thank you for coming up.

21 MS. CASTILLE: We do have Brian Philpot here, the  
22 seller. And if you'd like to move into a discussion of  
23 value, I'd be happy to do that.

24 ATTORNEY GENERAL CRIST: Motion on 6.

25 CFO GALLAGHER: Second.



1 COMMISSIONER BRONSON: Second.

2 GOVERNOR BUSH: Okay. I'm interested in value.  
3 And the reason is just because I call you occasionally  
4 to see how some very important land purchases are going  
5 on in our state. And the last time we talked I was  
6 told that our allocation for this year is already  
7 taken.

8 And so it only reinforces the necessary point to  
9 be good stewards with the public money because there  
10 are many properties like this one that are really  
11 important to protect from development. And it just  
12 seems to me we better figure out a better way of doing  
13 this because it competes, this money competes with  
14 other things that are equally important.

15 So I'm going to continue to be the stern godfather  
16 here or stepfather, whatever he is, that demands that  
17 we have a system that makes us buy at the lowest  
18 possible price. And I just reject the notion that this  
19 is 79 percent of appraised value. I don't believe it.  
20 So tell me about value.

21 MS. CASTILLE: Okay. We have had a couple of  
22 e-mails and discussions with the Development Review  
23 Committee and Planning Committee in the Orange County  
24 government. And the first one we got was from someone  
25 who works there, one of the planners, and he e-mailed

1 back and said that he did not believe that he himself  
2 would believe that the County would approve such a  
3 subdivision increase in this area.

4 GOVERNOR BUSH: Subdivision increase or --  
5 increase in density from what --

6 MS. CASTILLE: Increase in density. The land now  
7 is one unit per ten acres. And so what they were  
8 looking at is if there was anything greater than that,  
9 that there would certainly have to be certain  
10 development criteria that the developer would agree to.

11 In order to get a full, a more full understanding  
12 of what process that was, we actually asked the  
13 director of the planning division what would have to  
14 happen. And in order -- and this is his response to  
15 us. His name is Chris Testerman.

16 In order to develop the site for 137 units, which  
17 is a compilation of 10-, 20- and 50-acre lots, the  
18 property would have to be rezoned from A2 to planned  
19 development. PD zoning is required because the  
20 proposed development would have 116 unvested units that  
21 would increase the school age population by 47  
22 children. This assumes that 21 units would be vested  
23 based on the number of parcels of record.

24 This would require the applicant to get a school  
25 agreement, not difficult to get, with the Orange County

1 Public Schools. And the PD application has to have a  
2 preapplication meeting with staff to review the  
3 proposal, which generally takes two to three weeks.  
4 After the pre-ap a rezoning application is submitted  
5 and a land use plan is submitted to the Development  
6 Review Committee. And the DRC staff does a sufficiency  
7 review to see if the plan has all of the sufficient  
8 information.

9 If the plan is sufficient, it is scheduled to the  
10 DRC in four to six weeks. The DRC reviews the plan and  
11 makes a recommendation and if it is recommended for  
12 approval, it is then scheduled for the planning and  
13 zoning commission, another six to eight weeks. After  
14 the planning and zoning public hearing, the LUP, land  
15 use plan, is scheduled for a second public hearing  
16 before the Board of County Commissioners, another four  
17 to six weeks. And if the Board of County Commissioners  
18 approves the request, then the applicant can submit a  
19 preliminary subdivision plan.

20 So it is possible to do. It is something that has  
21 been done in two other locations, Christmas Estates and  
22 Heelo (phonetic) planned unit development, with  
23 approximately 100 units in Christmas Estates and 400  
24 total acres in Heelo. So the other question is, how  
25 much would it cost to do this development.

1 GOVERNOR BUSH: Treasurer.

2 CFO GALLAGHER: Let me ask you a question,  
3 Colleen. If we were buying this to develop it, this  
4 would be really important stuff. How about getting me  
5 to -- how many units can be put on it right now? My  
6 understanding is a lot of it is already one per ten  
7 acres. And how many units are there like that, and if  
8 you sold it the way it's zoned right now, what does the  
9 appraisal say?

10 GOVERNOR BUSH: It's one per ten. This is what  
11 they have to go through, whether it's one per ten or if  
12 there's --

13 CFO GALLAGHER: And how much is it per -- I mean,  
14 what are we talking about per 10-acre site?

15 MS. CASTILLE: The 350 -- the 4,569-acre parcel  
16 has a total of 357 units with the one per ten  
17 agricultural zoning, while it takes into account also  
18 that easement, the conservation easement on 992 acres  
19 on the eastern side of it.

20 So what we did was we did a proposed development  
21 that would have to go in and get approvals which would  
22 actually decrease the density.

23 CFO GALLAGHER: I want to know what it is without  
24 decreasing it, just where it is right now, sell lots,  
25 ten acres, and you've got the part that's conservation.

1           How many 10-acre lots are there that could be sold  
2           today?

3           GOVERNOR BUSH:  Let's be real concise.  We're  
4           about ready to get into confusion land here.

5           MR. HERRAN:  Mike Herran, Division of State Lands.  
6           The property was zoned as is with agricultural zoning.  
7           All the comparable sales have agricultural zoning, with  
8           no plan developments at this point in time.  So it's  
9           based upon raw land, what you pay for raw land.

10          CFO GALLAGHER:  What I'm asking is, can you put  
11          10-acre lots on it right now without changing anything?

12          MR. HERRAN:  An investor would buy this without  
13          even --

14          GOVERNOR BUSH:  We're asking a different question.  
15          You guys base -- you do comparable sales based on  
16          market.  The question that I asked, which is why  
17          Colleen called the Orange County, the zoning folks,  
18          which should be part of your process, with all due  
19          respect.

20          MS. CASTILLE:  It is.

21          GOVERNOR BUSH:  Well, then we should have had this  
22          answer before approval of this, at this date.  It  
23          should have been at the time that you were looking to  
24          buy the property.  Ultimately -- yes, it's zoned  
25          agricultural.  But ultimately values are established by

1           what the property can be redeveloped for.

2           CFO GALLAGHER: Exactly.

3           GOVERNOR BUSH: So it's not the market price.  
4           That's one element of this. But comparable sales also  
5           need to -- you need to take into consideration what the  
6           cost of developing, you know, whatever the zoning is  
7           that allows for -- this property has development rights  
8           embedded in it. And in order to develop it, there are  
9           development costs and there are things that you've got  
10          to go do to mitigate with local governments for  
11          schools, roads and water. It may be very little, but  
12          there may be some extra cost.

13          The fact that it's outside the urban service  
14          boundary, my guess is, means that the cost would be  
15          greater there because the County is not going to be as  
16          interested in putting up additional money.

17          So all I wanted was a simple explanation of that,  
18          and I haven't gotten it in two days, three days. I'm  
19          still not getting it.

20          MR. HERRAN: That's the risk that investors take  
21          into consideration. That's why comparable sales are  
22          the ideal way to look at it, because that's the risk  
23          that they take when they buy other tracts of land, that  
24          as they go through the development process, they may  
25          get 9,000 units, they may get 6,000 units. They don't

1 even know that when they first invest in these tracts.

2 GOVERNOR BUSH: That's not the question here. The  
3 existing development rights, assume that that's the  
4 case.

5 MR. HERRAN: One unit per ten acres, but you still  
6 have to go through the development process. So they  
7 don't even know if they get that.

8 MS. CASTILLE: Governor, the situation when you  
9 have a land use and zoning that is not consistent, you  
10 have to go through the zoning process in order for it  
11 to become consistent with the land use designation.  
12 And that's what we have here. We have an agricultural  
13 land use, but we have a -- I mean we have a  
14 agricultural zoning but we have a land use development  
15 of one unit per ten acres.

16 CFO GALLAGHER: Fine. The question is, that's the  
17 easy slam-dunk one to get, right, because you have that  
18 inherent in that agricultural and where the land is, et  
19 cetera?

20 MS. CASTILLE: Right.

21 CFO GALLAGHER: The question I had is how many  
22 10-acre sites can be out of that on a slam-dunk with no  
23 special anything.

24 MS. CASTILLE: I can tell you there are 357 units  
25 that can be built on it, but it is not -- they don't

1 have vested rights for those 357 units.

2 COMMISSIONER BRONSON: I have another question, if  
3 I could, Governor. I'd like to know, I can't tell from  
4 the topographical -- there's no topographical  
5 information on here. But the elevation or the water  
6 flow, the sheet flow, does it flow directly to the  
7 St. Johns River? Does it flow south? Where is the  
8 sheet flow of water off of this property?

9 MS. CASTILLE: There are two creeks that flow into  
10 the St. Johns, so I would guess that the water flows  
11 into those creeks and then into the St. Johns.

12 GOVERNOR BUSH: Can we ask the developer? Maybe  
13 he has an understanding of what the rights are embedded  
14 in this property. I'm pretty confident he does.

15 MR. SMITH: Good morning. My name is Matt Smith.  
16 I'm a real estate and land use lawyer at Baker,  
17 Hostetler. I represent Land South Holdings and Land  
18 South Hunters and have done so for years. My client  
19 Brian Philpot is here in the audience. We're happy to  
20 answer any questions.

21 GOVERNOR BUSH: Answer mine.

22 MR. SMITH: And pardon me, but we've talked about  
23 several different issues in the last couple of minutes.  
24 If you could just restate your specific question.

25 GOVERNOR BUSH: My question is this. We're buying



1 something and we use comparable sales. Mention was  
2 made of the Overstreet property and the appraisals that  
3 we used -- we didn't use the property itself, which is  
4 a little unusual since it was -- you know, the property  
5 was accumulated over time. But we used property in  
6 Sarasota, and we just said, well, property is going up,  
7 so we need to pay more.

8 And then high number, and lo and behold, the 50  
9 million comes out to be 79 percent of appraised value  
10 and we're all supposed to pat ourselves on the back.  
11 And up to a point that's fine, except that there are  
12 some properties that are more difficult to develop than  
13 others because of their location.

14 And this is outside the urban service boundary,  
15 which in some jurisdictions makes it very difficult to  
16 develop. So assume for a moment the one per ten on  
17 existing -- on the properties that can be developed.  
18 Not all of it can, as I understand it. How many lots  
19 can be developed and what would be the time and  
20 infrastructure cost that would be required to develop  
21 this low density development?

22 And the way I look at things would be the way you  
23 guys look at it, which is you take the amount of money  
24 for raw land. You take the costs of development in  
25 order to get to the point where you actually could sell

1 something. You take the present value of the time it  
2 takes to sell those lots. You factor all that into an  
3 amount and you get to a cost. We don't do that.

4 You guys buy it for that purpose and you're going  
5 to make -- if we purchase this, you're going to make a  
6 great profit without any development risk. We're  
7 buying it from you and we don't factor that into our  
8 appraisal. I think that's just wrong.

9 So that's why I'm frustrated at the Department.  
10 But maybe you can answer the question about what the  
11 embedded development rights are and how long it would  
12 take to get the development done and what would be the  
13 costs of developing it if it was to be developed.

14 MR. SMITH: Absolutely. First, with respect to  
15 the number of lots, we've all heard that the underlying  
16 future land use is one per ten. The current zoning is  
17 A2, which doesn't allow residential uses. So in order  
18 to put houses on that site, you've got to rezone it,  
19 and the County, like most counties these days, would  
20 want you to rezone it to PD. Secretary Castille --

21 GOVERNOR BUSH: Speak in English. Planned unit  
22 development, is that --

23 MR. SMITH: I'm sorry. Planned development in  
24 Orange County. That's their nomenclature. Given that  
25 one per ten future land use, it's based on upland

1            acres, we've got about 1,700, 1,750 upland acres, so  
2            you're talking about 170 or 175 units.

3            GOVERNOR BUSH: That's the third number that I've  
4            heard.

5            MR. SMITH: Bear in mind, one of our issues here,  
6            Mr. Governor, is that we don't have a development plan  
7            for this property. Frankly, Land South Hunters, Land  
8            South Holdings, they buy a lot of agricultural land.  
9            They're not developers. They're not KB Home buying  
10           this. They're not Centex buying this. They're not  
11           Newland Communities buying this. So bear in mind that  
12           we have not valued the land in the way that you did.

13           GOVERNOR BUSH: Hang on a second. That's not true  
14           because you're going to -- the assertion was made that  
15           if we don't buy it, this can easily be sold to someone  
16           that does that, and you're going to want to know the  
17           exact same formula to determine what the proper price  
18           is to sell it for.

19           MR. SMITH: Mr. Governor, we've never asserted  
20           that if this deal does not go forward as proposed, that  
21           we would walk down to Orange County and begin the  
22           development process.

23           GOVERNOR BUSH: No. You would sell it to someone  
24           that would.

25           MR. SMITH: Absolutely.

1           GOVERNOR BUSH: Okay. And so, therefore, you  
2 would have to go through the same process, maybe not as  
3 a purchaser for development but as a seller to someone  
4 who is going to develop it.

5           MR. SMITH: Again, Mr. Governor, this is a  
6 longer-term --

7           GOVERNOR BUSH: You don't have an answer to my  
8 question?

9           MS. CASTILLE: No. We do.

10          MR. SMITH: The first question was the number of  
11 lots. And I think we have addressed that.

12          GOVERNOR BUSH: Thank you.

13          MR. SMITH: With respect to the infrastructure  
14 cost, Mr. Governor, we simply have not been through  
15 that analysis because that's not on the table for us  
16 right now. That's not our intent right now, to develop  
17 that property. One of the issues I think that you're  
18 facing -- and I understand your frustration here  
19 because I represent developers for a living. I do.  
20 But one of the problems we have is that this property  
21 is probably a couple of years out, that my guys will  
22 probably hold onto it for two to five years. They're  
23 not really sure what they're going to do with it.

24          GOVERNOR BUSH: Your client is right behind you.

25          MR. PHILPOT: Just to answer --

1           GOVERNOR BUSH: Can you say who you are for the  
2 record?

3           MR. PHILPOT: Brian Philpot, owner of the  
4 property.

5           GOVERNOR BUSH: Thank you, Brian.

6           MR. PHILPOT: Based on the existing land use on  
7 that property, if a deal doesn't go through today,  
8 we're going to figure out what we're going to do with  
9 it. If we were going to sell it tomorrow to a private  
10 investor, if we weren't going to take it through the  
11 process, we'd have to evaluate it on 175 lots that  
12 could be approved under the one per ten right now.

13           And that's going to come in somewhere -- I think  
14 your staff put some numbers together, discounted cash  
15 flow, 80 million, 70 million. It comes in somewhere in  
16 that ballpark on a discounted cash flow basis.

17           So to answer your question, we would evaluate it  
18 that way, and that's sort of the range that it comes in  
19 at. The price that we put on this property before this  
20 whole process started was around 63, 64 million,  
21 basically using that process.

22           CFO GALLAGHER: Let me ask a question here. I was  
23 under the impression from various people that the  
24 lots -- that we'd be buying these lots at about 130,000  
25 per lot. And I myself figured, well, if you were

1 selling individual lots, I mean, I can't imagine a  
2 10-acre lot, and maybe some of them larger, but  
3 averaging out, I would think, two, three hundred  
4 thousand dollars, three easy, in that area for ten  
5 acres.

6 I was led to believe that we were buying it for  
7 130,000. Maybe that's what was paid for it. I don't  
8 know. Maybe I got the wrong side of that. What we're  
9 doing right now, I mean, it's going to be at least, in  
10 my opinion, I don't know how you'd develop those lots,  
11 with the infrastructure you'd need, for less than --  
12 I'm probably being kind at \$10,000 a lot.

13 GOVERNOR BUSH: Very kind.

14 MR. PHILPOT: I saw some range -- what did y'all  
15 put on it?

16 MS. CASTILLE: Well, 10 to 20.

17 MR. PHILPOT: I was on the higher end of that  
18 range. If asked, I'd be on the higher end. Yeah,  
19 you'd want to put in some lakes, make it an equestrian,  
20 outdoor type community. We've done it on a smaller  
21 scale over in the Polk County market, and we're getting  
22 250- to \$330,000 on those lots, five to tens. There's  
23 a demand for that.

24 CFO GALLAGHER: And that probably makes some  
25 sense. What I'm concerned about is -- I'll use your

1           number, 20,000 max, and that's probably what I'd do it  
2           at if I was going to do it myself. You've got \$285,000  
3           that we're paying for these lots. And if you were  
4           going to develop and sell them, you're going to be in  
5           there, you've got another \$20,000 to put on top of  
6           them. That would be 305,000.

7           MR. PHILPOT: I don't think anybody -- I'm not  
8           saying that any investor is going to come in  
9           necessarily and buy it tomorrow based on the current  
10          land use. I think a legitimate option for us, if y'all  
11          decide not to buy this today, is that we bank it for  
12          five years and let that continuing growth that's  
13          happening over there come to it.

14          I think down the road that a lot more dense  
15          development will be ripe for that piece. And at that  
16          point it's not worth 50, 60, whatever the range is on  
17          it now. It's worth more, I believe.

18          CFO GALLAGHER: Well, it may or may not.

19          GOVERNOR BUSH: It doesn't matter because you got  
20          a pretty good basis in the deal. Kudos to your  
21          entrepreneurial efforts. Wish we could have been the  
22          guy that bought that at that price.

23          MR. PHILPOT: And I would like to add that at the  
24          same time that we had this deal, we had a similar size  
25          piece in Hardee County, down between Wauchula and

1           Arcadia, and sold it the first part of this year for  
2           \$9,200 an acre. And I heard just the other day that he  
3           had it under contract for a little over 11,000.

4           So, you know, the big land business, it's sort of  
5           turned the economics upside down. You've got buyers in  
6           -- or sellers in coastal areas that are 1031-ing their  
7           money into the central counties. And they're moving to  
8           North Florida and they're moving to Georgia, and it's  
9           increased the value, not based on the number of lots.  
10          It's based on the number of acres. They just can't buy  
11          big tracts anymore.

12          CFO GALLAGHER: But I'm looking at it on the  
13          matter of lots, where it is today, and we're paying  
14          \$285,000 per lot.

15          MS. CASTILLE: Per 10-acre lot?

16          CFO GALLAGHER: Well, I'm going to guess they're  
17          ten acres, or some of them may be more than ten.

18          GOVERNOR BUSH: It's 137 lots or units.

19          CFO GALLAGHER: 175 lots into 50 million bucks is  
20          285,000.

21          MR. PHILPOT: I mean, the appraisals are based on  
22          one per ten, though. That's the way we went in  
23          evaluating -- we go in evaluating any of these  
24          purchases to buy in the big pieces. We didn't go into  
25          this thing -- we would to sell it, but we didn't go in



1 based on, we can get 100-, 200-, \$150,000 a lot off of  
2 this piece.

3 It's a big tract. It's in a great location. It's  
4 got great potential over the next two, five, seven  
5 years, whatever it is, irregardless of the land use.  
6 And that's why the appraisal process relies on  
7 similarly situated pieces with one to ten land use or  
8 such.

9 CFO GALLAGHER: But we're still sitting at  
10 \$285,000 a lot we're paying. Now, you're saying you  
11 can get it down to one acre in some cases? Is that --

12 MR. PHILPOT: Well, you don't know. If the  
13 growth -- I think you look at the maps and see what has  
14 happened out in that area over the last five years, you  
15 can project that out over the next five to ten, this is  
16 going to be a great piece. We want to sell it to the  
17 State. We want it preserved. I mean we --

18 CFO GALLAGHER: Of course.

19 MR. PHILPOT: At the outset our price on this was  
20 above 60 million. It was around 63 million. And your  
21 staff came in and said this is not a negotiable number.  
22 This is it. And we did some soul searching and are  
23 willing to take it. But whether it's -- whether it  
24 happens or not, I think over the next two to five years  
25 we will all be looking back and wish we tried to put

1 the deal together today.

2 GOVERNOR BUSH: All right. Colleen.

3 MS. CASTILLE: When we were asked to determine how  
4 much we thought it would cost to develop the property  
5 and how much the seller could potentially get if they  
6 developed the property, we worked with Brian to say, if  
7 you were going to develop the property, what would you  
8 do. And we came up with a mixture of 10-, 20- and  
9 50-acre lot sizes, which came out to about 137 lots in  
10 the developable property.

11 And the prices per acre range from 20,000 to  
12 82,000 for various lot sizes. And what we did was a  
13 financial analysis. Did your folks just hand you that?  
14 And what we estimated is that with the discount factor,  
15 that over a five-year development time frame, that  
16 there would be -- that the property, the sales would be  
17 worth about \$80 million in present value.

18 When somebody develops something like this, they  
19 develop it with septic tanks. They develop it with  
20 well water. They don't have to put -- they have  
21 something called a rural road in Orange County. It's  
22 not the same type of road with curb and gutter and  
23 stormwater drains. They would have to have some  
24 stormwater ponds and lakes that would handle the  
25 stormwater. But that's something that Brian talked

1 about.

2 And we estimated that the estimated costs would be  
3 about -- anywhere from three to four million dollars  
4 for development costs on that. And we're buying the  
5 property for \$50 million, together with St. Johns.

6 GOVERNOR BUSH: Okay.

7 MS. CASTILLE: In today's net present value,  
8 today's dollars.

9 GOVERNOR BUSH: It would have been nice to have  
10 this evaluation and thinking on all properties that are  
11 purchased because ultimately, if there is no market for  
12 development, you're not going to have the speculators  
13 speculating and making sizable sums on the upswing.

14 If there's no development, you end up having the  
15 bet be wrong. So I just -- I'm urging that when you  
16 guys look at valuing properties for purchase, that you  
17 include this in the evaluation, that you don't just  
18 say, well, some guy in Sarasota sold a piece of  
19 property or some guy in Hardee sold a piece of  
20 property, because we end up being the buyer half the  
21 time on these properties. And so we're participating  
22 in something where there's an upswing. And then when  
23 the downturn happens -- and, you know, here's my  
24 prediction. It won't be newsworthy for a lot of people  
25 in the real estate business. There's going to be a

1           downturn, and it's already starting to happen. Somehow  
2           we'll end up with a different evaluation and we won't  
3           be taking advantage of that either.

4                     And how much money do we have to purchase  
5           additional lands right now for Florida Forever, for  
6           this fiscal year?

7                     MS. CASTILLE: We have none. We have committed  
8           all of our dollars.

9                     GOVERNOR BUSH: I rest my case.

10                    CFO GALLAGHER: Including this 50 million?

11                    MS. CASTILLE: Including this.

12                    CFO GALLAGHER: Does this finish us out for the  
13           whole year?

14                    MS. CASTILLE: Yes.

15                    CFO GALLAGHER: So the new administration gets  
16           zero to spend?

17                    MS. CASTILLE: Come July 1 they get another 300  
18           million.

19                    GOVERNOR BUSH: Yes, for six months.

20                    CFO GALLAGHER: July what, next year?

21                    GOVERNOR BUSH: Yeah.

22                    MS. CASTILLE: July of 2007.

23                    CFO GALLAGHER: Like I said, the new  
24           administration this fiscal year gets zero.

25                    MS. CASTILLE: Well, if you recall about four

1           years ago, we were highly criticized for having a cash  
2           balance in the bank and so --

3           GOVERNOR BUSH: Criticized by the Legislature, not  
4           by us.

5           MS. CASTILLE: Yes, criticized by the Legislature.  
6           And not only do we have contracts for this year, but we  
7           are anticipating contracts for next year as well.

8           GOVERNOR BUSH: Again, just making my point that  
9           this is something that's important, and if it requires  
10          a change in the law, then we ought to change the law.  
11          If it requires a change of law and management of how  
12          it's done, then it ought to be changed. If it just  
13          requires a change in rule, then you ought to submit  
14          that to us. I don't know which one it is so --

15          MS. CASTILLE: I don't really think it requires a  
16          change. I mean, if you look at the appraisal, the  
17          appraisal has done what we --

18          GOVERNOR BUSH: No. I mean, Charles brings it up,  
19          the holy grail of appraisal world, we have to do it a  
20          certain way. Well, I just don't buy that.

21          MS. CASTILLE: Under appraisal, I understand that.

22          CFO GALLAGHER: So we're buying half of this?

23          MS. CASTILLE: The Trustees are purchasing half of  
24          it.

25          CFO GALLAGHER: So we're spending 25 million.

1 MS. CASTILLE: We're spending 25 million.

2 GOVERNOR BUSH: And the county and district --

3 MS. CASTILLE: And the County is spending  
4 2 million and the Water Management District is spending  
5 the balance.

6 CFO GALLAGHER: And who gets the title to this?

7 MS. CASTILLE: We're splitting the land halfway,  
8 so that we get title to part of it and the St. Johns  
9 River gets title to the other part of it.

10 CFO GALLAGHER: And the County gets nothing, just  
11 puts money in?

12 MS. CASTILLE: They're sharing title with the  
13 Water Management District.

14 CFO GALLAGHER: And how are we getting half? Like  
15 a half of the whole or are we getting half as a piece  
16 of property, and if so, how do we do the bond?

17 MS. CASTILLE: We're splitting the property in  
18 half, and we're getting 100 percent of half.

19 CFO GALLAGHER: Okay. That's the only way you  
20 could do the bonds.

21 MS. CASTILLE: Yes.

22 CFO GALLAGHER: We've got to have a hundred  
23 percent ownership.

24 MS. CASTILLE: But we're paying cash this year.

25 CFO GALLAGHER: And which half is ours, the part

1 that's already conservation area?

2 MS. CASTILLE: No. We're excluding the  
3 conservation easement.

4 CFO GALLAGHER: So we're getting everything but  
5 that?

6 GOVERNOR BUSH: Why don't you show it to us on the  
7 map.

8 MS. ARMSTRONG: This dotted line -- get this right  
9 on the map. This dotted line is the dividing line.  
10 The Trustees will retain the north part and the Water  
11 Management District will retain the south part. Here  
12 is the conservation easement area. And we have  
13 access -- can you raise that camera just a little bit  
14 more, please? There you go. We have access across the  
15 conservation easement area --

16 MS. CASTILLE: To the river.

17 MS. ARMSTRONG: -- to the river because the St.  
18 Johns River is over here.

19 CFO GALLAGHER: Tell me about the conservation  
20 easement. Who is it with? How is it working? What's  
21 the whole deal on that?

22 MS. ARMSTRONG: There's a mitigation bank on the  
23 easement area that was in existence. It's the one that  
24 was in bankruptcy that Mr. Philpot had to resolve the  
25 bankruptcy, and they are working to extinguish that

1 bank as well.

2 CFO GALLAGHER: They're working to what?

3 MS. ARMSTRONG: To extinguish the bank as well.

4 MS. CASTILLE: The mitigation bank.

5 CFO GALLAGHER: So it's never been used by  
6 anybody.

7 MS. ARMSTRONG: Yes, sir. It was in use for a  
8 while.

9 CFO GALLAGHER: Well, how do you do it for a while  
10 on a mitigation?

11 MS. ARMSTRONG: To mitigate for projects  
12 elsewhere. Could you give an update on the bank?  
13 We'll get Mr. Philpot to give an update on the bank.

14 GOVERNOR BUSH: Thank you, Eva.

15 MR. PHILPOT: Back in '96, I believe, the previous  
16 owners permitted that 950 acres for, I think it was  
17 somewhere around 300 mitigation credits. They sold  
18 about half of them prior to my involvement with it and  
19 then sold maybe another 50 since that time, since the  
20 bankruptcy situation has been resolved. So there's 100  
21 credits left that are supposed to be sold out by  
22 September of '07, that the old mitigation bank manager  
23 is selling out. And at that point there will be no  
24 more further obligations. I mean, the obligations  
25 under the bank are that you just basically keep the



1 property in its present native state.

2 CFO GALLAGHER: I got that.

3 MR. PHILPOT: Right.

4 CFO GALLAGHER: So what I want to know is, who has  
5 the title to that land?

6 MR. PHILPOT: Well, I do right now, and that title  
7 will be, I guess, deeded to the District. The District  
8 will be taking it.

9 CFO GALLAGHER: The District will take it.

10 MR. PHILPOT: Yeah. The bank is a separate  
11 economic entity.

12 CFO GALLAGHER: I know it is. And we're paying  
13 money for this thing? Is the District paying money for  
14 this?

15 MR. PHILPOT: For the credits or for the bank?  
16 For the property, I think the property was put in an  
17 appraisal for like 2,000 an acre or something. They  
18 appraised the easement, appraised the easement  
19 property.

20 CFO GALLAGHER: And is that the value of the  
21 mitigation credits that are left?

22 MR. PHILPOT: No. The mitigation credits, it's a  
23 cash flow stream of -- I think there's probably  
24 \$700,000 left that are supposed to be paid out over the  
25 next year and a half.

1 CFO GALLAGHER: Of one-time money?

2 MR. PHILPOT: Yeah, just one-time money.

3 GOVERNOR BUSH: Which is what you did when you --

4 MR. PHILPOT: Yeah. That whole thing was tied up  
5 in bankruptcy and, you know --

6 GOVERNOR BUSH: You cleaned all that up.

7 MR. PHILPOT: Cleaned it up and made -- it was  
8 taken over by a creditor, and now there's a guaranteed  
9 stream.

10 CFO GALLAGHER: Well, who gets the 700,000?

11 MR. PHILPOT: Right now I do. I have been working  
12 with the District on them taking that over. They're  
13 looking for a use for those credits.

14 CFO GALLAGHER: Okay. So the Water Management  
15 District pays \$2,000 an acre. How many acres is that?

16 MS. ARMSTRONG: 947, I think.

17 MR. PHILPOT: Something like 950, right.

18 CFO GALLAGHER: So they're going to pay --

19 MS. ARMSTRONG: \$2,000 an acre because there's an  
20 easement on it.

21 CFO GALLAGHER: So that's \$2 million?

22 MR. PHILPOT: About 2 million.

23 CFO GALLAGHER: And you're getting 700,000 out of  
24 it? Take that off -- what does that come to? What are  
25 they actually net paying?

1           MR. PHILPOT: Those credits are dealt with outside  
2 of this purchase. Those credits were not included in  
3 it. I think y'all wanted it to make the appraisal  
4 clean. They wanted them outside.

5           CFO GALLAGHER: Outside means --

6           MR. PHILPOT: We negotiated \$50 million for the  
7 land, and the credits are out here. And I have told  
8 Robert, you can take these at a very deep discount  
9 outside, and he knows that number, and he's out trying  
10 to, I guess, go make the District some money on them.

11          CFO GALLAGHER: But the price we're paying for  
12 those, does that --

13          MR. PHILPOT: You're not paying for them right  
14 now, no.

15          MS. CASTILLE: What we're paying for is the  
16 underlying land.

17          MR. PHILPOT: You're paying for the land.

18          MS. CASTILLE: The bundle of rights excluding  
19 development.

20          MR. PHILPOT: When the bank was permitted, a  
21 conservation easement was put on that 950 acres, and  
22 those credits are out there.

23          CFO GALLAGHER: I guess I'm trying to figure out  
24 how it has any value whatsoever after --

25          MR. PHILPOT: It's recreational value. You can

1           hunt and fish and ATV. I mean, for a developer it  
2           would be a great amenity. Riding trails, it fronts on  
3           the St. Johns River. You can't build a house on it,  
4           but you can play on it. It's got a lot of pretty  
5           critters, bears and that sort of thing on it.

6           CFO GALLAGHER: I don't see the St. Johns River  
7           going through this thing.

8           MR. PHILPOT: It touches up on the northeast, the  
9           north --

10          CFO GALLAGHER: Over here?

11          MR. PHILPOT: Yeah, the northeast end there.

12          MS. ARMSTRONG: The river is up here.

13          CFO GALLAGHER: But that's nowhere near the --

14          GOVERNOR BUSH: It's close.

15          MR. PHILPOT: Oh, yeah. You can get right up  
16          there. The Seminole County piece, the 80 acres on the  
17          north end there, it's up in Seminole County, that  
18          touches on it.

19          CFO GALLAGHER: We're getting that part.

20          MR. PHILPOT: Yeah. Are y'all getting that?

21          MS. ARMSTRONG: Yeah. The Board of Trustees gets  
22          this. Water Management District will get this in the  
23          southern part and over here. And if you look at it  
24          this way, they're paying 2,000 an acre for what is  
25          appraised at \$17,000 an acre. So it's a substantially

1 reduced amount, but they're getting the underlying fee  
2 with the conservation easement on top, took the  
3 development rights off.

4 MR. PHILPOT: Does that answer your question?

5 CFO GALLAGHER: Yes.

6 GOVERNOR BUSH: Any other questions? Any other  
7 discussion? Colleen, would you like to finish us off  
8 here or are you finished?

9 MS. CASTILLE: We would respectfully request your  
10 approval of the acquisition of Joshua Creek.

11 ATTORNEY GENERAL CRIST: Motion.

12 CFO GALLAGHER: Second.

13 GOVERNOR BUSH: There's a motion and a second.

14 All in favor say aye. Aye.

15 COMMISSIONER BRONSON: Aye.

16 ATTORNEY GENERAL CRIST: Aye.

17 CFO GALLAGHER: Aye.

18 GOVERNOR BUSH: All opposed?

19 CFO GALLAGHER: You got it.

20 MS. CASTILLE: Thank you, Governor, members of the  
21 Cabinet. We truly appreciate your vote.

22 GOVERNOR BUSH: Yeah. I hope that you'll tolerate  
23 me for another three or four Cabinet meetings on this  
24 issue, or solve it.

25 MS. CASTILLE: Yes, sir, absolutely.

1 GOVERNOR BUSH: State Board of Administration.

2 CFO GALLAGHER: Motion on the minutes.

3 ATTORNEY GENERAL CRIST: Second.

4 GOVERNOR BUSH: There's a motion and a second.

5 Without objection, Item 1 passes. Item 2. Good

6 morning, Coleman.

7 MR. STIPANOVICH: Good morning, Governor. Good

8 morning, members. Item 2 is request for approval of

9 fiscal sufficiency of amount not exceeding 104 million

10 State of Florida State Board of Education Lottery

11 Revenue Refunding Bonds.

12 ATTORNEY GENERAL CRIST: Motion two.

13 CFO GALLAGHER: Second.

14 GOVERNOR BUSH: There's a motion and a second.

15 Without objection, the motion passes.

16 MR. STIPANOVICH: Item 3 is request for approval

17 of fiscal sufficiency of an amount not exceeding 25

18 million State of Florida Board of Governor's Florida

19 Atlantic University Dormitory Revenue Refunding Bonds.

20 CFO GALLAGHER: Motion.

21 ATTORNEY GENERAL CRIST: Second.

22 GOVERNOR BUSH: There's a motion and second.

23 Without objection, the item passes.

24 MR. STIPANOVICH: Item 4 is request for fiscal

25 determination to issue an amount not exceeding 200

1 million Florida Housing Finance Corporation Homeowner  
2 Mortgage Revenue Bonds.

3 ATTORNEY GENERAL CRIST: Motion.

4 CFO GALLAGHER: Second.

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

7 MR. STIPANOVICH: Item 5 is the request for  
8 approval of a resolution designating the State Board of  
9 Administration as trustee for all grant funds to be  
10 awarded by the Office of Tourism, Trade and Economic  
11 Development to approved applicants in the Innovation  
12 Incentive Program created by Section 288.1089 Florida  
13 Statutes.

14 ATTORNEY GENERAL CRIST: Motion.

15 CFO GALLAGHER: Second.

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

18 MR. STIPANOVICH: Thank you, Governor. Thank you,  
19 members.

20 (Whereupon, the proceeding was concluded at 11:20  
21 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, Jo Langston, Registered Professional Reporter,  
do hereby certify that the foregoing pages 1 through 103,  
both inclusive, comprise a true and correct transcript of  
the proceeding; that said proceeding was taken by me  
stenographically and transcribed by me as it now appears;  
that I am not a relative or employee or attorney or counsel  
of the parties, or a relative or employee of such attorney  
or counsel, nor am I interested in this proceeding or its  
outcome.

IN WITNESS WHEREOF, I have hereunto set my hand  
this 23rd day of October, 2006.

\_\_\_\_\_

JO LANGSTON  
Registered Professional Reporter



