

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
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
DEPARTMENT OF VETERANS' AFFAIRS
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
ADMINISTRATION COMMISSION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, August 2,
2011, commencing at approximately 9:04 a.m.

Reported by:

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APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

I N D E X

RE: Commissioner of the Office of Financial Regulation

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P R O C E E D I N G S

(The agenda items began at 9:05 a.m.)

GOVERNOR SCOTT: This morning I would like to ask that we vote -- first we're going to talk about the Commissioner of the Office of Financial Regulation. This morning I would like to ask that we vote to appoint a new Commissioner of the Office of Financial Regulation.

We have an exceptional candidate to serve in this position, someone I've known for quite a while. And if anybody says anything, the thing they would say most nice about him is his wife. So anybody that knows Tom really knows Ann. He's got a wonderful -- Ann, you might stand up. Not only is she a wonderful person, but if you ever get invited to her house -- (applause). Her meals are unbelievable. She's a very good chef, cook.

But Mr. Tom Grady comes to us with more than 20 years of law experience focused in the areas of securities, investments, and financial industry regulation, litigation, arbitration, and mediation. Tom is widely sought as a lecturer and securities expert and has been active in securities organizations aimed at educating and safeguarding the public as well as raising the standards of

1 professionalism within the financial services
2 industry.

3 Tom also served in the House of
4 Representatives from 2008 to 2010. It's too bad he
5 didn't run for re-election, but it's good for us
6 that he didn't so he could take this job.

7 So would any of the Cabinet members also like
8 to make remarks?

9 Do you want to go first?

10 ATTORNEY GENERAL BONDI: I talked to Mr. Grady
11 this morning, Representative Grady. And thank you
12 for your service, and thank you for having a
13 wonderful wife.

14 COMMISSIONER PUTNAM: Governor, I think this
15 is an outstanding selection, his expertise in the
16 law and financial services, his stellar reputation
17 with the legislative branch. We're very excited
18 about the wisdom and character that Tom brings to
19 this position. And he's certainly well positioned
20 to fill the shoes of another great man who has
21 served the State so well.

22 Mr. Cardwell, we appreciate all of your
23 service, and we look forward, Mr. Grady, to your
24 outstanding and continued service to the people of
25 Florida.

1 CFO ATWATER: Thank you, Governor. I too have
2 all my notes on Ann, so I'll keep after Tom today.

3 GOVERNOR SCOTT: Boy, it's a good thing Ann
4 was around or Tom wouldn't get this job.

5 CFO ATWATER: Governor, I think this is really
6 an extraordinary choice. We have in Tom Grady,
7 Representative Grady an individual who has such an
8 extraordinary intellect and a bias for action. He
9 has a strong sense of how the securities business
10 and the financial service businesses work and the
11 ability to work with the policymakers, who he knows
12 personally, and he knows the process, where it's
13 necessary to adjust and modify policy that will
14 create an environment for greater successes for all
15 Floridians and job creation and capital formation
16 and the attraction of capital to Florida.

17 This is one of those moments where I think we
18 see an individual who has been so successful in the
19 private sector that we find it a wonderful moment
20 that he is willing to accept the invitation to
21 return to public service yet again.

22 And so with that, Governor, I would like to
23 move the appointment of Representative Tom Grady as
24 the new director of the Office of Financial
25 Regulation effective August 29, 2011.

1 GOVERNOR SCOTT: All right. Thank you. All
2 in favor say aye.

3 (Simultaneous affirmative responses.)

4 GOVERNOR SCOTT: Any opposed?

5 The motion is approved by unanimous consent.

6 Tom, would you like to say a few words?

7 MR. GRADY: Well, thank you, Governor.

8 Perhaps my wife should come and say a few words.

9 GOVERNOR SCOTT: Okay. Ann, would you like to
10 say something?

11 MR. GRADY: She's generally the most
12 interesting of the two of us. But I'm humbled and
13 thrilled to be back in Tallahassee to serve this
14 Cabinet at this time and in this particular office.

15 I'm not sure I can give you a perfect segue
16 for why I thought of this, but driving in this
17 morning, I thought of Malcolm Forbes' plane on the
18 tarmac in Asheville, North Carolina. If any of you
19 remember what his plane was like, it's a big
20 Boeing. Planes might not be politically correct in
21 some circles these days, but it's a big Boeing, and
22 it's green and it's gold, and it has a big name on
23 it that says "The Capitalist Tool."

24 And I love capitalism. I am passionate about
25 free markets and free people. And capital goes

1 where capital is treated well, and I think the
2 mandate of this board will be to treat capital well
3 in the State of Florida.

4 But what I have learned in my career is that
5 we also need to balance the desire to attract
6 capital and to treat it well with the necessity to
7 have full disclosure, transparency, and
8 accountability for that capital and for the debt
9 markets and for related lending and banking and
10 money transmitter and other issues, which is, of
11 course, where the Office of Financial Regulation
12 comes into play.

13 So I'm very excited to get my mandate from you
14 to march forward to make capitalism in the State of
15 Florida a better reality. Capital goes where it's
16 well treated, and jobs follow. I understand from
17 some sources that jobs are important to one or more
18 of the members of this board, and I'm looking
19 forward to --

20 GOVERNOR SCOTT: We all ran on it.

21 MR. GRADY: I'm looking forward to the
22 opportunity to do that. So with Tom Cardwell, I
23 would simply like to say: Let's get to work.

24 GOVERNOR SCOTT: Thank you, Tom.

25 (Applause.)

1 GOVERNOR SCOTT: So we all expect some dinners
2 at Ann's house.

3 I would also like to take a moment to thank
4 Tom Cardwell for his dedication and leadership as
5 the Commissioner since 2009. We appreciate your
6 public service to our state, and we wish you much
7 success in your future endeavors.

8 Would you like to come up and say a few words?

9 MR. CARDWELL: Thank you, Governor and members
10 of the Cabinet. Time really goes by quickly,
11 particularly when you're having fun. This has been
12 one of the finest opportunities of my career to
13 serve here. It has been such a pleasure to work
14 with the people of the agency and with the Cabinet.
15 It is with really a great deal of regret that I
16 leave, but my wife, Kathy, has explained to me why
17 I need to come home, so that takes me back.

18 And I want to say that I heartily endorse Tom
19 Grady. I have known him for a long time. I think
20 he has all of the credentials, all of the talent,
21 all of the leadership, and all of the intellect
22 that it will take to put Florida in the forefront
23 of the very important areas for which he will have
24 the responsibility for regulation.

25 So, Tom, frankly, it is a great relief and

1 pleasure for me to have you to take the mantle.

2 MR. GRADY: Thank you.

3 GOVERNOR SCOTT: Well, thank you very much,
4 and thank you very much for your service.

5 (Applause.)

6 GOVERNOR SCOTT: Ann, would you like to come
7 up for a picture and bring Tom?

8 (Off the record for photography.)

9 ATTORNEY GENERAL BONDI: I would also just
10 like to acknowledge that two days ago the youngest
11 member of the Cabinet had a birthday, Commissioner
12 Putnam, and we all want to remind him he's catching
13 up to us. Happy birthday.

14 (Applause.)

15 GOVERNOR SCOTT: I think we all ought to sing
16 "Happy birthday to you." Does anybody sing?

17 ATTORNEY GENERAL BONDI: No.

18 GOVERNOR SCOTT: We should have invited
19 somebody that could sing.

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1 GOVERNOR SCOTT: All right. The next Cabinet
2 meeting is Tuesday, August 16, 2011.

3 The first agenda for -- the next agenda is the
4 State Board of Administration presented by Ash
5 Williams. Good morning, Ash.

6 MR. WILLIAMS: Good morning, Governor and
7 members of the board. Welcome back.

8 Let's see. A couple of things. First of all,
9 an update for you. As of Friday's close, the
10 Florida Retirement System Trust Fund was up
11 5.13 percent net of cost year to date, calendar
12 year to date. That's 107 basis points ahead of
13 target.

14 GOVERNOR SCOTT: What's the time period?

15 MR. WILLIAMS: Excuse me?

16 GOVERNOR SCOTT: Calendar year to date?

17 MR. WILLIAMS: Yes, sir. I always give you
18 the longer period, either fiscal year to date or
19 calendar year to date. And since we just crossed
20 into a new fiscal year, I've gone back to calendar.

21 Item 1 on our agenda today, request approval
22 of the minutes from the May 17 and June 16
23 meetings.

24 GOVERNOR SCOTT: All right. Is there a motion
25 to approve Item 1?

1 ATTORNEY GENERAL BONDI: Move to approve.

2 GOVERNOR SCOTT: Is there a second?

3 CFO ATWATER: Second.

4 GOVERNOR SCOTT: Moved and seconded. Item 1
5 is approved without objection.

6 MR. WILLIAMS: Thank you. Item 2, request
7 approval of a fiscal sufficiency of an amount not
8 exceeding \$345 million State of Florida, Department
9 of Environmental Protection Florida Forever revenue
10 refunding bonds.

11 GOVERNOR SCOTT: All right. And these do not
12 extend the term; right?

13 MR. WILLIAMS: That's my understanding. These
14 are refunding bonds.

15 GOVERNOR SCOTT: Right. Okay. Is there a
16 motion to approve Item 2?

17 CFO ATWATER: So moved.

18 GOVERNOR SCOTT: Is there a second?

19 ATTORNEY GENERAL BONDI: Second.

20 GOVERNOR SCOTT: Moved and seconded. Item 2
21 is approved without objection.

22 MR. WILLIAMS: Thank you. Item 3, request
23 approval of a fiscal sufficiency of an amount not
24 exceeding \$268 million State of Florida, Board of
25 Education Lottery revenue refunding bonds.

1 GOVERNOR SCOTT: Is there a motion to approve
2 Item 3?

3 ATTORNEY GENERAL BONDI: Move to approve.

4 GOVERNOR SCOTT: Is there a second?

5 CFO ATWATER: Second.

6 GOVERNOR SCOTT: Moved and seconded. Item 3
7 is approved without objection.

8 MR. WILLIAMS: Thank you. Item 4, request
9 approval of a fiscal determination of an amount not
10 exceeding \$9,350,000 Florida Housing Finance
11 Corporation multifamily mortgage revenue bonds.
12 These are for projects in Palm Beach County,
13 Florida.

14 GOVERNOR SCOTT: All right. And this is
15 not -- is the State on the hook for these?

16 MR. WILLIAMS: I do not believe so. These are
17 revenue bonds from the housing agency.

18 GOVERNOR SCOTT: Is there a motion to approve
19 Item 4?

20 CFO ATWATER: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 ATTORNEY GENERAL BONDI: Second.

23 GOVERNOR SCOTT: Moved and seconded. Item 4
24 is approved without objection.

25 MR. WILLIAMS: Thank you. Item 5, request

1 approval of a fiscal determination of an amount not
2 exceeding \$7,540,000 Florida Housing Finance
3 Corporation multifamily mortgage revenue bonds.
4 This is a project in Bay County, Florida.

5 GOVERNOR SCOTT: Is there a motion to approve
6 Item 5?

7 ATTORNEY GENERAL BONDI: Move to approve.

8 GOVERNOR SCOTT: Is there a second?

9 CFO ATWATER: Second.

10 GOVERNOR SCOTT: Moved and seconded. Item 5
11 is approved without objection.

12 MR. WILLIAMS: Thank you. Item 6, request
13 approval of a fiscal determination of an amount not
14 exceeding \$6.5 million Florida Housing Finance
15 Corporation multifamily mortgage revenue bonds.
16 These are in Miami-Dade County.

17 GOVERNOR SCOTT: Is there a motion to approve
18 Item 6?

19 CFO ATWATER: So moved.

20 GOVERNOR SCOTT: Is there a second?

21 ATTORNEY GENERAL BONDI: Second.

22 GOVERNOR SCOTT: Moved and seconded. Item 6
23 is approved without objection.

24 MR. WILLIAMS: Thank you. Item 7, request
25 approval to repeal two obsolete rules.

1 GOVERNOR SCOTT: So you want to explain them?

2 MR. WILLIAMS: Yes. These are rules -- you
3 will recall an initiative to purge our code of
4 redundant, duplicative, or otherwise obsolete
5 administrative rules, and these are in that
6 category. One of these relates to the insurance
7 build-up program. The program has subsequently
8 been restructured so that this rule is redundant,
9 and the same is true of the other rule. So we're
10 not changing anything substantively, and we're not
11 doing anything differently. These are simply
12 redundant at this point.

13 GOVERNOR SCOTT: Okay. Any questions?

14 Is there a motion to approve Item 7?

15 ATTORNEY GENERAL BONDI: Move to approve.

16 GOVERNOR SCOTT: Is there a second?

17 CFO ATWATER: Second.

18 GOVERNOR SCOTT: Moved and seconded. Item 7
19 is approved without objection.

20 MR. WILLIAMS: Thank you. Item 8, we would
21 like to request appointment of a new chair for the
22 Florida Commission on Hurricane Loss Projection
23 Methodology. This is a statutory body of 11
24 members. Primarily they're determined by statute,
25 the composition of the group, statisticians,

1 meteorologists, representatives of industry,
2 et cetera. And the recommendation of the group,
3 which has voted on this, is that Mr. Scott Wallace,
4 who is the president and chief executive officer of
5 Citizens Property Insurance, take that role on.
6 Mr. Wallace has been serving as vice chair of the
7 hurricane loss projection methodology group for a
8 period of time. He's here this morning and happy to
9 answer any questions you may have now.

10 GOVERNOR SCOTT: Great. I have a -- is he
11 here?

12 MR. WILLIAMS: Yes.

13 GOVERNOR SCOTT: Okay. So in this role,
14 Scott, are there conflicts at all with your job at
15 Citizens and what this Commission does?

16 MR. WALLACE: That's a very good question,
17 Governor Scott. I do not believe there are any
18 conflicts, as our role as a Commission is strictly
19 set forth in our standards and procedures, and the
20 role is to strictly study the information that's
21 being provided, analyze it, and compare it against
22 actuarial soundness and hurricane loss methodology
23 principles.

24 We review a number of different models out
25 there. Models that do not fit all of the standards

1 as set forth by the Commission are disapproved.
2 They do have the ability to come back and make an
3 appeal.

4 But I think given the strict rules which we
5 operate under, it does not allow much room for bias
6 or favoritism.

7 GOVERNOR SCOTT: All right. Any other
8 questions?

9 All right. Thank you very much.

10 Is there a motion to approve Item 8?

11 CFO ATWATER: So moved.

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Moved and seconded. Item 8
14 is approved without objection.

15 Thank you very much, Mr. Wallace.

16 MR. WILLIAMS: Thank you. Item 9, we request
17 approval of the appointment of Ms. Kimberly Ferrell
18 to the State Board of Administration's Audit
19 Committee. Ms. Ferrell is here this morning.

20 GOVERNOR SCOTT: Are there any questions for
21 Ms. Ferrell?

22 Good morning.

23 All right. Is there a motion to approve Item
24 9?

25 ATTORNEY GENERAL BONDI: Move to approve.

1 GOVERNOR SCOTT: Is there a second?

2 CFO ATWATER: Second.

3 GOVERNOR SCOTT: Moved and seconded. Item 9
4 is approved without objection.

5 MR. WILLIAMS: Thank very much.

6 GOVERNOR SCOTT: Thanks for your willingness
7 to serve.

8 Ash, one other thing. Did you -- could you --
9 and I don't know if you -- you probably aren't
10 ready to talk about it now, but did you see the
11 articles that Sydney Freedberg wrote about -- I had
12 two questions. One, there was one about -- could
13 you talk about the value of passive versus active
14 investing, and then they talked about what sort of
15 transparency -- they thought we should have more
16 transparency.

17 MR. WILLIAMS: I'll be happy to address both
18 of those.

19 First of all, on the subject of active versus
20 passive, we absolutely agree that passive investing
21 in deficient markets is the clear choice. That is
22 exactly the direction that we have been committed
23 to for many years. The majority of our U.S. equity
24 exposure, for example, particularly in the large
25 cap area, is almost exclusively passive in nature.

1 And in fact, one of the experts cited in
2 Ms. Freedberg's reporting was Professor Swensen at
3 Yale, who is the senior investment officer, I
4 believe, of the Yale Endowment. And David Swensen
5 is well known as the major proponent of what's
6 known as the endowment model of investing for
7 institutions, which is to take your core efficient
8 market exposure on a passive basis, because it's
9 the lowest risk, lowest cost way to do it, and then
10 to enhance your aggregate returns using less
11 liquid, but higher return investment strategies and
12 vehicles in the less efficient corners of the
13 market. What that brings you to is what we have in
14 the private equity and strategic investments areas,
15 private equity, hedge funds, venture capital,
16 distressed debt, et cetera.

17 Now, ironically, Dr. Swensen has written two
18 books, one for institutional investors, which
19 embraces the endowment model, and the other for
20 individual investors. The Times coverage cited
21 only his book for individual investors and said
22 they should invest all passively. What he actually
23 says in the book is, he struggled to find a way for
24 individuals to invest along the lines of the way
25 institutions can, but because of the scale,

1 et cetera, it --

2 GOVERNOR SCOTT: The size, yes.

3 MR. WILLIAMS: -- just doesn't work. So given
4 the limited amount of capital, you're better off as
5 an individual indexing, and I think that's probably
6 what many of us do.

7 So I guess I would say it's a question of
8 degrees. And unfortunately, I think in last
9 weekend's coverage, the nuances of investing
10 institutionally were missed on two key levels.

11 First of all, the challenge we face investing
12 the Florida State Board's money is that we make
13 decisions today to create the best possible result
14 over the long term with the highest probability of
15 success without knowledge of what's happening
16 tomorrow. What the Times did was look back 10 or
17 15 years and say, "Game plan," saying, "Gee, this
18 strategy would have outperformed over the past 15
19 years."

20 As Yogi Berra once said, predictions are
21 particularly challenging, particularly when they
22 involve the future. And I would say that the
23 challenge of structuring to go forward is a little
24 more rigorous than doing it on a backward-looking
25 basis.

1 Secondly, on the transparency front, I think
2 we have repeatedly --

3 GOVERNOR SCOTT: Ash, could I ask you a
4 question? Did they address allocation at all in
5 that article? Isn't that the hardest part?

6 MR. WILLIAMS: Well, that's actually a great
7 question. Let me touch on that for a moment. Yes
8 and no. But to the extent they were talking about
9 passive investing, I think when you and I would
10 think of passive investing, we would think of
11 taking an exposure to, say, the S&P 500 or the
12 Russell 3000 or Barclays Aggregate, something like
13 that, and just going with it.

14 Well, actually, one of the retail sellers of
15 passive investment products who was one of their
16 gurus on this thing, actually, their product isn't
17 fully passive, because what they do is make an
18 active top-down decision on allocation, active bets
19 on where to put the money, and then execute that
20 strategy using the index funds. That's a little
21 different. So there was some comment about it, but
22 again, on a backward-looking basis.

23 The other thing you have to think about is, we
24 set our allocation looking forward. As you well
25 know, having sat through hours and hours and hours

1 of it, we set our allocation to minimize the risk
2 of significant loss, and therefore spikes in
3 employer member contributions. That would be very,
4 very disruptive.

5 Now, if you, for example, had been 100 percent
6 passive equities through 2008, you would have been
7 down 40-some-odd percent in that year. And I don't
8 think the St. Pete Times or anybody else at that
9 point in time would have said, "Yeah, this is
10 great. We're so glad you're here." We were down
11 less than half that much because we're diversified,
12 and we're very thoughtfully diversified in the way
13 we approach it.

14 Other questions on the active/passive?

15 GOVERNOR SCOTT: I don't have any. What about
16 the question about transparency? Are there things
17 that we ought to be doing that we're not doing yet?

18 MR. WILLIAMS: Well, I think the transparency
19 issue got a great airing in the last legislative
20 session.

21 We have, for the most part, full transparency.
22 All of our publicly traded activity is very readily
23 observable. They're obviously subject to public
24 records law. We have one very narrow slice of our
25 activity that has a very limited exception from

1 Florida's public records law, and that relates to
2 alternative investments and subjects them to a
3 certain type of review prior to being released.

4 Now, the obvious reason for that is that as an
5 investor in a private entity, we can have a lot
6 more information than one would have as a public
7 shareholder of that same entity. Some of that
8 information could be proprietary. It could not
9 otherwise be publicly available. It could be
10 detrimental to that business to have it become
11 public, et cetera.

12 Not coincidentally, those tests that I just
13 mentioned are three of the four tests set forth in
14 the Florida Statutes as the prerequisite for any
15 investment manager or firm in which we're invested
16 to declare any portion of the information we may
17 have proprietary, and therefore exempt from public
18 records law.

19 Now, that law has been in effect and affects
20 less than 10 percent of the SBA's portfolio, so the
21 other 90-plus percent doesn't have any of that
22 protection.

23 That law was under sunset review last
24 legislative session. It was heard extensively in
25 committees in the House and the Senate, and the

1 overwhelming vote of the Legislature was that it
2 was in the public interest, so much so that it was
3 reinstated and the future recurring sunset review
4 of it was removed, because it's been in place for
5 so many years that the judgment of the Legislature
6 in public hearings and after extensive staff review
7 was that it actually served the public interest
8 well.

9 I think the general direction we're going in
10 terms of the openness of our meetings, the openness
11 of our advisory bodies, our website, and my own
12 availability to interest groups, generally the
13 press, and constituencies, is good. So I think
14 we're doing just about everything we can do, and
15 there's always a balance to be struck.

16 GOVERNOR SCOTT: All right. Any other
17 questions?

18 All right. Thank you very much.

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1 GOVERNOR SCOTT: All right. The next agenda
2 is the Division of Bond Finance presented by Ben
3 Watkins. Good morning.

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

6 Item Number 1 is approval of the minutes of
7 the June 16th meeting.

8 GOVERNOR SCOTT: Is there a motion to approve
9 Item 1?

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 COMMISSIONER PUTNAM: Second.

13 GOVERNOR SCOTT: Moved and seconded. Item 1
14 is approved without objection.

15 MR. WATKINS: The next five items on the
16 agenda for your consideration include authorization
17 of two refundings, as well as reports of award on
18 three transactions that we've executed.

19 On the refundings, just to clarify what we're
20 talking about when we're looking for authority to
21 do a refunding, what we're talking about is
22 achieving debt service savings. What we're talking
23 about is taking higher interest rate debt and
24 refunding it with lower interest rate debt, and
25 therefore reducing our cost on the debt that's

1 outstanding.

2 So by policy, we do not extend the maturities
3 of the debt, so the repayment of the debt that
4 we're refunding is exactly the same as the debt
5 that we're issuing in order to lower the interest
6 rate. So we're not talking about restructurings,
7 which would involve pushing out debt for budgetary
8 relief, and we're not talking about rolling over
9 debt, which is just kicking the can down the road,
10 so to speak.

11 So just to be clear about that -- and that's
12 established by your policies. So anytime we would
13 have an exception to that, I would, of course,
14 bring that to you, bring that to your attention and
15 make sure that you were aware of that and there
16 were good reasons to deviate from that policy.

17 So with that being said, Item Number 2 is a
18 resolution authorizing the issuance and competitive
19 sale of \$268 million in Lottery revenue refunding
20 bonds.

21 GOVERNOR SCOTT: All right. Is there a motion
22 to approve Item 2?

23 COMMISSIONER PUTNAM: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 CFO ATWATER: Second.

1 GOVERNOR SCOTT: Moved and seconded. Item 2
2 is approved without objection.

3 MR. WATKINS: Item Number 3 is a resolution
4 authorizing the issuance and competitive sale of
5 \$345 million in Florida Forever revenue refunding
6 bonds.

7 GOVERNOR SCOTT: All right. Is there a motion
8 to approve Item 3?

9 ATTORNEY GENERAL BONDI: Move to approve.

10 GOVERNOR SCOTT: Is there a second?

11 COMMISSIONER PUTNAM: Second.

12 GOVERNOR SCOTT: Moved and seconded. Item 3
13 is approved without objection.

14 MR. WATKINS: Item Number 4 is a report of
15 award on the competitive sale of \$144.5 million in
16 PECO bonds. This was a combined new money and
17 refunding transaction. The new money portion of
18 the transaction was \$74.2 million, and the
19 refunding component was \$70.3 million. The bonds
20 were -- the new money bonds were awarded to the low
21 bidder at a true interest cost of approximately
22 4.35 percent, and the refunding bonds were awarded
23 to the low bidder at a true interest cost of
24 3.73 percent.

25 The refunding transaction reduced the interest

1 rate on outstanding bonds of approximately
2 5 percent, 4.99 percent, to the 3.73 percent that
3 we received on the bid, and the transaction
4 generates gross debt service savings of
5 \$11.5 million, or \$8.9 million on a present value
6 basis, equating to 11.4 percent of the principal
7 amount of the refunded bonds.

8 GOVERNOR SCOTT: And the new money bonds are
9 -- they were authorized during the 2011 legislative
10 session; right?

11 MR. WATKINS: That is correct, yes, sir.

12 GOVERNOR SCOTT: Is there a motion to approve
13 Item 4?

14 COMMISSIONER PUTNAM: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 ATTORNEY GENERAL BONDI: Second.

17 GOVERNOR SCOTT: Moved and seconded. Item 4
18 is approved without objection.

19 MR. WATKINS: Item Number 5 is similarly a
20 report of award of \$150,165,000 in Turnpike revenue
21 bonds. It was also a combined new money issue with
22 a refunding as well. The new money component was
23 105.36 million, and the refunding was 44.8 million.

24 The combined interest rate on those two
25 transactions together was 4.19 percent, consisting

1 of a new money piece at 4.5 percent, 4.51 percent,
2 and the refunding bonds being sold at a true
3 interest cost of 2.64 percent.

4 So on this transaction, we reduced the
5 interest rate on the refunding component from
6 4.91 percent to 2.64 percent, and the transaction
7 generates gross debt service savings of \$4.2
8 million, or \$3.6 million on a present value basis,
9 equating to 7.64 percent of the principal amount of
10 the bonds being refunded.

11 GOVERNOR SCOTT: All right. And this is not
12 secured by the full faith and credit of the State;
13 right?

14 MR. WATKINS: No, sir. This is secured by the
15 net revenues available from the Turnpike Enterprise
16 operations.

17 GOVERNOR SCOTT: Is there a motion to approve
18 Item 5?

19 COMMISSIONER PUTNAM: So moved.

20 GOVERNOR SCOTT: Is there a second?

21 ATTORNEY GENERAL BONDI: Second.

22 GOVERNOR SCOTT: Moved and seconded. Item 5
23 is approved without objection.

24 MR. WATKINS: Last, Item Number 6 is -- an
25 aside, but a significant development that I wanted

1 you all to be aware of. In connection with
2 obtaining the ratings on this transaction, after
3 review of the budget, the final budget for the
4 current the fiscal year, Standard & Poor's affirmed
5 our AAA rating, but notably, they removed the
6 negative outlook. They changed the negative
7 outlook to a stable outlook. So that's a very
8 positive direction and a very positive change. And
9 from their perspective, it's a vote of confidence
10 in what the Legislature has done with respect to
11 the forward spending plans of the State.

12 So Item Number 6 is a report of award on the
13 competitive sale of \$220,885,000 in PECO refunding
14 bonds. The bonds were awarded to the low bidder at
15 a true interest cost of 3.3 percent.

16 So on this transaction, we were reducing the
17 interest rate on PECO bonds from 4.9 percent to the
18 3.3 percent we received on the bid, generating
19 gross debt service savings of \$29.6 million, or on
20 a present value basis, 23.3 million, or 9.95
21 percent of the principal amount of the bonds being
22 refunded.

23 GOVERNOR SCOTT: All right. Is there a motion
24 to approve Item 6?

25 ATTORNEY GENERAL BONDI: Move to approve.

1 GOVERNOR SCOTT: Is there a second?

2 CFO ATWATER: Second.

3 GOVERNOR SCOTT: Moved and seconded. Item 6
4 is approved without objection.

5 MR. WATKINS: Thank you.

6 GOVERNOR SCOTT: Thank you very much.

7 CFO ATWATER: Governor, could I --

8 ATTORNEY GENERAL BONDI: Go ahead.

9 CFO ATWATER: I was wanting before -- Ben
10 touched on it briefly, but since our last Cabinet
11 meeting, we did receive the notice from Standard &
12 Poor's of revisiting the outlook and changing their
13 rating from negative to stable. I just don't think
14 we should pass over it as quickly as we did. So if
15 you wouldn't mind, we might allow Ben to offer us
16 -- share with us the commentary that was extended
17 from S&P as to the decision they came to and what
18 they saw. I think that that would be valuable for
19 us all.

20 MR. WATKINS: Well, the primary issues are the
21 way the State is managed financially, and that is
22 very proactive with a forward-looking approach, and
23 being able to balance the budget, being able to
24 make the necessary cuts, and demonstrating fiscal
25 responsibility by making the necessary cuts to live

1 within our means in a year that was particularly
2 challenging because we have less revenues,
3 obviously, because of the state of the economy, as
4 well as the federal stimulus moneys going way.

5 So the Legislature had a double challenge from
6 that perspective and were able to make the
7 budgetary adjustments necessary to achieve
8 structural balance. And when we talk about
9 structural balance, what we're talking about is a
10 better matching of recurring expenditures with
11 recurring revenues, and that's really what they're
12 looking for in terms of how the State is managed
13 financially.

14 And the State was able to do that also with
15 replenishing reserves, which is another very
16 important element of their credit analysis, which
17 is a measure of the State's financial flexibility
18 going forward to deal with the inevitable economic
19 uncertainties that we're confronted with. So we
20 got high marks on both of those fronts.

21 The real question mark going forward is how
22 the economy within the state performs, given the
23 housing markets and other drags on the state
24 economy. So that's the only -- we received
25 positive comments on all of the areas that the

1 State is responsible for managing, and the only
2 uncertainty is with respect to macroeconomic
3 measures that are beyond our control.

4 CFO ATWATER: And I just would like to add,
5 from having traveled with Ben to visit these rating
6 agencies -- I know we all have spoken of how
7 fortunate we are to have Ben serving us in this
8 capacity, but his ability to have taken those
9 questions and offered such clarity and insight into
10 those rating agencies was something to behold. He
11 is trusted, his integrity is unquestioned, and we
12 are very fortunate.

13 And I would also probably -- I only have this
14 perspective that I could add to it, Governor. I
15 would like to say this. When I was in each of
16 those meetings, and that was from S&P to Moody's to
17 Fitch, to a group, they mentioned how important
18 they found it that you personally engaged in the
19 conference call when you couldn't be there in
20 person, that they had not seen that in Florida in
21 several years, and they had a new sense of
22 confidence that the executive branch understood the
23 dynamics of what creates structural balance and
24 that that was Mission One, and it was very
25 impressive.

1 I think I should say it, Governor, because
2 each one of those individuals said, "It was
3 extremely valuable that the Governor got on the
4 phone with us and was able to be present with us
5 and walked us through the decision-making process
6 that he went into the session with and that he
7 insisted would happen." So I wanted to pass that
8 on.

9 GOVERNOR SCOTT: Thank you. Commissioner
10 Putnam. Well, first of all, let me finish.

11 All of us know that it's very important to be
12 fiscally responsible, and it's going to pay off
13 long term for our state, and you can see it now.
14 It's what everybody up here has done and what our
15 Legislature has done. We've generated 85 -- we've
16 created an environment where 85,500 jobs have been
17 created this year in the state. That's a positive.
18 We still have 900,000 people out of work, so we're
19 not there yet, but all the things we're doing are
20 going to pay off long term.

21 Commissioner Putnam.

22 COMMISSIONER PUTNAM: I want to congratulate
23 Ben and you, Governor, and the legislators -- I see
24 Senator Thrasher here -- for their -- by making the
25 tough decisions, they're saving the taxpayers money

1 by preserving the creditworthiness and that high
2 rating of our state.

3 But I wanted to ask you, given the
4 interconnectedness of federal and state budgets,
5 the high percentage of transfer payments to the
6 state and local government, if the rating of the
7 federal government were downgraded, would there be
8 a cascading effect on states?

9 MR. WATKINS: Not directly related to our
10 ratings. I wouldn't expect our ratings to go down.
11 But what would happen is, it would introduce
12 uncertainty and shock to our economy that would be
13 detrimental. In other words, it's a mixed bag in
14 terms of the prognosticators about if the federal
15 government defaulted on debt, whether rates go up
16 or down. I have a personal view, but there's no
17 clear consensus on that.

18 Muni bonds trade in relation to Treasuries. I
19 mean, Treasuries are the gold standard. They
20 establish the benchmark off of which all fixed
21 income instruments trade. So to the extent that
22 rates go up, clearly, I would expect an effect on
23 -- I would also expect municipal rates to go up.
24 Some jurisdictions are more directly affected by
25 their interaction with the federal government,

1 obviously.

2 In fact, Moody's put, I think, five different
3 states on credit watch for a downgrade as a result
4 of the uncertainty emanating from Washington about
5 whether the federal government was going to
6 continue to be able to pay its bills.

7 But the uncertainty around that is, if an
8 agreement wasn't reached, the executive branch has
9 got to decide what they'll pay, and then that's
10 going to have a disparate impact on different
11 jurisdictions based on where they stand and what
12 moneys they receive. But clearly, it wouldn't be
13 positive. I do know that.

14 COMMISSIONER PUTNAM: Given a state with a
15 high Medicaid and Medicare federal transfer payment
16 effect, would Florida be among the more vulnerable?

17 MR. WATKINS: We weren't listed. I was happy
18 we weren't listed in the five. You know, we were
19 talking about Virginia and Maryland and those
20 jurisdictions where their employment base is
21 largely tied to the federal government, as well as
22 New Mexico because of the narrowness of their
23 economy and their dependence on federal military
24 installations. So our economy is a lot broader and
25 a lot more diverse.

1 Clearly, it would have a negative impact, and
2 the question would be, would the State be able to
3 rise to the challenge and manage notwithstanding
4 whatever negative impacts were the consequence of
5 the federal government not continuing with the
6 moneys that it would normally spend.

7 So it's hard to predict exactly what would
8 happen, but I have to believe from my commonsense
9 approach, you know, losing the theory, that it's
10 got to be driving -- it would have a tendency to
11 drive rates up and would have a negative overall
12 impact on the economy and our credit.

13 COMMISSIONER PUTNAM: Since we last met, there
14 was a default on the Santa Rosa Bridge. Has that
15 ever happened before in Florida since the
16 depression? I understand we're not exposed, only
17 that authority is; is that correct?

18 MR. WATKINS: That's correct. Payment
19 defaults are a very unusual occurrence, especially
20 with something so closely associated with the
21 State. There have been other defaults, but they
22 were really isolated to what we call community
23 development districts or dirt bonds, which were
24 development bonds, which have a -- it's a
25 tax-exempt bond. So there is that sector.

1 But something that is a governmentally owned
2 project that is infrastructure for the state, that
3 is the first default that, clearly, I am aware of,
4 and presumably that would date back to the days of
5 the depression. Those bonds are secured solely by
6 the revenues, the toll revenues of that bridge.

7 So although the State provides support for
8 operations and maintenance, as we had agreed to do
9 when the bonds were issued, and the State continues
10 to fulfill its obligation, those bonds have -- the
11 reserves have been exhausted, and there has been a
12 payment default, which is not a -- clearly not a
13 positive, just in terms of the market's perception
14 of things happening in Florida.

15 But I don't expect that to have -- we're able
16 to differentiate the state credits that are
17 authorized by the Legislature, overseen by you all,
18 and executed by us from a local authority that was
19 -- although created by the Legislature, did not
20 have the same oversight and the same credit
21 structure or connected to the State in the same
22 way.

23 COMMISSIONER PUTNAM: That's a fairly nuanced
24 response. Will it affect our cost of capital for
25 future transportation projects?

1 MR. WATKINS: I do not believe so. I think it
2 calls into question the whole notion of using an
3 expressway authority to implement and execute
4 financings. And more fundamentally, it calls into
5 question the propriety of the feasibility
6 consultant's projections that were used to market
7 the bonds.

8 GOVERNOR SCOTT: And, Commissioner Putnam, you
9 know we're on the hook for providing the service
10 out of DOT without being paid?

11 COMMISSIONER PUTNAM: Do you know what that
12 amounts to?

13 GOVERNOR SCOTT: I think it's less than a
14 million dollars. But we're obligated to do that,
15 even though we don't get paid. We're behind the
16 creditors or the bondholders.

17 COMMISSIONER PUTNAM: Thank you.

18 MR. WATKINS: And Legislature is well aware of
19 it and actually is actively considering some
20 proposed changes with respect to how the expressway
21 authorities in the state operate prospectively
22 going forward.

23 COMMISSIONER PUTNAM: Thank you.

24 GOVERNOR SCOTT: Any other questions? Thank
25 you.

1 GOVERNOR SCOTT: All right. The next agenda
2 is the Financial Services Commission, Office of
3 Financial Regulation, presented by Tom Cardwell.

4 CFO ATWATER: Governor, I think I'm going to
5 chip in on this one.

6 GOVERNOR SCOTT: Oh, that's right. You're
7 going to go through that. I'm sorry.

8 CFO ATWATER: And we're going to come back to
9 Commissioner Cardwell in just a minute, and we're
10 going to be as brief as we can on this
11 presentation. But you extended the invitation to
12 all of us, Governor, to be sure we might share, by
13 sharing in the Cabinet and sharing with the public,
14 the challenges that certain agencies are facing,
15 which frankly means the consumers are facing. And
16 this is an area we're going to talk about briefly
17 today, is workers' compensation fraud schemes that
18 take place. And being that we oversee the Office
19 of Financial Regulation, I thought this was an
20 appropriate place for all of us as Cabinet members
21 to be able to hear this.

22 What we have taking place is the marketplace
23 is that anytime that fraud exists, that means the
24 honest players that are out there, the general
25 contractors, the subcontractors, especially the

1 trades, that are really doing it right are having
2 to pay more for their coverage.

3 Regrettably, those honest players are finding
4 themselves, because of the pervasiveness now of
5 this fraud that is taking place within these
6 schemes in the workers' comp world, they're finding
7 it harder and harder to win bids, because the
8 players who are cheating and are acting
9 fraudulently are undercutting them.

10 And as importantly, people who are working on
11 worksites in Florida believe that they're being
12 covered, and in fact, tragically, there are
13 occasions that arise when they realize only too
14 late that it was a fraudulent scheme, and now
15 they're left to get by.

16 I really wish to compliment Attorney General
17 Bondi. They have been working every case that we
18 could send them as aggressively as they can. And I
19 think we all agree that in some of these cases,
20 we're constantly chasing, and if we could get ahead
21 of the curve and try to break this down.

22 So there are, unfortunately, bad players
23 within the cash -- what's commonly referred to as
24 the money services business or the check cashing
25 business that are participating now. They're not

1 just being caught off guard or caught and surprised
2 or caught in the loop. They're participating.

3 And so if you wouldn't mind, I was going to
4 ask for -- Colonel John Askins, who is over the
5 Division of Insurance Fraud, he's going to share
6 some thoughts, and then our bureau chief, Major
7 Jeff Branch, is going to more explicitly explain
8 the scheme and how it works. And we will be as
9 quick as possible. And Commissioner Cardwell, who
10 has worked hard on this, and I want to thank him as
11 well, and then maybe Commissioner-designate Grady
12 might want to offer some comments as well.

13 ATTORNEY GENERAL BONDI: And, CFO, you're
14 right. These guys are getting more sophisticated
15 in the crimes they're committing as well by setting
16 up these shell companies.

17 MR. ASKINS: Yes, sir. CFO Atwater, thank so
18 much, sir, and Governor Scott and Commissioner
19 Putnam. And I also want to thank you, Attorney
20 General Bondi, for all the help you have given us,
21 and it has been substantial.

22 Obviously, at the Division of Insurance Fraud,
23 we have a lot on our plate with PIP fraud and
24 property insurance fraud, but this is very high on
25 our radar screen because of what the CFO said, that

1 there's an uneven playing field out there. The
2 honest contractors are paying much more in premiums
3 because of this fraud.

4 Jeff Branch is our number one expert, Major
5 Jeff Branch. He's a former police officer with the
6 Boynton Beach Police Department. He came to us in
7 1999. Jeff has been in the belly of this. He
8 knows it backwards and forwards. He has executed a
9 lot of search warrants, arrest warrants, unraveled
10 major multi-million-dollar fraud schemes in
11 conjunction with your office, Attorney General
12 Bondi.

13 So I'm going to turn it over to Major Jeff
14 Branch. Thank you.

15 MR. BRANCH: Thank you, John. Good morning.

16 I'm here today to highlight a growing crime
17 trend that has already diverted approximately
18 \$1 billion from Florida's economy and which has
19 created an uneven playing field for businesses,
20 particularly in the construction industry. This
21 scheme funnels industry payroll through minimally
22 insured shell companies, preventing detection by
23 federal and state authorities. As far as our
24 investigative team can tell, at least \$200 million
25 in workers' compensation premiums have been

1 illegally avoided. Further, these moneys were not
2 assessed any state taxes, such as unemployment
3 compensation taxes, which is designed to help
4 people --

5 GOVERNOR SCOTT: Could you say the number
6 again? How much money was that?

7 MR. BRANCH: \$200 million in workers'
8 compensation premiums.

9 GOVERNOR SCOTT: Okay.

10 MR. BRANCH: Such unemployment compensation
11 tax is designed to help people who are struggling
12 in this economy, thus far resulting in a loss of
13 revenue to the State of approximately \$27 million.

14 Organized criminal enterprises set up shell or
15 fake companies by incorporating and then obtaining
16 minimal workers' compensation insurance policies.
17 They then make their name, and more importantly,
18 their workers' compensation policy, available to
19 uninsured subcontractors who choose not to purchase
20 a policy of their own.

21 These individuals are fraudulently using the
22 shell company's fraudulently obtained insurance
23 policy, which is illegal. Then third party
24 business-to-business checks for construction work
25 done by the uninsured subcontractors are made

1 payable to these shell companies, which are
2 negotiated at nontraditional money service
3 businesses or check cashing stores whose owners
4 have chosen to participate in this crime.

5 Both the shell company facilitator and the
6 money service business owners reap the rewards of
7 fees associated with these high dollar
8 transactions. The remainder of the cash goes back
9 to the uninsured subcontractor, who pays his labor
10 force in cash, avoiding the assessment of any
11 workers' compensation premiums or applicable taxes.

12 As a result of this scheme, workers are
13 sometimes left uncovered and rack up emergency room
14 bills, many of which are never paid, while
15 insurance carriers struggle to determine who, if
16 anyone, is liable for any injuries which may occur.
17 Many of these workers were under the false
18 impression that their employer had secured the
19 appropriate insurance coverage in the event of an
20 injury.

21 Further, legitimate contractors, who in turn
22 use legitimate subcontractors, cannot compete.
23 While the good contractors and subcontractors are
24 paying the necessary workers' compensation
25 insurance coverage, they're competing against

1 others in the industry that avoid this expense
2 altogether. Therefore, in order to compete with
3 the fraudsters, they're faced with the choice of
4 cheating as well or watching their bottom line
5 dwindle to the point where they may be put out of
6 business.

7 What's more is that the pool of workers
8 covered by -- as the pool of workers covered by
9 insurance dwindles, upward pressure is put on the
10 premiums of those who purchase coverage. In
11 essence, it's a double blow to the contractors,
12 subcontractors, and others who are playing by the
13 rules. What it all adds up to is lost revenue for
14 the State, and these are businesses and citizens as
15 victims.

16 Currently, our law enforcement team is doing
17 everything it can to fight this problem, but we
18 believe it's going to take more. Fighting this
19 fraud necessitates a collaborative effort of all
20 affected parties to initiate change to stop another
21 billion dollars from being diverted from the
22 economy in Florida.

23 I know you all have been supplied some backup
24 information, but if anybody has any questions at
25 this point, I'll be happy to answer them.

1 CFO ATWATER: First, Major, thank you for what
2 you're doing. And also, I know that we had asked
3 him to join us today, Representative Dan Davis,
4 Daniel Davis from Jacksonville. I don't know if he
5 was able to make it or -- he was not able to make
6 it? He has been all over this as well.

7 And the suggestions have come up, and I want
8 everyone to know this as well. There are some rock
9 solid money service players, industry players in
10 Florida that are not participating in this, and
11 maybe if you could speak to that. You've gone
12 in -- when we go in in the aftermath of this to
13 look at the documentation, it usually excludes
14 certain players that are in the industry, I take
15 it. Again, that's what you've assured me. There
16 really -- I don't want everyone to be hit with the
17 same brush here. There are people who are doing it
18 right, and then there are players who are actually
19 participating.

20 MR. BRANCH: Absolutely, without question. As
21 in any business, there are perfectly legitimate
22 business operators that are serving a very
23 important purpose in the state. There are other
24 unscrupulous business owners who in fact have
25 chosen -- this is not a mistake. They've actually

1 chosen as part of their business plan to engage in
2 this type of activity because it's very lucrative.

3 ATTORNEY GENERAL BONDI: I have something when
4 you finish.

5 CFO ATWATER: I just would -- I wanted,
6 obviously, our team to be aware. And again, I want
7 to thank Commissioner Cardwell for his efforts on
8 this, because at some point -- again, as we know
9 with the upcoming session the effort to work on
10 solutions to the PIP fraud that's going on in
11 Florida, we're looking to bring together a work
12 group that could include the industry players who
13 can help guide us in what statutorily might need to
14 change, whether it's in the regulatory environment,
15 what can change.

16 But it's going to take a collection of
17 partners to come together from the trade
18 industries, the GC industry, again, those who are
19 the necessary vehicle for this fraud to take place,
20 which is a money service center, and be willing to
21 sit down and say, "Look, we will agree to these."
22 We can't allow this ripoff to continue. Too many
23 honest players can't get work, and honest workers
24 are out there without coverage, and it's just so
25 pervasive.

1 So I just want to say that any suggestions
2 that anyone might have about inclusion within that
3 work group, we would be very receptive so that when
4 we went back to our Legislature, which would be
5 obviously starting early in the fall, we could be
6 offering suggestions or trying to avoid the crash
7 at the end by not having everybody involved early.
8 But clearly, something has to happen.

9 ATTORNEY GENERAL BONDI: And, Governor and
10 Commissioner, just to review, I've read the -- if
11 anybody is interested, I have the entire grand jury
12 report on this issue from 2008.

13 And thank you for all of your hard work that
14 you're doing. The way these cases go through the
15 system -- and, CFO, thank you -- they come from
16 your office to prosecutors, and I know you're
17 dealing with 20 state attorneys throughout the
18 state.

19 My office, we only have multi-jurisdiction, of
20 course, if it's multiple counties involved. But
21 what I've done is, I've discussed this at length
22 with Nick Cox, my statewide prosecutor. And since
23 I've been in office, I think more than ever, we
24 have been cross-designated, which makes me very
25 proud, in a lot of state cases that are

1 complicated, and we've been working well with the
2 state attorneys.

3 So I would like to offer to you a statewide
4 prosecutor to work with you and help facilitate
5 communication, because, of course, these cases come
6 from you to the state attorneys. And we would be
7 more than happy to offer a statewide prosecutor.
8 And it may be my appointed one, Nick Cox himself,
9 because we've talked about this issue.

10 This is a tremendous problem in our state.
11 These guys are sophisticated. These are
12 complicated cases. And we would be glad to help in
13 any way we can. Whether or not we actually have
14 the ability to prosecute the case, we can direct
15 you to the appropriate person and perhaps get
16 cross-designated.

17 MR. ASKINS: Thank you very much.

18 MR. BRANCH: And I'll add that your office,
19 the Office of Statewide Prosecution, has been at
20 the forefront of prosecuting these very cases, and
21 we really have a template as part of working with
22 your office in putting this together.

23 CFO ATWATER: Governor, that's really -- I
24 wanted to start off by thanking General Bondi. I
25 need to finish by thanking General Bondi. The

1 seriousness with which they have taken this, when
2 there are so many higher profile matters, that you
3 have really given this so much support and
4 attention, and the support that you've offered
5 really has been invaluable. We're excited about
6 trying to bring some solutions to cutting off this
7 scheme without harming, again, the business models
8 of the honest player that's out there, that
9 unfortunately part of their industry is
10 participating in.

11 ATTORNEY GENERAL BONDI: But it's so
12 frustrating being a prosecutor, because you look at
13 these schemes, and they're always trying to beat
14 the system, and they're always coming up with new
15 ways to beat you. But you've been on top of them.
16 Thank you.

17 GOVERNOR SCOTT: And, CFO, we need to tell
18 people they can get this out of your office; right?

19 CFO ATWATER: We do. And we were thinking
20 that we would have the technology nailed today, so
21 our apology. It's just how the scheme works. And
22 thank you for the suggestion, Governor. I've asked
23 our team to go make copies for the press, and
24 anything else about it that we've covered today so
25 that the press could have seen it and held that in

1 their hand.

2 GOVERNOR SCOTT: But if anybody wants to see
3 it, they can get a copy out of your office?

4 CFO ATWATER: We have it in our office, right.
5 Thank you, Governor.

6 And I know -- again, if Commissioner Cardwell
7 might offer us some wisdom in going after --

8 MR. CARDWELL: Wisdom and hard work. This is
9 a serious problem. Our staffs, between your
10 office, CFO Atwater, and ours have been working on
11 this very hard. There is a great amount of
12 cooperation. A series of new ideas are being
13 developed to work on this.

14 I can assure you personally that in the
15 remaining balance of my tenure, this will have my
16 maximum attention, and I will certainly thoroughly
17 brief Commissioner Grady on the issues and on the
18 background and get him fully up to speed to deal
19 with it.

20 And at the end of it, this is the type of
21 problem that will require a cooperative effort from
22 everybody to do it, from the regulators, from the
23 legislative branch, from law enforcement, and I
24 think from industry. So I think your idea of
25 putting together a work group to address it is

1 really the only way that you're going to
2 comprehensively do it, because as Attorney General
3 Bondi has said, these people are very talented at
4 finding ways and crevices within the system, and it
5 is only by working together that we will address
6 this thoroughly. And so as I say, it has my full
7 attention, and I'm sure Commissioner Grady's.

8 GOVERNOR SCOTT: Thank very much. CFO
9 Atwater, thank you very much for organizing this
10 and getting the information out.

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1 GOVERNOR SCOTT: All right. The next agenda
2 is the Financial Services Commission, Office of
3 Insurance Regulation, presented by Kevin McCarty.
4 Good morning.

5 MR. McCARTY: Good morning, Governor and
6 members of the Commission.

7 Agenda Item Number 1 is approval of the
8 minutes from the Financial Commission on June 16,
9 2011.

10 GOVERNOR SCOTT: Is there a motion to approve
11 Item 1?

12 ATTORNEY GENERAL BONDI: Move to approve.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Moved and seconded. Item 1
16 is approved without objection.

17 MR. McCARTY: Agenda Item Number 2 is approval
18 of appointments to the Florida Workers'
19 Compensation Joint Underwriting Board of Governors.

20 GOVERNOR SCOTT: Commissioner Putnam.

21 COMMISSIONER PUTNAM: Governor, from the list
22 of nominees that were provided, I move that we
23 appoint Dan Dannenhauer, Thomas Koval, Brett
24 Stiegel, James Ward, Steve Solomon, Claude Revels,
25 Charlie Clary, and that Charlie Clary serve as

1 chair.

2 GOVERNOR SCOTT: All right. Are there any
3 questions or any other comments? All in favor say
4 aye.

5 (Simultaneous affirmative responses.)

6 GOVERNOR SCOTT: Anyone opposed?

7 Show the appointments approved without
8 objection. Thank everybody for their willingness
9 to serve.

10 MR. McCARTY: Thank you, Governor and members
11 of the Commission.

12 GOVERNOR SCOTT: Thank you very much.

13 CFO ATWATER: Governor, may I ask a question?

14 GOVERNOR SCOTT: ,Sure.

15 CFO ATWATER: Commissioner, sorry to catch you
16 up on this. A couple of things are obviously, I
17 think, on our mind. There's a tropical disturbance
18 out there that we're all watching now on the east.

19 But this past week, the Citizens board took a
20 vote on rate increases regarding sinkhole coverage,
21 and I wonder if you just might give us the benefit
22 -- I understand the objective of the Legislature
23 when they went to really go after what was creating
24 so many of the claims. And you have spoken about
25 this before, that there are honest sinkhole claims,

1 and then there has been somewhat of a manufacturing
2 of sinkhole claims that have come in. In fact,
3 it's been very detrimental to the private market.
4 Capital has departed. Players have departed, and
5 it may have hastened the demise of others.

6 And I don't know if I could -- you may not
7 wish to speculate on that, but clearly, this has
8 been devastating to us. But again, there is the
9 reality, and there are mortgage players who want
10 sinkhole coverage.

11 Now that many of those issues in the
12 legislation was dealt with to go after. Repairs
13 have to be made, only so much of a commission for
14 someone who is helping navigate the process, being
15 the public adjusters' compensation. There are many
16 things that were dealt with in the legislation.
17 One of those pieces was to take off the glide path
18 on Citizens' rates unique to sinkholes.

19 And we're now seeing what those numbers look
20 like, and again, all understanding the long-term
21 objective that any player needs to be actuarially
22 sound in this business, including the one the State
23 is guiding in the JUA environment.

24 I don't know how many may have been taken by
25 surprise by the extent of the increase that came

1 immediately with removing the cap. I think
2 everyone is going to be sensitive to how does a
3 Floridian go from paying, let's say -- I'm going to
4 just use a number -- 350, 450 a year, hundred
5 dollars, to 3,000 to \$4,000 a year.

6 So just two questions for you from your
7 interpretation at the moment. You haven't seen the
8 filing, I take it. It's not --

9 MR. McCARTY: That's correct.

10 CFO ATWATER: Okay. So is -- you probably,
11 though, have seen the legislation or had a chance
12 to get familiar with the legislation. Did the
13 legislation offer Citizens any choice, or was it
14 clear that this is the action that they were
15 instructed to take?

16 And secondly, can you offer us guidance as to
17 the process that you go through to review that, and
18 are you offering any flexibility, or would any
19 flexibility have to come legislatively? In other
20 words, I'm referring to the sense of the glide path
21 again or the easing in or -- my sense is that there
22 will be market -- there will be a valuable market
23 change because the legislation went after the
24 fraud, but there's not a chance for that to act
25 yet.

1 The rate, I guess, had to be done based upon
2 experience, so all the good in the legislation has
3 not had a chance to be baked in of what has
4 historically happened. So you saw something that's
5 offering relief to possibly future escalation, but
6 at the moment, when the cap comes off immediately,
7 none of us, I don't think, would have maybe
8 foreseen the magnitude of that increase.

9 So did Citizens or does Citizens have an
10 option, based upon how the legislation reads, and
11 how will -- do you have any options as you approach
12 looking at that, if you believe that those are to
13 be a sound actuarially done rate filing, that you
14 have on easing those rates in?

15 Sorry for the long question.

16 MR. McCARTY: That's quite all right. And I
17 appreciate your prefacing it with we have not
18 received the rate filings.

19 CFO ATWATER: Right.

20 MR. McCARTY: So just based upon the
21 information that we received and the information
22 disclosed by Citizens, their rate filing is
23 predicated on past experience. They did not
24 contemplate, in my belief -- like I said, I haven't
25 seen the filing -- the anticipated cost savings

1 generated by the passage of the new legislation,
2 and I think it's important to touch upon that.

3 I think the Legislature struck a very
4 important balance about ensuring the availability
5 of coverage and making sure that the citizens, the
6 people of Florida, have the option of purchasing
7 this coverage. But at the same time, in
8 recognition, as we've seen from the Senate Banking
9 and Insurance Report and our study that we've done,
10 Citizens only collected a small fraction of premium
11 relative to what they were paying out, so we knew
12 from that that there was going to be a significant
13 increase. Whether that increase is supported by
14 the evidence is yet to be seen.

15 We certainly have a process that we will go
16 through to review that filing. I think part of the
17 things that we have to take into account is what
18 impact the future rates will be. We can't base
19 future rates based upon past losses, especially
20 when you have intervening legislation which will
21 stop the bleeding, which is what the Legislature
22 intended to do.

23 And you touched upon a couple of very
24 important points. One is fix and repair. A
25 considerable amount of the cash that was going into

1 the system was actually being pocketed by
2 policyholders. We have evidence of one company
3 that 72 percent of the money was not used to fix
4 and repair the home. So right away, we're seeing
5 some leakage in the system that's being addressed.

6 Throwing out some of the other cost drivers
7 and some of the fraud that's in the system that the
8 Legislature had put together I think is an
9 appropriate framework to addressing some of the
10 fraud, to reduce the frequency of the claims being
11 made in the system. And I think those need to be
12 taken into consideration as we analyze and review
13 the potential rate increase.

14 This is not to diminish the fact that rates
15 will probably be a relatively significant increase.
16 I would anticipate that because Citizens' rates
17 have been capped, that suppression of that rate
18 need has not been addressed on an annual basis. So
19 there has been a suppression, and releasing that
20 cap, of course, is going to have upward pressure on
21 rates. But we will do that in the context of the
22 modifications based upon the implications of the
23 passage of the legislation by the Legislature.

24 CFO ATWATER: So could Citizens have taken
25 into account the benefits of -- or did they, or did

1 they only have the option of using historical
2 experience, and when the cap came off, had to base
3 their rate specifically on experience and could not
4 have based the ratemaking on the benefits of the
5 legislation?

6 MR. McCARTY: From the information that I
7 received, and I don't want to speak on behalf of
8 Citizens, they based it upon their past losses, and
9 they simply took it into consideration, which have
10 been very substantial.

11 CFO ATWATER: They have. But by law, could
12 they have taken into consideration the value of the
13 change and had that place an impact on the
14 ratemaking?

15 MR. McCARTY: Well, under the law, insurance
16 companies do have the opportunity of phasing in.
17 They can make a rate filing and suggest a rate
18 phase-in. I believe that might have been an option
19 they could exercise.

20 They also have a fiduciary responsibility to
21 the board to ensure that their rates are adequate
22 and that they have collected sufficient premium,
23 because the policies are assessable to all the
24 policyholders in Florida. So I think, you know,
25 there's a tension between affordability and their

1 responsibility for -- fiduciary responsibility as
2 board members.

3 CFO ATWATER: So the law would have provided
4 even for Citizens to have phased in? That law that
5 was passed did not require that it had to go
6 immediately all at once, all-in?

7 MR. McCARTY: I think that there is built into
8 the statutory framework some discretion by
9 insurance companies, including Citizens.

10 CFO ATWATER: Would it be the common exercise
11 of your role and of your departments that you would
12 apply that in responding to a rate filing, even if
13 the filer had not offered that as an option?

14 MR. McCARTY: We generally work with insurance
15 companies when we see significant rate need that's
16 justified by the company. We generally try to work
17 with companies to try to phase those in if that is
18 something that's reasonable. It is ultimately up
19 to the company.

20 If the rate increase is supported by the
21 actuarial justification in accordance with
22 actuarial principles in Florida law, it is my
23 obligation to approve it. I work with the company
24 to take into consideration affordability factors,
25 but that is not a discretion issue of the

1 Department. I do not have the authority to limit a
2 rate increase that is the justified by Florida law
3 and actuarial principles.

4 I would like to say, though, that we do need
5 to give credit to the Legislature for taking some
6 very, very important steps to rein in the cost of
7 the elimination of cracks in the driveway, trying
8 to address the real need, because we do have
9 sinkholes in Florida, and that's a fact,
10 differentiating between those sinkholes that are
11 specious claims and those that are genuine claims.

12 And I think one of the things that we have to
13 ferret out through this process and the rate
14 process, the rate review process, is what credit do
15 we give towards the historical losses and
16 prospective losses based upon the relief from
17 Senate Bill 408.

18 CFO ATWATER: I think on that point, we're on
19 the same page. The Legislature had to act.
20 Capital was fleeing. It was fraud. It was
21 significant fraud, and that fraud was running up
22 everybody's price. With or without a glide path,
23 it was going to run that up. Like the previous
24 conversation we just had on workers' comp, they had
25 to boldly act on beating that back, and they did.

1 And I think the question is that all of us who
2 would be looking at now whether or not those
3 residents within that geography, that where
4 benefits will begin to immediately express
5 themselves by how the fraud will be diminished,
6 would certainly like to benefit from that in the
7 ratemaking versus that just rocketing out of sight
8 and not taking into consideration that there are
9 benefits to the legislation that will beat down the
10 fraud, and there will not be the experience, we
11 believe, in the future, and that you have the
12 ability to take that into account, as well as even
13 sitting down with a filer and phasing in a change
14 that has to occur. Is that correct?

15 MR. McCARTY: That is correct. Through the
16 process of reviewing the rate filing, the Office
17 will certainly take into consideration the effects
18 and impact that the legislation will have.

19 Remember, rates are built prospectively, not
20 retrospectively. While the past historical
21 experience is informing to us in terms of future
22 perspective, there is an intervening event, which
23 is the legislation, and so the rates prospectively
24 will take into consideration the impacts of the
25 legislative change.

1 CFO ATWATER: And I just don't see the
2 evidence in the announcement that Citizens took
3 into consideration the benefits that are coming
4 with the legislation, and it seemed to be an
5 expression that we dealt with our experience.

6 MR. McCARTY: That will be handled in the
7 review process.

8 CFO ATWATER: I hope that it will.

9 MR. McCARTY: I will be vigilant in that
10 regard.

11 CFO ATWATER: Thank you.

12 GOVERNOR SCOTT: Can I ask one other question?
13 Do you know the numbers of what Citizens took in in
14 sinkhole premiums in 2010 versus what they paid
15 out?

16 MR. McCARTY: I have those numbers, Governor,
17 but I don't recall those numbers. It's striking.
18 The intake was a small fraction of what they paid
19 out.

20 GOVERNOR SCOTT: And that has gone on for year
21 after year; right?

22 MR. McCARTY: Well, as companies have found it
23 challenging to meet the demand, particularly in
24 Sinkhole Alley, Citizens is the market of last
25 resort, and in many cases, the only resort with

1 regard to that.

2 And one of the things we have to take into
3 consideration is that there's a lot of, as the CFO
4 has mentioned, fleeing of capital. And in response
5 to that, Citizens has taken that up. But
6 unfortunately, during that same time period, there
7 was a cap on the rates they could charge, so they
8 were not generating the necessary premium to pay
9 the claims commensurate with the increased
10 frequency.

11 GOVERNOR SCOTT: All right. Thank you very
12 much.

13 MR. McCARTY: Thank you, Governor and members
14 of the Commission.

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1 GOVERNOR SCOTT: All right. The next agenda
2 is the Department of Veterans' Affairs presented by
3 Jim Brodie. Good morning.

4 MR. BRODIE: Good morning, Governor.

5 ATTORNEY GENERAL BONDI: Good morning.

6 MR. BRODIE: The Department of Veterans
7 Affairs has two items for consideration. Item
8 Number 1 is the minutes of the meeting of May 17th.
9 We respectfully request approval.

10 GOVERNOR SCOTT: Is there a motion on Item 1?

11 COMMISSIONER PUTNAM: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 ATTORNEY GENERAL BONDI: Second.

14 GOVERNOR SCOTT: Moved and seconded. Show
15 Item 1 approved without objection.

16 MR. BRODIE: Thank you. We request withdrawal
17 of Item 2 on the agenda.

18 GOVERNOR SCOTT: Okay. Is there a motion to
19 withdraw Item 2?

20 CFO ATWATER: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 ATTORNEY GENERAL BONDI: Second.

23 GOVERNOR SCOTT: Moved and seconded. Show
24 Item 2 withdrawn without objection. Thank you very
25 much.

1 GOVERNOR SCOTT: The next agenda is the
2 Department of Highway Safety and Motor Vehicles
3 presented by Julie Jones. Good morning.

4 MS. JONES: Good morning, Governor and Cabinet
5 members. Today I have two agenda items for your
6 consideration and approval.

7 We respectfully request approval for the
8 minutes from the June 16, 2011 Cabinet meeting.

9 GOVERNOR SCOTT: Is there a motion on Item 1?

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 CFO ATWATER: Second.

13 GOVERNOR SCOTT: Moved and seconded. Item 1
14 is approved without objection.

15 MS. JONES: Thank you. Item 2, we
16 respectfully request approval for proposed
17 rulemaking for Rule 15C-18, which relates to the
18 electronic filing system used by car dealers to
19 title and register cars. The proposed rule
20 amendment modifies the application form to become
21 an electronic file system agent.

22 The change allows tax collectors to sign the
23 dealer application form allowing dealers to process
24 title and registration work in the receiving tax
25 collector's county as opposed to the county where

1 the actual car dealer resides. This streamlines
2 the car dealer's business process and creates
3 efficiencies in the work flow. This also changes
4 the form itself.

5 COMMISSIONER PUTNAM: So moved.

6 GOVERNOR SCOTT: Is there a second?

7 ATTORNEY GENERAL BONDI: Second.

8 GOVERNOR SCOTT: Moved and seconded. Show
9 Item 2 approved without objection.

10 MS. JONES: Thank you. And as always, thank
11 you for the support for the Department.

12 GOVERNOR SCOTT: All right. Thanks.

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1 GOVERNOR SCOTT: Okay. The next agenda is the
2 Administration Commission presented by Phillip
3 Miller.

4 MR. MILLER: Good morning, Governor and
5 members of the Commission. We have one item on the
6 Administration Commission's agenda.

7 Item 1 is the Division of Administrative
8 Hearings 37th annual report and the fiscal year
9 2010-2011 annual performance contract. Director
10 and Chief Judge Robert Cohen will present
11 highlights of the report and the performance
12 contract. Judge Cohen.

13 JUDGE COHEN: Good morning, Governor and
14 members.

15 GOVERNOR SCOTT: Good morning.

16 JUDGE COHEN: I'm excited to be here this
17 morning, my first appearance here with the new
18 Governor and Cabinet, the new Cabinet, not any
19 Governor and Cabinet. But I'll tell you briefly a
20 little bit about us for those who aren't as
21 familiar.

22 In 1975 the Division of Administrative
23 Hearings was created, and we became one of the very
24 few at the time central panels of administrative
25 law judges, meaning our judges are independent of

1 the agencies whose cases we adjudicate. It gives
2 us an independence that, like the state judiciary
3 has, although we're part of the executive branch,
4 but it gives us an independence and a confidence by
5 the public that the judge they have on their case
6 is someone who is not tied to the agency.

7 So when the private sector does business with
8 the State, whether it's bid protests, whether
9 they're challenges to rules of the agencies,
10 professional licensure issues, insurance rate
11 cases, workers' comp coverage cases, agricultural
12 bond cases, whatever the type of action may be that
13 is brought by a member of the public against an
14 agency, there is appointed an independent judge who
15 hears the case and makes a fair adjudication of the
16 case and a recommendation to the agency as to how
17 the case should be disposed of.

18 In 2001 the Legislature moved the workers'
19 comp appeals program over to us, under our
20 umbrella. Since that time, that means we brought
21 in 32 judges of compensation claims who hear all
22 the workers' comp claims. If a person is injured
23 on the job and they're not given the opportunity or
24 they're not provided the health care benefits that
25 they need to get healed up and back on the job,

1 they have the right to appeal. That ultimately
2 goes to mediation, and then if they don't resolve
3 it at mediation, it goes to a workers' comp judge,
4 who adjudicates the case and determines what
5 benefits, if any, are owing.

6 In 2003 the Legislature ratcheted down the
7 attorney's fees for a lot of workers' comp claims,
8 and that in turn ratcheted down the numbers of
9 cases that we received through that program. At
10 that time, we had well over 100,000 petitions filed
11 every year. We're currently at about 67,000
12 petitions. So that 2003 change to the legislation,
13 Chapter 440, the workers' comp law, really did have
14 a positive effect on the adjudication of those
15 disputes. The simple medical-only cases got
16 handled quickly. Attorney's fees were limited, and
17 the cases didn't come to us. The cases that came
18 were the more complex ones that needed expert
19 testimony and needed more adjudication.

20 Our biggest initiative this past year was
21 getting through the Legislature, as part of the
22 statewide electronic filing through the court
23 system -- we now have a mandatory electronic filing
24 system for all our pleadings with the Division of
25 Administrative Hearings. This means that from

1 anywhere, you can file electronically, no more
2 courier services, no more overnight mail, no more
3 driving down to the courthouse to file the papers.
4 It all is done electronically from any computer.
5 It has been great. We've had a voluntary system
6 now for seven or eight years. It has -- even with
7 the voluntary system, it has saved us hundreds of
8 thousands of dollars internally, which has allowed
9 us to accept budget cuts every year.

10 In terms of our other work, in addition to the
11 cases we hear from state agencies, we also have the
12 legal right to contract with state and local
13 governments, or local governments, such as we
14 contract with counties, and we contract with every
15 school district in the state, providing services,
16 adjudicatory services. They pay us on an hourly
17 basis. That helps offset the money that agencies
18 have to pay for using our services.

19 We had an increase again this year in agency
20 referrals. Our case load went up 8 percent this
21 past year. It has had a steady increase for the
22 last five or six years. At the same time, we have
23 had some cuts to our budget. We've been able to
24 absorb those cuts. We've been able to continue to
25 do what we do, and we have been able to provide the

1 level of service that we've provided since the
2 beginning of our agency.

3 We work closely with the Statewide Nominating
4 Commission for Judges of Compensation Claims. We
5 provide them statistical data so that when their
6 judges are recommended for reappointment by the
7 Governor, those judges are evaluated on the basis
8 of their actual performance and not just on whether
9 they're good guys and gals and everybody likes them
10 and writes them good letters of recommendation.
11 There are actually true performance standards in
12 terms of getting the cases to hearing and getting
13 the final orders issued within 30 days of the
14 hearing being held.

15 We have gone through the rulemaking process.
16 We have streamlined our rules. We went through
17 that in 2010. We had an amendment to the workers'
18 comp rules, which once again made those rules very
19 user friendly, understandable by the public, and
20 took out of the rules those areas that are already
21 in the statute and didn't need to be there.

22 We continue to work around the state with our
23 physical plants. We have workers' comp offices
24 where judges sit hearing cases in 17 locations
25 outside of Tallahassee. We have gone each year to

1 our landlords, to our -- to the folks who control
2 the space and have actually looked and found ways
3 to decrease the amount of our rents almost on an
4 annual basis now, to extend leases, to get rent
5 concessions, to go to new space and build out those
6 new spaces to save money so that we can work within
7 our budget and provide -- but still provide our
8 quality performance.

9 Our performance standards, some of our
10 standards we've fallen short on, and those are in
11 terms of getting cases scheduled. There are some
12 standards relating to scheduling cases within 90
13 days of our receipt.

14 However, the most important standard that we
15 have hit every year since our performance standards
16 were put in place is getting cases through the
17 system. We have a standard of 77 percent of all
18 cases that are supposed to go through within 120
19 days of filing. Last year -- well, the fiscal year
20 that is considered in the annual report which was
21 issued back in February, we hit 80 percent on that.
22 The fiscal year that just ended on June 30, we
23 actually hit 92 percent of cases from start to
24 finish, 120 days through our system.

25 That doesn't mean there aren't some cases out

1 there that are complex, where the parties need
2 additional discovery time, where the cases
3 themselves last several weeks of hearing. But all
4 in all, when you compare what we're able to do with
5 what happens in state court, where even a small
6 claims action takes 90 to 120 days, we're getting
7 complex cases, professional licensure matters,
8 through the system in a quick and economical way.

9 And really, I think that is the one thing for
10 which we are most proud, that we keep the system
11 going. We keep Florida business going in terms of
12 if you have a problem with an agency, if you want a
13 hearing, if you want a hearing quickly, you'll get
14 a hearing quickly. If you need more time, we'll
15 give it to you. But if you say, "We need a hearing
16 in 30 or 45 days," a judge will be assigned to hear
17 that case in 30 or 45 days and issue an order
18 within a reasonable time after a transcript is
19 received.

20 We have -- on the workers' comp side of it, we
21 have improved on every category. 83 percent of the
22 petitions were closed within the statutory time
23 frame. We're given by the Legislature a standard
24 of 67 percent, but we've blown through that
25 standard for the last several years. The time to

1 final order, 84 percent of all final orders come
2 out within 30 days of the final hearing concluding
3 in a workers' comp case, and that's pretty quick.

4 Our judges write their own orders. We don't
5 have law clerks. We don't have staff attorneys.
6 We don't have research aides, although we do have a
7 few externs that rotate through our program. So
8 the judges sit down, they do the research, they
9 write the orders, and for the most part type the
10 orders themselves too because of efficiencies in
11 our staffing.

12 We have been recognized by various
13 organizations. We've received many Davis
14 Productivity Awards for our implementation of
15 electronic filing, for the use of our -- for our
16 website, for the use of filing -- working with the
17 District Court of Appeal in converting them over to
18 electronic transmittal of records on appeal, and we
19 have been constantly recognized for that.

20 We have an amazing group of people I work
21 with, the groups of judges, our staff, our budget
22 director, our human resources people. They are all
23 long-term employees of the Division. And it's --
24 I'm certainly here to answer any of your questions,
25 but I am honored to serve in this position, and I

1 hope to continue to serve in the position and ask
2 for your favorable consideration of our annual
3 report and my performance contract.

4 GOVERNOR SCOTT: Thank you very for the
5 report, and thank you very much for your
6 presentation today.

7 Are there any questions anybody has, any
8 comments?

9 Thank you very much, and thanks for all your
10 hard work. I know it's always hard when your
11 budget gets cut every year, but thanks a lot.

12 JUDGE COHEN: Thank you, Governor.

13 GOVERNOR SCOTT: So is there a motion on
14 Item 1?

15 CFO ATWATER: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 ATTORNEY GENERAL BONDI: Second.

18 GOVERNOR SCOTT: Moved and seconded. Show
19 Item 1 approved without objection.

20 JUDGE COHEN: Thank you, Governor.

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1 GOVERNOR SCOTT: Okay. The next agenda is the
2 Florida Land and Water Adjudicatory Commission
3 presented by Phillip Miller.

4 MR. MILLER: Thank you. We have three items
5 on the agenda for the Florida Land and Water
6 Adjudicatory Commission.

7 Item 1 is the minutes of the June 16, 2011
8 meeting.

9 GOVERNOR SCOTT: Is there a motion on Item 1?

10 ATTORNEY GENERAL BONDI: So moved.

11 GOVERNOR SCOTT: Second?

12 CFO ATWATER: Second.

13 GOVERNOR SCOTT: Moved and seconded. Show
14 Item 1 approved without objection.

15 MR. MILLER: Thank you. Item 2 relates to a
16 petition to merge the Main Street Community
17 Development District and the Rivers Edge Community
18 Development District in St. Johns County.

19 The Commission previously considered the
20 petition for merger through an amendment of Rule
21 42FFF-1.002, Florida Administrative Code, at the
22 May 3, 2011 Cabinet meeting. At that time, the
23 Commission granted staff authorization to begin
24 rulemaking to provide for the merger of the two
25 districts. The appropriate rule amendment notices

1 were published. No public hearings were requested,
2 and no public comments were received in response to
3 those notices.

4 At this point, the rule amendment noticing and
5 rule review requirements have concluded. No
6 objections to the petition have been received. The
7 item is being brought back before the Commission
8 for approval and authorization to file a rule
9 certification package finalizing the amendment of
10 Rule 42FFF-1.002, Florida Administrative Code, for
11 adoption.

12 We have the district's legal representative,
13 Tucker Mackie, available for any questions.

14 GOVERNOR SCOTT: Are there any questions?
15 Okay. Is there a motion on Item 2?

16 CFO ATWATER: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 ATTORNEY GENERAL BONDI: Second.

19 GOVERNOR SCOTT: Moved and seconded. Show
20 Item 2 approved without objection. Thank you.

21 MR. MILLER: Thank you. Item 3 is our final
22 item today. This item is before the Commission for
23 final action in response to a Recommended Order
24 issued by the Division of Administrative Hearings
25 addressing an appeal of Flagler County's denial of

1 certain amendments to the Hammock Dunes Development
2 of Regional Impact Development Order.

3 The parties in the proceeding are petitioners,
4 Ginn-LA Marina, Northshore Hammock, and Northshore
5 Ocean Hammock Investment; the respondent is Flagler
6 County; and there are a number of intervenors,
7 Ocean Hammock Property Owners Association, the
8 Hammock Beach Club Condominium Association, Michael
9 M. Hewson, and the Admiral Corporation.

10 As background, Flagler County approved the
11 Hammock Dunes Development of Regional Impact,
12 commonly referred to as a DRI, in March of 1984.
13 The DRI consists of 2,258 acres of land. The DRI
14 Development Order entitled the developer to
15 construct a maximum of 6,670 dwelling units and
16 related commercial, institutional, recreational,
17 and other uses in 42 separate geographical areas
18 referred to as clusters. These clusters covered
19 893 acres. The property is located in Flagler
20 County adjacent to the Atlantic Ocean with
21 approximately five miles of beach bordering the
22 DRI.

23 The Hammock Dunes DRI Development Order has
24 been amended several times over the past 26 years.
25 The most recent proposed amendment was through a

1 notice of proposed change submitted by the
2 petitioners. The notice of proposed change seeks
3 to extend the DRI buildout date for three years;
4 reduce the number of approved dwelling units in the
5 DRI; create a new residential Cluster 35 within the
6 DRI boundaries and reallocate previously approved,
7 but unbuilt, dwelling units from other clusters to
8 the new Cluster 35; to agree to a further planned
9 unit development-like review process before
10 development permits would be issued; and to realign
11 a roadway.

12 The legal process in this matter has been
13 quite involved, and the Commission's legal counsel,
14 Mary Thomas, will provide an overview of the legal
15 proceedings for you.

16 GOVERNOR SCOTT: Good morning.

17 MS. THOMAS: Good morning. The matter comes
18 before us from the petitioners' appeal of Flagler
19 County's denial of certain parts of the
20 petitioners' notice of proposed change to a DRI
21 Development Order which was filed with the County
22 in 2009. The County denied the portion of the NOPC
23 which sought to create a new residential cluster
24 and transfer 561 units to that cluster. The County
25 granted the remainder of the NOPC.

1 The petitioners filed a petition with the
2 Commission challenging the County's decision, and
3 the Commission referred the matter to an
4 administrative law judge so that a final hearing
5 could be conducted. In December of 2010, the ALJ
6 rendered a Recommended Order upholding the County's
7 decision to deny the portion of the NOPC which
8 sought to create a new residential cluster and
9 transfer units to that cluster. The ALJ also
10 upheld the County's decision to grant the remainder
11 of the NOPC. In the Recommended Order, the ALJ
12 found that the County's denial of a portion of the
13 NOPC was proper, as the requested changes were
14 contrary to the County's Comprehensive Plan, the
15 Land Development Code, and specific provisions of
16 the DRI Development Order.

17 After a thorough review of the Recommended
18 Order, the exceptions thereto, the responses to the
19 exceptions, and the record, staff recommends that
20 the administrative law judge's Recommended Order be
21 upheld. The Draft Final Order which you have
22 before you today recommends upholding the
23 administrative law judge's Recommended Order.

24 In closing, I would like to remind you and the
25 parties that this proceeding is governed by the

1 facts in the record.

2 Thank you.

3 GOVERNOR SCOTT: Thank you very much.

4 MR. MILLER: We have a number individuals
5 wishing to give remarks on this item. The speakers
6 have agreed to a time limit of 15 minutes per side.
7 We have two speakers not supporting the draft Final
8 Order. First we have Mr. Ken Wright representing
9 the petitioners.

10 MR. WRIGHT: Governor and members of the
11 Cabinet, my name is Ken Wright. I'm with the law
12 firm of Shutts & Bowen. I'm located in the Orlando
13 office, and I am here representing the petitioner.

14 I would agree with most aspects of the history
15 that has been presented to you, with the exception
16 that, and it's very important, the request was up
17 to 561 units. The fact of the matter is, and the
18 reason why the administrative law judge's
19 Recommended Order and the Proposed Final Order that
20 you have in front of you is flawed is that the
21 hearing officer, the administrative law judge made
22 findings of fact that didn't exist. The reasons
23 that he found that we were incompatible with the
24 various codes of the County was because of such
25 factors as the size of the building, the height of

1 the building, the obstruction of waterfront views.

2 And, Governor and members of the Cabinet, no
3 one in this room knows what that building looks
4 like. It hasn't been designed. The process was a
5 notice of proposed change to simply allow the
6 Development Order to be changed to allocate up to a
7 certain number of units to this newly created
8 cluster, at which time subsequently my client would
9 go through the deserved processes of being able to
10 have a site plan review. I would submit that the
11 site plan might dictate that that site might not
12 accommodate 100 units. It might be 200 units.
13 What it was to be built as, look like, had not been
14 determined.

15 I stand here before you suggesting that that
16 judge's opinion is indeed wrong, and you are the
17 remedy to that wrong. And I know I've got a hurdle
18 to overcome. I know what it's like, whether it's
19 the Cabinet or a water management district, to be
20 faced with a Recommended Order against your
21 position. And I know you've been briefed, and I
22 know the pressures that are upon you to, as most
23 collegial bodies do, go along with the Recommended
24 Order.

25 But you're the remedy. You can change this.

1 By granting our petition and upholding our right to
2 the NOPC, not one shovel will be turned. No
3 prejudices are going to be borne. It simply sends
4 us back to the County with the ability to go
5 through the process and have the site plan review
6 and have someone look at our project based on facts
7 rather than having facts created.

8 Now, Mr. Flowers is going to probably speak,
9 and I'm sure there are wonderful legal arguments
10 that can be made, and you've heard them, supporting
11 the order that you have before you. But, General,
12 as I'm sure you're aware, you can make great legal
13 arguments on bad facts. And as the last speaker
14 said, I know these judges work hard, and they work
15 efficiently. But good, hard-working judges still
16 render wrong decisions, and that's why we have
17 appeal courts, and that's why you're here.

18 One of the earlier speakers said capital goes
19 where it's treated well. How is capital treated
20 badly? A hearing before a County Commission where
21 the processes are abbreviated, denials are handed
22 out, appeals are put forward, recommended orders
23 from hearing officers are accepted, and a
24 \$50 million project doesn't occur.

25 We don't have people here in blue shirts. The

1 300 employees of my client aren't here. The
2 300-plus employees that would benefit from a
3 \$50 million investment in a county with 14.5
4 percent official unemployment aren't here. The
5 masons aren't here. The electricians aren't here.
6 All the people that work steel, landscaping,
7 they're not here, because they're not employed yet.
8 This is how capital is treated badly. You have an
9 opportunity to treat capital well.

10 My client is here and wishes to make a couple
11 of comments, and I will tender him the balance of
12 my time.

13 GOVERNOR SCOTT: Thank you.

14 MR. FAUCETT: Governor, members of the
15 Cabinet, my name is Neill Faucett, and I work for
16 Lubert-Adler Real Estate Investment Funds. We have
17 \$15 billion invested in assets throughout the
18 United States, including \$750 million invested in
19 Florida. We have \$2.5 billion in our current fund
20 to invest.

21 We are business people. We invest money in
22 areas of the United States that are pro-business.
23 For example, this month we're investing
24 \$150 million in the State of Texas, where we were
25 welcomed. Recently I met with Governor Nikki

1 Haley, the new Governor of South Carolina, who
2 encouraged us to continue to invest in her state,
3 and we intend to do that.

4 I am here to make a simple request, that you
5 send us back to Flagler County to present a plan
6 and work this out. Don't reject us before we've
7 had a chance to present a plan.

8 The reason for this request is that we are
9 prepared to invest another 50 or \$60 million in
10 order to ensure the long-term viability of this
11 resort. We currently employ 460 people. The new
12 investment will produce another 300 permanent jobs
13 in addition to 300 construction jobs. We currently
14 spend \$41 million in the county, and after this new
15 investment, we will spend approximately \$65 million
16 annually.

17 In conclusion, I just want to say to you,
18 Governor and members of the Cabinet, we want to
19 invest this money in Florida rather than other
20 states because the benefits of economic development
21 are critically needed here. Don't send us away to
22 invest this money in other states until we at least
23 have the opportunity to present a plan.

24 Thank you very much.

25 GOVERNOR SCOTT: Thank you.

1 MR. MILLER: We have six speakers that are in
2 support of the Draft Final Order. Our first
3 speaker is Mr. Wayne Flowers representing Flagler
4 County.

5 MR. FLOWERS: Good morning, Governor Scott,
6 Attorney General Bondi, CFO Atwater, and
7 Commissioner Putnam. My name is Wayne Flowers.
8 I'm a shareholder with the law firm of Lewis,
9 Longman & Walker in its Jacksonville office, and I
10 have the pleasure and privilege of representing
11 Flagler County in this proceeding.

12 We support the staff's Proposed Final Order.
13 We believe that it deals correctly and
14 appropriately with the issues that were raised in
15 the exceptions filed by the petitioners here. And
16 we believe ultimately it correctly and
17 appropriately resolves the entire matter that is
18 raised in the appeal.

19 Because the Final Order that has been
20 recommended to you we believe appropriately
21 resolves all of those issues, I'm not going to
22 spend a lot of time on the legal arguments,
23 contrary to what Mr. Wright might have suggested to
24 you. We do believe that the record fully supports
25 all of the findings that are made in that

1 Recommended Order and in the Final Order
2 recommended by your staff.

3 We're going to present a few speakers who are
4 going to speak to some of the issues that you heard
5 earlier here. First you'll hear from Flagler
6 County Commissioner Melissa Holland. She has
7 served the County as an elected county commissioner
8 since 2006, and she represents the district in
9 which the Hammock Dunes DRI is located. Among the
10 many boards and other commissions that she serves
11 on, she serves on the Regional Planning Council for
12 Northeast Florida, so she has some appreciation and
13 expertise in the area of growth management.

14 Second is David Tillis, who is a professional
15 planner for the Stantec Company, and most of his
16 30-year career has been spent doing professional
17 planning work and development work for developers
18 who build projects such as this. Among those
19 companies are ITT, St. Joe, and Bonita Bay Company.

20 And while he was employed by ITT back in the
21 1980s, he had the opportunity to work as a planner
22 on this project, and he has some comments to make
23 about the history of the project and again, the
24 appropriateness of the resolution of this
25 particular appeal.

1 Third, you'll hear from Senator John Thrasher,
2 who probably needs no introduction. His district
3 includes Flagler County, and he will offer his
4 views on the Recommended Order before you.

5 You will hear from Senator Steve Geller, who
6 will speak on behalf of the intervenors in this
7 proceeding, the intervenors who are the property
8 owners out there who are affected by this. Those
9 blue shirt people that were referred to are the
10 folks who are going to get hurt by this. I don't
11 know really how badly the capital is going to get
12 hurt, but they are the folks that will actually be
13 hurt if this development is approved or if you just
14 simply send it back without some resolution of it.

15 I wanted to make one comment. Again, the
16 petitioner said, "Just send it back. Just let us
17 submit a site plan." Well, they had an opportunity
18 to submit a site plan the first time around. They
19 chose to present their application in a fashion
20 that made the County Commission make a decision,
21 are we going to allow 561 units, relocation of the
22 park, and the other issues here, and so that's what
23 they had to evaluate and work on.

24 There's nothing that prevents this applicant,
25 once this issue is resolved by this board, from

1 coming back to the County Commission and filing an
2 application that presents something. Perhaps if
3 it's going to be 100 units or something less that's
4 not going to have an impact, as was suggested by
5 Mr. Wright, that can be evaluated and vetted, and
6 the County Commission can vote on it. That can't
7 happen until the issues are resolved in the Final
8 Order that's before you.

9 So, Commissioner Holland.

10 MS. HOLLAND: Good morning, Governor Scott and
11 members of the Cabinet. I am proud to represent
12 the area of the county in which Hammock Dunes is
13 located. Thank you for the opportunity to speak to
14 you today on behalf of Flagler County.

15 Obviously, the County supports the findings
16 and recommendations of both the administrative law
17 judge and your own staff and urge you to adopt the
18 Draft Final Order before you.

19 As the fastest growing county in the State of
20 Florida, Flagler County understands and embraces
21 the need for responsible growth management. It is
22 important to protect the very things that made us
23 attracted to live, work, play, raise a family, or
24 retire, to maintain to our quality of life and
25 economic vitality in the future.

1 The Commission and the developer crafted a
2 well-reasoned and binding set of development
3 criteria and codified them in the final DRI for
4 Hammock Dunes going back to 1984. Lost in the
5 shuffle of all the paperwork and the lawyering is
6 the fact that the only reason this oceanfront
7 resort presently exists is because the County gave
8 33 acres of its publicly owned beachfront park to
9 Mr. Ginn to develop the Hammock Beach Resort. This
10 was based on his promise to set the condos back
11 from the beach.

12 As the last remaining undeveloped Atlantic
13 Ocean frontage parcel of its size and
14 characteristics, it represents both a great
15 opportunity and a responsibility to get it right.

16 GOVERNOR SCOTT: Can I stop you just for a
17 second?

18 MS. HOLLAND: Yes.

19 GOVERNOR SCOTT: Explain that again. How did
20 the development get the property?

21 MS. HOLLAND: The County Commission deeded the
22 beachfront property to the developer in order to
23 develop on that parcel.

24 GOVERNOR SCOTT: Do you all dispute that?
25 Does anybody dispute that?

1 MR. WRIGHT: It was part of a comprehensive
2 were we gave up quite a bit of land as well, so it
3 was an overall --

4 (Members of audience speaking.)

5 GOVERNOR SCOTT: I'm sorry. Go ahead.

6 MS. HOLLAND: Thank you. In 1998, prior to
7 constructing the golf course or anything at the
8 16th Road area, which is the subject of this NOPC,
9 the developer approached the County with a revised
10 plan which reduced and reconfigured the park and
11 development area there to replace it with a Jack
12 Nicklaus signature golf course and adjacent resort
13 core.

14 After much negotiation, thought, and
15 deliberation, the Commission agreed that it was a
16 beneficial change for all parties involved, and the
17 golf course and related facilities were built, as
18 was the highrise resort core and other residential
19 areas farther inland. The 16th Road beachfront
20 park was constructed providing enhanced public
21 beach access, parking, and restroom facilities.
22 All parties abided by their word and agreement as
23 articulated in the Development Order.

24 Now this developer wants to retrade this deal.
25 They want to create a new residential cluster where

1 one never existed before, that was never part of
2 the project, and assert that this is somehow vested
3 under the original Development Order, worse, the
4 newly proposed clusters in the golf course area in
5 which limited development is to occur.

6 To allow this to happen would be for the
7 County to go back on its word to the detriment of
8 all of the residents who purchased there in
9 reliance on the Development Order, to the detriment
10 of all Flagler County residents who use the park
11 facilities, and to the detriment of Flagler County
12 residents in general who depend on the County
13 Commission to live up to its word and commitments
14 across the board.

15 As the Governor of the State of Florida, you
16 urged, with the support of this Cabinet, that there
17 needed to be more local control and ownership of
18 local land use issues without interference from the
19 State or its regulatory agencies. And if you
20 notice that one of the regulatory agencies that is
21 not present as part of this proposal is DCA, and
22 that is entirely why they're not present. This is
23 a local issue. This was before the County
24 Commission.

25 And we're asking for you not only to recognize

1 the significance of this local issue for our
2 community, but just as you come from diverse
3 backgrounds and enter into your decisions with
4 information provided to you, we have a similar
5 makeup on the Board of County Commissioners, and
6 yet we came to a unanimous conclusion to support
7 and adhere to the original Development Order.

8 To me, this boils down very simply to honoring
9 agreements previously made and memorialized in
10 writing and upholding the public's trust in its
11 elected officials. At a time when citizens
12 regarding government seems to be at an all-time
13 high, we should be even more diligent about
14 maintaining the public's trust. The Flagler County
15 Commission has consistently and reliably lived up
16 to, been bound by, and enforced the provisions of
17 its agreement as reflected in the Development
18 Order.

19 Please do not let this case become one of big
20 government telling us at the local level what is
21 best for us. Thank you.

22 MR. MILLER: Next up is --

23 (Applause.)

24 MR. MILLER: Mr. David Tillis representing
25 Flagler County.

1 MR. TILLIS: Good morning. My name is Dave
2 Tillis. I have a really unique historical
3 perspective on this project because I was the
4 senior project planner, as Mr. Flowers pointed out,
5 when this project was going through the master
6 planning and the DRI phase. I had a lot more hair,
7 and my beard was quite dark back in those days.

8 GOVERNOR SCOTT: And you worked for the County
9 then?

10 MR. TILLIS: I worked for ITT Community
11 Development Corporation and the subsidiary,
12 Admiral, which was the developer, original master
13 developer of the project.

14 GOVERNOR SCOTT: Okay. The prior developer,
15 and this was purchased?

16 MR. TILLIS: Correct. I worked for ITT from
17 1979 to 1986. This Development Order was approved
18 in 1984.

19 Among many of the fundamental planning
20 principles on which the Master Plan for this
21 community was based is the protection and
22 enhancement of the coastal dune and beach resource,
23 accomplished in part by locating development a
24 significant distance back from the back side of the
25 dune; maintenance and improvement of existing

1 public beach access -- there were three public
2 roads leading down to the beach -- minimization of
3 conflicts between public and Hammock Dunes resident
4 beach use through moving higher density and
5 intensity development away from the ends of the
6 public access points and the public parks.

7 The final Master Plan identified areas to be
8 developed as well as a network of open space,
9 recreation, and golf courses. Forty-two
10 development clusters were identified, and the type,
11 location, density, and intensity of each was
12 articulated in maps and tables. All that found its
13 way into the Development Order.

14 Section 14.5 of the Development Order requires
15 the golf course areas to be deed restricted and
16 platted to provide for that use in perpetuity.
17 When we wrote the Development Order, we made every
18 attempt to make the language clear and unambiguous,
19 recognizing there would be potential future
20 developers involved. Section 17 describes the
21 administrative process by which each of those
22 designated development clusters within the project
23 would undergo detailed review prior to
24 construction. But beyond these two basic
25 provisions, at the heart of the DRI Development

1 Order is what the community will look like at
2 buildout, what can be expected, and what can be
3 relied upon.

4 I urge you to adopt the Final Order that's in
5 front of you. We think the administrative hearing
6 officer got it right and your staff got it right.
7 Thank you.

8 GOVERNOR SCOTT: Thank you.

9 (Applause.)

10 MR. THRASHER: Good morning Governor. Good
11 morning, Cabinet. Good to see you all. This is
12 the first time I've had the opportunity to be
13 before you, and it's an honor and a privilege.
14 Thank you for your great public service.

15 I sat out there for a while and noted some of
16 the people who came up here were complimenting the
17 Legislature, and I think I may come back more
18 often. I haven't heard a lot of that.

19 But first things first. Happy birthday,
20 Commissioner. I knew him when he was only 22 or '3
21 and starting out in government, and look where he
22 is today.

23 Governor, let me just take 30 seconds to tell
24 you about the folks that are here in the blue
25 shirts. They're constituents of mine and

1 constituents of Commissioner Holland, as she said.
2 But I think they ought to stand up and be
3 recognized, because they came all the way from
4 Flagler County this morning to see government work
5 and to see you all. They actually got up about
6 3:30 this morning and got on buses and came over
7 here.

8 You know, I'm not involved in the legal
9 aspects of this. I just represent these folks.
10 And I know you all know me well enough to know that
11 I agree with my good friend Ken Wright: We ought
12 to be involved in making sure that capital comes to
13 the State of Florida. But I've got to tell you one
14 important thing. When this organization came to
15 the State of Florida, the capital that was invested
16 in it was by these very people right here, and they
17 invested their capital based upon an agreement and
18 a deal that they thought they were making at that
19 time.

20 And now these folks want to change that deal.
21 And I understand that. I understand it, and I
22 understand why. But frankly, I don't think you can
23 do that, and I think the administrative law judge
24 agreed, and I think the County Commission has
25 agreed that you simply can't go and change a deal

1 you made just because you want to enhance your
2 profitability.

3 These folks invested in this property with
4 reliance on certain conditions and restrictions,
5 and they ought to have the right to continue the
6 good use of their own personal property that
7 they've invested in. So I hope you will agree with
8 the County Commission, and I hope you will agree
9 with the administrative law judge that the
10 application that has been before you today ought to
11 be denied, and you ought to agree with them.

12 And I appreciate the opportunity to be here,
13 but more importantly, I appreciate the opportunity
14 to represent the good folks from Flagler County.
15 Thank you, Governor. Thank you, members of the
16 Cabinet.

17 (Applause.)

18 MR. MILLER: Next, Senator Steve Geller.

19 MR. GELLER: Governor and Cabinet, I'll be
20 very brief. I'm just here today to thank people.
21 First, we would like to thank you. The Proposed
22 Final Order or the Draft Final Order is something
23 that has really restored the faith in government or
24 helped the faith in government. All of these
25 people in the blue shirts who I represent are the

1 intervenors, and we would like to thank you. And
2 your staff has been incredibly courteous.

3 Finally, on behalf of all of these people in
4 the blue shirts, we would like to thank Senator
5 John Thrasher, who has really been a hero for us on
6 this, Senator Thrasher, both assisting in passing
7 legislation to guarantee that the local governments
8 -- and, Governor, this is what you've been saying
9 all along on DCA, that the local governments get to
10 make the local decisions. Senator Thrasher helped
11 with that. Senator Thrasher has just been a real
12 leader for us. And on behalf of my clients, all of
13 these people in the blue shirts, I would like to
14 thank Senator Thrasher for this and thank you,
15 Governor and Cabinet.

16 GOVERNOR SCOTT: Thank you.

17 (Applause.)

18 MR. MILLER: The last speaker is Ellen
19 Avery-Smith next representing the Admiral
20 Corporation.

21 MS. AVERY-SMITH: Good morning. Thank you for
22 the time. Again, Ellen Avery-Smith --

23 GOVERNOR SCOTT: Excuse me. If ou can be as
24 brief as possible, because I want to be fair. We
25 gave each side 15 minutes.

1 MS. AVERY-SMITH: Yes, sir.

2 GOVERNOR SCOTT: Sorry.

3 MS. AVERY-SMITH: I am here on behalf of
4 Admiral Corporation, which is a subsidiary of ITT
5 Corporation. Admiral is the master developer of
6 this DRI, and nobody has invested more capital than
7 Admiral -- or before in this property from 1984 to
8 the present. And Admiral is still on the hook for
9 millions of dollars of improvements to the property
10 and to roadways that serve this community.

11 And Admiral's only request in this whole
12 process has been, please let the development order
13 expire so that we can get on with our life and take
14 our capital and do other things with it. And so
15 that's what we're here to ask the board, ask you
16 today. And we very much would like for you to
17 enter the Final Order as drafted. Thank you.

18 GOVERNOR SCOTT: Thank you.

19 (Applause.)

20 MR. MILLER: Thank you. That concludes our
21 public speakers we have on this issue, Governor.

22 MR. WRIGHT: Governor?

23 GOVERNOR SCOTT: Yes, sir.

24 MR. WRIGHT: If I might, given the brevity of
25 my presentation and the length of the other, if I

1 could make just a couple of points of
2 clarification. Thank you, Governor.

3 Number one, references were made with regard
4 to land acquisition gifts. Those were all a part
5 of land trading between my client and the County.
6 I would not want you to believe that my client was
7 developing entirely on donated land.

8 The other thing, Governor -- and if I'm going
9 to be defeated, I'm honored to be defeated going up
10 against Senator Thrasher. But it's important, I
11 think, to realize that this process has been
12 frustrating.

13 For example, you have already heard the
14 speakers talk about proximity of buildings to the
15 ocean and representations that were made as to how
16 close buildings would be to the waterfront.

17 No one knows. There has not been a proposed
18 location of this building. That's a site plan
19 process. We simply have asked for the creation of
20 a cluster, define some general limits, and the
21 allocation of up to a number of units. Where that
22 building is located, the height of that building,
23 the size of it, all to be determined by the County
24 in their appropriate site plan review processes.

25 But it's almost like going up for a

1 comprehensive plan amendment and getting denied
2 because they didn't see your lighting plan for the
3 parking lot. I don't have a lighting plan for the
4 parking lot. I don't know what the building is
5 going to look like. I don't know if it's going to
6 be 20 units, 50 units, 150 units, or 200 units. So
7 I'm asking for the process to be sent back to the
8 County and allow us to have a complete hearing.

9 Thank you.

10 GOVERNOR SCOTT: Thank you. Okay. Mary
11 Thomas, can you come up just for a second?

12 What is our authority? What's our -- how are
13 we supposed to make this decision?

14 MS. THOMAS: The Commission's legal authority
15 is very limited with respect to modifying an
16 administrative law judge's recommended order.
17 We're limited to modifying the ALJ's findings of
18 fact only if there's no competent and substantial
19 evidence in the record to support that finding of
20 fact. And with regards to conclusions of law, the
21 issue must be within the agency's substantive
22 jurisdiction. The alternate conclusion of law must
23 be as or more reasonable than the ALJ's. And after
24 a review of the record and pursuant to the law, the
25 ALJ's findings of fact and conclusions of law, we

1 feel, cannot be altered in this case.

2 GOVERNOR SCOTT: Okay. And if we approve the
3 order, what's the petitioner's remedy?

4 MS. THOMAS: I would say that their remedy
5 would be to go before the County Commission with a
6 new notice of proposed change that's in accord with
7 the Comprehensive Plan, the Land Development Code,
8 and the DRI Development Order, so if there's a need
9 to modify the DRI Development Order, they can also
10 try to do that in the notice of proposed change so
11 that everything is in accord with what they want.

12 GOVERNOR SCOTT: And why didn't they do that
13 before?

14 MS. THOMAS: I don't know.

15 GOVERNOR SCOTT: But that would have been the
16 logical way of doing1 it.

17 MS. THOMAS: I would suspect, yes, they would
18 need to -- specifically, the ALJ made a finding
19 that they would need to notify a specific provision
20 of their DRI Development Order that restricted
21 their property to golf course uses. And if that
22 could be modified, then I would think the process
23 would be a lot easier for them.

24 ATTORNEY GENERAL BONDI: And they do have an
25 appellate remedy, Governor, is my understanding,

1 absolutely.

2 MS. THOMAS: Yes.

3 GOVERNOR SCOTT: All right. Thank you. Are
4 there any questions anyone has?

5 MR. MILLER: The staff recommends that the
6 Commission authorize the Secretary to enter the
7 Draft Final Order adopting the administrative law
8 judge's Recommended Order.

9 GOVERNOR SCOTT: Okay. Thank you.

10 CFO ATWATER: I move approval.

11 GOVERNOR SCOTT: Is there a second?

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Moved and seconded. Show
14 Item 3 approved without objection.

15 MR. MILLER: Thank you. That concludes our
16 agenda, Governor.

17 (Applause.)

18 GOVERNOR SCOTT: Thank everybody for coming
19 today. This concludes our Cabinet meeting. Thank
20 you very much.

21 (Proceedings concluded at 11:05 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 108 are a true and correct record of the aforesaid proceedings.

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

DATED THIS 26th day of August, 2011.

MARY ALLEN NEEL, RPR, FPR
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