

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

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Representing:

DIVISION OF BOND FINANCE  
STATE BOARD OF ADMINISTRATION  
FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION  
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION  
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

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 Wednesday, January 23,  
2013, commencing at approximately 9:13 a.m.

Reported by:

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Notary Public

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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

DIVISION OF BOND FINANCE  
(Presented by BEN WATKINS)

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STATE BOARD OF ADMINISTRATION  
(Presented by ASH WILLIAMS)

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(Presented by ASH WILLIAMS)

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FLORIDA LAND AND WATER ADJUDICATORY COMMISSION  
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BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND  
(Presented by HERSCHEL VINYARD)

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

(The agenda items commenced at 10:41 a.m.)

GOVERNOR SCOTT: Now I would like to recognize Ben Watkins with the Division of Bond Finance.

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

Item number 1 is a report of award of competitive bond sales.

Item number 1A was the competitive sale of \$11.9 million of refunding bonds for the Florida State University Research Foundation. The bonds were awarded to the low bidder at a true interest cost of approximately 2.41 percent. This allowed us to reduce the interest rate on outstanding bonds from 4.81 percent to 2.41 percent, which generates gross debt service savings of 6.1 million, present value savings of 3.8 million, or 21.1 percent of the principal amount of the refunded bonds.

Item number 1B is the competitive sale of \$306 million in Turnpike revenue bonds. The bonds were awarded to the lower bidder at a true interest cost of approximately at 3.16 percent. This was actually a combined issue of new money bonds and refunding bonds. The new money bonds were 112.6 million and were sold at an interest rate of

1           3.30 percent. And the refunding piece is  
2           193.4 million, and the interest rate on the  
3           refunding component was 3.02 percent. The  
4           refunding allows us to reduce interest rates on  
5           Turnpike bonds from 4.7 percent to 3.02 percent,  
6           which generates gross debt service savings of  
7           approximately \$49.8 million on a present value  
8           basis, 35.6 million, or 18 percent of the principal  
9           amount of the refunded bonds.

10           GOVERNOR SCOTT: That's great. Thank you for  
11           all the money you're saving the State and for --  
12           you're doing a great job of taking down the state  
13           debt. Thank you very much.

14           MR. WATKINS: Thank you, sir.

15           Item number 2 is a new money authorization.  
16           There are resolutions authorizing the issuance and  
17           competitive sale of \$15.6 million in parking  
18           facility revenue bonds for Florida Atlantic  
19           University. The bonds are being issued to finance  
20           a parking structure at Florida Atlantic University.  
21           They are not secured by the full faith and credit  
22           of the State, but are rather secured by net  
23           revenues of the parking system at Florida Atlantic  
24           University.

25           GOVERNOR SCOTT: All right. Is there a motion

1 to approve this action?

2 CFO ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Any comments or objections?

6 Hearing none, the motion carries.

7 MR. WATKINS: Thank you, sir.

8 GOVERNOR SCOTT: Thank you, Ben.

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1 GOVERNOR SCOTT: Next I would like to ask  
2 Executive Director Ash Williams to present his  
3 agenda. Good morning.

4 MR. WILLIAMS: Good morning, Governor and  
5 Trustees.

6 First, by way of an update, finishing the  
7 calendar year-end, the 12/31/12 number for the  
8 Florida Retirement System Trust Fund was  
9 \$128.5 billion. That represents a return over the  
10 calendar year of 14.1 percent, which is 119 basis  
11 points ahead of target. And for the fiscal  
12 year-to-date, we are currently at \$131.8 billion as  
13 of last night's close, a 10.1 percent year-to-date  
14 increase, essentially on target, slightly ahead,  
15 but essentially right on target.

16 Item 1 today is a request for approval of the  
17 minutes from our October 23, 2012 meeting.

18 GOVERNOR SCOTT: Is there a motion to approve?

19 ATTORNEY GENERAL BONDI: So moved.

20 GOVERNOR SCOTT: Is there a second?

21 CFO ATWATER: Second.

22 GOVERNOR SCOTT: Any comments or objections?

23 Hearing none, the motion carries.

24 MR. WILLIAMS: Thank you. Items 2 and 3 are  
25 both fiscal determinations for the Florida Housing

1 Finance Corporation, neither of which is a general  
2 obligation of the State of Florida.

3 Item 2 is a determination for an amount not  
4 exceeding \$525 million Florida Housing Finance  
5 Corporation homeowner mortgage revenue bonds. The  
6 proceeds of this issue would be used to refund some  
7 outstanding existing bonds at higher interest rates  
8 and also to provide funding for new below-market  
9 mortgages that would support housing for low,  
10 moderate, and middle income Floridians. Request  
11 approval of Item 2.

12 GOVERNOR SCOTT: Is there a motion to approve?

13 ATTORNEY GENERAL BONDI: So moved.

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you. Item 3 is a fiscal  
18 determination not exceeding \$4,280,000 for  
19 multifamily mortgage revenue bonds. This would be  
20 for an acquisition and rehabilitation of a facility  
21 in Leon County, Florida.

22 GOVERNOR SCOTT: Is there a motion to approve?

23 ATTORNEY GENERAL BONDI: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 CFO ATWATER: Second.

1 GOVERNOR SCOTT: Any comments or objections?

2 Hearing none, the motion carries.

3 MR. WILLIAMS: Thank you. Item 4, request  
4 approval of and authority to file a notice of  
5 proposed rule for Rules 19-8.029, Florida  
6 Administrative Code, the insurer reporting  
7 requirements and insurer responsibilities. This is  
8 essentially the data requirements for the Hurricane  
9 Catastrophe Fund for the coming season. Request  
10 approval.

11 GOVERNOR SCOTT: Is there a motion to approve?

12 ATTORNEY GENERAL BONDI: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you. Item 5, request  
18 appointment of a chair for the Florida Commission  
19 on Hurricane Loss Projection Methodology. Each  
20 year the SBA is required by statute to appoint a  
21 Commission member to serve as chair. Commonly the  
22 process has been that the Commission members  
23 recommend a chair which we bring forward to the  
24 Trustees for approval. Dr. Lorilee Medders, a  
25 statistics expert from the Florida State University

1 College of Business, is the group's recommendation  
2 to serve as chair.

3 GOVERNOR SCOTT: Is there a motion to approve?

4 ATTORNEY GENERAL BONDI: So moved.

5 GOVERNOR SCOTT: Is there a second?

6 CFO ATWATER: Second.

7 GOVERNOR SCOTT: Any comment or objections?

8 Hearing none, the motion carries.

9 MR. WILLIAMS: Thank you. Item 6, request the  
10 adoption of a resolution to expand the Florida  
11 Hurricane Catastrophe Fund's liquidity program to  
12 help reduce post-event market access risk. This is  
13 something we discussed previously. The notion is  
14 that we would build cash reserves of the Cat Fund  
15 through pre-event debt issuance in a very low  
16 interest rate environment, and in so doing, reduce  
17 our reliance on post-event debt issuance should we  
18 have a need. Request approval.

19 GOVERNOR SCOTT: Is there a motion to approve?

20 ATTORNEY GENERAL BONDI: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 CFO ATWATER: Second.

23 GOVERNOR SCOTT: Any comments or objections?

24 Hearing none, the motion carries.

25 MR. WILLIAMS: Thank you. What I would like

1 to do, Governor and Trustees, if I may, is go ahead  
2 and complete Item 7 and then go to a convening of  
3 the Florida Hurricane Catastrophe Finance  
4 Corporation very quickly just to affirm the same  
5 item we just did.

6 Item 7, request approval of a fiscal  
7 sufficiency of an amount not exceeding \$15,600,000  
8 State of Florida, Board of Governors, Florida  
9 Atlantic University parking facility revenue bonds,  
10 not a state obligation.

11 GOVERNOR SCOTT: Is there a motion to approve?

12 ATTORNEY GENERAL BONDI: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you.

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1 MR. WILLIAMS: And if serves your pleasure, we  
2 can go ahead with the Hurricane Finance Corporation  
3 meeting. And I would ask Dr. Nicholson and  
4 Mr. Watkins, who are also members of that group, to  
5 come forward, please.

6 We essentially have two items on this agenda.  
7 The first is approval of the minutes of the last  
8 meeting of the Finance Corporation, which was in  
9 2010, and the second item is approval of the  
10 financing that we just mentioned.

11 GOVERNOR SCOTT: So we're going to do both  
12 Items 1 and 2?

13 MR. WILLIAMS: If that suits your pleasure.

14 GOVERNOR SCOTT: Is there a motion to approve?

15 CFO ATWATER: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 ATTORNEY GENERAL BONDI: Second.

18 GOVERNOR SCOTT: Any comments or objections?

19 Hearing none, the motion carries.

20 MR. WILLIAMS: Thank you.

21 GOVERNOR SCOTT: Thank you very much.  
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1           GOVERNOR SCOTT: Next is Mark Kruse to present  
2 the Florida Land and Water Adjudicatory Commission  
3 Agenda. Good morning.

4           MR. KRUSE: Good morning. We have two items  
5 on the Florida Land and Water Adjudicatory  
6 Commission agenda. Item 1 is approval of the  
7 minutes of the September 20, 2011, and April 24,  
8 2012, meetings.

9           Item 2 is a request for authorization to  
10 publish a notice of proposed rule repeal of Rule  
11 Chapter 42GG-1, Florida Administrative Code, in  
12 order to dissolve the Tuscany Community Development  
13 District. If no requests for a public hearing are  
14 received as a result of the notice, staff also  
15 requests authorization to file for final repeal.

16           The Tuscany Community District consists of  
17 approximately 1,710 acres located in Citrus County.  
18 The District was established in 2003, and the  
19 boundary was amended in 2008. The District board  
20 requests dissolution, as the development plan  
21 contemplated for the District when originally  
22 established has changed.

23           The petition and supporting documents  
24 demonstrate that repeal of the rule and dissolution  
25 of the District are appropriate, as the District is

1 not indebted and no bonds were issued by the  
2 District. The District does not presently own any  
3 real property or infrastructure improvements.  
4 There are no current services being provided by the  
5 District, and there are no future services of any  
6 kind that the District will perform or be required  
7 to perform.

8 All landowners have provided consent to the  
9 dissolution. The District has provided notice of  
10 the dissolution request to Citrus County and to the  
11 general public. No objections to the request for  
12 dissolution have been received as a result of those  
13 notifications. Therefore, staff requests  
14 authorization to (1) publish a notice of proposed  
15 rule repeal of Chapter 42GG-1 and (2) file the rule  
16 chapter for final repeal if no request for public  
17 hearing is received as a result of the notice.

18 GOVERNOR SCOTT: Okay. First we're going to  
19 do the minutes, so is there a motion to approve the  
20 item, the minutes?

21 ATTORNEY GENERAL BONDI: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 COMMISSIONER PUTNAM: Second.

24 GOVERNOR SCOTT: Any comments or objections?

25 Hearing none, the motion carries.

1           Now we'll do the rule repeal to dissolve the  
2 Tuscany Community Development District. Is there a  
3 motion to approve?

4           ATTORNEY GENERAL BONDI: So moved.

5           GOVERNOR SCOTT: Is there a second?

6           COMMISSIONER PUTNAM: Second.

7           GOVERNOR SCOTT: Any comment or objections?

8           Hearing none, the motion carries.

9           MR. KRUSE: Thank you. That concludes our  
10 agenda.

11          GOVERNOR SCOTT: Thank you very much.

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1           GOVERNOR SCOTT: Next I would like to ask  
2 Secretary Herschel Vinyard to present the Board of  
3 Trustees agenda. Good morning.

4           MR. VINYARD: Good morning, Governor and  
5 members of the Cabinet. We have five items for you  
6 today.

7           The first one is Grand Harbor. This is a  
8 request from the Grand Harbor condominium so they  
9 can accommodate some larger boats at their marina.  
10 It will not include any structural modifications to  
11 their existing pier and dock system. The  
12 Department recommends approval.

13           GOVERNOR SCOTT: Is there a motion to approve?

14           ATTORNEY GENERAL BONDI: So moved.

15           GOVERNOR SCOTT: Is there a second?

16           CFO ATWATER: Second.

17           COMMISSIONER PUTNAM: Second.

18           GOVERNOR SCOTT: Any comments or objections?

19           Hearing none, the motion carries.

20           MR. VINYARD: Governor, the second one is the  
21 horse park item. In 1994 the Legislature created  
22 the Florida Horse Park Authority, and it's got an  
23 affiliation with the Department of Agriculture. It  
24 authorized the construction of an agriculture  
25 center and a horse park.

1           One purpose of the Authority was to utilize  
2 private sector expertise and resources to develop  
3 this horse park. This item requests an amendment  
4 of the lease to extend to 2072 for the purpose of  
5 facilitating long-term loans so they can construct  
6 some much-needed buildings at the horse park.  
7 These amendments will allow for greater  
8 development, but will not include any state  
9 dollars. Governor, I confirmed that the State  
10 would not be on the hook for any loans that the  
11 Authority may take out.

12           The Department recommends approval. Senator  
13 Hays has, I believe, put a letter in your packet in  
14 support. And we have Sherry Wise, chairman of the  
15 Horse Park Foundation, to speak on this item.

16           GOVERNOR SCOTT: Good morning.

17           MS. WISE: Good morning.

18           MR. VINYARD: Connie Wise. I apologize.

19           GOVERNOR SCOTT: Thanks for coming.

20           MS. WISE: Thank you. Thank you, Governor  
21 Scott, Attorney General Bondi, CFO Atwater, and  
22 Commissioner Putnam. I'm Connie Wise. I'm  
23 chairman of the Foundation for the Florida Horse  
24 Park, and I am past chairman of the Florida  
25 Agricultural Center and Horse Park Authority Board.

1           The Florida Horse Park was established in 1994  
2           by Florida Statute. From that time to the present,  
3           the park quietly existed as a 500-acre jewel in the  
4           heart of the Florida Greenway. Four years ago, the  
5           Park Authority Board embarked on a journey to  
6           modernize our current lease with the State. The  
7           modernization was much needed to address current  
8           opportunities, both public and private.

9           We are here today to thank you, Governor  
10          Scott, for approving the lease modifications with  
11          the Board of Trustees. I would like to  
12          particularly thank our Commissioner of Agriculture,  
13          Adam Putnam, for his clear vision and leadership  
14          through this process.

15          The lease modifications will allow us to grow  
16          the park by creating opportunities for the equine  
17          industry, the agricultural industry, and the  
18          tourism industry. The new lease lays the  
19          groundwork for building an ecotourism destination  
20          and generating much-needed job opportunities for  
21          our great state.

22          I would like to sincerely thank our Foundation  
23          board of directors, some of which are here today,  
24          and our Park Authority board of directors, some of  
25          which are here today, and their respective staff.

1 Thank you all very, very much, and we're here if  
2 you have any questions.

3 GOVERNOR SCOTT: Great. Is there a motion to  
4 approve the item?

5 COMMISSIONER PUTNAM: So moved.

6 GOVERNOR SCOTT: Is there a second?

7 ATTORNEY GENERAL BONDI: Second.

8 GOVERNOR SCOTT: Any comments or objections?

9 Hearing none, the motion carries.

10 Congratulations and good luck.

11 MS. WISE: Thank you.

12 COMMISSIONER PUTNAM: Governor, I just want to  
13 thank Secretary Vinyard and the Horse Park of  
14 Florida for the collaboration that made this very  
15 possible. Ocala is the center of the horse world  
16 for Florida, and horses are a big business for  
17 Florida. A lot of people winter their horses here,  
18 and this is a real crown jewel in that crown. And  
19 I think that these lease modifications will allow  
20 them to make the type of long-term decisions and  
21 investments that will really allow them to maximize  
22 its potential. So thank you for your leadership,  
23 and thank you, Secretary.

24 MR. VINYARD: Thank you.

25 GOVERNOR SCOTT: Thank you. Good luck. We're

1 the horse capital of the world; right?

2 MS. WISE: We are.

3 COMMISSIONER PUTNAM: That's what we tell  
4 Kentucky.

5 MR. VINYARD: Governor, Item Number 3 is  
6 Silver Springs. This is a request to amend the  
7 expiration date of the lease between the Board of  
8 Trustees and Festival Fun Parks that operates the  
9 Silver Springs attraction.

10 The Board of Trustees authorized the purchase  
11 of the Silver Springs attraction in 1992, and one  
12 of the conditions that the seller asked for was a  
13 long-term lease to continue to operate that  
14 attraction. And the Board of Trustees agreed to  
15 the terms of that request, provided that the park  
16 -- the tourist attraction would be restored at the  
17 expiration of the lease and then managed as a state  
18 park. The lease expiration date is currently 2029,  
19 and the proposed amendment has the lease expiring  
20 September 30 of this year.

21 As consideration for the lease amendment,  
22 Festival Fun Parks will provide a \$4 million lease  
23 buyout, and they will also continue paying the  
24 lease fees through September the 30th. All of this  
25 money will be spent on site improvements at the

1 attraction. Some of the site improvements will  
2 improve the water quality at Silver Springs itself,  
3 something we've been working on for the last two  
4 years.

5 The Department recommends approval. You also  
6 have a letter from Senator Hays recommending you  
7 approve it.

8 We have a large contingent from Marion County.  
9 Commissioner McClain with Marion County would like  
10 to speak on this, sir.

11 GOVERNOR SCOTT: Great. Thank you. Good  
12 morning. Thank you for coming.

13 MR. McCLAIN: Good morning, Governor Scott,  
14 thank you, and members of the Cabinet.

15 While it's not officially Marion County Day,  
16 it seems like it is right now. We believe we're at  
17 the epicenter of some other things as well, and  
18 Silver Springs will be one of those.

19 I am Marion County Commissioner Stan McClain.  
20 I have been authorized by my board to speak on  
21 their behalf on this issue. I spoke with  
22 Mr. Draper just as I was coming into the building  
23 this morning, and he had said that Audubon is also  
24 in support of this. Senator Hays is in support, as  
25 well as our entire legislative delegation.

1 Silver Springs has and always will be part of  
2 the identity of Marion County and was marketed as  
3 the original Florida tourist attraction that  
4 created an iconic brand that's still recognized  
5 today. The very mention of the name evokes  
6 memories for most folks of days gone by and  
7 thoughts of time spent enjoying Silver Springs.  
8 However, those thoughts also normally lead to  
9 comments of recent visits filled with  
10 disappointment, lack of care, and clarity of the  
11 water.

12 The Marion County Commission adopted the first  
13 springs protection ordinance in the state to  
14 formalize the importance of Silver Springs to the  
15 citizens of our community and our state. The  
16 County Commission took a proactive role in  
17 partnering with FDEP, the St. Johns River Water  
18 Management District, and the Board of Trustees to  
19 improve the health and protect Silver Springs.

20 When the Board of Trustees bought the 332-acre  
21 Silver Springs Conservation Area, FDEP requested  
22 that Marion County manage the property. We've been  
23 doing that, and we'll continue to do it.

24 When the Trustees purchased the 4,500-acre  
25 Avatar property to help protect the springshed

1 surrounding Silver Springs, Marion County allocated  
2 \$2.5 million toward that purchase.

3 When a 60-inch stormwater pipe that was  
4 draining some 500 acres into the headwaters of the  
5 Silver River was discovered, Marion County  
6 participated by paying for the engineering,  
7 overseeing the construction, and paying for our  
8 share of the cost of construction.

9 In 2006, Marion County embarked on an  
10 aggressive program to consolidate and upgrade our  
11 wastewater treatment plants at a cost to our  
12 taxpayers, our local taxpayers, of \$30 million.  
13 Consolidating resulted in the removal of several  
14 outdated plants.

15 New design standards adopted by the Marion  
16 County Commission requires all plants to treat  
17 waste water effluent to 3 parts per million for  
18 nitrogen, which obviously is one of the big killers  
19 of the springs. And we've already used that in the  
20 replacement of two plants and will continue to use  
21 that in all our future projects.

22 On February 4th, the National Association of  
23 Clean Water Agencies will recognize Marion County  
24 Utilities with their national award for  
25 environmental stewardship down in Miami.

1 Marion County and FDEP's Division of  
2 Environmental Assessment and Restoration signed a  
3 Memorandum of Understanding and contract for the  
4 development and execution of the BMAP for Silver  
5 Springs, and the first meeting is actually taking  
6 place today at 1:00. And that's the first  
7 agreement of its kind.

8 I would like to thank the Cabinet members and  
9 Secretary Vineyard as well for recently designating  
10 a million dollars for projects specific to  
11 pollution reduction around the springs. Part of  
12 those dollars are being used to build a force main  
13 that will allow us to remove another wastewater  
14 plant that is in close proximity to the springhead.

15 The interesting point about all this and the  
16 reason I shared this with you, all those projects  
17 are taking place outside of the gates of Silver  
18 Springs in the surrounding area. Your approval of  
19 this contracting and the accompanying dollars will  
20 allow for the cleanup and restoration of impacts  
21 that immediately affect the water quality of the  
22 springs that exist inside the gates.

23 On behalf of the Marion County Commission and  
24 the citizens of Marion County, we are in support of  
25 this amendment and remain committed to the

1 long-term health of Silver Springs.

2 Thank you for your time.

3 GOVERNOR SCOTT: Thank you very much.

4 Commissioner Vinyard, any other comments?

5 MR. VINYARD: No.

6 GOVERNOR SCOTT: Does anybody have any  
7 questions?

8 All right. Is there a motion to approve the  
9 item?

10 CFO ATWATER: So moved.

11 GOVERNOR SCOTT: Is there a second?

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Any comments or objections?

14 Hearing none, the motion carries.

15 MR. VINYARD: Thank you. Governor, I would  
16 just like to recognize and just mention that Al  
17 Dougherty with my staff did a wonderful job of  
18 negotiating and working with Marion County as well  
19 as Festival Fun Parks to bring a positive  
20 resolution to this matter.

21 GOVERNOR SCOTT: Thank you very much.

22 MR. VINYARD: Items 4 and 5, Florida Crystals  
23 and Duda, is a request to extend several existing  
24 agricultural leases for an additional 30 years,  
25 leases held by Duda and Florida Crystals. All of

1           these transactions are connected to Everglades  
2           restoration.

3           As many of y'all know, the federal government  
4           recently approved Governor Scott's historic  
5           Everglades water quality restoration plan. It was  
6           a plan developed by Florida scientists, the Water  
7           Management District and DEP. We were fortunate  
8           enough that Governor Scott personally took  
9           ownership over this plan and traveled to  
10          Washington, D.C., and presented the plan to the  
11          federal agencies. All the federal leadership was  
12          there, and they were really taken aback by the  
13          aggressive stand that the State of Florida is  
14          taking now on water quality restoration in the  
15          Everglades.

16          The District is also with the plan and these  
17          leases hoping to improve water quality and water  
18          quantity in Lake Hicpochee and the Caloosahatchee  
19          River and Estuary. That's a problem area that  
20          they've been focusing on and we've been focusing on  
21          as well.

22          To accomplish these restoration plans, the  
23          Water Management District needs land currently  
24          owned by Florida Crystals and Duda so they can  
25          expand their stormwater treatment areas. So these

1 lease extensions are part of the negotiations to  
2 acquire this much-needed land. This path was  
3 selected because it's less expensive, and we can  
4 proceed to restoration in a much quicker fashion  
5 than if we had gone down the eminent domain path.  
6 The lessees will pay full appraised value for the  
7 lease.

8 The Department recommends approval.

9 We have three speakers on this, Eric Draper  
10 with Audubon and Manley Fuller with Florida  
11 Wildlife Federation. And battling cleanup is  
12 Melissa Meeker, the executive director of the South  
13 Florida Water Management District, and she will be  
14 able to answer any questions as well.

15 GOVERNOR SCOTT: Good morning, Eric. How are  
16 you doing?

17 MR. DRAPER: Good morning, Governor and  
18 members of the Cabinet. And thank you very much,  
19 Mr. Secretary. I am Eric Draper, executive  
20 director of Audubon Florida.

21 And I want to just pick up on the Secretary's  
22 remarks about the water quality plan. Last summer,  
23 our organization was the first to stand up and  
24 salute that plan. We think it's a very good plan,  
25 and we're really glad to see the State of Florida

1 working with the federal government to --

2 GOVERNOR SCOTT: Let me tell you, that was  
3 very helpful, so I'm very appreciative, because it  
4 made it easier to get it done.

5 MR. DRAPER: Thank you, Governor.

6 GOVERNOR SCOTT: So thank you very much.

7 MR. DRAPER: Thank you.

8 I want to address today just Item 5 of the two  
9 items having to do with the A. Duda & Sons lease.  
10 And in saying this, we don't want to imply any  
11 criticism of the Duda company. We've known the  
12 company for a very long time. We just have a  
13 public policy difference with how this is being  
14 handled, and I'll try and express that.

15 Our concern is extending leases for a 30-year  
16 term on parcels comprising more than 6,000 acres,  
17 parcels in the Everglades Agricultural Area, which  
18 is the primary source of phosphorus entering the  
19 Everglades. Florida's taxpayers are, of course,  
20 spending hundreds of millions of dollars,  
21 ultimately spending in the billions of dollars to  
22 clean up the phosphorus pollution that's coming  
23 from the Everglades Agricultural Area. This is not  
24 a new story. This is an ongoing issue and is, of  
25 course, the reason we have the water quality plan.

1           Complying with the standards is at least a  
2           decade away. It is reasonable to ask that  
3           agricultural activities in the EAA reduce  
4           phosphorus pollution to the maximum extent  
5           possible. It seems more reasonable to require that  
6           agricultural activities on leased lands reduce the  
7           phosphorus burden rather than adding to the cleanup  
8           burden.

9           The lease is one of the largest sources of  
10          phosphorus in the southern part of the Everglades  
11          Agricultural Area, the Duda lease, that is. Since  
12          much of it is in vegetable crops, you'll see why we  
13          have a higher phosphorus load.

14          The Water Management data from 2011 shows the  
15          tract was producing concentrations in excess of 200  
16          parts per billion in that year, and loading from  
17          that tract into the basin, the basin itself, is  
18          sending 25 tons of phosphorus into the stormwater  
19          treatment areas and into the Everglades. The  
20          fertilizer application statistics on this tract  
21          show that 339 tons of fertilizer were applied to  
22          the leased tract.

23          Now, the leased tract could be managed to  
24          reduce phosphorus by reducing the amount of  
25          fertilizer that's being applied and perhaps using

1           some of those lands to clean up some of the  
2           pollution rather than discharging it into the  
3           public canals.

4           The treatment works. You're the landlord, and  
5           it's your right and it's your duty to insist that  
6           the tenant maximize their effort to reduce impact  
7           with the land. So the lease extensions preclude  
8           your ability to insist upon that activity.

9           If the lease extensions were less than 30  
10          years, say 10 years, I wouldn't be standing here  
11          right now, because we would not be objecting to the  
12          leases themselves. And we're not asking you to  
13          prescribe exactly what should be done on those  
14          lands. We're just asking you not to preclude the  
15          opportunity to in fact impose additional phosphorus  
16          control at some point in the future, and we believe  
17          that the 30-year lease precludes you from doing  
18          that.

19          I think I've used my time up, and I'm going to  
20          stop right there. Thank you for listening to me.

21                 GOVERNOR SCOTT: Thank you, Eric.

22                 MR. FULLER: Governor, Attorney General, Chief  
23                 Financial Officer, and Commissioner, Manley Fuller,  
24                 Florida Wildlife Federation.

25                 Staff has distributed to you a letter

1            requesting a short-term deferral of this item. We  
2            would -- the letter that we're presenting to you  
3            comes from the Florida Wildlife Federation, 1000  
4            Friends of Florida, and the Everglades Law Center  
5            requesting a short-term delay, possibly a month, in  
6            the Everglades agricultural lease items before you  
7            to continue negotiations regarding conditions on  
8            the lease.

9            We believe the 30-year extensions of the  
10           leases are extraordinarily long. We would like  
11           shorter terms for these leases, and we would like  
12           the Trustees to be able to utilize these properties  
13           when and if they decide that they are needed to  
14           benefit Everglades restoration objectives. We  
15           would like the clawback provisions before you today  
16           to be simplified to allow the Trustees to utilize  
17           these lands with a minimum three-year notice to the  
18           lessee.

19           Regarding the South Florida Water Management  
20           District's lands, we support value-for-value land  
21           exchanges by the District of properties in the EAA  
22           to expand STA 1 West as critical to achieving  
23           Everglades water quality objectives. And we  
24           appreciate you and your administration's hard work  
25           to do that, Governor. And we also support the

1 exchange of lands to benefit the Lake Hicpochee  
2 restoration objectives, which also will benefit the  
3 downstream Caloosahatchee Basin.

4 In summary, we would like the state-owned  
5 leased lands to benefit restoration objectives, and  
6 we would like you to preserve, to the greatest  
7 extent that you can, your options to achieve this  
8 objective.

9 Thank you very much.

10 GOVERNOR SCOTT: Thank you very much.

11 Good morning, Melissa.

12 MS. MEEKER: Good morning, Governor and  
13 members of the Cabinet. It is a pleasure to be  
14 here today, and I'm very proud to be here in  
15 support of Items 4 and 5.

16 You are considering what I consider the  
17 critical pieces of two distinct public interest  
18 projects. Number 4 is required in the land swap  
19 negotiations with Florida Crystals and S.N. Knight  
20 for the land adjacent to Stormwater Treatment Area  
21 1 West and our implementation of the Governor's  
22 restoration strategy plan for substantial water  
23 quality improvements to the Everglades,  
24 specifically to the Arthur R. Marshall National  
25 Wildlife Refuge.

1           Number 5 is related to the land acquisition in  
2           the Caloosahatchee River Basin in Glades County.  
3           For those of you not familiar with the  
4           Caloosahatchee River, it's one of those rivers and  
5           estuary systems that's faced with either too much  
6           water or too little water, so we're constantly  
7           looking for areas and opportunities to create water  
8           storage and water quality improvement projects.  
9           And this parcel was identified as far back as 2007  
10          as a critical piece.

11          This is an excellent opportunity for us, and  
12          with the value of the lease extension, we are able  
13          to acquire this land, at a time when we are  
14          acquiring very little land, for -- at a 50 percent  
15          discount of the appraised value. That's a  
16          significant savings to the District at a time when  
17          we would not be able to afford the land acquisition  
18          piece.

19          Best management practices were mentioned. And  
20          I will tell you that these leaseholders, like all  
21          landholders in the EAA, must get permits and  
22          implement BMPs through our Works of the District  
23          program. We constantly work with DACS and IFAS and  
24          farmers to improve and implement best management  
25          practices throughout the EAA.

1           We have since the implementation of the BMP  
2           program in the EAA seen a consistent 55 percent  
3           improvement of phosphorus concentrations coming off  
4           the farms. In this last prior year, we saw a 71  
5           percent decrease in phosphorus coming off the  
6           farms. The basin which they have specifically  
7           targeted is our best water quality basin in terms  
8           of phosphorus removal.

9           The three parcels, if you'll look at the map,  
10          I'll show you very quickly. If you look at where  
11          we're building our projects, our water quality  
12          projects -- I apologize for moving way from the  
13          microphone. If you look at where we're building  
14          our water quality projects and you look at the  
15          Central Everglades Planning Project, which is the  
16          next big project that we will build, the parcels  
17          where the leases are are so far outside of where  
18          any potential projects would be. The three parcels  
19          where we do have out clauses are far enough outside  
20          of any footprint where we would be looking at  
21          future projects, we feel we have plenty of time to  
22          use those out clauses, which are consistent with  
23          every out clause that the District has in our other  
24          leases, that we have time to grab those lands if we  
25          decide we need those.

1           We feel very confident that we have the  
2           language we need if we need those lands for future  
3           projects. But right now we have the footprints.  
4           We have the projects we need for future projects.  
5           We're planning new projects now which will be built  
6           the future. We have enough to do. Let's just get  
7           in the ground and start moving dirt and do what we  
8           need to do for Everglades restoration and focus on  
9           what we need to do right now. These two actions  
10          that you're about to take will get us there and get  
11          us moving.

12           Thank you.

13           GOVERNOR SCOTT: I just want to make sure. So  
14          to accomplish what we agreed to accomplish, we have  
15          to get additional land, this land; right?

16           MS. MEEKER: Yes.

17           GOVERNOR SCOTT: We have to get this done?

18           MS. MEEKER: Yes.

19           GOVERNOR SCOTT: And this is the best deal  
20          that we can get done?

21           MS. MEEKER: This is the first step for me to  
22          initiate the land swap negotiations to acquire the  
23          land adjacent to the stormwater treatment areas.  
24          On the water quality side, yes, this is the first  
25          step. And given where we are with the order and

1 the deadlines, I can't delay this. I need this in  
2 order to meet my negotiations and where I need to  
3 be in groundbreaking and design and everything  
4 else.

5 GOVERNOR SCOTT: And we have the ability to  
6 require additional best management practices in the  
7 future if we want to?

8 MS. MEEKER: We consistently improve our BMPs  
9 and consistently change and alter and improve and  
10 work with our farmers to implement those. They're  
11 on a five-year cycle, so all of our landowners  
12 consistently improve and add BMPs as we go along.

13 GOVERNOR SCOTT: And these two landowners in  
14 particular, have they complied with best management  
15 practices?

16 MS. MEEKER: All of their permits are in  
17 compliance, yes.

18 GOVERNOR SCOTT: Okay. Thank you.

19 Any other questions?

20 COMMISSIONER PUTNAM: I don't have any.

21 MS. MEEKER: Thank you.

22 GOVERNOR SCOTT: All right. Is there a motion  
23 to approve Items 4 and 5?

24 COMMISSIONER PUTNAM: So moved.

25 CFO ATWATER: Second.

1 ATTORNEY GENERAL BONDI: Second.

2 GOVERNOR SCOTT: Any comments or objections?

3 Hearing none, the motion carries.

4 Thanks, everybody, for coming today. Thanks,  
5 everybody, for your concern.

6 This concludes our Cabinet meeting. Our next  
7 meeting will be Thursday, February 7, at 9:00 a.m.

8 (Proceedings concluded at 11:16 a.m.)

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CERTIFICATE OF REPORTER

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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 37 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 4th day of February, 2013.

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