

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

Representing:

STATE BOARD OF ADMINISTRATION

DIVISION OF BOND FINANCE

ADMINISTRATION COMMISSION

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 24, 2009, commencing at 9:10 a.m.

Reported by:
JO LANGSTON
Registered Professional Reporter

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308

(850) 878-2221

APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

1		INDEX	
		STATE BOARD OF ADMINISTRATION	
2		(Presented by ASH WILLIAMS)	
3	ITEM	ACTION	PAGE
4	1	Approved	4
	2	Approved	4
5	3	Approved	5
	4	Approved	5
6	5	Information Only	8
7			
		DIVISION OF BOND FINANCE	
8		(Presented by BEN WATKINS)	
9	ITEM	ACTION	PAGE
10	1	Approved	26
	2	Approved	26
11	3	Approved	27
12			
13		ADMINISTRATION COMMISSION	
		(Presented by LISA SALIBA)	
14	ITEM	ACTION	PAGE
15	1	Approved	31
16	2	Approved	39
17			
18			
19			
20			
21			
22		CERTIFICATE OF REPORTER	40
23			
24			
25			

ACCURATE STENOGRAPHY REPORTERS, INC.

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

2 * * *

3 (Agenda items commenced at 9:55 a.m.)

4 GOVERNOR CRIST: Now State Board of
5 Administration, Ash Williams. Morning, Ash.

6 MR. WILLIAMS: Good morning, Governor, members
7 of the Board. The first item we have today is the
8 minutes from the March 10 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. WILLIAMS: Second item is a fiscal
14 sufficiency for DOT Turnpike Revenue Bonds.

15 ATTORNEY GENERAL McCOLLUM: I move it.

16 CFO SINK: Second.

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

19 MR. WILLIAMS: Third, request approval for
20 certification to the Joint Legislative Auditing
21 Committee that items noted in a recent Auditor
22 General's report, annual financial audit, have been
23 or are being addressed.

24 ATTORNEY GENERAL McCOLLUM: Move it.

25 GOVERNOR CRIST: Is there a second?

ACCURATE STENOGRAPHY REPORTERS, INC.

1 CFO SINK: Second.

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

4 MR. WILLIAMS: Item 4 is requested changes to
5 the investment policy for the Lawton Chiles
6 Endowment. These are to accommodate legislative
7 actions and keep our investment policy consistent
8 with the reality that we're in.

9 GOVERNOR CRIST: Is there a motion on Item 4?

10 CFO SINK: I move it, and I also have a couple
11 of questions.

12 GOVERNOR CRIST: Sure.

13 ATTORNEY GENERAL McCOLLUM: Second.

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

16 CFO SINK: Thank you, Governor. Ash, would you
17 just review with us where we are in the process in
18 terms of -- just review with us the numbers, when
19 we'll be liquidating, how we will go through that
20 process and what the current status in terms of
21 valuation of the fund is.

22 MR. WILLIAMS: Sure. Basically where we are
23 is, you'll recall in the special session at the
24 onset of 2009, the Legislature moved to extract some
25 \$700 million from the Chiles Endowment. We received

ACCURATE STENOTYPE REPORTERS, INC.

1 no indication that there's any change in that
2 direction, so we are preparing for that event to
3 take place, which I believe is targeted for June 1.

4 CFO SINK: Excuse me. Would you just --
5 sometimes I have a little bit of trouble hearing
6 you, so just speak up a little.

7 MR. WILLIAMS: Sorry. Is that better?

8 CFO SINK: Yes.

9 MR. WILLIAMS: I believe the target date for
10 that to move is June 1. And we will be in position
11 to do that. What the purpose of this item is is
12 that obviously, if we are spending down the balance,
13 that has ramifications for what the level of
14 spending is for program purposes on a going-forward
15 basis, number one.

16 It also means that we need to adjust the
17 investment policy guidelines because we would
18 otherwise be constrained on the amount of cash we
19 could hold. And if you're going to make -- you're
20 going to have to raise cash for a large redemption,
21 then you don't want to be limited on the amount of
22 cash you can hold. So this just gives us a little
23 bit of flexibility in that regard.

24 And we took this up in the Investment Advisory
25 Council meeting earlier this month, discussed it,

ACCURATE STENOGRAPHY REPORTERS, INC.

1 and they concurred with the recommendation.

2 CFO SINK: Governor. So the -- what is the
3 projected balance to be? So the \$700 million will
4 come into the state treasury June the 1st,
5 transferred in a lump sum, I presume. So are you
6 already beginning to liquidate some investments?

7 MR. WILLIAMS: Yes. We've had this on the
8 radar for a while --

9 CFO SINK: Right.

10 MR. WILLIAMS: -- and have been
11 opportunistically preparing for it.

12 CFO SINK: And what will be the remaining
13 balance then in the fund?

14 MR. WILLIAMS: I don't know exactly what the
15 remaining balance will be.

16 CFO SINK: Right, because of the market.

17 MR. WILLIAMS: Right.

18 CFO SINK: A couple of hundred million dollars
19 or --

20 MR. WILLIAMS: Probably. I just don't have
21 that number in my head. I'll be happy to come back
22 to you with it.

23 CFO SINK: Okay. More than zero, though.

24 MR. WILLIAMS: More than zero, yes, definitely.

25 CFO SINK: All right.

ACCURATE STENOTYPE REPORTERS, INC.

1 GOVERNOR CRIST: Great. Thank you.

2 CFO SINK: Those are my questions.

3 GOVERNOR CRIST: Item 5.

4 MR. WILLIAMS: Item 5 is an information item.
5 As you're aware, the SBA produces and distributes
6 several annual quarterly and monthly performance
7 reports. These documents generally take an in-depth
8 look backward at our performance over the previous
9 period. But as financial managers, it's important
10 for us to look forward, even if we have to make some
11 economic assumptions, in order to determine any
12 course corrections to our investment strategy that
13 may be appropriate.

14 To that end, every year the SBA contracts to
15 have an independent asset liability analysis done.
16 The study is done to assess whether our investments
17 are consistent with the objective of providing
18 investment returns sufficient for the plan to be
19 maintained in a manner that ensures the timely
20 payment of promised benefits to current and future
21 participants and keeps the plan costs at a
22 reasonable level.

23 EnnisKnupp, our general consultant, recently
24 completed the study, which was reviewed at the
25 March 12 Investment Advisory Council meeting and

ACCURATE STENOGRAPHY REPORTERS, INC.

1 will be used as part of our decision-making
2 processes going forward. I'd like to give you some
3 top-line information from that report.

4 Based on the report's assumptions and
5 analysis -- and please keep in mind this should not
6 be considered a full actuarial analysis. EnnisKnupp
7 projects that on July 1, 2009, the FRS Pension Plan
8 will be funded at about a 93 percent level. That
9 means we would have 93 percent of the amount needed
10 to make all future benefit payments, including those
11 not yet earned by employees.

12 While this is declined from past estimates, the
13 decline is no surprise, given recent market
14 conditions. And, fortunately, this funding level
15 will still leave Florida as one of the best funded
16 public pension plans in the country. In short, the
17 plan remains healthy.

18 Let me give you some additional detail on the
19 findings. If you'd go to the next slide, please.
20 If this preliminary projection proves accurate,
21 being funded at less than 100 percent would not be
22 new territory for the fund. The FRS was created in
23 the early seventies and started out as a collection
24 of dramatically underfunded pension plans.

25 With discipline and perseverance a plan was put

ACCURATE STENOGRAPHY REPORTERS, INC.

1 in place to correct that underfunding, but the plan
2 remained underfunded for almost 30 years. I might
3 add that then, as now, all benefits were paid
4 timely, and there's never been a problem making
5 these benefit payments to retirees.

6 This chart shows the funding history going back
7 to 1985. As you can see, in 1997 the fund was
8 funded at 91.3 percent, and it was only a year later
9 that we first broke the 100 percent funding level
10 and reached 106 percent. Let's go to the next
11 slide, please.

12 Nor is being underfunded unusual. This chart
13 depicts the most recent comprehensive and
14 independent data available as provided by Standard &
15 Poors and indicates that in 2007, when the financial
16 markets were still strong, only seven of 50 public
17 pension fund -- state public pension fund programs
18 were funded at 100 percent or better, with Florida
19 ranked third at the time.

20 If today's preliminary forecasts prove to be
21 accurate and we compare that position to this 2007
22 data, Florida would still be ranked in the top
23 quartile. But as you know, the tide has dropped for
24 all plans, not just Florida's. So it's likely that
25 our relative position is largely unchanged.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 You may also note that in 2007 the U.S. average
2 funding level was 83 percent, substantially below
3 where we are, even net of this most recent analysis.
4 Let's go to the next slide, please.

5 The SBA's focus of the recent study, of course,
6 was to determine what if any investment course
7 correction should be made. In reviewing our
8 investment strategy, EnnisKnupp reported the FRS
9 Pension Plan should earn an average of 7.78 percent
10 per year, after costs, over the next 15 years. This
11 is modestly more than the 7.75 percent return
12 assumption that's been used for actuarial analysis
13 in the past.

14 Depending on financial markets performance, the
15 plan could remain below funded status in the
16 intermediate term. But even a persistent period of
17 weak returns, of very weak returns, would not
18 threaten our ability to make timely benefit payments
19 to retirees.

20 We currently make about \$250 million in net
21 distributions monthly against an asset base of
22 roughly \$90 billion. No changes to the investment
23 policy of the FRS Pension Fund are warranted at this
24 time because of the material increase in the future
25 expected returns for stocks over the long-term.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 In summary, from an investment strategy
2 standpoint, EnnisKnupp recommends, and staff and IAC
3 members concur, that we should maintain our current
4 asset allocation strategy for the time being.

5 So what happens next? This analysis was based
6 on a large number of sensitive assumptions and does
7 not utilize the detailed member-level data on the
8 FRS Pension Plan liabilities that are available for
9 Milliman, the State's outside actuary, to use in a
10 more robust actuarial analysis that is done
11 annually.

12 As a reminder, the annual actuarial process
13 that has served the plan well for the last decade is
14 as follows: At fiscal year-end, the Division of
15 Retirement provides year-end data to Milliman,
16 actuarial information. In August and September,
17 Milliman runs preliminary numbers based on current
18 assumptions and provides funding projections.

19 September and October, there is the Actuarial
20 Estimating Conference convened to review the
21 analysis and projections and determine any changes
22 in assumptions. This is a public meeting, very much
23 like a revenue estimating conference, that involves
24 both the legislative and executive branches.

25 In November and December Milliman recalculates

ACCURATE STENOGRAPHY REPORTERS, INC.

1 based on agreed-upon assumptions. In December,
2 January the report is reviewed by another
3 independent legislative contracted actuary, who
4 provides an opinion. In March the Legislature takes
5 up the report as part of the regular session.

6 In light of the findings and the preliminary
7 nature of this analysis and the fact that there is a
8 process in place for a more robust formal analysis
9 later in the year, no action is required on your
10 part today. But I wanted you to see that we're
11 looking ahead in order to be cautious, thoughtful
12 and prudent in our management of the funds. I'll be
13 happy to answer any questions.

14 GOVERNOR CRIST: Any questions? General.

15 ATTORNEY GENERAL McCOLLUM: I do. Right now,
16 based on what you've seen in the last couple of
17 weeks, couple of months, have we seen a continued
18 decline in the value of the pension fund and the
19 stocks, or are we seeing it come back?

20 MR. WILLIAMS: It's come back quite a bit.
21 There's obviously been a very significant increase
22 in equity market value in the U.S. in the past few
23 weeks. We hit a low in early March. Since that
24 time the market has bounced back very substantially.
25 Our gain over that period of time has been in the

ACCURATE STENOGRAPHY REPORTERS, INC.

1 billions of dollars. So we have come back nicely.

2 ATTORNEY GENERAL McCOLLUM: Good. Thank you.

3 GOVERNOR CRIST: Did you say in the billions of
4 dollars?

5 MR. WILLIAMS: Yes, sir.

6 GOVERNOR CRIST: Approximately how much?

7 MR. WILLIAMS: I want to say on the order of
8 9 billion.

9 GOVERNOR CRIST: And that would be over the
10 last three weeks or so?

11 MR. WILLIAMS: Correct.

12 GOVERNOR CRIST: Thank you. Any other
13 questions?

14 CFO SINK: Yes.

15 GOVERNOR CRIST: CFO.

16 CFO SINK: How -- are you still under the --
17 you're still under the impression that, as compared
18 to other states, that we would be, I think you said,
19 in the top quartile?

20 MR. WILLIAMS: That's correct. To give you an
21 example --

22 CFO SINK: I know you don't know exactly, but
23 go ahead.

24 MR. WILLIAMS: Yes, I believe that's correct.

25 And the reason I say that is if you think about that

ACCURATE STENOGRAPHY REPORTERS, INC.

1 graphic we showed with the continuum of states on
2 it, and that was in 2007 when all plans were
3 healthier than they are today because markets were
4 stronger, if you put that 93 percent funding level
5 that we are currently estimating we will be at on
6 July 1 on that chart, it would have put us within
7 that top quartile level.

8 I think it's a very reasonable assumption that
9 other plans have declined in actuarial funded
10 strength just as we have and would today be
11 significantly below where they were in that 2007
12 data, just as we are. I would also assume that the
13 mean and median returns for all plans have
14 consequently declined.

15 And, in fact, just anecdotally, yesterday I was
16 with people from the states of Texas and California.
17 Funded ratios for plans in both of those states are
18 now in the sixties, substantially below where we
19 are. And these are not plans that are considered to
20 be, A, not solid, B, poorly run. These are well-run
21 plans.

22 CFO SINK: And do we still have enough
23 flexibility to be able to be opportunistic in this
24 market? Because --

25 MR. WILLIAMS: We do. We do.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 CFO SINK: -- I would certainly think that
2 there are opportunities to achieve some good returns
3 if we're wise about it.

4 MR. WILLIAMS: You are exactly right, and we do
5 have that flexibility. In fact, we were talking
6 just this morning. You may recall that for asset
7 rebalancing purposes, the decline in the equity
8 market had put us earlier in the year underweight in
9 our equity exposure and overweight in fixed income.

10 So we had been systematically raising roughly
11 500 to a billion dollars -- 500 million to a billion
12 dollars a month by selling fixed income assets to
13 redeploy in a combination of benefit payments,
14 capital calls for opportunistic investments and
15 possibly rebalancing the equity position to the
16 lower bound of our target equity exposure.

17 In fact, with the positive movement that we
18 touched on a moment ago, we are no longer in
19 rebalancing territory for equities. Equity values
20 have come up enough that we're now back in bounds.
21 So we were discussing earlier this morning, how do
22 we want to handle that cash that we've now raised of
23 \$500 million plus in fixed income. And our thinking
24 is to keep it as dry powder for opportunistic
25 investments. We think we'll be getting additional

ACCURATE STENOGRAPHY REPORTERS, INC.

1 capital calls from new investment commitments we've
2 put in place to take advantage of exactly the
3 opportunities you're talking about, because they are
4 there and we think those calls will come in and
5 we'll be able to put money to work.

6 CFO SINK: Governor, I have just a couple of
7 other things --

8 GOVERNOR CRIST: Sure.

9 CFO SINK: -- I wanted to cover. One of the
10 things I hear as I go around and I meet with groups
11 is, of course, the retirees are concerned because
12 they're reading about these declines in values in
13 the pension fund. What are you or the system doing
14 to communicate with our interested parties, not only
15 our retirees but, of course, current state employees
16 who are counting on their pension for the day when
17 they retire?

18 MR. WILLIAMS: Sure. We think of our
19 beneficiaries as our clients and our partners, and
20 we want to keep them fully informed. To that end
21 we're doing two things immediately. Number one, the
22 presentation you've just seen with the graphics and
23 a voice overlay that's animated is going on our
24 website probably tonight or certainly tomorrow.

25 Secondly, we're sending out a special letter to

ACCURATE STENOGRAPHY REPORTERS, INC.

1 all beneficiaries that will detail exactly where
2 they are, where the plan is, and make clear that
3 their benefits are safe and this is not -- should
4 not be cause for alarm.

5 CFO SINK: Thank you. And the other question
6 that I get quite frequently is from the employers
7 who are contributing into the plan. Would you just
8 walk us through at what point they may be subject to
9 increasing their contribution, and will there be an
10 impact for this year on the employers? Obviously,
11 in these tight budget times, this is a matter of
12 great concern.

13 MR. WILLIAMS: Right. The Legislature sets the
14 contribution levels. And the numbers that would be
15 used to set the contribution levels in the current
16 legislative session would be those produced by the
17 Actuarial Estimating Conference at the tail end of
18 calendar 2008. So I don't think there's an
19 immediate contribution issue there.

20 You would be using numbers as of June 30 this
21 year for the actuarial analysis that will take place
22 at the tail end of 2009 and would be used in the
23 2010 session. It remains to be seen where we end
24 up, so I think it's a little premature.

25 I think the analysis that EnnisKnupp did

ACCURATE STENOGRAPHY REPORTERS, INC.

1 suggested that if you had an environment where you
2 had consecutive years of significantly weak
3 investment returns compared to historical norms, it
4 is possible you could have some increases in
5 contributions.

6 The levels of what those increases are would be
7 a subject of speculation. Would you like to look at
8 a little history on what contribution levels have
9 been? We happen to have a slide on that subject.

10 CFO SINK: If you could do that quickly.

11 MR. WILLIAMS: Let's go forward two slides, one
12 more. There you go. Okay. Take a look at this
13 slide. The yellow bars you see here are what are
14 called the normal plan costs for the pension fund.
15 The blue bars are the actual contribution levels.
16 And as you can see, in the earlier years,
17 contribution levels were dramatically higher than
18 they have been in recent years.

19 That's a consequence of two things. Number
20 one, the plan at its inception had dramatic
21 underfunding that was being systematically covered
22 by an increased level of contribution over decades.
23 You then had a period where the funding status went
24 positive. And in 2000 the Legislature took the
25 action of using part of that surplus to actually

ACCURATE STENOGRAPHY REPORTERS, INC.

1 subsidize employer contributions. And over the
2 decade of 1999 through 2009, contributions from
3 employers were actually reduced by an aggregate of
4 over \$6 billion because excessive investment
5 earnings were being used to hold those costs down.

6 So one could argue that over the past 10 years,
7 employer members of the FRS have had a bit of a
8 tailwind on their contribution levels as a courtesy
9 of strong investment performance. Obviously, if the
10 surplus is no longer there, then the cash for
11 providing that subsidy may not be there either, it's
12 not there either. So there are ramifications there.

13 But that's the kind of thing that the
14 Legislature will take into consideration in the
15 contribution setting process. There are also a
16 couple of policy issues that may bear favorably on
17 the contribution picture going forward. We will be
18 communicating those to you and to the Legislature in
19 the very immediate future.

20 CFO SINK: Okay.

21 ATTORNEY GENERAL McCOLLUM: I have a question,
22 Governor.

23 GOVERNOR CRIST: General, go ahead.

24 ATTORNEY GENERAL McCOLLUM: Where do you think
25 we are or do you know where we are with regard to

ACCURATE STENOGRAPHY REPORTERS, INC.

1 the percent of full funding? Are we -- we're under
2 a hundred percent, I guess, now, you believe, based
3 on what you said. Where are we?

4 MR. WILLIAMS: Well, our analysis shows that we
5 would be at 93 percent on July 1. The markets have
6 moved since then. But it's not a simple linear
7 comparison because from the data that we were using,
8 that EnnisKnupp was using for this work, it was as
9 of year-end '08. And as you know, in early '09
10 markets went down, so we would have been worse off.
11 They've since come back, so we're a lot less worse
12 off. And the level of volatility in the markets is
13 so significant right now, I think it's in the
14 category of stay tuned and let's watch this closely.

15 ATTORNEY GENERAL McCOLLUM: Let me clarify
16 something for myself and maybe other people. When
17 the Legislature goes about making its decision about
18 employer contributions during this session
19 presumably, will they have some rigid test that they
20 have to follow and have to make employer
21 contributions increase if we're under a hundred
22 percent in some estimate at some point in time, or
23 do they have some discretion that you expect they'll
24 exercise based on whatever you're showing us here?

25 MR. WILLIAMS: They will follow the process

ACCURATE STENOGRAPHY REPORTERS, INC.

1 that we outlined earlier. And, no, they are not
2 under any immediate mandate to change anything.
3 Keep in mind this is a pension plan that is managed
4 over a time span of decades, and it's not hard-wired
5 to mark to market accounting, nor should it be.

6 ATTORNEY GENERAL McCOLLUM: So they don't have
7 to automatically bump up the employer
8 contributions --

9 MR. WILLIAMS: No, sir.

10 ATTORNEY GENERAL McCOLLUM: -- because we're
11 under a hundred percent funded. I just wanted to
12 clarify that. Thank you. Thank you, Governor.

13 GOVERNOR CRIST: You're welcome. Thank you.
14 Great. Thanks, Ash.

15 MR. WILLIAMS: Thank you. If I may, I'd like
16 to provide an update on one other matter.

17 GOVERNOR CRIST: Sure.

18 MR. WILLIAMS: That being progress on the Cat
19 Fund.

20 GOVERNOR CRIST: Okay.

21 MR. WILLIAMS: A lot of activity has taken
22 place since our last meeting. There's been quite a
23 bit of contact among the various in-state players,
24 the Cat Fund, the Office of Insurance Regulation,
25 Citizens, Division of Bond Finance, et cetera.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 We had a meeting yesterday with a group of
2 representatives of other states with whom we have
3 created an informal alliance to pursue the
4 Washington agenda discussed in our last meeting.
5 We've actually drafted legislation for that purpose,
6 which is being redrafted by counsel to one of the
7 states involved in this.

8 Currently, we have a call set later today with
9 the Washington office to go over plans for a meeting
10 in Washington with the Florida delegation in early
11 April. And Commissioner McCarty and I yesterday
12 were together and are planning to do a series of
13 visits to D.C., and we'll coordinate those with you.

14 And we're essentially trying to triangulate the
15 resources and relationships of the states we're
16 working with to reach the right folks in the
17 decision process in Washington.

18 I don't want to create an illusion. I think
19 this is a very steep slope. The probability of
20 success is not giant. But if we don't get there, it
21 won't be for lack of effort. And, you know, maybe
22 we will get there. Just wanted to let you know.

23 ATTORNEY GENERAL McCOLLUM: Could I ask a
24 question?

25 GOVERNOR CRIST: Of course.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 ATTORNEY GENERAL McCOLLUM: Is the nature of
2 the legislation you're drafting for a line of credit
3 or for a catastrophe fund or what is it?

4 MR. WILLIAMS: It really goes more in the
5 direction of a guarantee. And what we're trying to
6 do is make a couple of key points. Number one, the
7 entities that are involved here are all public
8 entities. This is not any sort of a private sector
9 assistance effort.

10 Number two, we're not talking about a gift of
11 any kind. We're talking about a facility that would
12 assist us in accessing the capital markets. Number
13 three, we make the point that there's a very good
14 probability we would not even access any such
15 facility because, by definition, the only reason we
16 would use that facility would be if we were unable
17 to otherwise access the capital markets on their
18 own.

19 And keep in mind there was a time, before we
20 were in the current credit market duress, that our
21 ability to issue credit -- issue bonds as a AA
22 credit was really quite strong, and those times
23 should come back at some point.

24 ATTORNEY GENERAL McCOLLUM: So the initiative
25 you're working on has to do with the liquidity issue

ACCURATE STENOGRAPHY REPORTERS, INC.

1 for our Cat Fund --

2 MR. WILLIAMS: Yes.

3 ATTORNEY GENERAL McCOLLUM: -- and the
4 availability of money, not the catastrophe --
5 national catastrophe plan.

6 MR. WILLIAMS: Correct. I think they're
7 separate and distinct, and I'm glad you asked that
8 question, General. One is not in competition with
9 the other. The idea of a national cat fund is fine.
10 That makes sense. I don't think anybody here would
11 oppose that. It's good public policy.

12 But it's a substantially more complex issue
13 than the immediate term issue we're talking about,
14 which is liquidity ideally for the current hurricane
15 season. That's a very tall order, given the
16 proximity to June 1, but we'll do what we can.

17 I think the other thing to be talked about is
18 we're also proceeding, on the local legislative
19 front, on creating a path through which over several
20 years we will completely restore the soundness of
21 the Cat Fund.

22 ATTORNEY GENERAL McCOLLUM: Thank you very
23 much.

24 MR. WILLIAMS: Thank you.

25 GOVERNOR CRIST: Thank you, Ash, appreciate it.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 GOVERNOR CRIST: Division of Bond Finance, Ben
2 Watkins. Morning, Ben.

3 MR. WATKINS: Good morning, Governor, Cabinet
4 members. Item 1 is approval of the minutes of the
5 March 10th meeting.

6 GOVERNOR CRIST: Is there a motion on the
7 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. WATKINS: Item Number 2 is a resolution
13 authorizing the competitive or negotiated sale of up
14 to 385 million of Turnpike Revenue Bonds. These are
15 for various projects, widenings, interchanges, not
16 any one specific large project but general
17 improvements to the turnpike system across the
18 state.

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

20 CFO SINK: Move it.

21 COMMISSIONER BRONSON: Second.

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

24 MR. WATKINS: Item Number 3 is a resolution
25 authorizing a solicitation and award of a credit

ACCURATE STENOGRAPHY REPORTERS, INC.

1 facility for the Consolidated Equipment Financing
2 Program. This is a program which allows state
3 agencies to -- it operates like a line of credit.
4 It's for \$100 million. It's for three years. It
5 allows agencies to lease/purchase equipment and
6 repay that over a period of five years.

7 We will prepare a solicitation, an RFE, send it
8 out and award it to whatever financial institution
9 offers the lowest interest rate for that facility.

10 ATTORNEY GENERAL MCCOLLUM: Move it.

11 COMMISSIONER BRONSON: Second.

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

14 MR. WATKINS: And lastly, if I may, Governor,
15 report in an effort to keep you all abreast of
16 current market conditions, even though it's not on
17 the agenda here and it will be reported at the next
18 Cabinet meeting formally, we completed the sale of
19 \$300 million in Lottery Revenue Bonds last week.

20 We initially offered 100 million. We did a day
21 retail order period. In the second day we offered
22 it institutionally. And because of the orders and
23 the support we had for the transaction, we up-sized
24 the transaction from 150 million to \$300 million and
25 closed or have signed an agreement to close the loan

ACCURATE STENOGRAPHY REPORTERS, INC.

1 at an interest rate of 5.21 percent. So that sale
2 went well, and I just wanted to keep you all abreast
3 of current bond sales.

4 GOVERNOR CRIST: Great. Thank you, Ben.

5 CFO SINK: Governor?

6 GOVERNOR CRIST: CFO.

7 CFO SINK: I understand we got a report from
8 Fitch yesterday. Would you update us on where we
9 stand in terms of ratings?

10 MR. WATKINS: We did. The Revenue Estimating
11 Conference met last week. And the environmental
12 program is secured by documentary stamp taxes.
13 There was a continuing precipitous decline in the
14 estimated revenues from documentary stamp taxes,
15 which serves as security for our environmental bond
16 program.

17 We have communicated with the rating agencies
18 about that, and it resulted in a downgrade of the
19 Preservation 2000, Florida Forever environmental
20 restoration bonds to an A-minus because of the
21 decline in revenues and the diminished debt service
22 coverages associated with having less revenues
23 available to pay our existing debt with.

24 CFO SINK: Okay. And, Governor, I believe I
25 saw some numbers that at the peak year we were

ACCURATE STENOGRAPHY REPORTERS, INC.

1 receiving \$4 billion a year in documentary stamp tax
2 revenue, and now the projection is down to just a
3 little over 800 million. So we've had a precipitous
4 decline. And that's over a two-year period, I
5 believe.

6 And so, as a result, then, do you foresee not
7 issuing any further bonds related to this program,
8 or you'll continue to issue, albeit at the A-minus
9 rating? What is the plan for the future?

10 MR. WATKINS: The Legislature is aware of the
11 circumstances and the diminished debt service
12 coverage. There is an existing authorization for
13 250 million outstanding. In my judgment this is not
14 a marketable credit at the current time because of
15 the dramatic decline in revenues.

16 However, I have been working with legislative
17 staff, with a proposal. Not all documentary stamp
18 taxes are available to pay debt service, only a
19 certain percentage, 63.31 percent. I am suggesting
20 to the Legislature that the way to rehabilitate this
21 program from a credit perspective is to make all
22 documentary stamp taxes available to pay debt
23 service before we fund other programs, other
24 operating programs. In other words, make payment of
25 debt service a priority. And they are currently

ACCURATE STENOGRAPHY REPORTERS, INC.

1 considering that. But that is my recommendation and
2 suggestion, which should put us back on course to
3 have a viable program prospectively.

4 CFO SINK: And what about our -- the State's GO
5 bonds and the ratings there for our general
6 obligation bonds?

7 MR. WATKINS: Well, we have -- we're on
8 negative outlook, as most states are because of the
9 precipitous decline in revenues and because of the
10 economic challenges we're confronted with. But
11 we've been able to maintain our existing ratings at
12 a very high level. And we will do our best to
13 continue to provide information and maintain our
14 ratings at their current levels.

15 CFO SINK: Thank you.

16 GOVERNOR CRIST: Thank you.

17 MR. WATKINS: Thank you.

18 GOVERNOR CRIST: Thank you, Ben, appreciate it.

19

20

21

22

23

24

25

ACCURATE STENOGRAPHY REPORTERS, INC.

1 GOVERNOR CRIST: Administration Commission,
2 Lisa Saliba.

3 MS. SALIBA: Good morning, Governor, members.

4 GOVERNOR CRIST: Good morning. How are you?

5 MS. SALIBA: Today we have two items. The
6 first is requesting approval of the March 10th
7 meeting minutes.

8 COMMISSIONER BRONSON: So move.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MS. SALIBA: Item Number 2, we request or bring
13 for your consideration and request your approval of
14 an amended draft final order. This proceeding
15 originated from a challenge of a small-scale
16 comprehensive plan amendment adopted by the City of
17 Miami that changed a future land use map
18 designation.

19 And staff recommends approval of the draft
20 final order, which finds the small-scale amendment
21 not in compliance and directing the City of Miami to
22 rescind Miami Ordinance Number 12911.

23 For your information, we have today some
24 parties. All of the parties agree with the draft
25 final order. We also request your authorization to

ACCURATE STENOGRAPHY REPORTERS, INC.

1 make technical changes to the order, technical
2 changes and corrections. We do have several parties
3 that would like to speak to you today. We have
4 limited each group to five minutes.

5 And first we have Mr. John Lucas representing
6 Grove Isle Association, one of the petitioners.
7 Second, we will have Mr. Stephen Darmody and Dr.
8 Joel Hoffman representing Vizcaya, and they will
9 share the five minutes. And then last we will have
10 Mr. Ray Allen representing Mercy Hospital. And
11 first is Mr. John Lucas.

12 MR. LUCAS: Good morning, Governor and members
13 of the Cabinet. I will not need my five minutes. I
14 simply wanted to say thank you. I'm here on behalf
15 of the Petitioners Grove Isle, Glencoe Neighborhood
16 Association, Jason Bloch and Constance Steen.

17 And we are in agreement, and for the record
18 we'll allow for the entry of the amended draft final
19 order. I did want to commend staff and thank you
20 all very, very much for the hard work and effort
21 that you put forward with us and counsel in
22 resolving this very important issue. Thank you.

23 ATTORNEY GENERAL McCOLLUM: Thank you very
24 much. Appreciate it.

25 MS. SALIBA: Mr. Stephen Darmody representing

ACCURATE STENOGRAPHY REPORTERS, INC.

1 The Vizcayan.

2 MR. DARMODY: Good morning, members of the
3 Cabinet. We're back. And I just put this up
4 briefly to remind the members of the Cabinet why
5 we're here in the first place. About two years ago
6 an architect woke up and realized he was having a
7 nightmare and saw these buildings in the background
8 of Vizcaya. Two years now, my client is waking up
9 and realizing they're not really there and they're
10 not going to be.

11 What we have learned in this process is that --
12 and from a guy who spends his life wrestling with
13 federal environmental law and its complexities, I
14 can tell you that the growth management act in
15 Florida is every bit as complicated and every bit as
16 divisive and every bit as complicated in resolution.

17 And the reason for that is because there are so
18 many localities, so many parties, so many interests
19 who conflict. But in this room it comes together.
20 And it comes together because of the people at the
21 table behind you. And you guys know that, and we
22 just learned that.

23 I can tell you that from what I have seen,
24 those folks have shed a lot of blood over our little
25 case, and we're very grateful and my client is

ACCURATE STENOGRAPHY REPORTERS, INC.

1 grateful. We didn't win everything we wanted to.
2 But I've been married 25 years. I'm used to that.

3 Now, with me today is Dr. Joel Hoffman. He's
4 the executive director of Vizcaya Museum and
5 Gardens, and he would like to explain what you've
6 saved. Thank you so much.

7 MR. HOFFMAN: Thank you, members of the
8 Cabinet. I will be brief, and thank you very much
9 for the opportunity to appear before you today on
10 this matter that is and has been extremely important
11 to us.

12 Vizcaya, as you may know, was built in 1914 by
13 American businessman James Deering, and it has been
14 long considered a local and national treasure.
15 Museum Magazine referred to it as the finest private
16 house ever built in America. And the extraordinary
17 gardens that your final order will help to protect
18 have always been a key component of the importance
19 of this property.

20 In 1994 Vizcaya became the first property in
21 Miami-Dade County to be designated as a national
22 historic landmark. And we very much believe that a
23 key component of what makes this place special is
24 the immersive potential that it has. For a brief
25 time visitors can come to Vizcaya and very much feel

ACCURATE STENOGRAPHY REPORTERS, INC.

1 that they have been transported into a different
2 time and place very far from modern Miami.

3 Interesting quote from the New York Post in
4 1999 noted, "A visit to Vizcaya is like experiencing
5 400 years of Europe without having to dust off your
6 passport."

7 Just a little moment of feel good, this very
8 important French publisher, Gallimard, recently gave
9 some additional recognition to Vizcaya, including it
10 in a book on 30 of the most important residences in
11 the world, along with the Alhambra, the Escorial,
12 Versailles, the Imperial Palace in Tokyo.

13 We'll just sort of wing it here. Beautiful
14 fold-out view of the gardens, again, so key to the
15 integrity of the property. And as you know, the
16 proposed project would have been to the upper right
17 of the gardens and very much looming over them, as
18 you've seen from photographs presented previously.

19 What I think is really unusual, not only that
20 we are among the 30 residential projects included in
21 this book, but one of my favorite aspects of it is
22 that if you look at this map of the projects that
23 have been featured, you'll see that not only is
24 Vizcaya the only property included in the state of
25 Florida and the United States but, in fact, in the

ACCURATE STENOGRAPHY REPORTERS, INC.

1 entire western hemisphere. So it's sort of a nice
2 symbolic way of acknowledging how special a place
3 this is for all of us.

4 The proposed condominium project would have had
5 significant adverse impact on Vizcaya. Such was
6 determined by the governing body of the museum, the
7 Vizcaya Museum and Gardens Trust, as well as
8 organizations of national repute, such as the
9 national -- sorry -- the National Trust for Historic
10 Preservation and the National Park Service, which
11 oversees the national historic landmarks program.

12 We've been deeply concerned about the
13 incompatibility of the proposed project, both to the
14 ambiance of Vizcaya and the North Coconut Grove
15 neighborhood. And we really are deeply grateful and
16 appreciative for the thoughtful draft final order
17 before you today. We believe it will go a long way
18 towards protecting the future of this critical
19 cultural resource. And I thank you again for your
20 time and thoughtfulness.

21 GOVERNOR CRIST: Thank you.

22 MS. SALIBA: Next is Mr. Ray Allen representing
23 Mercy Hospital.

24 MR. ALLEN: Governor, members of the Cabinet, I
25 knew if I stayed up all night last night reading

ACCURATE STENOGRAPHY REPORTERS, INC.

1 these transcripts, that this would go quickly. This
2 has really been a very contentious hearing. I have
3 done a number of these over the years, and it was
4 really very emotional. We do appreciate staff's
5 help in bringing this to fruition at the end of the
6 day. I think we were working on this as late as
7 last night and this morning to make some changes.

8 We are in agreement with the final order, and
9 we would urge you to adopt it. I have spoken with
10 the City of Miami assistant county attorney who is
11 responsible for this matter. It's my understanding
12 that they do intend to rescind this ordinance
13 pursuant to your order. And my understanding is
14 that they will do it within the next 30 days. I
15 notice that you've given 45, and I think that's
16 fine, but I think it will be done in that time.

17 And I do appreciate your staff's time and help,
18 the Administration Commission's time and help, and I
19 thank you very much.

20 GOVERNOR CRIST: Thank you.

21 MS. SALIBA: Governor, we can take any
22 questions on the issue.

23 GOVERNOR CRIST: Any questions?

24 ATTORNEY GENERAL McCOLLUM: I do have --

25 GOVERNOR CRIST: General.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 ATTORNEY GENERAL McCOLLUM: As the last speaker
2 said, I gather that the likelihood is that this
3 order will result in the suspension of this
4 ordinance. But what does the City have as an option
5 after that? Is that the end of this project, or do
6 you -- can you clarify any of that for us, Lisa?

7 MS. SALIBA: I would like Mr. Allen, the -- the
8 property owner remains, and it would be hard --
9 we'll let him speak to future use.

10 MR. ALLEN: It's my understanding that once
11 this resolution is rescinded by the County, or by
12 the City, excuse me, it will go back to its original
13 designation, which was the institutional use. And I
14 had filed with the Administration Commission earlier
15 a motion for mootness, where we had given the
16 intention of Mercy, which is to go back to the
17 extension of the hospital and to continue to move
18 forward with the expansion there and to not do
19 residential development.

20 So it will go back to the way it was prior to
21 this hearing, and anything that happens in the
22 future will have to come back before the City.

23 ATTORNEY GENERAL McCOLLUM: Thank you. I would
24 move the item.

25 CFO SINK: Second.

ACCURATE STENOGRAPHY REPORTERS, INC.

1 COMMISSIONER BRONSON: Second.

2 GOVERNOR CRIST: Moved and seconded. Show the
3 draft final order approved without objection.

4 MS. SALIBA: Thank you.

5 GOVERNOR CRIST: Thank you. We are adjourned.

6 (Whereupon, the meeting was concluded at 10:40
7 a.m.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

ACCURATE STENOGRAPHY REPORTERS, INC.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

Reporter,

counsel

I, Jo Langston, Registered Professional

do hereby certify that the foregoing pages 4 through 39,
both inclusive, comprise a true and correct transcript of
the proceeding; that said proceeding was taken by me
stenographically and transcribed by me as it now appears;
that I am not a relative or employee or attorney or
of the parties, or a relative or employee of such attorney
or counsel, nor am I interested in this proceeding or its
outcome.

IN WITNESS WHEREOF, I have hereunto set my hand
this 10th day of April 2009.

JO LANGSTON
Registered Professional Reporter

ACCURATE STENOTYPE REPORTERS, INC.

