

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

---

Representing:

STATE BOARD OF ADMINISTRATION  
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION  
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, Honorable Governor Crist presiding,  
in the Cabinet Meeting Room, LL-03, The Capitol,  
Tallahassee, Florida, on Tuesday, April 14, 2009,  
commencing at approximately 9:36 a.m.

Reported by:

MARY ALLEN NEEL  
Registered Professional Reporter  
Florida Professional Reporter  
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.  
2894 REMINGTON GREEN LANE  
TALLAHASSEE, FLORIDA 32308  
(850)878-2221

## APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST  
Governor  
(Appearing telephonically)

CHARLES H. BRONSON  
Commissioner of Agriculture

BILL McCOLLUM  
Attorney General

ALEX SINK  
Chief Financial Officer

\* \* \*

## I N D E X

STATE BOARD OF ADMINISTRATION  
(Presented by ASH WILLIAMS)

ITEM	ACTION	PAGE
1	Approved	4
2	Approved	4
3	Approved	8
4	Discussed	10
5	Approved	19
6	Approved	19
7	Approved	20

FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION  
(Presented by ANDREA MORELAND)

ITEM	ACTION	PAGE
1	Approved	32
2	Approved	34

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION  
(Presented by LISA SALIBA)

ITEM	ACTION	PAGE
1	Approved	35
2	Approved	35

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND  
(Presented by MIKE SOLE)

ITEM	ACTION	PAGE
1	Approved	36
2	Approved	42
3	Approved	44
4	Approved	56

CERTIFICATE OF REPORTER		67
-------------------------	--	----

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

(The agenda items commenced at 9:38 a.m.)

1  
2  
3 ATTORNEY GENERAL McCOLLUM: It's my  
4 understanding this morning before the resolutions  
5 and so forth that Ash Williams with the State Board  
6 of Administration needs to have the agenda item up  
7 first, and we put that up there, Ash. If you could  
8 come forward, we will begin with the State Board of  
9 Administration.

10 MR. WILLIAMS: Thank you, General. Item 1 is  
11 the minutes from the March 24 meeting. Request  
12 approval.

13 CFO SINK: I move it.

14 ATTORNEY GENERAL McCOLLUM: Governor, can you  
15 second it, or should I?

16 GOVERNOR CRIST: Second.

17 ATTORNEY GENERAL McCOLLUM: Thank you. No  
18 objections. It's approved.

19 MR. WILLIAMS: Item 2, request approval of the  
20 appointment of Robert H. Gidel to the Investment  
21 Advisory Council.

22 CFO SINK: I move it.

23 GOVERNOR CRIST: Second.

24 ATTORNEY GENERAL McCOLLUM: Without objection,  
25 it's approved. But I've got to comment at this

1 time, because this is my nominee to this particular  
2 advisory panel. And for those of you who don't  
3 know, there are six investment advisors, Ash, that  
4 you have on your Council, and I have the privilege  
5 of appointing two of them, as the CFO does too, and  
6 the Governor has too.

7 Ash Williams has had 18 -- or I should say Rob  
8 Gidel. You've had a lot more than that, probably,  
9 Ash. But Rob Gidel has had 18 years of experience  
10 in private equity investing and management. He has  
11 had a 23-year history in a public company,  
12 investing and management. He has been a long-time  
13 person whom I've known in the financial world, and  
14 I'm really looking forward to his being aboard as  
15 one of your advisors, Ash.

16 I know you have an agenda today, but I wonder  
17 if it would be appropriate for Rob to come up just  
18 for a minute to be recognized and just acknowledge  
19 who he is and let you know who one of your new  
20 advisors is going to be. If we could have him, if  
21 that's appropriate --

22 MR. WILLIAMS: Absolutely.

23 ATTORNEY GENERAL McCOLLUM: Rob Gidel. Rob,  
24 welcome.

25 MR. GIDEL: Thank you, General. It's truly an

1 honor to be able to join the Council. I take this  
2 role with extreme seriousness, particularly in the  
3 times that we're in.

4 I have about 35 years of investing my own  
5 capital alongside public and corporate pension  
6 funds, as well as university endowments. At the  
7 present time, I'm Chairman of the Finance Committee  
8 at the University of Florida, the foundation and  
9 endowment, so I'm familiar with both the structure  
10 and the plans and the processes that the pension  
11 funds like the State of Florida use to make  
12 investments.

13 I'm also very proud of the fact that I'm  
14 homegrown. I graduated from Clearwater High School  
15 and from the University of Florida. I have been  
16 chairman of the board, CEO, and lead director of a  
17 number of companies based here in Florida. I love  
18 this state, and at times like this, I think that  
19 those that care about it greatly are the ones that  
20 are being asked to serve, and I'm grateful that you  
21 asked.

22 ATTORNEY GENERAL McCOLLUM: Well, Rob, we  
23 really appreciate it. I do indeed, and I think all  
24 of us do, the Trustees, CFO Sink and Governor  
25 Crist.

1           One of the unique features you bring to this  
2           is that you've been an advisor or been on the board  
3           with CalPERS, with the California teachers, the  
4           Texas teachers, the State of Illinois, the State of  
5           Utah, a number of pension plans. And I would like  
6           to believe that your experience and depth of  
7           experience will add to the Council and to the  
8           assistance that Ash and his team need.

9           And I appreciate your coming this morning in  
10          person. Not every time we have a nominee does that  
11          occur. I think you have your son with you today  
12          too, and we're just very proud that you're here.  
13          Thank you very much.

14          Any questions, CFO Sink or Governor?

15          CFO SINK: No.

16          GOVERNOR CRIST: No. Thank you.

17          ATTORNEY GENERAL McCOLLUM: Thank you. Thank  
18          you very much. Ash.

19          MR. WILLIAMS: Item 3, we request approval of  
20          the SBA Quarterly Report regarding the Protecting  
21          Florida's Investments Act.

22          ATTORNEY GENERAL McCOLLUM: Do I have a  
23          motion?

24          CFO SINK: Move it.

25          GOVERNOR CRIST: Second.

1           ATTORNEY GENERAL McCOLLUM: Without objection,  
2 approved.

3           MR. WILLIAMS: Thank you. Item 4, let's frame  
4 up this item, if we could. This was originally a  
5 request for authorization to purchase financial  
6 products for the Florida Hurricane Catastrophe  
7 Fund. We are in fact not recommending the purchase  
8 of any financial products today, so if it please  
9 the Board, perhaps we should change this to a  
10 discussion item.

11           ATTORNEY GENERAL McCOLLUM: That would be fine  
12 with us. Please proceed, Ash.

13           MR. WILLIAMS: Thank you very much. At our --

14           CFO SINK: General, can I ask a question about  
15 that? So we're not going to be expected to vote on  
16 your recommendation not to pursue a financial  
17 product? I don't know what the proper protocol is  
18 here today.

19           MR. WILLIAMS: Well, I think the way we had it  
20 framed was, we would need specific authorization to  
21 move forward with a product, so I was thinking if  
22 you were doing the inverse, which is not to move  
23 forward, then you don't need any authorization,  
24 because you're not doing anything.

25           ATTORNEY GENERAL McCOLLUM: So then we would



1 be removing this as an item for consideration? We  
2 may have to have a motion to do that, because it is  
3 an item. It appears as an item here.

4 MR. WILLIAMS: Well, if procedurally it would  
5 be more straightforward to leave it as it is and  
6 simply affirm by a vote not to do a financial  
7 product at this time, that would work as well.

8 ATTORNEY GENERAL McCOLLUM: We aren't voting  
9 on anything today.

10 What does staff think about that? Do we need  
11 a vote? Does anybody back there know?

12 (Sotto voce discussion among staff.)

13 ATTORNEY GENERAL McCOLLUM: Well, it's our  
14 option to withdraw it or have a vote. CFO Sink, do  
15 you have a preference? Do you want to go ahead and  
16 vote on not doing something, or do you think it  
17 would be better to withdraw it? Governor, do you  
18 have a thought?

19 GOVERNOR CRIST: No. It occurs to me that you  
20 might want to go ahead and record a vote to just  
21 have it as a discussion item and not as an item for  
22 a vote, and I'll make that motion just to make it a  
23 discussion point.

24 ATTORNEY GENERAL McCOLLUM: CFO Sink, would  
25 you second that?

1 CFO SINK: Okay. I'll second that.

2 ATTORNEY GENERAL McCOLLUM: Without objection,  
3 it is so altered, and that is the proceeding here  
4 today. Please proceed, Ash, then.

5 MR. WILLIAMS: Thank you, General. Originally  
6 our plan was to have Mr. John Forney of Raymond  
7 James with us. He is a victim of the same weather  
8 conditions that have stranded the Governor in Tampa  
9 this morning, so I will work from the memo that he  
10 prepared and would originally have presented.

11 Just recapping, the Florida Hurricane  
12 Catastrophe Fund created a Financial Services Team  
13 through competitive and public procurement  
14 processes over the course of 2007 and 2008. The  
15 team consists of investment banks, reinsurance  
16 brokers, and lawyers, all of them well recognized  
17 firms.

18 You'll also recall that at our March 10  
19 meeting, we discussed the notion of going into the  
20 market for financial products, and I was directed  
21 to work with the Cat Fund and our Financial  
22 Services Team to go and analyze the availability of  
23 various financial products and report back with the  
24 benefit of that detailed background. We have done  
25 so and have looked at the purchase of financial

1 products, including reinsurance, finite  
2 reinsurance, and also puts similar to the  
3 transaction that was done last year.

4 And our conclusion is that the amount of risk  
5 that we could transfer through that process is very  
6 small and not enough to really be material, and the  
7 price at which that risk transfer could be  
8 accomplished is extremely high. And for that  
9 reason, it is not attractive economically to pursue  
10 financial products at this time.

11 ATTORNEY GENERAL McCOLLUM: Are there  
12 questions? CFO Sink, Governor?

13 GOVERNOR CRIST: No, sir. Thank you.

14 ATTORNEY GENERAL McCOLLUM: Any questions,  
15 CFO?

16 CFO SINK: Thank you, General. No, but are  
17 you going to be preparing -- I see in this report  
18 you have an update on our federal initiatives and  
19 some other matters. Are you prepared --

20 MR. WILLIAMS: Yes.

21 CFO SINK: -- to give us an update on those?

22 MR. WILLIAMS: Yes. Why don't we go ahead and  
23 and --

24 CFO SINK: But for purposes of what we're  
25 doing right now, I don't have any -- well, I do.

1           So as it stands now, we've been talking about a gap  
2           of as much as \$18 billion. And I understand that  
3           some people think the markets might have opened up  
4           quite a -- a little bit. Would you just summarize  
5           for us where we think we stand now in terms of the  
6           Cat Fund?

7           MR. WILLIAMS: Certainly. We're in  
8           substantially better condition, is the short  
9           answer. The original analysis was that our access  
10          to the capital markets was estimated to be at  
11          approximately \$3 billion. As part of our analysis  
12          that we're reporting to you today, we would like to  
13          revise that estimate to \$8 billion.

14          So keeping in mind that a significant part of  
15          the reason the Cat Fund has been a focus of our  
16          attention of late is that there has been a gap that  
17          has resulted largely from the freezing in the  
18          financial markets and the inaccessibility of the  
19          debt markets for post-event bond issuance by the  
20          Cat Fund, in fact, if we look at where we would be  
21          today if we were in fact able to issue \$8 billion  
22          in post-event financing, the aggregate resources of  
23          the Cat Fund could cover Cat Fund loss exposure of  
24          between 12 and \$15 1/2 billion.

25          If you keep in mind that the Cat Fund's

1 exposure does not come from the first dollar, and  
2 if you look at what's called the ground-up loss  
3 number, meaning losses from the first dollar, which  
4 would include those losses paid by insurance  
5 companies before the Cat Fund would be called upon  
6 to pay the first dime, that would bring us up to a  
7 bottom-up loss experience of between 20.4 billion  
8 and 24 billion. And again, putting that in  
9 perspective, that would mean a storm the size of  
10 Hurricane Andrew would have a current day loss  
11 expectation of about \$22 billion, so you would be  
12 right in that range of being able to cover an event  
13 the size of Andrew with current resources.

14 To give you an idea of probabilities, when we  
15 first began talking about the Cat Fund situation at  
16 the onset of 2009 and tail end of 2008, the  
17 probability at that \$3 billion issuance level that  
18 the resources of the Cat Fund could be outstripped  
19 by loss experience was roughly 6 percent. That  
20 probability has dropped to 3 1/2 percent currently  
21 with this estimate. If the capital markets  
22 continue to thaw, issuance capability continues to  
23 trend upward, that number could go lower. And if  
24 you couple that with the initiatives we're pursuing  
25 at the state and federal levels, there are numerous

1 tracks down which we are proceeding to get the Cat  
2 Fund on a sound footing.

3 ATTORNEY GENERAL McCOLLUM: I had one  
4 clarification question. It remains true, though,  
5 that for that which is above the amount that you  
6 described, the \$15 billion exposure, there would be  
7 no protection and no realistic prospects of getting  
8 support in terms of any kind of liquidity without  
9 some intervention from perhaps the federal  
10 government, which I know you've been pursuing. We  
11 are correct about that, aren't we?

12 MR. WILLIAMS: Yes, sir.

13 ATTORNEY GENERAL McCOLLUM: And as far as what  
14 you're doing now, your recommendation would be that  
15 we not proceed to try to look for other products,  
16 because they're too expensive, considering the  
17 relatively low probability of exceeding that  
18 15 billion loss figure during this next storm  
19 season. Is that the bottom line?

20 MR. WILLIAMS: That is correct. And what it  
21 comes down to is this, very simply: If you buy a  
22 financial product, you will pay a very, very  
23 significant cost for it. In many cases, to  
24 transfer -- for example, to transfer a billion  
25 dollars of risk, you could pay \$270 million or more

1 in premium.

2 That is a very substantial out-of-pocket cost  
3 that does not come back. And our view is, given  
4 where we are on current resources and the improved  
5 bond issuance capability, that we would be better  
6 off preserving our capital, allowing it to compound  
7 tax-free over time, and letting markets normalize,  
8 and working on the other tracks that we're on.

9 And as the CFO requested a moment ago, I'm  
10 happy to provide you an update on where we are on  
11 all those tracks.

12 CFO SINK: General?

13 ATTORNEY GENERAL McCOLLUM: Yes, CFO.

14 CFO SINK: So we -- in terms of preparation  
15 for this hurricane season, we have about -- isn't  
16 it about 3 billion of the surplus, I think? And  
17 then on top of that, we already have some pre-event  
18 financing that we've done to bring us up to -- I  
19 want to say \$8 billion. I'm not sure my numbers  
20 are exactly right.

21 But would you review with us how we see the  
22 possibilities of getting some more money in the  
23 bank, so to speak, earlier that would enable us to  
24 pay claims in terms of similar types of pre-event  
25 financing? Give us a status on the pursuit of

1 getting some money in the bank.

2 MR. WILLIAMS: Sure. Currently we have about  
3 \$4 billion in cash and about 3 1/2 billion in  
4 proceeds from prior pre-event issuance.

5 With pre-event issuance, the objective is to  
6 issue at the lowest possible cost, invest the  
7 proceeds, and use the investment returns on the  
8 proceeds to offset the carrying costs on the  
9 borrowing.

10 We all know that interest rates have  
11 effectively gone to zero in the short term, which  
12 means that our ability to cover the debt carrying  
13 costs of pre-event bond issuance is nonexistent.  
14 That in turn makes the cost-effectiveness of  
15 pre-event issuance undesirable in the current  
16 environment. And the analysis of the Financial  
17 Services Team was that the scale of pre-event  
18 issuance in the current environment that's  
19 available is quite small anyway. The estimate was  
20 500 million to a billion dollars. So it's a small  
21 amount of capital, and it's an expensive source of  
22 capital.

23 That said, we intend to file within the next  
24 30 days an application with the Internal Revenue  
25 Service to get a private letter ruling so that we



1           could issue our pre-event paper on a tax-exempt  
2           basis, as we do our post-event paper. That would  
3           increase the size of issuance possible and also  
4           lower the cost of that issuance. And at some  
5           point, we would think there will be a firming of  
6           interest rates as we make a bottom and the economy  
7           begins to recover, and the ability to cover  
8           issuance costs and carrying costs with interest  
9           income might come back, but it's not there  
10          presently.

11           CFO SINK: Thank you.

12           ATTORNEY GENERAL McCOLLUM: Questions?  
13          Governor, do you have any questions of Ash?

14           GOVERNOR CRIST: No, no. That was very clear  
15          to me. Thank you.

16           ATTORNEY GENERAL McCOLLUM: Thank you very  
17          much, Ash. I think it's clear where we are and  
18          where we're going with this. And there is some  
19          degree of risk, but as you say, it's minimal, and I  
20          think you've made the right choice. So that will  
21          dispense with Item 4, since it became a discussion  
22          item, and you may go on, I presume, to Item 5.

23           MR. WILLIAMS: Thank you. Item 5 is the  
24          premium formula for the proposed 2009-2010 rates.  
25          We are not recommending any rate increase beyond a

1           0.84 percent premium increase. That is driven  
2           primarily by the change in interest income.

3           I went back and took a look at what the  
4           difference was in the interest earnings on the Cat  
5           Fund as a percentage, looking at the prior fiscal  
6           year versus current fiscal year-to-date. And in  
7           the prior fiscal year, the Cat Fund had an interest  
8           year-to-date return of 4.17 percent. To put that  
9           in perspective, today it's a 0.27. So you can see  
10          the impact of the falling interest rates on our  
11          ability to earn a return on short-term exposure.  
12          And, of course, the emphasis in investing Cat Fund  
13          dollars is safety, liquidity, and return, just as  
14          it is with our Local Government Pool. So the  
15          near-term rates are returning very low levels, and  
16          that in turn has affected us.

17          There have been a couple of other aspects of  
18          the Cat Fund's overall cost picture which have  
19          shifted a little bit the other way. We have less  
20          pre-event note expense because we've paid off some  
21          of the pre-event financing that was out there, so  
22          we're no longer paying the debt service on it. And  
23          we have slightly lower modeling costs that have  
24          also affected the overall blend. But where we get  
25          to net of all of these things is a proposed rate

1           increase of 0.84 percent.

2           In terms of how that might affect consumers,  
3           keep in mind, the Cat Fund is only one element of  
4           retail insurance costs. There's no guarantee that  
5           that .84 percent would be passed through in a  
6           straight linear manner. In fact, it almost  
7           certainly would not, because it's only a small  
8           component, or a component of retail rates, and to  
9           the extent retail insurers wanted to change rates  
10          at all, that, of course, would be subject to OIR  
11          regulation.

12          ATTORNEY GENERAL McCOLLUM: Do I have a motion  
13          to approve Item 5?

14          CFO SINK: I move it.

15          GOVERNOR CRIST: Second.

16          ATTORNEY GENERAL McCOLLUM: No objections.  
17          Item 5 is approved.

18          MR. WILLIAMS: Thank you. Item 6 is a request  
19          for approval to file a rulemaking notice for the  
20          reimbursement premium formula.

21          CFO SINK: I move it.

22          GOVERNOR CRIST: Second.

23          ATTORNEY GENERAL McCOLLUM: Item 6 without  
24          objection is approved.

25          MR. WILLIAMS: Thank you. Item 7 is request

1 approval to -- approval of and authority to file a  
2 notice of proposed rulemaking for insurer reporting  
3 requirements and insurer responsibilities.

4 ATTORNEY GENERAL McCOLLUM: Is there a motion  
5 on Item 7?

6 CFO SINK: Move it.

7 GOVERNOR CRIST: So moved.

8 ATTORNEY GENERAL McCOLLUM: Is there a second?

9 CFO SINK: Second.

10 GOVERNOR CRIST: Okay. We've got a motion and  
11 second there, and without objection, Item 7 is  
12 approved.

13 MR. WILLIAMS: Thank you. Would you like an  
14 update on the other items that we talked about, the  
15 federal activities, state legislation?

16 ATTORNEY GENERAL McCOLLUM: Please give us  
17 that update. We would be very interested in that,  
18 Ash.

19 MR. WILLIAMS: Certainly. Commissioner  
20 McCarty and I are planning to back go up to  
21 Washington next week and do a meeting with the  
22 Florida delegation. We will pursue other meetings  
23 as available.

24 What we have done is continued to work with  
25 several other states, primarily California,

1 Louisiana, and Texas, who have entities similar to  
2 the Cat Fund, to advance federal legislation that  
3 would create the authority for the Cat Fund and  
4 these other entities, or other similar entities  
5 that might appear later on, to have access to a  
6 federal credit guarantee.

7 We think this is an attractive approach from  
8 the standpoint that we're not actually asking for  
9 any federal dollars. It's simply a credit  
10 guarantee. We are in fact a good credit. Paper  
11 issued by the Florida Hurricane Catastrophe Fund  
12 has in the past been rated at a double-A level.  
13 And the guarantee would not be triggered absent our  
14 using up roughly 80 percent of our resources. So  
15 it's truly something that would only be called in  
16 the event of real need. It doesn't require any  
17 advance funding on the part of Uncle Sam.

18 In addition to that, we have had some initial  
19 discussions at the executive level on the  
20 possibility of securing some sort of guarantee  
21 there. Those discussions are in early days, and we  
22 can talk about strategy on moving forward with  
23 those subsequently.

24 At the state level, there is legislation  
25 moving in both the House and Senate that would do

1 two things that are relevant to the Cat Fund.

2 Number one, over a five-year period, it would ramp  
3 down the temporary increase in coverage layer at an  
4 incremental rate of change of \$2 billion per year.  
5 Secondly, also over a five-year period, there would  
6 be an accelerated capital build-up at the rate of  
7 2 1/2 percent per year for the Cat Fund that would  
8 be over and above the actuarially indicated rate,  
9 and therefore would give you additional capital.

10 So the idea would be five years down the road,  
11 with this legislation, you would have completed a  
12 glide path that would accomplish two things.

13 First, it would reduce liabilities by dramatically  
14 scaling back the so-called TICL layer. Secondly,  
15 would you increase the capital base of the Cat  
16 Fund, and the combination of those two things  
17 together gives you a much stronger fund.

18 ATTORNEY GENERAL McCOLLUM: Are there  
19 questions, CFO?

20 CFO SINK: Yes, General. I would like to -- I  
21 just want to bring up the issue about the ratings  
22 agencies of the insurance companies. And I see  
23 Commissioner McCarty in the audience, and this may  
24 be something that's better responded to by him.

25 But there is this ongoing expectation that one

1 of the companies who rates insurance companies,  
2 particularly our Florida domestic companies, of  
3 which we have probably 40 or 50 now, may be at risk  
4 of having their ratings downgraded because of this  
5 gap in the Catastrophe Fund's ability to fulfill  
6 the claims-paying ability. And what that leads to  
7 is the possibility that homeowners then cannot use  
8 those insurance companies in order to get mortgages  
9 done, which would have a really dampening effect on  
10 the mortgage industry, real estate sales,  
11 et cetera.

12 And I would just like, Ash, for either you or  
13 Commissioner McCarty to kind of lay out the  
14 scenario of what may be brewing out there and what  
15 might be done by us to shore up and to ensure that  
16 we don't have a semi-collapse in that 30 percent of  
17 the market that's written by the Florida domestic  
18 companies.

19 ATTORNEY GENERAL McCOLLUM: Commissioner  
20 McCarty.

21 MR. McCARTY: Thank you. Thank you, General.

22 I think you did a very excellent job, Madam  
23 CFO, of laying out the factual predicate of  
24 actually a confluence of events that concerns us  
25 all and is one of the many reasons why both

1 Mr. Williams and I are working with the Florida  
2 delegation and with the Treasury and the Federal  
3 Reserve, to articulate that irrespective of a  
4 storm, that we have an underlying issue of the  
5 potential of downgrade.

6 There are a number of remedies that the  
7 companies on their own are seeking to find  
8 financial solutions themselves. There are  
9 financial instruments out there that they are  
10 investigating, one of which is very common is a  
11 drop-down potential from the -- if the TICL layer  
12 is not available in the reinsurance market, there  
13 are other risk transfer mechanisms that are being  
14 investigated.

15 But the upshot of it is that there are going  
16 to be companies that are going to have grave  
17 difficulties securing any kind of financial  
18 transfer risk -- risk transfer mechanism, and they  
19 do stand the risk of being downgraded, as you have  
20 already stated. And the risk therein is that those  
21 companies would be technically in default, the  
22 policyholders would be technically in default, and  
23 that could have a dampening effect on our economic  
24 recovery, and that concern is still out there.

25 CFO SINK: Well, as we go along here -- and



1 we're almost running out of time, as I understand  
2 it -- I just think it's critical for the two of you  
3 as our team to try to be as creative as possible.  
4 And I'm sure that any of the members of the  
5 Commission up here would be glad to get engaged and  
6 to help with any proposed solutions, because it is  
7 a potentially serious situation for an economy that  
8 needs to be rebounding right now.

9 ATTORNEY GENERAL McCOLLUM: Governor, do you  
10 have a question for Commissioner McCarty while he's  
11 at the rostrum?

12 GOVERNOR CRIST: No, no. Thank you. I  
13 appreciate it, though. Thank you, Commissioner.

14 ATTORNEY GENERAL McCOLLUM: I have one  
15 question or one comment for you following up on CFO  
16 Sink's points for clarification.

17 Several years ago when I was in Congress, I  
18 recall we had a period of time when you couldn't  
19 buy reinsurance. Insurance companies, those who  
20 insured homeowners for windstorm could not buy  
21 reinsurance at any price anywhere above a certain  
22 amount. There was just a lack of availability back  
23 then. A year or so ago, we were told that, you  
24 know, there was plenty of that available out there  
25 with new offshore markets, et cetera. Is my

1 understanding correct?

2 And it's really somewhat related, I think,  
3 maybe directly related to what the CFO is trying to  
4 make a point of, and that is that we don't have in  
5 the world today adequate reinsurance available at  
6 any price for new purchases. Is that correct,  
7 Commissioner McCarty?

8 MR. McCARTY: Well, I think that that's an  
9 ever-shifting number. Obviously, the reinsurance  
10 market is affected by global markets in general, so  
11 that would have a dampening effect.

12 The reinsurance capacity this year is probably  
13 about the same as it was last year. We have seen  
14 upward pressure points with regard to pricing.

15 But there is a finite amount of reinsurance  
16 out there within a margin. I recall the trip I  
17 took with Governor Bush to Lloyd's, and they made  
18 it very clear that, you know, there's X amount of  
19 reinsurance available for Florida. Now, the number  
20 may vary for global reinsurance in general, but  
21 there's a finite amount of reinsurance available at  
22 any price. You are correct.

23 ATTORNEY GENERAL McCOLLUM: So it's very, very  
24 difficult to achieve and, of course, the price is  
25 extremely high out there still.

1           MR. McCARTY: And I think what the Legislature  
2           has done in their wisdom is to try to address that  
3           problem with building new capital, by the capital  
4           build-up program that we have with the \$250 million  
5           that was used to provide incentives. And also, the  
6           other end of that equation is driving down the  
7           exposure in Florida, and one of the ways of doing  
8           that is to get people to mitigate their homes and  
9           incentivizing people to mitigate their homes with  
10          My Safe Florida Homes, which has been a very  
11          successful program.

12          ATTORNEY GENERAL McCOLLUM: We still don't  
13          have transparency in the offshore reinsurance  
14          companies. They do not provide you with the same  
15          data that our domestic reinsurers do; is that  
16          correct?

17          MR. McCARTY: Yes. The market is not as  
18          transparent as our domestic market, no question.  
19          One of the things we are pursuing is international  
20          agreements with regulators from the UK, Swiss,  
21          Bermuda, to bring more transparency into that  
22          process.

23          ATTORNEY GENERAL McCOLLUM: And that tightness  
24          of that market and the absence of transparency  
25          contributes to all the things we're talking about

1 as a problem here; right?

2 MR. McCARTY: To a certain extent, yes, sir.

3 CFO SINK: Well, General --

4 ATTORNEY GENERAL McCOLLUM: Any further  
5 questions, CFO?

6 CFO SINK: Kevin, that brings up a point.  
7 Where do we stand in our agreements and  
8 negotiations that you've been having with the  
9 Bermuda Monetary Authority in terms of sharing of  
10 information?

11 MR. McCARTY: We're on track with the Bermuda  
12 authority and with the UK. We have been putting  
13 most of our effort into the UK recently. We are  
14 pursuing a parallel track with the Bermuda  
15 authority. We should probably have something  
16 completed, hopefully, within the next 30 days.

17 CFO SINK: Good.

18 ATTORNEY GENERAL McCOLLUM: Any other  
19 questions?

20 Thank you very much, Commissioner.

21 Ash, further presentation?

22 MR. WILLIAMS: Thank you. Just in closing, in  
23 addition to the initiatives that we talked about  
24 earlier, legislative and executive, in terms of  
25 getting additional support for the Cat Fund, there

1 is one new initiative I wanted to share with you,  
2 and that is our view that our ability to issue  
3 post-event financing may be improved by doing a  
4 road show and approaching various institutional  
5 investors when we're not pushing an individual  
6 transaction, just to better acquaint them with the  
7 quality of our credit and therefore put them in a  
8 mode where they might be more receptive to our  
9 paper should we need to come to the market on a  
10 post-event basis. So we'll be working to put  
11 together a group and do a little road show for that  
12 purpose.

13 The last thing I wanted to share with you is  
14 not Cat Fund related. It has to do with the  
15 Pension Fund. You might recall a while ago we had  
16 a conversation about our funded status, and we've  
17 talked in the past too about our long-term  
18 orientation and sticking to our investment  
19 discipline. I just wanted to share with you that  
20 since the low in the markets of March 10, we've  
21 added roughly \$12 billion to the Florida Retirement  
22 System Trust Fund, and that's a result of being  
23 positioned as the equity markets have shown some  
24 strength.

25 ATTORNEY GENERAL McCOLLUM: That's very

1 encouraging, and we really appreciate it.

2 Any further questions of Ash?

3 GOVERNOR CRIST: Yes, if I might, General.

4 Ash, did you just say you added 12 million?

5 Is that correct?

6 MR. WILLIAMS: 12 billion with a B, Governor.

7 GOVERNOR CRIST: Billion. God bless you.

8 Thank you.

9 ATTORNEY GENERAL McCOLLUM: That sounds a lot  
10 better, doesn't it?

11 GOVERNOR CRIST: Yes, a lot better.

12 ATTORNEY GENERAL McCOLLUM: Thank you very  
13 much, Ash. We appreciate very much the fact that  
14 the audience is out here. Normally we would be  
15 doing resolutions first. Ash, thank you for coming  
16 forward.

17 We did the State Board of Administration to  
18 accommodate Mr. Williams this morning and his team,  
19 but for those of you who are in the audience -- and  
20 there are a number of children here who probably  
21 don't know what in the world are we talking about.

22 And we can't give you the whole lesson this  
23 morning, but the State of Florida has the fifth  
24 largest pension fund in the country, and we also  
25 have -- which is managed by the State Board of

1 Administration, and the trustees are myself and  
2 CFO Sink and the Governor. And there's also this  
3 huge catastrophe fund, which is really a  
4 reinsurance fund for our homeowners insurance in  
5 our state, which is what we were discussing this  
6 morning.

7 With that in mind, we are moving to  
8 resolutions. Commissioner Bronson, you've been  
9 very patient this morning, and you have a  
10 resolution, I believe.

11 (Resolutions were presented by Commissioner  
12 Bronson and CFO Sink.)

13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1           ATTORNEY GENERAL McCOLLUM: The next order on  
2           our agenda is for Andrea Moreland to present for  
3           the Financial Services Commission, the Office of  
4           Financial Regulation. Andrea.

5           MS. MORELAND: Good morning. Commissioner  
6           Hager has asked me to present our agenda for today.  
7           He's attending a meeting of state bank regulators.

8           The Office has two agenda items. Item Number  
9           1, we are requesting approval of the minutes of the  
10          March 10th meeting.

11          CFO SINK: Move it.

12          COMMISSIONER BRONSON: Second.

13          ATTORNEY GENERAL McCOLLUM: Without objection,  
14          it's so approved.

15          MS. MORELAND: Item Number 2, the Office is  
16          requesting approval to file for final adoption Rule  
17          69V-560.1000, relating to disciplinary guidelines  
18          for money services businesses. This is the last  
19          rule that implements the substantive legislation  
20          last year that strengthened the regulation of money  
21          services businesses. The Commission approved the  
22          majority of those implementing rules in December,  
23          and those took effect January 13th. This is the  
24          last remaining rule to implement that legislation.

25          When this rule was noticed for final hearing,



1 we did receive some additional comments regarding  
2 the rule. We received comments from the financial  
3 services centers. They asked that the rule be  
4 clarified and some technical changes made to the  
5 rule to establish that the factors that are used in  
6 the rule would be used as far as looking at when we  
7 are assessing an appropriate penalty within the  
8 guidelines and also when going outside of the  
9 guidelines. Those were technical and clarifying in  
10 nature, so we incorporated that into the rules that  
11 are before you today.

12 We also received comments from the Office of  
13 Statewide Prosecution. They had recommended for  
14 certain penalty provisions, that an additional  
15 penalty of revocation be added to the first and  
16 second offense. While the Office agrees with those  
17 recommendations, they are more substantive in  
18 nature, and we felt that we should probably hold an  
19 additional workshop on that particular change to  
20 give all the interested parties an opportunity to  
21 comment. So we didn't include those, not because  
22 we don't agree with them. It was just that we  
23 wanted to move forward with the rules as they are  
24 now so that we could get those into place.

25 ATTORNEY GENERAL McCOLLUM: Is there a motion

1 on this item?

2 CFO SINK: I move it.

3 GOVERNOR CRIST: So moved.

4 CFO SINK: Second.

5 ATTORNEY GENERAL McCOLLUM: Without objection,  
6 the item is approved.

7 MS. MORELAND: Thank you.

8 ATTORNEY GENERAL McCOLLUM: Thank you very  
9 much.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1           ATTORNEY GENERAL McCOLLUM: Lisa, Florida Land  
2 and Water Adjudicatory Commission, Lisa Saliba.

3           MS. SALIBA: Good morning, Members of the  
4 Cabinet. We have two items. The first is the  
5 approval of the minutes from the March 10th  
6 meeting.

7           CFO SINK: Move it.

8           COMMISSIONER BRONSON: Second.

9           ATTORNEY GENERAL McCOLLUM: Without objection,  
10 so approved.

11          MS. SALIBA: The second item is, we're  
12 recommending your approval of amendments to a rule  
13 for the Fleming Island Plantation Community  
14 Development District in Clay County. This would  
15 provide us final approval to publish and go into  
16 final adoption.

17          CFO SINK: Move it.

18          COMMISSIONER BRONSON: Second.

19          ATTORNEY GENERAL McCOLLUM: Any discussion?  
20 If not, any objection? If not, Item 2 is approved.

21          MS. SALIBA: Thank you very much.

22          ATTORNEY GENERAL McCOLLUM: Thank you very  
23 much.

24

25

1           ATTORNEY GENERAL McCOLLUM: Mike Sole, Board  
2 of Trustees.

3           MR. SOLE: Good morning, Governor and Cabinet  
4 members. Item Number 1 is submittal of the minutes  
5 from the January 27th Cabinet meeting.

6           ATTORNEY GENERAL McCOLLUM: Is there a motion?

7           CFO SINK: Move it.

8           COMMISSIONER BRONSON: Second.

9           ATTORNEY GENERAL McCOLLUM: Without objection,  
10 so approved.

11          MR. SOLE: Thank you. Item Number 2, this is  
12 a Board of Trustees agenda item relating to the  
13 Department of Community Affairs Florida Communities  
14 Trust Stan Mayfield Working Waterfronts 2008  
15 project list. Here with us today we have Ken  
16 Reecy, who is the executive director of the Florida  
17 Communities Trust, to present this item.

18          ATTORNEY GENERAL McCOLLUM: Please.

19          MR. REECY: Thank you, Secretary Sole. Good  
20 morning, Governor and Cabinet. It is indeed a  
21 pleasure to be here for the first Florida  
22 Communities Trust appearance before the Board of  
23 Trustees. Secretary Pelham would be here this  
24 morning, but he is feeling under the weather, so he  
25 does send his regrets.

1           It's appropriate that we consider in this  
2 room, given the artwork that is all around us  
3 showing working waterfronts, this item today. It  
4 is a very important heritage industry here in  
5 Florida.

6           As you know, this is an entirely new program.  
7 The Stan Mayfield Working Waterfronts program was  
8 created last year within the Florida Communities  
9 Trust Act, and to fund the program, the Legislature  
10 provided 2.5 percent of the total Florida Forever  
11 distribution, which at the traditional funding  
12 level would be \$7.5 million. The waterfront grants  
13 will be used to acquire parcels of land directly  
14 used for the purposes of commercial harvest of  
15 marine organisms or saltwater products by state  
16 licensed commercial fishermen, aquaculturists, or  
17 business entities supporting these activities.

18           The Department of Community Affairs worked  
19 jointly with the Department of Agriculture and  
20 Consumer Services to develop the rules to establish  
21 an application process and a process to evaluate,  
22 score, and rank the projects. Eligible applicants  
23 for this program are local governments and working  
24 waterfront non-profits.

25           The grant application deadline was in November

1 of this year -- last year, and in January, the FCT  
2 governing board met to review each application,  
3 consider the staff-recommended scores, and to  
4 provide the finalized ranking list that's before  
5 you today. So we present the ranking, finalized  
6 ranking list to the Board of Trustees for your  
7 consideration and approval that may receive  
8 funding.

9 Based on the amounts requested by the  
10 applicants, the top three projects on the ranking  
11 list would be funded if approved by the Board,  
12 Sebastian Working Waterfront Collaborative, Blue  
13 Crab Cove in Brevard County, and Apalachicola Boat  
14 Works. If annual Stan Mayfield Florida Forever  
15 funds become available, additional projects may  
16 receive grant funding rolling down the list.

17 Both the applicants and current landowners of  
18 all the projects are in full compliance with their  
19 sovereignty submerged lands leases.

20 I would also like to take this opportunity --  
21 Representative Mayfield was here to see this  
22 program brought in for a landing, and she had told  
23 me when she had to leave that she would like to  
24 tell you that she would like to keep this program  
25 relatively the way it is and to see the program

1 funded if at all possible.

2 I would also like to thank Commissioner  
3 Bronson for the assistance his staff gave us in the  
4 development of the rule and Secretary Sole for the  
5 assistance that his staff gave us in bringing this  
6 before you today.

7 COMMISSIONER BRONSON: Motion for approval of  
8 Item 2.

9 ATTORNEY GENERAL McCOLLUM: Is there a second?

10 CFO SINK: Second. I do want to make some  
11 comments in a minute, General.

12 ATTORNEY GENERAL McCOLLUM: CFO Sink.

13 CFO SINK: Thank you so much. This is an  
14 exciting program. And it is my understanding that  
15 there is the money available to accomplish the  
16 funding. Is that right or not right?

17 MR. SOLE: Madam CFO, currently we do have  
18 roughly 132 million in cash proceeds for Florida  
19 Forever projects, which includes the Stan Mayfield  
20 Working Waterfronts. As we disburse those moneys,  
21 it ends up being dependent upon when projects are  
22 ready to close. And I know Ken will continue to  
23 work quickly to try to get as much of this done as  
24 quickly as possible.

25 CFO SINK: Okay. And just a comment I want to

1           make to Mike, because I know that your staff -- I  
2           know your staff spent lots and lots of hours in  
3           trying to get all of these applicants in  
4           compliance.

5           MR. SOLE: Yes, ma'am.

6           CFO SINK: And for a very minuscule, in my  
7           opinion, amount of fees, maybe as little as \$1,000.  
8           And so it just disturbs me that there's a mismatch  
9           here between the amount of work it requires our  
10          state employees to get people who have violated the  
11          terms of their lease back into compliance and for  
12          us to have on-site inspections. We're certainly  
13          not by any stretch covering our costs.

14          And I just hope the Legislature would at some  
15          point go back and review the entire penalty  
16          structure of the Department of Environment  
17          Protection, because these penalties ought to be put  
18          in trust for your department to enable you to do  
19          more enforcement and better enforcement and have  
20          people, before they violate our rules and our  
21          regulations and our laws, have something more than  
22          a slap on the wrist and be thinking twice about it  
23          before they think they're just going to get away  
24          with it because we have inadequate enforcement, or  
25          if they get caught, the penalties are like little



1 gnats.

2 MR. SOLE: Yes, ma'am.

3 ATTORNEY GENERAL McCOLLUM: Other comments or  
4 questions? Governor, do you have anything?

5 GOVERNOR CRIST: No. Thank you.

6 ATTORNEY GENERAL McCOLLUM: I just would make  
7 one comment, Mike, before you step away. Florida  
8 Forever funds and the funds for this are very  
9 limited, obviously. I think all of us want to see  
10 them brought back. And you're telling us that even  
11 through only three get funded now, the rest of  
12 these are now in order to get funded? If we had  
13 the money, they would be?

14 MR. SOLE: No, sir.

15 ATTORNEY GENERAL McCOLLUM: No, they're not?

16 MR. SOLE: I apologize if I confused you. As  
17 I understand it, the \$7.5 million which is  
18 appropriated for the working waterfronts will go to  
19 the top four applicants on that list.

20 MR. REECY: Top three.

21 MR. SOLE: Excuse me, top three. And it will  
22 be subject to future appropriations for any  
23 additional applicants, unless somebody drops off  
24 that top three as Ken's team --

25 ATTORNEY GENERAL McCOLLUM: Will we see this

1 list again, then? When the next money comes up, it  
2 could be reconfigured? Is this kind of the way  
3 it's going to be locked in, or how do you see it?

4 MR. REECY: It's an annual grant cycle  
5 program, and it would be a clean slate starting  
6 each year.

7 ATTORNEY GENERAL McCOLLUM: Okay. If there  
8 are no other questions, it has been moved and  
9 seconded. Any objection? If not, the item is  
10 approved.

11 MR. REECY: Thank you.

12 ATTORNEY GENERAL McCOLLUM: You're welcome.

13 MR. SOLE: General, thank you. Item Number 3  
14 is related to the request for consideration of the  
15 April 2009 Florida Forever Five-Year Plan as well  
16 as the Acquisition and Restoration Council  
17 recommended April 2009 Florida Forever priority  
18 list.

19 The Acquisition and Restoration Council has  
20 recently reviewed several projects and have  
21 proposed adding five new projects to the Florida  
22 Forever Five-Year Plan as well as one boundary  
23 amendment. The five projects include Harbor Branch  
24 Preserve. This is a Phase II project to be added  
25 to the Indian River Lagoon Blueway project located

1 in St. Lucie County. McDaniels Ranch Reserve,  
2 which is added to the B List, to the Panther Glades  
3 Ecosystem project, this is located in Hendry county  
4 and has some 4,200 acres. In addition, Bear  
5 Hammock in Marion County, which would be 4,800  
6 acres added to the B List. Seven Runs Creek in  
7 Walton County, this is a 14,649-acre parcel which  
8 would be added to the A List and is part of our  
9 Northwest Florida Greenway project, working with  
10 our military partners. And finally, Tiger Cattle  
11 Company Ranch Reserve in Okeechobee, some  
12 2,300 acres which will also be added to the A List.

13 In addition, we have a boundary amendment for  
14 Clear Creek-Whiting Field in Santa Rosa County.  
15 This is also in partnership with our military  
16 partners. And there are no shifts from projects  
17 moving from the A List to the B List or vice versa.  
18 And that is the recommendation of the Acquisition  
19 and Restoration Council.

20 CFO SINK: I move it.

21 ATTORNEY GENERAL McCOLLUM: Is there a second?

22 COMMISSIONER BRONSON: Second.

23 ATTORNEY GENERAL McCOLLUM: I've got one  
24 question for you, Mike.

25 MR. SOLE: Yes, sir, General.

1           ATTORNEY GENERAL McCOLLUM: We don't have the  
2 money to make these purchases right now, but the  
3 amendments, the boundary amendments involved would  
4 be effective based upon our approval today; is that  
5 right?

6           MR. SOLE: Yes, sir, they are.

7           ATTORNEY GENERAL McCOLLUM: And the others are  
8 just adding projects to the lists whenever we do  
9 get the money.

10          MR. SOLE: And any project, new project that  
11 we would seek to actually acquire would come back  
12 before the Board of Trustees for your specific  
13 approval.

14          ATTORNEY GENERAL McCOLLUM: Without objection,  
15 Item 3 is approved. Item 4.

16          MR. SOLE: Thank you. Item Number 4, request  
17 a ten-year sovereignty submerged lands lease for  
18 Barefoot Developers, Inc. This is a 63-slip  
19 commercial docking facility located in Escambia  
20 County, Pensacola, on Bayou Chico. It's a new  
21 commercial docking facility. 90 percent of the  
22 facility will be open to the public. The  
23 consideration is for \$11,074.

24          The applicant proposed some minor dredging to  
25 maintain adequate boat depth as well as maintain

1 good flushing for this section of Bayou Chico. And  
2 there will be some additional riprap added to the  
3 shoreline. And finally, there will be some  
4 pilings, old trestle bridge pilings removed.

5 ATTORNEY GENERAL McCOLLUM: Is there a motion  
6 on this item?

7 COMMISSIONER BRONSON: Motion --

8 GOVERNOR CRIST: I move it.

9 ATTORNEY GENERAL McCOLLUM: The Governor moved  
10 it.

11 COMMISSIONER BRONSON: Second. I just wanted  
12 to make sure that all the special approval  
13 conditions are met as part of the motion, Governor,  
14 if you don't --

15 MR. SOLE: We do have a speaker on this. The  
16 applicant would like to speak on this.

17 ATTORNEY GENERAL McCOLLUM: All right. If we  
18 could do that, Commissioner. But before we do  
19 that, to clarify, all the conditions, Governor,  
20 were in your motion, I assume. Is that right,  
21 Governor?

22 GOVERNOR CRIST: Yes, sir.

23 ATTORNEY GENERAL McCOLLUM: Thank you. We  
24 have a speaker?

25 MR. SOLE: Mr. Rick Higdon, who is the

1 applicant.

2 MR. HIGDON: Good morning. My name is Rick  
3 Higdon, from Pensacola, Florida. I would like to  
4 thank the Governor, the Cabinet, and the aides for  
5 putting their time and effort into getting to this  
6 point with this permit.

7 I'm kind of glad to be here. I was actually a  
8 young man when I started this permitting process,  
9 and look at me now.

10 The reason that I would like to speak is that  
11 I'm very concerned. I'm from Pensacola. I've been  
12 doing business since 1974 in the Panhandle and  
13 other places in Florida, and I've dealt with DEP  
14 almost since its conception. And throughout this  
15 process of permitting for this marina, it brought  
16 back some memories. It reminded me of when I was a  
17 child and you did something wrong, you know, you  
18 know you've got a whipping coming, and you go ahead  
19 and take the whipping, and you go out to play.

20 Well, in making an application with DEP in  
21 this day and time, you know you've got a whipping  
22 coming, and the two factors are how much is it  
23 going to cost you and how long will it take. Well,  
24 this particular permit, I'm about 250 in it, and  
25 I'm four years down the road.

1           And the only reason I bring this up is that I  
2           hear over and over, we want more and more business,  
3           and I for one want more business in the state of  
4           Florida. DEP has a permitting problem. It's broke  
5           and needs to be fixed. And I want to say a special  
6           thanks to Mike Sole. He's probably the responsible  
7           party for getting me here today.

8           And just to bring it to your attention, there  
9           are some major problems in the permitting process  
10          of DEP. When other businesses come to this state,  
11          they hear it from the engineers, they hear it from  
12          the consultants. And if there's some way you can  
13          fix these problems -- and they are major problems  
14          -- to make it easier just to get permits.

15          Now, once we get the permits, our job as  
16          developers and builders just starts. We've still  
17          got to deal with all the local and state agencies,  
18          and we know that, and that's fine, but it takes us  
19          so long to actually get a permit in hand.

20          An example, this is probably a poster child as  
21          to how not to do something. When I started this  
22          project four years ago, a marina was a great idea.  
23          I had -- I've got three acres on a four-lane  
24          highway in Pensacola. I was going to build this  
25          for my son to run the restaurant, run the marina,

1 the dry storage. And we're four years down the  
2 road, and, of course, the last thing you would do  
3 in these economic times is to build a marina, you  
4 know. So we're sitting here, and I'm tickled to  
5 death to have a permit to stick in the file. And  
6 hopefully, some day this will come back and I'll be  
7 able to do this project.

8 But I just sincerely want to say that, you  
9 know, I hope that the Cabinet -- and y'all are the  
10 decision-makers -- can try to correct. I know Mike  
11 Sole is working on some of the problems with the  
12 permitting process in the state, and probably not  
13 only in this district up here. But they can  
14 certainly be fixed, but they need to be addressed  
15 so the small businessman and large businesses that  
16 are looking at Florida, to come in, can get in  
17 Florida, do business, pay their taxes, and  
18 hopefully help our economy.

19 But I truly appreciate your time. And, Mike,  
20 thank you very much.

21 ATTORNEY GENERAL McCOLLUM: Well, before you  
22 leave the rostrum, if I could here --

23 MR. HIGDON: Yes, sir, Mr. McCollum.

24 ATTORNEY GENERAL McCOLLUM: Could you give us  
25 an illustration or two of what you see as the



1           problems that you encountered? It would be helpful  
2           to us, and I'm sure all of us would like to know.

3           MR. HIGDON: Yes, I would, in general. The  
4           problem that I -- now, I'm speaking personally.  
5           Okay? And engineers and consultants can elaborate  
6           on these problems. It's mainly the districts. I  
7           don't want to step on toes, so I won't mention  
8           names, but the districts have no conceptual and  
9           don't care about the amount of money an applicant  
10          has to spend to get a permit. They also have no  
11          concern or consideration for the time that it takes  
12          to get a permit. I mean, they just don't.

13          As an example, they by law have 30 days to  
14          respond to any correspondence my consultant sends  
15          them, and I guess that's all right. But if they've  
16          got that long to respond to any correspondence, I  
17          mean, hello, good-bye, it's raining outside, then  
18          how long does it take to get a complete permit  
19          accomplished? And Mike is aware of a lot of the  
20          problems, and he can address them a lot better than  
21          I can, but it's mainly the time and the money  
22          factor. And, gosh, there's got to be some common  
23          sense put into permitting these days, you know.

24          I mean, I know the engineers -- and we have to  
25          hire engineers and consultants, and they're our

1 professionals on our side of the fence. You know,  
2 they know what they've got to do.

3 And I for one am a proponent of clean air,  
4 water -- I've lived on the water all my life. And  
5 to hear some of the responses I get from DEP -- and  
6 this is just an example. In Northwest Florida,  
7 this particular bayou that I'm permitting is an  
8 impaired body of water, nasty. Okay? In my  
9 permit, I've got to worry about manatees. Now, I'm  
10 sorry, but there ain't been a manatee in Escambia  
11 County that I can ever recall, you know.

12 But all of them are treated the same, and it  
13 should be -- an example, my lease fee on my water  
14 for my marina is exactly the same as a lease fee in  
15 West Palm Beach, you know, and I certainly can't  
16 get the money for my slips that they can in West  
17 Palm.

18 There's just a lot of stuff. And like I said,  
19 Mike is much more aware than I am. But I just  
20 wanted to be the businessman to step up and say,  
21 "Hey, guys, it's broke. We need to fix it." And  
22 it will help all of us in the future for businesses  
23 coming into the state.

24 ATTORNEY GENERAL McCOLLUM: Well, we thank you  
25 for doing it and thank you for taking the time to

1 explain those things, because you educated us.

2 Any questions anyone else has?

3 COMMISSIONER BRONSON: Well --

4 ATTORNEY GENERAL McCOLLUM: Commissioner  
5 Bronson.

6 COMMISSIONER BRONSON: General, this brings up  
7 a good point. And this is just one example. This  
8 happens to be -- and of course, anytime anybody is  
9 dealing with any body of water in the state,  
10 whether it's submerged lands, there are some huge  
11 criteria there, depending on the rules and  
12 regulations, whether you're involved in federal  
13 protected species, state protected species. All of  
14 those things come in, so it is a very, very tricky  
15 and delicate thing.

16 But I think the gentleman brings up a point,  
17 and that is that not every part of the state is the  
18 same, so the conditions in the area that you're in,  
19 the specific conditions, all those things should be  
20 looked at. But if you've never had a manatee in  
21 Pensacola, then I'm not sure you need to be doing  
22 any super manatee issues that's going to hold up  
23 your permit if there's no manatees there.

24 We do need some common sense, not only in  
25 submerged land leases, but in other projects,

1           where, if the goal is to protect land, which it is,  
2           and we're doing that by the millions of acres now,  
3           there are other ways that we can do this rather  
4           than buy in fee simple across the board, letting it  
5           turn into whatever it's going to turn into.

6           And if there are issues with other species in  
7           other parts of the state that you can work out with  
8           Fish and Wildlife, DEP, Water Management -- and  
9           there's the problem. He's not just dealing with  
10          DEP. He's dealing with Water Management issues in  
11          this area, probably County Commission issues.

12          People look at Florida, and you wonder why we're  
13          not bringing a lot of business to Florida that's  
14          creating jobs or buying power to get our economy  
15          up. It's because of the red tape.

16          And I agree with you. I think across the  
17          board, these issues ought to be looked at. They  
18          ought to be looked at at the county level, they  
19          ought to be looked at at the state level, and we  
20          need to get a concise permitting situation where  
21          people can come and do business in Florida, or they  
22          just won't come. And right now, our biggest issue  
23          is, we don't have enough people doing business in  
24          Florida that's creating jobs, so maybe this is the  
25          time for us to take a look at all those issues.

1           MR. HIGDON: An example -- and this is large  
2 businesses. Of course, you know, I'm in Pensacola,  
3 which is referred to as LA or Lower Alabama. Well,  
4 in the past five years, you know, you've had  
5 Mercedes, you've had Toyota, you've had the steel  
6 mill; they're all going to Alabama. When they hear  
7 what they have to go through in this state for  
8 permitting -- now, I'm speaking of just DEP, not  
9 all the permitting we have to do, because as  
10 Mr. Bronson said, and he's 100 percent correct,  
11 we've got to deal with a lot of permitting from a  
12 lot of different agencies to do business in this  
13 state, and we know that. And if we don't want to  
14 step up to the plate and deal with it, then we need  
15 to go to the House.

16           But we're willing to step up to the plate, but  
17 we just need some common sense, "Hey, guys, let's  
18 work this out," as opposed to giving me five  
19 reasons why I can't do something. Give me one,  
20 "Hey, let's do it this way," you know, just some  
21 common sense.

22           ATTORNEY GENERAL McCOLLUM: And by the way, I  
23 looked at that body of water, and I think you would  
24 be doing a great public service just to open it up  
25 like the plan calls for. It would great to clear

1 up --

2 MR. HIGDON: Oh, I hired the University of  
3 West Florida to do all my water testing just  
4 because I thought they were probably the best third  
5 party to do that. And we had a meeting, real  
6 quick, with DEP, myself, and the university, and  
7 the university said, "We need to open this up as it  
8 was at one time before this trestle was ever  
9 there."

10 And DEP said, "Yeah, this is great. We really  
11 need to do this."

12 I said, "Okay. That's great. We've got two  
13 people saying, 'Let's do it,' and I'll be more than  
14 happy to do it, because I am a contractor." I  
15 said, "But don't think I'm going to open this body  
16 of water up and not get a permit over here."

17 They said, "No, no. We're going to put it all  
18 together."

19 I said, "Okay. Fair enough."

20 But things like that, just the negotiating,  
21 you know, I mean, most of the people are willing to  
22 do with the right thing, but just give us the  
23 chance to do it.

24 CFO SINK: Well, General, the man who's in  
25 charge of all this is standing right here, so,

1 Mike, why don't you respond?

2 ATTORNEY GENERAL McCOLLUM: Do you want to  
3 respond, Mike?

4 MR. SOLE: Sure.

5 CFO SINK: Tell us about all your efforts to  
6 streamline permitting at DEP.

7 ATTORNEY GENERAL McCOLLUM: You're getting a  
8 lot of praise, so don't say too much, now.

9 MR. HIGDON: Thank you, Mike.

10 MR. SOLE: Thank you, Rick.

11 Without question, there are unfortunate  
12 circumstances like this one where the permitting  
13 took way too long. You know, I get frustrated just  
14 like anybody else about why these applications can  
15 take so long. A lot of times there's mutual roles  
16 in that responsibility, and I'm going to identify  
17 that, without question. But, you know, as we look  
18 to streamlining, there's things that we can do, and  
19 we're working with the Legislature on identifying  
20 some of those things.

21 To give you an example, right now, for  
22 single-family docks, you can go online and get a  
23 certification for your single-family dock without  
24 even calling the Department. We're trying to  
25 simplify and make those smaller processes more

1           streamlined so we can divert more attention to the  
2           larger projects and get them through the process  
3           quicker. There is still lots to do so that we can  
4           improve our services, and we all collectively  
5           continue to work on that.

6           ATTORNEY GENERAL McCOLLUM: I believe we had a  
7           motion and a second on this item, but I don't think  
8           we've had any actual vote. Is there an objection  
9           to Item 4? If not, show it approved.

10          MR. SOLE: General, I made a mistake on Item  
11          Number 3. I did have a speaker who requested to  
12          speak. If I may go back --

13          ATTORNEY GENERAL McCOLLUM: Oh, absolutely.  
14          Go right ahead, Mike.

15          MR. SOLE: -- and bring Andy McLeod to the  
16          podium. Andy, I apologize.

17          ATTORNEY GENERAL McCOLLUM: Andy.

18          MR. McLEOD: Thank you very much, Secretary  
19          Sole, for taking me out of order, and the Cabinet  
20          and Governor. It's a pleasure to be here.

21          We are very much in support of the additions  
22          to the Florida Forever priority list and the  
23          boundary expansions being made. We applaud  
24          Secretary Sole and Deputy Secretary Bob Ballard and  
25          their team for the work that they've done.



1           As you know, as you referenced, Attorney  
2           General McCollum, funding for Florida Forever is  
3           very much up in the air in the Legislature as we  
4           speak. We have been working diligently to support  
5           the proposal of Governor Crist in his budget for  
6           sufficient general revenue to launch some amount of  
7           bonds next year for Florida Forever, and we applaud  
8           the Governor very much for his leadership on that.

9           Because there are three timely elements to  
10          this, I thought I would mention them, timely in  
11          that they have occurred since the Board of Trustees  
12          last met.

13          First is the publication of this report by the  
14          Nature Conservancy and its Florida Forever  
15          Coalition partners, "Economic Benefits of Land  
16          Conservation: A Case for Florida Forever." It is  
17          the first compilation of its type of existing data  
18          and research on the economic benefits of land  
19          conservation, direct and indirect, for instance,  
20          the \$8 billion annually that accrues to the state  
21          in economic activity in terms of hunting and  
22          fishing, the \$5 billion in wildlife viewing, the  
23          \$1 billion in economic activity generated by the  
24          state parks system run by Secretary Sole. So  
25          first, the point that we're making in the

1           Legislature today, literally, big, significant,  
2           real, tangible economic benefits from investment in  
3           programs like Florida Forever.

4           Secondly, as the Governor mentioned, I gather,  
5           in Tampa yesterday about the real estate market,  
6           this is an outstanding time for conservation  
7           values. And each of you at one time or another  
8           have made this point. Not only do we know that the  
9           Florida Association of Realtors has most recently  
10          announced that the decline in the median price of a  
11          single-family home, existing single-family home has  
12          decreased by approximately 30 percent in the last  
13          year, but a more precise measure perhaps of the  
14          potential conservation of values and benefits to be  
15          had by investing in Florida Forever at this time  
16          comes from the release just last week by the  
17          University of Florida IFAS Extension Service of  
18          their 2008 Florida land survey, in which they  
19          determined that Florida -- in a whole array of  
20          farmland values in North Florida, they decreased by  
21          a range of 7 to 25 percent in the last year, and  
22          from 5 to 26 percent in South Florida. That  
23          includes a 25 percent drop in the value of northern  
24          farmwoods, a 23 percent decrease in value of  
25          northern cropland, both irrigated and

1 non-irrigated, and a 26 percent drop in value in  
2 southern unimproved pastureland in a single year.

3 Those numbers suggest many things to many  
4 people, but for us and for the Department of  
5 Environmental Protection, it suggests real  
6 opportunity for Florida Forever.

7 And then lastly, on Florida Forever Day a week  
8 ago, we released a poll, the Nature Conservancy and  
9 the Trust for Public Land, which found that  
10 81 percent of Floridians viewed Florida Forever  
11 favorably, one month ago, in the depths of this  
12 recession, over 70 percent favorability in the  
13 Tampa Bay region, the Palm Beach County region,  
14 Miami, Broward, over 60 percent in the Panhandle  
15 and metropolitan Orlando, substantial public  
16 support for Florida Forever. And so those are the  
17 points that we're making in the Legislature today  
18 and in the coming days.

19 We very much appreciate the leadership of the  
20 Governor and his budget proposal and all of the  
21 Cabinet. Thank you very much.

22 ATTORNEY GENERAL McCOLLUM: Well, we  
23 appreciate you too, and we appreciate that. I  
24 think all of us up here are Florida Forever fans  
25 and want to see that hopefully there will be some

1 money there after this session is over with. Thank  
2 you.

3 Any questions for Andy?

4 COMMISSIONER BRONSON: Well, while Andy is  
5 there, Andy and I and his organization, we've  
6 talked a number of times. I have a little  
7 different take than the straight Florida Forever  
8 idea, simply because I know what the concept is.  
9 I've been involved in it. I voted on it in the  
10 Florida Senate. But there are other options that  
11 are related to the Florida Forever concept.

12 Right now we're in a very, very tight economic  
13 time. We just heard from the business community  
14 that it's getting tougher and tougher in some cases  
15 to get permits to even do business in Florida. We  
16 need jobs, we need people who are going to hire  
17 people to do those jobs, and we need the buying  
18 power that goes with those jobs for our economic  
19 impact of the state. You've got the Rural and  
20 Family Lands and some of those programs that are  
21 very close to this where the jobs will remain. You  
22 still have the buying power. You're still  
23 producing a gross domestic product, and you're  
24 saving the open green space that Florida Forever  
25 saves by buying it outright.

1 I'm not against this program. I'm not against  
2 -- and I'm not against this listing. If you'll  
3 notice, I voted to put those names on the list,  
4 because that's the way they're supposed to be based  
5 on what the people voted on. But, Andy, where I  
6 think we need to have some discussion in this state  
7 is, I don't think the general public understands  
8 how much land we already have and where is that  
9 number going to go to.

10 My estimation is, the State is at around  
11 3.8 million acres. The federal government has to  
12 be close to 4 with all the open space they own.  
13 And I'm not sure that all of the water management  
14 district lands are in that 3.8. I understand most  
15 of it is.

16 But we need to sit down and have a real  
17 discussion on how much land are we going to take  
18 off the tax rolls, how many jobs are going to go  
19 with it, what gross domestic product are we going  
20 to cease to continue to produce, what is that  
21 impact to the tax structure of the counties where  
22 all this land has been purchased. Now, if you take  
23 Liberty County and some of these counties up here  
24 in North Florida, they're like two-thirds or  
25 three-quarters owned by government, and so they're

1 very limited on their ability to raise the money to  
2 keep their own counties going.

3 I think -- not that I'm against these type  
4 programs. There's nobody that loves wildlife and  
5 natural resources more than I do, and I love to get  
6 out in it. But I think we have to sit down and  
7 take a look at how far are we going to go, how much  
8 are we going to take off the tax rolls, how are we  
9 going to take care of the land. My biggest  
10 argument, as you all know, had been we just don't  
11 have enough money to truly take care of this land  
12 like we should.

13 But if you add all of that together, and then  
14 if you throw in every single building owned by  
15 government at all levels in this state, including  
16 universities and schools and so forth, there is a  
17 lot of land off the tax rolls in this state.

18 So I think if we're going to get the economy  
19 moving again and we're going to talk about business  
20 and issues, we need to really sit down and put all  
21 these things down on paper and make sure the public  
22 understands how much is really off.

23 I mean, I saw the number of 600,000 in the  
24 editorial board of our paper up here. That's not a  
25 very -- I don't want to say it's misleading.

1           That's an accurate number for this particular  
2           program that we're talking about, Florida Forever.  
3           That is not the composite program of all the land  
4           that has been removed and put into natural resource  
5           protection. So I -- you know, there's only 33.6,  
6           or somewhere close to that, million acres of actual  
7           usable land in Florida, and we've got about -- over  
8           10 percent, headed toward 15 or 20 percent of that  
9           land for sure that's already in this program. And  
10          then you've got all the other lands that belong to  
11          government on top of that.

12                 So I think we really need to kind of -- let's  
13          all sit down and start talking these numbers  
14          outright and where do we need to go. That's all  
15          I'm asking. I'm not asking to change it yet. I'm  
16          not asking any of this, but there are other  
17          programs that will work, and it doesn't take it off  
18          the tax rolls and the jobs out of production.

19                    ATTORNEY GENERAL McCOLLUM: Mike?

20                    MR. SOLE: General, what I would like to do is  
21          just remind the Commissioner that without question,  
22          not every Florida Forever project is a full fee  
23          acquisition. And in fact, based upon the  
24          conversations that we've had, you will see that  
25          almost a third of the projects on this list are

1 less than fee. So they address the very point that  
2 you're making. It doesn't require a full fee  
3 acquisition.

4 Promise Ranch, which we just closed this -- or  
5 actually, it's now last month, in March -- was a  
6 less than fee acquisition that allowed them to  
7 continue to keep that property on the tax rolls,  
8 continue to farm and manage that property, but at  
9 the same time, conserve the green space, which is  
10 what our desire at the Board as well as the  
11 Department was.

12 So without question, we are looking at those  
13 tools to shape the future of Florida Forever, and a  
14 reminder that, again, a third, almost a third of  
15 the projects on this list are for less than fee  
16 acquisition and don't necessarily require a full  
17 title acquisition.

18 ATTORNEY GENERAL McCOLLUM: Representative  
19 Mayfield has come in, Debbie Mayfield. Would you  
20 like to come up? You weren't here to talk about  
21 the Working Waterfronts. We just recognized Andy.  
22 If you would like, since you're here, please.

23 MS. MAYFIELD: Thank you, General. I really  
24 didn't intend to speak, but I just really wanted to  
25 thank the Cabinet for approving the awards that



1           went out today. You know, this is something that  
2           was very dear and near to Stan's heart, and I was  
3           just so grateful his last two years in office that  
4           he was able to make some meaningful changes to the  
5           way we do business in the state of Florida. And I  
6           was so grateful that the Working Waterfronts was  
7           named after him, because he worked so hard on  
8           getting it done.

9           I hope we'll continue to fund it. I hear what  
10          Commissioner Bronson is saying about land. He and  
11          I agree on some things; we disagree on some things.  
12          But I agree we have a lot of land out there. We do  
13          have an issue with how we're going to manage it and  
14          how we're going to fund it. And I didn't mean to  
15          get off on that, but since you were talking about  
16          it, I wanted to get this opportunity to say it.

17          But I do want to commend Secretary Sole. I  
18          think he has done a wonderful job of managing the  
19          land we have right now. He does a wonderful job of  
20          watching over our tax dollars, on what we're  
21          purchasing and that it makes sense on what we're  
22          purchasing.

23          And from the bottom of my heart, I want to  
24          thank you for keeping the Stan Mayfield Working  
25          Waterfronts in front. Funding is an issue. I hope

1 we can do funding again this year. I'm begging,  
2 borrowing and stealing to try to get a few dollars  
3 in there, because it is really meaningful.

4 But again, thank you. And, Madam CFO, I'm  
5 glad you walked back in the room. But anyway,  
6 thank you very much, and I appreciate it.

7 ATTORNEY GENERAL McCOLLUM: Good luck on all  
8 your efforts. Thank you very much, Representative  
9 Mayfield.

10 MS. MAYFIELD: Thank you.

11 ATTORNEY GENERAL McCOLLUM: Mike, does that  
12 conclude your business?

13 MR. SOLE: That does conclude our  
14 presentation.

15 ATTORNEY GENERAL McCOLLUM: And I believe that  
16 concludes our agenda. Governor, if you're still on  
17 the line, is there anything else we need to bring  
18 up today from your end?

19 GOVERNOR CRIST: No, no. It was a great  
20 meeting. I appreciate it, and I look forward to  
21 seeing you this afternoon.

22 ATTORNEY GENERAL McCOLLUM: All right. Thank  
23 you very much, Governor. The meeting is adjourned.

24 (Proceedings concluded at 11:12 a.m.)

25

CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 66 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 27th day of April, 2009.

---

MARY ALLEN NEEL, RPR, FPR  
2894-A Remington Green Lane  
Tallahassee, Florida 32308  
(850) 878-2221