

THE CABINET
STATE OF FLORIDA

Representing:

DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, OFFICE OF
FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, OFFICE OF
INSURANCE REGULATION
DEPARTMENT OF REVENUE
DEPARTMENT OF VETERANS' AFFAIRS
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
DEPARTMENT OF LAW ENFORCEMENT
ADMINISTRATION COMMISSION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist
presiding, in the Cabinet Meeting Room, LL-03,
The Capitol, Tallahassee, Florida, on Tuesday,
March 10, 2009, commencing at 9:05 a.m.

Reported by:
JO LANGSTON
Registered Professional Reporter

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APPEARANCES:

Representing the Florida Cabinet:

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CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commi ssi oner of Agri cul ture

BILL McCOLLUM
Attorney General

ALEX SINK
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P R O C E E D I N G S

* * *

(Agenda items commenced at 10:00 a.m.)

GOVERNOR CRIST: And at this time we hear from Ben Watkins, Division of Bond Finance. Good morning, Ben.

MR. WATKINS: Good morning, Governor, Cabinet members.

GOVERNOR CRIST: How are you, sir?

MR. WATKINS: Very well, thank you. Item 1 is approval of the minutes of the January 27th meeting.

CFO SINK: Move it.

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show the minutes approved without objection.

MR. WATKINS: Item 2 is a resolution authorizing the competitive or negotiated sale of \$250 million in PECO bonds for the continued

19 implementation of that program for school
20 construction.

21 ATTORNEY GENERAL McCOLLUM: I move it.

22 COMMISSIONER BRONSON: Second.

23 GOVERNOR CRIST: Moved and seconded. Show Item
24 2 approved without objection.

25 MR. WATKINS: Item 3 are resolutions

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1 authorizing the issuance and competitive or
2 negotiated sale of up to \$185 million in PECO
3 refunding bonds to -- if market conditions exist to
4 allow us to refinance at lower interest rates,
5 that's what we would be able to do with this
6 authorization.

7 GOVERNOR CRIST: Is there a motion on Item 3?
8 Moved.

9 COMMISSIONER BRONSON: Second.

10 GOVERNOR CRIST: Moved and seconded. Show it
11 approved without objection.

12 MR. WATKINS: Item 4 is a report of award on
13 the competitive sale of \$200 million in PECO bonds.
14 The bonds were awarded to the low bidder at a true
15 interest cost of approximately 4.0 percent.

16 COMMISSIONER BRONSON: Move Item 4.

17 ATTORNEY GENERAL McCOLLUM: Second.

18 GOVERNOR CRIST: Moved and seconded. Show it
19 approved without objection.

20 MR. WATKINS: And, lastly, Item Number 5 is a
21 report of award on the competitive sale of
22 \$130,770,000 of certificates of participation for

23 prison construction. The bonds were awarded to the
24 low bidder at a true interest cost of approximately
25 5.01 percent.

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1 ATTORNEY GENERAL McCOLLUM: I move Item 5.

2 COMMISSIONER BRONSON: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it
4 approved without objection.

5 CFO SINK: Governor, can I --

6 GOVERNOR CRIST: Thank you. CFO.

7 CFO SINK: Were you going to make a comment?

8 MR. WATKINS: Yes, ma'am.

9 CFO SINK: Go ahead. And I have a couple of
10 questions.

11 MR. WATKINS: Governor, if I may just give you
12 a very brief overview on where we are with respect
13 to state financings in the credit markets. And that
14 is, we have moved aggressively since the first of
15 the year to implement our financings. And we have
16 executed four transactions totaling 775 million
17 since the first of the year.

18 We have benefited from a favorable market and
19 have been able to implement the financings that we
20 have available. We have benefited from money moving
21 in -- out of the equities market, into the relative
22 safety of municipal bonds, which created stronger
23 demand for municipal bonds. And we were able to
24 take advantage of that, of those favorable market
25 conditions over the last 60 days with the

1 transactions we've executed.

2 However, that's not to say that all is well in
3 muni land. We have -- it is a very bifurcated
4 market. And what I mean by that is issuers with
5 name recognition and high credit ratings, AA or
6 better, with very simple credit structures, like a
7 state general obligation bond, have been well
8 received in the marketplace. But smaller issuers or
9 lower rated credits are still challenged to have
10 access to credit in our market.

11 So because of who we are and because of being a
12 highly regarded credit in the credit markets, we've
13 benefited from that. So -- and the market is still
14 volatile. It is still characterized by periods of
15 weakness. And so what we do is constantly monitor
16 the existing market conditions to be able to execute
17 our financings during a period of strong demand and
18 favorable market conditions. So we will continue
19 our strategy, being prepared for the worst and
20 hoping for the best.

21 GOVERNOR CRIST: CFO. Thanks, Ben.

22 CFO SINK: Just a couple of things. One is I
23 just returned from a meeting of the state treasurers
24 in Washington and I learned from many of the --
25 several of the treasurers who have gone out and used

1 the retail method, which I guess we did on one -- we
Page 8

2 did on just one issuance; is that right?

3 MR. WATKINS: Yes, ma'am.

4 CFO SINK: That they've got some pretty
5 interesting marketing programs going, and just as we
6 experienced, there was a pretty good demand for
7 that. So my suggestion is that if you believe that
8 we're going to have to go out into the retail
9 market, that all of us use our various websites just
10 to make Floridians aware that there is the
11 opportunity for the retail market to take advantage
12 of keeping their money close at home and investing
13 in Florida bonds.

14 And I guess the second thing that I learned
15 about when I was there is that as part of the
16 economic stimulus package, there are provisions for
17 support from the federal government for certain
18 municipal -- or for states financing. And do you
19 think that Florida is going to be able to take
20 advantage of any of that -- I started to say subsidy
21 money -- whatever it is, money, from the federal
22 government?

23 MR. WATKINS: We will -- there are two
24 different provisions included in the stimulus
25 package related to tax-exempt financings. One

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1 involves tax credit bonds, where investors receive a
2 credit on their income tax return in lieu of getting
3 a cash payment for interest.

4 And then the other is what we refer to as a

5 taxable bond option. It allows us to issue bonds at
6 a taxable interest rate, which is higher than the
7 tax-exempt rates that we can currently borrow at.
8 But then the federal government has promised to
9 provide us a subsidy for 35 percent of the interest
10 cost on the taxable bonds. So we would actually get
11 a check from the federal government.

12 We will do our level best to implement those.
13 I am very skeptical that they will provide any
14 meaningful assistance. And I'm happy to go into the
15 reasons why, if you would like.

16 CFO SINK: We can do that off-line.

17 MR. WATKINS: We will do our level best to take
18 advantage of all of the provisions in the stimulus
19 package relating to tax-exempt financing.

20 GOVERNOR CRIST: Thank you, Ben.

21 MR. WATKINS: Thank you.

22 GOVERNOR CRIST: Appreciate it.

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1 GOVERNOR CRIST: Alex, Office of Financial
2 Regulation, good morning, sir. How are you?

3 MR. HAGER: Doing well, Governor. Good
4 morning, commission members, as well. Item Number
5 1, minutes of the January 27th meeting, we request
6 approval.

7 COMMISSIONER BRONSON: Motion on Item 1.

8 ATTORNEY GENERAL McCOLLUM: Second.

9 GOVERNOR CRIST: Moved and seconded. Show the
10 minutes approved without objection.

11 MR. HAGER: Item Number 2, the Office requests
12 your approval to file for final adoption Rule
13 69W-500.018, exemption for the offer or sale of a
14 single-share stock certificate as a gift. This is a
15 new rule that will exempt from securities
16 registration requirements the retail sale of framed
17 single-stock certificates that are offered or sold
18 as a decorative gift item.

19 ATTORNEY GENERAL McCOLLUM: I move Item 2.

20 COMMISSIONER BRONSON: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 approved without objection.

23 MR. HAGER: Item Number 3 we would request that
24 you defer to the April 14th meeting.

25 GOVERNOR CRIST: Is there a motion to defer?

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1 CFO SINK: Move it.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Moved and seconded. Show Item
4 3 deferred.

5 MR. HAGER: Item Number 4, the Office requests
6 approval to file for final adoption Rule
7 69V-560.1021, relating to the effect of law
8 enforcement records on applications for our money
9 services business licensure. This rule sets forth
10 the policies of the Office with respect to
11 processing license applications for persons who have

12 been found guilty of or who have pled guilty or nolo
13 contendere to certain crimes.

14 The policies address applications for licensure
15 as money services businesses, which includes money
16 transmitters, payment instrument sellers, foreign
17 currency exchange, check cashers, deferred
18 presentment providers. These are similar to our
19 mortgage brokers rules that were adopted last year.

20 ATTORNEY GENERAL McCOLLUM: I move Item 3.

21 COMMISSIONER BRONSON: Second.

22 GOVERNOR CRIST: It's Item 4.

23 ATTORNEY GENERAL McCOLLUM: Or Item 4, excuse
24 me, Item 4.

25 GOVERNOR CRIST: Moved and seconded. Show it

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1 approved without objection.

2 MR. HAGER: Item 5, the Office requests
3 approval to file a Notice of Proposed Rule for Rules
4 69V-85.006 and 69V-160.036. This proposed rule
5 requires the electronic filing of forms and fees
6 through our new Office of Regulatory Enforcement and
7 Licensing System. The rule applies to those
8 licensed under Chapter 520, relating to retail
9 installment sales, and Chapter 516, relating to
10 consumer finance companies.

11 GOVERNOR CRIST: Is there a motion on Item 5?

12 CFO SINK: Move it.

13 ATTORNEY GENERAL McCOLLUM: Second.

14 COMMISSIONER BRONSON: Question.

15 GOVERNOR CRIST: Commissioner.

16 COMMISSIONER BRONSON: Governor, if I might.
17 Did you say chapter 520 or 510?

18 MR. HAGER: 520.

19 ATTORNEY GENERAL McCOLLUM: I seconded,
20 Governor.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 approved without objection.

23 MR. HAGER: One other last note, I'd like to
24 make you aware that our Division of Financial
25 Institutions within our Office of Financial

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1 Regulation was just recently reaccredited by the
2 Conference of State Bank Supervisors. This is the
3 fifth consecutive time our office has been
4 reaccredited, going back to the beginning in 1986.

5 And in the current economic environment it's
6 extremely important to have a strong, effective
7 banking department, and I think this represents that
8 we have that.

9 GOVERNOR CRIST: Congratulations, and thank
10 you, appreciate that.

11 MR. HAGER: Thank you.

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1 GOVERNOR CRIST: Office of Insurance
2 Regulation, Commissioner McCarty.

3 MR. McCARTY: Good morning, Governor, members
4 of the Commission. Agenda Item Number 1 is request
5 for adoption of the minutes of the Financial Service
6 Commission for the meetings held December 9, 2008,
7 and January 13, 2009.

8 GOVERNOR CRIST: Is there a motion on the
9 minutes?

10 COMMISSIONER BRONSON: Motion on Item 1.

11 ATTORNEY GENERAL McCOLLUM: Second.

12 GOVERNOR CRIST: Moved and seconded. Show the
13 minutes approved without objection.

14 MR. McCARTY: Agenda Item Number 2 is request
15 for approval for adoption of Proposed Rule
16 690-163.0075, .009, .011, proposed rule relating to
17 credit life and credit disability. There are two
18 main components of these rules which were proposed
19 to comply with changes to House Bill 343. Prior to
20 the adoption of 343, both credit life and credit
21 disability was not to exceed 10 years in duration.
22 Those terms have been modified by statute. The

23 amendment to the rule merely has the rule comply
24 with the changes made to the legislation.

25 GOVERNOR CRIST: Is there a motion on Item 2?

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1 COMMISSIONER BRONSON: Motion on Item 2.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it
4 approved without objection.

5 CFO SINK: Could I just --

6 GOVERNOR CRIST: CFO.

7 CFO SINK: -- ask a question about that? I
8 just heard about this yesterday. Does this mean
9 that a company cannot offer a disability product
10 that has a time limit to it or that you can offer
11 any product with any term?

12 MR. McCARTY: It frees the market to offer a
13 product other than a ten-year term limit.

14 CFO SINK: So it could be lifetime or it could
15 be five years.

16 MR. McCARTY: Yeah. The statute eliminated the
17 ten-year provision.

18 CFO SINK: Okay, thank you.

19 GOVERNOR CRIST: I know it was moved and
20 seconded. Approved without objection.

21 MR. McCARTY: Thank you, Governor. Request for
22 approval to adopt Proposed Rule 690-164.040. This
23 provides for determining liabilities for preneed
24 life insurance. This proposed rule conforms with
25 changes made with the National Association of

1 Insurance Commissioners guidelines relating to
2 reserve requirements for preneed life insurance
3 policies.

4 Preneed policies are those products that are
5 purchased by consumers who choose to pre fund their
6 family's funeral expenses. The rule will ensure
7 that companies selling this product have adequate
8 reserves to ensure there are proceeds to pay for
9 those services for consumers.

10 It also establishes uniform guidelines to
11 reduce the frictional cost of reserve requirements
12 by individual companies.

13 ATTORNEY GENERAL McCOLLUM: Move Item 3.

14 CFO SINK: Second.

15 GOVERNOR CRIST: Moved and seconded. Show it
16 approved without objection.

17 MR. McCARTY: Agenda Item Number 4 is request
18 for approval adoption of Proposed Rule 690-157.302,
19 .303, .304, relating to long term care rates.

20 Section 627 of the Florida Insurance Code provides
21 that rates charged to insureds for renewal of
22 existing long term care products may not exceed the
23 prices that are for newly issued products.

24 The reason for the law change as well as the
25 statute -- as well as the rule, is to protect

1 policyholders that are in closed box of business.

2 This rule establishes a new business rate to protect
3 seniors who are in closed box of business.

4 CFO SINK: Move it.

5 ATTORNEY GENERAL McCOLLUM: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it
7 approved without objection.

8 MR. McCARTY: Agenda Item Number 5 is request
9 for approval for publication proposed changes to
10 Rule 690-149.205, .207, standard risk rates. The
11 Office is required by law to conduct an annual
12 survey of the individual market for health insurance
13 and determine a standard risk rate.

14 These standard rates are charged by the
15 individual markets for health insurers. The rates
16 for indemnity plans are set out by existing rule and
17 determined by the Office to be unreasonably high due
18 to the inclusion of a survey of a company that is no
19 longer writing business in our state. Because the
20 inclusion of these rates have skewed the results of
21 the survey, the rates in the rule amended have been
22 recalculated, eliminating the use of this company
23 who is no longer doing business in our state.

24 GOVERNOR CRIST: Is there a motion on --

25 MR. McCARTY: The net effect is to lower the

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1 rate. Excuse me, Governor.

2 GOVERNOR CRIST: Pardon me. I'm sorry. Is
3 there a motion on Item 5?

4 CFO SINK: Move it.

5 ATTORNEY GENERAL McCOLLUM: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it
7 approved without objection.

8 MR. McCARTY: Agenda Item Number 6 is request
9 for approval of publication of Proposed Rule
10 690-149.003, .005, .007, a provision relating to
11 health rate filing standards. Florida law requires
12 for health insurers, that rates are reasonable in
13 relation to the benefits provided.

14 There are three amendments to the rule. The
15 first establishes rules for pooling of cancer
16 claims. The second prohibits the use of an insurer
17 knowingly pricing an individual rate to be
18 excessive. And, third, it tightens the requirements
19 for rate certifications.

20 ATTORNEY GENERAL McCOLLUM: Move Item 6.

21 COMMISSIONER BRONSON: Second.

22 GOVERNOR CRIST: Moved and seconded. Show it
23 approved without objection.

24 MR. McCARTY: The next agenda item is an
25 overview of the 2009 legislative agenda by the

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1 Florida Office of Insurance Regulation. We are
2 partnering with legislators on both sides of the
3 aisle on four pieces of legislation. Our first
4 agenda item is called stranger-originated life
5 insurance. We'd like to thank Senator Fasano and
6 Representative Legg for sponsoring this piece of
7 legislation.

8 STOLI, as it's referred to, is a practice or
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9 plan to sell life insurance products to strangers
10 and originating -- having no insurable interest in
11 the senior involved. The Office held a public
12 hearing this past August in which we heard testimony
13 from insurers, agents, consumers and interested
14 parties who voiced concerns about these potential
15 questionable fraudulent transactions.

16 These activities are primarily focused on
17 Florida's vulnerable senior populations and threaten
18 them with substantial tax consequences and financial
19 burdens that are not disclosed at the time of the
20 transaction, when the policy is purchased.

21 In no way do we want to stop anyone from
22 selling their life insurance policy. We are
23 proposing that both the NAIC and the NCOIL, who have
24 adopted models for protecting our seniors, our
25 legislation has characteristics of both of these,

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1 which would require a five-year cooling-off period
2 after a policy has been issued and would also
3 provide that engaging in STOLI activities be defined
4 as a fraudulent viatical act and have criminal
5 penalties.

6 CFO SINK: Governor?

7 GOVERNOR CRIST: Yes.

8 CFO SINK: I just want to compliment
9 Commissioner McCarty, and I know I've heard from my
10 staff the fine work that Mary Beth Senkewicz has
11 done on this issue. We have put together a

12 Safeguard Our Seniors Task Force and have been going
13 around the state looking at issues of financial
14 fraud and taking advantage of seniors. And this
15 STOLI issue has come up over and over again. And I
16 believe Senator Fasano is fronting the bill for all
17 of us in the Senate, and we're just very hopeful
18 that this is passed. They've done very good work,
19 and it's just very important.

20 GOVERNOR CRIST: I would agree. It seems like
21 an odd practice at best.

22 ATTORNEY GENERAL McCOLLUM: Governor, if I
23 might comment.

24 GOVERNOR CRIST: General.

25 ATTORNEY GENERAL McCOLLUM: I've seen some of

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1 that in my office, too. We've had at least one
2 recent very serious complaint with respect to this
3 and have investigated it for fraud. So it's
4 potentially a criminal matter in some instances. So
5 we really would hope that you'd be successful with
6 this bill.

7 MR. McCARTY: I certainly appreciate the
8 support of the Financial Services Commission. We
9 will certainly need to work shoulder to shoulder
10 with the leadership of the House and Senate to
11 ensure passage of this to protect our seniors.
12 There are certainly powerful forces lined up against
13 it because there's a lot of money to be made at the
14 expense of our seniors.

15 Our next agenda item is a related item. The

16 Office is also supporting the efforts of the
17 Department of Financial Services and the efforts of
18 CFO Sink to protect Floridians from annuity fraud by
19 increasing the penalties associated with these
20 transactions.

21 Last year the Florida Legislature passed what I
22 think is one of the leading consumer protections
23 against annuity sales last year. And we are looking
24 forward this year in furthering the efforts to
25 protect our seniors by providing criminal penalties

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1 for those who choose to victimize our senior
2 population.

3 Our third item is discriminatory rating
4 practices by Senator Storms and Representative
5 Priscilla Taylor. As Florida's economy continues to
6 struggle, many people see their credit scores
7 continue to deteriorate. It has an impact beyond
8 their control. Various studies, including studies
9 by the Federal Trade Commission and a report issued
10 by the Office of Insurance Regulation in 2007, have
11 concluded that certain rating practices used by
12 insurers also have a disproportionate impact on our
13 minority populations.

14 The Office held a public hearing on this
15 matter, pursuant to your request, on February 18th,
16 2009. This hearing provided valuable information on
17 how methodologies are currently being employed by
18 insurers. We were pleased to have some of your

19 staff in attendance, as well as House and Senate
20 members.

21 The proposed bill would amend the Unfair Trade
22 Practices Act to prohibit the use of an insured's
23 occupation, a person's education or income level, as
24 well as their credit score information for
25 determining rates to charge in their insurance

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1 products.

2 COMMISSIONER BRONSON: Governor, if I could ask
3 a question on this.

4 GOVERNOR CRIST: Sure.

5 COMMISSIONER BRONSON: Kevin, I can see a
6 little bit where you're coming from here, but I want
7 to make sure that there are also some safeguards
8 that we're not going to allow people, much as what
9 has happened in the financial world, where we were
10 given or banks were given people, where people have
11 stocks in those banks and all and now have been put
12 in jeopardy because there were loans being made to
13 people who could not pay them off, who were way over
14 their heads in acquiring houses that they could not
15 pay for, especially in a downturned economy.

16 And I don't want to see us jeopardize the
17 insurance of everybody the same way we've done in
18 the financial services area, by giving deference to
19 and not being careful about who can pay and who is
20 able to -- who is able to get these insurance
21 policies, that it doesn't fly back in the face, much
22 as it has in the financial world. I don't want to

23 put insurance companies at risk either.

24 So are we pretty sure that this is not going to
25 turn around and do just the opposite of what we're

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1 trying to help out with here?

2 MR. McCARTY: Yeah. The intent here is to take
3 into recognition that through no fault of their own,
4 many people's lines of credit or the credit cards
5 that have not been in use are being unilaterally
6 canceled, which is having an impact of reducing an
7 individual's credit score, which in turn reduces
8 their insurance score.

9 So through no fault of anyone's or not
10 necessarily having bad credit but simply not using
11 the credit that's available, that that has -- will
12 impact their insurance.

13 I think it's a legitimate point, and I
14 appreciate you raising the fact that while we've
15 seen a cratering in the marketplace of securities,
16 holding firms and banks and financial institutions,
17 that the insurance industry has been largely
18 unaffected. It is my belief that by prohibiting the
19 use of credit scoring -- which has been prohibited
20 in California for a number of years, which has a
21 very robust and competitive marketplace.

22 GOVERNOR CRIST: Thank you, Commissioner.

23 MR. McCARTY: And, lastly, Senator Bennett and
24 Representative Jenne on title insurance. The
25 proposed legislation provides that -- the Financial

1 Services Commission currently is the one that sets
2 the title rates. Our proposal is the title
3 insurance would be a pure risk rate, which would
4 provide competition in the marketplace.

5 As we try to recover in our real estate market,
6 it's important that we provide a competitive title
7 market insurance place, especially as go through a
8 period of refinancing, to ensure that consumers take
9 advantage of the competitive marketplace.

10 GOVERNOR CRIST: Kevin, thanks for the report.
11 Appreciate it.

12 MR. McCARTY: Thank you, Governor.
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2 Echeverri. Good morning.

3 MS. ECHEVERRI: Good morning. Request approval
4 of the minutes from the January 27th, 2009 meeting.

5 COMMISSIONER BRONSON: Motion Item 1.

6 ATTORNEY GENERAL McCOLLUM: Second.

7 GOVERNOR CRIST: Moved and seconded. Show the
8 minutes approved without objection.

9 MS. ECHEVERRI: Item 2 requests approval to
10 publish notice of intended action to proposed rules
11 related to sales tax clarification and update of
12 forms, repealing obsolete provisions and amending
13 corporate income tax rules to conform with federal
14 filing provisions. Recommend approval.

15 ATTORNEY GENERAL McCOLLUM: Move Item 2.

16 COMMISSIONER BRONSON: Second.

17 GOVERNOR CRIST: Moved and seconded. Show it
18 approved without objection.

19 MS. ECHEVERRI: Item 3 requests approval to
20 adopt and file with the Secretary of State
21 amendments to rule chapters related to documentary
22 stamp tax, estate tax rules, proposed fuel and
23 pollutant tax rules and proposed income tax rules.
24 These rule amendments update provisions, conform
25 with federal law and provide better instruction for

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1 taxpayers. Recommend approval.

2 GOVERNOR CRIST: Is there a motion on Item 3?

3 ATTORNEY GENERAL McCOLLUM: Move Item 3.

4 COMMISSIONER BRONSON: Second.

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GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Thank you, Lisa.
MS. ECHEVERRI: Thank you very much.

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GOVERNOR CRIST: Department of Veterans' Affairs, Admiral LeRoy Collins. Good morning, sir.
MR. COLLINS: Good morning.
GOVERNOR CRIST: How are you? Big day for your family, Admiral.
MR. COLLINS: Good morning, Governor and members of the Cabinet. I want to thank you for that recognition this morning of my dad's 100th

9 birthdate. If my mother had heard that, she would
10 be embarrassed. If my dad had heard that, he would
11 say, "More, more." I having heard that, in behalf
12 of my sisters, I would like to thank you for the --
13 appreciate the recognition.

14 GOVERNOR CRIST: He was a great man, and so are
15 you.

16 MR. COLLINS: Thank you, sir. Miss him a lot.
17 Item 1, the minutes of the meeting of December the
18 9th, 2008, we recommend approval.

19 COMMISSIONER BRONSON: Motion on Item 1.

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show the
22 minutes approved without objection.

23 MR. COLLINS: Item 2, the quarterly report for
24 the period ending December 31st, 2008. This report
25 is, for the most part, proforma. But I'd like to

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1 draw your attention to the second chart on
2 page eight. You may recall from last quarter's
3 report we showed a deficit in our house revenue
4 collection -- in our homes revenue collection and
5 stated that historically the figure would become
6 positive in the coming quarters.

7 This second quarter does indeed show
8 \$1.9 million in positive revenues over expenditures,
9 and the coming quarters are expected to continue
10 that trend into positive territory.

11 On page nine the chart shows the lingering

12 effects of the renovation projects in Lake City and
13 Daytona. These are somewhat deceiving percentages
14 because they do not consider the beds that are out
15 of service. For example, the 72 percent occupancy
16 rate at Lake City is based upon 150 beds but only
17 113 are available, and 111 of those are occupied.
18 We recommend approval.

19 ATTORNEY GENERAL McCOLLUM: Move Item 2.

20 COMMISSIONER BRONSON: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 approved without objection.

23 MR. COLLINS: Item 3, the proposed amendments
24 to Rule Chapter 55, Veterans' Affairs, and Rule
25 Chapter 55A, the Division of Veterans' Benefits and

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1 Assistance. These rule amendments are made pursuant
2 to a biennial review by law to identify and correct
3 deficiencies, clarify and simplify rules, delete
4 obsolete or unnecessary rules and delete rules that
5 are redundant.

6 The rule amendments have been previously
7 noticed and published in the Florida Administrative
8 Weekly and no comments were received from the
9 public. A rule hearing was not held because none
10 was requested. The Joint Administrative Procedures
11 Committee was provided with copies of the proposed
12 rule amendments, and all changes by them have been
13 made.

14 If there are any questions regarding the rules,
15 our general counsel is here, Dave Herman, and he's

16 here with me today in case there are any questions.
17 If there are no questions, we respectfully recommend
18 approval.

19 CFO SINK: Move it.

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 approved without objection.

23 CFO SINK: Governor, could I just --

24 GOVERNOR CRIST: CFO.

25 CFO SINK: -- ask Admiral Collins a couple of

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1 things? It was brought to my attention that last
2 month more returning soldiers committed suicide than
3 lost their lives actually in the war zone. I think
4 the numbers indicate 24 soldiers are believed to
5 have committed suicide. And we know that this is
6 becoming a potentially increasing problem. Is there
7 anything that your department can do to address
8 these issues?

9 MR. COLLINS: Yes, ma'am. On the initiative of
10 the Governor, he appointed a committee that covers
11 five Florida agencies, and I was chosen to chair the
12 group. We've been very active here in the past
13 three or four months in this regard, and I have sent
14 the Governor a recommendation that its work should
15 continue.

16 And we have -- as recently as yesterday I had
17 an extensive conference with the VA representative
18 in Largo, and they want to do the same thing. So we

19 are bringing these forces to bear. The chairman of
20 the Joint Chiefs of Staff met with a group that I
21 was with, and he personally is concerned about this.

22 And I think that the answer is in a very active
23 outreach. I think we can do that without
24 expenditure of a lot of money. I think it's a
25 matter of informing the Florida League of Cities and

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1 the county commissions and the Legislature that
2 these are problems that -- suicide usually comes
3 with a degeneration of -- a person comes back and
4 maybe he's got posttraumatic stress disorder. And
5 we have to be very observant of our soldiers and
6 marines, sailors and airmen who have come back and
7 been subjected to very horrific experiences.

8 And that typically starts or can start a
9 gradual decline, which is a series of degradations
10 such as family abuse, substance abuse, homelessness,
11 and then ultimately suicide. So it's important that
12 we recognize these returnees as all having this
13 potential problem and we recognize right up front.

14 And the plan that I'm going to recommend that
15 our committee send to the Governor here in the very
16 near future will include a very systematic means of
17 outreach to all the layers of state government, to
18 have them to be on the lookout, including the first
19 responders, be on the lookout for any of our
20 veterans who show some of these tendencies and
21 remind them that we have a very elaborate structure
22 in place to take care of that problem.

23 So outreach is key. And I think we can do a
24 good job of that, and I think you'll be seeing a
25 result -- and we also have some folks that are

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1 involved with us to quantify the success. In other
2 words, we should see success in the form of fewer
3 infractions by veterans. Also we should see less
4 recidivism by those who have been in the corrections
5 system. And we're going to quantify that so we can
6 tell you exactly what our progress is.

7 CFO SINK: Thank you. And, Governor, just one
8 more thing, please.

9 GOVERNOR CRIST: Certainly.

10 CFO SINK: As the state treasurers were
11 together, as I mentioned earlier, I happened to
12 notice that there are some substantial dollars in
13 the stimulus package for nursing homes for veterans.
14 And are you anticipating that Florida might apply
15 for and be granted and is there a demand for
16 additional nursing homes for veterans here in the
17 state?

18 MR. COLLINS: We always have need for more
19 funding, but we're also prepared for going the other
20 way. I'll believe it when I see it, and we can use
21 it when we get it. But in the meantime, we are
22 subjected to the same pressures all other
23 departments are. And we're team players the whole
24 way, and we'll do what's necessary.

25 GOVERNOR CRIST: Thank you, Admiral.

1 GOVERNOR CRIST: Highway Safety and Motor
2 Vehi cl es, El ectra Bustl e. Good morni ng.

3 MS. BUSTLE: Good morni ng. We have two i tems
4 on the agenda thi s morni ng. The fi rst one, we
5 respectf ul ly request approval of the mi nutes from
6 the November 20th, 2008 meeting.

7 COMMI SSI ONER BRONSON: Moti on on I tem 1.

8 CFO SINK: Second.

9 GOVERNOR CRIST: Moved and seconded. Show the
10 mi nutes approved wi thout obj ecti on.

11 MS. BUSTLE: Thank you. I tem Number 2 i s our
12 second quarter performance report. We have a few
13 measures that are impacted by the economy.
14 Otherwi se we are on track for the fi rst half of the
15 year. And before I request approval, I'd j ust l ike
16 to hi t on a few hi ghli ghts.

17 In October the Department rolled out a new
18 websi te feature called "Safety Fi rst," whi ch i s off
19 of our mai n Internet si te. It's a one-stop shop for
20 consumers to educate themsel ves on current safety
21 i ssues, from protecti ng themsel ves against i denti ty
22 theft to avoidi ng the pi tfa l l s of buyi ng a car
23 onl i ne.

24 And i n that Safety Fi rst you wi ll see l i nks to
25 each of your websi tes where appropriate, where you

1 all are handl i ng some of the si mi l ar i ssues. But
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2 it's a neat website that you can go and if you
3 wanted to look up buying a car online, you can click
4 on that, and it's an easy read for consumers to be
5 able to use.

6 The other item I wanted to mention is our
7 driver's license office wait times. The report
8 produced by our inspector general in December shows
9 again a continuation of our decrease in wait times.
10 The report found that 89 percent of our customers
11 waited 15 minutes or less. Our annual standard, by
12 the way, is 50 percent. So 89 percent are waiting
13 15 minutes or less. And only three percent of the
14 customers waited 30 minutes or more.

15 And what's very exciting right now is we're in
16 the process of putting in place in 53 different
17 offices, our largest offices, electronic queuing
18 systems, which is going to give us real time wait
19 times. We're not going to have to wait every year
20 for our inspector general to go out and measure wait
21 times one day a year.

22 For instance, this morning we were able to look
23 at the six pilot offices that are already up and
24 running and know that the current wait time was
25 seven minutes on average. So it's going to be a

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1 great tool for us. And really our goal is to get
2 those wait times online, so if you're a customer
3 wanting to go to a Miami office, you can get online
4 and see what the average wait time is. So that's

5 the ultimate goal. We need to get all 53 up and
6 running, and then we're going to head in that
7 direction.

8 With that, I would request approval of our
9 second quarter report, please.

10 COMMISSIONER BRONSON: Motion on Item 2.

11 ATTORNEY GENERAL McCOLLUM: Second.

12 GOVERNOR CRIST: Moved and seconded. Show it
13 approved without objection.

14 CFO SINK: Governor, could I just have one
15 comment?

16 GOVERNOR CRIST: Certainly.

17 CFO SINK: We haven't seen a lot of these
18 agency heads in quite a while. I do want to thank
19 you. There was an article in the Tampa Tribune that
20 I happened to see when I was there one day related
21 to uninsureds and states having -- letting uninsured
22 people drive without liability insurance, and it
23 indicated that Florida was one of the highest states
24 at 23 percent. And so that was contrary to the
25 information that the secretary had given us in the

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1 past.

2 And I thought your letter back to -- in
3 response was quite good and clarified the fact that
4 we report that we have 94 percent insured rate
5 because of the requirement for PIP insurance.

6 And I just think it's really important that
7 when we see this kind of misinformation in the
8 state's newspapers and on the Web, that our agency

9 heads are very aggressive about responding back and
10 just not letting it go and having people believe in
11 the misinformation. So it was a good letter and
12 thank you for responding back.

13 MS. BUSTLE: Thank you very much.

14 GOVERNOR CRIST: Thank you, appreciate it,
15 Electra.

16 MS. BUSTLE: Thank you.

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1 GOVERNOR CRIST: FDLE, Commissioner Bailey.

2 MR. BAILEY: Good morning.

3 GOVERNOR CRIST: Good morning. How are you,
4 sir?

5 MR. BAILEY: I'm doing well. Thank you. We
6 have three items for your consideration today. The
7 first is the minutes of our December 9 Cabinet
8 meeting.

9 CFO SINK: Move it.

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Moved and seconded, show the

12 minutes approved without objection.

13 MR. BAILEY: The second item is our second
14 quarter performance report and expenditures of
15 \$100,000 or more. You'll see that our numbers are
16 strong, but I would like to present four significant
17 issues to you.

18 During this quarter the Department received the
19 August Vollmer Excellence in Forensic Science Award
20 from the International Association of Chiefs of
21 Police. This award recognized our success in the
22 reduction of our crime laboratory evidence backlog.
23 Since July of 2006 that backlog has been reduced 56
24 percent, and we're getting evidence back to our
25 contributors faster than ever in the history of the

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1 Department.

2 FDLE, along with key state partners, including
3 Department of Transportation and Department of
4 Highway Safety and Motor Vehicles, implemented the
5 Silver Alert plan. Since that plan went into
6 effect, there have been 51 Silver Alerts resulting
7 in the successful location of 46 of Florida's
8 seniors.

9 A joint investigation with the Department of
10 Law Enforcement, Miami-Dade Police Department and
11 the Office of the Attorney General resulted in the
12 arrest of an individual for defrauding our Medicaid
13 system of over \$1 million. And the United States
14 Marshal Service and the Department of Justice
15 recognized our Sexual Offender/Predator Absconder

16 Team for their role in a statewide fugitive roundup.
17 This roundup arrested 2,500 dangerous fugitives in
18 our state, and 255 of those, over 10 percent, were
19 sexual predators or offenders.

20 I would be happy to answer any questions about
21 Item 2.

22 GOVERNOR CRIST: Any questions? General.

23 ATTORNEY GENERAL McCOLLUM: I don't want to ask
24 a question. I just wanted to compliment the Florida
25 Department of Law Enforcement and you, Commissioner

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1 Bailey, on the tremendous work that you do around
2 the state all the time, not getting a lot of credit
3 for it. You mentioned one a minute ago about the
4 arrest, as a team effort, in the sexual predator
5 area.

6 But I want everybody here, Governor, Cabinet,
7 anyone else to know that many, many times Florida
8 Department of Law Enforcement investigators are
9 involved in investigations and arrests, working with
10 our statewide prosecutor, working with other county
11 law enforcement officials and providing enormous
12 resources they never get the credit for and they
13 should. They are a terrific asset to our state.
14 And a quarterly report can't begin to tell that
15 whole story. So I just want to say it, because I
16 see it every day as attorney general.

17 CFO SINK: Governor, can I --

18 GOVERNOR CRIST: Yes. Go ahead.

19 CFO SINK: I notice that in our information we
20 had that the Public Assistance Fraud Investigation
21 Unit, the unit that has been under some pressure to
22 be reduced or cut back because of the budget cuts,
23 had almost 1,500 fraud cases, resulting in about six
24 and a half million dollars in benefits from being
25 distributed.

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1 And it just -- to me, it just makes the case
2 that this is the kind of unit that we ought to be
3 heavily investing in because the personnel expense
4 is returned to us probably tenfold in terms of
5 finding and unrooting this fraud that exists in the
6 system.

7 So I don't know where you're thinking your
8 budget is going to go for this coming year, but I
9 would certainly join you in encouraging the
10 Legislature to fund these units that actually ferret
11 out fraudulent activity that is in the millions of
12 dollars.

13 MR. BAILEY: CFO Sink, two or three things have
14 happened since that unit was transferred to the
15 Department of Law Enforcement from the Auditor
16 General. First, there's a list of things that were
17 crimes, when it came over, that are no longer
18 crimes. If your status changes while you're
19 receiving that assistance and you fail to report
20 that, that's no longer a crime. It's an
21 administrative function now.

22 Probably the most significant impact we've had

23 is, because of the budget shortfall, our state
24 attorneys have stopped accepting the lower level
25 cases. Their thresholds have gone from \$200 in most

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1 cases to \$5,000 worth of fraud. That has forced us
2 to concentrate on the higher number of cases.

3 And that group, working with our economic fraud
4 people that are already in the Department, have
5 erased the need for as many as we had. Now, I see a
6 coming need, with the status changing out there,
7 that it may be more. But with the thresholds
8 changing, we're concentrating on the higher level of
9 case and needing fewer people.

10 One thing we are doing and we have presented to
11 both chambers is we're restructuring what we have.
12 We will be recommending keeping a large number of
13 those but with a restructured case acceptance
14 center. Rather than having all seven of our regions
15 accepting cases, that's probably going to move to
16 our Tampa Bay operations center. They'll accept all
17 the cases that come in from Children and Family and
18 wherever and then farm those out to the other
19 districts.

20 But to answer your question, we will keep a --
21 at least our recommendation is to keep a significant
22 cadre. But as we look at things that we have to
23 cut, we're having to recommend cuts of things that
24 both you and I would agree that we need.

25 CFO SINK: Maybe some of that Washington money

1 will help.

2 GOVERNOR CRIST: From your lips to God's ears,
3 CFO. Commissioner.

4 COMMISSIONER BRONSON: Thank you, Governor.
5 First of all, let me commend your staff at FDLE.
6 We've been under severe pressure, as you know,
7 through our licensing bureau, to work through FDLE
8 to make sure that we're giving concealed weapons
9 permits and other permits to people who deserve to
10 have them and have kept up with all of their
11 credentialing and so forth, to be able to receive
12 those permits.

13 The other day -- and I was going to ask you a
14 question as to whether you're feeling the pressure
15 of trying to get all of these processed, because my
16 group came in the other day ecstatic with the fact
17 that they had processed 17,000 permits in one week.

18 Just so you'll know, I'm sitting on about
19 95,000 permits to be reviewed and, under constraints
20 of the law, have to get those done in 90 days, which
21 is getting tougher to do because we've had to put
22 even people out of my office here in Tallahassee and
23 others in to try to get these looked at.

24 But thanks to your staff, we were able to run
25 as many as we could. And by the way, the 17,000

1 they were ecstatic about, they got 10,000 in while
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2 they got the 17,000 done. So we seem to be getting
3 behind almost quicker than we're catching up.

4 But are you able to process -- we're going to
5 be sending you a lot more of them now that we've got
6 more people dedicated, almost 28 people, more than
7 that. It's almost 58 people dedicated to help get
8 those out now. Are you going to be able to process
9 those? Are we going to -- do you need extra help
10 for that?

11 MR. BAILEY: Now we are able to process. With
12 the system that we worked out with your staff, I
13 think it's all being handled as efficiently as it
14 can be, with the staff that we have.

15 COMMISSIONER BRONSON: Well, Governor, just so
16 the Cabinet will know that this issue is not just
17 about concealed weapons permit holders. We have
18 private investigators and security guards that have
19 to be under our new homeland security laws that have
20 to go through extra background checks as well under
21 certain conditions.

22 And those are -- they're adding up into the
23 thousands. And it's amazing. All at one time,
24 we're doing more in one month than we used to do all
25 year long just a year or two ago. So there is a big

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1 move and change in the populace out there and people
2 wanting to move from one job or maybe a job that no
3 longer exists to qualify for another job, and those
4 pressures are being felt by both of us.

5 MR. BAILEY: Yes, sir. We have also seen a
6 tremendous spike in the backgrounds being done on
7 firearms purchase permits. As you know, those come
8 through our agency. And starting back in November,
9 we're -- we will double this year what we did last
10 year.

11 COMMISSIONER BRONSON: I believe it.

12 GOVERNOR CRIST: Well, Commissioner, let me
13 thank you for your leadership of a great agency.

14 MR. BAILEY: Thank you.

15 GOVERNOR CRIST: And we are all indebted to you
16 for the great work that you do. The Attorney
17 General is correct. And having served as attorney
18 general previously, I understand the workings of
19 your office. And I can't tell you how much we
20 appreciate your hard work and the dedication of all
21 the people that work with the Florida Department of
22 Law Enforcement.

23 MR. BAILEY: Thank you, Governor.

24 ATTORNEY GENERAL McCOLLUM: I don't know if we
25 moved Item 2 or not. If we didn't, I --

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1 GOVERNOR CRIST: We did not.

2 ATTORNEY GENERAL McCOLLUM: I move Item 2.

3 COMMISSIONER BRONSON: Second.

4 GOVERNOR CRIST: Moved and seconded. Show it
5 approved without objection.

6 MR. BAILEY: I have one final item. Four sets
7 of rules are submitted for your final approval.
8 Each of these revisions is either technical or in

9 response to a statutory change. We received no
10 comments or request for public hearings. And upon
11 your approval, these rules will take effect on
12 April 13th.

13 ATTORNEY GENERAL McCOLLUM: Move Item 3.

14 COMMISSIONER BRONSON: Second.

15 GOVERNOR CRIST: Moved and seconded. Show it
16 approved without objection. Thank you again,
17 Commissioner.

18 MR. BAILEY: Thank you.

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1 GOVERNOR CRIST: Administration Commission.
2 Lisa Saliba.

3 MS. SALIBA: Good morning, Governor, thank
4 you --

5 GOVERNOR CRIST: Good morning.

6 MS. SALIBA: -- members of the Cabinet. We
7 have two items on the Administration Commission.
8 First is request approval of the meeting -- minutes
9 of the December 9th, 2008 meeting.

10 CFO SINK: Move it.

11 ATTORNEY GENERAL McCOLLUM: Second.

12 GOVERNOR CRIST: Moved and seconded. Show the
13 minutes approved without objection.

14 MS. SALIBA: The second item is we're
15 requesting approval of the Department of Children
16 and Families' petition for exception to Uniform Rule
17 of Procedure 28-106.213. Currently the Department
18 conducts hearings regarding the denial, reduction or
19 suspension of public benefits. And those choosing
20 to conduct the hearing by telephone must have a
21 notary present to administer the oath.

22 And this exception is seeking -- the request is
23 to except the provision regarding the notary so that
24 the hardship requirement to the applicant and the
25 Department is removed. The Department will rely on

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1 the hearing officer, who is a department employee,
2 to administer the oath.

3 GOVERNOR CRIST: Is there a motion on Item 2?

4 CFO SINK: Move it.

5 ATTORNEY GENERAL McCOLLUM: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it
7 approved without objection. Thank you.

8 MS. SALIBA: Thank you.

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1 GOVERNOR CRIST: Florida Land and Water
2 Adjudicatory Commission. Hi again, Lisa.

3 MS. SALIBA: Good morning. The first item is
4 request approval of the meeting minutes from
5 January 27, 2009.

6 CFO SINK: Move it.

7 COMMISSIONER BRONSON: Second.

8 GOVERNOR CRIST: Moved and seconded. Show the
9 minutes approved without objection.

10 MS. SALIBA: The second item, we request your
11 authorization to publish a Notice of Proposed Rule
12 to create Rule Chapter 42MMM-1, establishing the
13 Widgeon Community Development District. We do
14 have Mr. John McKay with Rizzetta & Company
15 representing the petitioner if you have questions.

16 GOVERNOR CRIST: Any questions? Is there a
17 motion?

18 COMMISSIONER BRONSON: Motion on Item 2.

19 ATTORNEY GENERAL McCOLLUM: Second.
20 GOVERNOR CRIST: Moved and seconded. Show it
21 approved without objection.
22 MS. SALIBA: Item 3, we're requesting your
23 authorization to publish a rule amendment notice to
24 expand the boundaries of the Crossings at Fleming
25 Island Community Development District. We have

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1 available for questions Mr. Michael Eckert,
2 representing the petitioner.
3 GOVERNOR CRIST: Any question --
4 CFO SINK: Move it.
5 GOVERNOR CRIST: Is there a second?
6 ATTORNEY GENERAL McCOLLUM: Second.
7 GOVERNOR CRIST: Are there any questions?
8 Moved and seconded. Show it approved without
9 objection.
10 MS. SALIBA: Thank you. Thank you very much.
11 GOVERNOR CRIST: Thank you.

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1 GOVERNOR CRIST: Board of Trustees of the
2 Internal Improvement Trust Fund. Secretary Sole, or
3 not.

4 MR. WILHELM: No, sir, not yet. I don't think
5 the secretary would like me -- although I could.
6 The first item is the staff is requesting approval
7 of the minutes from the September 16th, 2008
8 meeting.

9 GOVERNOR CRIST: State your name for the
10 record, please.

11 MR. WILHELM: Yes, sir. It's Sherman Wilhelm.

12 GOVERNOR CRIST: Thank you.

13 MR. WILHELM: I'm the director of the Division
14 of Aquaculture.

15 GOVERNOR CRIST: Great. Would you repeat what
16 you said?

17 MR. WILHELM: Yes, sir.

18 GOVERNOR CRIST: Thank you.

19 MR. WILHELM: Item Number 1 is staff is
20 requesting approval of the minutes from the
21 September 16th, 2008, Cabinet meeting.

22 COMMISSIONER BRONSON: Motion on Item 1.

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: Moved and seconded. Show the
25 minutes approved without objection.

1 MR. WILHELM: Item Number 2, staff is seeking
2 permission to publish a Notice of Proposed
3 Rulemaking to Chapter 18-21 to incorporate updates
4 to the aquaculture provision of that rule.

5 COMMISSIONER BRONSON: Motion on Item 2.

6 CFO SINK: Second.

7 GOVERNOR CRIST: Moved and seconded. Show it
8 approved without objection.

9 MR. WILHELM: Thank you very much, sir.

10 GOVERNOR CRIST: Thank you, appreciate it.

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2 Sole.

3 MR. SOLE: Governor and Cabinet members, good
4 morning.

5 GOVERNOR CRIST: Good morning, sir.

6 MR. SOLE: Item Number 1, the Department is
7 requesting deferral of this item to the April 14th
8 meeting.

9 GOVERNOR CRIST: Is there a motion for
10 deferral?

11 CFO SINK: Yeah, I move it, Governor, but I've
12 got --

13 ATTORNEY GENERAL McCOLLUM: I'll second it.

14 CFO SINK: Is this the working waterfronts?

15 MR. SOLE: Yes, ma'am.

16 GOVERNOR CRIST: Yes, it is.

17 CFO SINK: Can I just make a comment, please?

18 GOVERNOR CRIST: Please, of course. Probably
19 the same comment I would make.

20 CFO SINK: I know that you're doing a lot of
21 work on this, and the intent is to bring it back
22 perhaps at the next meeting. I just want to
23 encourage all the parties involved to be sure that
24 they've come current on their --

25 GOVERNOR CRIST: Got it together.

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1 CFO SINK: Yeah, that they've done what they
2 needed to do to be in good stead with the law.

3 MR. SOLE: That is the intent, CFO.

4 GOVERNOR CRIST: Well put. Motion for

5 deferral. Is there a second?

6 ATTORNEY GENERAL McCOLLUM: Second.

7 COMMISSIONER BRONSON: Second. But could I
8 make a comment?

9 GOVERNOR CRIST: Of course, sure, Commissioner.

10 COMMISSIONER BRONSON: And I realize some of
11 the thinking on what has delayed this item. I would
12 remind the Governor and Cabinet as well as the
13 Department, an issue that was brought up back when
14 we were both in the Senate, people sometimes buy and
15 acquire properties and do things where there are
16 issues involved that no one thought were there or
17 were misled as to the severity of the potential
18 problem, which I think is getting to what the CFO
19 was trying to get at.

20 I think we need to be very careful, number one,
21 about how we go about this. That's quite clear.
22 And we need to make sure everybody is doing the best
23 of their ability to make sure all of those things
24 are being taken care of in one way or fashion.

25 But I think we need to be also cognizant of the

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1 fact that sometimes people walk into a situation
2 that they had no idea was even there just because
3 they acquired the properties next to these pieces or
4 the properties where this is involved. And I think
5 we need to look at those issues just as well.

6 At one time, under the cleanup bill for dipping
7 vats, which was a federally mandated -- as you
8 remember, Governor, that was one of my first bills

9 in the Senate, which was a federally and state
10 mandated law and the chemicals used were mandated by
11 the government as well, and they killed your cattle
12 if you didn't do it.

13 So it was one of those processes where all of a
14 sudden the new landowners or the landowners that
15 bought that property over time were stuck with a
16 very expensive proposition that they didn't even
17 know existed. As a matter of fact, most of the
18 people in those days had forgotten all about it.
19 Those things were covered over. Nobody knew about
20 it.

21 Well, it was costing about a million dollars to
22 clean up under private cleanup of those facilities.
23 As soon as DEP got in charge and it was thrown back
24 to the State, somehow those cleanup charges went to
25 a half a million dollars.

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1 And I just want to be fair with everybody here,
2 that if there are people who have gotten hold of
3 some situations that they were not aware of, that we
4 work with them on this cleanup idea and getting all
5 of their issues straightened out. Be fair, is all
6 I'm saying.

7 GOVERNOR CRIST: We're all about that. Thank
8 you, Commissioner.

9 MR. SOLE: Item Number 2, Governor, is
10 consideration of an application, Fisherman's Marina.
11 This is located in Jacksonville. This is a

12 modification to an existing lease that was approved
13 in 2007 that merely expands the footprint of the
14 facility to be more consistent with their riparian
15 lines. The Department recommends approval.

16 GOVERNOR CRIST: Is there a motion on Item 2?

17 ATTORNEY GENERAL McCOLLUM: Move Item 2.

18 CFO SINK: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it
20 approved without objection.

21 MR. SOLE: Item Number 3 requests consideration
22 of an application from Boca Ciega Resort Marina,
23 LLC. This is located in Pinellas County, in St.
24 Petersburg. This is a modification of an existing
25 lease to create a 47-slip mixed-use facility.

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1 Eighteen slips will be associated with a private
2 upland facility, a condominium, and 29 slips will be
3 open to the public as a commercial marina.
4 Consideration is \$11,880.

5 COMMISSIONER BRONSON: Motion on Item 3.

6 CFO SINK: I have a question.

7 ATTORNEY GENERAL McCOLLUM: Second.

8 GOVERNOR CRIST: Moved and seconded. CFO.

9 CFO SINK: Would you just clarify? My staff
10 went over it with me yesterday. But this particular
11 property is in a designated aquatic preserve.

12 MR. SOLE: Yes, ma'am.

13 CFO SINK: Could you just review with me
14 quickly --

15 MR. SOLE: I'll be brief.

16 CFO SINK: -- what difference that makes in
17 this case? And I assume you're recommending this.

18 MR. SOLE: Thank you, CFO. One of the key
19 issues here, as a result of it being located in
20 aquatic preserve, it needs to be considered to be in
21 the public interest. And, in fact, prior lease
22 provisions actually said that they could not expand
23 this facility.

24 After department review of this project, we
25 noted several things; that, one, resources were

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1 being protected, that there's good water quality in
2 the area, that there is a need for boating
3 population in this area. And I think, Governor, you
4 probably can attest to that. There's high demand
5 for access to waters in the Pinellas area.

6 And as a result, the applicant has also
7 requested and offered specific public interest
8 projects to help meet that public -- "in the public
9 interest" test. One of those is contributing some
10 \$200,000 to Pinellas County for the development of a
11 public boat ramp located at the Sutherland Bayou
12 facility. And this will, again, further expand the
13 public's access to these great resources.

14 In addition, some of the facility is open to
15 the public, which is a key component. They've
16 improved their stormwater management and have
17 actually overdesigned their stormwater management to
18 help water quality in the area. They've got riprap

19 located on their bulkhead, which is actually a
20 resource benefit, and they propose to install some
21 19 reef balls at the facility for habitat
22 restoration.

23 So the applicant has actually moved forward
24 from just a project there to a multiple host of
25 projects that demonstrate that public interest

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1 benefit.

2 CFO SINK: Okay. Thank you.

3 GOVERNOR CRIST: Thank you. Moved and
4 seconded. Show it approved without objection.

5 MR. SOLE: Item Number 4, this is Lemon Grove
6 Mitigation Bank. Governor and Cabinet, as you
7 recall, on the October 28th Cabinet meeting there
8 was direction to the Department to begin negotiation
9 and establish fair terms for negotiation with
10 Mitigation Services for compensation to the State
11 for consideration of a mitigation bank on portions
12 of the Pal-Mar Florida Forever Project known as
13 Lemon Grove.

14 One thing I also want to be very clear, during
15 that October board meeting, the direction was
16 acknowledging that this is a unique facility and
17 that the circumstances are very distinct, and
18 therefore this was not a change to the governing --
19 or the Cabinet's recommendations on basically not
20 using Board of Trustees lands for mitigation banks.

21 With that direction, the Department moved
22 forward with open minds with Mitigation Services,

23 LLC, and has developed a framework for that contract
24 that we are recommending to you today. The
25 contract -- and it would be a contract, not a lease,

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1 because a contract vests less interest in the
2 property -- would be a ten-year contract with
3 Mitigation Services, LLC, for the development of a
4 mitigation bank. The consideration back to the
5 Board of Trustees would be \$394,500. That is
6 roughly or that is 50 percent of the actual
7 appraised value of the property.

8 The property would be on some 273 acres, or
9 excuse me, 263 acres. Mitigation Services would be
10 required to pay -- there are several payment options
11 back to the Board of Trustees for those services.
12 But under no circumstances will it be less than
13 394,000, or six percent, whichever is greater.

14 Finally, there's other terms negotiated in this
15 agreement, and that includes the need that at the
16 end of the mitigation bank, the Fish and Wildlife
17 Conservation Commission, who is the current land
18 manager on behalf of the Board of Trustees, would
19 take on the responsibility of continued operation
20 and maintenance of the mitigation bank.

21 And as part of that, they will be receiving a
22 perpetual maintenance endowment of some \$189,000 so
23 that they continue to operate and maintain the
24 mitigation bank. This was a challenging discussion,
25 but without question, I think we've come into a

1 recommendation that provides fair compensation to
2 the Board of Trustees for what I will call a unique
3 situation.

4 GOVERNOR CRIST: Any questions?

5 COMMISSIONER BRONSON: Governor, if I might.

6 GOVERNOR CRIST: Commissioner.

7 COMMISSIONER BRONSON: I'm still having
8 somewhat of a problem, only because we have not done
9 mitigation banks on state lands in the past because
10 the land is going to be kept in its pretty much
11 natural state, and there was no mitigation process
12 needed since that land was already dedicated.

13 And I want to -- I just -- I'm a little uneasy
14 because I don't want -- there's two issues here.
15 One is a competitive issue if you're going to do
16 mitigation on state lands, and that's number one.
17 Number two is whether we open that door for a
18 mitigation on something that we've already
19 determined to be taken care of and saved as a
20 natural resource.

21 So I'm concerned on this proposal and will
22 probably vote against it for that reason, but I just
23 thought that conversation needs to come up, because
24 this will be something totally brand new, based on
25 what I can see, under our rules and where we've gone

1 before on this issue.

2 ATTORNEY GENERAL McCOLLUM: Governor.

3 GOVERNOR CRIST: General.

4 ATTORNEY GENERAL McCOLLUM: I think
5 Commissioner Bronson's point about the fact that we
6 might be establishing some precedence, but we're
7 really not, I don't think, Commissioner, because you
8 recall this was unique in the sense not only of the
9 description of what the settlement is but of the
10 fact that the parties involved here who are seeking
11 this and would be the contractors with the State had
12 an understanding, they thought they had at least
13 with the local government entity, with regard to
14 mitigation banking.

15 So I think that because of the equities
16 involved in this, that makes this itself unique on
17 its face. So I don't think we're setting any
18 precedent here, and it may be a subject we could
19 discuss at a future date about precedent. But I
20 think this is a fair result, and I move Item 4.

21 GOVERNOR CRIST: Is there a second?

22 CFO SINK: I second it.

23 GOVERNOR CRIST: Any further discussion?

24 MR. SOLE: Governor, can I respond to the
25 Commissioner's point --

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1 GOVERNOR CRIST: Sure.

2 MR. SOLE: -- just for clarity? Without
3 question, history is a key part of this
4 recommendation. I agree with the Attorney General

5 that we are not setting precedent. This is a unique
6 circumstance in which when we bought this property
7 several years back, it actually had this provision
8 for mitigation as part of that acquisition. And
9 Mitigation Services, LLC, retained that up until
10 actually this month. This month that authorization
11 for them to move forward with mitigation on the
12 property actually does sunset automatically.

13 The bad news is, as you can see from the photo,
14 Lemon Grove is still a lemon grove, and it does
15 require restoration as part of the long-term
16 management strategy that the Fish and Wildlife
17 Conservation Commission is pursuing.

18 You can see in the photo that this is kind of
19 the facility that is looking to be restored.
20 Adjacent to it is the natural facility, but there
21 really was a former lemon grove there that needs
22 restoration to return it.

23 And, again, I cannot emphasize more that this
24 really is unique because of the prior history of
25 this site, specific to this property. Mitigation

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1 Services, LLC, has been working this permit with the
2 South Florida Water Management District for several
3 years, has invested a lot of money in developing a
4 mitigation bank, which actually takes quite a bit of
5 time and money, which is somewhat to address your
6 concern of why we didn't do a competitive bid.

7 They've had interest in this property for
8 several years. They've been working on this

9 mitigation. Admittedly they were slow. They should
10 have worked a lot longer ago. But that helps, I
11 think, address some of your concern about the
12 competitive nature of them working the site.

13 GOVERNOR CRIST: The item is moved and
14 seconded. Any other questions or comments? Show it
15 adopted with one objection.

16 MR. SOLE: Item Number 5, this item requests
17 consideration of grant of a nonexclusive easement
18 over approximately 27 acres of the Marjorie Harris
19 Carr Cross Florida Greenway. This easement,
20 nonexclusive easement, would go to Progress Energy
21 so that they can begin the construction phase of the
22 nuclear power plant located in Levy County. This
23 will be largely used as a staging area and
24 offloading facility for that future construction if
25 approved.

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1 The consideration to the Board of Trustees is
2 \$9,787,500. And that is in combination of cash as
3 well as a potential for an acquisition of an
4 approximately 18-foot, 40-mile-long perpetual
5 nonexclusive easement to the Board of Trustees for
6 the Dune Loop, Chief Land and Nature Coast Trail.

7 ATTORNEY GENERAL McCOLLUM: Governor?

8 GOVERNOR CRIST: Yes, General.

9 ATTORNEY GENERAL McCOLLUM: I can't overstate
10 my opinion that the nuclear power facility that is
11 about to be constructed, the first one in our state

12 in many, many, many years, one of the first in the
13 whole United States, is extraordinarily important to
14 the future of our country as well as our state in
15 terms of having available clean energy.

16 And while this does in some ways encroach upon
17 an area that's been held naturally, it's my
18 understanding this is the old Florida barge canal
19 area, right?

20 MR. SOLE: Yes, sir.

21 ATTORNEY GENERAL McCOLLUM: So I think this is
22 a very good thing, and I think it's very positive
23 going forward. We've got many other steps to take
24 before that plant actually is a reality, but it's a
25 great first step, and I -- I would move Item 5.

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1 COMMISSIONER BRONSON: Second.

2 GOVERNOR CRIST: Moved and seconded. Show it
3 approved without objection.

4 MR. SOLE: Last item, Item Number 6, pertains
5 to consideration of a proposed settlement agreement
6 in the case of Gulf Sands Properties, LLC, and T.I.
7 Holdings, Inc., versus the Board of Trustees. This
8 settlement agreement is in regard to property
9 located on Treasure Island in Pinellas County.

10 General, your team has been working with the
11 Department in trying to resolve what has been a
12 longstanding disagreement about ownership. And I am
13 grateful that they have come up with this settlement
14 agreement with our team that basically shares that
15 responsibility.

16 The Board of Trustees will get basically an
17 ownership determination of some key parcels on the
18 beach, and the landowner will be able to also retain
19 specific ownership. So this resolves a longstanding
20 dispute.

21 The dispute was caused, Governor, as a result
22 of a restoration that was done by the Army Corps of
23 Engineers way back in the sixties. And it was prior
24 to the State of Florida establishing what we used
25 to -- or what we now do as the erosion control line,

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1 that clearly identified where state-owned lands
2 begins and private lands also end.

3 COMMISSIONER BRONSON: Motion on Item 6.

4 ATTORNEY GENERAL McCOLLUM: Second.

5 GOVERNOR CRIST: Moved and seconded. Show it
6 approved without objection. Thank you, Secretary.

7 MR. SOLE: Thank you very much.

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1 GOVERNOR CRIST: State Board of Administration,
2 Ash Williams. Morning, Ash.
3 MR. WILLIAMS: Good morning, Governor, members
4 of the Board. The first item is approval of the
5 minutes from the January 27 meeting.
6 GOVERNOR CRIST: Is there a motion to approve
7 the minutes?
8 CFO SINK: Move it.
9 ATTORNEY GENERAL McCOLLUM: Second.
10 GOVERNOR CRIST: Moved and seconded. Show the
11 minutes approved without objection.
12 MR. WILLIAMS: Second item is a fiscal
13 sufficiency for the Board of Education, Public
14 Education Capital Outlay Bonds.
15 ATTORNEY GENERAL McCOLLUM: Move Item 2.
16 CFO SINK: Second.
17 GOVERNOR CRIST: Moved and seconded. Show it
18 approved without objection.
19 MR. WILLIAMS: Item 3, another fiscal
20 sufficiency for the Board of Education, Public
21 Education Capital Outlay Bonds.
22 GOVERNOR CRIST: Is there a motion on Item 3?

23 CFO SINK: Move it.
24 ATTORNEY GENERAL McCOLLUM: Second.
25 GOVERNOR CRIST: Moved and seconded. Show it

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1 approved without objection.
2 MR. WILLIAMS: Item 4 is a series of rule
3 revisions for the Florida Retirement System
4 Investment Plan. These are technical and cleanup in
5 nature and are not substantive changes.
6 ATTORNEY GENERAL McCOLLUM: Move Item 4.
7 CFO SINK: Second.
8 GOVERNOR CRIST: Moved and seconded. Show it
9 approved without objection.
10 MR. WILLIAMS: Item 5 is a report from the
11 Florida Hurricane Catastrophe Fund financial
12 advisor, John Forney of Raymond James, in which we
13 have summarized where we basically are with regard
14 to the Cat Fund and some of the alternatives for
15 mitigating Cat Fund risk. And we have Mr. Forney
16 with us this morning. I think Mr. Nicholson is
17 rounding him up.
18 But at any rate, our thought today was, if
19 you'd like, we can provide you a summary on an
20 assessment of the availability of some of these
21 different market vehicles. And then what we would
22 like as an outcome of today's meeting would perhaps
23 be direction for us to go into the marketplace and
24 look at those products we believe to be the most
25 available and promising, price those and come back

1 to you with some recommendati on, speci fi c
2 recommendati on at a subsequent meeting when we have
3 the benefi t of pricing informati on.

4 GOVERNOR CRIST: Okay. How are we doing?

5 MR. WILLIAMS: Would you like to have any sort
6 of walk-through on the report?

7 GOVERNOR CRIST: Yes. We are ready.

8 MR. WILLIAMS: Interesting devel opment.

9 CFO SINK: He was here earli er.

10 GOVERNOR CRIST: Do you want to tell us what
11 your recommendati on is?

12 CFO SINK: Ben has gone to look for him.

13 MR. WILLIAMS: Yeah, very simply, if you look
14 at item six, basically we took a look at six areas,
15 cash capital markets, pre-event financing. As we
16 know and as you heard an update from Ben Watkins
17 from the Division of Bond Finance earli er, there
18 have been some improvements in the liquidity of muni
19 finance markets, but I would not categorize them as
20 fully open at this point.

21 The next area we would look at would be bank
22 market standby agreements, letters of credit,
23 et cetera. It's no secret the capitalization of the
24 banking industry is distressed at best, and the
25 likeli hood of any signifi cant capaci ty being

1 available there is essentially nonexistent. When we
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2 look at contingent capital market products, put
3 options, et cetera, there may be potential there.

4 Then the next two areas would be reinsurance
5 and finite reinsurance. And in both of those areas,
6 there is some limitation of capacity and there is
7 also a premium in pricing at this point in time.

8 And then the last area would be alternative
9 risk transfer products, such as cat bonds, industry
10 loss warranties and the like. Of the various ideas
11 we've mentioned here, our belief is that the
12 contingent capital market products, item C,
13 traditional re or finite reinsurance, items D and E,
14 are the most promising.

15 And our recommendation would be that you allow
16 us to go into the marketplace, authorize us to go
17 into the marketplace, if you will, look at pricing
18 on these products and come back to you.

19 ATTORNEY GENERAL McCOLLUM: If I might.

20 GOVERNOR CRIST: General.

21 ATTORNEY GENERAL McCOLLUM: I'm aware of these
22 options you've got here, but -- and we certainly
23 want to hear the presentation in a couple of
24 minutes. But even if we do any of these things, we
25 still run into a question, don't we, Ash, of the

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1 total availability of resources for the unfunded
2 liability portion of this if we were hit with a
3 large number of storms or a really big storm? No
4 matter what we're going to do, we're still going to

5 have an issue, are we not, over that?

6 MR. WILLIAMS: I think we are, General. And
7 that brings us to the option that's not product
8 related but is perhaps the most central and
9 beneficial, and that would be securing some sort of
10 federal liquidity facility to back us up should we
11 need to issue bonds and the capital markets are not
12 fully open again.

13 Now, keep in mind, to the extent we have an
14 event and we need to access the capital markets, we
15 will not be forced to do so immediately. We will
16 have some period of time in which to get into the
17 markets.

18 But, nonetheless, if we could secure some sort
19 of federal facility to either buy our paper, to
20 guarantee it or whatever other way we could see to
21 partner with the federal government here, I think it
22 would make sense.

23 Further, if you consider what events have taken
24 place thus far in the current financial markets
25 crisis, which I think is a fair statement of where

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1 we are, there have been a number of actions taken at
2 the federal level that amount to direct assumption
3 of liabilities, taking equity positions in financial
4 institutions, adding to those equity positions over
5 time, et cetera.

6 What we're talking about I would think would be
7 more attractive to the federal government than most
8 of those sorts of actions because we're not seeking

9 an outright gift or a bailout. What we're talking
10 about primarily is buying our paper, if we have to
11 issue it, which means we will repay it and we'll do
12 so with interest.

13 ATTORNEY GENERAL McCOLLUM: Ash, Governor,
14 members of the -- CFO Sink, I think this is
15 extraordinarily important. I know, Ash, you and I
16 have talked about this, and I'm sure that CFO Sink
17 and the Governor have, too, and Kevin McCarty. I
18 made telephone calls to various folks at the
19 Treasury Department, which of course, as we all know
20 now, is understaffed, as we read about every day in
21 the newspaper.

22 But the feedback initially has been that it
23 will require a law change for us to get this line of
24 credit or liquidity facility. I don't know if
25 that's true, ultimately. I know that's still

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1 something you're working on and all of us are
2 willing to help you with.

3 But the reality of it is that we need to have
4 more work done on this as we go through it. I'm
5 sure we'll all be together with you on this. But
6 Congressman Klein and I had a conversation about ten
7 days ago about it. I know he's prepared, if we are,
8 to push some legislative remedy for this.

9 And I know we're going on to hear the full
10 report today. But, Governor, I just want to say
11 that the line of credit or the liquidity facility is

12 as important or more important than anything we're
13 going to hear about as an interim basis today,
14 because I don't think we can go through as a state
15 and not have the federal government supporting this
16 under the circumstances. And they should. They
17 really, really should. So I realize we've got our
18 guest here, but I wanted to bring that out.

19 GOVERNOR CRIST: I appreciate that. And I want
20 to echo your thoughts, General. You have mentioned
21 this before as a priority item, and I concur with
22 you. I think the CFO does. I don't want to speak
23 on her behalf. But I was in Washington recently and
24 met with Secretary Geithner about this very issue,
25 because of the importance I believe that it holds

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1 and the promise that I think that it holds.

2 And you're right, I have had good conversations
3 and discussions with Congressman Klein, and there is
4 speculation about whether or not legislation would
5 be required or perhaps not required as it relates to
6 what the Secretary of the Treasury can do to be of
7 assistance to us.

8 But this much I know. Craig Fugate is now at
9 FEMA. I don't think he's been confirmed yet, but I
10 would imagine that will not be a difficult process.
11 But in addition to his service and his tenure, along
12 with our members of our congressional delegation,
13 I'm relatively optimistic that we'll be able to be
14 successful with what I believe to be is the most
15 attractive option to us.

16 And the reality is this. Even if there isn't
17 some kind of formal acknowledgment by Treasury or
18 the Congress, the reality is that the federal
19 government comes in anyhow, we all know that,
20 eventually.

21 And I think the Katrina experience tells us
22 that if we can do it in a way, pursuant to the
23 Secretary of the Treasury, along with if needed the
24 support of Congress, that's much more advantageous
25 and much more efficient and much more logical.

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1 And so that's the path that I think that we're
2 on. And I think that it will be successful, and I
3 certainly hope so. CFO, did you want to add, too?

4 CFO SINK: Yeah, I do. I totally agree with
5 you, because I know that each of the three of us
6 have had our own conversations with various people
7 in Washington. I know Commissioner McCarty was up
8 in Washington.

9 And I guess my concern right now is that we
10 don't have a coordinated effort. We don't have --
11 we ought to identify who is the point person to
12 drive this line of credit proposal through either
13 the -- you know, to figure out whether it's going to
14 have to be Congressional action or if it's something
15 that the Treasury can do, because maybe we're not
16 being as effective as we possibly could because
17 there are five or six of us who are, you know, going
18 our own individual ways.

19 ATTORNEY GENERAL McCOLLUM: Well, if I could
20 deal with that, I think the Governor needs to be the
21 point person. I think you and I need to be the
22 teammates. And I think that Ash and Kevin need to
23 be the guys who go out and do this. And I can't
24 speak for the Governor, but you're the chairman and
25 you're the Governor of our Board of Trustees here.

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1 And I just think that if you say, you give the
2 word, I think all of us want to be good soldiers.
3 Congressman Klein and you talked. I've only talked
4 to him because we've had these casual conversations
5 and I know him. But I think that you're our leader.

6 GOVERNOR CRIST: That's fine with me. I accept
7 that role, and I'm happy to do it. But I think it's
8 all hands on deck. And I'm encouraged by the
9 virtual unanimity of consensus as it relates to this
10 being a good idea. We look forward to hearing your
11 overview, too, but we're trying to be efficient
12 here.

13 And I think that moving forward with
14 Commissioner McCarty as well, obviously, I know he's
15 had discussions additionally, and our office has
16 kept in touch with, I think, all of the moving parts
17 as we're trying to be successful on behalf of the
18 people of Florida.

19 MR. WILLIAMS: Well, and just so you know, to
20 the General's point about everyone being good
21 soldiers at the staff level, last Friday,
22 Commissioner McCarty, Dr. Nicholson and I got

23 together, went over where we are on a number of
24 details and talked about initiatives we can
25 undertake at the staff level that would be helpful.

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1 We've certainly involved Mr. Foy of your staff,
2 worked with the CFO's staff, the Attorney General's
3 staff. And we will do whatever legwork is necessary
4 at the staff level, which I think will add value as
5 doors are opened through the leadership of our
6 elected officials at the policy level with your
7 counterparts in Washington. So we're happy to stay
8 close and keep all three offices informed on our
9 activities.

10 CFO SINK: So, Governor, excuse me.

11 GOVERNOR CRIST: CFO, please.

12 CFO SINK: But by implication, are we making --
13 are we putting Ash in the quarterback position? I
14 mean, somebody just needs to be the quarterback and
15 coordinate with McCarty and Dave Foy and all of our
16 offices. And it's fine with me if you want to go
17 back and think about it. But I just think the issue
18 begs for who is the quarterback who is responsible
19 for receiving all of the input and communicating, of
20 course, back to our three offices, because none of
21 us like to be informed by hearsay or, even worse, by
22 reading in the paper that somebody has been to
23 Washington and has been negotiating something on
24 behalf of the State. That's not appropriate either.

25 GOVERNOR CRIST: Let me ask Ash, are you

1 comfortable with that role and being the
2 coordinator, the hub, if you will?

3 MR. WILLIAMS: If it would be helpful, in the
4 Board's judgment, I'm happy to assume that role.
5 And as you all know, I work very closely with all
6 your offices, and we'll do the best we can, if
7 that's your choice.

8 GOVERNOR CRIST: Do you concur, General?

9 ATTORNEY GENERAL McCOLLUM: I would certainly
10 concur.

11 GOVERNOR CRIST: Yeah, perfect. Put on your
12 helmet.

13 MR. WILLIAMS: Duly noted. This reminds me of
14 my first experience with the Cat Fund. Mr. Forney
15 is with us now, if you'd like him to walk through
16 it.

17 GOVERNOR CRIST: Of course, please.

18 MR. FORNEY: Governor Crist, CFO Sink, General
19 McCollum, good morning.

20 GOVERNOR CRIST: Good morning.

21 MR. FORNEY: For the record, my name is John
22 Forney. I work for Raymond James & Associates, and
23 we are the financial advisor to the Florida
24 Hurricane Catastrophe Fund. It's my privilege to be
25 here this morning. I know it's been a long morning,

1 and in some ways I feel like what I'm about to say
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2 is a little bit anticlimactic after the discussion
3 you just had, but really it's not.

4 GOVERNOR CRIST: We don't look at it that way.
5 The General -- forgive me for a second -- has to go
6 testify before a committee, so --

7 ATTORNEY GENERAL McCOLLUM: I apologize.

8 GOVERNOR CRIST: -- he's not disinterested in
9 what you have to say. He just has to present before
10 a committee, and the CFO and I will continue to be
11 with you.

12 MR. FORNEY: And I agree with you, Governor.
13 It's not an anticlimactic overview because nothing
14 is for certain these days, and the federal
15 government alternative, which I'll talk about very
16 briefly, is a very good one, but it's not guaranteed
17 to be successful. And so I think a multifaceted
18 approach or at least a consideration of a
19 multifaceted approach is probably prudent.

20 And I know it's been a long morning already. I
21 will be brief. But I do want to give you a little
22 bit of context for the situation that the Cat Fund
23 finds itself in now and what the alternatives are
24 that could be available to it.

25 Every year heading into hurricane season we do

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1 an evaluation of the financial resources of the Cat
2 Fund, with an eye towards its claims paying
3 capacity. And we make recommendations and work with
4 the staff of the Cat Fund to implement anything that

5 could help augment those financial resources and put
6 the Cat Fund in a better claims-paying position.

7 And we've done that since 1999 when we became
8 the financial advisor to the Cat Fund. And during
9 that time, I might add, the Cat Fund has served the
10 people of Florida very, very well. It serves as a
11 stabilizing and complementary force to the
12 notoriously volatile private reinsurance markets,
13 while at the same time saving Floridians literally
14 billions of dollars every year on their property
15 insurance bills.

16 And after the 2004 and 2005 hurricane seasons,
17 the Cat Fund paid approximately one-third of all
18 claims for residential losses that were paid in the
19 state of Florida. So I think that's a pretty good
20 track record that the Cat Fund has during that time
21 period.

22 After the 2004 and 2005 hurricane seasons,
23 however, the State of Florida was forced to deal
24 with what was, if not a full-blown crisis, certainly
25 incredible stress on the global insurance and

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1 reinsurance markets caused by a couple of things;
2 one, the losses from the eight storms that affected
3 Florida and other states in 2004 and 2005, and, two,
4 the reevaluation of risk that took place by the
5 rating agencies and catastrophe modelers, all of
6 which had the impact of dramatically increasing
7 capital requirements in the insurance and
8 reinsurance industries.

9 At the same time that capital was being
10 depleted, so the supply of capital was lower, demand
11 for capital was higher because the rating agencies
12 were saying you needed more capital. And so with a
13 looming affordability and availability crisis facing
14 the State in 2007, the State took action to increase
15 the size of the Cat Fund to provide a further buffer
16 against those markets.

17 That was a relatively aggressive move because
18 it significantly increased the amount of reliance
19 that the Cat Fund would have on post-event bonding
20 to meet its claims at least in the short term, but
21 it looked doable at the time that it was done.

22 Unfortunately, a few months after that the
23 global financial crisis began in earnest. I think
24 you really can pinpoint August of 2007 as a date
25 when significant and rapid deterioration took place

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1 in global credit markets. There were lots of people
2 then who were hopeful and even predicting that the
3 crisis would be short-lived. But here we are 18
4 months later, and with the stock market having given
5 away fully half of the gains that it had from 1932
6 to 2007 in 18 months, with Treasury rates hovering
7 near zero percent, with other private credit markets
8 in a state of distress, and it's no wonder that
9 Warren Buffett said yesterday the economy fell off a
10 cliff, we know that it wasn't a short-lived crisis,
11 and we're still in the midst of it right now.

12 And that crisis has, of course, had an impact
13 on all companies' abilities to access the financial
14 markets, particularly financial companies. This is
15 not a Cat Fund crisis. It's a global financial
16 crisis. And the insurance industry in the private
17 sector has been especially hard hit, with losses on
18 investment portfolios of 20 to 30 percent and
19 capital down that much.

20 Fitch, in the fall of 2008, put the entire
21 global reinsurance sector on negative outlook,
22 citing, among other things, concerns about their
23 ability to raise capital if they needed to raise it.
24 So the Cat Fund is in that same boat, along with all
25 the others. The Cat Fund has a higher rating than

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1 almost all of those companies. That's the good news.
2 But the Cat Fund faces those same headwinds in the
3 capital markets.

4 So with that introduction, let's turn to the
5 situation that the Cat Fund faces right now. I'm a
6 glass is half full kind of guy, so I'll start with
7 the good news. The Cat Fund has a lot of cash. The
8 Cat Fund has about \$7.6 billion of cash that it can
9 use to pay claims after a storm.

10 There is also a retention below which private
11 companies are responsible for paying their claims
12 without accessing the Cat Fund. That's about
13 \$7 billion. So in total you get close to
14 \$15 billion of residential losses that would have to
15 occur in the State of Florida before the Cat Fund

16 would have to worry about a single dollar of
17 post-event bonding.

18 The consulting actuaries to the Cat Fund will
19 tell you it would require a storm bigger than any in
20 modern history except Andrew and Katrina for that to
21 occur, with chances of about six percent.

22 So the good news is the Cat Fund is well
23 funded, and in 94 percent of the circumstances
24 wouldn't even have to worry about going to get any
25 money at all. But the Cat Fund is in business to

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1 pay claims a hundred percent of the time, not 94
2 percent of the time. So it's prudent to look at
3 that other six percent. How big is it, what could
4 happen, and what are the options for filling in the
5 funding in that area?

6 There is a significant gap between that
7 7.6 billion that the Cat Fund has sitting in the
8 bank and the top of the layer in a worst case
9 scenario, which is roughly \$28 billion. So there's
10 roughly \$20 billion that the Cat Fund would have to
11 fund from somewhere.

12 The traditional avenue for doing that is
13 post-event bonding, which the Cat Fund has done on
14 one occasion, has done pre-event bonding on a couple
15 of other occasions. So it has proven access to the
16 market. If the Cat Fund needed to access those
17 markets, it has AA ratings from all three of the
18 major rating agencies in that category.

19 It also would have some amount of time. How
20 long does \$7.6 billion take you after a storm? It's
21 hard to say. But it is true that after the 2004 and
22 2005 events, it took a year for the Cat Fund to pay
23 out \$3 billion. And the Cat Fund paid it out within
24 a week of being requested for reimbursement by
25 private insurers. So there is some lag time there.

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1 How long would it take? It's hard to say.

2 In market conditions that we're facing today,
3 the worst global market environment for credit
4 ever -- I don't think that's an exaggeration --
5 could the Cat Fund raise the \$20 billion? There
6 would be a high degree of uncertainty that it would
7 be able to do that. It would be very difficult in
8 this environment for the Cat Fund to have any
9 confidence that they could do that.

10 Now, over a period of time, could it do it? As
11 a financial advisor to the Cat Fund, I'm not paid to
12 employ my crystal ball and tell the Cat Fund what
13 might happen in the credit markets in the future.
14 It's only prudent that we say, in the conditions
15 that exist today, you would have a difficult time.

16 Will the worst conditions that have ever
17 existed in the financial markets continue
18 indefinitely? We certainly all hope not. But can
19 we predict a rapid improvement in those conditions
20 that will enable the Cat Fund over some period of
21 time to get the \$20 billion? I think that's also
22 imprudent from an advisory standpoint and from a

23 financial prudence standpoint.

24 So as we sit here today, in the markets that we
25 have, the Cat Fund would have a high degree of

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1 uncertainty for its ability to get that money, very
2 difficult to do, and there are very few examples of
3 anybody accessing the markets in anything close to
4 that.

5 So with that uncertainty, which is really not
6 materially different than the uncertainty that
7 existed last year, it's incumbent on you as the
8 board of the SBA to look at the options for reducing
9 that funding uncertainty.

10 Last year you decided to purchase a funding
11 certainty product, that \$4 billion put option that
12 provided very effective fill-in of \$4 billion of
13 that potential uncertainty should a storm have
14 occurred last year. In this year there are several
15 different options available. I'll cover just the
16 big picture. I'll talk a little bit in detail about
17 a couple of them, but not much, I promise.

18 The options are as follows: One, the top-down
19 approach, which is reducing the size of the Cat
20 Fund's obligation. That obviously takes state
21 legislative action to do that, and that would
22 alleviate the burden on the Cat Fund to a certain
23 extent. But it's not a free alternative because if
24 you do that, that means that portion that the Cat
25 Fund currently covers would be put into the private

1 reinsurance markets. We know private reinsurance
2 markets are under a lot stress. In the best case
3 they are significantly more expensive than the Cat
4 Fund, which costs would then be passed through to
5 Florida consumers. In a worst case, it's not clear
6 that all of that capacity would even be available in
7 current market conditions in the private insurance
8 markets, given that they're facing the same global
9 crisis that we all are. But that's an option that
10 has, I know, been discussed and should be considered
11 and was considered last year.

12 The second option is essentially to accomplish
13 the same thing, transferring some of that risk
14 outside the State of Florida, and the Cat Fund could
15 do that, albeit in an indirect way, just by
16 purchasing private reinsurance itself. The pitfalls
17 of that strategy are that it's expensive. It's
18 probably -- the Cat Fund could spend all of its
19 premium that it collects for all of its layers and
20 cover maybe half of the tickle layer in the private
21 markets. So it's an expensive alternative.

22 It does transfer the risk outside the State of
23 Florida. The Cat Fund's reinsurance brokers say
24 that they believe the capacity exists, up to about
25 \$5 billion, to do that. The Cat Fund would have to

1 consider what effect that would have of taking that
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2 capacity on the market for other small Florida
3 insurers who need that same capacity to cover their
4 losses. So it's sort of a zero-sum game. That
5 capacity, if the Cat Fund takes it, perhaps some of
6 it's unavailable for smaller insurers.

7 But that looks like a viable alternative in
8 terms of is there capacity for it, could it be
9 purchased at some price. It appears that there is
10 some capacity for that.

11 The third alternative is to buy some other type
12 of product, to do pre-event bonds, to do some sort
13 of contingent product like the put option that was
14 done last year. And here the picture is much less
15 clear. It is clear that doing pre-event bonds like
16 was done two years ago for the Cat Fund is much more
17 uncertain than it has been before.

18 There have been good signs of life here in the
19 last two months since I wrote the memo that you may
20 have had a chance to review at the end of January
21 about the markets, and there does appear to be, as
22 Ben Watkins said earlier today, access to the market
23 for high quality credits.

24 The Cat Fund is a high quality credit. It
25 would have some access to the market, probably for

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1 pre-event bonds. How much and whether it makes a
2 significant contribution is a little bit uncertain,
3 but there does appear to be an improving situation
4 with regard to ability to do pre-event bonds,

5 probably in small amounts, 2 or \$3 billion, I think
6 right now probably is about as ambitious as that
7 could be, and it may be much smaller than that,
8 depending on where the market is.

9 The put option product, since it was executed
10 last year, seemed to be everybody's favorite
11 alternative this year in terms of bringing forth
12 ideas. We saw different iterations of the put
13 option from six or seven different people with
14 different terms on it. It appears that there may be
15 some capacity for it. I think if the Cat Fund is to
16 proceed with looking at a put option, the best way
17 to do it is probably to put forward a term sheet
18 that you want, not what providers are willing to
19 give, say this is what we want in a put option.
20 Then use your financial services team to go out and
21 see what kind of capacity there is for something
22 that would provide you capacity on the terms and at
23 the price that you think is reasonable. And I think
24 you could perhaps engender some interest in some
25 capacity on that.

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1 The last option is the federal option. And
2 we've talked about that at great length. I agree
3 with all the comments that were made earlier. There
4 is no option that can provide the benefits of the
5 federal option in terms of low cost, guaranteed
6 funding for the Cat Fund, which probably wouldn't
7 need to be used. And if it was, it's a very strong
8 credit.

9 So I think, from the federal government
10 standpoint, it would be one of the least risky
11 things they've embarked on here in the last few
12 months. And if I could be supportive in any way of
13 any of the efforts that any of you are doing in
14 that, I'm happy to do it. I've had some experience
15 in dealing with folks in Washington, and I think
16 that's a very good alternative to look at.

17 In conclusion, I think, though, that you need
18 not put all your eggs in one basket, nor should you.
19 We can hope for some improvement in the markets over
20 the next few months, although we can't count on that
21 as our sole strategy. We can look at potential
22 alternatives in the private markets, perhaps by
23 getting some authorization just to explore the
24 markets, the reinsurance markets, get some detail on
25 what's available on pricing capacity, these

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1 contingent capital markets and the put option, to
2 bring you back to some options on what might be
3 available there, the blended options which are
4 so-called finite reinsurance, which are part
5 reinsurance and part put option put together.

6 All that stuff could be out there in some
7 capacity. We could bring that back to you and put
8 it on the table and say, here's what we have. At
9 the same time a vigorous federal strategy can
10 uncover whether that's a reality or not in the next
11 few months. And I think within the next month or

12 two, before the start of hurricane season, you can
13 have the full plate of alternatives that are
14 available to you to decide on to implement for this
15 season for the Cat Fund.

16 And we look forward to working with you and
17 with the staff of the Cat Fund and the financial
18 services team to bring back all of those
19 alternatives to you in some detail so you can weigh
20 them and decide on the best course. With that, I
21 will conclude, and I'm happy to answer any
22 questions.

23 GOVERNOR CRIST: Thank you, sir. Any
24 questions?

25 CFO SINK: Yes. John, are you contemplating

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1 looking for cover in the mandatory -- at the
2 shortfall in the mandatory layer or the tickle layer
3 or some combination of both? Obviously, last year
4 we only looked at the tickle layer, under the
5 assumption that we could figure out a way to cover
6 mandatory. But the Advisory Council has said we
7 don't even have -- we don't even have cover really
8 for the mandatory layer.

9 MR. FORNEY: Yes, ma'am. The most efficient
10 way to do it, from a cost standpoint, theoretically,
11 is to say -- figure out where your shortfall starts,
12 where you think it starts, and only get coverage
13 from that point up. Based on current market
14 conditions today, as I said, the very distressed
15 market conditions, there is some level in the

16 mandatory layer that could need some -- that has
17 some funding uncertainty.

18 So this year -- last year we started with the
19 tickle layer and went up with that \$4 billion. This
20 year I think if we were looking at a contingent
21 capital product like that, the terms sheet that Dr.
22 Nicholson and I have talked about would say we want
23 to start at a level that is in the mandatory layer.

24 CFO SINK: Okay.

25 MR. FORNEY: That provides more certainty. It

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1 also is more expensive because it has more
2 likelihood to happen. For pre-event bonding, that's
3 really -- there's no contingent nature of that. You
4 have the money. You put it in the bank. You can
5 use it whenever you need it. So that has pretty
6 much maximum flexibility to be used anywhere.

7 CFO SINK: And are you contemplating going, as
8 you have in times in the past, are you contemplating
9 going ahead and trying to take advantage of
10 pre-event bonding at any point in time if the
11 markets open up or not?

12 MR. FORNEY: I think we would like to be able
13 to explore that, to have authorization to look at
14 the pre-event bonding within certain parameters and
15 be able to bring back some alternatives to you on
16 that. It's really only in the last month that I
17 think I've come to believe that there's a viable
18 alternative that might be there. Prior to that,

19 there were a couple of people who thought there
20 were, but most thought there wasn't, and there was
21 good reason to see that.

22 So it seems like there's a little bit of breath
23 of fresh air coming into the credit markets. And so
24 it's not like there's a window that's opening and we
25 need to move very quickly to get it, but there is a

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1 positive trend developing. And I think we would
2 like to bring you back what we think are some
3 alternatives to explore that, for you to look at.

4 CFO SINK: Well, as you well know, there's
5 trillions of dollars of liquidity in the market
6 right now. It's almost at a historic high. And it
7 seems to me that these people might begin to look
8 for very safe -- some very safe, which I believe we
9 are, safe places to put their money. So maybe we'll
10 have some good luck.

11 A couple of other things. You've alluded to
12 the work of our financial services team, but it's my
13 impression that you have been working with them --
14 and there are quite a few of them, 15 or 20 names,
15 between reinsurance and banking institutions,
16 investment banks. Have you been working with them
17 more on a one-on-one basis, or are they truly a team
18 getting together, kind of kicking ideas back and
19 forth, or are they competitive within themselves?
20 How do you intend to manage the team aspect of this
21 assignment?

22 MR. FORNEY: There certainly is always some
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23 competitive tension between folks that are at
24 different firms in the same business. But I think
25 Jack and Ash have done a very good job of reading

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1 the riot act to people about the absolute
2 non-negotiability of teamwork and working in the
3 best interest of the Cat Fund and the State of
4 Florida, not individual companies.

5 And we've seen, I think, really good
6 cooperation in that regard. We've had group
7 meetings, group calls, one-on-one meetings,
8 one-on-one calls, follow-up discussions with people.
9 And I think it's been a relatively well coordinated
10 effort, and we anticipate that continuing going
11 forward.

12 CFO SINK: And would you anticipate -- I know
13 last year pretty much, when you came back to the
14 Cabinet, you just -- you presented the Warren
15 Buffett plan as the one and only option. I would be
16 interested in seeing kind of the best -- the best
17 options of each category. In other words, what was
18 the best reinsurance offer that we had, what was the
19 best finite -- or finite insurance offer we had,
20 what was the best put option or other option that we
21 had, just so that we don't get into the situation
22 like we did last year in which the reinsurance
23 market, for example, felt that they had not been --
24 or had an opportunity to be heard.

25 So is that agreeable to you, to bring the

1 different proposals from the different buckets back
2 so that we could see all of the options?

3 MR. FORNEY: That is, in fact, the plan. We
4 feel like we're in a better position in terms of
5 time this year to be able to do it. We don't have
6 all the time in the world. It's March 10th, I
7 think, and hurricane season starts June 1st. But
8 we're much better -- we're a couple of months ahead
9 of where we were last year.

10 And so that is fully our intent, to canvass all
11 the markets and bring forward, if there is a viable
12 option in various markets, to bring forward, this is
13 the best one that the financial services team could
14 find, based on your charge to do just that. So we
15 would look forward to bringing that back to you.

16 CFO SINK: Okay. And I guess this is a
17 question that just popped in my head about the
18 two percent that we -- we charge a two percent
19 reinsurance rate up in the tickle layer. And the
20 market indications look like that the market might
21 be as high as 25 percent.

22 And, granted, we're doing this so that we can
23 subsidize the insurance market. But maybe this
24 is -- I don't know who this is a question for. But
25 it's always kind of bothered me, that why is the

1 market 25 and yet we're only charging two percent.
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2 Is there not some rate in the middle there that
3 would enable us to build up our capital and our
4 reserves? And make it short, Jack, or you can come
5 see me in my office if it's a longer explanation.

6 MR. NICHOLSON: Briefly, the Legislature, when
7 they passed House Bill 1A, required that we develop
8 our rates on a pure premium basis. So that's why
9 you've got the 2.2 percent for that. We're not
10 adding risk loads and other charges like reinsurers
11 would.

12 CFO SINK: All right. Okay. And just the
13 final thing is that you are our financial advisor,
14 so I'm very hopeful that when you come back and show
15 us this array of product choices or opportunities,
16 I'd like to have the John Forney recommendation
17 incorporated in the presentation.

18 MR. FORNEY: Absolutely, I would look forward
19 to that.

20 CFO SINK: That's all I had, Governor.

21 GOVERNOR CRIST: Great. Thank you, CFO. I
22 think that concludes Item 5 and gets us into the
23 world of Item 6, which really is to talk about the
24 recommendations.

25 And I think what the CFO has articulated is

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1 consistent with what I'm feeling, and that is that
2 we be presented with a menu of options available to
3 us. I think, you know, you need some direction from
4 us, Ash. And the Attorney General indicated to me

5 that that was his sentiment as well. So, CFO, if
6 you're willing to --
7 CFO SINK: I'll move Item 6.
8 GOVERNOR CRIST: Great. And I will second it.
9 It is adopted without objection.
10 MR. WILLIAMS: Thank you very much.
11 GOVERNOR CRIST: Thank you, Ash. That
12 concludes our meeting.
13 (Whereupon, the meeting was concluded at 11:40
14 a. m.)
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ACCURATE STENOGRAPHY REPORTERS, INC.

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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 101,
Page 90

9 both inclusive, comprise a true and correct transcript of
10 the proceeding; that said proceeding was taken by me
11 stenographically and transcribed by me as it now appears;
12 that I am not a relative or employee or attorney or counsel
13 of the parties, or a relative or employee of such attorney
14 or counsel, nor am I interested in this proceeding or its
15 outcome.

16 IN WITNESS WHEREOF, I have hereunto set my hand
17 this 26th day of March 2009.

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JO LANGSTON
Registered Professional Reporter

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ACCURATE STENOGRAPHY REPORTERS, INC.