

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:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF
INSURANCE REGULATION

DEPARTMENT OF VETERANS' AFFAIRS

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

DEPARTMENT OF LAW ENFORCEMENT

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, June 12,
2007, commencing at 9:00 a.m.

Reported by:
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Registered Professional Reporter
Notary Public

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Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

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

2 (Agenda items commenced at 9:35 a.m.)

3 * * *

4 GOVERNOR CRIST: How about Division of Bond
5 Finance? Ben.

6 MR. WATKINS: Good morning, Governor --

7 GOVERNOR CRIST: How are you, sir?

8 MR. WATKINS: -- Cabinet members. Fine, thank
9 you. Item 1 is approval of the minutes of the May 15th
10 meeting.

11 GOVERNOR CRIST: Is there a motion on the minutes?

12 CFO SINK: Move it.

13 COMMISSIONER BRONSON: Second.

14 GOVERNOR CRIST: Moved and seconded. Without
15 objection the minutes are approved.

16 MR. WATKINS: Item Number 2 are resolutions
17 authorizing the issuance and competitive sale of up to
18 \$23 million in Parking Revenue Bonds for construction
19 of a parking garage on the main campus of the
20 University of Florida.

21 ATTORNEY GENERAL McCOLLUM: I move Item 2.

22 COMMISSIONER BRONSON: Second it.

23 GOVERNOR CRIST: Moved and seconded. Without
24 objection, Item 2 is approved.

25 MR. WATKINS: Item 3 is a resolution authorizing

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1 the issuance and competitive sale of up to \$50 million
2 in Dormitory Revenue Refunding Bonds for a possible
3 refinancing for the University of Central Florida.

4 ATTORNEY GENERAL McCOLLUM: I move it.

5 COMMISSIONER BRONSON: Second.

6 GOVERNOR CRIST: Moved and seconded on Item 3.
7 Show it approved without objection.

8 MR. WATKINS: Item 4 is a resolution authorizing
9 the competitive sale of up to 216,300,000 in Public

10 Education Capital Outlay Bonds for construction of
11 school facilities throughout the state.

12 COMMISSIONER BRONSON: Motion on Item 4.

13 CFO SINK: Second.

14 GOVERNOR CRIST: Moved and seconded. Without
15 objection show Item 4 approved.

16 MR. WATKINS: Item 5 is a report of award on the
17 competitive sale of \$200 million in Public Education
18 Capital Outlay Bonds. The bonds were awarded to the
19 low bidder at a true interest cost rate of
20 approximately 4.45 percent.

21 ATTORNEY GENERAL McCOLLUM: I move it.

22 COMMISSIONER BRONSON: Second.

23 GOVERNOR CRIST: Moved and seconded. Show Item 5
24 approved without objection.

25 MR. WATKINS: And Item 6 is an annual performance

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1 contract for the Division of Bond Finance, which sets
2 forth the responsibilities of the Division of Bond
3 Finance, as well as a schedule of expected bond issues
4 for the upcoming fiscal year. And while I will
5 continue to report bond issues sold on an
6 issue-by-issue basis, I will also do at the end of
7 every year a comprehensive report that will contain all
8 of the bond issues sold during the fiscal year.

9 GOVERNOR CRIST: Is there a motion on Item 6?

10 COMMISSIONER BRONSON: Motion on Item 6.

11 ATTORNEY GENERAL McCOLLUM: Second.

12 GOVERNOR CRIST: Moved and seconded. Any
13 comments?

14 CFO SINK: Yes, Governor. Let me --

15 GOVERNOR CRIST: Please.

16 CFO SINK: Appreciate the performance contract. I
17 thought it was very well done. I just was interested
18 in the chart at the end which shows the historical
19 issuance of debt, looks like around the \$3 billion
20 range. For this fiscal year, though, we've only done
21 about 2 billion. Are we --

22 MR. WATKINS: It's primarily a result of
23 refinancing activities, which is a reflection of the
24 interest rate environment that we're in. Our average
25 annual issuance for new money issue usually runs about

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1 a billion and a half a year for all of the existing
2 programs.

3 There are some timing issues since sometimes we
4 have more in one year than another year. But in
5 general, about a billion five in average annual
6 issuance for new money issues.

7 And then the refinancing component of the overall
8 issue is entirely dependent on interest rates in the
9 market at the time and what is economically feasible
10 for us to be able to refinance and save money on. So
11 that's why you see the volatility from year to year
12 primarily.

13 CFO SINK: And, Governor, just two more.

14 GOVERNOR CRIST: Sure.

15 CFO SINK: What are you anticipating for the
16 '07-'08 fiscal year, which we'll be going into here
17 shortly, in terms of dollar amounts, and what is
18 your -- what is the best guess about the interest rate
19 environment for the next 12 months as opposed to the
20 last 12 months?

21 MR. WATKINS: We have included a schedule of
22 expected issuance which totals \$3 billion. And that's
23 for all of our credits, for Education, Transportation,
24 Environmental Protection.

25 My guess is these are largely dependent on -- when

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1 we sell bonds is largely dependent on tax compliance
2 issues. And so the timing is really key to both when
3 the agency needs money as well as how much time we
4 expect to spend the money.

5 And so this is a schedule that sets forth
6 everything that we would expect to issue if everything
7 went the way we anticipate. That won't happen. And so
8 I expect it to be something less than the 3 billion.
9 But nevertheless we put the full 3 billion on here, and
10 this is basically what our budget is built around as
11 well.

12 So then we will report back to you which of these
13 issues we've sold throughout the fiscal year and why

14 the ones that were included were not sold, which is
15 primarily going to relate to the need for the money by
16 the agency that is administering the program or
17 spending the proceeds.

18 In terms of interest rate prognostication, it's
19 something we -- you know, if I knew the answer to the
20 question where are interest rates going, I wouldn't be
21 doing this for a living. But it is -- over the last
22 couple of weeks we've seen some -- or over last week
23 we've seen a lot of volatility in interest rates.

24 And interest rates have risen fairly dramatically.
25 When I say dramatically, 25 basis points over the

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1 course of a week, which is pretty significant in the
2 treasury market.

3 And I think the expectation is that we are in for
4 higher rates over the longer term. And so -- but we
5 try not to, since we don't know the answer to the
6 question whether rates are going up or going down, we
7 maintain a discipline of borrowing money only when we
8 need it.

9 When the cash is needed to finance the
10 construction, that's what we really key our -- that's
11 our fundamental discipline in terms of the timing of
12 issues.

13 So the interest rate environment has been
14 extraordinarily favorable over the last five years. I
15 don't see how that it could be any better, actually.

16 And it's reflected in the amount of refinancings that
17 we've done and the amount of money we've been able to
18 save the State by refinancing the debt that we have
19 outstanding at lower interest rates.

20 Under federal tax law, unlike your home mortgage,
21 we only get to refinance one time. So you get one bite
22 at the apple. So once you refinance that debt, you
23 can't advance refund it again. And that's a federal
24 tax law restriction.

25 So we've been able to take advantage of the

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1 favorable interest rates that have been provided both
2 through refinancing as well as low interest rates on
3 the debt that we borrowed over the last five years. I
4 don't expect that will change dramatically, but it will
5 change in some respect.

6 GOVERNOR CRIST: Okay. Thank you very much. Did
7 we move and second and approve?

8 CFO SINK: I think we did.

9 GOVERNOR CRIST: Let's do it again just to be
10 sure.

11 CFO SINK: Move it.

12 COMMISSIONER BRONSON: Second.

13 GOVERNOR CRIST: Without objection it's approved.
14 Thank you.

15 MR. WATKINS: Thank you.

16 GOVERNOR CRIST: Keep it all legal.

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1 GOVERNOR CRIST: Financial Services Commission.

2 Don Saxon. Good morning, Don.

3 MR. SAXON: Good morning, Governor, members of the
4 Cabinet. I have three items today. The first item is
5 the approval of the minutes of the April 17, 2007
6 meeting.

7 COMMISSIONER BRONSON: Motion on the minutes.

8 ATTORNEY GENERAL McCOLLUM: Second.

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

11 MR. SAXON: Second item, the Office is requesting
12 approval to file for final adoption amendments to Rule
13 Chapter 69V-560, Florida Administrative Code, relating
14 to the licensing and regulation of money transmitters.
15 This deals with application processes, change of
16 control issues, bond requirements and quarterly
17 reports.

18 ATTORNEY GENERAL McCOLLUM: I move it.

19 GOVERNOR CRIST: There's a motion. Is there a
20 second?

21 COMMISSIONER BRONSON: Second.

22 GOVERNOR CRIST: Moved and seconded. I have a
23 question. Does this involve any fee increase with the
24 application process?

25 MR. SAXON: That would be Item Number 3, sir.

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1 GOVERNOR CRIST: Okay. Show it approved without
2 objection. Item 3.

3 MR. SAXON: Item 3, the Office is requesting to
4 publish a Notice of Proposed Rulemaking for Rule
5 Chapter 69V-40, Florida Administrative Code. The
6 proposed rules will implement and reflect changes to
7 the statute, to clarify and streamline existing rules.

8 This deals with mandating electronic filing,
9 mortgage broker testing, fingerprint cards, change of
10 control and general application and renewal processes.

11 GOVERNOR CRIST: Could you address the fee issue?
12 Could you address the fee issue?

13 MR. SAXON: The main fee issue is on the mortgage
14 broker testing. This is something we've struggled with
15 for a number of years now. And the problem we have is
16 years ago we might be processing 300 applications in a
17 month. Today we average over 2,000 applications, where
18 we have to administer a test on a monthly basis to
19 mortgage brokers.

20 Those tests are done manually by our office. We
21 have ten sites throughout the state where we provide
22 these examinations. And it's all done manually. The
23 problem we have is for industry. That means they have
24 to wait up to 30 days to take the test, sometimes even
25 longer, depending on when their application comes in

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1 and when they're ready to take the test.

2 And it also requires in many situations, because
3 we only have ten locations, people have to sometimes
4 travel 100, 200, perhaps 300 miles to take that
5 examination, which is a cost to them.

6 In working with industry, we looked at this and we
7 felt perhaps the best way to go about this maybe is to
8 outsource this and to do it electronically. If we do
9 that, we can offer the test every day and on weekends.
10 And we will have 21 proctor centers throughout the
11 state where they can go to take these tests.

12 It will also allow them to take the test and at
13 the same time, when they walk out, they will know the
14 results of the test. Whereas now when they take the
15 test, they may have to wait up to five days to get
16 their results.

17 So the way we look at it is, these are individuals
18 who want to get into the business as soon as possible.
19 Once they file the application, they can go to a
20 proctor center, take that test immediately rather than
21 having to wait perhaps up to 75 days to take that test.

22 And so the way we looked at it, in working with
23 the industry, for them, it's a cost savings because
24 they don't have the additional cost of having to travel
25 to take the test and they can get into business that

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1 much sooner, where they can start making money in their
2 particular business of being a mortgage broker.

3 GOVERNOR CRIST: So do they have to pay \$43 now or
4 no?

5 MR. SAXON: Currently the fee is part of the
6 application process of \$200. This will be an
7 additional \$43 that they will have to pay to go to
8 those locations to take the test.

9 GOVERNOR CRIST: So the application process would
10 continue to be 200 and we would tack on this \$43 every
11 time they took the test?

12 MR. SAXON: That's correct, yes.

13 GOVERNOR CRIST: That's the proposal. Well, I
14 mean, if I could, you know, you say that they would be
15 able to take it electronically under this new proposal?

16 MR. SAXON: Yes, sir.

17 GOVERNOR CRIST: Well, why is that more expensive?

18 MR. SAXON: We put it out for bid, to see what
19 would be the cost to have somebody outsourcing it to
20 administer that test. And the bids that we got back,
21 the best we could do would be \$43, through an RFP that
22 we contracted out for.

23 GOVERNOR CRIST: You can't develop it internally?

24 MR. SAXON: Excuse me?

25 GOVERNOR CRIST: You can't develop this electronic

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1 test-making methodology internally?

2 MR. SAXON: I guess we could take a look at that.
3 I mean, the way we've been doing it right now is to be
4 doing it manually. And we've looked at all the options
5 that we thought were available to us, as far as the
6 cost effectiveness. We felt at the time that we passed
7 a law to give us the authority to do this, that this
8 would be the best way to go about administering the
9 test.

10 GOVERNOR CRIST: Well, would you mind looking at
11 trying to do it internally?

12 MR. SAXON: We can certainly take a look at that,
13 sure.

14 GOVERNOR CRIST: I think that would be good.
15 Okay. Anything else?

16 CFO SINK: Well, are we deferring it or --

17 GOVERNOR CRIST: I would recommend that, but
18 whatever your will.

19 COMMISSIONER BRONSON: I'll second to defer it
20 then, rather than try to pass it now with some issues.

21 GOVERNOR CRIST: There is a motion to defer and a
22 second. Any objection? It is deferred. Thank you.

23 MR. SAXON: Thank you.

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1 GOVERNOR CRIST: Office of Insurance Regulation.
2 Kevin, good morning.

3 MR. McCARTY: Good morning, Governor, members of
4 the Commission.

5 GOVERNOR CRIST: Motion on the minutes? I guess
6 that's first, right? I'm sorry. You carry the ball.
7 My bad.

8 MR. McCARTY: It's adoption of the minutes, sir,
9 from April 17th and May 1st.

10 COMMISSIONER BRONSON: Motion on Item 1.

11 ATTORNEY GENERAL McCOLLUM: Second.

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

14 MR. McCARTY: Agenda Item Number 2 is adoption of
15 amendment to Rule 176.013, which provides for
16 notification to policyholders on a PIP disclosure form,
17 which is a personal injury protection standard
18 disclosure form. It reflects changes made in the
19 Legislature in 2006 and requires three minor
20 notification changes to that form.

21 ATTORNEY GENERAL McCOLLUM: I move Item 2.

22 COMMISSIONER BRONSON: Before I --

23 GOVERNOR CRIST: Commissioner.

24 COMMISSIONER BRONSON: -- make a second on that,
25 can I ask a question?

1 GOVERNOR CRIST: Of course.

2 COMMISSIONER BRONSON: And that would be -- and I
3 don't know whether -- I've seen it written in the
4 newspaper. That's all I know about it, whether this
5 will potentially be added to the special session as
6 part of consideration to look at PIP and whether this
7 will change anything other than what we're looking at
8 right here.

9 And I don't know whether the addition has been
10 approved or if there's any true consideration. I just
11 want to try to get an idea, Governor.

12 GOVERNOR CRIST: Sure. I don't think so. That
13 came up this morning before the Cabinet meeting,
14 whether or not we would add additional items. And
15 although I'd like to, I think the complexity of what
16 we're dealing with with the property tax situation, I
17 think we better stay focused. But that doesn't rule
18 out the opportunity maybe in September or October to
19 come back and do important things. Like Kid Care I
20 know is important to the CFO and myself, and PIP, which
21 is important to an awful lot of Floridians.

22 COMMISSIONER BRONSON: In that case, I'll second
23 the motion.

24 GOVERNOR CRIST: Moved and seconded. Without
25 objection show it approved.

1 MR. McCARTY: Agenda Item Number 3 is the adoption
2 of amendments to Rule 149.205, -6 and -7, for the
3 standard risk rates for health insurance. This
4 proposed amendment adopts a maximum rate that insurance
5 companies are allowed to charge for a group conversion
6 policy. A conversion policy is an individual policy
7 that a person gets after termination from a group
8 policy.

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

10 CFO SINK: I move it.

11 COMMISSIONER BRONSON: Second.

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

14 MR. McCARTY: Agenda Item Number 4 is adoption of
15 a new rule, requirements for exchange of coverage.
16 These rules implement the requirements of last year's
17 House Bill 947 passed during the legislative session,
18 which establishes standards for establishment of a
19 qualified long-term care policy in exchange of an
20 existing policy.

21 A number of years ago, in the mid-1990s, there was
22 a series of pilot states that experimented with
23 modifications to the Medicare program, Medicaid
24 program, to limit the exposure of the government.
25 Eighty percent of Medicaid dollars go for long-term

1 care.

2 This program expands the use of this pilot program
3 to Florida, which would allow more -- hopefully
4 encourage persons to purchase long-term care policies.
5 And ultimately the goal is to save money on Medicaid
6 dollars.

7 ATTORNEY GENERAL McCOLLUM: I move Item 4.

8 COMMISSIONER BRONSON: Second.

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

11 MR. McCARTY: Item Number 5 is adoption of
12 amendment to 170.0155. The proposed amendment adopts
13 two forms relating to homeowners mitigation programs.
14 The first form is a notice of discounts to an
15 individual policyholder if they were to take certain
16 steps to provide for wind mitigation of their homes.
17 They would receive a specific discount.

18 And the second form, which was required by House
19 Bill 1A during the special session, is a uniform form
20 that all insurance companies must use to verify that
21 information to ensure that consumers are getting those
22 discounts.

23 And we also, Governor, have a good cause item
24 recommended by the CFO to address another issue.

25 GOVERNOR CRIST: Sure. Do you want to do that?

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1 CFO SINK: Yes. The request for the good cause
2 item came about as a result of reviewing the work that

3 the Office of Insurance Regulation was doing on this
4 form. And it became apparent that many Floridians have
5 taken advantage of the My Safe Florida Homes program,
6 in which they are -- the State is paying \$150 or the
7 homeowners privately are paying this fee to get an
8 approved inspector to come and fill out this form,
9 which indicates what premiums the homeowner is
10 qualified for. And there was an issue as to how that
11 information could be migrated into this form that we're
12 approving today.

13 Without this good cause item, what potentially
14 happens is that the homeowner gets the My Safe Florida
15 Home inspection form, and they then would potentially
16 have to go back again to an inspector because the
17 inspector is required to -- under the original
18 proposal, the inspector is required to sign another
19 form that's approved by the insurance company.

20 So just to cut through it, what we're attempting
21 to do with this good cause item is for those people who
22 are getting their inspections done under the My Safe
23 Florida Homes program, the Department of Financial
24 Services is actually going to take the information from
25 the legitimate inspection, fill out -- fill out the

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1 appropriate form, sign it, and the insurance companies
2 then have to accept the signature and the
3 acknowledgment of our program that this homeowner has

4 taken advantage of these premium discounts.

5 Did I explain it right, Kevin?

6 MR. McCARTY: Yeah. And I think it's important,
7 if I may, Governor, to say that the emergency rule
8 bridges that gap, because really it's a gap in timing.
9 We don't want to delay putting this program in effect
10 by July 1st and have to duplicate all the efforts that
11 have already been done by virtue of the inspections
12 under My Safe Florida, which was designed for a
13 separate agenda, but it covered all the same items.

14 So this really kind of bridges that gap and
15 provides, I think, a good solution for this problem.
16 We appreciate the joint efforts of the Department of
17 Financial Services and our office to come up with this
18 rule.

19 CFO SINK: Governor, let me just add that this
20 is -- beginning October the 1st we will be
21 renegotiating all of the contracts with the inspectors.
22 And when we do that, we will clarify this and make it
23 clear to these inspectors that at the same time
24 incorporated in the fee that we're paying them, they
25 have to sign the appropriate form that we have

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1 presented here today. So it is a 90-day actual fix.

2 COMMISSIONER BRONSON: Governor, are we
3 considering Item 9 good cause now, or are we going to
4 wait and do it at the end and approve?

5 GOVERNOR CRIST: It's up to the CFO.

6 CFO SINK: Well, I think it would be good to do it
7 together.

8 GOVERNOR CRIST: I do, too.

9 COMMISSIONER BRONSON: Well, then I'll move for
10 Item 9, good cause, make a motion at this time for
11 approval.

12 ATTORNEY GENERAL McCOLLUM: Second.

13 GOVERNOR CRIST: Moved and seconded for Item 9.
14 Is there any objection? Show it approved without
15 objection.

16 MR. McCARTY: Thank you, Governor. The next item
17 is a request for publication for rule development for
18 life expectancy providers. The office --

19 GOVERNOR CRIST: We've got to do Item 5 first.

20 MR. McCARTY: Oh, I'm sorry.

21 COMMISSIONER BRONSON: Motion on Item 5.

22 GOVERNOR CRIST: Second?

23 CFO SINK: Second.

24 GOVERNOR CRIST: Moved and seconded on Item 5.
25 Show it adopted without objection as well.

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1 MR. McCARTY: My apologies, sir.

2 GOVERNOR CRIST: Don't be silly.

3 MR. McCARTY: Item Number 6 is approval for
4 publication for life expectancy providers. This
5 proposed rule would allow the Office to include as part
6 of its investigation to include biographical

7 affidavits, background investigations and fingerprint
8 cards.

9 COMMISSIONER BRONSON: Motion on Item 6.

10 CFO SINK: Second.

11 GOVERNOR CRIST: Moved and seconded. Show it
12 adopted without objection.

13 MR. McCARTY: Item Number 7 is approval for
14 publication of Rule 186.003, .005 on the Junior Loan
15 Title Insurance Rule. The amendments to this rule
16 would establish an appropriate rate for a junior loan
17 insurance, which when used by a home owner, applies to
18 a second mortgage or an equity loan.

19 The current rate is \$5.75. Under the proposed
20 rule, it would be 86 cents. So it would stimulate
21 competition in the mortgage lending industry for these
22 refinanced loans.

23 ATTORNEY GENERAL McCOLLUM: I move it.

24 COMMISSIONER BRONSON: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

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1 approved without objection.

2 CFO SINK: I do have a question.

3 GOVERNOR CRIST: CFO.

4 CFO SINK: This has been an issue for quite some
5 time. Why have we not -- just briefly, why have we not
6 made a move on this before? The activity in the home
7 equity and junior loan market has been pretty brisk in
8 the last two or three years, and I'm glad we're doing

9 this now.

10 MR. McCARTY: Actually, it's currently -- this
11 rule was provided before the Financial Services
12 Commission, and it was challenged by one of the title
13 companies. They were successful in part of their
14 proceedings because we had not come and received a
15 publication notification, which was an issue before.
16 So we're coming back and republishing the rule as a
17 result of that.

18 As the process has been going on, it is a public
19 rule in process. There is a company out there that is
20 using that because they brought forward this, and they
21 are using the published rate. It just has not been
22 approved by rule, which is required under Florida law
23 for title insurance.

24 So in effect, Madam CFO, the rate is out there.
25 It's just not been adopted by rule.

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1 CFO SINK: Thank you.

2 GOVERNOR CRIST: I think we had a motion and a
3 second. Show it approved without objection.

4 MR. McCARTY: The next agenda item is approval for
5 publication of our credit scoring rule. As you may
6 recall, we put forward a credit scoring rule in the
7 past. The rule implements authority specified that the
8 Financial Services Commission adopt rules, among other
9 things, to prevent unfair discrimination based on race,

10 color, religion, marital status, age, gender, income,
11 national origin or place of residence.

12 We have been in litigation. This has come up
13 before the Division of Administrative Hearings. We are
14 taking the results of that administrative hearing
15 ruling, revising the rule and presenting it for
16 publication again.

17 GOVERNOR CRIST: Is there a motion on Item 8?

18 COMMISSIONER BRONSON: Motion on Item 8.

19 ATTORNEY GENERAL McCOLLUM: Second.

20 GOVERNOR CRIST: So moved and seconded and
21 approved without objection. Good cause we already did.

22 MR. McCARTY: Thank you, Governor, members of the
23 Commission.

24 GOVERNOR CRIST: Thank you, Kevin.

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1 GOVERNOR CRIST: Veterans' Affairs. Admiral
2 Collins, good morning, sir.

3 ADMIRAL COLLINS: Good morning, Governor and
4 Cabinet. Today the Florida Department of Veterans'
5 Affairs is submitting one item for consideration
6 consistent with the Cabinet directive to develop an
7 executive director's performance contract.

8 The proposed contract has three components which
9 reflect the performance measures established by the
10 Florida Legislature. The Government Performance and
11 Accountability Act of 1994 requires agencies meet

12 performance standards specified in the Annual General
13 Appropriations Act.

14 Results of program performance are reported in
15 quarterly reports and the annual reports submitted at
16 the end of a fiscal year. The three components include
17 veterans' health and long-term care in our veterans'
18 homes program, veterans' economic assistance through
19 our benefits and assistance division, and the agency's
20 administrative support infrastructure necessary to
21 provide services to veterans and their families.

22 The source document from which the performance
23 measures are derived is the General Appropriations Act
24 of 2006 and '7. This document lists ten such
25 performance measures, three in the veterans' homes,

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1 five in benefits and assistance and two in support
2 services.

3 The homes measures focus on occupancy rate and
4 quality of care. Occupancy rates have been established
5 at 90 percent for homes that have been in operation for
6 two years or more. Quality of care measures focus on
7 the inspection surveys conducted by the Agency for
8 Health Care Administration.

9 The benefits and assistance performance measures
10 include the number of veterans served by our FDVA
11 counselors. It includes the number of specific
12 services provided. It includes the number of benefits

13 claims processed, the federal dollars generated by
14 issue resolution and the retroactive compensation.

15 Support services are measured by administrative
16 cost as a percentage of total agency cost and
17 administrative positions as a percent of total agency
18 positions.

19 Thank you for letting us present our proposed
20 performance contract. Should you have any questions,
21 I'll be pleased to answer them.

22 GOVERNOR CRIST: Any questions?

23 ATTORNEY GENERAL McCOLLUM: I have just one,
24 Admiral, if I could. The number of veterans served is
25 around 78-, 79,000, according to this chart in here.

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1 And it's not your evaluation I'm interested in. I'm
2 just curious. Is the demand greater? Is this just the
3 number we can serve with the resources we have, or is
4 this roughly what the number of veterans are?

5 ADMIRAL COLLINS: General, I think it's both. We
6 serve what walks in the door. And we have varying
7 amounts that walk in the door. And so we try our best
8 to predict that, and we've been fairly accurate in
9 that, and so far I think we still are. I do, however,
10 think that the type of service we are rendering is
11 going to change in the very near future.

12 An example of that is that Senator Craig, who is a
13 ranking member of the Senate Veterans' Committee, has
14 filed a bill that proposes that we go into less costly

15 services, such as home care and day care.

16 And so I think that while in your material there
17 it shows that the Veterans' Administration says we can
18 justify 44 homes in this state with the number of
19 veterans we have here, I don't think we'll ever get
20 there in the foreseeable future, not in my lifetime,
21 because it's just becoming so costly to build these
22 homes.

23 Heretofore the cost of the homes has been in the
24 vicinity of almost \$20 million. And now we're talking
25 about, if we have homes where there's only one per

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1 room, which is the new requirement, they'll cost almost
2 \$30 million.

3 So I think that we're seeing the day arriving
4 where we're going to less expensive care. And I think
5 that we will have a much better performance for the
6 dollars expended.

7 ATTORNEY GENERAL McCOLLUM: But we will serve the
8 same veterans --

9 ADMIRAL COLLINS: Yes.

10 ATTORNEY GENERAL McCOLLUM: -- it's just a
11 different way.

12 ADMIRAL COLLINS: And we'll serve more because
13 half of the veterans who are moving are moving to
14 Florida.

15 ATTORNEY GENERAL McCOLLUM: I would move the

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report, the performance --

GOVERNOR CRIST: There's a motion. Is there a second?

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Admiral, thank you.

ADMIRAL COLLINS: Thank you.

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GOVERNOR CRIST: Highway Safety and Motor Vehicles. Electra, good morning.

MS. BUSTLE: Good morning, Governor and Cabinet. We have three items today on the agenda. The first item is the approval of the minutes from our meeting on January 30th, 2007.

ATTORNEY GENERAL McCOLLUM: So moved.

COMMISSIONER BRONSON: Second.

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

MS. BUSTLE: Thank you. Our second item is our quarterly report for the quarter that ended December 2006.

ATTORNEY GENERAL McCOLLUM: I move it.

COMMISSIONER BRONSON: Second.

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

18 MS. BUSTLE: The third item on the agenda is the
19 quarterly report for the quarter that ended March 2007,
20 just before I took the appointment.

21 COMMISSIONER BRONSON: Motion on Item 3.

22 GOVERNOR CRIST: Is there a second?

23 CFO SINK: Second.

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

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1 CFO SINK: Governor?

2 GOVERNOR CRIST: CFO Sink.

3 CFO SINK: I'd just like to ask Electra, since
4 she's had her first -- passed her first hundred days in
5 office, correct, to just give us a little update on the
6 activities that she's been involved in in the first
7 hundred days.

8 GOVERNOR CRIST: That would be great. If you
9 could highlight, too, your customer service expansion,
10 that would be wonderful.

11 MS. BUSTLE: Absolutely. Thank you very much for
12 the opportunity. It has been an exciting 100 days.
13 And I think on March 7th I told you I hit the ground
14 running, and we have. We have worked as an agency.
15 And there have been a lot of surprises, great
16 surprises, and then some areas for improvement that we
17 have found.

18 We have focused on four major areas; customer

19 service, Governor, being the main focus. We've also
20 looked at strategic planning, and we are in the process
21 of creating a strategic plan, communications both
22 internal and external with our partners, as well as our
23 workforce issues.

24 Our customer service focus has really been a great
25 initiative, I think. And it really has come from the

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1 ground up. Our driver's license folks have come and
2 stepped up to the plate to look for ways to improve the
3 way we do business.

4 We're instituting a five star customer service
5 improvement plan. It's going to focus on performance
6 measures. It's important to measure what matters and
7 measure what we're doing so we know where we need to
8 improve.

9 We're going to look at service level improvements,
10 customer education, facility improvements -- we have
11 over 200 facilities statewide, FHP as well as driver's
12 licenses -- technology improvements and employee
13 development, all of which will, we believe, come
14 together to improve customer service in the end.

15 We've done -- there are about five things that we
16 have either started or will be starting shortly, and I
17 want to just talk about those. The hours of operation,
18 one of the first things we have implemented is changing
19 the four-day workweek to the five-day workweek, with
20 Mondays opening.

21 And I do have some stats. We've been open on
22 Mondays for three weeks, and it's the first time in
23 over 16 years. And what we had hoped is actually
24 coming true. What we are seeing is a leveling off of
25 numbers of customers coming in Tuesday, Wednesday,

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1 Thursday and Friday, with Monday being open, which
2 means our folks in the offices can serve more customers
3 and serve them in a more appropriate manner.

4 As opposed to lines being out the door, we're
5 finding that those customers coming in Monday are
6 leveling out the numbers coming in the rest of the
7 week.

8 For instance, on Tuesdays and Wednesdays, we've
9 seen almost a ten percent reduction in the number of
10 customers coming in because Mondays are picking up some
11 of that. And that means better service to them. The
12 driver's license examiner is able to spend more time
13 with the individual and there's not as much stress with
14 the lines backing up.

15 The tax collectors also are telling us their lines
16 and their problems on Mondays have changed because
17 we've opened up on Monday. So it's been an all-around
18 good partnership, and we're seeing some significant
19 decreases in times, wait times. So we're excited about
20 that.

21 GOVERNOR CRIST: If I might just inject here, this

22 is such a radical idea, that you actually have people
23 work five days a week. And it's the first time in 16
24 years. I just wanted to add emphasis to what your
25 leadership has provided to the people of Florida, and

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1 thank you very much for it.

2 MS. BUSTLE: Thank you. Thank you, Governor.
3 What we have seen, we've already served in those three
4 weeks over 50,000 customers on Mondays, and it's
5 increasing every Monday as the word continues to get
6 out.

7 We've also done customer satisfaction surveys in
8 the offices as well as online. In the last two weeks
9 we've received almost 700, and 80 percent of them show
10 that they had a good experience with the office and
11 waited less than 30 minutes. And I think our focus
12 collectively on customer service has now gone down to
13 the driver's license examiner, and it's their focus on
14 customer service. So we are leading by example, and
15 that is just the way to do it.

16 We also are, in the next two or three months,
17 adding kiosks to most of our driver's license offices
18 that have 40,000 transactions or greater, which is our
19 busier offices. That will allow people who come in who
20 don't necessarily have to stand in line to go ahead and
21 take care of their business via the Internet. It
22 allows them also maybe to fill in some applications so
23 that when they get up there in line, things have

24 already been filled out. Again, a customer service,
25 customer time savings initiative.

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1 Credit cards, another item that we are looking at.
2 We had only cash and check in the office for, I think,
3 the last 30-plus years. And we're looking at
4 opportunities to allow credit cards in the office.
5 And, CFO Sink, your team has been working diligently
6 with us to find a way to get that done, and we expect
7 by the end of the year to have that as well, that
8 opportunity in the driver's license offices.

9 The other thing that's interesting is we're going
10 to be piloting queue systems in the offices. We
11 currently do not have an electronic mechanism to judge
12 or measure wait times. Most tax collectors who do
13 driver's license business do use a queue system.

14 And we'll be piloting that with the expectation of
15 going statewide next year after a legislative budget
16 request. And that allows management from wherever you
17 are in the state to be watching wait times. And if
18 something gets a little off skew, you can actually send
19 folks in to assist. You can develop a resource plan,
20 things to that effect. So it's a sure way of measuring
21 how we're doing statewide and a tool for management.

22 So we're excited about those initiatives. We're
23 also excited about some of the strategic planning. We
24 feel like if we plan for the future, we'll be able to

25 get there faster and be more productive in terms of our

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1 goals and our initiatives. And I want to thank you for
2 the opportunity to serve the State. It's been
3 exciting. It's a great opportunity at the Department.
4 And we as an agency are looking forward to continuing
5 the initiative.

6 GOVERNOR CRIST: Thank you very much.

7 MS. BUSTLE: Thank you.

8 GOVERNOR CRIST: Great job.

9 CFO SINK: Governor, let me just point out one
10 thing that I picked up, and I hope this is right, that
11 they're measuring our insured rate at 94 percent in
12 Florida. And regardless of what happens or doesn't
13 happen with PIP, I think that's a number we've got to
14 really stay on top of, is the rate of insured motorists
15 in our state.

16 MS. BUSTLE: And if I may, the national average is
17 14 percent. So we are way --

18 CFO SINK: Fourteen percent uninsured.

19 MS. BUSTLE: I'm sorry. Correct, yes. We are way
20 above the national average, which is terrific, and
21 that's our folks staying on top of the ones that allow
22 the insurance to lapse. Thank you.

23 CFO SINK: Thank you.

24 GOVERNOR CRIST: Thank you very much.

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1 GOVERNOR CRIST: FDLE. Good morning, Jerry.

2 MR. BAILEY: Good morning, Governor, Cabinet. Our
3 first item is the approval of the minutes of our
4 February 13 Cabinet meeting.

5 COMMISSIONER BRONSON: Motion on Item 1.

6 ATTORNEY GENERAL McCOLLUM: Second.

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

9 MR. BAILEY: The second item is our third quarter
10 performance report and contracts over \$100,000. This
11 is for the period ending March 31. Overall our
12 performance continues to be on track, but there are
13 several issues I would like to bring to your attention.

14 We continue to see real improvement in the
15 productivity of our laboratories. This is thanks to
16 your support and the funding by the Legislature of our
17 ten-point plan. As of the end of this quarter we had
18 completed about 10,000 more cases than we did in the
19 same period last year.

20 We reduced the overall backlog. And that's over
21 the whole spectrum, from latents to firearms,
22 toxicology, DNA. The overall backlog has been reduced
23 by over 50 percent.

24 DNA, however, has only been -- the DNA backlog has
25 only been reduced by 16 percent. I expect to continue

1 the emphasis on the DNA through the outsourcing of
2 select cases, working with our local law enforcement
3 partners, the chiefs and the sheriffs, to prescreen the
4 evidence that they bring to us.

5 And I'm pleased to report that we are now in the
6 process of opening a new DNA component in our Fort
7 Myers lab. It's started. I expect it to be fully
8 operational sometime in October. And we have begun the
9 planning process for both DNA and firearms capability
10 in our Daytona laboratory.

11 Now, I'll take you away from analysis to
12 databases. In three weeks we will begin expanding our
13 DNA database to include all felons. Heretofore it did
14 not include those drug felons and a few others. This
15 is going to add another 90,000 profiles in the coming
16 year to the DNA database.

17 And this is proving to be a successful tool.
18 March, the last month of this reporting period, was a
19 record. We had 244 hits on unsolved cases. And 188 of
20 these 244 hits identified the suspect in a particular
21 crime. We lead the country with 12 percent of the DNA
22 database hits. And today we have about 400,000
23 profiles in that database.

24 Quickly, I want to talk about our sexual offender
25 and predator program. In February our agents, working

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1 with our chiefs, sheriffs and the U.S. marshals, had a
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2 statewide sweep of absconders. We have identified
3 almost 500 of those absconders. And we today have
4 arrested over -- about 200 of them for failure to
5 properly register.

6 In February we unveiled a Spanish translation, it
7 was the first in the nation, of the offender predator
8 Web site. The Legislature has given us the vehicle to
9 go forward with the federal Adam Walsh Act. And that
10 will create a registration notification for public use.
11 For instance, citizens will receive e-mails if a sexual
12 predator moves into their neighborhood.

13 Today our 44,000 sexual predators have to register
14 with us every six months. July that changes to a
15 re-registration every three months. So we're going to
16 double the time -- or cut in half the time that they
17 have to come to us.

18 And it also -- the Adam Walsh Act will also expand
19 the number of juvenile offenders that are part of the
20 sexual predator offender database. I'll be happy to
21 answer any questions on our third quarter performance.

22 GOVERNOR CRIST: Any questions? CFO?

23 CFO SINK: I just do have one. Jerry, I was
24 noticing here that the location of your DNA labs,
25 you're getting ready to do something in Fort Myers, but

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1 none of -- you've got Tallahassee, Jacksonville,
2 Pensacola, Tampa and Orlando. It just occurred to me

3 South Florida is where the bulk of our population is,
4 and crime numbers do tend to be higher in South
5 Florida. So does it make a difference where these labs
6 are physically located?

7 MR. BAILEY: Florida has a viable state crime
8 laboratory system, but not all of it is controlled by
9 the Florida Department of Law Enforcement. Dade,
10 Broward have very good labs of their own, supported by
11 those counties.

12 Indian River has a four-county lab worked out of
13 the Indian River Community College. Pinellas County
14 has a limited lab that's worked out of the medical
15 examiner's office there. So we're all a part of the
16 system. But theirs are independent.

17 We are able to provide to them some federal
18 funding that we're a conduit for. But, again, they're
19 controlled by their local constituents.

20 CFO SINK: Thank you.

21 ATTORNEY GENERAL McCOLLUM: I move the quarterly
22 report.

23 GOVERNOR CRIST: Is there a second?

24 COMMISSIONER BRONSON: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

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1 approved without objection.

2 MR. BAILEY: Our final item is my performance
3 contract for the coming year. You will see that that
4 is consistent with the current contract that we're

5 working under. Be happy to answer any questions on
6 that.

7 GOVERNOR CRIST: Any questions? Is there a
8 motion?

9 CFO SINK: Move it.

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Moved and seconded. Show it
12 approved without objection. Thank you, Jerry.

13 MR. BAILEY: Thank you.

14 GOVERNOR CRIST: Appreciate it, sir.

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1 GOVERNOR CRIST: Board of Trustees. Secretary
2 Sole. Good morning, Mike.

3 MR. SOLE: Good morning, Governor. Good morning,
4 Cabinet members. Item Number 1 is submittal of the
5 minutes.

6 GOVERNOR CRIST: Is there a motion?

7 COMMISSIONER BRONSON: Motion on Item 1.

8 CFO SINK: Second.

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

11 MR. SOLE: Thank you. Item Number 2 is a request
12 to publish notice of proposed rulemaking for three
13 Board of Trustees rules, 18-1, which is our State Lands
14 Acquisition Procedures rule; 18-2, which is our
15 Management of Upland Properties; and finally 18-21,
16 which is our Sovereignty Submerged Lands Rule.

17 These rule -- proposed rulemaking is primarily to
18 address appraisal-related actions that were found in
19 the 2005 auditor general report on the agency.

20 ATTORNEY GENERAL McCOLLUM: I move the adoption of
21 Item 2.

22 COMMISSIONER BRONSON: Second.

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

25 MR. SOLE: Thank you. Item Number 3 is a request

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1 for an option agreement to acquire 73.8 acres within
2 the Marjorie Harris Carr Cross Florida Greenway project
3 in Marion County. Purchase price is \$996,000, which is
4 a hundred percent of the appraised value.

5 This project is an important acquisition because
6 it provides access to this area of the Marjorie Harris
7 Carr Cross Florida Greenway area. It's also worth

8 noting that it has a spring on site. It has an Indian
9 mound. And, finally, it also has a Cracker house, a
10 1920 Cracker house.

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

12 CFO SINK: I move it.

13 ATTORNEY GENERAL McCOLLUM: Second.

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

16 MR. SOLE: Thank you. Item Number 4 is an option
17 agreement to acquire 1,162 acres within the Department
18 of Agriculture and Consumer Services, Division of
19 Forestry's Lake George State Forest Additions. This
20 purchase price is for \$2.8 million and is 93 percent of
21 the appraised value.

22 Forestry has been pursuing this for approximately
23 five years and are fortunate to finally have an
24 opportunity to acquire this important piece of
25 property. It's bordered by Lake George, which is our

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1 second largest lake in the state of Florida, and will
2 offer additional resource protection value to the area.

3 GOVERNOR CRIST: Any questions?

4 ATTORNEY GENERAL McCOLLUM: I move it.

5 COMMISSIONER BRONSON: Second.

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

8 MR. SOLE: Thank you. Item Number 5, we are

9 requesting this item be deferred.

10 GOVERNOR CRIST: Any objection? Show it deferred.

11 MR. SOLE: Item Number 6, the Department is also
12 requesting this item be deferred.

13 GOVERNOR CRIST: Any objection to deferring? Very
14 good.

15 MR. SOLE: Thank you, Governor. Item Number 7 is
16 an application by the City of Sarasota for a ten-year
17 sovereignty submerged lands lease which contains
18 approximately 114 acres. This is for a managed
19 municipal mooring field and anchorage in Sarasota
20 County, in Sarasota Bay.

21 This is going to provide approximately 109
22 permanent mooring spaces and 24 transient mooring
23 spaces that will be open to the public on a first come
24 first serve basis.

25 CFO SINK: Move it.

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1 COMMISSIONER BRONSON: Second.

2 GOVERNOR CRIST: Moved and seconded. Any
3 objection? Show it approved --

4 CFO SINK: Governor, I have a -- yeah, go ahead.
5 Say, "Show it approved."

6 GOVERNOR CRIST: Show it approved without
7 objection.

8 CFO SINK: I just wanted to make a comment that --
9 I know we had a similar approval for Marathon, and I
10 had an opportunity to visit the mooring field down in

11 Marathon several weeks ago, and it's an impressive
12 operation.

13 And I was just really frankly very -- I spent a
14 lot of time in this particular area, and I see Bob
15 Soran from Marina Jack's back there in the audience
16 today. Thank you for coming up. But just the idea
17 that our cities are taking the initiative to organize,
18 to make legal these mooring fields and to work with
19 marinas to be sure that there are takeout arrangements,
20 is really the way that we've got to go with our
21 waterfronts, to make our waterfronts more available to
22 boaters in a very clean, environmentally friendly way.

23 And I hope, Secretary Sole, that you're
24 encouraging other coastal communities in our state to
25 look at similar opportunities for our boating

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1 community, just like this one.

2 MR. SOLE: CFO Sink, absolutely. These are great
3 resource protection opportunities throughout the state
4 and provide access to our waterways. So it is a great
5 match. Thank you.

6 Item Number 8 is an application by Waterside at
7 Coquina Key North Boat Club Association for a
8 modification of a five-year sovereignty submerged lands
9 lease. This is to increase their preempted area to
10 allow for the creation or construction of 60 additional
11 slips, which will create a total -- a 90-slip facility.

12 And it's in conjunction with a 284-unit upland
13 condominium development.

14 GOVERNOR CRIST: Any questions?

15 ATTORNEY GENERAL McCOLLUM: I have a question, if
16 I could. Could you give us a little history on the
17 fees that are involved in this. What is the history of
18 why we charge these fees and this sort of thing?

19 MR. SOLE: Be glad to. Our fee structure is one
20 that's based upon both the preempted area of a
21 facility -- and I'm going to give you an approximate,
22 it's about 14 cents per square foot of preempted
23 area -- or based upon six percent of the value or the
24 earnings of a commercial facility.

25 In the past, it was as low as two percent in the

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1 early seventies. It was increased to seven percent, I
2 can't remember, sometime in the eighties. And
3 subsequent to a blue ribbon panel, or excuse me --
4 yeah, a blue ribbon panel review, they looked at the
5 fee structure. We lowered it to six percent, and also
6 the higher of six percent or the preempted area square
7 footage, which is currently 14 cents per square foot.

8 That preempted area calculation lease fee is also
9 tied to the consumer index. So as the CPI goes up, so
10 does that lease fee arrangement.

11 ATTORNEY GENERAL McCOLLUM: Mike, is there a
12 reason for the fee? In other words, is there a
13 dedicated purpose for the fee? Does it go to acquire

14 other properties? Where does the money go?

15 MR. SOLE: Sure. The fees go to the Board of
16 Trustees' trust fund, which is used for management of
17 lands and also can go into acquisition of properties,
18 and state land employees. Thank you. I just wanted to
19 verify that.

20 ATTORNEY GENERAL McCOLLUM: Thank you very much.
21 I was just curious.

22 MR. SOLE: Thank you, General.

23 CFO SINK: Governor, I have a number of comments
24 on this deal.

25 GOVERNOR CRIST: Certainly.

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1 CFO SINK: It's -- well, let me talk about the
2 economics of this deal the way that -- I'm new to this,
3 and so you who have been here before and have done many
4 of these might be able to help me out.

5 But what we have here is a developer who is taking
6 a 284-unit apartment complex that's on the waterfront.
7 And this waterfront, by the way, is an aquatic
8 preserve, so it does have special consideration by the
9 State. And as I understand it, there are 30 boat slips
10 there currently.

11 MR. SOLE: Yes, ma'am.

12 CFO SINK: This developer is getting ready to do
13 an apartment-condo conversion project, so he is going
14 to be selling these 284 units, and he wants to -- and I

15 don't even know who the developer is. I couldn't even
16 tell you -- wants to be able to sell these 90 boat
17 slips to these condominium purchasers.

18 He is going to sell each one of these 90 boat
19 slips for \$85,000, \$7 million, on our property. This
20 is the people's water and the people's property. So he
21 stands to get a profit. There are probably some costs
22 to building these additional dock facilities. But he's
23 going to get a profit of \$6 million, while we, the
24 people, are getting about \$450,000, more or less, and
25 just a piddly \$8,000 a year in fees.

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1 Now, to me, it sounds like a ripoff for the people
2 of Florida. And I'm not in favor of it. And I think
3 this whole thing ought to be addressed by us whenever
4 we're getting ready to cede our valuable waterfront
5 asset to a private development for private
6 profiteering.

7 I'm all for -- I am a big fan of getting more
8 access to water by boaters and all the things that have
9 come to us beforehand that have public purpose to them
10 and public access.

11 But unless I'm not seeing something right, this is
12 not a way that personally I think we ought to be ceding
13 our valuable waterfront assets to a private developer
14 who is going to make \$6 million off it, and we're
15 getting our \$450,000. To me, it's not good economics.

16 GOVERNOR CRIST: Mr. Secretary, can you address
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17 that?

18 MR. SOLE: Yeah, I would. One of the things that
19 I think is worth noting is we talk about how he is
20 selling the slips. One thing that's pertinent is the
21 Cabinet is only providing a five-year lease in this
22 case. And it is the Cabinet that actually controls the
23 use of that water, the Board of Trustees.

24 And under this five-year lease that's being
25 provided, if there is a sale of a slip, then in that

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1 case that sale is really just tied to this lease, which
2 is only a five-year lease, and I think that's pertinent
3 to note.

4 The other thing I think is worthwhile to note is
5 that the six percent value in this case will be the
6 higher of six percent or the lease fee of 14 cents per
7 square foot. We will be getting the six percent in a
8 case where there's an upfront long-term lease, which is
9 what I'll call what they're doing, is trying to provide
10 a long-term lease or sublease to that slip. We would
11 get the six percent value of that lease, which is
12 something that the Board of Trustees has identified as
13 an appropriate lease fee.

14 And I don't know if that addresses your concern at
15 all, CFO, but I think that's something that in policy
16 that we've done over the years. It has worked because
17 it provides that flexibility of a fixed square foot

18 lease fee for some of the lesser economic projects.
19 Not every marina does extremely well. In some cases
20 there's a flat fee.

21 And I'll give examples. In certain parts of the
22 state, in Franklin County, for example, you may not
23 see -- or the six percent may be lesser of the actual
24 preempted area. But in Palm Beach County or an example
25 here in Pinellas County, clearly the six percent would

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1 be the higher of the value. And that's what the basis
2 of our fee structure is currently.

3 GOVERNOR CRIST: I wonder if I could ask,
4 Secretary, whenever somebody comes before the Cabinet
5 and wants to expand, say, an existing marina and add
6 slips or a similar project to this where they're
7 developing condos and want to have -- and it's on the
8 water, they want to have slips, who typically owns the
9 riparian rights?

10 MR. SOLE: The actual facility owner, the
11 condominium owns the riparian rights. And that's a
12 good point, Governor.

13 GOVERNOR CRIST: And the reason it's different
14 here, again, is what?

15 MR. SOLE: Well, in this case they do own the
16 riparian rights. The facility or in this case the
17 upland condominium facility owns the riparian rights at
18 this property, and they are merely exercising those
19 riparian rights by providing these additional slips.

20 Granted, it's a multifamily facility, so it's a
21 commercial facility, unlike a single family resident
22 facility, which has some different aspects to it, but
23 they are exercising those riparian rights.

24 GOVERNOR CRIST: Okay. Maybe if you could
25 elaborate on the State interest versus the private

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1 interest to this particular property that the
2 CFO referenced.

3 MR. SOLE: The CFO did reference a good point that
4 I omitted in my initial discussion. This is an aquatic
5 preserve. And as a result of being in the aquatic
6 preserve, one of the key things that we look at for a
7 project proposing to construct an aquatic preserve is
8 whether the project is in the public interest.

9 Now, fortunately on this parcel, we did
10 significant minimization and avoidance protocols in the
11 regulatory review. But it still didn't cover some of
12 the public interest tests that we were looking at. As
13 part of that the condominium owner has agreed to not
14 only work this project but has agreed to provide
15 \$300,000 to help construct a boat ramp in Pinellas
16 County, which is an area that is significantly
17 struggling in providing adequate access to these
18 resources.

19 So they're doing a public project. They're
20 providing \$300,000 to do a public project off-site to

21 help provide that public interest to justify this
22 project.

23 GOVERNOR CRIST: I appreciate the explanation.
24 General, do you have a question?

25 ATTORNEY GENERAL McCOLLUM: Well, I just was

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1 curious if CFO Sink thinks that there is a greater fee
2 that would then be better and more appropriate. Would
3 there be a level at which you think we should be
4 approving these kind of projects or do you think the
5 private slip deal here is not a good idea altogether?

6 CFO SINK: I think we've got to look at what the
7 economic benefit coming back to the State is. I think
8 you made a good point, that perhaps it is a fee issue.
9 And I'm understanding that this was all done back in
10 1985, when we were in a very different time in Florida.
11 And here we jump-start 20 years later. Perhaps these
12 fees aren't the appropriate ones, this is not the right
13 way to look at it.

14 I would question whether or not -- I don't know
15 about this situation, but when I was reviewing this, it
16 occurred to me, well, shoot, if I'm the developer, I'm
17 just going to charge \$500,000 for my condominium and
18 throw in the dock with it, and therefore the State gets
19 very little or nothing.

20 There are ways to fenagle around, and we need
21 to -- and I understand that the DEP is not set up to
22 have these financial -- you know, a lot of financial

23 analysts, which they don't need to, but they do when
24 they're evaluating these proposals to determine whether
25 or not the proposed developer is trying to pull the

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1 wool over our eyes.

2 And maybe the answer is to go back and reopen
3 whatever was done in 1985 and just relook at how we are
4 valuing -- I understand, Governor, that you said the
5 people have the riparian rights, but they also know
6 that before they're able to go and build docks or mess
7 with our water, that they do have to come back and ask
8 permission to do it. And to me, there's more value in
9 it than just what we're getting out of it.

10 ATTORNEY GENERAL McCOLLUM: So you're suggesting
11 maybe in a situation like this -- I know you don't know
12 a figure -- but we ought to be getting 25 percent or
13 sharing in 50 percent type of --

14 CFO SINK: Yeah.

15 ATTORNEY GENERAL McCOLLUM: -- in the profit
16 that's being made on those docks.

17 CFO SINK: I think if the developer came back and
18 said, "I'll split my profits with you," maybe I'd be
19 more interested.

20 ATTORNEY GENERAL McCOLLUM: That's what I was
21 trying to get at. Okay. Thank you.

22 GOVERNOR CRIST: Commissioner.

23 COMMISSIONER BRONSON: Well, I guess I'm looking

24 at it a little bit different, too. I know that there
25 are audits that are done on these facilities to make

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1 sure that there isn't some kind of funny business going
2 on.

3 I know that DEP does an audit to secure the
4 public's interest, and I know they do continuing
5 inspections to make sure they're meeting all the water
6 standards and quality and all of those issues.

7 But I also think that we should consider the fact
8 that while they do have the riparian rights, they are
9 building this facility, that they're offering privately
10 a facility not only for our current citizens but those
11 who come and visit us maybe four to six months out of
12 the year and a place to put their boats in slip.
13 They're paying the taxes in the county that that's
14 located.

15 And also I understand as part of -- and I was
16 looking for that -- that part of the public interest is
17 they're going to build a public boat ramp. And I can
18 tell you public boat ramps, no matter where they are in
19 the state of Florida right now, in counties including
20 Brevard where I came from, it was precious to find not
21 only the slips but places to park your vehicles once
22 you got in the water, just so that the people living
23 inland from the coast have a chance to go to the coast
24 to fish and to recreate.

25 So it's very important to offer these public boat
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1 ramps for the general public to go over and use them so
2 that they can enjoy the water as well.

3 So I see where the CFO is coming from, but I think
4 there is some balancing here that we're looking at.
5 And as long as we're making sure that they're not going
6 to be degrading the water, like we require of
7 everybody else, and all things considered, I know the
8 CFO is a good business person and comes from a
9 financial background, but I'm not sure the State of
10 Florida needs to be in the business of partnering with
11 people to create these types of businesses, or we'll be
12 out there in all kinds of things.

13 But I do understand where you're coming from. The
14 shock of those total numbers, I think, sometimes does
15 make your eyes pop open. But I'm fine with it. I'm
16 willing to offer -- offer the motion on this item.

17 GOVERNOR CRIST: Any other questions? General?

18 ATTORNEY GENERAL McCOLLUM: I just have one
19 comment. I do think the fact that we do have a public
20 access that is being provided as a part of this deal is
21 going to be an important part of why I would suggest
22 that -- I'm going to second this in a second, but
23 before I do that, I'd like to comment that I do think
24 that we ought to look at this in the future, for deals
25 that are totally private, because I think CFO Sink has

1 made a good point, that six percent probably is not
2 high enough for a private deal like this in this day
3 and age.

4 You've already negotiated this one. We are
5 getting a private boat ramp access for the public to --
6 I should say a public boat ramp. So I will second
7 this, but I am sharing the CFO's concern with regard to
8 the low percentage on a purely private deal, where we
9 could be getting more, and I don't think it would deter
10 the development. I'll second it.

11 GOVERNOR CRIST: Okay. Commissioner?

12 COMMISSIONER BRONSON: Governor, on that comment,
13 let me say that to be fair with the rest of the people
14 in the state of Florida where we've already done this
15 over years, even way before we got here, this is all
16 done by rule.

17 And I think any renegotiation, if you choose to
18 take a look at that and increase those fees, will end
19 up going back to those people who are going to come
20 back for leases over the next however long before this
21 rule. And it will have to go before statewide
22 rulemaking on those increases.

23 So if that's the will, then certainly we can do
24 that. But we need to make sure that everybody
25 understands that this is going to go back to those

1 we've already done this with as they come up for new
2 leases under this rule.

3 MR. SOLE: Can I comment on that real quick,
4 Governor?

5 GOVERNOR CRIST: Sure.

6 MR. SOLE: And I'll try to be brief. But the
7 Commissioner is a hundred percent correct. These lease
8 fees are established by rule, and we're merely
9 implementing those rules that require the six percent
10 or, again, the square footage fee, whichever is
11 greater.

12 It's also worth noting that -- and one point that
13 I think is worth noting is that we recently looked at
14 the fees. We looked at the fees in 2006 and actually
15 previously looked at the fees in 2002. And there's
16 going to always be a consideration of whether those
17 fees are accurate or whether they need to be adjusted.

18 And, of course, the Department is very glad to
19 take the direction of the Cabinet and take another look
20 at that. But it's also, I think, pertinent to note
21 that as you look at the six percent -- and the
22 Commissioner alluded to this -- as we inspect and we
23 inspect on the sovereignty submerged lands pieces, if
24 there are subsequent sales, again, the State of Florida
25 will also be pursuing six percent on any subsequent

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1 sale.

4 would get no additional fee, other than six percent on
5 the annual operating revenue.

6 ATTORNEY GENERAL McCOLLUM: Thank you.

7 GOVERNOR CRIST: Any other comments or questions?

8 It's been moved and seconded. All in favor say aye.

9 Aye.

10 ATTORNEY GENERAL McCOLLUM: Aye.

11 COMMISSIONER BRONSON: Aye.

12 GOVERNOR CRIST: All opposed?

13 CFO SINK: No.

14 GOVERNOR CRIST: Show it approved.

15 CFO SINK: Governor, is there an opportunity for
16 us to relook at the fee?

17 GOVERNOR CRIST: Sure.

18 CFO SINK: And I don't know what the
19 appropriate -- if it's another commission, another
20 study.

21 GOVERNOR CRIST: Secretary, do you have some
22 advice?

23 MR. SOLE: I think we could initiate rulemaking to
24 look at fees. I know that this subject is a subject
25 near and dear to many in the state of Florida, those

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1 that want to have a fixed fee and those that actually
2 want to see an increase in fees.

3 So what we can do is pursue rulemaking and begin
4 that discussion, to have that public debate on what's

5 the appropriate fee, and bring it back to the Board of
6 Trustees.

7 GOVERNOR CRIST: We would appreciate that.

8 MR. SOLE: Yes, sir.

9 CFO SINK: Governor, I just -- some of the
10 language here is a little disturbing to me because
11 we're talking about fees, and fees -- you know, you
12 don't like fees. I know that.

13 GOVERNOR CRIST: I don't know anybody who does.

14 CFO SINK: But, to me, this is not a fee. This
15 is -- we are selling an asset of the State. That is an
16 entirely different way to look at it than the fact that
17 this is some fee that we're charging the taxpayer. So
18 I just want to go on record as saying, to me, it's not
19 a fee. It's the sale of an asset of the State.

20 GOVERNOR CRIST: Very good.

21 CFO SINK: Thank you.

22 GOVERNOR CRIST: You're welcome.

23 MR. SOLE: Thank you. Item Number 9, at the
24 request of the applicant, we're asking this to be
25 deferred.

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1 GOVERNOR CRIST: Any objection? Show it deferred.
2 Thank you, Secretary.

3 MR. SOLE: Thank you, Governor, Cabinet.

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1 GOVERNOR CRIST: State Board of Administration,
2 Coleman. Charlie, we'll see you at 11:00.
3 MR. STIPANOVICH: Good morning, Governor, members.
4 GOVERNOR CRIST: Good morning.
5 MR. STIPANOVICH: Agenda Item Number 1 is request
6 for approval of the minutes of May 15th, 2007.
7 ATTORNEY GENERAL McCOLLUM: So moved.

8 GOVERNOR CRIST: There's a motion. Is there a
9 second on the minutes?

10 CFO SINK: Second.

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

13 MR. STIPANOVICH: Item Number 2 is request for
14 approval of fiscal sufficiency of an amount not
15 exceeding 216,300,000 State Board of Education Public
16 Education Capital Outlay Bonds.

17 CFO SINK: Move it.

18 ATTORNEY GENERAL McCOLLUM: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it
20 approved without objection. Item 3.

21 MR. STIPANOVICH: Item 3 is request for approval
22 of fiscal sufficiency of amount not exceeding 50
23 million Board of Governors University of Central
24 Florida Dormitory Revenue Refunding Bonds.

25 ATTORNEY GENERAL McCOLLUM: I move Item 3.

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1 CFO SINK: Second.

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

4 MR. STIPANOVICH: Item Number 4 is request for
5 approval of fiscal sufficiency of an amount not
6 exceeding 23 million Board of Governors University of
7 Florida Parking Facility Revenue Bonds.

8 ATTORNEY GENERAL McCOLLUM: I move Item 4.

9 CFO SINK: Second.

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

12 MR. STIPANOVICH: Item Number 5 is a request for
13 approval of fiscal determination to issue an amount not
14 exceeding 250 million Florida Housing Finance
15 Corporation Homeowner Mortgage Revenue Bonds.

16 CFO SINK: Move it.

17 ATTORNEY GENERAL McCOLLUM: Second.

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

20 MR. STIPANOVICH: Item Number 6 is request for
21 approval of fiscal determination by the State Board of
22 Administration to issue -- for the issuance of an
23 amount not exceeding 5,950,000 Tax-Exempt Florida
24 Housing Finance Corporation Multifamily Revenue Bonds.

25 ATTORNEY GENERAL McCOLLUM: I move it.

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1 CFO SINK: Second.

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

4 MR. STIPANOVICH: Item Number 7, Rule 19-8.028 is
5 simply the Cat Fund's premium formula. You approved
6 that premium formula on April 3rd of 2007, and the rule
7 has been properly noticed. The Cat Fund is simply
8 asking now that you approve the filing of the rule for
9 adoption.

10 CFO SINK: Move it.

11 ATTORNEY GENERAL McCOLLUM: Second.

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

14 MR. STIPANOVICH: Item Number 8, Rule 19-8.010 is
15 related to House Bill 1A that was passed during the
16 special session this past January, and Senate Bill 2498
17 that passed during this year's regular session.
18 Addendums 4 and 5, which you have in your backup
19 material, to this rule will take care of two issues
20 dealing with some insurers assigning Cat Fund coverage
21 to third parties and providing reinsurance coverage to
22 Citizens Property Insurance Corporation for policies
23 assumed from insurance companies placed in liquidation.

24 ATTORNEY GENERAL McCOLLUM: I move Item 8.

25 CFO SINK: Second.

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

3 MR. STIPANOVICH: Agenda Item Number 9, Rule
4 19-8.030 is the insurer responsibility rule that is
5 needed to add revision dates to the forms incorporated
6 with this rule. The Cat Fund asks for approval to
7 notice this rule for adoption.

8 CFO SINK: Move it.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MR. STIPANOVICH: Agenda Item Number 10, Emergency
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13 Rule 19ER07-1 is an emergency rule related to the
14 Insurance Capital Build-Up Incentive Program. Senate
15 Bill 2498 expanded this program to broaden the
16 definition of insurers writing only manufactured homes.

17 This emergency rule is needed to address the new
18 requirements for these companies writing insurance for
19 only manufactured homes in our rule and in the surplus
20 note.

21 ATTORNEY GENERAL McCOLLUM: I move Item 10.

22 CFO SINK: Second. And I have a comment,
23 Governor.

24 GOVERNOR CRIST: Moved and seconded. Show it
25 approved without objection. CFO.

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1 CFO SINK: I just want to mention that this whole
2 issue of manufactured homes is so critical in our
3 state. Twenty percent of our housing in our state is
4 manufactured homes, and this is an area that -- these
5 home owners have really been struggling to find
6 affordable insurance.

7 And the fact that we're able to, as the State, to
8 support through our Cat Fund activities building up
9 capital for these insurers who are willing to provide
10 this type of insurance, you'll remember when we toured
11 the tornado area, most of those home owners had no
12 insurance because it's absolutely unaffordable.

13 So I believe that it's a good state policy for us

14 to encourage and incent insurers to bring capital into
15 our state to provide access to more insurance for
16 manufactured homes.

17 MR. STIPANOVICH: And I will mention there are a
18 couple of insurance companies that have applied for
19 these, for a total of \$14 million that's under review
20 now that appear to be viable candidates for this
21 surplus note program.

22 GOVERNOR CRIST: Thank you.

23 MR. STIPANOVICH: Okay. Agenda Item Number 11 is
24 a request for -- it's simply a permanent rule that
25 follows the Emergency Rule 19ER07-1. The Cat Fund is

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1 asking approval for notice of the rule and for
2 adoption.

3 CFO SINK: Move it.

4 GOVERNOR CRIST: Is there a second?

5 ATTORNEY GENERAL McCOLLUM: Second.

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

8 MR. STIPANOVICH: And the final item, Agenda Item
9 Number 12, is following the approval of the Defined
10 Benefit Investment Policy Statement. The proposed
11 budget amendment simply meets the objectives to
12 establish a new investment asset class and expand the
13 corporate governance program, as you're aware.

14 ATTORNEY GENERAL McCOLLUM: I move Item 12.

15 CFO SINK: Second.

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

18 MR. STIPANOVICH: Governor and members, that
19 completes my agenda.

20 GOVERNOR CRIST: Thank you, Coleman.

21 MR. STIPANOVICH: Thank you.

22 GOVERNOR CRIST: We will see you in about 15
23 minutes.

24 (Whereupon, the proceeding was concluded at 10:45
25 a.m.)

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CERTIFICATE OF REPORTER

3

4 STATE OF FLORIDA)

5 COUNTY OF LEON)

6

7 I, Jo Langston, Registered Professional Reporter,
8 do hereby certify that the foregoing pages 5 through 69,
9 both inclusive, comprise a true and correct transcript of
10 the proceeding; that said proceeding was taken by me
11 stenographically and transcribed by me as it now appears;
12 that I am not a relative or employee or attorney or counsel
13 of the parties, or a relative or employee of such attorney
14 or counsel, nor am I interested in this proceeding or its
15 outcome.

16 IN WITNESS WHEREOF, I have hereunto set my hand

TRANS0612.txt

17 this 6th day of July, 2007.

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JO LANGSTON

23

Registered Professional Reporter

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