

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

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Representing:

STATE BOARD OF ADMINISTRATION  
DIVISION OF BOND FINANCE  
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION  
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION  
DEPARTMENT OF REVENUE  
DEPARTMENT OF VETERANS' AFFAIRS  
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES  
ADMINISTRATION COMMISSION  
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, November 17, 2009,  
commencing at approximately 9:14 a.m.

Reported by:

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Representing the Florida Cabinet:

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Governor

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Attorney General

ALEX SINK  
Chief Financial Officer

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I N D E X

	PAGE
PRESENTATION BY MS. KOPELOUSOS RE SUNRAIL	5

STATE BOARD OF ADMINISTRATION  
(Presented by ASH WILLIAMS)

ITEM	ACTION	PAGE
1	Approved	34
2	Approved	34
3	Approved	35
4	Approved	35
5	Approved	35
6	Approved	36
7	Approved	36
8	Discussed	36

DIVISION OF BOND FINANCE  
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
1	Approved	54
2	Approved	54
3	Approved	55
4	Approved	55
5	Approved	55
6	Approved	56
7	Approved	59
8	Approved	59

CONTINUED INDEXFINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION  
(Presented by THOMAS CARDWELL)

ITEM	ACTION	PAGE
1	Approved	62
2	Approved	62
3	Discussed	62

FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION  
(Presented by KEVIN McCARTY)

ITEM	ACTION	PAGE
1	Approved	85
2	Approved	86
3	Approved	86
4	Approved	87
5	Approved	87
6	Approved	88
7	Approved	92
8	Approved	93

DEPARTMENT OF REVENUE  
(Presented by LISA ECCHEVERI)

ITEM	ACTION	PAGE
1	Approved	94
2	Approved	98
3	Approved	100
4	Approved	101
5	Approved	101
6	Approved	103

DEPARTMENT OF VETERANS' AFFAIRS  
(Presented by ADMIRAL LEROY COLLINS)

ITEM	ACTION	PAGE
1	Approved	104
2	Approved	104
3	Approved	112
4	Approved	114
5	Approved	115

CONTINUED INDEXDEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES  
(Presented by JULIE JONES)

ITEM	ACTION	PAGE
1	Approved	116
2	Approved	117
3	Approved	117
4	Approved	118
5	Approved	120
6	Approved	122
7	Approved	125

ADMINISTRATION COMMISSION  
(Presented by LISA SALIBA)

ITEM	ACTION	PAGE
1	Approved	126
2	Approved	147

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

ITEM	ACTION	PAGE
1	Approved	148
2	Approved	155
3	Approved	155

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

ITEM	ACTION	PAGE
1	Approved	156
2	Approved	158
3	Approved	159

CERTIFICATE OF REPORTER		161
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## P R O C E E D I N G S

(The agenda items commenced at 9:24 a.m.)

GOVERNOR CRIST: Attorney General McCollum.

ATTORNEY GENERAL McCOLLUM: This morning, Governor, I had asked the Secretary of Transportation, Secretary Kopelousos, to come up and give us a report on SunRail. We don't have -- I had my mic off. I apologize. I asked the Secretary Kopelousos to come up and give us a report on SunRail.

We don't have official oversight over the Department of Transportation as Cabinet members, but we interact, I know I do, and I've had the pleasure of working with your office on some legal matters concerning this issue. And I think it's extremely important. It has been in the press a lot lately, and we would like to hear, and I know that all of us would, what the status of the negotiations are right now with CSX, where we are in terms of getting to the point where we can have some hope that perhaps the federal dollars that are on the table can be brought to Florida and we can actually have this project and some future rail projects that are so important to our state.

So, Secretary, thank you for coming.

1 MS. KOPELOUSOS: Governor and members of the  
2 Cabinet, thank you for having me here this morning  
3 to really talk about our vision in Florida for  
4 delivering passenger rail throughout the state.

5 You know, we can't build our way out of  
6 congestion. We're going to have to provide some  
7 alternatives for Floridians and our visitors every  
8 day. We have to look at remaining economically  
9 competitive around our state and around the  
10 country, which means we must have an excellent  
11 transportation system.

12 Clearly, our founding fathers recognized that  
13 infrastructure is the fundamental building blocks  
14 of civilization. When you look at the first piece  
15 of our vision, it's delivering a commuter rail  
16 system in Central Florida, much needed, I might  
17 say. But we've heard clearly from Washington that  
18 we need to deliver commuter rail before we're ever  
19 going to see any funding for high speed rail. And  
20 I'll tell you, that message has been loud and clear  
21 for us.

22 Let's talk about the Central Florida project.  
23 We talk about the number of jobs it will create,  
24 what it will do to the economy in Central Florida,  
25 and we talk about the option, a different mode of

1 transportation that it will provide for Floridians  
2 and so many of our visitors that come to Orlando  
3 every day.

4 The project is ready to go, shovel ready, as  
5 we've heard so often. But we shouldn't be held  
6 back by our detractors. We've talked about  
7 commuter rail, and we've talked about rail in  
8 Central Florida for over 20 years now, and those  
9 supporters who clearly see the big picture and  
10 understand that this project will truly move  
11 Florida forward. But unfortunately, there are  
12 critics that continue to concentrate on the one  
13 issue that's before the Legislature, which is the  
14 liability issue, and I'll briefly go over that with  
15 you.

16 FDOT and CSX currently today maintain a  
17 no-fault liability contract in South Florida for  
18 Tri-Rail, and that has been in existence since  
19 1988. Today we seek the same thing in Central  
20 Florida. We currently are refining the terms of  
21 the liability language with CSX, but it will still  
22 maintain fundamentally a no-fault system. This is  
23 consistent with national standards dealing with  
24 liability in a shared corridor around the country.

25

1           But by working together, we truly can deliver  
2           this project. We have four counties in Central  
3           Florida and the City Orlando that have made this  
4           their number one priority, and they have worked  
5           together to not only fund the project, but make  
6           sure they can also help us deliver the project.

7           Governor and members of the Cabinet, when you  
8           look at the project very closely, it becomes clear  
9           it is a quality of life issue for us. Governor, as  
10          you've worked on this project and you've worked on  
11          so many other projects that are important to  
12          Floridians that truly relieve congestion around the  
13          State, like the I-95 Express project and the 595  
14          project down in South Florida, these are congestion  
15          relieving projects. They're making a difference in  
16          Floridians' lives.

17          But today we have a golden opportunity to make  
18          Florida a better place for not just our citizens,  
19          but for people that come to visit. So we need to  
20          be a part of transforming Florida and the way we  
21          want to see it for our children.

22          Thank you for having me here, and I'm happy to  
23          answer any questions.

24                    ATTORNEY GENERAL McCOLLUM: If I might,  
25                    Governor.



1 GOVERNOR CRIST: Yes, please, of course.

2 ATTORNEY GENERAL McCOLLUM: Stephanie, you and  
3 I have discussed the situation with regard to CSX  
4 in Massachusetts. And some of the things are in  
5 the weeds a bit, but I know it's so important to  
6 the progress you're trying to make, and we as a  
7 state need to make on this rail issue, that we  
8 understand the issue you just described as the  
9 no-fault down in Miami versus, you know, where  
10 critics have said we should or shouldn't be on  
11 this. Could you elaborate a little bit on exactly  
12 what the liability issues would be and where they  
13 are right now? I know you can't give us every  
14 detail because you haven't reach a final verdict,  
15 but it's pretty close. And it's so controversial  
16 in some people's eyes, but in mine it's pretty  
17 straightforward, so would please elaborate on that?

18 MS. KOPELOUSOS: Sure. And I'll go into just  
19 a little bit of details of what we see in  
20 Massachusetts. Massachusetts is currently -- now,  
21 they haven't inked their deal as well yet, but what  
22 they're talking about and why our deal is a little  
23 different, in Massachusetts if a CSX train and one  
24 of their commuter trains collides, in the act on  
25 the freight rail, CSX is willful and wanton. CSX

1 will pay their deductible for their insurance. So  
2 their insurance deductible is 7.5 million, and so  
3 that is what CSX is currently negotiating with them  
4 to agree to pay.

5 Now, the difference between Massachusetts and  
6 Florida, it's very difficult to compare apples to  
7 apples, because in Massachusetts they have a  
8 \$75 million cap on liability there.

9 ATTORNEY GENERAL McCOLLUM: But in any event,  
10 we're looking, as I understand it, at some  
11 accommodation with CSX that would require them to  
12 have liability for their freight that they're still  
13 having across these lines, but we would be as a  
14 state assuming liability on the passenger part of  
15 this. Is that more or less where we are with this?

16 MS. KOPELOUSOS: That is correct. And what  
17 we're working on with CSX right now is that they  
18 would pay our deductible, our retention fund that  
19 we have, which could be anywhere from 5 to \$10  
20 million.

21 ATTORNEY GENERAL McCOLLUM: Well, that's a  
22 very important change, too, from where we were a  
23 year ago when the Legislature last visited this.

24 And I certainly hope, and I for one do, that  
25 this is going to be successful. We need commuter

1 rail. I think every one of us up here on the  
2 Cabinet understands that. It isn't an issue just  
3 about my home area of Central Florida, though I've  
4 lived with it a long time. It is kind of the key  
5 to all of the rail.

6 In Europe, as you know and I know and all of  
7 us know, they have these longstanding rail systems,  
8 but they couldn't exist if they didn't have a  
9 commuter tie-up to them. You can't just go from  
10 one big city to the other. You have to have feeder  
11 lines to them. And this is what I think the  
12 Secretary of Transportation in Washington has told  
13 us is required, and it makes common sense.

14 So it looks to me like we're making a lot of  
15 progress. I know we've offered to be of assistance  
16 to you, and you've been gracious to be briefing my  
17 office on the legal matters on this for some time.  
18 And I just appreciate your coming in to tell us  
19 this, because this seemed -- the liability seemed  
20 to be the big issue, the legal issue here.

21 So if other members would like to ask, I  
22 certainly brought her here for that reason and  
23 would love to have the opportunity for us to all  
24 make sure everybody here and the public understands  
25 where we stand on this today.

1 GOVERNOR CRIST: Great. General, thank you.  
2 CFO, do you have any comment you wanted to make?

3 CFO SINK: Yes, but you can go first.

4 GOVERNOR CRIST: No, you go first. Ladies  
5 first.

6 CFO SINK: Thank you.

7 GOVERNOR CRIST: That's how I was raised.

8 CFO SINK: Thank you, Secretary Kopelousos.

9 I had the opportunity to go to Washington  
10 about a month ago and meet with the federal  
11 railroad administrator, and like you, heard loud  
12 and clear that they are -- there's a lot of  
13 stimulus money on the table for these rail  
14 projects, and we're very excited, and the  
15 resolution that we brought and you all passed not  
16 long ago for the \$2.8 billion high speed rail  
17 project, and they're really looking to Florida to  
18 see whether we'll step up and support our commuter  
19 rail. As you so well expressed, I think Florida  
20 gets that piece of it.

21 And I'm certainly a strong supporter of the  
22 SunRail project. Clearly, two years ago I raised  
23 some concerns about the liability provisions,  
24 because the place that we started out was that CSX  
25 would, in effect, bear no liability in the case of

1 an accident, that Florida would have to bear all  
2 the responsibility, and fortunately, they backed  
3 off that.

4 But I've been following -- our office has been  
5 following the Massachusetts negotiations very  
6 closely as well, and we've had the opportunity to  
7 meet with the CSX representatives. And it's my  
8 understanding, just to clarify, because I know,  
9 General, you said you thought it was  
10 straightforward, but one of the requirements is  
11 that Florida would carry a \$200 million insurance  
12 policy; is that right?

13 MS. KOPELOUSOS: Yes, ma'am. Currently --

14 CFO SINK: Is that still the number?

15 MS. KOPELOUSOS: The \$200 million number. And  
16 we see it really kind of standard. Amtrak carries  
17 a little bit higher on their commuter rail type  
18 projects. In Maryland, for example, they carry a  
19 \$500 million. In some areas, like in  
20 Massachusetts, it's a smaller number. It's a \$75  
21 million policy.

22 CFO SINK: And we would buy this \$200 million  
23 policy, but there would be a deductible there. Are  
24 you inferring that you think the deductible is  
25 going to be between 5 and \$10 million?

1 MS. KOPELOUSOS: Right now, Madam CFO, we have  
2 a -- currently in South Florida, what we have is a  
3 \$5 million retention fund, which is where we do  
4 just the smaller claims, if someone slips and falls  
5 on the platform, those type of issues. And we are  
6 looking to see whether we need to raise that to 10.  
7 What we had talked to CSX about is making sure that  
8 what they consider the deductible would be up to  
9 the 10 million.

10 CFO SINK: And it's my understanding that in  
11 the Massachusetts deal, CSX has offered to pay a  
12 part of the premium for that, for the policy in  
13 Massachusetts. Are you contemplating that they  
14 will step up and pay a part of this premium for  
15 this policy?

16 MS. KOPELOUSOS: Absolutely. That was part of  
17 our original deal with them, part of the per car  
18 charge that they will pay us to use the rail during  
19 the freight hours. Part of that fee would go to  
20 pay the insurance, so that was contemplated from  
21 the very beginning.

22 CFO SINK: Okay. And then the other thing  
23 that I've heard them say is that if they were  
24 proven to be at fault or willful misconduct and it  
25 was really a bad event that exceeded the

1           \$200 million, that they would be prepared to pick  
2           up the additional cost above the \$200 million.

3           MS. KOPELOUSOS: As we have talked about, we  
4           are still discussing many of those aspects with  
5           them currently.

6           CFO SINK: Well, I think it's -- they've  
7           clearly been prepared to negotiate a better  
8           structure or a better deal than was originally  
9           contemplated, even from last year's Legislature.  
10          And I know that they want to have something that's  
11          more consistent with what they do in Maryland and  
12          Massachusetts and the other states. That's  
13          understandable.

14          But I just want to encourage you to, as I know  
15          you will, to be a tough negotiator and think about  
16          these liability provisions from the Florida  
17          taxpayers' perspective and bring this deal in for a  
18          landing, because it really is so important for all  
19          of Florida.

20          GOVERNOR CRIST: Thank you, General. Thank  
21          you for suggesting that the Secretary speak to us  
22          today about SunRail and other opportunities.

23          You know, visionaries have really propelled  
24          Florida forward in the past, like Henry Flagler.  
25          And, you know, when President Eisenhower served, we

1 had a great expansion of our Internet system. And  
2 one thing you didn't mention this morning was I-75  
3 between Naples and Fort Myers. We're very proud of  
4 that too, because that was so congested you would  
5 hardly move down there, but you've done great work  
6 there, and I appreciate it on behalf of the people.

7 And I want to commend you and thank for what  
8 you're doing, Secretary, as it relates to SunRail,  
9 Tri-Rail, and ultimately this high speed rail.  
10 And, you know, the connectivity between all of  
11 those is incredibly important to the future of our  
12 state.

13 And I think you've heard a consensus from the  
14 three of us that we feel that way, done right, and  
15 negotiated appropriately, and I know that you will  
16 continue to pursue that. And I am also in  
17 conversation with President Atwater and Speaker  
18 Cretul in terms of a potential special session to  
19 give this a greater jolt forward, if you will, and  
20 I think it's very important for the future of  
21 Florida.

22 So anyway, I just want to thank you and  
23 encourage you. Keep going forward. The people of  
24 Florida deserve no less, and I know you understand  
25 that. So thank you very much.



MS. KOPELOUSOS: Thank you.

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1                   GOVERNOR CRIST:   Anyway, State Board of  
2                   Administration, Ash William.

3                   CFO SINK:   Did you announce the next Cabinet  
4                   meeting?

5                   GOVERNOR CRIST:   Yes.   The next Cabinet  
6                   meeting is December the 8th.

7                   CFO SINK:   Governor, while they're coming up,  
8                   we won't see -- we won't be together before  
9                   Thanksgiving, so happy Thanksgiving.

10                  GOVERNOR CRIST:   Yes, you too.

11                  CFO SINK:   Have a nice time with your family.

12                  GOVERNOR CRIST:   Thank you very much.

13                  CFO SINK:   And you, General.

14                  GOVERNOR CRIST:   I appreciate it, to all of  
15                  you.

16                  Ash, good morning.

17                  MR. WILLIAMS:   Good morning, Governor and  
18                  Trustees.

19                  GOVERNOR CRIST:   I like your bow tie.

20                  MR. WILLIAMS:   Thank you, sir.

21                  GOVERNOR CRIST:   Do you ever not wear a bow  
22                  tie?

23                  MR. WILLIAMS:   As a matter of fact, sometimes  
24                  I don't wear a bow tie, and I'm questioned as to  
25                  why and is there a deficiency of some sort or

1           whatever, so --

2                   GOVERNOR CRIST: I'm sure there's not.

3                   MR. WILLIAMS: So defensively, I'm wearing a  
4 bow tie today, sir.

5                   GOVERNOR CRIST: Well, we like them. Thank  
6 you, sir. Good morning.

7                   MR. WILLIAMS: Before we get under way on the  
8 agenda, I would like to share updates on a couple  
9 of matters with you.

10                   First of all, from a performance standpoint, I  
11 would like you to be aware that through last  
12 evening's close, the Florida Retirement System  
13 Trust Fund is now up north of 20 percent  
14 year-to-date. That leaves the balance in the fund  
15 at \$113.5 billion. That's over 40 basis points  
16 ahead of target, which is north of \$400 million of  
17 outperformance for the calendar year to date.

18                   The other thing I wanted to share with you is  
19 that I just wanted to mention -- it's been in the  
20 media lately. There's been some media traffic  
21 relating to a SEC inquiry dating back to the events  
22 leading up to the illiquidity in the Local  
23 Government Investment Pool in the fourth quarter of  
24 2007.

25                   I just want to reiterate that to the best of

1 our knowledge, there is absolutely nothing new on  
2 that front with the SEC. And in fact, with the  
3 changes that have taken place, as you are so very  
4 well aware, because you as Trustees have worked  
5 with us and the Legislature and made many  
6 recommendations yourselves to improve the pool,  
7 today's pool is not at all like the pool that  
8 existed in 2007. The asset management is  
9 outsourced to an SEC registered advisor. We have  
10 completely new investment policies and controls.  
11 We have a Local Government Participant Advisory  
12 Council of independent local government officials.  
13 We have external certification annually of best  
14 practices in terms of investment policy and also  
15 legal compliance. And we also have a AAA rating.

16 So from the standpoint of any regulatory  
17 agency that might be looking at that pool, I would  
18 argue that the progress that has been made and the  
19 complete redesign of that pool since 2007 is a  
20 pretty remarkable transformation. We have in fact  
21 been in touch with the SEC. We have cooperated  
22 with them fully since the onset of their inquiry in  
23 early 2008 and will continue to do so, and we look  
24 forward to a constructive closure of their inquiry  
25 just as soon as possible.

1           From the onset of the SEC inquiry, we've of  
2           course maintained an open dialogue not only with  
3           your offices, but with key constituencies to the  
4           SBA, local governments, pension beneficiaries.  
5           We've included all sorts of information over time  
6           on our website, in various client meetings face to  
7           face, conference calls with local government  
8           clients and beneficiary groups, the Legislature,  
9           et cetera, and we will continue to do that.

10           In fact, one of the other things that we've  
11           done is work closely with the Auditor General's  
12           Office to ensure that financial footnote  
13           disclosures are appropriately made on our financial  
14           statements, particularly with regard to the Local  
15           Government Pool. We are in fact doing that right  
16           now to ensure that the statements for the '08-'09  
17           fiscal year ended 30 June '09 are complete in every  
18           regard.

19           And in the spirit of complete openness, we may  
20           very well go back and put some sort of subsequent  
21           event footnote addition to the '07-'08 statements.  
22           We're working closely with the Auditor General's  
23           Office on that, and we have recommended that we try  
24           and come to closure on what those footnotes should  
25           be, and to the extent we do any revisions, agree to

1 the language and get them done very promptly so we  
2 don't leave any ambiguity out there in the  
3 marketplace as to where we are.

4 So if anyone has questions on any of those  
5 issues, I'm happy to answer them. Otherwise, I'll  
6 go ahead into the agenda.

7 ATTORNEY GENERAL McCOLLUM: If I could,  
8 Governor.

9 GOVERNOR CRIST: Yes, General, sure.

10 ATTORNEY GENERAL McCOLLUM: Ash, I think you  
11 should explain to us what has been in the newspaper  
12 with respect to this issue of whatever the status  
13 was of the investigation that may have changed by a  
14 piece of paper they reported on that is labeled an  
15 order. Would you please tell us that? I mean,  
16 that's the crux of what has been reported, and I  
17 would like to hear from you.

18 MR. WILLIAMS: Sure. In early 2008, the SEC  
19 advised the State Board of Administration, J. P.  
20 Morgan, Credit Suisse, and Lehman Brothers that it  
21 was making an inquiry into the sales of certain  
22 securities that subsequently became illiquid and  
23 contributed to liquidity issues in the Local  
24 Government Pool and other state entities in the  
25 fourth quarter of 2007.

1           That inquiry proceeded as most inquiries do,  
2           which is to say there was information gathered,  
3           there were interviews held, and the SEC provided in  
4           late October of 2008 a document called a Notice of  
5           Private Investigation or an Order of Private  
6           Investigation to the State Board. They did so  
7           under a requirement that the State Board execute a  
8           confidentiality agreement, meaning that we would  
9           not publicly disclose the existence of that  
10          document.

11          The reason for that document, it's part of the  
12          normal regulatory process, and it simply enables a  
13          regulatory agency, in this case, the SEC, to take  
14          sworn testimony and to gather documentary evidence  
15          through subpoena.

16          As a former securities regulator myself, I can  
17          tell you that those are very powerful tools, and  
18          they're central to the prompt completion and  
19          thorough completion of any inquiry from the  
20          standpoint that they put the regulator in a great  
21          position, because if someone is untruthful to them  
22          in a sworn statement, they're obviously guilty of  
23          perjury, and that carries significant penalties.  
24          And likewise, if there's a subpoena used to gather  
25          documentary information and there's less than

1 complete disclosure or information held back, then  
2 there are consequences for that as well. So from a  
3 regulator's perspective, that's the best way to go,  
4 because it gets people to pay attention and  
5 cooperate perhaps more fully than they otherwise  
6 might.

7 So we see it as a routine continuation of the  
8 same investigation that started in the beginning.  
9 It's not a different investigation. Our counsel  
10 did not see it as a step change in the nature of  
11 the investigation. It did not carry with it any  
12 suggestion that there was impropriety at the SBA or  
13 on the part of anyone working for the SBA. It's  
14 simply a normal part of the inquiry process and the  
15 regulatory process.

16 ATTORNEY GENERAL McCOLLUM: Ash, I concurred  
17 in looking at it that this was a procedural matter,  
18 but it was still a significant one in terms of  
19 appearance. And we all up here knew there was an  
20 investigation going on, and my understanding of the  
21 investigation, we'll elaborate on it in a second,  
22 but I want to make a point that I for one believe  
23 that as you go through or your legal team goes  
24 through, you know, the reviews and getting orders  
25 and things like this, that there should be a



1 regular channel of communication not only to you,  
2 but also to the staff of all three of us about the  
3 status, and I'm sure you would agree, the status of  
4 --

5 MR. WILLIAMS: Absolutely.

6 ATTORNEY GENERAL McCOLLUM: -- these legal  
7 matters.

8 MR. WILLIAMS: Yep.

9 ATTORNEY GENERAL McCOLLUM: And that was a  
10 significant status change. It didn't mean that  
11 there was anything big or dramatic about it as  
12 maybe the press has made out, but it was  
13 significant. It was a step in the process. And to  
14 the best of my knowledge, your legal team did not  
15 inform any of us of that step or that process.

16 And it just reminds me of where we are in our  
17 role as Trustees, that -- and we don't want to  
18 micromanage you. I don't want to. I certainly  
19 don't want to do that. That's your responsibility,  
20 and we delegate that to you. But I think whenever  
21 there is a legal matter pending, whether that's  
22 class action lawsuits that we may not be currently  
23 being briefed on, I think we should be briefed on  
24 them. I think you should bring those to our  
25 attention. I think we may not do anything with

1           them, but we need to know about them, and we don't  
2           need to be reading about something that may be in  
3           the press that is blown out of proportion, but we  
4           don't have the knowledge base to respond to it.

5           Now, I will say this. I don't think people  
6           understand what this investigation is all about,  
7           and I think it would be very helpful if you would  
8           explain to us in addition the basis upon which any  
9           SEC investigation is conducted. For example, is my  
10          understand correct that what they're looking for in  
11          this case, if there is anything here, is fraud, not  
12          necessarily by the State Board of Administration,  
13          but fraud by some of these entities that were doing  
14          business with the State and doing business with the  
15          investment pool. Is that what that they were  
16          doing? I just don't think the public really  
17          understands all that's going on here, and we need  
18          to be more transparent about that.

19          MR. WILLIAMS: Let me answer both your  
20          questions, first the question about information  
21          flow to your offices. I couldn't agree with you  
22          more on that point. I would like to think that we  
23          are accomplishing that objective. There certainly  
24          has been a regular flow of information, including  
25          details of specific documents.

1           ATTORNEY GENERAL McCOLLUM: But not this  
2 order. We never saw this order to my knowledge.  
3 My staff never did, the particular order that made  
4 a difference in the character of the investigation.  
5 It didn't change it, but the character and status.  
6 A better way of putting it, it made a difference in  
7 the status of the investigation. Do you follow me?

8           MR. WILLIAMS: Well, I will say this. We  
9 don't think it did make a difference in the status  
10 of the investigation. We think it's part of the  
11 normal process, and I think we did brief staff on a  
12 regular basis. Whether this particular document  
13 found its way into someone's hands versus being  
14 described, that I can't answer at this point.

15           But your point is well taken, and I can tell  
16 you with absolutely no doubt in my mind that any  
17 subsequent contacts we have had absolutely have  
18 been shared in real time, hard copy, with your  
19 staffs, your general counsels, et cetera. And I  
20 make it my own business to come to the Capitol with  
21 great regularity, as recently as last evening, and  
22 meet with all of the offices --

23           ATTORNEY GENERAL McCOLLUM: Let me interrupt  
24 you and explain one thing that I see in this. And  
25 I want to be very respectful, because I have a lot

1 of respect for you, and I know you're doing to do  
2 the right job, and I think in this case you  
3 generally done the correct job, Ash. But the  
4 problem is that this document said "order" on it.

5 Now, the reality is that it may not be as  
6 significant as somebody might read, but at some  
7 point, your staff, the legal office needs to  
8 recognize that it is going to become a public  
9 record. It might not have been at that time. And  
10 somebody is going to read that who doesn't have the  
11 knowledge you may have of that or that we may have  
12 of that, of the case of the investigation, and  
13 they're going to say, "This is a big deal. This is  
14 an order." And we need for you or somebody over  
15 there to have antenna up and say, "This is a red  
16 flag. This is the type of thing that the staff of  
17 Governor Crist and CFO Sink and Attorney General  
18 McCollum ought to be apprised of," heads up about  
19 it as a part of the routine matter that's going on.

20 I don't want to belabor it. I don't want to  
21 beat it. I just want you to be aware, having  
22 reflected on it overnight -- you and I discussed  
23 this yesterday at some length again. And I  
24 generally concur that this was not a huge deal, but  
25 it becomes a bigger deal because of the fact that

1 we were not provided that information.

2 MR. WILLIAMS: Fair enough. Message taken.

3 CFO SINK: Governor, can I make a comment,  
4 please?

5 GOVERNOR CRIST: Sure.

6 CFO SINK: General, I this is -- you're right,  
7 and this is why these quarterly board meetings that  
8 we're starting to have are so critically important,  
9 because at those board meetings we're building an  
10 agenda in which we hear independent reports from --  
11 not only from Ash, but also from the Inspector  
12 General.

13 It's an opportunity -- just like in any  
14 corporate board meeting, you would have a report  
15 from the general counsel of the organization who,  
16 because we've all made the commitment to spend this  
17 extra time rather than the, you know, five minutes  
18 every two weeks thing, the commitment to spend the  
19 extra time, that the general counsel has to be  
20 prepared at our quarterly meetings, which we'll  
21 have next one in December, to give a thorough  
22 report to the three of us directly and unfiltered,  
23 right from the general counsel, to tell us all the  
24 legal matters that are being dealt with, all the  
25 things like investigations, any lawsuits we're

1 engaged in, any possible litigation, so that we can  
2 be directly -- we can hear the words straight from  
3 the lawyer right to us.

4 ATTORNEY GENERAL McCOLLUM: I agree with you  
5 100 percent. I think it's a great idea. You  
6 brought it up first, and I give you all the credit  
7 for bringing it up. But I think all of us agree  
8 that having these regular quarterly meetings is  
9 very important to what we're doing, so we gain more  
10 information. This is a good example of something  
11 that at least publicly we'll have.

12 CFO SINK: Right.

13 ATTORNEY GENERAL McCOLLUM: Although what I'm  
14 saying, CFO Sink, is that before that even, our  
15 staff should be aware, and if they then want to  
16 advise us, they can, because we have Cabinet staff  
17 that review these things. And so I think in  
18 between, regardless of those quarterly meetings,  
19 Ash, we need to know about things contemporaneously  
20 to when they occur through to our staff.

21 MR. WILLIAMS: I don't disagree at all, and I  
22 would point out two things in closing.

23 GOVERNOR CRIST: Ash, before you close -- the.

24 MR. WILLIAMS: Yes, sir.

25 GOVERNOR CRIST: If I might, at the risk of

1           being repetitive, I think there's a clear consensus  
2           by the Trustees that the greater bit of knowledge  
3           you can share with us, our chief of staff, and our  
4           general counsel as it relates to any of these  
5           issues is very important to us, and I know it's  
6           important to you. And I think that's the  
7           conclusion of all this discussion.

8           MR. WILLIAMS: I appreciate that, Governor.  
9           And the last thing I wanted to say on the matter  
10          is, the document with we're talking about was  
11          received by the SEC, or was received by the State  
12          Board within a day or two of my arrival in this  
13          position. Since that time, we have a new general  
14          counsel. We do in fact have regular meetings with  
15          your general counsels. We have our independent  
16          general counsel report at the quarterly meetings,  
17          and the dialogue between our office and your  
18          offices is about as realtime as it can be. And I  
19          can assure you, you've got my unqualified  
20          commitment that each and every change in the breeze  
21          will come to your attention and you will not have  
22          surprises.

23          ATTORNEY GENERAL McCOLLUM: One last  
24          clarification, Governor.

25          GOVERNOR CRIST: Sure, General, yes, sir.

1           ATTORNEY GENERAL McCOLLUM: I think it's  
2           important before we leave this, Ash, that -- I  
3           raised the question about what the nature of this  
4           investigation was about. And it's my understanding  
5           it would be about fraud, since that's the only  
6           basis upon which the Securities and Exchange  
7           Commission would have any jurisdiction to be down  
8           here looking at anything in our offices as a  
9           federal agency.

10           And as a further matter -- I know you shook  
11           your head that you want to respond to this. But  
12           it's also further my understanding that in the  
13           initial investigative inquiry and in anything that  
14           has followed up, it's not clear that they're  
15           investigating the SBA as opposed to investigating  
16           these entities that have done business with us. So  
17           could you clarify that?

18           MR. WILLIAMS: I'll be happy to. First, the  
19           SEC doesn't say anything about what they're looking  
20           at. A reasonable inference can be drawn that if  
21           they're looking at an entity that is not registered  
22           and regulated by the SEC, then fraud normally would  
23           be the ambit of their inquiry. We have no  
24           indication whatsoever from the SBA -- from the SEC  
25           that they are looking at fraud at the SBA. We have



1 no indication that they're looking at any  
2 individuals, et cetera. We have absolutely no  
3 indication that that is the case. And our outside  
4 SEC counsel has been in regular touch with the SEC  
5 staff, and their Miami office has affirmed that  
6 repeatedly.

7 In fact, when I said earlier we're working  
8 with the SEC to bring this matter to a constructive  
9 closure as soon as possible, I was quite serious  
10 about, and we're taking steps to do so.

11 ATTORNEY GENERAL McCOLLUM: So they may very  
12 well be looking not so much at the SBA, but at  
13 these entities that have done business with us,  
14 which they do regulate.

15 MR. WILLIAMS: That's a possibility. I would  
16 hesitate to speculate.

17 ATTORNEY GENERAL McCOLLUM: We just don't  
18 know. We don't know. The point is -- that's my  
19 point. We don't know. There's a lot of ambiguity  
20 out there, but it's being reported as though things  
21 were known, and we don't know.

22 MR. WILLIAMS: Correct.

23 ATTORNEY GENERAL McCOLLUM: Okay. Thank you.  
24 Thank you, Governor.

25 GOVERNOR CRIST: You bet. Good discussion.

1 All right, Ash. On the agenda.

2 MR. WILLIAMS: Yes, sir. Item 1, request the  
3 approval of the minutes from our October 13  
4 meeting.

5 GOVERNOR CRIST: Is there a motion on the  
6 minutes?

7 CFO SINK: Move it.

8 ATTORNEY GENERAL McCOLLUM: Second.

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

11 MR. WILLIAMS: Item 2, we have a fiscal  
12 sufficiency for the Department of Environmental  
13 Protection, Florida Forever revenue bonds.

14 GOVERNOR CRIST: Is there a motion on it?

15 CFO SINK: Move it.

16 ATTORNEY GENERAL McCOLLUM: Second.

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

19 MR. WILLIAMS: Item 3, a fiscal sufficiency  
20 for the State of Florida Board of Governors,  
21 University of Central Florida parking facility  
22 revenue bonds.

23 ATTORNEY GENERAL McCOLLUM: Move it.

24 CFO SINK: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

1 approved without objection.

2 MR. WILLIAMS: Item 4, we have a fiscal  
3 determination in an amount not exceeding  
4 \$900 million for the Florida Housing Finance  
5 Corporation homeowner mortgage revenue bonds.

6 ATTORNEY GENERAL McCOLLUM: Move it.

7 CFO SINK: Second.

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

10 MR. WILLIAMS: Item 5 is a request to file  
11 Rule 19-7.002. This is a codification of  
12 investment policy guidelines. These have  
13 previously been approved by the Trustees at the  
14 July 28 meeting. They were effective July 1. And  
15 we have done both a development workshop and a rule  
16 hearing, properly noticed them. Neither was  
17 requested, so we're ready to proceed with the rule.

18 CFO SINK: Move it.

19 ATTORNEY GENERAL McCOLLUM: Second.

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

22 MR. WILLIAMS: Item 6, a similar situation.  
23 Request approval to file amended Rule 19-11.006,  
24 enrollment procedures for new hires notice, new  
25 hires for notice.

1 ATTORNEY GENERAL McCOLLUM: I move it.

2 CFO SINK: Second.

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

5 MR. WILLIAMS: Item 7 is reaffirmation of the  
6 executive director.

7 GOVERNOR CRIST: I'll move it.

8 ATTORNEY GENERAL McCOLLUM: Second.

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

11 MR. WILLIAMS: Item 8, we have the State  
12 Board's Inspector General, Mr. Bruce Meeks, with us  
13 today to talk about ethics policies and procedures.

14 CFO SINK: Governor.

15 GOVERNOR CRIST: CFO.

16 CFO SINK: As Mr. Meeks is coming forward, I  
17 just wanted to make a comment. We just kind of  
18 blew past the reaffirmation of our executive  
19 director for another year. And I think Ash brought  
20 up a very important point, that you've been on the  
21 job just --

22 GOVERNOR CRIST: How long?

23 CFO SINK: October the 17th. A year and two  
24 weeks.

25 MR. WILLIAMS: Right.

1 CFO SINK: I remembered that October date.  
2 But just to point out that we had been, in effect,  
3 leaderless for almost a year at the SBA when Ash  
4 came in. There are many, many things that needed  
5 to be attended to at the SBA. It's been a  
6 challenging year in this kind of financial  
7 environment.

8 And as for me, I think a lot of progress has  
9 been made, but we still have a long way to go in  
10 the operation and the focus of our SBA. And of  
11 course, as we ourselves as Trustees have changed  
12 some of our operating methods, these issues of  
13 disclosure and attention to the way we're managing  
14 our funds and the way we're reporting our funded  
15 position still are -- in my mind, there's still  
16 outstanding items and issues that we need our  
17 leader to continue to focus on over the course of  
18 the next year. And hopefully next year this time  
19 when you come back, we'll be in a much more stable  
20 situation in many respects.

21 Thank you for letting me make that comment.

22 GOVERNOR CRIST: Of course. General.

23 ATTORNEY GENERAL McCOLLUM: If I could just  
24 make a comment that, Ash, overall, I think you've  
25 done an outstanding job considering all you picked

1 up on. And we may grumble up here and grouse once  
2 in a while and debate policy issues, but I think  
3 most of us are very pleased, and we're looking  
4 forward to another good year in very tough times.

5 MR. WILLIAMS: Thank you. I appreciate the  
6 partnership and support of the Trustees.

7 GOVERNOR CRIST: Keep up the good work. Thank  
8 you, Ash.

9 Bruce, good morning.

10 MR. MEEKS: Good morning. Good morning,  
11 Trustees. I appreciate the opportunity to speak  
12 with you this morning.

13 On September the 1st, I spoke with you about  
14 the ethics, the SBA's ethics program, which we  
15 consider to be comprehensive, robust, and  
16 multifaceted. There are both internal attributes  
17 to our program that are geared toward SBA  
18 employees, and there are also external attributes  
19 geared toward our third-party service providers  
20 such as broker-dealers, money managers, and  
21 investment consultants. With respect to both,  
22 there's an emphasis on avoidance and mitigation of  
23 conflicts, promoting independence, and enhancing  
24 disclosure and transparency.

25 This morning I would like to speak with you

1 about the SBA's response to the recent pay-to-play  
2 allegations involving pension funds in New York,  
3 California, and New Mexico. Pay-to-play generally  
4 refers to consideration of factors other than merit  
5 and competition in awarding business and contracts.  
6 And while pay-to-play is a very broad umbrella, the  
7 recent problems involve the use of allegedly  
8 corrupt placement agents by firms seeking business  
9 with those pension funds that I mentioned.

10 When these matters first came to light, the  
11 executive director established a task force to  
12 examine the issues, review emerging best practices,  
13 including what other states were doing, and make  
14 recommendations to guard against such occurrence  
15 happening in Florida. The members of the group  
16 were me, our senior operating officer for policy,  
17 planning and administrative services, the deputy  
18 executive director, and the deputy general counsel.  
19 The meetings were also attended occasionally by  
20 staff from the private equities and strategic  
21 investments asset class and the real estate asset  
22 class. Ultimately, the SBA's task force efforts  
23 resulted in the development of a draft placement  
24 agent disclosure policy for the executive  
25 director's consideration.

1           It's very important to note two important  
2 points here. One: A guiding precept of our policy  
3 was a recognition that placement agents are not  
4 inherently evil. Corrupt and illegitimate  
5 placement agents are bad, but we recognize that  
6 legitimate placement agents can be a valuable part  
7 of a firm's business model, especially newer and  
8 smaller firms in marketing their services and  
9 handling investor relations.

10           And two, we recognize that current SBA policy  
11 provides that any payment of fees to placement  
12 agents not be born by the SBA, but at the same  
13 time, the payment of such fees must be disclosed to  
14 the SBA.

15           Prior to us finalizing our policy, the SBA  
16 proposed a rule to regulate this area, and thus,  
17 the SBA's draft policy was tabled pending final  
18 action by the SEC. The SEC rule as it is currently  
19 drafted -- and they have completed a public comment  
20 period, but no final rule is out. But as it's  
21 currently drafted, it does two major things. It  
22 prohibits the use of third-party solicitors, i.e.,  
23 placement agents, by investment advisors in  
24 soliciting a government entity; and two, it  
25 prohibits investment advisors from earning business



1           within two years of making a contribution of more  
2           than \$250 to an official in the same entity where  
3           they are seeking business.

4           Our review of the public commentary on the  
5           proposed rule revealed a clear majority of  
6           opposition to the ban on placement agents. Of the  
7           seven pension funds commenting, six funds opposed  
8           the ban, and one expressed no comment. Given the  
9           broad opposition to the SEC's proposed rule, again  
10          in its current form, it's difficult to anticipate  
11          when and in what form a final rule will be  
12          promulgated. I believe now that the executive  
13          director is prepared to implement our proposed  
14          policy which is contained in your materials as an  
15          interim measure until the SEC acts.

16          In addition to our existing disclosure  
17          requirement, the key features of our draft policy  
18          include disclosure of whether an external manager  
19          has compensated or agreed to compensate a person or  
20          entity acting as a placement agent; disclosure of  
21          whether that placement agent, if any, has  
22          compensated or agreed to compensate a third party  
23          or subcontractor in connection with an SBA  
24          investment; disclosure of the resumé's and  
25          credentials of officers, partners and principals of

1 the placement agent, including their education,  
2 professional designations, regulatory licenses,  
3 investment related and other experience; and  
4 provision of a description of the services to be  
5 performed by the placement agent; and finally, an  
6 affirmation that the placement agent is registered  
7 with the SEC, FIRA, the Financial Industry  
8 Regulatory Association, or a similar regulatory  
9 body. Under the proposed policy, these disclosures  
10 and representations would be required prior to the  
11 commencement of new relationships and prior to the  
12 extension of existing relationships.

13 Notwithstanding the SEC's proposed rule and  
14 the SBA's draft policy, there are distinctions  
15 between the environments that allowed alleged  
16 pay-to-play to occur in the other states I  
17 mentioned compared to how business is conducted in  
18 Florida. First of all, our investment manager  
19 acquisition processes are driven by sound due  
20 diligence and competition through clearly  
21 articulated policies. In some cases, we use an  
22 invitation to negotiate, an ITN process where an  
23 evaluation team scrutinizes competitive proposals  
24 submitted by several firm candidates, and a  
25 different negotiation team negotiates the best

1 price with the top contenders.

2 In other cases, we use an investment manager  
3 search process where we look at the universe of  
4 managers for a particular style of investment that  
5 we're interested in, for instance, small cap  
6 international equity, and we hone in on a group of  
7 finalists based on factors such as investment  
8 strategy, return performance, assets under  
9 management, strength of management and personnel,  
10 investment capacity, and fee structure.

11 In contrast, the situation in New York  
12 involved a placement agent who had formerly served  
13 as the chief political strategist and fund raiser  
14 for the New York State Common Retirement Fund's  
15 single trustee, who allegedly played a role in  
16 having the chief investment officer removed and  
17 having an accomplice installed in his place, who  
18 allegedly advised and helped manage the alternative  
19 investments asset class, although that individual  
20 held no official position at the fund. And lastly,  
21 he earned millions of dollars in previously  
22 undisclosed fees brokering deals between the  
23 external investment firms and the pension fund.

24 With regard to the California situation, the  
25 placement agent involved formerly served on the

1 California Public Employees Retirement System,  
2 CalPERS, on that board. Subsequently, employees of  
3 the placement agent's firm made substantial  
4 campaign contributions to a CalPERS board member  
5 who happened to be the elected employees'  
6 representative on the board and also happened to be  
7 the chairman of the investment committee. A former  
8 CalPERS CEO left the fund in 2008 and subsequently  
9 went to work for the placement agent firm in August  
10 of 2009. And finally, the firm happened to have  
11 collected over \$70 million in fees over the past  
12 seven years.

13 Finally, there is a tremendous recognition by  
14 the SBA and its staff of their fiduciary  
15 responsibility and the duty to place the interests  
16 of trust beneficiaries and customers first and  
17 foremost in every investment decision. This  
18 paramount obligation is set out in Chapter 215,  
19 Florida Statutes, and in the SBA's code of ethics.

20 I am not naive. I understand that statutes  
21 and policies exist for those who wish to follow  
22 them. However, in my role as IG and ethics officer  
23 at the SBA, I function largely as the eyes and ears  
24 of the organization. I have a pretty good sense of  
25 the culture and the climate at the SBA, and I have

1 not discovered any evidence to suggest that SBA  
2 staff has any idea of who contributes to whom or  
3 who is connected to whom. It just does not appear  
4 to figure into the equation, and it shouldn't.

5 I am not suggesting that the SBA is immune to  
6 what has occurred in other states, but I can tell  
7 you, I have not seen red flags, and I'm on the  
8 lookout for red flags. And hopefully, our proposed  
9 policy can help provide additional protections that  
10 we currently have in place.

11 And I'll entertain any questions you might  
12 have.

13 GOVERNOR CRIST: I just want to thank you and  
14 tell you how appreciated your work is upon behalf  
15 of the people and making sure that you continue to  
16 protect that public trust.

17 MR. MEEKS: Well, Governor, I can tell you I'm  
18 never going to win the Mr. Congeniality award at  
19 the SBA. No one likes to take my calls. They do  
20 not like to see me coming. And that holds true for  
21 our external providers. But I don't get paid to  
22 make people happy, nor do I try to be a thorn in  
23 their side, but that's the nature of the beast, and  
24 that's what I do.

25 GOVERNOR CRIST: You're right. You don't get

1           paid to make people happy, but you do get paid to  
2           protect the people.

3           MR. MEEKS: Absolutely.

4           GOVERNOR CRIST: And thank you for doing it.  
5           General.

6           ATTORNEY GENERAL McCOLLUM: I think that's a  
7           splendid report you just gave us. I wrote  
8           Mr. Williams back in April asking for an analysis  
9           and recommendations and so forth, and you put them  
10          forward here today. My understanding of what  
11          you've said, a good hunk of this is more disclosure  
12          that you're calling for.

13          MR. MEEKS: Yes, sir.

14          ATTORNEY GENERAL McCOLLUM: And that  
15          transparency is so important to the process of  
16          making sure that bad things don't happen and making  
17          sure that if they were to happen, they would  
18          immediately be recognized. And I think you are  
19          performing your role as inspector general and as  
20          the internal oversight looker admirably in this  
21          regard.

22          Now, will this policy be adopted? How will it  
23          be adopted?

24          MR. MEEKS: General, initially when we tabled  
25          the policy, we did not know what the public comment

1 was going to be. But since the public comment is  
2 just so in opposition to the proposed rule, we have  
3 no idea when the SEC is going to act, and I believe  
4 that the executive director is prepared to  
5 implement the policy immediately as an interim  
6 measure. Once the SEC acts, we'll take a look at  
7 what we have in place, and to the extent that we  
8 need to adjust to it better conform with what the  
9 SEC says is the way to go, we'll --

10 ATTORNEY GENERAL McCOLLUM: It's my  
11 understanding that the executive director can  
12 implement this, does implement this. This is not  
13 an action by the Trustees. This is an internal  
14 action; right?

15 MR. MEEKS: Yes, sir.

16 ATTORNEY GENERAL McCOLLUM: Thank you. Again,  
17 I think that you've given us a terrific report.  
18 Fortunately, it does not appear from your report  
19 that we have any of the same complications these  
20 other states do. We should be thankful for that,  
21 and also appreciative of the standards and ethics  
22 that have been maintained at our SBA in the past  
23 few years. So thank you for giving us that.  
24 That's a tremendous insight. Thank you.

25 MR. MEEKS: Thank you, sir.

1 CFO SINK: Governor, can I --

2 GOVERNOR CRIST: Yes.

3 CFO SINK: Thank you so much, because you  
4 might argue that you do get paid to make the three  
5 of us happy.

6 MR. MEEKS: Yes, nobody else. And him to a  
7 lesser degree.

8 CFO SINK: But that's the unique role of the  
9 inspector general, and it is critically important  
10 that you do act independently and you do look for  
11 red flags and have these eyes and ears. And I want  
12 to thank you personally for making my staff aware a  
13 few weeks ago that you had taken the leadership and  
14 undertaken to put together this team of people  
15 within the SBA to independently evaluate what our  
16 policy should be. It's just a very important role,  
17 and I certainly expect a lot out of that  
18 independent role.

19 I do want to ask -- I had an opportunity to  
20 read over the draft rule last night, and my staff  
21 wasn't able to clarify. One of the things that  
22 kind of raised a red flag for me in here is that we  
23 do, and I think we should have the right to look at  
24 the compensation arrangements between the placement  
25 agent and the investment manager.



1           But I saw this caveat in here. It says the  
2           right of inspection shall exist to the extent that  
3           the external investment manager is legally or  
4           contractually permitted to allow such inspections.  
5           So that just said to me that they'll just come back  
6           and say, "Well, we have a confidentiality agreement  
7           the marketing agent or the placement agent we  
8           hire." And as far as I'm concerned, we ought to  
9           just say, "If you don't want to disclose to us what  
10          the fee arrangements are, then we don't care to do  
11          business with you."

12           MR. MEEKS: CFO Sink, we debated that. The  
13          task force debated that issue. The guidance, the  
14          input that we got from staff at the asset class  
15          level, they strongly felt that because the  
16          situation in Florida -- I mean, we haven't had  
17          problems here -- that the managers would be very  
18          reluctant to put forth that information, and that's  
19          why we reserved on the issue.

20           Now, going forward, we certainly can ask them  
21          that, and if the managers don't want to disclose  
22          that information, then we would be prohibited from  
23          in doing business with them, but also, that would  
24          prevent us from taking advantage of the opportunity  
25          that those firms might be able to assist us with in

1 terms of investment returns.

2 But we did struggle with that, and the best  
3 that we came up with, again, as this interim  
4 measure, was to reserve on the ability to request  
5 that information.

6 CFO SINK: Well, I mean, aren't we the fourth  
7 largest pension fund, public pension fund in the  
8 country?

9 MR. MEEKS: Yes.

10 CFO SINK: Don't we have dozens and dozens of  
11 calls every day from investment managers who are  
12 just drooling to do business with us?

13 MR. MEEKS: Yes.

14 CFO SINK: And I think that from all the  
15 publicity and the articles in the *New York Times*  
16 and the *Wall Street Journal* and all the business  
17 publications, there's obviously been not a light,  
18 but a darn spotlight shown on these practices. And  
19 I would argue that it might behoove the State of  
20 Florida as the fourth largest pension fund to put a  
21 stake in the ground and say we don't have a problem  
22 with you hiring placement agents because the  
23 smaller firms need marketing arms. I understand  
24 that and I agree with the push-back on the SEC.  
25 But if in fact you are hiring a marketing firm, we

1 want to know about it, and you should disclose what  
2 the fee arrangement is.

3 MR. MEEKS: And, CFO Sink, that is what --  
4 California, in terms of the legislation that has  
5 been passed there, they are requiring that. We  
6 certainly can go back and take a look at it and try  
7 it. But the environment was such that in  
8 California, the firms got caught with their hand in  
9 the cookie jar. And if you get caught with your  
10 hands in a cookie jar, you're more apt to make  
11 concessions and do things that you otherwise  
12 wouldn't do if you -- but we can certainly --

13 CFO SINK: But then we would argue that  
14 that -- excuse me, Governor. If California is  
15 going to do it, which, of course, CalPERS and  
16 CalSTRS are the two largest funds --

17 MR. MEEKS: Yes.

18 CFO SINK: Then Florida ought to be right  
19 there. We should be a leader like the other big  
20 firms are. And I agree with you that fortunately,  
21 we haven't been caught up in this, yet.

22 GOVERNOR CRIST: Well, let's do it before the  
23 fact.

24 CFO SINK: And we don't want to. But we ought  
25 to join with the other big pension funds, and if

1           they want to do business with us, they ought to be  
2           willing to disclose to the staff, in whatever  
3           format that you all think is appropriate, what  
4           their fee arrangements are.

5           MR. MEEKS: I think, CFO --

6           GOVERNOR CRIST: Bruce, if I might. I'm  
7           sorry. I would agree with the CFO. I think she's  
8           right. You know, we have an enormous amount of  
9           funds that people want to be able to help manage,  
10          and I'm sure they're paid well for doing so. And  
11          the arrangement that may exist with some of these  
12          marketing firms as to how they go about trying to  
13          obtain business with the State of Florida, I think  
14          it's only an appropriate question for us to ask and  
15          receive that information. I'm sure that  
16          Mr. Williams would agree with that.

17          You know, California is an interesting  
18          example, but I think Florida is better. And one of  
19          the reasons we're better is that, you know, we  
20          should take this kind of action, in my humble  
21          opinion, before the fact rather than after the fact  
22          and therefore prevent those kinds of occurrences  
23          that might be damaging to the public trust.

24          MR. MEEKS: I think given your input this  
25          morning, we will be making a revision to the

1 policy, since it's in its draft form and  
2 incorporating those provisions. Am I safe to say  
3 that? Yes.

4 GOVERNOR CRIST: God bless you. Thank you  
5 very much. Appreciate you being here this morning.

6 MR. MEEKS: Thank you.

7 CFO SINK: Governor, could I just ask Ash one  
8 more quick thing?

9 GOVERNOR CRIST: Sure.

10 CFO SINK: Because I know we're beginning to  
11 prepare for the next quarterly board meeting. We  
12 had talked before about the investments of concern  
13 similar to the Peter Cooper billing situation,  
14 obviously.

15 MR. WILLIAMS: Sure.

16 CFO SINK: But I just want to ask you to be  
17 sure that we put this as an agenda item at our  
18 quarterly board meeting that we'll be having in  
19 December for you to come back and talk to us about  
20 any real estate or alternative investments that you  
21 have your eyes on.

22 MR. WILLIAMS: I would suggest we just make  
23 that a standing part of the agenda.

24 CFO SINK: Fine. Thank you. Appreciate it.

25 GOVERNOR CRIST: Thank you, Ash, very much.

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

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

5                   Item Number 1 is approval of the minutes of  
6                   the September 29th meeting.

7                   ATTORNEY GENERAL McCOLLUM: I move Item 1.

8                   CFO SINK: Second.

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

11                  MR. WATKINS: Item Number 2 is adoption of  
12                  resolutions authorizing the issuance of and  
13                  competitive sale of up to \$285 million in Florida  
14                  Forever revenue bonds and up to \$278 million in  
15                  Florida Forever revenue refunding 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. WATKINS: Item number 3 is resolutions  
21                  authorizing the issuance and competitive or  
22                  negotiated sale of \$19.5 million of parking  
23                  facility revenue bonds for the University of  
24                  Central Florida.

25                  ATTORNEY GENERAL McCOLLUM: I move Item 3.

1 CFO SINK: Second.

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

4 MR. WATKINS: Item Number 4 is a resolution  
5 amending a prior resolution relative to the  
6 authorization of \$32 million of parking facility  
7 revenue bonds for Florida International University  
8 to provide the necessary flexibility for funding a  
9 debt service reserve fund for these bonds.

10 CFO SINK: Move it.

11 ATTORNEY GENERAL McCOLLUM: Second.

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

14 MR. WATKINS: Item Number 5 is a report of  
15 award on the competitive sale of \$300,775,000 of  
16 PECO refunding bonds. The bonds were sold at  
17 competitive sale and awarded to the low bidder at a  
18 true interest cost of 3.12 percent. The refunding  
19 resulted in gross debt service savings of  
20 approximately \$44.1 million, or measured on a  
21 present value basis, \$35.5 million.

22 ATTORNEY GENERAL McCOLLUM: I move Item 5.

23 CFO SINK: Second.

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

1           MR. WATKINS: Item Number 6 is a report of  
2           award on the competitive sale of \$186,600,000 in  
3           PECO bonds. This was a mixed issue of both  
4           tax-exempt bonds and taxable Build America Bonds  
5           which were authorized under the federal stimulus  
6           program whereby the State is entitled to a  
7           reimbursement for 35 percent of the interest cost  
8           associated with the Build America Bonds. We sold  
9           \$42.1 million of tax-exempt bonds and awarded them  
10          to the low bidder at a true interest cost of  
11          2.44 percent.

12          And on the 144.5 million of taxable Build  
13          America Bonds, those bonds too were sold at  
14          competitive sale and awarded to the low bidder at a  
15          true interest cost of 3.63 percent. The estimated  
16          savings resulting from using the Build America  
17          Bonds is approximately 70 basis points, which  
18          compared to a conventional tax-exempt transaction  
19          saved interest costs of approximately \$36.9  
20          million.

21          GOVERNOR CRIST: Is there a motion?

22          CFO SINK: Move it.

23          ATTORNEY GENERAL McCOLLUM: Second.

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



1 CFO SINK: Governor, could I just --

2 GOVERNOR CRIST: Yes.

3 CFO SINK: Just a question that popped into my  
4 mind. When we're issuing these bonds, are these  
5 projects projects that are already -- construction  
6 projects projects that are already under way and  
7 have been financed by other short-term methods, or  
8 are these projects that are awaiting the receipt of  
9 our bonding in order to get started?

10 MR. WATKINS: These are projects that are  
11 currently under way that were previously authorized  
12 by the Legislature, but the way we administer this  
13 program is to deliver proceeds when they're needed  
14 to pay bills. So the projects are started because  
15 they've been authorized by the Legislature. So  
16 they're under contract. They're proceeding with  
17 construction. And then we break the authorization  
18 into pieces and sell the bonds when funding is  
19 needed to actually pay the bills.

20 CFO SINK: Okay.

21 MR. WATKINS: So they're --

22 CFO SINK: Just because, Governor, as you've  
23 been promoting or advocating expediting these  
24 projects, these -- I mean, this is economic  
25 stimulus to be able to construct these buildings

1 and these facilities, and we certainly want to be  
2 sure that we're doing everything possible in terms  
3 of the funding to expedite the funding being  
4 available so the projects can be under way and we  
5 can put Floridians back to work.

6 GOVERNOR CRIST: Indeed.

7 CFO SINK: Thank you.

8 GOVERNOR CRIST: Thank you.

9 MR. WATKINS: Item Number 7 is a report of  
10 award of a negotiated sale of \$336,985,000 of  
11 Florida Correctional Finance Corporation  
12 certificates of participation which finance prison  
13 construction in the state. It also was a mixed  
14 issue utilizing a component of tax-exempt bonds and  
15 taxable Build America Bonds, \$62.5 million of  
16 tax-exempt bonds and \$274.5 of taxable Build  
17 America Bonds. The annual true interest cost on  
18 the combined tax-exempt and taxable bond issue is  
19 4.05 percent, and it resulted in savings of  
20 approximately 46 basis points when compared to a  
21 conventional tax-exempt bond issue, which generated  
22 interest cost savings for the State of \$18 million.

23 ATTORNEY GENERAL McCOLLUM: I move Item 7.

24 CFO SINK: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

1 approved without objection.

2 MR. WATKINS: And lastly, Item 8 is a report  
3 of award of the competitive sale of \$206,695,000  
4 right-of-way acquisition and bridge construction  
5 refunding bonds. The bonds were sold at  
6 competitive sale and awarded to the low bidder at a  
7 true interest cost of 3.76 percent. The refunding  
8 generated gross debt service savings of  
9 \$23.4 million, and on a present value basis,  
10 \$16.9 million.

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

12 ATTORNEY GENERAL McCOLLUM: Move Item 8.

13 CFO SINK: Second.

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

16 MR. WATKINS: Governor, if I may give you a  
17 very brief high level review of the current credit  
18 market conditions in the municipal market.

19 GOVERNOR CRIST: Please.

20 MR. WATKINS: The market conditions in the  
21 municipal market had been very favorable, standing  
22 in stark contrast to one year ago, when the credit  
23 markets were essentially frozen. We have continued  
24 -- the market has improved continually since the  
25 beginning of the calendar year. There is a lot of

1 money flowing into the municipal space to be  
2 invested, so we're enjoying robust demand for  
3 municipal bonds and very low, favorable interest  
4 rates.

5 From a workload standpoint, we are  
6 prioritizing and aggressively pursuing alternatives  
7 to save the State money through both refundings,  
8 refinancing at lower interest rates, as well as  
9 using the Build America Bond alternative authorized  
10 under the stimulus bill.

11 This has resulted to date -- since the  
12 beginning of the fiscal year, since July, we've  
13 executed six refundings totaling \$1 billion,  
14 generating gross debt service savings of \$125  
15 million for the State, and in addition to that,  
16 have executed three taxable Build America Bond  
17 programs, Build America Bonds totaling 675 million,  
18 generating gross debt service savings of  
19 \$110 million.

20 So on a combined basis, we've generated  
21 savings since the beginning of the fiscal year of  
22 \$235 million. So we are pursuing all opportunities  
23 that are afforded by this market in lowering the  
24 interest cost on the borrowings for the State's  
25 bonds.

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GOVERNOR CRIST: Thank you, Ben.

MR. WATKINS: Yes, sir. Thank you.

1 GOVERNOR CRIST: Office of Financial  
2 Regulation, Tom Cardwell.

3 MR. CARDWELL: Thank you. Item 1 is, we  
4 request approval of the minutes for the October 13,  
5 2009, meeting.

6 ATTORNEY GENERAL McCOLLUM: So moved.

7 CFO SINK: Second.

8 GOVERNOR CRIST: Show the minutes approved  
9 without objection.

10 MR. CARDWELL: Item 2 is, we request approval  
11 of a Notice of Proposed Rule for Rule 69V-560.1013  
12 and 69V-40.003, which relate to electronic filing  
13 of forms and fees and makes it easier for people to  
14 file for exemptions.

15 CFO SINK: Move it.

16 ATTORNEY GENERAL McCOLLUM: Second.

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

19 MR. CARDWELL: Thank you. Item 3, CFO Sink  
20 has requested a brief report on the state of small  
21 business lending in Florida, an issue of importance  
22 to all of us, and I appreciate the opportunity to  
23 do so today.

24 The OFR has the responsibility for regulation  
25 of 202 commercial banks and 74 credit unions, and

1 we have total deposits exceeding \$100 billion.  
2 Most of these institutions are community banks.

3 Our state-chartered institutions provide  
4 substantial credit to small businesses. In fact, a  
5 vast majority of their outstanding \$66 billion in  
6 loans are to local business and to consumers in  
7 Florida. Small businesses are defined by the Small  
8 Business Administration as those employing 500  
9 people or fewer, and so by definition, 96 percent  
10 of the banks themselves would be small businesses.

11 What I would like to talk you about this  
12 morning is what is going on in small business  
13 lending in Florida so that we have an understanding  
14 of what we're facing.

15 First a little background. The lending that  
16 our banks do is directly related to the business  
17 activity in our communities. Banks are, in  
18 essence, a mirror or a reflection of what goes on  
19 in Florida. This means that lending by the banks  
20 that we regulate are centered on real estate and  
21 consumer spending, because that is what we do in  
22 Florida.

23 And many of these loans are what we call ADC  
24 loans, acquisition, development, and construction  
25 loans. Examples of these are loans for housing

1           developments, small shopping centers, professional  
2           businesses, warehouses, and small office buildings,  
3           the things that we see in our communities as we  
4           drive down the streets of all of them.

5           And our banks also lend to businesses, such as  
6           the restaurants and the car dealers and the medical  
7           practices and the florist shops, and we lend to the  
8           consumers who buy boats and motor homes.

9           Now, the banks that we regulate do not  
10          generally make long-term loans. They do little  
11          permanent financing. Our banks made and held very  
12          few of the home mortgage loans that are now such a  
13          problem. They were not a part of the subprime  
14          frenzy.

15          The Florida economy has been based on growth,  
16          and over the last 20 years, Florida has been one of  
17          the fastest growing states, and most of the  
18          projects that our state banks have financed have  
19          been premised on the growing population, and much  
20          of our economic activity has arisen to serve that  
21          growth. That growth has stopped. Florida has gone  
22          from a net in-migration of 400,000 annually in 2002  
23          to 2006 to a net out-migration estimated in 2009 at  
24          60,000 people. So it's against this background  
25          that we have to look at small business lending in



1 Florida.

2 And a couple of major points. Number one,  
3 loan demand is down. People are not doing  
4 projects. There's an oversupply of lots to build  
5 on, there's an oversupply of houses and condos,  
6 there's an oversupply of warehouses and offices,  
7 and there is simply less business activity.

8 When you see the figures that small business  
9 loans are down, it doesn't automatically mean that  
10 the banks are not lending. Loan demand naturally  
11 decreases during a recession.

12 Chart number 1 which I have here for you shows  
13 loan demand, and in particular by small firms, and  
14 the blocked area or the darker bar areas there  
15 reflect recessionary times. And as you would  
16 expect, the loan demand for the small firms, which  
17 is the darker line in there, decreases dramatically  
18 during recessions.

19 Now, interestingly, the actual outstanding  
20 lending to small businesses has not decreased  
21 dramatically on a national basis. Slide 2 shows  
22 the outstanding lending from 1995 forward. And as  
23 you can see, while it dropped from 2008 to 2009,  
24 that drop is not dramatic. And a May 2009 survey  
25 by the National Federation of Independent

1           Businesses tells us that only 8 percent of small  
2           businesses reported problems in obtaining the  
3           financing that they desired.

4           Now, the second point to have in mind about  
5           small business lending is that -- so we understand  
6           what we're seeing and hearing from our  
7           constituents, is that underwriting standards are  
8           higher. The days of credit flowing like water are  
9           over, and they should be. That frankly was a part  
10          of the problem that has gotten us here. The days  
11          of little or no equity in deals, of no guarantors,  
12          of high loan-to-value ratios, of no collateral, of  
13          unquestioning acceptance of appraisals is over. If  
14          borrowers are expecting loans under the conditions  
15          that they may have gotten in 2003 to 2008, they are  
16          going to be disappointed.

17          Now, one of the important roles of banks and  
18          financial institutions is to say no to borrowers.  
19          The banker has to evaluate the project. If it's  
20          questionable that the loan can be paid back, then  
21          the banker shouldn't make the loan. I believe  
22          that, frankly, that's one of the ways that our  
23          banks have failed us in the last few years, is by  
24          making loans that they should not have made.

25          Everybody who asks for a business loan is

1 convinced that they're going to be successful. It  
2 is the role of the banker, perhaps like the IG here  
3 speaking earlier, not to be the friend of  
4 everybody. And they should realistically review  
5 the prospects, and the answer sometimes on a loan,  
6 the proper one is no.

7 Now, are lenders going overboard the other  
8 way? Are they being too tough? I am sure that  
9 everyone who is turned down thinks so, and I'm  
10 frankly sure there are some cases of that  
11 happening. So what we at OFR are doing, we are  
12 urging the banks to look at each loan realistically  
13 and individually. Does the borrower have his or  
14 her own equity or own skin in the game? Is the  
15 project likely to succeed in the current economy?  
16 Is it adequately collateralized? I think the  
17 question that we would ask, that frankly all of us  
18 would ask with our own money, is this something you  
19 would put your money at risk for in the deal for a  
20 6 percent return? That's what the question is.

21 So credit is tighter, but as I'll say later,  
22 it certainly is available.

23 Now, the third thing I want to talk about that  
24 we hear a great deal about is the renewal issue.  
25 We hear that loans are not being renewed, even

1           though they're being paid. Some loans were made  
2           that should not have been made in the first place.  
3           And frankly, many loans were made that were  
4           perfectly good when they were made, but have fallen  
5           down in this economy. It's not the fault of the  
6           borrower. It's not the fault of the banker. It's  
7           the economic circumstances in which we find  
8           ourselves.

9           Now, as I mentioned before, business loans by  
10          banks are relatively short in term, one to five  
11          years, and they have to be refinanced. And why?  
12          You would ask, why is this? Commercial banks and  
13          credit unions are not in the business of long-term  
14          lending. Long-term loans are the province of  
15          investors such as insurance companies and the  
16          pension funds, the Ash Williams and SBAs of the  
17          world. If a community bank filled its loan  
18          portfolio with long-term loans, then soon its  
19          lending capacity would simply be filled up and  
20          eaten up, and it could make no more loans to people  
21          who needed them. So in essence, part of the job of  
22          the community bank is to recycle the money.

23          Now, let me walk you through a not unusual  
24          loan renewal scenario that I think will put this in  
25          perspective. A financial institution makes an

1 acquisition, development, and construction loan.

2 The plan is that upon completion, that there will  
3 be a permanent take-out by a long-term lender.

4 When the ADC loan is paid off, the bank, of course,  
5 will then recycle the money into new loans. That's  
6 the plan.

7 The land is bought, the infrastructure is  
8 built, the warehouse goes in, and then when the  
9 construction is completed, it becomes apparent that  
10 there is no market for warehouse space. There will  
11 be no cash flow, or it will be much less than was  
12 predicted, and it's not going to be enough to pay  
13 the debt. The loan becomes due, and it's a one,  
14 two, three to five-year term period. The borrower  
15 is making the payments on the loan, but doesn't  
16 have the resources to continue forever. The loan  
17 was for \$2 million. The collateral is now worth  
18 a million dollars, and nobody can say when, if  
19 ever, it will be worth \$2 million.

20 What are the lender and the borrower to do?  
21 The lender has an impaired loan on its hands. Both  
22 the accountants and the regulators, as well as  
23 common business sense, they're going to tell you  
24 that the bank should create a reserve for what  
25 looks like a \$1 million loss. The reserve will

1 create a loss on the bank's books, and its capital  
2 will be diminished by a million dollars. And this  
3 is true even though the loan payments are  
4 absolutely current. This is because there is  
5 inadequate collateral, and there is no credible  
6 source of repayment.

7 The borrower for his part may put up  
8 additional collateral, may provide substantive  
9 guarantees, or may pay down part of the loan. If  
10 this cannot or will not be done, then the financial  
11 institution may well refuse to renew the loan.

12 Now, you might ask, you might frequently be  
13 asked, aren't we just better off leaving the  
14 impaired loan on the books as long as some payment  
15 is being made? And the answer to that is no.

16 This is exactly what has created the economic  
17 downturn in Japan for the last 20 years. Banks  
18 kept bad loans on their books, never recognizing  
19 the losses, and the economy stagnated because the  
20 money does not recirculate back through the  
21 economy.

22 Now, are there cases when you can legitimately  
23 question the judgment of the banker or the  
24 regulator on how they treat these loans? Yes, of  
25 course, there are. But is opening the floodgates

1           for lending and forbearance going to cure our  
2           economic ills? No, that's not going to work.

3           Most of the loans made, really more loans like  
4           we made in the last five years are not what we  
5           need, and so in a renewal situation, the question  
6           you have to ask is, is this a loan I would make  
7           today under current conditions? If the loan is not  
8           one that you would make under current conditions,  
9           then you are, in essence, making a substandard loan  
10          at that time with all of the problems that that  
11          creates.

12          And the principal problem that creates is the  
13          next issue, the capital issues. There's less  
14          credit available generally, although there is less  
15          demand for it. And that certainly applies to small  
16          business loans, and that's in part due to the  
17          impaired loans that we've talked about. When a  
18          loan is impaired, the financial institution  
19          reserves for the loss and reduces capital.  
20          Financial institutions are required to have levels  
21          of capital for safety and soundness reasons that  
22          our agency monitors. If they have less capital,  
23          then they can make fewer loans.

24          And here are some figures regarding loans and  
25          capital in Florida. If you look at the next slide

1 here, capital assets of banks headquartered in  
2 Florida, you can see that at the high point in  
3 2007, our state-chartered banks averaged over an  
4 11 percent ratio of capital to assets. That has  
5 declined by over 190, almost 200 basis points in  
6 the last few years. Now, luckily, banks were  
7 better capitalized going into this recession, and  
8 it's certainly not as low as it has been in the  
9 past, but it is still a struggle. And for certain  
10 banks, the capital adequacy has -- or lack of  
11 capital adequacy, frankly, has led to their  
12 failure.

13 To understand where the banks are today, the  
14 next slide, number 4 here, talks about the  
15 delinquent loans. What do our loan portfolios look  
16 like in Florida today? This is a chart going back  
17 from 2003 to -- I think it's August of this year,  
18 which reflect the total loans 90 days past due in  
19 banks headquartered in Florida.

20 Now, the old hand regulators tell me that when  
21 a bank reached 1 percent 90 days past loans, it was  
22 a red flag or a trip wire. As you can see, we pine  
23 for the 1 percent days now if we could get them  
24 back. At its low point in 2003 to 2006, it was  
25 half a percent or less. This is simply reflective



1 of the fact that credit quality has deteriorated in  
2 Florida.

3 And the next slide, number 5, gives you kind  
4 of where it is in raw, gross numbers. This chart  
5 from December of '07 to August of '09 shows in raw  
6 numbers the watch list, the loans that financial  
7 institutions and our community banks that we  
8 regulate have a matter of concern with. And the  
9 number to take away from this is that 12/1/07, they  
10 had about \$5 billion in loans that they were  
11 concerned about, and that has over doubled now to  
12 north of \$12 billion. That's kind of the size of  
13 the problem that we have.

14 Now, I suspect you will hear that regulators  
15 are stopping banks from lending and renewing loans,  
16 and that is far from the truth. Regulators want  
17 banks to make loans, but they've got to be loans  
18 that are consistent with the safety and the  
19 soundness of the institution.

20 That brings us then -- and in fact, the only  
21 way that banks can make money is by lending. They  
22 have to lend to stay in business, but they have to  
23 be sound loans.

24 All right. Finally, what can we do about  
25 small business lending? How can we help it? What

1 is the prognosis? As for the OFR, we are urging  
2 banks to look at bank loans on a case-by-case basis  
3 and certainly not to say no on any kind of a  
4 reflexive basis to a class or a type or a location  
5 of loan. We've met with our federal counterparts,  
6 and we've urged them to take measured steps with  
7 respect to banks that can impede capital raising.

8 The federal regulators have recently added  
9 some additional guidance for commercial real estate  
10 loans, which frankly is the big choking point for  
11 us now, in which they are clarifying sticky areas  
12 such as appraisals, collaterals, and guarantees.  
13 And I am hopeful that this will give the  
14 regulators, including us, broader discretion on how  
15 to treat problem real estate loans.

16 At the national level, the Treasury Department  
17 and the Small Business Administration have  
18 announced initiatives to support small business  
19 lenders. This is a topic that is getting national  
20 attention. These steps include proposed  
21 legislation to increase the guarantee of SBA loans,  
22 Small Business Administration loans, to 90 percent,  
23 reducing fees for them, and purchasing those loans  
24 to unfreeze the secondary market. The result of  
25 that is that it should make SBA loans more

1 attractive for banks to make and more affordable  
2 for people to get them, and I think that's a  
3 positive thing.

4 As far as what state government as a whole can  
5 do, I think what we can all do to help small banks  
6 -- businesses, that include banks, are to create  
7 economic conditions in which bankable projects can  
8 flourish. That's when banking is going to get  
9 better. And that includes policies on taxes, it  
10 includes policies on insurance, it includes  
11 policies on education that make people want to come  
12 Florida and do business. And the creation of  
13 bankable loans, then the credit will be there.

14 This is a painful time. The excesses of the  
15 past few years are not going to go away without  
16 losses to the banks themselves, to businesses, to  
17 individuals. But I frankly am confident we're  
18 going to get through it and that our Florida  
19 institutions are going to play a very constructive  
20 role in that process. At OFR, we're committed to  
21 doing our part to see that we have a safe and a  
22 sound banking system that can serve the needs of  
23 all of our citizens.

24 And with that, I thank you, and I stand ready  
25 to take any questions you may have.

1 GOVERNOR CRIST: CFO.

2 CFO SINK: Yes. Thank you, Commissioner  
3 Cardwell, and thank you for reminding us all that  
4 90 percent of the businesses in Florida are small  
5 businesses. We're not a state of large  
6 corporations. And access to capital is the key, to  
7 keep the money flowing and to work collaboratively  
8 with particularly your responsibility, which is the  
9 state-chartered banks.

10 And it's certainly my hope the new guidelines  
11 coming down from the SEC a couple of years ago -- a  
12 couple of weeks ago about the renewals of the  
13 commercial credit, I'm sure that our regulators are  
14 going to follow them as they're going in to do  
15 their examinations.

16 And I appreciate your continuing, and I hope  
17 you'll continue to come back here to the Financial  
18 Services Commission and report when you observe or  
19 see things that we as a state might be doing to  
20 ensure that our small businesses do have  
21 responsible access to credit.

22 MR. CARDWELL: Thank you. I would be pleased  
23 to so.

24 GOVERNOR CRIST: General.

25 ATTORNEY GENERAL McCOLLUM: Tom, I'm always

1           pleased when you give reports. You've done them  
2           with me before, and they are thorough, and they're  
3           to the point, and they're very articulate.

4           I have three questions for you. One pertains  
5           just to clarify a matter. With regard to the  
6           availability of loans to small businesses in our  
7           state, for those who have a business need today,  
8           that have good, you know, collateral and have good  
9           credit, if you will, you're telling us today that  
10          our banks have the capital and are making those  
11          loans; is that correct?

12          MR. CARDWELL: That is correct.

13          ATTORNEY GENERAL McCOLLUM: And the second  
14          thing is that with many people who are in the  
15          position of needing to renew loans, that those  
16          renewals often are not acceptable from a business  
17          practice standpoint because the value of the  
18          collateral, the value of the property upon which  
19          that loan was being made has declined in this  
20          recession significantly; is that correct?

21          MR. CARDWELL: That is correct.

22          ATTORNEY GENERAL McCOLLUM: And the third  
23          question is that -- relates to the exposure of our  
24          banks to the commercial -- the state banks that you  
25          regulate to the commercial real estate market. We

1 read in the papers that this coming year, 2010, may  
2 be the hard year for commercial real estate because  
3 so many loans related to that property become due.  
4 You also see here a watch list that's fairly large  
5 in terms of dollars. Are we to infer from your  
6 comments today and from this watch list that we can  
7 expect a significant increase in state bank  
8 failures this next year?

9 MR. CARDWELL: It depends on how one defines  
10 significant. My view of it is that the answer is  
11 yes, we will have more state bank failures this  
12 year, and we will have more next year. We will not  
13 reach the number of failures that we had during the  
14 savings and loan crisis as this passes through.  
15 That is in part because we had done as regulators  
16 here in Florida and elsewhere some better jobs of  
17 building up capital.

18 But some of our areas are so troubled  
19 economically that, frankly, General McCollum, it is  
20 difficult for any bank to make its way through  
21 that. You can look at the figures on there. The  
22 decreases in real estate values and other values,  
23 it's going to be hard for some to make it. But  
24 there are other even in those areas who are doing  
25 well, so credit actually is available for the

1 projects that are going to be more sound.

2 We're going back to a time, I believe, where  
3 what I would call more sound banking practices,  
4 requiring more money down, requiring better  
5 collateral. Things, in my view, got out of hand  
6 for a while, and we're now paying the price for  
7 that.

8 ATTORNEY GENERAL McCOLLUM: You've triggered  
9 one last question. Are we seeing any increase in  
10 applications for new state bank charters, or is it  
11 stable, or what?

12 MR. CARDWELL: No, we're not seeing  
13 applications for new charters. That's primarily  
14 because of the resistance of the FDIC to grant  
15 insurance for them.

16 One of the concerns of the regulators, us  
17 included, is that in an area where you've got banks  
18 that are having problems making loans and you've  
19 got good loans available, if you create a new  
20 institution in there, it essentially may sometimes  
21 cannibalize, if that's the right word, or make it  
22 harder for the existing ones there to do that. So  
23 there frankly have not been many new ones granted,  
24 but there's an articulable reason for that.

25 ATTORNEY GENERAL McCOLLUM: My impression is

1           that if they could, there would be people wanting  
2           to do that, though, because they see the future  
3           coming in Florida right now. So I think there is  
4           some degree of optimism out there in the "bottom of  
5           the barrel" fishing market, and I hope that I'm  
6           right in that, and I know you do too.

7           MR. CARDWELL: I believe you are.

8           CFO SINK: Governor.

9           GOVERNOR CRIST: CFO.

10          CFO SINK: Commissioner, you might comment,  
11          though, that in these instances where we have had  
12          these few failures, it's my understanding we had  
13          very active competitive bidding from multiple,  
14          multiple, five or six other banking entities who  
15          are anxious to come into Florida, just as we saw  
16          last weekend with the IberiaBank situation.

17          MR. CARDWELL: That is correct. That is a --

18          CFO SINK: That's how they're getting in.

19          MR. CARDWELL: That is a very good point, CFO  
20          Sink. There are still people -- many people see  
21          Florida as a desirable place to be. I see this as  
22          a very rough patch for us to get over. This was  
23          the Bank United purchase which found investors to  
24          do. The one this past weekend had a number of  
25          visitors. For our very small institutions that



1 have no franchise value, that's a problem to find  
2 buyers for them. But if the bank has any kind of  
3 footprint of Florida, people are anxious outside of  
4 Florida to get in, thinking that the long run play  
5 of our state is still a good play.

6 ATTORNEY GENERAL McCOLLUM: That, CFO Sink,  
7 clarified exactly what I was thinking, and I  
8 appreciate both of you doing that. But I see a  
9 reason for hope and optimism, and I know it's not  
10 an easy time for business, but thank you.

11 GOVERNOR CRIST: I noticed it was in the  
12 Democrat this morning about the Retail Federation  
13 being more optimistic for holiday sales this year  
14 than last year. You know, I think there are some  
15 signs of optimism that are based on facts that we  
16 can take some level of comfort in, even though we  
17 have a long way to go.

18 MR. CARDWELL: I tend to think we're close to  
19 the bottom of it, but the bottom -- in banking, the  
20 issue is, we have oversupply, and until that  
21 oversupply of these things works its way through  
22 the system, there's still going to be the troubled  
23 loans. And my personal -- just as a total personal  
24 guess, it's about an 18, 24-month process to go on  
25 on banking side of it. I think, Governor, the

1 point you make that other pieces of the economy  
2 will pick up earlier, and frankly that will help  
3 lift the banking.

4 GOVERNOR CRIST: From your lips to God's ears.

5 MR. CARDWELL: Thank you.

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

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

5                   GOVERNOR CRIST: Good morning.

6                   MR. McCARTY: Agenda Item Number 1 is a  
7 request for your approval of the minutes from  
8 August 11 and September 15.

9                   ATTORNEY GENERAL McCOLLUM: So moved.

10                  GOVERNOR CRIST: We need three affirmative  
11 votes, so while we're waiting, why don't -- Kevin,  
12 if you don't mind, I've been reading in the press  
13 lately about a sort of trimmed-down State Farm  
14 desiring to stay in the state. If you could give  
15 us sort of an update on that, I think that might be  
16 beneficial.

17                  MR. McCARTY: Well, I'll say to you what I've  
18 said to the press when they've asked, which is, we  
19 don't want to jeopardize, obviously, any ongoing  
20 negotiations we have with members and  
21 representatives of State Farm of Florida or State  
22 Farm Mutual.

23                  Obviously, I think I've said in the past that  
24 having half a billion dollars in capital in Florida  
25 from State Farm is better than no capital from

1 State Farm. They play a valuable role. They're  
2 the number one insurance company in the state in  
3 terms of volume, and they compete, obviously, with  
4 Citizens in terms of market share.

5 We have been negotiating with them. They have  
6 submitted a withdrawal plan from Florida. We  
7 objected to the terms and conditions of the  
8 withdrawal plan. Subsequent to that, they asked  
9 for a hearing. We have postponed that hearing and  
10 are cautiously optimistic that we'll have a  
11 favorable resolution, a resolution that's in the  
12 best interest of State Farm of Florida and the best  
13 interest of the people of Florida and the best  
14 interest for our insurance marketplace. And as  
15 soon as those negotiations come to fruition, we'll  
16 have a briefing with you and your staff, as well as  
17 other members of the Financial Services Commission.

18 GOVERNOR CRIST: Great. Well, thank you. I  
19 appreciate the update. We would like them to be a  
20 good neighbor so long as they're a fair neighbor.

21 MR. McCARTY: That is certainly part of the  
22 terms and conditions of our agreement.

23 GOVERNOR CRIST: I know. Thank you. I  
24 appreciate your work.

25 ATTORNEY GENERAL McCOLLUM: I moved the

1 minutes, Governor.

2 GOVERNOR CRIST: Item 1, moved and --

3 CFO SINK: Second.

4 GOVERNOR CRIST: -- seconded. Show them  
5 approved without objection.

6 MR. McCARTY: Agenda Item 2 is a request for  
7 approval for final adoption of Rule 690-156, Part  
8 1. These are requirements for Medicare sup  
9 insurance. This rule implements Florida's  
10 requirements of federal legislation as it refers to  
11 what has been called Med sup.

12 The United States Congress enacted two pieces  
13 of legislation in 2008, the Medicare Improvements  
14 for Patients and Providers Act of 2008, referred to  
15 as MIPPA, as well as the Genetic Information  
16 Nondiscrimination Act of 2008, as GINA.

17 The Congress empowered the National  
18 Association of Insurance Commissioners to establish  
19 standards and rules, and as requirements, states  
20 are required to adopt those NAIC standards and  
21 rules in order to maintain the regulatory authority  
22 over the Medigap program in Florida.

23 GOVERNOR CRIST: Motion on Item 2?

24 CFO SINK: Move it.

25 ATTORNEY GENERAL McCOLLUM: Second.

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

3                   MR. McCARTY: Agenda Item Number 3 is a  
4 request for approval for final adoption of Rule  
5 690-137.001, the annual and quarterly reporting  
6 requirements. As you know, under Florida law,  
7 Chapter 624, the Office is required to do  
8 examinations, quarterly and annual statements to be  
9 provided by insurance companies. To ensure  
10 uniformity of these filings, the Legislature has  
11 authorized the Financial Services Commission to  
12 adopt the form adopted by the National Association  
13 of Insurance Commissioners. This rule simply  
14 updates the 2008 form to the 2009.

15                   ATTORNEY GENERAL McCOLLUM: I move Item 3.

16                   CFO SINK: Second.

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

19                   MR. McCARTY: Agenda Item Number 4 is a  
20 request for final adoption of Rule 690-138.001.  
21 Again, Florida law requires the Office to examine  
22 the affairs, transactions, accounts, and records of  
23 insurance companies doing business in Florida.  
24 This rule simply replaces the Financial Condition  
25 Examiners Handbook from 2008 to 2009.

1 CFO SINK: Move it.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Moved and seconded. Show  
4 Item 4 approved without objection.

5 MR. McCARTY: Agenda Item Number 5 is a  
6 request for approval for publication for a proposed  
7 rule change of 690-170, Notice of Premium Discounts  
8 for Hurricane Loss Mitigation. Florida law  
9 requires the Office to adopt a form to be used by  
10 insurers to notify applicants and homeowners  
11 policyholders of available premiums and discounts  
12 if they take actions to mitigate against hurricane  
13 losses. This rule is being amended to revise the  
14 version that's currently in place.

15 ATTORNEY GENERAL McCOLLUM: Move Item 5.

16 CFO SINK: Second.

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

19 MR. McCARTY: Agenda Item Number 6 is a  
20 request for approval for publication, changes to  
21 the Uniform Mitigation Verification Inspection  
22 form, Rule 690-170.0155.

23 This rule is being amended to revise our form.  
24 The form is being updated to reflect changes in the  
25 My Safe Florida Home program and experience the

1 Office has obtained from insurers and consumers to  
2 better improve that form. In addition to a handful  
3 of technical changes, as you know from my previous  
4 meeting, our concern about the prevalence of fraud  
5 in the system, this form adds a number of provision  
6 to mitigate and fight against fraud in the form.

7 CFO SINK: Move it.

8 ATTORNEY GENERAL McCOLLUM: Second.

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

11 MR. McCARTY: The next agenda item is a  
12 request for approval for publication of a proposed  
13 rule, the annual report card. Florida law requires  
14 the Florida consumer advocate to adopt a report  
15 card.

16 With your permission, Governor, I would like  
17 to introduce Sean Shaw, the consumer advocate, to  
18 introduce this agenda item.

19 GOVERNOR CRIST: Certainly. Good morning.

20 MR. SHAW: Good morning, Governor and members  
21 of the Cabinet. I just want to give a brief  
22 overview of the annual report card.

23 Legislation was adopted several years ago to  
24 give the Office the authority to issue grades to  
25 insurance companies that write residential property



1 insurance in the State of Florida. In developing  
2 the rules to implement this law, the actuary in my  
3 office consulted with an Actuarial Advisory Council  
4 consisting of actuaries from Florida Farm Bureau,  
5 State Farm, Allstate, Citizens, and Homewise. In  
6 addition, we held a workshop previously that was  
7 attended by numerous insurance company  
8 representatives.

9 The law says that the report card must use a  
10 letter grade scale developed by the Commission by  
11 rule. The companies are graded on four factors  
12 that are set forth in the statute, premium related  
13 complaints, loss related complaints, valid  
14 complaints, and average number of months to pay  
15 claims. The complaints that are referenced in the  
16 statute are those that are received by the Division  
17 of Consumer Services at the Department of Financial  
18 Services. The report card uses the latest five  
19 years of information. Insurers are graded on a  
20 scale from A to E for each of those four factors  
21 set forth.

22 Grades are based on complaints -- grades based  
23 on complaints are determined by comparing the share  
24 of complaints to the market share of policies  
25 written. For the average number of months to pay

1           claims, each company is graded by comparing its  
2           average to the industry median number of months to  
3           pay claims. Finally, the grades for each factor  
4           are combined to produce a single overall grade for  
5           each insurer for that five-year period.

6           So unless there are any questions, that's my  
7           -- that's the conclusion of my brief description of  
8           the report card.

9           ATTORNEY GENERAL McCOLLUM: I have one  
10          question. It's not related to the report card  
11          directly, but do we know if the numbers of  
12          complaints are up or down overall in the past  
13          couple of years? Do you have any comparisons for  
14          that.

15          MR. SHAW: Well, we use the hurricane data, so  
16          they're obviously down since the hurricane years.

17          ATTORNEY GENERAL McCOLLUM: Right.

18          MR. SHAW: And we use that entire five years.  
19          So they have been down since --

20          ATTORNEY GENERAL McCOLLUM: So the complaints  
21          are up, which makes logical sense, when the  
22          hurricanes are on, and they're down generally.

23          MR. SHAW: Yes, sir.

24          GOVERNOR CRIST: They're probably up when  
25          rates are higher, too. And they're down 16 percent

1 overall.

2 MR. SHAW: Yes, sir.

3 ATTORNEY GENERAL McCOLLUM: Thank you.

4 GOVERNOR CRIST: CFO.

5 CFO SINK: Governor, I just want to compliment  
6 the work of Sean and his whole office of the  
7 insurance consumer advocate, and Steve Alexander,  
8 our actuary who's back there, and Terry. They've  
9 worked with this long and hard, many, many  
10 hearings, a lot of input, and I think that the  
11 results are going to be really beneficial and good  
12 for consumers to be able to see how the insurance  
13 companies grade out, and I think it will result in  
14 improved service in terms of claims paying amongst  
15 the insurers, because they'll be competing with  
16 each other for these good grades.

17 GOVERNOR CRIST: I think it's a brilliant  
18 idea. You know, we've been grading schools in  
19 Florida for quite a time now, and having the  
20 opportunity to have these grades for insurance  
21 companies who are, or should be responsible and  
22 responsive to consumers is equally important. So  
23 thank you for all you're doing.

24 Now, I assume we're going to approve this.  
25 How long do you think it will take before you can

1 get some grades out? When is the first report  
2 card?

3 MR. SHAW: Well, that's a good question,  
4 because, obviously, the administrative process for  
5 the rule publication is a long one, so it depends  
6 on if we get a rule hearing request. So I can't  
7 answer that, but as soon as possible.

8 ATTORNEY GENERAL McCOLLUM: Sometime within  
9 the next year, you think?

10 MR. SHAW: I would imagine so, sometime within  
11 the next year.

12 ATTORNEY GENERAL McCOLLUM: I move Item 7,  
13 Governor.

14 CFO SINK: Second.

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

17 MR. SHAW: Thank you.

18 GOVERNOR CRIST: Thank you, Sean.

19 MR. McCARTY: Agenda Item Number 8 is approval  
20 of the Office of Insurance Regulation to enter into  
21 a contract with a vendor to conduct a workers' comp  
22 peer review.

23 The National Council on Compensation Insurance  
24 is a rate collection agency for workers'  
25 compensation collected on behalf of all member

1 companies doing business in the State of Florida.  
2 Florida law requires every other year for us to do  
3 an examination of that company. We went through a  
4 competitive bid process, a request for proposal,  
5 received ten responses, and through the evaluation  
6 process have selected American Actuarial Consulting  
7 to do the examination.

8 I think it's important to point out that no  
9 taxpayer moneys are used for this. This is paid --  
10 the examination is paid for by the examinee.

11 CFO SINK: Move it.

12 ATTORNEY GENERAL McCOLLUM: Second.

13 GOVERNOR CRIST: Moved and seconded. Show it  
14 approved without objection. Thank you very much,  
15 Commissioner.

16 MR. McCARTY: Thank you.  
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1                   GOVERNOR CRIST: Lisa Echeverri, Department of  
2 Revenue.

3                   MS. ECHEVERRI: Good morning.

4                   GOVERNOR CRIST: Good morning.

5                   MS. ECHEVERRI: Item 1, we request approval of  
6 the minutes from the October 27th meeting.

7                   GOVERNOR CRIST: Is there a motion on the  
8 minutes?

9                   CFO SINK: Move it.

10                  ATTORNEY GENERAL McCOLLUM: Second.

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

13                  MS. ECHEVERRI: Item Number 2 requests  
14 approval of the Department's Performance Contract  
15 for 2009-2010. I would point out that this year's  
16 Performance Contract highlights our efforts towards  
17 plain language, customer service, and open  
18 government, our emphasis on trying to protect  
19 sensitive information of taxpayers and citizens.

20                  And turning to the performance standards, I  
21 want to point out some of the effects of the  
22 economy on some of our performance. While we were  
23 able to achieve or exceed many of our measures,  
24 there are some of our measures that are directly  
25 impacted by the economy.

1           For example, in the area of property tax  
2           oversight, our percent of classes and subclasses  
3           studied and found to have a level of assessment of  
4           over 90 percent was below standard. This doesn't  
5           mean that the property tax rolls were not in  
6           compliance. What it means is that there were so  
7           few sales towards the end of the year that our  
8           study was not able to necessarily match the values  
9           that were placed on the rolls by the property  
10          appraisers. We use sales to run our statistical  
11          measures, and there were so few sales that that  
12          impacted our study.

13           In the area of child support enforcement, the  
14          two measures that are below standard there are  
15          percent of 40 cases with an order of support and  
16          percent of current support collected. Again, the  
17          number of orders that we were actually able to  
18          obtain last year was 16,000 more than the previous  
19          year. And the amount of current support paid was  
20          38 million more than the previous year, but because  
21          of the number of new cases coming to us for  
22          assistance was increasing, that denominator went  
23          up, whichever affected the percentage.

24           In general tax administration, the only --

25          GOVERNOR CRIST: Can I interrupt you for just

1 a second, Lisa?

2 MS. ECHEVERRI: Sure.

3 GOVERNOR CRIST: I want to make sure I'm  
4 reading my notes right that I've been provided.  
5 Child support collections have risen from  
6 388 million in 1994 to over 1.4 billion in 2008?

7 MS. ECHEVERRI: Right. From the time the  
8 Department of Revenue took over that  
9 responsibility, we have increased collections to  
10 that extent.

11 GOVERNOR CRIST: Well, I also am aware that  
12 you work closely in concert with the Attorney  
13 General's Office toward that effort, so thank you  
14 for doing so well.

15 MS. ECHEVERRI: Thank you. They provide  
16 services for us in a number of areas of the state.

17 GOVERNOR CRIST: I know. I used to do that  
18 job.

19 ATTORNEY GENERAL McCOLLUM: We thank for that.

20 GOVERNOR CRIST: Thank you, Lisa.

21 MS. ECHEVERRI: And we're excited that our  
22 strategies are actually helping us achieve better  
23 numbers, but sometimes the flow of work coming in  
24 is exceeding our ability to affect those  
25 percentages, so we're looking at new strategies to



1 not only better estimate in this new economy what  
2 our workload is going to be, but figure out ways to  
3 achieve even greater strides.

4 GOVERNOR CRIST: Thank you.

5 MS. ECHEVERRI: In the area of general tax  
6 administration, our percent of collection cases  
7 resolved in less than 90 days is below standard.  
8 Again, we're seeing people that are letting  
9 liabilities stay outstanding for longer periods of  
10 time. We addressed this issue with the Legislature  
11 earlier this year, and they put in place some  
12 increased penalties for allowing liabilities to  
13 stay outstanding more than 90 days. Those went  
14 into effect October 1st, so we think that those  
15 will help us with that standard as well.

16 And for the first time, this year we're  
17 including in our Performance Contract enterprise  
18 financial management dashboard performance  
19 measures. These are the measures that were created  
20 by the Department of Financial Services to help  
21 promote increased accountability of state  
22 resources. So we're excited about achieving those  
23 measures as well.

24 We recommend approval of the Performance  
25 Contract.

1           ATTORNEY GENERAL McCOLLUM: Governor, if I  
2 might.

3           GOVERNOR CRIST: Yes, please, General.

4           ATTORNEY GENERAL McCOLLUM: Lisa, before I  
5 move this item for approval, and I am going to move  
6 approval I want to thank you not only for the great  
7 relationship we have on the child support, because  
8 as you know, we have the Tampa Bay area and the  
9 Broward County area working for you. We've had a  
10 great relationship with your office in over a year  
11 of work to develop the litigation status which  
12 we're now in, to try to work out the issue of the  
13 online travel company tax matter. And your office  
14 working with my staff has been superb for that, and  
15 I want to thank you for that. We're talking about  
16 performance, but that's not an easy issue for you,  
17 and it's not an easy issue for the public. But  
18 we're now on the right track, and it's in large  
19 measure thanks to your staff and your work and the  
20 hard stuff that goes on over there that nobody else  
21 ever pays attention. So thank you for that.

22           And with that, I move Item 2.

23           GOVERNOR CRIST: Is there a second?

24           CFO SINK: Oh, second.

25           GOVERNOR CRIST: Moved and seconded. Show it

1 approved without objection.

2 MS. ECHEVERRI: Item Number 3 is the  
3 Department's legislative budget request. This  
4 legislative budget request represents a 4.5 percent  
5 increase in total recurring funding. That's driven  
6 primarily by an issue that was really a glitch in  
7 oversight by the Legislature. As part of the  
8 American Recovery and Reinvestment Act, there were  
9 funds that came into the Department's child support  
10 program that we were able to revert to the State  
11 for a general revenue offset. They actually took  
12 that amount out as a recurring item in our budget,  
13 and it was a nonrecurring fund, so now we need to  
14 have that replaced, and that's to the tune of about  
15 14 million. In child support enforcement, a  
16 \$14 million general revenue impact has about a  
17 \$42 million impact on the program, since it's  
18 two-thirds federally funded.

19 Two other nonrecurring issues that are of  
20 significance that I would point out. One relates  
21 to our child support enforcement program again and  
22 in the automated system that we're putting in  
23 place. We're in phase 2 of developing that system.  
24 And that is about a \$12 million funding issue,  
25 again matched two-thirds by the federal government.

1 12 million is the state share.

2 And then finally, another nonrecurring issue  
3 that I would point out is our move to the Southwood  
4 campus. As you know, the State has built buildings  
5 out at the Southwood area, and the Department of  
6 Revenue will be housed in those buildings that will  
7 be completed early next year. And this is the  
8 second half of the funding for that move.

9 We would request approval of the legislative  
10 budget request.

11 ATTORNEY GENERAL McCOLLUM: Move Item 3.

12 CFO SINK: Second.

13 GOVERNOR CRIST: Moved and seconded. Is there  
14 any objection?

15 Florida law requires the Governor to  
16 independently submit budget proposals.  
17 Accordingly, I am abstaining from the vote on this  
18 item. Therefore, the record should reflect that  
19 this item is approved with one abstention.

20 Item 4.

21 MS. ECHEVERRI: Item 4 requests permission to  
22 submit the Department's Long Range Program Plan for  
23 fiscal year '10-'11 through '14-'15 to the  
24 Executive Office of the Governor and to the  
25 Legislature. This Long Range Program Plan

1 incorporates those performance numbers that we  
2 talked about earlier, shows our emphasis on  
3 improving enforcement of collections and improving  
4 customer service and other aspects of our agency.  
5 And we would request approval or permission to  
6 submit that Long Range Program Plan.

7 GOVERNOR CRIST: Is there a motion to approve?

8 CFO SINK: Move it.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MS. ECHEVERRI: Item 5 requests permission to  
13 submit the Department's Capital Improvement  
14 Program. We have no fixed capital outlay. Again,  
15 the only thing of significance here is our move to  
16 that Southwood campus, which will allow to us  
17 reduce our leased space by about 47,000 square feet  
18 here in Tallahassee. It will allow us to have a  
19 savings of about \$300,000 a year in rent and about  
20 \$500,000 in utilities.

21 ATTORNEY GENERAL McCOLLUM: I move Item 5.

22 CFO SINK: Second.

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

25 MS. ECHEVERRI: And finally, Item 6 requests

1 permission to submit the Department's Legislative  
2 Concepts to the Legislature for consideration. The  
3 majority of the concepts that are in this package  
4 are concepts that you approved last year. There  
5 weren't any real issues with them in the  
6 Legislature. They just didn't get to the final  
7 stage of being passed as a bill.

8 We've added a few concepts this year, and just  
9 to note those, in child support enforcement, we  
10 have some additional concepts to provide for more  
11 efficient establishment of paternity through  
12 marriage applications, efficient payment  
13 processing, and recovery of bad check fees, and  
14 some general administrative cleanup.

15 And then in the area of general tax  
16 administration, we have some additional concepts  
17 this year that will prevent the misuse of  
18 information, improper misuse of information, also  
19 will reduce our mailing costs by allowing us to  
20 remove certified mailing from some requirements and  
21 do more things electronically, and some concepts  
22 that will allow us to increase the visibility of  
23 outstanding obligations, hopefully to improve  
24 enforcement.

25 GOVERNOR CRIST: Great. Is there a motion?

1 CFO SINK: Move it.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Show it approved without  
4 objection. Thank you, Lisa.

5 MS. ECHEVERRI: Thank you very much.

6 GOVERNOR CRIST: You're welcome.

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1                   GOVERNOR CRIST: Department of Veterans'  
2                   Affairs, Admiral Leroy Collins. Good morning, sir.

3                   ADMIRAL COLLINS: Good morning, Governor and  
4                   members of the Cabinet. Last Wednesday was  
5                   Veterans Day, and I would like to let the public  
6                   know that each of the three of you participated  
7                   very actively in a Veterans Day program, and we  
8                   deeply appreciate that.

9                   GOVERNOR CRIST: It's an honor to do so. You  
10                  bet.

11                  ADMIRAL COLLINS: The Florida Department of  
12                  Veterans' Affairs has five items for your  
13                  consideration today. Item 1, the minutes of the  
14                  meeting of July the 28th.

15                  ATTORNEY GENERAL McCOLLUM: I move Item 1.

16                  CFO SINK: Second.

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

19                  ADMIRAL COLLINS: Item 2 is the minutes of the  
20                  meeting of August the 25th.

21                  CFO SINK: Move it.

22                  ATTORNEY GENERAL McCOLLUM: Second.

23                  GOVERNOR CRIST: Moved and seconded. Show  
24                  those minutes also approved without objection.

25                  ADMIRAL COLLINS: Item 3 is our quarterly



1 report for the period ending September the 30th,  
2 2009.

3 CFO SINK: Move it.

4 ATTORNEY GENERAL McCOLLUM: Second.

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

7 ADMIRAL COLLINS: With your permission, there  
8 are two more items to which I would like to draw  
9 your attention. On page 3 of the quarterly report,  
10 the last point at the bottom relates to the Florida  
11 Physicians Workforce Initiative, where I am a fully  
12 engaged participant. This workforce is addressing  
13 two issues:

14 Number 1, the shortage of graduate medical  
15 education programs in Florida to provide residency  
16 and internship experiences for newly graduated  
17 medical doctors from Florida's medical schools.  
18 You may have noticed yesterday's front page  
19 *Democrat* shows "State facing a shortage of  
20 residency programs."

21 The shortage of qualified medical  
22 professionals practicing in underserved areas of  
23 our state. I bring this to your attention because  
24 of the comprehensive, and some may say historic  
25 team approach involving many different entities and

1 agencies. This team approach was inspired by  
2 Senator Durell Peaden and already includes our  
3 Florida Department of Veterans' Affairs, our  
4 partners at the U.S. Department of Veterans  
5 Affairs, Florida Senator Durell Peaden,  
6 Representative Ed Homan, who is -- both  
7 Representative Homan and Senator Peaden are  
8 physicians -- the Florida Department of Health, the  
9 Florida Board of Medicine, the Florida Medical  
10 School Deans, the Florida Medical Association, the  
11 Florida Osteopathic Medical Association, and a  
12 select few retired military doctors, dentists, and  
13 nurses.

14 If successful, this will be a big deal and  
15 perhaps a model to be applied nationally. The  
16 workforce is chaired jointly by Senator Peaden,  
17 University of Florida interim medical school dean  
18 Mike Good, and myself.

19 You may ask, what is the Department of  
20 Veterans' Affairs doing in this group? We have  
21 brought to our -- we have brought in our federal  
22 partners in the U.S. Department of Veterans  
23 Affairs. They have committed to providing 500 new  
24 graduate medical education opportunities in Florida  
25 through six federal VA hospitals in our state,

1 including the most active of all the federal VA  
2 hospitals. This is a very generous offer which  
3 will help our state avoid losing newly graduated  
4 medical doctors to other states after having  
5 invested so heavily in building their schools and  
6 their preliminary training. Further, it will make  
7 Florida more competitive in attracting top-notch  
8 graduate medical doctors from other states. It  
9 builds upon the historic pairing of medical schools  
10 and federal VA hospitals, a mutually beneficial  
11 relationship.

12 There is still a shortfall of graduate medical  
13 education opportunities, however. The work group  
14 is making progress in this.

15 The second issue --

16 ATTORNEY GENERAL McCOLLUM: Admiral, may I  
17 interrupt you on that issue?

18 ADMIRAL COLLINS: Yes, sir.

19 ATTORNEY GENERAL McCOLLUM: If I could,  
20 Governor.

21 GOVERNOR CRIST: Sure.

22 ATTORNEY GENERAL McCOLLUM: This is extremely  
23 important. I mean, yesterday's report on the front  
24 page of the *Tallahassee Democrat* was issued by the  
25 Board of Governors of our State University System,

1 Governor, and I formerly served on that. And in  
2 that report, it points out the continuing alarming  
3 trend that I observed when I was there, that we  
4 have a very big shortage of doctors per capita in  
5 our state compared to other states to service a  
6 growing population of elderly and those who are in  
7 need, be they veterans or whomever.

8 And your work is very, very important in this,  
9 but we have, as the article or report points out,  
10 and you're fully aware of, Admiral, so many things  
11 that need to be done collaboratively on this, which  
12 is what, I'm sure, the workforce you co-chair is  
13 doing. But it includes the efforts that our  
14 congressional delegation is making and we need to,  
15 I think, as the Cabinet reinforce, Governor, to  
16 gain more support from the federal government on  
17 residencies for not only our graduates, but just  
18 residencies in general to get more doctors who are  
19 going to stay here, because the more likely -- in  
20 other words, the ones who do residencies in a state  
21 are more likely to stay there to practice than  
22 those who don't.

23 And that's the real rub here, because we have  
24 some great new medical schools, and they don't have  
25 the residencies that are needed. The federal

1 government provides a great subsidy for that, but  
2 we need to be more innovative, because despite the  
3 best efforts to get that, we're not getting there  
4 as fast as we can.

5 So your effort at the VA is one piece of that,  
6 but I certainly hope the workforce group that you  
7 co-chair is looking at more creative ideas, ways  
8 that our own state can provide those opportunities  
9 even if the federal government is not going to step  
10 up to the plate.

11 Anyway, I just wanted to comment that I think  
12 that's very important, Governor. I'm sorry to  
13 interrupt, but we might miss the point that the  
14 Admiral is making, and I really appreciate it.

15 ADMIRAL COLLINS: Thank you, General.

16 As that article points out, 60 percent of  
17 those that we graduate in the state go elsewhere to  
18 get their residency, and we know that those who go  
19 to residencies tend to reside where they take their  
20 residency training, so we're heading down that  
21 road.

22 There's still a shortfall of -- let me see. I  
23 mentioned that.

24 The second issue addresses the shortage of  
25 qualified doctors and other medical professionals

1 to serve in the underserved areas of our state. We  
2 are preparing legislation for limited licensure,  
3 hoping to attract some of the many medical doctors,  
4 dentists, nurses, and other skilled medical  
5 professionals who have retired and moved to  
6 Florida. It also addresses professionals with many  
7 years of experience that are not licensed in  
8 Florida. So far, we think having them work under  
9 the authority of the county health departments may  
10 address the greatest needs.

11 On page 4 of our quarterly report, please note  
12 the extraordinary return on investment from our  
13 department's veterans claims examiners. With  
14 increased numbers of returning veterans from  
15 Operation Iraqi Freedom and Operation Enduring  
16 Freedom and increases in federal VA benefits and  
17 federal VA claims staff, our veterans claims  
18 examiners are demonstrating their proficiency in  
19 bringing federal benefits to Florida veterans.

20 On page 9, the top line of the top table  
21 titled "Bureau of Claims," yes, that's \$27 million  
22 derived in one quarter of this year, up about 30  
23 percent from the previous record last year of \$20  
24 million in the quarter. These are benefits that  
25 have flowed back into Florida based upon the skill

1 of veterans claims examiners, who are very, very  
2 talented people. These are federal VA dollars to  
3 compensate veterans for service connected  
4 disabilities as a result of their military service.

5 Every federal VA dollar that comes into  
6 Florida improves our economy and improves the  
7 quality of life for our veterans. Federal VA  
8 dollars paid to Florida veterans for health care,  
9 long-term and assisted living, education, and other  
10 services typically save state dollars from being  
11 spent for those same services.

12 On pages 10 and 11 of your packet, our state  
13 veterans homes' occupancy rates showed 93 percent  
14 overall. The renovation of our oldest home, the  
15 Domiciliary in Lake City, is under way. The  
16 occupancy rate for Lake City on page 10 shows 74  
17 percent, but 120 of 110 available beds are  
18 occupied, so the actual occupancy is more like  
19 98 percent.

20 Recommend approval of that item.

21 GOVERNOR CRIST: Is there a motion?

22 CFO SINK: Move it.

23 ATTORNEY GENERAL McCOLLUM: Second.

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

1 ADMIRAL COLLINS: Our fourth item is our  
2 legislative budget request for 2010 and 2011, for  
3 that fiscal year. For the most part, it is a  
4 continuation budget, with the exception of startup  
5 costs for the new state veterans nursing home near  
6 St. Augustine in St. Johns County, plus the ongoing  
7 maintenance and capital improvements to our  
8 existing homes.

9 Slide 3 of the PowerPoint in your packet shows  
10 a side-by-side comparison between the current year  
11 and the proposed 2010 budget. The overall budget  
12 increasing from 72 million to \$80 million and the  
13 FTEs increasing by 174.5 FTEs is principally due to  
14 the new St. Johns County home opening during  
15 calendar year 2010. Notice also the figures above  
16 the two pie charts there is actually a decrease in  
17 general revenue both as a percentage and in actual  
18 dollars.

19 Slide 4 shows equipment replacements for the  
20 homes. This item requests funding for replacing  
21 equipments that have exceeded their useful life.

22 Slides 5 and 6 show the annualization of staff  
23 salaries, benefits, expenses, and contracted  
24 services which have -- which were approved in the  
25 2009 and '10 budget last session, and it's the



1 basis for alignment from general revenue to trust  
2 fund. Slide 6 shows that realignment by requesting  
3 a fund shift from general revenue to trust fund.  
4 For the first time in the history of the Florida  
5 veterans' homes program, we are now able to fund  
6 the startup costs of a brand new nursing home out  
7 of our Operations and Maintenance Trust Fund and  
8 not general revenue.

9 Slide 7 requests the reclassification of one  
10 half-time FTE, a senior physician, to two full-time  
11 senior LPNs. We will use OPS funds for the  
12 physician on an as-needed basis and use the savings  
13 to bring two more nurses aboard full time, now  
14 being paid by OPS.

15 Slide 8 requests funds for maintenance,  
16 repair, and replacements of fixed capital  
17 improvements. These are big dollar items, such as  
18 massive chillers, water heaters, boilers, and  
19 repaving the driveway and parking areas.

20 Slide 9 is a detailed breakdown of the startup  
21 staffing costs that we spoke about earlier on  
22 slides 5 and 6.

23 Slide 10 has three parts. These were budget  
24 amendments which have been approved by the  
25 Legislature and are included in the LBR to become

1 part of the recurring base budget.

2 In the interest of time, unless there are  
3 questions, I'll dispense with further explanation  
4 regarding this slide.

5 ATTORNEY GENERAL McCOLLUM: I move Item 4.

6 CFO SINK: Second.

7 GOVERNOR CRIST: Moved and seconded. Show it  
8 approved with my abstention, as I have to submit an  
9 independent budget recommendation.

10 ADMIRAL COLLINS: This was passed last --  
11 let's see. I covered that.

12 Slide 11, the last slide, relates to an issue  
13 that is required to comply with the ITU full  
14 service transition project. As required by LBR  
15 instructions, this is an added issue to transfer  
16 ownership of two network servers to the State  
17 Resource Center.

18 If there are no questions on the LBR, our last  
19 item, Number 5, is our legislative policy proposal.

20 Our first bill is a request to add 24 months  
21 to the startup funding for the Florida Veterans  
22 Foundation. On July the 1st of 2008, the Florida  
23 Veterans Foundation was incorporated as a 501(c)(3)  
24 charity for veterans. As part of the bill, 20  
25 percent of the fees collected from the "Salutes

1 Veterans" license plate was diverted from the Homes  
2 Trust Fund for 24 months to help the foundation get  
3 started. That amounted to about \$70,000 per year.

4 The foundation is asking for another 24  
5 months. Fortunately, the Homes Trust Funds were  
6 beneficiaries of legislation last year that would  
7 more than offset the diversion. The foundation has  
8 raised over \$150,000 in donations, and every dollar  
9 of those donations are committed to help veterans.  
10 None are used for administrative purposes.

11 The second legislative proposal is a reviser's  
12 bill. This is a cleanup bill addressing mostly  
13 technical issues and amendments to the existing  
14 statute removing obsolete language or adding  
15 updated language that more accurately reflects our  
16 department's current policies and procedures.

17 If there are any questions, I'll try to answer  
18 them.

19 GOVERNOR CRIST: Any questions?

20 CFO SINK: Move approval.

21 ATTORNEY GENERAL McCOLLUM: Second.

22 GOVERNOR CRIST: Show it approved without  
23 objection. Thank you, Admiral.

24 ADMIRAL COLLINS: Thank you.

25 GOVERNOR CRIST: Appreciate it.

1           GOVERNOR CRIST: Department of Highway Safety  
2           and Motor Vehicles, Julie Jones. Your first  
3           appearance as the new executive director. I know  
4           you'll make it a great one.

5           MS. JONES: Yes, sir. And I would  
6           respectfully request you take it easy on me on my  
7           first meeting.

8           GOVERNOR CRIST: To do what? I didn't hear  
9           you.

10          MS. JONES: It was worth a try.

11          GOVERNOR CRIST: Take it easy on you? We take  
12          it easy on everybody. We're pretty kind around  
13          here.

14          MS. JONES: Yes, you are.

15          Governor and Cabinet members, today the  
16          Department has seven agenda items for your  
17          consideration and approval. Item 1, we  
18          respectfully request approval of the minutes from  
19          the August 25th Cabinet meeting.

20          GOVERNOR CRIST: Is there a motion to approve?

21          CFO SINK: Move it.

22          ATTORNEY GENERAL McCOLLUM: Second.

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

25          MS. JONES: Item 2, we respectfully request

1 approval to initiate rulemaking for Rule 15A-11,  
2 which relates to commercial driving schools. This  
3 rule is very similar to the current provisions we  
4 have for truck driving schools. This creates  
5 consistency and codifies existing agency practice.

6 CFO SINK: Move it.

7 ATTORNEY GENERAL McCOLLUM: Second.

8 GOVERNOR CRIST: Show it approved without  
9 objection.

10 MS. JONES: Item 3, respectfully request  
11 approval to initiate rulemaking for Rule 15B-2.013,  
12 which relates to approved speed measuring devices.  
13 This cleans up some language relative to how we  
14 designate speed guns and adds a new device to the  
15 list so local law enforcement can use yet another  
16 approved device.

17 ATTORNEY GENERAL McCOLLUM: I move Item 3.

18 CFO SINK: Second.

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

21 MS. JONES: Item 4 is the approval to initiate  
22 rulemaking to repeal three rules. We have three  
23 rules that we have not -- we don't have statutory  
24 authority for, and it has been while, '96, '81, and  
25 2000. Rule 15C-4 relates to private recreational

1 vehicle inspections, 15C-5 relates to motor vehicle  
2 safety inspections, and 15C-6 relates to motor  
3 vehicle emission inspections. This is a case where  
4 a statute has been repealed and we didn't clean our  
5 rules up.

6 CFO SINK: Move it.

7 ATTORNEY GENERAL McCOLLUM: Second.

8 GOVERNOR CRIST: Show it approved without  
9 objection.

10 MS. JONES: Item 5 is a request for approval  
11 for the Department's first quarter performance  
12 measures. During the first quarter, the Department  
13 met the majority of its performance expectations,  
14 and I would like to talk briefly about just a  
15 couple of our wins.

16 We went live with the new online organ donor  
17 registry. This is our [donatelifeflorida.org](http://donatelifeflorida.org). And  
18 since this went live, this quarter we've gotten  
19 200,000 additional donors into our system, so  
20 that's a huge win.

21 We're also trying to create some efficiencies  
22 with law enforcement partners, and we've started  
23 doing some equipment related installations for FDLE  
24 to try to save them some money and better utilize  
25 our vehicle facility in Middleburg.

1           Also, I wanted to mention that our last and  
2 latest phase of Real ID information has gone live.  
3 The website, [www.gathergoget.com](http://www.gathergoget.com), allows users to  
4 create a personalized checklist of documents that  
5 you're going to have to bring in to a driver's  
6 license office in order to be Real ID compliant.  
7 And so we're pushing information out early and  
8 often to get people used to the new criteria that  
9 will be effective in January.

10           Now, one challenge that we've had relative to  
11 our performance is our wait times in driver's  
12 license offices. And we've created some  
13 efficiencies because of the new queuing system, and  
14 in doing so, we've had some performance issues with  
15 our staff to learn the queuing system and some IT  
16 issues. So when the system goes down, our wait  
17 times appear to be longer, when indeed they're not.

18           So I would like to defer on this one until  
19 next quarter, because I think we have technical  
20 issues more so than actual performance issues with  
21 our staff. I'm very proud of the work that our  
22 team has done relative to our performance measures  
23 and would request approval of this first quarter  
24 performance.

25           ATTORNEY GENERAL McCOLLUM: I move Item 7.

1           GOVERNOR CRIST: I just have one question.  
2           Your last comment, does that mean that you think  
3           the wait times aren't what they're shown to be?

4           MS. JONES: That's correct. I think the  
5           measure that you see, the wait times that appear to  
6           be long, when indeed they're not. If the queuing  
7           system -- you walk into a driver's licens office  
8           and you get a ticket, and they use that number to  
9           bring through the process. And in doing so, if the  
10          system goes down, you're in limbo, that number, and  
11          so it artificially says that you were there for two  
12          hours because the system was down, and we probably  
13          got you out in 15 or 20 minutes.

14          GOVERNOR CRIST: And you think you have a way  
15          to rectify that?

16          MS. JONES: Yes, we do. We're working with  
17          the vendor to fix this.

18          GOVERNOR CRIST: Thank you. There was a  
19          motion?

20          CFO SINK: Motion? Second.

21          GOVERNOR CRIST: Second? Show it approved  
22          without objection.

23          MS. JONES: Item 6 is the Department's  
24          legislative budget request. We approached this LBR  
25          request balancing the critical needs of the



1 Department, knowing the critical state of the  
2 State's budget. It has seven issues, and I would  
3 say key to the issue is our leadership development  
4 plan which recognizes the need to reinvest in our  
5 people. The plan sets forward standards for levels  
6 of leadership training and education and then  
7 compensates the individual if they complete the  
8 course of study.

9 The second issue is very critical to the  
10 Department, and this gets back to the previous  
11 issue, our IT system. Driver's license issuance,  
12 tag and title work, and state law enforcement  
13 depend on our computer systems, which are 20 years  
14 old. We still have some shifting of information  
15 off of old mainframes. And we need a plan to move  
16 into the 21st Century, so this budget request is a  
17 plan, the architecture and design work for a new  
18 system.

19 We have two budget requests that are  
20 nonrecurring that are related to the operation of  
21 our buildings and infrastructure, and two for --  
22 nonrecurring issues for equipment for the Highway  
23 Patrol. Those particular issues, we're looking for  
24 alternative funding sources from a federal grant,  
25 and then also from our Law Enforcement Trust Fund,

1 so it doesn't affect the Highway Safety Operating  
2 Trust Fund. So --

3 GOVERNOR CRIST: Is there a motion?

4 CFO SINK: Move it.

5 ATTORNEY GENERAL McCOLLUM: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it  
7 approved with my abstention, as I have to submit an  
8 independent budget recommendation.

9 MS. JONES: Our last item, Item 7, is a  
10 request for approval of the Department's  
11 substantive legislative package for the 2010  
12 legislative session. It contains a number of  
13 cleanup items, but to highlight three what I  
14 consider major issues, we are proposing a penalty  
15 for aggressive driving. Right now, now aggressive  
16 driving is defined in statute, but there is no  
17 penalty, and this would establish a penalty.

18 GOVERNOR CRIST: How do you define that?

19 MS. JONES: You simultaneously break -- two or  
20 more moving violations, so you might be speeding  
21 and following too close, weaving, inappropriate  
22 lane changes associated with speeding.

23 What we want to do here, right now you get a  
24 ticket for each individual offense, but you're  
25 really not identified as an aggressive driver. By

1 putting a penalty specific to aggressive driving,  
2 we actually label you as an aggressive driver, and  
3 the penalty would require you to go to driver  
4 school. So we're now trying to create some  
5 behavior modification in addition to also making it  
6 mandatory court.

7 GOVERNOR CRIST: Get a little counseling?

8 MS. JONES: Pardon me?

9 GOVERNOR CRIST: I made a joke. Sorry.

10 CFO SINK: I'll bet your insurance company is  
11 not going to like it either.

12 MS. JONES: Another proposal relates to DUI  
13 convictions. Currently if you get a succession of  
14 DUI charges, oftentimes a court will try to lump  
15 them together to save money, snf you might make one  
16 court appearance on more than one DUI violation.  
17 And right now, it's not specific in law, and they  
18 treat those multiple violations as one violation  
19 relative to the penalty. We want to make sure that  
20 the penalty matches the numbers of times you were  
21 actually arrested.

22 The final issue relates to electronic  
23 signatures on noncriminal citations. Right now,  
24 law enforcement has to turn in paper copies of  
25 citations to the court, sometimes multiple copies,

1 and also a hard copy to the Department. We would  
2 like for nonmoving, noncriminal violations to allow  
3 the entire process to be made electronic, and this  
4 will go a long way to saving us money. It also  
5 will allow departments that currently have laptops  
6 to do that whole transaction electronically. This  
7 would not be for criminal violations, just  
8 noncriminal.

9 Again, I can answer questions.

10 GOVERNOR CRIST: I have a recommendation to  
11 maybe add to your legislative agenda. The notion  
12 of outlawing texting while driving, would you be  
13 willing to take a look at that as part of your  
14 legislative package also?

15 MS. JONES: Absolutely, Governor.

16 GOVERNOR CRIST: I think it would provide more  
17 safety for our people.

18 MS. JONES: Yes, sir. There's currently 13  
19 bills that we're tracking between the House and the  
20 Senate, and we decided proactively not to put  
21 something in the agenda until something jelled and  
22 we could work with our legislative partners, but we  
23 assumed that that would be a part of the package  
24 ultimately.

25 THE COURT: But you support the concept?

1 MS. JONES: Yes, absolutely, sir.

2 GOVERNOR CRIST: Great. Thank you, ma'am.  
3 General, I think you had a comment?

4 ATTORNEY GENERAL McCOLLUM: I'm just going to  
5 move this item. I think there are a lot of things  
6 in here, by the way, that you didn't discuss, and  
7 we don't want to force you to take the time to do  
8 that today. But there's really good stuff in here,  
9 and so I move the item.

10 CFO SINK: Second.

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

13 MS. JONES: Thank you.

14 ATTORNEY GENERAL McCOLLUM: Governor, may I  
15 correct --

16 GOVERNOR CRIST: General, sure.

17 ATTORNEY GENERAL McCOLLUM: Make sure the  
18 record stands corrected. I had moved as Item 7  
19 what is really Item 5 now because it got  
20 consolidated. That was the performance report. We  
21 did move it, and we did pass it.

22 GOVERNOR CRIST: Yes, sir.

23 ATTORNEY GENERAL McCOLLUM: Thank you.

24

25

1                   GOVERNOR CRIST: Administration Commission,  
2 Lisa Saliba. Good morning, still.

3                   MS. SALIBA: Good morning, Governor and  
4 Commission members. Item Number 1 on our agenda  
5 is, respectfully request the approval of the  
6 minutes from the September 19th meeting.

7                   CFO SINK: Move it.

8                   ATTORNEY GENERAL McCOLLUM: Second.

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

11                  MS. SALIBA: Item Number 2, we bring to you  
12 for your consideration our consensus  
13 recommendations as it relates to the Florida Keys  
14 Area of Critical State Concern. We present to the  
15 Commission the Department of Community Affairs'  
16 2009 Removal of Designation Report as well as  
17 consensus draft legislation prepared jointly with  
18 the staffs of the Departments of Community Affairs  
19 and Environmental Protection and Health. Last, we  
20 have Monroe County's Petition for a Variance from  
21 or Waiver of the 20 Percent Rate of Growth  
22 Ordinance Allocation as provided in Commission Rule  
23 28-20.110.

24                  Our list of speakers are Secretary Pelham to  
25 present the annual report and their findings and

1 recommendations. Secretary Mike Sole will present  
2 an overview of the legislation. We also have on  
3 hand Representative Ron Saunders, State  
4 Representative from District 120, followed by  
5 representatives from Monroe County, which include  
6 Mayor George Neugent, Commissioner Mario DiGennaro,  
7 and Commissioner Sylvia Murphy. Representing the  
8 City of Marathon, we will have Mayor Ginger Snead.  
9 As citizen representatives we have Mr. Charles  
10 Pattison, the executive director of 1000 Friends of  
11 Florida, and Ms. Debbie Harrison, a citizen  
12 representative.

13 First we would like to invite Secretary Pelham  
14 to present the annual report.

15 MR. PELHAM: Governor and members of the  
16 Cabinet, good morning. Today I'm here to present  
17 the findings and recommendations from the  
18 Department's 2009 annual report for the Florida  
19 Keys Area of Critical State Concern. Copies of the  
20 report have been previously provided to you and  
21 your staff. Drafts of the report were submitted in  
22 advance to the three local governments for their  
23 review, comment, and suggestions. I want to thank  
24 them for their cooperation and assistance in  
25 preparing the report, and it's my understanding

1           that we're all in agreement as to the ultimate  
2           recommendations of the report.

3           As you will recall, following acceptance of  
4           the 2008 report last November, the Administration  
5           Commission provided the Cities of Marathon and  
6           Islamorada and Monroe County a list of strategies  
7           and tasks to be completed in 2009 that would assist  
8           in completing the work program for the critical  
9           area. While each of the three local governments  
10          has completed more than 50 percent of those tasks  
11          directed by you last year, additional work remains  
12          that is critical to the health and protection of  
13          the Florida Keys ecosystem. The biggest remaining  
14          item is wastewater funding and construction.

15          Now, some very significant things have  
16          happened in that regard. The City of Marathon has  
17          moved aggressively forward to fund and construct  
18          wastewater facilities. The City has received an  
19          award of financing, and project implementation and  
20          all service areas have been assessed, and contracts  
21          for construction have been initiated.

22          Monroe County has completed a treatment plant  
23          in the Lower Keys, and the Key Largo Wastewater  
24          District has continued construction of collection  
25          basins and a deep injection well. And the Village



1 of Islamarada has assessed all properties for  
2 wastewater treatment.

3 In sum, progress has been made, but additional  
4 funding and time are needed to complete the work  
5 program. The local officials in each of those  
6 three local governments are to be commended for  
7 their leadership in continuing to make wastewater  
8 assessments in a challenging political and economic  
9 climate.

10 However, based on the criteria for  
11 completeness, the Department recommends that the  
12 Administration Commission determine that the  
13 necessary substantial progress has not achieved  
14 toward accomplishing and completing the work  
15 program so as to justify de-designation and that,  
16 therefore, the designation of the Florida Keys Area  
17 of Critical State Concern should continue.

18 As was noted by Ms. Saliba, Monroe County has  
19 submitted a variance request that its permit  
20 allocation not be reduced in accordance with the  
21 Commission's rules.

22 Again, I want to commend Monroe County and the  
23 Cities of Islamarada and Marathon for the  
24 tremendous effort they made during these very  
25 challenging times. I also want to thank the DCA

1 staff and your staff for their work in compiling  
2 and reviewing the report. And the Department staff  
3 is available if you have questions about any of the  
4 details. Thank you.

5 GOVERNOR CRIST: General.

6 ATTORNEY GENERAL McCOLLUM: I would just like  
7 to comment that a year ago, I was very critical on  
8 the lack of progress, Secretary Pelham, and it  
9 appears this year that we've made some. It may not  
10 be meeting the substantial part, but we've made  
11 some.

12 I also notice that we're going to have before  
13 us on the 8th of December a waiver for a variance,  
14 and I would suggest that -- I understand there's  
15 some legislation that's pending. Some agreement  
16 hasn't yet been reached on this. I would certainly  
17 hope that that would be done before we have to vote  
18 on that. It would be, I think, unfortunate to have  
19 to having a ruling on the waiver without having an  
20 agreement among the parties to that proposed  
21 legislation.

22 MR. PELHAM: We will certainly work toward  
23 that end.

24 ATTORNEY GENERAL McCOLLUM: Thank you.

25 MS. SALIBA: Secretary Mike Sole to provide an

1 overview of the legislation.

2 MR. SOLE: Governor and Cabinet members.

3 GOVERNOR CRIST: Secretary, how are you?

4 MR. SOLE: General. I'm doing well, sir.

5 GOVERNOR CRIST: Good.

6 MR. SOLE: Tom did a -- Secretary Pelham did a  
7 great job giving you an overview on the progress  
8 that has been made in the Keys.

9 One of the things that I want to reflect on is  
10 that back in 1999, the Florida Legislature did pass  
11 a law that established basic requirements for  
12 upgrades to wastewater treatment facilities in  
13 Monroe County as well as onsite septic systems.  
14 That requirement established that they needed to  
15 achieve these improved, advanced wastewater  
16 treatment by July 2010.

17 As Secretary Pelham noted, while there has  
18 been great progress made in Monroe County, and I am  
19 in full agreement with him that there has been  
20 progress, many of the facilities are not going to  
21 meet this deadline. And unfortunately, because of  
22 the economic conditions, it's going to be difficult  
23 for them to achieve that in the next six to eight  
24 months.

25 What we all recognize -- and we think

1 wastewater and DEP. Wastewater issues in Monroe  
2 County is actually much broader than the Department  
3 of Environmental Protection. We have the  
4 involvement of the Administration Commission, DCA,  
5 the Department of Health, and the DEP. And as  
6 such, because of this looming deadline and the  
7 realities of where we are, these organizations have  
8 gotten together to look at options on how to  
9 address the upcoming deadline and the legislation.  
10 And what I would like to do now is just briefly go  
11 over those legislative concepts that we've come up  
12 with from the agencies as a recommendation to  
13 pursue.

14 Basically, the legislation, the proposed  
15 legislation would transfer the treatment and  
16 disposal requirements that were found in 99-395,  
17 Laws of Florida, into the law books. It doesn't  
18 change those treatment requirements, but it does  
19 provide an extended deadline to December 31st,  
20 2015. And that's the significant issue of this  
21 proposed legislation.

22 It also establishes -- and this is something  
23 that's more commensurate with the Administration  
24 Commission's work plan. It actually establishes  
25 the onus on now the municipalities to achieve these

1 wastewater treatment implementation requirements.  
2 Currently it's on the wastewater facility owners  
3 and the individual property owner to do so. In  
4 light of the Administration Commission's direction  
5 on the work plan, it's something that the  
6 municipalities have been stepping up to do, and we  
7 want to align the legislation with the direction of  
8 the Administration Commission.

9 It also retains authority for the  
10 municipalities to mandate connections to a  
11 centralized wastewater system from septic tanks or  
12 a package plant. However -- and this is the issue  
13 that I think needs more work, and we need to work  
14 with the municipalities and Monroe County. If  
15 somebody has met the upgrade deadline, then they  
16 would have until 2030 to be able to connect. And I  
17 think this is something that the municipalities  
18 have raised a concern and Monroe County has raised  
19 a concern, and I think we can work with them.  
20 General, that was the issue that I think you  
21 referred to.

22 ATTORNEY GENERAL McCOLLUM: Absolutely, it is.

23 MR. SOLE: And we need to work with them and  
24 come up with a good solution.

25 ATTORNEY GENERAL McCOLLUM: If I could

1 interrupt you, I really would like to see that done  
2 by my voting on December the 8th. I gather there's  
3 another item coming up. Is that likely, possible?  
4 Where are we with that?

5 MR. SOLE: I think the answer is yes, General.  
6 It should be very likely. In fact, after the  
7 meeting today, I plan on meeting with members from  
8 the Florida Keys area and talk about options. It's  
9 something, though, that I would say in light of the  
10 involvement of multiple agencies, it's something  
11 that we want to definitely pursue on an consensus  
12 effort.

13 ATTORNEY GENERAL McCOLLUM: Right. I agree  
14 with you. I just hope that people will express the  
15 same sense of urgency among themselves that you are  
16 expressing.

17 MR. SOLE: Understood.

18 A couple of other things that I think are  
19 worth noting. Several years back, the Legislature  
20 approved a bond authority for the State of Florida  
21 to move forward and acquire bonds as it relates to  
22 making wastewater improvements to Monroe County.  
23 We're also suggesting that the Department of  
24 Environmental Protection be given the authorization  
25 to manage those bonds. And what we would do is

1 manage them similarly to the very successful SRF  
2 program, the State Revolving Fund program.

3 Finally, there are provisions that relate to  
4 the designation of Area of Critical State Concern.  
5 One of the issues is to clarify that removal from  
6 the Area of Critical State Concern requires them to  
7 complete the work plan requirements that are before  
8 the Administration Commission. It also establishes  
9 a time line for reporting and also how removal  
10 would occur. And I think it's a little bit more  
11 clear compared to the existing statutory  
12 provisions.

13 And with that, I'll be glad to answer any  
14 questions. Thank you.

15 GOVERNOR CRIST: Thank you.

16 MS. SALIBA: Next we have representatives from  
17 Monroe County, and we'll start with Mayor George  
18 Neugent.

19 GOVERNOR CRIST: Good morning, Mayor. Good to  
20 have you here.

21 MR. NEUGENT: Good morning, Governor and  
22 Cabinet. It's a pleasure to be here.

23 Here we stand once again, and I'm very  
24 appreciative to be before you today to be  
25 discussing these issues. I respectfully request

1           that you accept and act upon your staff's  
2           recommendations, which includes a finding that we  
3           have made additional progress toward achieving the  
4           goals and the work program under very challenging  
5           times.

6           It does not recommend a reduction in building  
7           permit allocation. It continues the Florida Keys  
8           Area of Critical State Concern designation,  
9           acknowledges that more time and significant funding  
10          is needed to complete the work program tasks.

11          Monroe County will continue completing the  
12          tasks outlined, and we are excited about the  
13          opportunities and challenges that lay ahead. I  
14          have committed my energy as mayor with the new  
15          Commission to making progress on the outlined  
16          tasks. To demonstrate Monroe County's commitment,  
17          I have accompanying me today two of my fellow  
18          commissioners and soon to be mayor, Ms. Sylvia  
19          Murphy, and former mayor Mario DiGennaro, as well  
20          as county administrator Roman Gastesi. We have  
21          been working hard together. Since November of last  
22          year, we have been working hard together.

23          Finally, I am confident that we are fully  
24          committed to attaining the goal of a sustainable  
25          Florida Keys.



1 I would also like to thank the Department of  
2 Environmental Protection, the Department of  
3 Community Affairs, and the Department of Health for  
4 drafting consensus bill legislation that provides a  
5 coordinated strategy to assist the communities of  
6 the Florida Keys in implementing standards and  
7 completing projects to protect and improve water  
8 quality, while preserving our community. This is a  
9 work in progress, as we are coordinating with our  
10 municipal partners in the Florida Keys and  
11 finalizing our comments and edits.

12 I would now like to introduce Monroe County  
13 former mayor Mario DiGennaro. And thank you very  
14 much.

15 GOVERNOR CRIST: Thank you. Mario, it's great  
16 to see you. Thanks for coming up.

17 MR. DiGENNARO: It's great to see you. Good  
18 morning, Governor, and good morning, members of the  
19 Cabinet. On behalf of Monroe County, I would like  
20 to thank the staff of the Administration  
21 Commission, including Barbara Leighty and Lisa  
22 Saliba; the staff of the Department of Community  
23 Affairs, including Rebecca Jeton and Mike  
24 Santa Maria, Richard Shine, Charles Gauthier, Craig  
25 Diamond; and also Richard Grosso of the Everglades

1 Law Center, for their continued hard work to ensure  
2 that Monroe County and its governments are acting  
3 in the best interest of our citizens.

4 I would also like to thank the Cabinet aides,  
5 including Diana Sawaya-Crane, and you Governor, and  
6 your Cabinet for your unwavering support to Monroe  
7 County in protecting our resources and our economy.

8 The recommended action by your staff requires  
9 the Florida Keys to complete the intent of the Area  
10 of Critical State Concern program by addressing the  
11 issues of carrying capacity, habitat protection,  
12 land acquisition, and my favorite, wastewater  
13 infrastructure development. Each of these  
14 categories of work is essential for the  
15 preservation of not only our resources and our  
16 economy, but also our quality of life in the  
17 paradise we call home.

18 I also recommend you approve and act upon your  
19 staff's recommendation. I am reaching out to you  
20 for this. It is necessary. Please.

21 I'm excited to be part of the partnership, and  
22 I am pledging my support to the intents set before  
23 us. I am confident that we will succeed in the  
24 completion of these tasks, because I see the  
25 strength of our dedication to provide the Florida

1 Keys are -- are a treasure worth protecting.

2 And I also would like to say, and I can speak  
3 this from my heart, I am committed, we and our  
4 board and our Commission are committed to do  
5 everything in our power to complete our wastewater  
6 project. And even though we do get an extension  
7 till 2015, it doesn't mean we're going to use it.  
8 We're going to work daily on this project, because  
9 the most important thing we have to do is preserve  
10 the reef.

11 I'll just give you one little saying. When I  
12 first came into office, something asked me, "Are  
13 you green?" I said, "No, I'm blue. I love the  
14 ocean, and we have to protect it. It's our whole  
15 economy." And I'm saying to you, we are going to  
16 do everything, and I am committed, and so is our  
17 Commission, to do everything to complete our work  
18 program.

19 And I want to thank you very much. If you  
20 have any questions, please feel free to ask me.

21 GOVERNOR CRIST: Thank you very much for being  
22 here. We really appreciate it, Mario.

23 General, did you have a comment?

24 ATTORNEY GENERAL McCOLLUM: I just wanted to  
25 say to you Mario, and to you, Mayor, that we really

1 do appreciate the last year. Obviously, you made  
2 good progress. It appeared to me, as I said  
3 earlier to Secretary Pelham, that last year you  
4 hadn't had as much progress as some of us would  
5 like to have seen, but it looks like you've done  
6 very well this year. It's not completed, though.

7 MR. DiGENNARO: It's not complete. And,  
8 General, you know what? I have to come up here and  
9 face you and say, no, it's not complete, but we're  
10 going to continue. When these economic times  
11 change around and we can get a bit more funding, we  
12 can do a lot more. We all understand. We all  
13 understand why we didn't get bonding this year,  
14 because the State has difficult times. We all have  
15 difficult times. We have to fight through this to  
16 get this funding. We're a team, but we're going to  
17 succeed.

18 ATTORNEY GENERAL McCOLLUM: And I trust that  
19 you all who are working on this legislation that  
20 Mike Sole told us about are going to get that job  
21 done; right?

22 MR. DiGENNARO: Mike Sole and the Governor's  
23 Office, we've been working constantly, and they're  
24 doing a great job. And I want to thank Mike Sole  
25 and DEP and all the other departments that have

1           been working with us. They've been doing a  
2           fantastic job. We're putting this together, and I  
3           hope and pray all this legislation will go through.

4           Thank you, Governor. Thank you, Cabinet  
5           members. It has been a pleasure and an honor to  
6           speak to you today.

7           GOVERNOR CRIST: Thank you. It's kind of you  
8           all to be up here.

9           MS. SALIBA: Next is Commissioner Sylvia  
10          Murphy with Monroe County.

11          GOVERNOR CRIST: Hi, Commissioner. Good  
12          afternoon.

13          MS. MURPHY: It is good afternoon too. Good  
14          afternoon to all of you, Governor and Cabinet.

15          This is going to be very easy and very short,  
16          because Secretary Pelham hit on three items that I  
17          was going to mention, so I'm going to go to the  
18          last line. We are trying, we will get there, and  
19          we thank you very much for all your help. And a  
20          little money wouldn't hurt.

21          GOVERNOR CRIST: It always helps. Thank you.

22          MS. SALIBA: Next we have Mayor Ginger Snead  
23          representing the City of Marathon.

24          GOVERNOR CRIST: Hello, Mayor.

25          MS. SNEAD: Good morning, Governor and

1 Cabinet.

2 GOVERNOR CRIST: Thank you for coming.

3 MS. SNEAD: I'm Ginger Snead, the mayor of the  
4 City of Marathon. We come before you with pride  
5 for our City as the only recipient of the  
6 Florida -- in Florida of the PICES award for this  
7 year. Working hand in hand with DEP, the State,  
8 and federal entities, we have made substantial  
9 incremental strides in developing not only an  
10 innovative wastewater system, but also an  
11 integrated stormwater and reuse program which will  
12 be completed not only in unison, but in time for  
13 the 2010 deadline. Once this project is complete,  
14 we are ready to move forward with our other work  
15 projects and goals, the major being the acquisition  
16 of ecologically and environmentally sensitive land,  
17 namely, Boot Key.

18 We thank you for your continued time and  
19 partnership in our common goals and concerns.  
20 Thank you.

21 GOVERNOR CRIST: Thank you.

22 MS. SALIBA: Next is Charles Pattison  
23 representing 1000 Friends of Florida.

24 GOVERNOR CRIST: Good afternoon, Charles.

25 MR. PATTISON: Good morning, Governor and

1 members of the Commission. I'll be very brief.  
2 We're here fully in support of your staff's good  
3 recommendation. DCA and DEP and DOH have done an  
4 excellent job with your good support, and we think  
5 it's time to keep moving forward.

6 General McCollum, I think you're right. There  
7 is some more work that needs to be done with the  
8 draft legislation, but I think we believe too that  
9 it's possible to bring back something on December  
10 8th that everyone can agree on, and we look forward  
11 to that. I think the thing for us that we  
12 recognize is, one size does not fit all, and it may  
13 be necessary to look at different aspects of how  
14 best to implement that legislation that reflect the  
15 different characters of the Keys communities.

16 Thank you very much.

17 GOVERNOR CRIST: Thank you, sir.

18 MS. SALIBA: The final presenter is Ms. Debbie  
19 Harrison, Deborah Harrison, citizen.

20 MS. RUMBERGER: Thank you. And it is a  
21 pleasure to be here today. And after a quarter of  
22 a century of appearing before you, this is my first  
23 time appearing as a citizen. And I also want to  
24 let you know that my name is no longer Harrison.  
25 My name is now Debbie Rumberger, and I'm very proud

1 to be associated with someone you know well, Tom  
2 Rumberger.

3 GOVERNOR CRIST: Congratulations.

4 MS. RUMBERGER: Thank you very much.

5 Having been a part of the Keys Area of  
6 Critical State Concern process for some three  
7 decades, we are beginning to see some light at the  
8 end of the tunnel. And I want to applaud the State  
9 of Florida, the Department of Community Affairs,  
10 and the Department of Environmental Protection for  
11 their steadfast leadership in trying to move us  
12 forward. It has been very, very difficult at  
13 times. And I do still have a picture of Secretary  
14 Pelham hung in effigy in the Florida Keys on his  
15 first tour of duty.

16 I strongly support the recommendations of the  
17 Department of Community Affairs to find that  
18 substantial compliance has not been made yet. I  
19 strongly support the extension of -- but -- and  
20 that the Area of Critical State Concern continue,  
21 recognizing that progress is being made. And that  
22 is a new day, and that is a wonderful day.

23 We will be working with all of the agencies on  
24 the legislative packet. There are some flaws in it  
25 that would be very harmful to the financial



1 structuring of wastewater costs associated to the  
2 residents and to these communities in the Florida  
3 Keys, so we would be looking to do that. I applaud  
4 you for your recommendation that we do that as  
5 quickly as possible. And I have also recommended  
6 that we hold a workshop as quickly as possible to  
7 try to bring together legislation.

8 My recommendation would support that we  
9 continue the Area of Critical State Concern not on  
10 a year-by-year -- although report year by year, but  
11 not year-by-year extension, but that we extend it  
12 to 2015, that we do yearly monitoring of what the  
13 updates are.

14 This is not an impossible task. And I want  
15 you to please note that the City of Marathon, the  
16 home of the Conch Republic, the folks who stood  
17 before you in 1996 and adamantly opposed the  
18 creation of state waters as part of the Florida  
19 Keys National Marine Sanctuary, has been the  
20 community that will be in compliance with the  
21 wastewater requirements in 2010 or very shortly  
22 thereafter. They have been able to accomplish that  
23 because that has been their sole goal. They have  
24 not spent money on anything other than their  
25 capital improvements projects. They have spent it

1 on wastewater infrastructure.

2 After being incorporated for over a decade,  
3 their offices are still portable units sitting on a  
4 piece of land in the center of Marathon. That is  
5 commitment. That is taking seriously the  
6 responsibilities that they have agreed to with the  
7 State of Florida, and that is the Gold Seal of how  
8 we move forward and how the rest of my Florida Keys  
9 communities move forward.

10 It is not a game that can't be accomplished  
11 and accomplished during difficult times. It takes  
12 true commitment, stepping forward one foot after  
13 another, taking political risks, and getting it  
14 done. And so for that, I want to applaud the City  
15 of Marathon and establish that as an example of  
16 great work.

17 I look forward to continuing to work through  
18 this process and to the day when we are able to  
19 finally say we have completed all of the tasks.  
20 But at least today, it is wonderful to be working  
21 cooperatively between the communities, the State,  
22 and the agencies.

23 Thank you very much for your time.

24 GOVERNOR CRIST: Thank you. We appreciate you  
25 being here.

1 MS. SALIBA: Governor, that concludes our  
2 speakers. If there are any questions, we could  
3 take those.

4 GOVERNOR CRIST: Are there any questions, or  
5 I'll be happy to entertain a motion.

6 ATTORNEY GENERAL McCOLLUM: I can move Item 2.

7 CFO SINK: Second.

8 GOVERNOR CRIST: Moved and seconded. Show it  
9 approved without objection. I want to thank all  
10 those who came up from Monroe County. I know it's  
11 a long haul. And mayors and commissioners and  
12 citizens, we appreciate you taking the time to do  
13 so, and we look forward to a continued great  
14 partnership with you. And have a great  
15 Thanksgiving. Thank you.

16 MS. SALIBA: Thank you, Governor.

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1                   GOVERNOR CRIST: Florida Land and Water  
2                   Adjudicatory Commission, Lisa Saliba. And then you  
3                   are.

4                   MS. SALIBA: Thank you, Governor. We request  
5                   approval of the meeting minutes from April 14th.

6                   ATTORNEY GENERAL McCOLLUM: Move Item 1, the  
7                   minutes.

8                   CFO SINK: Second.

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

11                  MS. SALIBA: Item Number 2, we respectfully  
12                  request approval and authorization to initiate  
13                  rulemaking to merge the Split Pine Community  
14                  Development District and the Tolomato Community  
15                  Development District.

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

17                  CFO SINK: Move it.

18                  ATTORNEY GENERAL McCOLLUM: Second.

19                  GOVERNOR CRIST: Moved and seconded. Show it  
20                  approved -- wait. We have a speaker, I think.

21                  MS. SALIBA: I apologize.

22                  GOVERNOR CRIST: Forgive me. I apologize. I  
23                  apologize.

24                  MS. SALIBA: I apologize.

25                  GOVERNOR CRIST: I apologize.

1 MS. SALIBA: We do have one speaker today. We  
2 have available for questions Cheryl Stewart  
3 representing the petitioner and Mr. Greg Barber,  
4 who is the chair of Split Pine. However, we have  
5 one speaker.

6 GOVERNOR CRIST: Ms. Whitmer, is she here?

7 MS. SALIBA: Yes, she is, Ellen Whitmer.

8 GOVERNOR CRIST: Great. Please. You have the  
9 podium. Welcome, and thank you for coming.

10 MS. WHITMER: Thank you very much, Governor  
11 and Cabinet members, for giving me this opportunity  
12 to speak. I'm a citizen from St. Johns County.

13 I'm here today to make it very clear that I do  
14 object to the merger of the Split Pine Community  
15 Development District with the Tolomato Community  
16 Development District, whether it be as a new  
17 district or whether it be as Tolomato District  
18 being a surviving district.

19 I know that in Florida Statute 190.005(1)(e),  
20 there are six subcriteria that you use to make your  
21 judgment on. I am asking that you deny this based  
22 on the fact that all statements contained within  
23 the petition are not true and correct. That's  
24 number one.

25 Number two, the establishment of the district

1 is inconsistent with elements and portions of not  
2 only the State Comprehensive Land Plan as  
3 implemented through 163 and Chapter 9J-5 of the  
4 Florida Administrative Code, but as well as the  
5 local government Comprehensive Plan.

6 To let you understand what I'm saying, I was  
7 in a Fifth District Court of Appeal case,  
8 5D02-2631, that was the result of my being in an  
9 administrative hearing challenge, as well as the  
10 Sierra Club was in that administrative hearing  
11 challenge. So I have -- I do have written evidence  
12 to back up my facts, but I just can't present it  
13 all here due to time constraints.

14 It is a given, if you're applying logic, Split  
15 Pine Community Development District is the  
16 municipality of Jacksonville and Duval County.  
17 They are one entity. Tolomato Community  
18 Development District is in unincorporated St. Johns  
19 County.

20 So if these two districts are merged and  
21 become either a new district or a surviving  
22 district, you are, in effect, expanding the  
23 boundaries of Jacksonville, Duval County, down into  
24 St. Johns County. This combining will  
25 automatically make the unincorporated part of

1 St. Johns a part of Jacksonville. If you want to  
2 use the word "annex," you can.

3 I feel like these hearings have been a  
4 travesty because they were never advertised  
5 properly as an annexation hearing, and the public  
6 has not been fully informed of these facts,  
7 although I have tried to inform them.

8 This is not a new town. This was the crux of  
9 my case. This was the crux of their Comprehensive  
10 Land Plan Amendment. I'm talking about the  
11 development that preceded these community  
12 development districts, on which these community  
13 development districts are based. It's not a new  
14 town. And the fact that this merger is even before  
15 you today is concrete proof that it's not a new  
16 town. A new town must be clearly, functionally  
17 distinct or geographically separated from existing  
18 urban areas, and it's not. This is Florida  
19 Administrative Code 9J-5.00380.

20 So I just -- like I say, it's not in sync with  
21 the Comprehensive Plan of either the state or the  
22 local. It's not the best alternative for  
23 delivering the community services and facilities in  
24 the area. It is incompatible with the existing  
25 infrastructure that we have in St. Johns County.

1 It is requiring a monumental amount of new  
2 infrastructure that it is questionable as to how it  
3 can be paid for or when it can be paid for.

4 And the area is certainly not a district that  
5 is amenable to separate special district  
6 government. It's going to put a burden on all the  
7 taxpayers.

8 So for these reasons, I'm passionately asking  
9 that you make a determination here today to deny  
10 this petition as it was presented in their papers.  
11 Thank you.

12 GOVERNOR CRIST: Thank you so much.

13 CFO SINK: Governor, could I ask a procedural  
14 question?

15 GOVERNOR CRIST: CFO, of course.

16 CFO SINK: Lisa?

17 MS. SALIBA: Sure.

18 CFO SINK: My notes say this is a request to  
19 authorize the initiation of rulemaking.

20 MS. SALIBA: Correct.

21 CFO SINK: Which means that there will be a  
22 hearing process.

23 MS. SALIBA: Yes.

24 CFO SINK: All the parties will be able to  
25 give their opinions --



1 MS. SALIBA: Yes.

2 CFO SINK: -- such as the speaker just did.  
3 So what we're doing today is just giving you  
4 authority to start doing the hearings.

5 MS. SALIBA: Correct.

6 CFO SINK: And then you'll come back for final  
7 approval or nonapproval.

8 MS. SALIBA: Yes, that is correct.

9 CFO SINK: Okay. Thank you, Governor. I'm  
10 going to make a motion to approve the authorization  
11 for rulemaking.

12 GOVERNOR CRIST: Okay. I think it has been  
13 moved, and a second?

14 ATTORNEY GENERAL McCOLLUM: I did second it,  
15 but I do -- we can go ahead and vote on it, but I  
16 have a question. I think it's appropriate, because  
17 we didn't hear from the speaker before we did it,  
18 so I think we need to revote it.

19 But in the process that we're undergoing here,  
20 is the objective of this in general -- I realize  
21 there are going hearings and all -- to improve some  
22 efficiency? What is the basic premise? So we all  
23 and the public listening to this who has no  
24 knowledge of the background, what's the premise of  
25 the burden? Why would we be merging these two

1 large land areas into one CDD, one community  
2 development district?

3 MS. SALIBA: And I'm going to ask Cheryl  
4 Stewart representing the petitioner. I think she  
5 can very succinctly answer your question.

6 ATTORNEY GENERAL McCOLLUM: That would be  
7 great if you could. And I may understand more of  
8 it from staff, but I want like hear it from you.  
9 Thank you.

10 MS. STEWART: Thank you. Cheryl Stewart,  
11 Hopping, Green & Sams. I'm here on behalf of both  
12 Split Pine and Tolomato Community Development  
13 Districts.

14 To put it succinctly, especially at this hour,  
15 we're creating less government. We're  
16 consolidating two districts into one. We will  
17 achieve administrative efficiencies. We will  
18 reduce costs.

19 The only reason these districts were  
20 established as two districts is because the law  
21 used to prevent districts from crossing county  
22 boundaries. The law was changed. When the law was  
23 changed, the districts agreed to merge. So it was  
24 to have less government and more cost-effective  
25 government.

1           ATTORNEY GENERAL McCOLLUM: Thank you. I'm  
2 ready to revote on this.

3           GOVERNOR CRIST: Okay. We have a motion?

4           CFO SINK: I move it.

5           ATTORNEY GENERAL McCOLLUM: I second it.

6           GOVERNOR CRIST: Second it? Show it approved  
7 without objection. Thank you.

8           MS. SALIBA: And the last item, Item 3,  
9 similarly, we respectfully request authorization to  
10 initiate rulemaking to merge Seven Oaks Community  
11 Development Districts I and II.

12          CFO SINK: Move it.

13          ATTORNEY GENERAL McCOLLUM: Second.

14          GOVERNOR CRIST: Moved and seconded. Show it  
15 approved without objection. Thank you, Lisa.

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1           GOVERNOR CRIST: Board of Trustees, Secretary  
2 Mike Sole, again. Thank you, Mike.

3           MR. SOLE: Yes, sir. Item Number 1 is  
4 submittal of the minutes for the September 29, 2009  
5 Cabinet meeting.

6           ATTORNEY GENERAL McCOLLUM: I move Item 1.

7           CFO SINK: Second.

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

10          MR. SOLE: Thank you. Item Number 2 is a  
11 request for a land exchange between the Board of  
12 Trustees and the City of Lakeland. The proposed  
13 exchange consists of 110 acres of reclaimed  
14 phosphate land which is currently managed by the  
15 Fish and Wildlife Conservation Commission and is  
16 part of the Tenoroc Fish Management Area to the  
17 City of Lakeland. And in exchange, the City of  
18 Lakeland will convey roughly 125 acres of  
19 undeveloped, more environmentally significant land  
20 back to the Board of Trustees.

21          This act of exchange is truly a win-win  
22 situation both for the Board of Trustees as well as  
23 for the City of Lakeland. The City is proposing to  
24 create a city park in this area. Unfortunately, as  
25 part of that city park, a road would need to be

1 built right through the middle of the Board-managed  
2 areas, which would make it very difficult for the  
3 Fish and Wildlife Conservation Commission to manage  
4 it. In addition, the exchanged lands are  
5 considered to be actually more environmentally  
6 favorable for management by the Fish and Wildlife  
7 Conservation Commission.

8 As such, the Department is recommending  
9 favorably on this exchange, and as part of the  
10 scenario, since this is conservation land, a  
11 determination by the Board that the state land  
12 being conveyed is no longer needed for conservation  
13 purposes, and that it is a -- surplus and exchange  
14 has a net positive conservation benefit. From the  
15 staff's position, without question, we believe that  
16 this is the case in this scenario.

17 There's lots of local support for this  
18 project. We have members with the Fish and  
19 Wildlife Conservation Commission here today, as  
20 well as the City of Lakeland, and if I'm not  
21 mistaken, support from Senator Dockery's office has  
22 also been conveyed.

23 And with that, if there's any questions --

24 CFO SINK: Move approval.

25 ATTORNEY GENERAL McCOLLUM: I second it.

1           GOVERNOR CRIST: Show it approved without  
2           objection.

3           MR. SOLE: Thank you. Item Number 3, this is  
4           a request for the sale of 14 acres in Broward  
5           County. This is state-owned nonconservation lands.  
6           The sale would be to the Town of Davie. This  
7           request also includes a determination that the sale  
8           would be a greater public benefit.

9           The subject parcel is part of a larger 80-acre  
10          tract that's currently occupied by the Fort  
11          Lauderdale branch of the University of Florida's  
12          Food and Agriculture -- excuse me, Institute of  
13          Food and Agricultural Sciences. They've determined  
14          that this 14-acre piece is no longer needed for  
15          their purposes. And the sale is to the Town of  
16          Davie for the purchase price of \$6.2 million, which  
17          is 100 percent of the appraisal value.

18          It's worth noting that that money does get  
19          directly deposited into the University of Florida's  
20          IFAS Relocation and Construction Trust Fund as a  
21          result of constitutional requirements.

22          The need for this land is for the town to be  
23          able to build a water and wastewater facility.  
24          They need this not only to support the region, but  
25          also support the university infrastructure, Nova

1 University, FAU campus, and obviously UF here.  
2 There is great demand for this. Also, this was  
3 publicly noticed and there has been great support,  
4 letters of support from FAU, Nova, Broward College,  
5 and even the adjacent residential community.

6 The Department recommends approval.

7 ATTORNEY GENERAL McCOLLUM: I recommend --  
8 move it approve it.

9 CFO SINK: Second.

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

12 ATTORNEY GENERAL McCOLLUM: Governor, before  
13 we leave, because I think this is the last item, I  
14 just wanted to comment that I had made a request by  
15 letter to Secretary Sole to be briefed today on the  
16 status of what's going on with the Department of --  
17 the Environmental Protection Agency's attempt to  
18 preempt Florida on the numerical nutrient issue in  
19 our water quality. That's a complex issue, and  
20 Commissioner Bronson had requested that we delay a  
21 discussion of that until he could be here at the  
22 next Cabinet meeting.

23 But I did want to note that you were prepared  
24 to discuss that today, Secretary Sole, and I  
25 appreciate it, and I look forward to your

1 discussion of what will be, I think, a very  
2 important and critical issue for Florida at our  
3 next meeting I think on the 8th of December.

4 MR. SOLE: Yes, sir.

5 ATTORNEY GENERAL McCOLLUM: Thank you.

6 MR. SOLE: Thank you.

7 GOVERNOR CRIST: Thank you very much. That's  
8 it. Happy Thanksgiving to you all. Appreciate  
9 your being here.

10 (Proceedings concluded at 12:23 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 160 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 8th day of December, 2009.

---

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