

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

Representing:

DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
DEPARTMENT OF REVENUE
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Thursday, June 16,
2011, commencing at approximately 9:08 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

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I N D E X

VOTES		PAGE
	DEPARTMENT OF VETERANS' AFFAIRS	4
	PAROLE COMMISSION	8, 9
	DIVISION OF BOND FINANCE (Presented by BEN WATKINS)	
ITEM	ACTION	PAGE
1	Approved	10
2	Approved	11
	FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION (Presented by ANDREA MORELAND)	
ITEM	ACTION	PAGE
1	Approved	15
2	Approved	16

INDEX CONTINUEDFINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
(Presented by BELINDA MILLER)

ITEM	ACTION	PAGE
1	Approved	17
2	Approved	19
3	Deferred	20
4	Discussed	20

DEPARTMENT OF REVENUE
(Presented by LISA VICKERS)

ITEM	ACTION	PAGE
1	Approved	46
2	Approved	47
3	Approved	47
4	Approved	48

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

ITEM	ACTION	PAGE
1	Approved	64
2	Approved	67
3	Approved	71
4	Approved	72

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
(Presented by PHILLIP MILLER)

ITEM	ACTION	PAGE
1	Approved	74
2	Approved	77
3	Approved	79

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by BOB BALLARD)

ITEM	ACTION	PAGE
1	Approved	80
2	Approved	83

CERTIFICATE OF REPORTER		84
-------------------------	--	----

P R O C E E D I N G S

(The agenda items commenced at 9:40 a.m.)

GOVERNOR SCOTT: This morning I would like to ask the Cabinet to approve the appointment of Earl Danielle as the Interim Executive Director of the Department of Veterans' Affairs. Colonel Danielle retired from the United States Marine Corps after 30 years of honorable service. All I remember about the Marine Corps is that every time the boat went into port and the Marine Corps was there, we would get into a fight, and they always won. I don't think we never won.

He currently serves as the Department's Chief of Staff and has held a leadership position at the Department since joining the team in 2004.

Is there a motion to approve Earl Danielle as the interim director of the Department of Veterans' Affairs? All in favor say aye.

COMMISSIONER PUTNAM: So move and aye.

CFO ATWATER: Second. Aye.

ATTORNEY GENERAL BONDI: Aye.

GOVERNOR SCOTT: Any opposed? The motion is approved.

All right. Colonel, would you like to come up and say a few words?

1 Good morning.

2 COLONEL DANIELLE: Good morning, Governor and
3 members of the Cabinet. I'm very grateful for the
4 opportunity to continue serving Florida's
5 1.6 million veterans.

6 I would like to thank the three prior
7 executive directors who have done so much for
8 Florida's veterans, beginning with Rocky McPherson
9 when I joined Veterans' Affairs in 2004, Rear
10 Admiral Leroy Collins, who succeeded Rocky, and of
11 course, General Milligan, who is the current
12 executive director. Thank you very much for your
13 time.

14 GOVERNOR SCOTT: Thank you very much. I also
15 want to take a moment to thank General Milligan for
16 his -- if you would like to -- can you stand up for
17 a second? I would like to recognize you for the
18 exceptional leadership as the interim director this
19 past year and for his dedication to public service.
20 As some of you know, General Milligan began his
21 public service career as our state's comptroller in
22 1994 after 39-year career -- another Marine guy --
23 in the United States Marine Corps. After retiring
24 in 2003 as comptroller, he graciously served in two
25 leadership roles on an interim basis. He filled in

1 as the interim director of the State Board of
2 Administration and then as interim director of
3 Veterans' Affairs.

4 General Milligan, we would like to thank you
5 for your years of public service and wish you a
6 happy and healthy retirement. I can't imagine you
7 retiring. You like to work too hard. Hopefully,
8 you can actually retire this time. I'm not sure I
9 would ever.

10 Would you like to say a few words?

11 GENERAL MILLIGAN: Well, thank you, Governor
12 and Cabinet. You know, it has been my privilege to
13 serve, and it has been particularly rewarding the
14 past 10 months working with the veterans here in
15 Florida. There is no question that we need to
16 reach out and make sure that they know what
17 benefits are available to them and see that they
18 are effectively served by the U.S. Department of
19 Veterans' Affairs.

20 So it has been my privilege, really, all these
21 years. And I enjoyed certainly serving on the
22 Cabinet when I was on the Cabinet, and wish you all
23 the very best of luck. God bless.

24 (Applause.)

25 (Off the record for pictures.)

1 GOVERNOR SCOTT: You know what, we all don't
2 probably realize this, but the individuals coming
3 back now, the veterans are having a very difficult
4 time getting jobs.

5 ATTORNEY GENERAL BONDI: That's right.

6 GOVERNOR SCOTT: The unemployment rate is
7 extremely high for people coming back from the --
8 getting out of the service from whatever their
9 service has been. So it's very important that we
10 keep them in mind, especially as we're talking
11 about job growth.

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1 GOVERNOR SCOTT: All right. Next we're going
2 to go to Parole Commission appointments. In 2010,
3 the previous Governor and Cabinet appointed two
4 commissioners to fill vacancies on the Parole
5 Commission. However, the Senate did not confirm
6 the appointments during the 2011 legislative
7 session, resulting in two vacancies that must be
8 filed by us today, as required by statute. The
9 vacancies are temporarily filled by the incumbents
10 until June 20th. The Parole Qualifications
11 Committee has submitted a list of six eligible
12 applicants to fill vacancies. The committee
13 submitted the following names for our
14 consideration: Cassandra Jenkins, Tena Pate, Mario
15 Theodore, Vincent McNally, Clovis Watson, Jr., and
16 Felix McCuen.

17 Is there a motion?

18 CFO ATWATER: Governor, I would move that we
19 reappoint Tena Pate to the Parole Commission and
20 also redesignate her as Chairman of the Commission.

21 ATTORNEY GENERAL BONDI: Second.

22 GOVERNOR SCOTT: All right. All in favor say
23 aye.

24 (Affirmative responses.)

25 GOVERNOR SCOTT: Any opposed? All right. The

1 motion passes.

2 ATTORNEY GENERAL BONDI: May I make a
3 statement, Governor?

4 GOVERNOR SCOTT: Yes.

5 ATTORNEY GENERAL BONDI: I have as a
6 prosecutor appeared in front of the Parole
7 Commission for many, many years, and Commissioner
8 Pate, Chairman Pate, thank you for your service and
9 your hard work, and thank you for wanting to
10 continue this position.

11 GOVERNOR SCOTT: Thank you very much.

12 Is there a motion for the second vacancy?

13 ATTORNEY GENERAL BONDI: Governor, if there
14 are no motions on the floor, I would ask that the
15 Parole Commission -- Qualifications Commission
16 reinitiate the interview process and bring us back
17 more eligible applicants to consider for the Parole
18 Commission as soon as possible.

19 GOVERNOR SCOTT: Any other comments? All
20 right. Is there a second for that motion?

21 COMMISSIONER PUTNAM: Second.

22 GOVERNOR SCOTT: All in favor I guess say aye.
23 (Affirmative responses.)

24 GOVERNOR SCOTT: All right. The motion
25 passes. Thank you very much.

1 GOVERNOR SCOTT: All right. Now we're going
2 to go to -- the next Cabinet meeting is Tuesday,
3 August 2, 2011.

4 Now we're going to go to the Division of Bond
5 Finance. Good morning.

6 MR. WATKINS: Good morning, Governor.

7 GOVERNOR SCOTT: The first agenda is to be
8 presented by Ben Watkins.

9 MR. WATKINS: Thank you, Governor and Cabinet
10 members.

11 Item Number 1 is approval of the minutes of
12 the May 17th meeting.

13 GOVERNOR SCOTT: Is there a motion on the
14 minutes?

15 ATTORNEY GENERAL BONDI: Move to approve.

16 GOVERNOR SCOTT: Is there a second?

17 CFO ATWATER: Second.

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

20 MR. WATKINS: Item 2 are resolutions
21 authorizing the issuance and competitive sale of up
22 to \$330 million in PECO refunding bonds to take
23 advantage of lower interest rates.

24 GOVERNOR SCOTT: And all this is is the
25 refunding of the bonds? It's not new debt?

1 MR. WATKINS: That's correct. It's a
2 refunding for debt service savings, to lower the
3 interest rate on outstanding debt.

4 GOVERNOR SCOTT: Are there any questions? Is
5 there a motion on Item 2?

6 COMMISSIONER PUTNAM: So moved.

7 GOVERNOR SCOTT: Is there a second?

8 ATTORNEY GENERAL BONDI: Second.

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

11 MR. WATKINS: Thank you, sir.

12 CFO ATWATER: Governor?

13 GOVERNOR SCOTT: Thank you. Go ahead.

14 CFO ATWATER: I wonder, if we have just a
15 minute, if we could hear from Ben as to the value
16 of the savings that we've been receiving on what
17 you've been refunding for us. Governor, I don't
18 know if we have the time. I would be --

19 GOVERNOR SCOTT: I think it's a good idea.
20 Are you willing to do that at this time?

21 MR. WATKINS: Sure, happy to.

22 Well, over the course of the last fiscal year,
23 we've executed approximately ten refunding
24 transactions totaling approximately \$1.5 billion in
25 order to lower the interest rate and take advantage

1 of lower rates in the municipal market, and that
2 generated debt service savings, gross debt service
3 savings of \$190 million on the transactions that we
4 have executed this year.

5 You know, that's part of what we do, is
6 constantly monitor all of the different series of
7 bonds that are outstanding at the state level, what
8 the interest rates are on those bonds, and what
9 interest rates we may be able to obtain in the
10 market at any given time. And what we try to do is
11 stay ahead of the game and stay prepared and have
12 authorizations in place and move aggressively to
13 take advantage of lower interest rates. So that's
14 what we've been doing, and that's what we've
15 accomplished over the course of the last fiscal
16 year.

17 GOVERNOR SCOTT: That's great. It's savings
18 now, but it's also savings for a long time.

19 MR. WATKINS: It's savings over the term of
20 the refunding. One of our policies is not to
21 extend our debt. We've never done any
22 restructuring of debt, is what it would be referred
23 to as, but we do term-to-term refundings. In other
24 words, if there's 10 years outstanding on the loan,
25 then the refunding bonds go for 10 years, and those

1 savings accrue levelly over the period of time that
2 the bonds are currently outstanding. So we're
3 just, in effect, lowering our debt service
4 requirements on the bonds that are being issued in
5 order to take advantage of lower interest rates.

6 CFO ATWATER: I just think that that's what --
7 Ben, all of us on the Cabinet would like to express
8 our gratitude. We just had a presentation that the
9 Commissioner did on the Davis Productivity Awards
10 and all of our fellow employees looking for ways to
11 be more efficient. And the thoughtfulness, the
12 care, and the analysis that you've been doing to
13 save us \$200 million in the course -- you know,
14 18 million taxpayers are grateful for that. We get
15 nothing for that. But when you save that kind of
16 money, that can be reinvested. Or frankly, I think
17 all of us here would prefer that it stays in the
18 people's pockets in Florida and doesn't come here.
19 But you did that by knocking down that debt
20 service, so thank you very much.

21 MR. WATKINS: Thank you. You know, it's all
22 attributable to the hard work and dedication of my
23 staff, of course. I'm just the mouthpiece. It's
24 part of the job, but I appreciate the
25 acknowledgment.

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CFO ATWATER: Please pass along our gratitude
to the whole team, then.

MR. WATKINS: Absolutely.

GOVERNOR SCOTT: Thank you, Ben.

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

4 Good morning.

5 MS. MORELAND: Good morning, Governor and
6 members of the Cabinet.

7 The Office has two items for your
8 consideration this morning. Item Number 1 is a
9 request for approval of the meeting minutes for the
10 February 1, 2011 meeting.

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

12 CFO ATWATER: So moved.

13 GOVERNOR SCOTT: Second?

14 ATTORNEY GENERAL BONDI: Second.

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

17 MS. MORELAND: Item Number 2, the Office
18 requests approval to publish a notice of proposed
19 rule for Rule Chapter 69V-180 relating to consumer
20 debt collection. The proposed rules revise the
21 consumer complaint form to conform to statutory
22 requirements, sets forth books and records
23 requirements, and establishes guidelines for
24 imposing administrative penalties.

25 GOVERNOR SCOTT: Is there a motion on Item 2?

1 CFO ATWATER: So moved.

2 GOVERNOR SCOTT: Is there a second?

3 ATTORNEY GENERAL BONDI: Second.

4 GOVERNOR SCOTT: Moved and seconded. Show

5 Item 2 approved without objection.

6 MS. MORELAND: Thank you.

7 GOVERNOR SCOTT: Thank you very much.

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

4 Good morning.

5 MS. MILLER: Good morning. Thank you,
6 Governor and members of the Commission.

7 Item 1 is to approve the minutes of the
8 Financial Services Commission from March the 9th,
9 2011.

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

11 CFO ATWATER: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 COMMISSIONER PUTNAM: Second.

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

16 MS. MILLER: Item 2 is a request for approval
17 for publication of amendments to proposed rules.
18 All of these deal with life insurance actuarial
19 memoranda and the setting of reserves.

20 690-138.047, titled Description of Actuarial
21 Memorandum Including an Asset Adequacy Analysis and
22 Regulatory Asset Adequacy Issues Summary;
23 690-162.203, Adoption of 2001 Commissioners
24 Standard Ordinary Preferred Mortality Tables for
25 Determining Reserve Liabilities for Ordinary Life

1 Insurance.

2 These rules are consistent with changes to
3 move away from the rule-based reserve requirements
4 and toward principle-based reserve requirements.
5 Rule-based reserves specify mortality tables,
6 interest rates, and method as a "one size fits all"
7 approach. Principle-based reserving permits
8 greater judgment on the part of the company
9 actuaries to use assumptions based, to the extent
10 statistically credible, on the company's own
11 experience. Changing to principle-based reserving
12 is occurring at both the national and the
13 international levels.

14 Until recent technology made expanded
15 underwriting criteria practical, mortality tables
16 were based on standard and substandard risks, age,
17 gender, and smoker and nonsmoker status. Newly
18 developed tables permit super-preferred, preferred,
19 standard, and substandard risk classifications.
20 These tables were first available for policies
21 issued in 2007.

22 The companies were doing underwriting in 2005
23 and 2006 that was essentially the same as in 2007,
24 so the industry requested that these reserves be
25 calculated using the preferred mortality tables for

1 those two years. This provides a little bit of
2 surplus relief for companies during the economic
3 downturn.

4 An initial step toward the use of these
5 reserves was the adoption by the NAIC, the National
6 Association of Insurance Commissioners, of two
7 model regulations which are a national standard for
8 life insurance reserve calculations. So companies
9 write across the country, and these would be
10 consistent across the country and would be national
11 in use for their one financial statement that's
12 filed for every state.

13 GOVERNOR SCOTT: Thank you. Any comments?

14 All right. Is there a motion on Item 2?

15 CFO ATWATER: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 ATTORNEY GENERAL BONDI: Second.

18 GOVERNOR SCOTT: Moved and seconded. Show
19 Item 2 approved without objection.

20 MS. MILLER: Thank you. Item 3, if the
21 Commission would approve this, we would like to
22 defer this item until the next meeting. This is
23 appointment of the workers' comp JUA board.

24 GOVERNOR SCOTT: Okay. Is there a motion to
25 defer Item 3?

1 CFO ATWATER: So moved.

2 GOVERNOR SCOTT: Is there a second?

3 ATTORNEY GENERAL BONDI: Second.

4 GOVERNOR SCOTT: Moved and seconded. Show
5 Item 3 deferred approved without objection.

6 MS. MILLER: And in place of that item, with
7 your indulgence, I would like to introduce Susanne
8 Murphy. She is the chief administration officer
9 for Citizens Property Insurance Corporation, which
10 writes our property coverage in the state of
11 Florida for the people who can't find coverage in
12 the admitted market. And Susanne is here to give
13 you an update on Citizens and its potential
14 assessments and liabilities.

15 GOVERNOR SCOTT: Thank you. Good morning.

16 MS. MURPHY: Good morning, Governor Scott,
17 General Bondi, CFO Atwater, and Commissioner
18 Putnam. Thank you for the opportunity to appear
19 before you today. I regret that our CFO, Sharon
20 Bennett, is unable to be here. She's actually
21 traveling with our financial team meeting with
22 potential investors on a current bond issue that we
23 have pending. So in her absence, I'm happy to
24 appear before you and hope that I can do her proud.
25 We were asked to come before you to talk about

1 Citizens and its potential assessments and how
2 those assessments affect Citizens policyholders and
3 what effect they have on non-Citizens
4 policyholders. So we have a very targeted
5 presentation to try to address that particular
6 issue.

7 If I might, let me start by just reminding you
8 all of what financial resources Citizens has at its
9 disposal and how those resources are different than
10 those available to a licensed property and casualty
11 insurance company. We have the typical resources
12 that are available to insurance companies, such as
13 we collect insurance premiums, we earn investment
14 income, we have surplus from prior year operations,
15 we're eligible for Florida Hurricane CAT Fund
16 reimbursements, and if we purchase reinsurance,
17 private reinsurance, as we did this year for our
18 coastal account, we also have access to those
19 reinsurance recoveries.

20 But in addition to those typical financial
21 resources that companies have available, Citizens
22 has some unique and special assessment powers that
23 have been granted to us by the Legislature, and
24 they are the following:

25 We have a Citizens policyholder surcharge that

1 I'll describe in a little more detail in a minute.
2 We also have the power to levy regular assessments
3 on non-Citizens policyholders, the power to levy
4 emergency assessments on a wide range of
5 policyholders, and we also have access to pre-event
6 liquidity resources, such as debt instruments,
7 which I just talked about, and lines of credit.
8 And all of these resources together are combined to
9 help us meet our obligation to our policyholders.

10 The next slide shows you in a graphic form
11 those resources. We have three accounts at
12 Citizens. That's the way that our policies are
13 allocated in the statute that created us. We have
14 a personal lines account, which is basically
15 homeowners coverage throughout Florida. We have a
16 commercial lines account, which are large
17 condominium associations and apartment complexes.
18 And then we have a coastal account, which is the
19 property along the coastline of Florida, where we
20 offer wind-only coverage.

21 If you look at the three accounts, you see
22 that the accumulated surplus available from those
23 accounts, taking into consideration surplus and
24 budgeted net income, the total accumulated surplus
25 that we have available for this fiscal -- I mean

1 for this hurricane season is about \$5.7 billion.

2 If you add to that the pre-event liquidity at
3 2.9 billion that comes from previous bond sales,
4 our projected CAT Fund cover and projected
5 reinsurance recoveries, for the coastal account,
6 you see we have a little over 10 billion in
7 resources, and for the personal lines account and
8 the commercial lines account, about 5.6 billion,
9 for a total of \$15.8 billion.

10 Now, certainly the surplus is cash that's
11 available, but things like the pre-event liquidity
12 available, if we draw down on those funds, we're
13 required to repay those funds, and the repayment
14 would come either from -- we could use those funds
15 as a liquidity mechanism to pay claims while we
16 wait for recoveries from the CAT Fund, or we could
17 use those moneys to pay claims and wait for
18 recoveries from our private reinsurance, or we
19 could use assessments to pay those funds that are
20 drawn down back. So although we have access to
21 those funds, if we tap into our pre-event
22 liquidity, we've got to repay it, and the three
23 sources that I just described are the way that we
24 would repay those funds.

25 The next chart is a chart that we posted on

1 our website and provided to all of our agents, and
2 use it with policyholders as well to try to explain
3 how assessments for Citizens work. The assessments
4 have changed over time, and the Legislature has
5 reconsidered the appropriate percentage of
6 assessments that should be paid by a Citizens
7 policyholder and a non-Citizens policyholder and
8 have passed legislation a couple of years ago that
9 created a Citizens policyholder surcharge that says
10 if you're a policyholder of Citizens and we have a
11 deficit in one account, you are liable for up to
12 15 percent of your premium if there's a deficit in
13 that account. If we have a deficit in all of the
14 three accounts that I referenced a moment ago, the
15 ultimate Citizens policyholder surcharge could be
16 45 percent of total premium for their Citizens
17 policy. And we have a slide later on that tries to
18 put that in terms that are easy to understand and
19 give you an example of what that liability could be
20 for a Citizens policyholder.

21 If the Citizens policyholder surcharge is not
22 enough to cure the deficit, then the law prescribes
23 that we levy a regular assessment of up to
24 6 percent on property insurers in Florida, who then
25 pass that assessment on to their policyholders. If

1 that 6 percent assessment on the voluntary market
2 is not enough to cure the deficit, the statute
3 provides for an emergency assessment of up to
4 10 percent per year per account.

5 I didn't mention that on the regular
6 assessment, there is a potential liability for a
7 non-Citizens policyholder of 6 percent for each
8 account. Remember that for a Citizens
9 policyholder, it's 15 percent for each account, but
10 for a non-Citizens policyholder, it's up to
11 6 percent for each account. And then both Citizens
12 policyholders and non-Citizens policyholders are
13 liable for any emergency assessment that's levied
14 by Citizens to cure a deficit.

15 All right. Next slide. The next two slides
16 take four different scenarios and project what our
17 losses could be for four different storms and try
18 to show you graphically how those storms would be
19 paid for and which resources would need to be
20 triggered to pay the claims. We've tried to put
21 this in a pie chart because it seems to be easier
22 to read than the traditional layer charts that you
23 might have seen before, so I hope this is useful
24 and easy to understand.

25 In a one-in-five-year event, which is

1 basically a Frances event, relatively small,
2 Citizens could pay for that event, the probable
3 maximum loss of which is a little over a billion
4 dollars. We could pay that with our existing
5 surplus. So you see the circle is all green,
6 because that is the color of the accumulated
7 surplus that's right below the pie chart.

8 For a one-in-25-year event, Citizens would use
9 accumulated surplus and CAT fund reimbursements to
10 cover those losses of 8.4 billion and would not
11 need to levy any surcharges or private reinsurance,
12 but would use CAT Fund and surplus to pay for those
13 losses.

14 All right. The next slide is a one-in-50-year
15 event, which approximates a Hurricane Andrew event.
16 And you see in that eventuality, we would use
17 surplus and CAT Fund reimbursements. In the
18 coastal account, we would trigger private
19 reinsurance, a Citizens policyholder surcharge, a
20 regular assessment, and an emergency assessment.
21 So we would use all of the resources at our
22 disposal to pay an Andrew event. The total
23 probable maximum loss would be about 15.2 billion.
24 For the coastal account, which is the only account
25 that you'll see triggers surcharges and

1 assessments, there would be a 15 percent
2 policyholder surcharge for that account, the
3 maximum 6 percent regular assessment, and a 2
4 percent emergency assessment.

5 Now, the regular assessment, let me clarify,
6 is an assessment that's intended to be levied for
7 one year. The emergency assessment does not have
8 a -- it's intended to be multiple years, doesn't
9 have a prescribed term. And the last time that we
10 implemented an emergency assessment, the
11 Legislature prescribed that it should be for a
12 10-year period. And we have an emergency
13 assessment right now that's, I think, 1 percent
14 that is to be collected until 2017.

15 Okay. The last event is the one-in-100-year.
16 Yes. Thank you. It's on that same slide. This is
17 an event that we have not had in Florida up to this
18 point. But in that event, we would use surplus,
19 CAT Fund reimbursements, private reinsurance for
20 the coastal account, and then policyholder
21 surcharges and regular assessments for the personal
22 lines and commercial lines account, and
23 policyholder assessments, regular assessments, and
24 emergency assessments for the coastal account, to
25 cover an expected probable maximum loss of

1 \$24.5 billion.

2 And because of the significance of that event
3 and the concern with our ability to cover a
4 one-in-100-year event and the impact that that
5 event would have on our policyholders and on
6 non-Citizens policyholders, we also prepared a
7 sheet like this that shows you how that amount of
8 money would be paid and what the liability would be
9 on a Citizens policyholder versus a private market
10 policyholder. And I'll just summarize what this
11 says.

12 Essentially, it says that for a Citizens
13 policyholder, because of the difference in the
14 policyholder surcharge amount and their liability
15 to pay a larger share of the losses than a
16 non-Citizens policyholder, a Citizens policyholder
17 in a one-in-100-year event could expect to pay --
18 and these are based on average policyholder
19 premiums, so let me caveat that. This is very
20 average -- the only way I could give you a
21 comparison is to average all the policyholder and
22 homeowner premiums in Florida and all the auto
23 premiums in Florida. But a Citizens policyholder
24 would pay an additional \$1,000 on their automobile
25 and homeowners policies in year one following a

1 one-in-100-year storm.

2 GOVERNOR SCOTT: Is that on each policy?

3 MS. MURPHY: No, it's combined, \$1,000
4 combined for auto and homeowner.

5 GOVERNOR SCOTT: So for homeowners, would that
6 be like a \$130,000 house? Do you know?

7 MS. MURPHY: I think that the standard we
8 usually use is a \$150,000 coverage A amount. I'll
9 be honest with you. I don't know how this -- what
10 the premium was for this particular comparison.
11 But basically, you would show that the Citizens
12 policyholder with an average premium of \$1,900 for
13 a homeowners policy would pay a 45 percent
14 policyholder surcharge on that premium plus a
15 surcharge on their auto, and combined, they would
16 pay about \$1,000 more. And combined, a
17 non-Citizens policyholder would pay about \$300
18 more. So the Citizens policyholder has three times
19 as much liability as a non-Citizens policyholder,
20 following the State's direction that the Citizens
21 policyholder should have more of the burden of the
22 operations of Citizens as a beneficiary of it than
23 a non-Citizens policyholder.

24 Both Citizens and non-Citizens policyholders
25 would be liable for emergency assessments. And

1 again, using these very homogenized, combined
2 numbers, we project that the Citizens policyholder
3 would pay an additional combined of about \$47 on
4 their auto and homeowners policies versus \$39 for a
5 non-Citizens policyholder over a 30-year period of
6 time. And again, that's because the emergency
7 assessment can be over whatever period of time is
8 projected and selected, and for this example, we
9 used 30 years. So if we shortened that emergency
10 assessment period, that number could be much
11 different.

12 GOVERNOR SCOTT: A couple of questions. Can
13 we go back to slide 2?

14 So right now, the surplus of 5.7 billion --
15 you see at the top?

16 MS. MURPHY: Yes.

17 GOVERNOR SCOTT: How much -- if nothing -- if
18 we didn't have a hurricane this year, how much
19 would that surplus increase this next year?

20 MS. MURPHY: That is the projected year-end
21 surplus. That is the projected with our budgeted
22 net income projected through the end of the year,
23 so that is a number that is projected through
24 calendar year 2011.

25 I will say that I think our first quarter

1 financials already have us at 5.4 billion, so it
2 looks as though we might make that -- we'll make
3 that target of 5.7 by year-end.

4 GOVERNOR SCOTT: And so what do we -- how does
5 the surplus increase every year? If you don't have
6 a hurricane, how much does it increase every year?

7 MS. MURPHY: It depends on what our claims
8 are, because --

9 GOVERNOR SCOTT: So is there a projection of
10 how much it has been increasing every year?

11 MS. MURPHY: I don't have that. I can
12 certainly get that for you. I can show you over
13 time how our net income has either increased or
14 decreased over time. I'll be happy to get that for
15 you. I don't have it with me.

16 GOVERNOR SCOTT: The other one is, on the -- I
17 guess the risk is one this 100 -- I guess it would
18 a smaller number for the one-in-50 or whatever, but
19 the 1,003, that's assuming people are going to
20 right the check; right? That's assuming people
21 will pay it, policyholders will pay it. If they
22 don't pay it, we don't have the money to pay out
23 the claims.

24 MS. MURPHY: Well, I guess I would say if they
25 don't pay it, they don't have coverage for either

1 their auto policy or their homeowners policy,
2 because the law prescribes that that's considered
3 premium, and if you don't pay it, then you don't
4 have coverage. And I think we and the two
5 predecessor organizations have levied assessments
6 in the past and have been successful in collecting
7 those assessments and paying our obligations.

8 GOVERNOR SCOTT: And right now we already have
9 assessments on policies; right?

10 MS. MURPHY: Yes, we have the emergency
11 assessment, the 1 percent emergency assessment from
12 Citizens.

13 GOVERNOR SCOTT: From Citizens. And based on
14 what year? Was that for 2004, 2005?

15 MS. MURPHY: It was 2005.

16 GOVERNOR SCOTT: 2005? Okay. And has that
17 been going up every year still?

18 MS. MURPHY: It has actually been going down.
19 The emergency assessment originally was
20 1.4 percent, and then this year, because
21 collections are higher than we projected, it's now
22 at 1 percent. It has been reduced from 1.4 to
23 1 percent.

24 GOVERNOR SCOTT: And if you go to -- let's
25 see. Go to the -- I guess we don't get into the

1 assessments until the one-in-50; right? But
2 everything below that, the money is available now.
3 We've got the pre-event liquidity available.
4 That's available, the 2.9 billion.

5 MS. MURPHY: Right.

6 GOVERNOR SCOTT: The CAT Fund, that money is
7 available. We're not relying on in the future
8 borrowing that money; right? I mean, that money is
9 available now? We already have commitments?

10 MS. MURPHY: Yes.

11 GOVERNOR SCOTT: So on all these below in the
12 surplus, all that money is available now. We don't
13 have to worry about relying on the markets, if
14 they'll lend us the money at the time.

15 MS. MURPHY: No, sir. We don't need to rely
16 on anything other than surplus and CAT Fund until
17 we reach a one-in-50-year event.

18 COMMISSIONER PUTNAM: May I follow up on that,
19 please?

20 GOVERNOR SCOTT: Sure.

21 COMMISSIONER PUTNAM: How is it that your
22 projection doesn't require an assessment until the
23 one-in-50-year event if we're operating in a world
24 where you have an emergency assessment after the
25 '05 year, which was not a 50-year event?

1 MS. MURPHY: I'm sorry. You lost me.

2 GOVERNOR SCOTT: Basically, in 2005, it wasn't
3 a one-in-50, and under yours, it shows that we
4 don't need to do assessments until we have a
5 one-in-50.

6 COMMISSIONER PUTNAM: But yet you have an
7 assessment after a season that was not a
8 one-in-50-year event.

9 MS. MURPHY: What was? (Conferring sotto voce
10 with staff.)

11 Christine is just bringing me another chart
12 that if you run a one-in-34-year event, which of
13 course, is not in this series of slides that we
14 provided, there would be an assessment in the
15 coastal account.

16 But I think to go back to your point, I think
17 my answer would be that the deficit that was
18 calculated in '05 was based on the surplus, the
19 losses, and everything at that time. So we had a
20 deficit at that point for whatever that storm was
21 based on the surplus that we had in that place at
22 that time. Does that make sense?

23 COMMISSIONER PUTNAM: Well, it does, but I
24 guess my question is really more -- forget about
25 the Andrews and the Katrinas. We've got in this

1 decade a proven track record of multiple small to
2 medium-sized the storms. I don't know -- you now,
3 from an actuarial standpoint, I don't know what you
4 would characterize Charley, Frances, Ivan, Jeanne,
5 Wilma, and maybe Katrina as, but --

6 MS. MURPHY: Horrible.

7 COMMISSIONER PUTNAM: But how do multiple
8 small storms throw off your model? Because your
9 model is based on a single event.

10 MS. MURPHY: Sure.

11 COMMISSIONER PUTNAM: But you've got a proven
12 track record of multiple -- you know, when it
13 rains, it pours. If you have an active season,
14 you're going to get multiple strikes that may not
15 individually, but collectively would have an
16 enormous impact. So how does your model factor
17 that?

18 MS. MURPHY: Well, I think we have run
19 scenarios with multiple storms to just try to
20 figure out where we would get the resources to pay
21 it. But it would be -- you would sort of
22 reallocate the buckets of money that are shown on
23 these pages. And you may in fact have -- in a
24 series of three storms in a single year, you might
25 trigger a regular assessment or a Citizens

1 policyholder surcharge, and it's just not shown on
2 here. But we would still use the same discrete
3 buckets of money to allocate to those claims.

4 I mean, we can certainly give you multiple
5 scenarios that show what would happen if we had
6 five storms in one year, assuming these losses. I
7 mean, we could do that. But I guess my point would
8 be that it will show a different use of resources
9 to respond to those claims. There are infinite
10 variations.

11 ATTORNEY GENERAL BONDI: A question, Governor?

12 GOVERNOR SCOTT: Sure.

13 ATTORNEY GENERAL BONDI: How many policies
14 does Citizens currently write?

15 MS. MURPHY: We have 1.358 million policies as
16 of the end of May.

17 GOVERNOR SCOTT: What market share is that?

18 MS. MURPHY: I think based on premium, it's
19 probably 24, 25 percent.

20 GOVERNOR SCOTT: But in the coastal areas,
21 it's 40; right?

22 CFO ATWATER: It's way out there.

23 GOVERNOR SCOTT: It's way out there in the
24 coastal areas; right.

25 MS. MURPHY: We only have about -- about

1 400,000 of those are coastal. The rest of them are
2 not. So of that 1.358, only about 400,000 are
3 coastal policies. The rest are low value, older
4 homes, mobile homes.

5 GOVERNOR SCOTT: I think going back to what
6 Commissioner Putnam was talking about, I guess it's
7 really if you have two one-in-25-year events, then
8 we're going to have assessments, right, if we have
9 two in one year?

10 MS. MURPHY: You know, I would say that's
11 certainly possible.

12 GOVERNOR SCOTT: And then how much has the
13 sinkhole issue cost you all, cost Citizens?

14 MS. MURPHY: We have seen a huge increase in
15 the frequency of sinkhole claims and the severity
16 of sinkhole claims.

17 GOVERNOR SCOTT: Do you know off the top of
18 your head how much that's costing us a year, that
19 issue?

20 CFO ATWATER: I'll give it to you, Governor.
21 Last year we had -- we took in about \$19 million in
22 sinkhole premium, if that was accurate from your
23 numbers.

24 MS. MURPHY: I think that was 2009. Excuse
25 me.

1 CFO ATWATER: Yes, the last year we had a
2 wrap-up. And we took in 19 million in premiums and
3 paid out 85 million in claims.

4 GOVERNOR SCOTT: 85 million? Okay. That's
5 significant. And it's growing; right?

6 CFO ATWATER: That's the real problem. I
7 think if we had the trend line of accounts, 10
8 years ago we had about 450,000 accounts in what was
9 then called -- what's now called the coastal
10 account. Today we have about 450,000 households in
11 the coastal account.

12 Our greatest concern is how we have chased
13 away capital by the fact that we have lost capital
14 that was insuring homes that now are in sinkhole
15 areas, or often referred to as older housing stock
16 homes. And so when you think of the growth that
17 has occurred in the last three years, it has not
18 been in the coastal areas. It has been in the
19 interior of Florida, and because of the loss of
20 capital and people choosing not to write in
21 Florida. So the importance is, of course, getting
22 that capital back here and taking that housing
23 stock back.

24 MS. MURPHY: Governor, I do have current
25 numbers through 2010. From our creation in 2002

1 until 2010, we collected for sinkhole 272 million
2 in premium, and we've paid out 878 million in
3 claims.

4 GOVERNOR SCOTT: A lot of money.

5 CFO ATWATER: And as I say, you can't make
6 that up on volume. It's a real issue. And
7 hopefully the changes you signed, Governor, will
8 make a difference.

9 GOVERNOR SCOTT: So are you seeing any change
10 in how many people are trying get Citizens now
11 after the bill was signed?

12 MS. MURPHY: I don't think we've had enough
13 time to see any impact of Senate Bill 408. I will
14 say that we have seen a pretty steady increase in
15 new applications coming in to Citizens since the
16 first of the year. We're up to -- I think April
17 was like 40,000 new applications for coverage in a
18 single month. That's certainly not the highest
19 we've ever been. I remember months in which we got
20 60,000 applications. But that is just an
21 unbelievable amount of new applications for
22 coverage.

23 You know, we grew by about 250,000 policies
24 last year in 2010, and a lot of that has to do
25 with, in my opinion, the health of the voluntary

1 market and the willingness of the voluntary market
2 to write coverage in Florida, the insolvency of a
3 couple of companies, and just plans by your
4 household insurers, you know, not to actively write
5 in Florida.

6 So, you know, our role is to provide coverage
7 when coverage is not available, and so if coverage
8 is restricted in the voluntary market, our
9 applications increase.

10 ATTORNEY GENERAL BONDI: And you discuss that
11 statutorily Citizens, of course, has moved away
12 from being the insurer of last resort and openly
13 competes in the market. What would Citizens look
14 like financially if you were able to charge
15 actuarially sound rates? What would it look like?

16 MS. MURPHY: I think that there are certain
17 segments of our business that may not be able to
18 find a home in the voluntary market that we can
19 assume will likely remain insured by Citizens, and
20 those would be wind-only policies, the 400,000 I
21 mentioned earlier, mobile home policies -- we have
22 like 185,000 mobile homes, and a huge portion of
23 those mobile homes are more than 25 years old. No
24 company is going to have an underwriting rule that
25 would permit them to insure a mobile home that's

1 more than 25 years old.

2 So we have coastal properties that will likely
3 remain covered. We have mobile homes that will
4 likely remain covered by Citizens, and older homes
5 that again most private insurers will not write a
6 home that's more than 20 or 25 years old, and low
7 value homes.

8 So I would estimate that that combined is
9 probably 800,000 policies. If you take the 400,000
10 coastal policies and add mobile home, low value,
11 and older homes, we have a significant population
12 that would likely still need to get coverage from
13 Citizens unless a market can be created for mobile
14 home insurers, for low value home insurers, and for
15 older home insurers, that that would become their
16 niche market. And we had some of those companies
17 prior to Andrew, but just have not seen them return
18 to Florida.

19 So absent some kind of significant initiative
20 to attract those companies to Florida, I'm not sure
21 our numbers would get much below -- certainly not
22 below half a million. I can't project that in my
23 mind.

24 GOVERNOR SCOTT: Any other questions?

25 CFO ATWATER: Thank you, Governor. I think

1 that the Commissioner really lays out the more
2 likely scenario. I appreciate that you were trying
3 to figure out a way to give us the best possible,
4 maybe the easiest to comprehend assessment strategy
5 that may kick in, but I think it's far more likely
6 that we're going to see multiple year events that
7 will probably regrettably bring us to the need to
8 assess.

9 And maybe also to that point, it would be my
10 recollection that our reserves -- to the point
11 about the assessment kicked in with less severe
12 storms, but multiple storms, we did not go into the
13 '04-05 season with the kinds of reserves we have
14 now that we could have absorbed at least the first
15 couple.

16 MS. MURPHY: Right.

17 CFO ATWATER: So that's also to the question
18 the Commissioner was asking. We didn't have the
19 kind of reserves we have today when we started that
20 in '04, '05.

21 MS. MURPHY: That's correct.

22 CFO ATWATER: I think it's a very important
23 exercise, that it can be very well understood by
24 the public that there is someone who pays the piper
25 here, and it's going to be the individual that

1 believes at the moment they're receiving, by the
2 conversation anyway, a discounted rate from the
3 private market at the moment, if the private market
4 were offering that same price. And so there may be
5 some comfort in believing that I'm receiving a
6 lower cost at the moment. But if you don't go out
7 30 years on these other assessments, it would be a
8 significant burden to be carrying on a shorter
9 assessment period, and someone is going to pay the
10 piper. I think that's the important exercise to
11 for people to get the word out, that someone is
12 going to pay the piper.

13 GOVERNOR SCOTT: Yes. They're not calculating
14 the odds of the assessment.

15 CFO ATWATER: That's correct.

16 GOVERNOR SCOTT: I mean, that's basically what
17 I'm saying.

18 CFO ATWATER: It's Vegas, yes. I got by for
19 the year.

20 MS. MURPHY: Governor and CFO Atwater, there
21 was a provision in 408, Senate Bill 408 that
22 requires Citizens to provide to a new applicant for
23 coverage, effective January 1, I believe, basically
24 a disclosure document in which they sign an
25 acknowledgment of what their liability may be for

1 assessments and distinguishes what they would pay
2 as a Citizens policyholder versus a non-Citizens
3 policyholder. So that is an attempt, I think, by
4 the Legislature to make certain that we supplement
5 our efforts to notify policyholders about the
6 potential assessment by having them sign this
7 disclosure document that has to accompany their
8 application for coverage. So that's an attempt to
9 make certain that people are aware of what their
10 liability could be.

11 CFO ATWATER: Do we provide a scenario in that
12 document?

13 MS. MURPHY: We haven't created it yet. We
14 could. That's not a bad idea at all to think
15 about, here's an example of what could happen.

16 CFO ATWATER: I think rather than just a
17 narrative that you may be held responsible or that
18 you will be held responsible, here is scenario 1,
19 2, and 3, or something in which your assumptions
20 are there. And I think it would also be important
21 that in that assumption, someone is laying out what
22 is the likelihood of a 30-year assessment versus a
23 10-year assessment, because that math makes all the
24 difference to somebody.

25 MS. MURPHY: Thank you.

1 GOVERNOR SCOTT: I think as much as we can let
2 everyone know if they're going to buy Citizens what
3 the additional potential risk is.

4 Let me add, I think we have to also look at --
5 and I don't know the numbers, but I assume after
6 Katrina, a lot of people just walked way from their
7 homes and their policies. And so the belief that
8 everybody is going to pay an assessment might be --
9 that might not happen.

10 MS. MURPHY: Again, I think our history has
11 shown that we have been successful in being able to
12 collect assessments and service our debt, so we
13 would hopefully be able to do that in the future.

14 GOVERNOR SCOTT: All right. Any other
15 questions?

16 Thank you very much.

17 MS. MURPHY: Thank you.

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1 GOVERNOR SCOTT: Okay. The next agenda is the
2 Department of Revenue presented by Lisa Vickers.
3 Good morning.

4 MS. VICKERS: Good morning. Item 1, we
5 request approval of the minutes from the April 19th
6 and May 3rd meetings.

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

8 ATTORNEY GENERAL BONDI: Move to approve.

9 GOVERNOR SCOTT: Is there a second?

10 CFO ATWATER: Second.

11 GOVERNOR SCOTT: Moved and seconded. Show
12 Item 1 approved without objection.

13 MS. VICKERS: Item 2, we request approval and
14 authority to publish Rule 12E-1.0051. This rule
15 relates to undistributable collections for child
16 support and provides the method by which the
17 Department will determine when funds cannot be
18 distributed and are required to become program
19 income.

20 GOVERNOR SCOTT: Are there any questions?

21 All right. Is there a motion on Item 2?

22 ATTORNEY GENERAL BONDI: Move to approve.

23 GOVERNOR SCOTT: Is there a second?

24 CFO ATWATER: Second.

25 GOVERNOR SCOTT: Moved and seconded. Show

1 Item 2 approved without objection.

2 MS. VICKERS: Item 3, we request approval of
3 the following rules for final adoption: Rule
4 12B-5.130 and 12B-5.150 related to refunds of tax
5 paid on fuel used for pumping off cargo; Rule
6 12A-1.018 and Rule 12A-1.074 related to trade-ins
7 when price is reduced as a result of trade-in of
8 used property; and Rule 12C-1.013 related to
9 corporate income tax, removing an obsolete example
10 referencing the Michigan single business tax that
11 has been repealed.

12 GOVERNOR SCOTT: All right. Is there a motion
13 on Item 3?

14 ATTORNEY GENERAL BONDI: Move to approve.

15 GOVERNOR SCOTT: Is there a second?

16 CFO ATWATER: Second.

17 GOVERNOR SCOTT: Moved and seconded. Show
18 Item 3 approved without objection.

19 MS. VICKERS: Finally, Item 4, we request
20 approval for final adoption and approval of Rule
21 12A-1.061. This rule is related to timeshares and
22 provides for the tax treatment of timeshare
23 programs in the industry.

24 GOVERNOR SCOTT: Is there a motion on Item 4?

25 CFO ATWATER: So moved.

1 GOVERNOR SCOTT: Is there a second?

2 ATTORNEY GENERAL BONDI: Second.

3 GOVERNOR SCOTT: Moved and seconded. Show
4 item 4 approved without objection.

5 MS. VICKERS: Thank you.

6 GOVERNOR SCOTT: Thanks, Lisa.

7 ATTORNEY GENERAL BONDI: Governor, may I bring
8 up an issue?

9 GOVERNOR SCOTT: Sure.

10 ATTORNEY GENERAL BONDI: Thank you. I know
11 we've heard a lot lately about the issue of how to
12 impose taxes on the markup of hotel rooms sold by
13 Internet intermediaries. We know that some
14 legislative action did not pass last session.

15 Can you take a couple of moments as our
16 executive director to give us some history on this,
17 a very brief history?

18 MS. VICKERS: Certainly. The issue of tax on
19 what is known as travel intermediary sales of hotel
20 rooms has been around for a very long time. In
21 fact, I'm sure even Commissioner Putnam probably
22 recalls efforts at the federal level in Congress
23 with respect to taxation of those transactions.

24 The issue first arose back in about 2003, sort
25 of a burgeoning industry where hotel rooms were now

1 being offered through Internet sites. And the
2 issue is really whether tax is due on the markup of
3 the price of the hotel room when they're sold by an
4 online company.

5 Tax has been paid and collected since the
6 beginning of this industry on the sale of the hotel
7 room from the hotel to the online company. To give
8 you an example, a hotel room might be sold by a
9 local hotel to an online company for \$100. That
10 hotel room is resold to an ultimate customer for
11 \$130 by the online company. Tax has been paid to
12 the hotel and remitted to the State and the local
13 government on the \$100, but not on the \$30 markup.
14 In a county that might have a 12 percent tax
15 between the state transit rental tax and local
16 taxes, you're talking about \$3.60 on that
17 transaction that's not being remitted.

18 The Department, when we originally looked at
19 the issue, one of the things we recognized right
20 away is that the sales tax statute was written in
21 1949, and it really hasn't been updated to reflect
22 some of new ways of doing business and even some of
23 the new products.

24 I always tell the story about my daughters in
25 the back seat of the car arguing with each other,

1 and I turn to them and tell them they sound like a
2 broken record, and they ask me, "What's a record?"
3 You know, my kids have never bought music in a
4 tangible form, digital downloads. We tax CDs,
5 cassettes, you know, tapes. We don't tax digital
6 downloads.

7 The sales tax statute has not kept up with
8 some of the new forms of transactions, and this is
9 an area where that is an issue. The statutes were
10 written at a time when -- for example, references
11 in the statute refer to things like rooming houses.
12 You know, it hasn't been updated.

13 So the question is, is this new way of doing
14 business subject to tax under our existing statute?
15 And that has been debated a lot. Local governments
16 have been pretty strong coming out and taking the
17 position that they believe it is taxable under the
18 current statute.

19 And there's a little difference in the
20 language between the statute that the State
21 administers, Chapter 212, and local government
22 taxes under Chapter 125 on these same transactions,
23 under the tourist development tax and the
24 convention development tax. And there have been a
25 lot of lawsuits filed between local governments and

1 the online intermediaries trying to resolve those
2 issues that really have not made much progress.

3 The Legislature has had multiple opportunities
4 to look at this issue. I think there has been a
5 bill filed every year, with the exception of 2007,
6 on this issue, some years to clarify that it's
7 taxable, some years to clarify that it's not
8 taxable, but it has never been resolved. There has
9 never been legislation passed.

10 So the issue continues to hang out there. It
11 is not a Florida-specific issue. This is being
12 litigated all over the United States. And every
13 state's laws are a little different, so the
14 outcomes have been different in places where it has
15 been resolved, and those are very few. In most
16 places, it's still a pending issue like it is here
17 in Florida.

18 ATTORNEY GENERAL BONDI: And for my fellow
19 Cabinet members, back in '09, my predecessor filed
20 a lawsuit that was never served. It was filed, but
21 not served, under the Unfair and Deceptive Trade
22 Practices Act. And that's what I wanted to ask
23 you. In your opinion, are there other avenues that
24 would settle this quicker? Do you have an opinion
25 as to a quicker resolution and how we can handle

1 this?

2 MS. VICKERS: Well, as I mentioned, there are
3 about ten lawsuits that have been filed. You know,
4 I hear from time to time that the parties are
5 pushing those further.

6 As you mentioned, the previous administration
7 had filed a lawsuit under unfair trade practices.
8 That has been an issue that has been talked about
9 at some length. Originally the online companies,
10 the way they portray how much you book the room for
11 on the websites, they'll put the price, \$130, and
12 then they put taxes and fees, and they'll put a
13 dollar amount. And if you click on that, it gives
14 you an explanation that what that represents is
15 reimbursement for the taxes that they pay to the
16 hotels and additional charges, service charges that
17 they make. And so I think Attorney General
18 McCollum was very concerned about the visibility of
19 that and whether consumers knew what they were
20 paying.

21 But at the heart of all of this is the issue
22 of whether the transaction is taxable or not. The
23 Department has not taken a position on it, hopeful
24 that the Legislature would, you know, bring clarity
25 to the issue, because that's certainly the

1 quickest, fastest way to bring certainty to an
2 issue, is to make sure that the statute is very
3 clear for taxpayers, but that hasn't happened.

4 One of the options that we could pursue that
5 we haven't is for the Department to begin
6 rulemaking on the issue and try and, you know,
7 finally determine what we think the statute means
8 in terms of the transit rental tax for the state.
9 You know, I think people have gone back and forth.
10 I think people have spent a lot of time debating on
11 whether it should be taxable or not, and we really
12 haven't looked at the statute and said, "Okay.
13 This is the statute we've got. Does it apply or
14 not?" There of rules of statutory construction
15 when things are unclear. There's certainly the
16 fact that the later-written statutes, the local
17 government statutes, use language that's a little
18 stronger than the state statute uses in terms of
19 taxing it. So that is definitely an option that's
20 available. You know, we could go down the
21 rulemaking route.

22 ATTORNEY GENERAL BONDI: Would you prepare a
23 recommendation to us about rulemaking and provide
24 it to us next Cabinet meeting?

25 MS. VICKERS: I would be happy to.

1 ATTORNEY GENERAL BONDI: Thank you.

2 GOVERNOR SCOTT: Lisa, would you -- what we
3 would do if we did a rule, you're not going to
4 impact what the local counties are doing; is that
5 right?

6 MS. VICKERS: We would. If we --

7 GOVERNOR SCOTT: How would you interpret --
8 how would you deal with their statute then?

9 MS. VICKERS: The way the two chapters work
10 is, they basically use the same transaction as a
11 tax base, the sale of a transient accommodation,
12 and they impose taxes at two levels, the state tax
13 under Chapter 212, the transient rental tax,
14 tourist development tax, convention development
15 tax, and the local taxes under Chapter 125.

16 When the State has not taken a position on an
17 issue, the local governments are free to take a
18 position on their statutes. But once the State has
19 taken a position with respect to Chapter 212, the
20 transient rental tax, that position becomes binding
21 on the local government. So if we had a rule,
22 whether it said it's taxable or not taxable, that
23 rule would be binding with respect to those local
24 transactions.

25 GOVERNOR SCOTT: Even if their statute is

1 written differently than ours?

2 MS. VICKERS: Right. I mean, specifically,
3 our statute talks about the rental charged, and
4 theirs talks about the consideration charged. So
5 ours seems to focus on the rental of the room,
6 where theirs focuses on the total consideration for
7 the rental of that room. So it's just very slight
8 wording differences, but it's one of the things
9 that the local governments have really focused in
10 on in terms of enforcing their statute.

11 ATTORNEY GENERAL BONDI: And given that our
12 statute was written in 1949 and nothing has been
13 able to go before the Legislature, would you agree
14 that rulemaking -- is that what you said,
15 rulemaking would be an appropriate venue for us to
16 discuss a solution to this matter?

17 MS. VICKERS: Rulemaking will give us the
18 opportunity to hold workshops, let everybody come
19 forward and make their best arguments under the
20 various statutes, you know, apply the rules of
21 statutory construction, and bring back to you a
22 recommendation in terms of what we believe the
23 correct application of the statute is, you know,
24 given all of these various debates.

25 The rule would definitely, I think, under the

1 new provisions cause the economic impact that would
2 require them to go to the Legislature to be
3 ratified. So the rule would end up back in front
4 of the Legislature for ratification, so they would
5 get a final say.

6 GOVERNOR SCOTT: So, Attorney General Bondi,
7 you're asking for her to come back, Lisa to come
8 with a proposal as far as the process, or a
9 recommendation as far as the rule?

10 ATTORNEY GENERAL BONDI: A recommendation,
11 just a recommendation.

12 GOVERNOR SCOTT: You're asking for a
13 recommendation as far as the rule?

14 ATTORNEY GENERAL BONDI: The rulemaking, yes.

15 MS. VICKERS: I would recommend, you know,
16 coming back with a proposal on what that process
17 would look like and not on a particular position.
18 I mean, I think it's really important to listen to
19 all sides and get that public input and have the
20 workshops before we decide, you know, what we think
21 the statute means.

22 ATTORNEY GENERAL BONDI: Governor, just the
23 process.

24 GOVERNOR SCOTT: Has the Legislature -- has
25 the Legislature been holding hearings every year?

1 CFO ATWATER: There have been -- in the last
2 few years that I have been a part of the
3 Legislature, as was mentioned, there have been
4 bills that have been proposed on either side of
5 this that have been debated. And I think what you
6 can take from the fact that they haven't passed one
7 way or the other in ten years is that the majority
8 of legislators believe that the present statute,
9 though maybe aged, is still being applied
10 correctly. That would be my interpretation.

11 Someone would say there's been inaction. I
12 would say that they've seen the case that has been
13 made, and they see the statute, and they believe
14 it's being applied correctly.

15 ATTORNEY GENERAL BONDI: As a tax lawyer,
16 would you agree with that?

17 MS. VICKERS: Well, the current application is
18 that tax is not being collected on those
19 transactions today. It is being collected on the
20 room rate. There certainly is a lot of debate on
21 both sides, on multiple sides. You even see this
22 year hotels, our local hotels lining up in a
23 different position from the online intermediaries,
24 and others that represent sort of the bigger resort
25 areas that use some of these online forums and also

1 operate under other statutes related to the sale of
2 travel lining up with the online companies, and the
3 counties lining up against the online companies.
4 So you see multiple parties all disagreeing over
5 what this statute means.

6 And it sort of gets back to that earlier point
7 I made. I think it kind of gets back to how should
8 we tax this, or should we tax it? You know, should
9 we tax it at all? Is it, you know, an industry
10 that we want to encourage this new form of
11 transaction in, or is it so much like the old way
12 of doing business that we think we're putting our
13 hotels at a competitive disadvantage?

14 You hear the same arguments with the respect
15 to streamlined sales tax, you know, the online
16 companies versus the bricks and mortar stores. You
17 know, I think it is really us reaching a point
18 where, you know, we have statutes that were written
19 before all of these new technologies were around
20 and us debating about how we want to tax those or
21 not as a policy position.

22 So, you know, I think even -- I want to make
23 sure that you understand that even if we do a rule,
24 which will definitely at least have us looking at
25 the statutes and saying this is how we think it

1 applies or not, that rule will be challenged. It
2 will end up in court also, because the parties are
3 very, you know, opposed --

4 GOVERNOR SCOTT: There's a lot of money there.

5 MS. VICKERS: They're lined up on either side
6 of the issue.

7 GOVERNOR SCOTT: So is everybody all right if
8 we ask Lisa to come back with a proposal on the
9 process of rulemaking?

10 ATTORNEY GENERAL BONDI: This is the process.

11 CFO ATWATER: Sure.

12 GOVERNOR SCOTT: Are you all right,
13 Commissioner?

14 COMMISSIONER PUTNAM: I'm still not sure what
15 she's going to walk out of here -- do you know what
16 we're asking you to do? Because I'm not totally
17 sure what we're asking you to do.

18 MS. VICKERS: I think you're asking me to put
19 this on as a future agenda item at the next Cabinet
20 meeting. And what I would be proposing is that the
21 Department -- or getting your permission that the
22 Department begin rulemaking on this issue and do
23 that with a plan, you know, to hold a series of
24 workshops to gather public input.

25 GOVERNOR SCOTT: What I think we're asking is,

1 you're going to come back and say, "If we were
2 going to do this, if we decided we wanted to go
3 forward, this is what we would do."

4 Step 1 is, we decide we wanted to do it. Step
5 2 is, you would propose something. Step 3, I
6 assume you're going to go through this number of
7 workshops and how you would do it. And then
8 understanding that, the next step is, it's still
9 has to be approved by the Legislature, and it's
10 going to get challenged?

11 MS. VICKERS: Right.

12 GOVERNOR SCOTT: Okay. So based on that?

13 COMMISSIONER PUTNAM: Based on that, we ought
14 to just let the Legislature keep doing their thing,
15 whether their thing is to do something or to do
16 nothing. But if it's going to end up either in
17 court or back in the Legislature, what role are we
18 playing in that process? I mean, this is not a
19 technical clarification of a statute. This is a
20 significant policy matter that one way or the other
21 the Legislature is going to have to speak to.

22 So I think we're probably putting your agency
23 in an unfair position. This isn't splitting hairs
24 about the collection of delinquent child support.
25 This is essentially a larger question about the

1 modernization of the state tax code, just like the
2 streamlined sales tax. And it is, in my view, an
3 inherently legislative responsibility, because it
4 is such a significant policy question. That's just
5 my view.

6 ATTORNEY GENERAL BONDI: And I'm not trying to
7 put the Cabinet nor you in a compromising position,
8 but as you said, this has gone before the
9 Legislature multiple years with no action. We have
10 to have a resolution. What would be your
11 recommendation that we do? If it's not rulemaking,
12 it's not rulemaking, but we've got to get this
13 resolved sooner than later.

14 GOVERNOR SCOTT: So if it's okay -- we won't
15 make a decision today about whether we're going
16 forward with anything. You're going to come back
17 and just say, "Look, if we had interest in trying
18 to move this discussion along, how would we do it?"
19 That's basically what you're going to do.

20 MS. VICKERS: Right. I think if you had it on
21 a future agenda, that would give an opportunity for
22 -- anybody who wants to have some input into your
23 decision process could come forward and testify.

24 But I think the issue that you've got is, do
25 you want the Department of Revenue to take a

1 position on the statute. We have not done that.
2 We have been very careful to just sort of sit on
3 the sidelines and say, "We think the statute is
4 unclear. We think the Legislature should clarify
5 it." You know, we have opposing parties who take
6 very strong views, and the Department has not taken
7 a position on the statute.

8 COMMISSIONER PUTNAM: But by failing to
9 collect revenue on the delta between the two
10 prices, you've taken a position, haven't you?

11 MS. VICKERS: The transactions are still open
12 to audit. You know, we could go in and audit a
13 taxpayer. If you're not registered, you have an
14 open statute of limitations. So it hangs out there
15 as an uncertainty because we have not taken a
16 position.

17 And in my personal view, because I've also --
18 over the course of all of these years, it's been
19 suggested, "Well, why doesn't the Department just
20 go out and audit the taxpayers and make an
21 assessment, and then you can fight about that?"
22 And I am very -- it is important to me that the
23 taxing power never be used in a way to try and, you
24 know, resolve unclear issues. You know, something
25 is either taxable or not. And if it is taxable, we

1 go in and we make assessments, and that's what we
2 do.

3 If we're not sure if something is taxable or
4 not, it doesn't seem fair to me that we put
5 taxpayers through that burden of issuing an
6 assessment and telling them to come challenge it in
7 court if they don't agree with it so that we can
8 get that resolved. And so we decided not to go
9 that route, and we really thought we would go the
10 legislative route in terms of trying to get it
11 resolved, given that there are some very diverse
12 views on this. But we have not taken a position on
13 the statute.

14 GOVERNOR SCOTT: So if it's okay with
15 everyone, all we're going to ask you to do is,
16 you're going to come back and tell us the process.
17 We're not going to make a decision today that we
18 want you to do anything different than what you're
19 doing. Is that all right?

20 Thank you very much.

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

4 Good morning, Julie.

5 MS. JONES: Governor and Cabinet members, good
6 morning. Item Number 1 -- I have four items to
7 present today. Item Number 1, we respectfully
8 request approval of the minutes from the March 9,
9 2011 Cabinet meeting.

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

11 ATTORNEY GENERAL BONDI: Move to approve.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

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

16 MS. JONES: Item Number 2, we respectfully
17 request approval for the Department's Third Quarter
18 performance report. I'll highlight a few measures
19 that we did well in and I'm proud of and a few that
20 present an opportunity for improvement.

21 Driver's license wait times continue to be a
22 focus for the Department. We're experiencing a
23 very high turnover rate for driver's license
24 examiners in offices that have been legislatively
25 targeted to be closed, and we're moving employees

1 over to the receiving tax collector. In doing so,
2 we create vacancies, and we can only guarantee
3 reemployment for short periods of time. So we're
4 reallocating existing staff across the state in
5 order to lower the wait times.

6 On a positive note, we recently opened a super
7 center in Miami-Dade County's Mall of the Americas.
8 This is a first for us. It's one-stop shopping.
9 It's a huge facility in a mall, and we're offering
10 restaurant-style pagers. When you go in, if
11 there's anything more than a 15-minute wait, we'll
12 give you a pager, and it gives you an opportunity
13 to shop the mall. And when the pager goes off and
14 you come back to the driver's license office,
15 you're first in line. You actually step back into
16 the beginning of the process.

17 We have been shifting vacancies as we close
18 driver's license offices to Dade and Broward
19 Counties again to increase the numbers of employees
20 that we have there to reduce wait times.

21 Another measure that we're focusing on is our
22 customer call center. Staff typically looks at
23 problem-solving from a very simple aspect: More
24 money, more people. And this year we've taken a
25 different tack with our call center to use

1 technology and to really delve into what the exact
2 questions are, why are they being asked, and fix
3 the process and not throw more money and people.
4 We've got several significant initiatives that are
5 going to bring those call times down, and I'll, I
6 think, be bringing some very good news in the
7 future to the Cabinet.

8 On a positive note, we saw a slight increase
9 in motor vehicle titling and registrations. This
10 is good news for the overall look for the economy
11 from our perspective because this means more
12 consumers have purchased new and used cars in the
13 third quarter.

14 Relative to public safety, we assisted nearly
15 70,000 motorists in the third quarter, and the
16 Patrol exceeded its goal of responding to calls for
17 roadside service in 30 minutes or less.

18 Next year, next fiscal year, the Department is
19 going to be taking on the law enforcement duties of
20 the Office of Motor Carrier Compliance. It's my
21 intention to use this as an opportunity to
22 completely reorganize the Florida Highway Patrol.
23 In doing so, we believe in the next three years,
24 through attrition and reorganization, we'll be able
25 to put 150 to 200 more troopers on the road. And

1 this means expanding supervisory rates. Specialty
2 positions, we've got a lot of speciality positions
3 that we don't need anymore, technology, shifting
4 sworn positions to non-sworn positions. So up to
5 200 positions in the next couple of years back on
6 the road as troopers, and that will be -- create a
7 higher level of service to our residents and to our
8 visitors.

9 So with that, that is my third quarter
10 performance.

11 GOVERNOR SCOTT: Is there a motion on Item 2?

12 COMMISSIONER PUTNAM: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 ATTORNEY GENERAL BONDI: Second.

15 GOVERNOR SCOTT: Moved and seconded. Show
16 Item 2 approved without objection.

17 MS. JONES: Item 3, we respectfully request
18 approval for the Department's annual performance
19 contract. And if you've looked at this, I'm sure
20 you've seen we've taken a completely different tack
21 on how we're going to measure our performance in
22 the future. This provides for more outcome
23 measures as opposed to output measures. And we
24 have four pillars that tie to our strategic plan.

25 The first one is public safety. Outcomes

1 for -- positive outcomes for public safety are
2 based on moving the needle on highway fatalities,
3 crashes, and injuries, percent of time our
4 enforcement section spends on enforcement and
5 education, and then the timely investigation of
6 crimes and intelligence gathering.

7 The second pillar is reliable service
8 delivery. We're going to measure our positive
9 outcomes as successful motor services transactions,
10 timely completion of customer services, and
11 customer service surveys.

12 Number 3 is leveraging technology. This
13 pillar is defined by the number of customers served
14 via the Internet, research and development
15 projects, and computer services uptime to our
16 business partners.

17 The last pillar is talent creation and
18 development. This priority is measured by job
19 satisfaction surveys, leadership training and
20 development, and succession planning and
21 implementation.

22 Thirty-four measures will feed into these four
23 pillars, which are tied to the agency's strategic
24 plan. We will update these four pillars in the
25 form of gauges on our Internet site monthly so our

1 customers can click on a gauge and drill down into
2 the data that rolls up to show a status for how
3 we're doing in these four particular areas.

4 New to the performance contract this year are
5 specific measures for the motor carrier function.
6 Motor carrier, like I said, was transferred from
7 DOT to Highway Safety during this last legislative
8 session. New measures include numbers of
9 commercial motor vehicle crashes and vehicle
10 inspections and the tracking of temporary operating
11 heavy truck permits. We include these specific
12 measures because we want to insure that the
13 applicable data is collected and the service that
14 is currently provided by DOT is maintained or
15 increased to draw down federal DOT dollars.

16 We're excited about the new format and the
17 opportunity in the future to give you empirical
18 data as opposed to just counting widgets and
19 bringing you numbers.

20 GOVERNOR SCOTT: Julie, this is impressive.
21 Are there national studies -- I assume every state
22 is managed a little bit differently, so is there a
23 way to measure yourself against any other states on
24 some of these thing?

25 MS. JONES: Yes, sir. As a matter of fact, I

1 just returned from a meeting of my counterparts in
2 the southeastern United States this week, and we
3 met. Driver's license wait times is a chronic
4 problem in every state.

5 And if you'll look at -- I have a rather
6 aggressive number that I'm shooting for in the
7 future. I will tell you right up front that I'm
8 not going to meet it in the next couple of
9 quarters. But if I don't set the bar high for our
10 staff, then -- the 95 percent that's in the new
11 measures is something we were very close in '07 and
12 '08, and because of Real ID and some other things,
13 we've fallen back.

14 So, yes, we do meet with our sister states. I
15 met recently with the Department of Motor Vehicles
16 in Texas, because they are newly constituted. They
17 were just created, pulled out of DOT this past year
18 in Texas. They asked me to come and speak to them,
19 because as dismal as some of our numbers are, we're
20 better than a lot of other states. And we try to
21 cross-pollinate. I believe in not inventing the
22 wheel. If somebody else is doing it better, I'll
23 steal their stuff. And so, yes, we do a lot of
24 conversation between the states.

25 Item Number 4 is my last item.

1 COMMISSIONER PUTNAM: I'm not sure we --

2 GOVERNOR SCOTT: I think we need to approve
3 Item 3.

4 MS. JONES: Oh, I'm sorry.

5 GOVERNOR SCOTT: Is there a motion on Item 3?

6 ATTORNEY GENERAL BONDI: Move to approve.

7 GOVERNOR SCOTT: Is there a second?

8 CFO ATWATER: Second.

9 GOVERNOR SCOTT: Moved and seconded. Show
10 Item 3 approved without objection.

11 MS. JONES: Governor, if I could, something
12 that I'm excited about but I cannot tell you when
13 I'm going to implement, the last piece of this
14 performance plan, I'm going to try to connect a
15 per-transaction amount in this when I build my data
16 cubes, so I will be able to tell you how much I'm
17 spending on transaction and correlate that cost to
18 the customer service piece. And that's something I
19 picked up this past week at this conference, and I
20 think that will go a long way to tying budget with
21 performance.

22 Item Number 4 is our last item. I
23 respectfully request approval for a four-year term
24 for two Medical Advisory Board members. These
25 board members generously volunteer their time and

1 expertise to review the status of at-risk drivers
2 on behalf of the Department. We appreciate their
3 willingness to serve and the contribution that they
4 make to keeping our roadways safe.

5 Dr. Baxter Byerly and Dr. Viet Bui are both
6 ophthalmologists. Both doctors are properly
7 licensed and in good standing with the medical
8 community.

9 GOVERNOR SCOTT: All right. Is there a motion
10 on Item 4?

11 ATTORNEY GENERAL BONDI: Move to approve.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

14 GOVERNOR SCOTT: Moved and seconded. Show
15 Item 4 approved without objection.

16 MS. JONES: Thank you.

17 COMMISSIONER PUTNAM: Governor?

18 GOVERNOR SCOTT: Excuse me, Julie. I think
19 Commissioner Putnam --

20 COMMISSIONER PUTNAM: I would love to follow
21 up with you on the commercial carrier piece,
22 because some of these measures are outputs, not
23 outcomes. Number of inspections, that's an output,
24 not an outcome. Rate of compliance would be an
25 outcome. And it's just a huge issue, obviously,

1 for a lot of the commodities. We hear an awful lot
2 about motor carrier compliance, and I know there's
3 a lot of conversations out there about the weigh
4 stations versus inspection stations and all that.
5 And I just appreciate the conversations you and I
6 have had in the past and would like to continue
7 those as you complete that merger.

8 MS. JONES: We will do that, sir.

9 And you're absolutely correct. They are --
10 some of these are outputs. I had to rely on DOT
11 and the motor carrier folks to tell me what is
12 required in order to meet the federal standards to
13 draw down big DOT's money. And there are some
14 things that they wanted to see highlighted. And
15 it's a trust issue right now transferring this to a
16 new department. And as with anything, I'm
17 flexible, and I would love to speak with you.
18 Thank you.

19 GOVERNOR SCOTT: Thank you.

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1 GOVERNOR SCOTT: All right. The next agenda
2 is the Florida Land and Water Adjudicatory
3 Commission presented by Phillip Miller. Good
4 morning.

5 MR. MILLER: Good morning, Governor and
6 members of the Commission. I apologize if my voice
7 is a little gravelly. I've got a bit of a cold
8 today.

9 We have three items on the Florida Land and
10 Water Adjudicatory Commission agenda. Item 1 is
11 the minutes of the May 3, 2011 meeting.

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

13 ATTORNEY GENERAL BONDI: Move to --

14 CFO ATWATER: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 ATTORNEY GENERAL BONDI: Second.

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

19 MR. MILLER: Thank you. Item 2 relates to a
20 petition to dissolve the Circle Square Woods
21 Community Development District. The petition
22 requests that the Commission repeal Rule Chapter
23 42S-1 that sets out the name, boundary, and initial
24 board of supervisions of the Circle Square Wood
25 CDD.

1 The District consists of approximately 718
2 acres in Marion County and was create in 1994 to
3 provide water and wastewater services to a portion
4 of a community known as "On Top of the World."
5 There are 3,326 residential accounts and 105
6 commercial accounts within the boundaries of the
7 District.

8 Florida Statutes authorizes the dissolution of
9 community development districts by the Commission
10 if a district does not have any outstanding
11 financial obligations and no operating or
12 maintenance responsibilities.

13 In this case, the District has no debt. No
14 bonds were issued by the District. No services are
15 currently being provided by the District. Water,
16 sewer, and reclaimed water services have been
17 transferred to a neighboring entity, and there are
18 no future services to be performed. No negative or
19 adverse impacts are expected on any properties
20 presently within the District as a result of the
21 dissolution.

22 The petition was forwarded to the Division of
23 Administrative Hearings for an administrative
24 hearing and report. The administrative law judge
25 conducted a hearing and issued a report indicating

1 that the hearing record supports the petition.

2 We have the District's legal representative,
3 Gerald Colen, in attendance. Mr. Colen would like
4 to briefly address the Commission on this item.
5 Mr. Colen.

6 GOVERNOR SCOTT: Good morning.

7 MR. COLEN: Well, everything has been said
8 that I was going to say. I am willing to answer
9 any questions that anybody may have.

10 GOVERNOR SCOTT: Thank you. Any questions?

11 ATTORNEY GENERAL BONDI: No questions.

12 GOVERNOR SCOTT: All right. Thank you.

13 MR. MILLER: Staff requests authorization to
14 begin the process to repeal Commission Rule Chapter
15 42S-1 to reflect the dissolution of the District.
16 This item will be brought back to the Commission at
17 the conclusion of the process to request
18 authorization to file for final rule repeal.

19 GOVERNOR SCOTT: All right. Is there a motion
20 to approve Item 2?

21 COMMISSIONER PUTNAM: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 ATTORNEY GENERAL BONDI: Second.

24 GOVERNOR SCOTT: Moved and seconded. Show
25 Item 2 approved without objection.

1 MR. MILLER: Thank you. Item 3 relates to a
2 petition to dissolve the Coastal Lake Community
3 Development District. The petition requests that
4 the Commission repeal Rule Chapter 42WW-1 that sets
5 out the name, boundary, and initial board of
6 supervisors of the Coastal Lakes CDD.

7 The District consists of approximately 1,402
8 acres in Walton County and was created in 2004 to
9 provide planned community development district
10 services to the area. A private developer owns
11 most of the property located within the District
12 with the exception of approximately 31 lots that
13 have been sold. Of the 31 lots, there are 14
14 completed homes and four under construction.

15 As stated earlier, Florida Statutes authorizes
16 the dissolution of a community development district
17 if the district does not have any outstanding
18 financial obligations and no operating or
19 maintenance responsibilities.

20 In this case, the District does not presently
21 have any outstanding financial obligations and does
22 not have any operating or maintenance
23 responsibilities. The District does not own any
24 real property or infrastructure improvements. The
25 District does not presently have any outstanding

1 bonds, notes, or other debt instruments. No
2 services are being provided by the District. Water
3 and sewer utilities are provided by Regional
4 Utilities in Walton County. All remaining services
5 are provided by a homeowners association. The
6 District does not have any debt service special
7 assessments levied against real property in the
8 District. The CDD does not anticipate providing or
9 financing any future community development district
10 services or improvements. And again, no negative
11 or adverse impacts are expected on any properties
12 presently within the District as a result of the
13 dissolution.

14 We have the District's legal representatives,
15 Jere Earlywine and Cheryl Stewart, available for
16 questions if there are any.

17 GOVERNOR SCOTT: Are there any questions?

18 COMMISSIONER PUTNAM: Is this the beginning of
19 a trend? Are we going to see a bunch of these as
20 these partially built developments that had big
21 plans and big visions respond to the conditions of
22 the economy? Can we expect to see a lot of
23 dissolutions of community development districts?

24 MR. MILLER: I think we will see some. I do
25 not know if we have any currently -- we do not have

1 any currently pending, but I suspect economic
2 conditions will cause that.

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

5 ATTORNEY GENERAL BONDI: Move to approve.

6 GOVERNOR SCOTT: Is there a second?

7 COMMISSIONER PUTNAM: Second.

8 GOVERNOR SCOTT: Moved and seconded. Show
9 Item 3 approved without objection. Thank you very
10 much.

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1 GOVERNOR SCOTT: The last agenda is the Board
2 of Trustees presented by Bob Ballard. Good
3 morning.

4 MR. BALLARD: Good morning, Governor. Good
5 morning, members of the Cabinet. We have two items
6 before you today. Item 1 is the submittal of the
7 minutes from the March 9th, April 5th, and April
8 19th, 2011 Cabinet meetings.

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

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 COMMISSIONER PUTNAM: Second.

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

15 MR. BALLARD: Item 2 is a request for
16 consideration of an option agreement to acquire a
17 perpetual conservation easement over approximately
18 1,100 acres within the Seven Runs Creek Florida
19 Forever project. The purchase price is \$1 million,
20 which is 91 percent of appraised value.

21 Located in Walton County, the properties lie
22 within the Seven Runs Creek Florida Forever
23 project, which is adjacent to the Eglin Air Force
24 Base, also within the military's -- this is also
25 within the military's existing low-level flight

1 path, and it provides an excellent and important
2 buffer to potential encroachment.

3 Because of its value to the military, the
4 federal government plans to contribute 65 percent
5 of the purchase price, making the State's
6 contribution 35 percent, or in dollar amounts,
7 \$657,000 for the conservation easement from the
8 federal government and \$343,000 by the State of
9 Florida.

10 With 10 percent of Florida's economy coming
11 from the military, partnerships such as this are
12 very important to the State.

13 And with us today we have Colonel Tony Higdon
14 with the United States Air Force here to speak on
15 this issue. And if I may add, he was just
16 installed as base commander at Eglin last week.
17 Colonel?

18 GOVERNOR SCOTT: Congratulations.

19 COLONEL HIGDON: Good morning, Governor and
20 Cabinet members. I'm Colonel Anthony Higdon. I'm
21 the 96th Civil Engineer Group Commander at Eglin
22 Air Force Base, not the base commander. I work
23 with the base commander, though, and I'm here to
24 represent the base this morning.

25 I would like to say that the State of Florida

1 and Eglin have a long partnership in protecting our
2 flying mission from potential encroachment while
3 preserving sensitive lands. This particular
4 conservation easement on the Seven Runs Creek
5 Florida Forever project will continue that
6 partnership.

7 As stated earlier, we have received \$657,000
8 that we are prepared to commit to this easement.
9 And the property lies under flight tracks that we
10 use almost daily flying into our ranges for testing
11 and training missions. The project will protect
12 our flying mission and thereby help protect the
13 economies of Okaloosa, Walton, and Santa Rosa
14 Counties.

15 I'll be happy to answer any questions if there
16 are any.

17 GOVERNOR SCOTT: Are there any questions?

18 ATTORNEY GENERAL BONDI: Thank you for your
19 service.

20 GOVERNOR SCOTT: Thank you. Thank you for
21 your money too.

22 MR. BALLARD: Governor, if there are no
23 questions of me, the staff recommends approval.

24 GOVERNOR SCOTT: Is there a motion on Item 2?

25 COMMISSIONER PUTNAM: So moved.

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ATTORNEY GENERAL BONDI: Second.

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

Thank everybody for -- thank you very much.
This concludes our Cabinet meeting. We will begin
the meeting of the State Board of Administration at
1:00 p.m. We are adjourned.

(Proceedings concluded at 11:07 a.m.)

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 83 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 12th day of July, 2011.

MARY ALLEN NEEL, RPR, FPR
2894-A Remington Green Lane
Tallahassee, Florida 32308
850.878.2221