

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:

FLORIDA PAROLE COMMISSION
CITIZENS PROPERTY INSURANCE CORPORATION
LAW ENFORCEMENT CONSOLIDATION TASK FORCE
DIVISION OF BOND FINANCE
STATE BOARD OF ADMINISTRATION
ADMINISTRATION COMMISSION

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 Tuesday, January 18,
2012, commencing at approximately 9:13 a.m.

Reported by:

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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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P R O C E E D I N G S

(The agenda items commenced at 9:42 a.m.)

GOVERNOR SCOTT: All right. The next Cabinet meeting is Wednesday, February 9th, 2012, at 9:00 a.m., in Tampa Florida, the hometown of the Attorney General.

The first item of business this morning is the consideration of an appointment to the Parole Commission. The Parole Qualifications Committee submitted three names to each of our offices for consideration, and I appreciate the hard work of the committee as they reviewed applicants to fill this vacancy.

I would like to make a motion to appoint Bernard Cohen -- Bernard, would you stand up for a second so everybody recognizes you -- as the new Parole Commissioner. Mr. Cohen has a master's degree in criminal justice and over 30 years of professional experience with the Department of Corrections.

Mr. Cohen is also a former U.S. Army captain. Thank you very much for your service there.

His commitment to public safety and knowledge of the criminal justice system makes him an excellent candidate for this position.

1 Is there a second? Does anybody second?

2 COMMISSIONER PUTNAM: Second.

3 ATTORNEY GENERAL BONDI: Second.

4 GOVERNOR SCOTT: You're all impressed with --

5 ATTORNEY GENERAL BONDI: We'll all second.

6 We're all smiling. We'll second.

7 GOVERNOR SCOTT: All in favor say aye.

8 (Simultaneous affirmative responses.)

9 GOVERNOR SCOTT: Is there anyone opposed?

10 By unanimous vote, Bernard Cohen is appointed
11 as the Parole Commissioner for the term that
12 expires on June 30, 2014.

13 Congratulations, Mr. Cohen, and thank you very
14 much.

15 ATTORNEY GENERAL BONDI: Governor, could we
16 please acknowledge his lovely wife, Mrs. Cohen, if
17 you would stand as well.

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1 GOVERNOR SCOTT: Okay. All right. Next I
2 would like to invite Scott Wallace to provide an
3 update on Citizens Property Insurance. And, Scott,
4 I just want thank you for all your years of service
5 at Citizens and the great job. Thank you very
6 much.

7 MR. WALLACE: Well, it has certainly been an
8 honor and a privilege to serve Citizens and the
9 great people who work at Citizens as well.
10 Certainly a lot has been accomplished, and it's all
11 the result of the many good people at the company.

12 Governor Scott and Commission members, with
13 your permission, I'll provide you an update.

14 GOVERNOR SCOTT: Is your mike -- is your
15 microphone on?

16 MR. WALLACE: I think I just -- I need to get
17 closer to it, I guess.

18 GOVERNOR SCOTT: Okay. Thank you.

19 MR. WALLACE: Is this better?

20 GOVERNOR SCOTT: Yes. Thank you.

21 MR. WALLACE: All right. First all, during
22 Chairman Lacasa's presentation to you last month,
23 he provided a comprehensive list of coverage
24 changes to be reviewed, filed, and implemented.
25 And I am pleased to inform you today that 30

1 filings have been made by Citizens and approved by
2 the Office of Insurance Regulation. Further, we
3 are on track with the implementation dates of these
4 approved items.

5 Several examples of coverages made with these
6 filings include (1) a maximum \$1 million coverage
7 eligibility limit in the coastal account; (2) a
8 mandatory 10 percent sinkhole deductible; and (3)
9 the reduction of personal liability coverage from
10 \$200,000 to \$100,000.

11 We are very appreciative of the OIR's prompt
12 response to these filings. And we are also on
13 target for our scheduled filings due to take place
14 in March and July, as were previously outlined
15 again by Chairman Lacasa.

16 As indicated in Chairman Lacasa's
17 presentation, there are additional proposals and
18 concepts to be addressed on an ongoing basis. The
19 Citizens board and staff fully recognize that the
20 challenge to shrinking Citizens requires a
21 dedicated and continuing effort to identify ways to
22 reduce our exposure and policy count. I assure you
23 we are committed and have a strong sense of urgency
24 to maintaining our efforts to achieve this goal.

25 If we can move on to the next slide. Thank

1 you.

2 The Board of Governors recently reestablished
3 the Depopulation Committee. This committee will
4 provide a more focused approach in our depopulation
5 and privatization efforts. We will continue to
6 refine our current depopulation program, and to
7 this end, it is noteworthy that 17,000 policies are
8 scheduled for depopulation in mid-February.

9 In addition, the Citizens staff is working to
10 develop specific initiatives regarding depopulation
11 that will be presented to the Board of Governors at
12 the February 23rd board meeting. These initiatives
13 include (1) the recommendation to eliminate ceding
14 commissions; (2) we are evaluating ways to position
15 segments of Citizens' book of business to attract
16 privatization opportunities by working with private
17 investors and the Office of Insurance Regulation to
18 develop packaged portfolios of business for
19 privatization.

20 The Citizens staff is a valuable resource for
21 any parties interested in privatization. Our
22 evaluation of business segments for privatization
23 will enable us to provide companies and investors
24 with meaningful information based on age of home,
25 construction type, geographic location, insured

1 value, and loss history.

2 Further, we have partnered with the Office of
3 Insurance Regulation to survey Florida insurers to
4 better understand and then address barriers to
5 depopulation.

6 And finally, our general counsel, Dan Sumner,
7 is actively researching our statutes to ensure our
8 interpretations of -- our interpretations optimize
9 our depopulation efforts, all in an effort to
10 achieve our goal to significantly reduce the size
11 and the exposure of Citizens. Thank you.

12 Risk transfer can reduce the amount and
13 probability of assessment after a catastrophic
14 event. While other initiatives are being
15 implemented to reduce the size of Citizens, risk
16 transfer provides a viable and immediate mechanism
17 to transfer exposure from Citizens and Floridians
18 to the private market.

19 Our 2012 risk transfer plans significantly
20 exceed our 2011 initiatives. This year, risk
21 transfer will be accomplished through the use of
22 traditional reinsurance and cat bond mechanisms.
23 In 2012, our risk transfer goals are to transfer at
24 least \$1 billion of exposure to the private market.
25 And given the right terms and conditions, the Board

1 of Governors may elect to transfer even greater
2 risk to the private market.

3 Moving on to legislation, Citizens actively
4 supports legislation that seeks to achieve the goal
5 of shrinking our size and exposure. There are
6 several pieces of legislation that have been filed
7 for consideration during the 2012 session which
8 began last week. In furtherance to our goal,
9 Citizens actively supports the following: Senate
10 Bill 1384 sponsored by Senator Hays. We also
11 support House Bill 1127 sponsored by Representative
12 Albritton and Senate Bill 1346 sponsored by Senator
13 Oelrich. We also support House Bill 245 sponsored
14 by Representative Boyd and Senate Bill 578
15 sponsored by Senator Richter.

16 In conclusion, we are doing everything we can
17 as quickly as we can, as quickly as possible, to
18 focus on accomplishing these goals. For example,
19 with regard to programming changes, Citizens' staff
20 is directed to create manual work-arounds to
21 address programming delays that may result from
22 system limitations or requirements.

23 Clearly, our work has just begun, and there's
24 much more to accomplish if we are to significantly
25 reduce the size and the exposure of Citizens. I

1 think we're well on the way, and we assure you that
2 we will maintain this momentum.

3 And that concludes my report.

4 GOVERNOR SCOTT: All right. Any questions?
5 CFO.

6 CFO ATWATER: Scott, too, I extend the best
7 wishes, and for your service, our gratitude. It's
8 very complex and challenging, and you have a great
9 team of people working with you. Thank you.

10 MR. WALLACE: Thank you.

11 CFO ATWATER: The 17,000 policies that are
12 scheduled to be removed you mentioned in February,
13 is this one, a particular take-out player where
14 there are incentives that were -- how does -- what
15 can you tell us about that take-out?

16 MR. WALLACE: Good question. I don't have all
17 the details, but we can certainly provide it to
18 your offices. My understanding is that it's a
19 traditional take-out where they have come in and
20 identified policies to be taken out. And there, to
21 my knowledge, were no bonus arrangements or other
22 incentives provided.

23 CFO ATWATER: Okay. Are you receiving any
24 more inquiries on a scale of where we were and
25 where we're at today of people expressing a greater

1 interest to come in and sit down and understand
2 what they could be doing to work an arrangement
3 with us?

4 MR. WALLACE: Very good question. Yes, we
5 have received inquiries. In fact, just yesterday
6 here in Tallahassee, we met with another group of
7 investors, an insurance operation, that have some
8 thoughts on it. It's in the very preliminary
9 stages of discussion, but I'm very, very happy to
10 see that we are meeting with the investors. We are
11 meeting with the insurance companies and OIR, and
12 I'm confident some of these plans will ultimately
13 come to fruition and provide a significant decrease
14 to Citizens' size.

15 CFO ATWATER: Is there a common theme that is
16 holding them back, that they're worried about
17 present policies, future policies, the environment
18 of us moving in one direction and then back
19 historically? Is there something they're sharing
20 with you that we could all be more helpful with in
21 communicating a consistent direction?

22 MR. WALLACE: That's a good question, CFO
23 Atwater. There are a couple of things.

24 There just seems to be a lot more talk in the
25 marketplace, from what I see. And certainly

1 certain actions are being discussed at a greater
2 level, which creates a lot more interest and so on.
3 It may take a little bit more time to get some
4 companies who are in business further committed
5 through additional capital or some people who are
6 contemplating setting up new companies.

7 The only concern that I hear in the
8 marketplace on occasion is the lack of consistency
9 as far as working through the years. You know, you
10 go through a period where you freeze rates, then
11 you have a glide path, and then you do some other
12 things. And I think the companies, especially at a
13 regional and national level, they don't see that
14 with other -- at least to that extent with other
15 regulatory bodies.

16 CFO ATWATER: Right. Well, hopefully we're
17 seeing -- I hope that's a reflection of more of the
18 conversations that are going on, that they're
19 seeing a consistent, disciplined direction.

20 MR. WALLACE: Right. And that's also not to
21 take anything away from the Office of Insurance
22 Regulation. They have a very difficult job. And
23 as I mentioned in my report in November, Florida is
24 a very, very unique state. We have over 1,100
25 miles of coastline. We stick out into the Atlantic

1 Ocean like a big sore thumb.

2 GOVERNOR SCOTT: That's why we live here,
3 though.

4 MR. WALLACE: Pardon me?

5 GOVERNOR SCOTT: That's why we all live here.

6 MR. WALLACE: That's right.

7 GOVERNOR SCOTT: We like that part.

8 MR. WALLACE: Darn right. That's why I live
9 here. But it is considered one of the highest
10 cat-prone territories or regions in the world.

11 CFO ATWATER: So, Scott, the Office of
12 Insurance Regulation is working well with you and
13 they're being very helpful? I mean, they responded
14 to the recommended changes rapidly; right?

15 MR. WALLACE: Absolutely. Absolutely, and
16 we're most appreciative.

17 CFO ATWATER: And lastly, any trend line you
18 can give us on new policies coming in? I know
19 historically, you've told me the weekly numbers.
20 Is it -- is that accelerating? Is it fading? Is
21 it --

22 MR. WALLACE: Well, in -- let me see. About
23 two or three weeks ago, we had a depopulation.
24 That was about mid-December. That kind of pulled
25 us back a little bit from the brink of going over a

1 million five. But I am pleased to say that we've
2 held pretty steady the last two or three weeks at a
3 million 470. In fact, if we go back to the period
4 of January 1st of this year to this day, or
5 yesterday, we are down by 18 policies, which is a
6 far cry better than growing at a thousand policies
7 a day.

8 CFO ATWATER: Right. Okay. Thank you.

9 GOVERNOR SCOTT: All right. Anything else?

10 Thanks for your hard work. I want to thank
11 you for your hard work, and I know we're going to
12 have a great year and have a positive influence on
13 Citizens. Thanks a lot.

14 MR. WALLACE: Thank you, Governor Scott.

15 GOVERNOR SCOTT: And thanks for your service
16 again.

17 MR. WALLACE: Thank you.

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1 GOVERNOR SCOTT: All right. Now I would like
2 to invite Julie Jones to present the Law
3 Enforcement Consolidation Task Force report.

4 Good morning, Julie.

5 MS. JONES: Good morning, Governor and Cabinet
6 members.

7 The 2011 Legislature passed Senate Bill 2160
8 creating the Law Enforcement Consolidation Task
9 Force, and I have to thank every one of you. All
10 four of you assigned staff to this process. And it
11 was phenomenal the amount of cooperation that we
12 got from state agencies and all the partners
13 throughout this process, but the leadership shown
14 by your staff helped shepherd a couple of difficult
15 teams to a good outcome, so thank you very much for
16 that.

17 We had five agencies, and then we also had in
18 this statute a representative from the sheriffs
19 association and the police chiefs association.

20 Our goal was take an enterprise-wide look at
21 all state law enforcement functions, and the bill
22 guided the task force charter to evaluate
23 administrative functions, accreditation and
24 training, legal representation, vehicles, aircraft,
25 civilian support staffing, and whether the Florida

1 Highway Patrol's jurisdiction should be limited.

2 That's a lot of work. And for a group of
3 eight people, we decided to establish 13 subject
4 matter expert teams to sort of start to drill into
5 all of these different areas, and those teams
6 reported periodically back to the task force, and
7 each task force member sponsored at least two of
8 those teams.

9 We had a December 31 deadline to provide the
10 president of the Senate and the speaker of the
11 House an initial report. The task force expires in
12 June of this year, and we are empowered as a group
13 to make legislative recommendations through the
14 next session. So I'm going to quickly take you
15 through the 13 teams and give you kind of the
16 status on where we're at.

17 The accreditation team concluded that
18 accreditation brings value to agencies and should
19 be continued. The majority of state law
20 enforcement entities already volunteer. The
21 question in hand for accreditation was, is the bang
22 worth the buck, and in tough budget times should we
23 spend the money, and it was a resounding yes for
24 this team.

25 Agriculture and DOT commercial vehicle

1 enforcement consolidation. Commissioner, this was
2 something near and dear to Senator Jack Latvala's
3 heart. And in talking to your staff, they told me,
4 "We have asked and answered this question several
5 times, but never have we put a team together and
6 represented as a group." This team had DOT, Ag,
7 Highway Safety, and the trucking industry to look
8 at it from all angles and report back with a common
9 voice.

10 The task force did not recommend consolidation
11 of Agriculture and DOT operations on the
12 interstates. That was a definite no. What they
13 did look at, though, is potential efficiencies to
14 be gained by colocation of those two operations on
15 three different non-interstate highways, U.S. 1,
16 U.S. 17, and U.S. 27.

17 The Department of Transportation has lent us a
18 consultant to do kind of the actuary on this to see
19 what it would take to collocate, what the cost is,
20 and they're pursuing a report for the committee
21 that should come back to us before the committee
22 sunsets.

23 Next slide, environmental law enforcement.
24 This is a big win for this committee. This was
25 actually being -- this particular issue was being

1 contemplated prior to the formation of the task
2 force, and the task force was used to kind of bring
3 this in for a landing.

4 The task force is recommending that the
5 Division of Law Enforcement in DEP and the
6 Department of Agriculture's Agricultural Law
7 Enforcement Patrol be merged into the Fish and
8 Wildlife Conservation's Division of Law
9 Enforcement. This will generate efficiencies in
10 admin, operations costs.

11 And what this particular team looked at, there
12 are many counties that have a state forest, a state
13 park, and a wildlife management area right next to
14 one another, and we're dispatching three different
15 arms of law enforcement adjacent to one another,
16 and it just didn't make sense. Outstanding
17 cooperation from -- you look at a Cabinet agency, a
18 constitutional agency, and a Governor's agency to
19 bring this in for a landing.

20 The team is recommending the use of service
21 level agreements to make sure that existing
22 services are maintained. This would move 190
23 positions from DEP to -- from DEP and the
24 Department of Agriculture to FWC. Over five years,
25 savings of \$3.1 million; recurring, \$1.2 million

1 after that five years. So this is good government.

2 Senate staff last year asked the committee to
3 look at the Highway Patrol's jurisdiction with the
4 idea that could we create some efficiencies if we
5 only had the Patrol work on state or interstate
6 highways. That was the question. And the team's
7 answer is no. In fact, Sheriff Gee from
8 Hillsborough County chaired this -- sponsored this
9 team. There was wide support of police chiefs and
10 sheriffs not to limit the Patrol's jurisdiction.
11 Major concern, they want the Patrol to continue
12 with its core mission, but when they want more of
13 them, they want more of them, and they don't want
14 to limit the jurisdiction. And this is for special
15 events, disasters, those kind of things.

16 But the committee took it a step farther and
17 said, "But is there a better way to use the
18 Patrol's assets?" And the committee recommends
19 thinking about areas of responsibility instead of
20 using that "jurisdiction" word. And they propose a
21 two- or three-tier system to evaluate how many
22 Patrol assets we put in a county based on whether
23 it's rural, whether it's suburban, or whether it's
24 very urban. And there are six urban counties that
25 have very special needs.

1 And the committee believes that for those
2 small rural counties, the Patrol should be able to
3 operate anywhere that local sheriff needs. A
4 little bit different relative to population and
5 crashes, so -- for suburban and urban counties. So
6 we'll be actively trying to deploy this methodology
7 in concert with the police chiefs and sheriffs of
8 the counties to make a better -- you know, a better
9 use with the existing staffing. And we can do this
10 over time as we start as to draw down the numbers
11 of supervisory positions in the Patrol and put more
12 boots on the ground.

13 Forensic science. The team evaluated forensic
14 sciences in five agencies, DEP, Agriculture, FDLE,
15 the Fish and Wildlife Commission, and the State
16 Fire Marshal's Office. The task force determined
17 that each agency has laboratories and equipment
18 that provides services that are unique and specific
19 to their agency mission, and the team could not
20 identify any areas for consolidation.

21 Information technology. A notable finding for
22 this team was that we're already doing a lot
23 together. We've merged state law enforcement
24 communications under the Patrol. CAD systems are
25 now housed in the Patrol and the Fish and Wildlife

1 Commission. We're working together, those two
2 agencies, a lot of consolidation of information.
3 FDLE has become the -- is trying to centralize
4 intelligence gathering through the Fusion Center.

5 The report, though, suggests several best
6 management practices be considered in the IT
7 environment. We need to analyze the IT business
8 environment for consolidation of training,
9 evidence, and records systems. Instead of buying
10 every one individually, a particular product off
11 the shelf, let's try to consolidate our purchasing;
12 analyze thoroughly potential impacts of
13 consolidation in the law enforcement environment
14 before they go to data centers; and then lastly,
15 plan for the federal requirements to comply with
16 the Criminal Justice Information Systems security
17 policy prior to data center consolidation.

18 Inspector generals' offices. Melinda Miguel
19 was my team leader. I sponsored this team. And it
20 went a little bit beyond just law enforcement, but
21 some really important issues came out of this
22 particular team. The team explored current and
23 ideal roles, responsibilities, relationships, and
24 resources for all the inspector generals' offices.
25 There were -- this team had 17 inspector generals

1 on it.

2 Two areas -- General Bondi, Melinda Miguel is
3 going to be asking the Attorney General's Office
4 for two opinions. The team identified potential
5 conflicts between the policemen's bill of rights
6 and protections mandated by the Whistle-blower Act.

7 The second issue is whether the statutory --
8 there's a statutory requirement that allegations
9 against sworn personnel be addressed by sworn
10 investigators and whether civilian investigators
11 can be used for that function. And you'll hear me
12 talk later why what's important. Civilian
13 personnel are a lot cheaper relative to the state
14 budget than law enforcement officers.

15 There were 16 recommendations from this team,
16 and they would lead to some major policy and fiscal
17 issues. So Melinda is going to be going to OPB,
18 she's going to be going to the Legislature, and
19 she's going to be reporting back to the task force
20 in these other areas. Manpower, budget, processes
21 -- there's a lot of things that came out of this to
22 create some synergy in the IG environment.

23 Investigations. This team created what was a
24 very elegant matrix, and they were pretty hard on
25 all of the agencies that have investigative arms.

1 They challenged them to look at their core mission,
2 their statutory requirements, was there mission
3 creep, are you into somebody else's business, are
4 you often doing things that you shouldn't be doing.

5 And surprisingly, there were no
6 recommendations for consolidation from this team.
7 The team felt that everyone was doing what they
8 should be doing and what is allowed in the statute,
9 is lean and mean. They did recommend, though, and
10 support the environmental consolidation. There was
11 an investigative component to that.

12 Law enforcement admin and support. We stood
13 this committee up just in case there were some
14 consolidation opportunities, so this report is
15 still open for future tasks. The team is working
16 with the environmental team developing the guided
17 tasks needed to integrate administrative and
18 support functions.

19 The sworn versus civilianization. This team
20 reviewed numerous positions filled by sworn
21 enforcement personnel throughout the state agencies
22 for recommendation to shift those duties to
23 nonsworn or civilian personnel. And as an example,
24 if you look at the entire enterprise on a recurring
25 basis, a sworn officer that makes \$50,000 a year,

1 the State contribution for benefits is
2 14.1 percent. It's 4.91 percent for a nonsworn.
3 So that's almost a \$5,000 difference for that one
4 individual at \$50,000.

5 Across all agencies, for this function, this
6 could create, we believe, a fairly significant
7 efficiency. The team identified accreditation,
8 background investigations, evidence, fleet
9 management and property management, regulatory
10 investigations, and training as areas that could be
11 handled by nonsworn.

12 The team also explored whether agencies with
13 regulatory functions need to have sworn people
14 doing just regulatory inspections. And I've talked
15 personally to Secretary O'Connell and Secretary
16 Lawson about this. They have law enforcement
17 personnel basically going in and doing inspections,
18 and they're both looking at their particular
19 operations and are going to come back before the
20 committee sunsets with some recommendations. And
21 they're actively pursuing some efficiencies now in
22 how they run their operations.

23 State aviation consolidation. This team
24 reviewed all state-owned aviation units, not just
25 law enforcement, and this was at the request of

1 Commissioner Putnam. He said, "Tell me what my
2 aircraft look like relative to everyone else's."
3 Several recommendations and best management
4 practices were identified to increase efficiencies.

5 The first one, the task force recommends the
6 creation of a State Aviation Managers Group, and
7 this would be FWC, FDLE, the Patrol, Highway
8 Patrol, DOT, and the Department of Agriculture.
9 They're going to be looking at creating
10 efficiencies with hangar space, bulk fuel,
11 maintenance, best management practices, and even
12 down to what planes do we need to be purchasing.
13 If we purchase the same or similar aircraft, that
14 will reduce our maintenance costs, so that
15 procurement piece.

16 The second recommendation was to consider
17 integration of all of the law enforcement air
18 units. That would be the Highway Patrol, FDLE, and
19 FWC. And this would again prevent duplication of
20 effort and cross-train pilots for a more diverse
21 mission.

22 Of all 13 teams, this is the one
23 recommendation of a bunch that was not unanimous.
24 FDLE is concerned that we got the cart before the
25 horse in making this recommendation and would like,

1 before any consolidation consideration is made, a
2 more detailed review of the three agencies' core
3 missions, and make sure that a service level
4 agreement is considered before we start making any
5 wholesale changes in how we operate the part for
6 their law enforcement mission.

7 The third recommendation, and we're already
8 doing this, but FWC has a captain that is actually
9 the air branch chief for aviation during disasters,
10 works for -- with DEM, Department of Emergency
11 Management. And the group fully supports this and
12 wants to make sure that we continue to work as a
13 team under Emergency Management's direction when
14 disasters occur. We think the State Aviation
15 Managers Group will facilitate this.

16 And lastly, there's an efficiency -- FWC, if
17 we do start to consolidate some of the law
18 enforcement aircraft, the Fish and Wildlife
19 Commission has been doing burning along with the
20 Department of Agriculture, and the recommendation
21 is to centralize all controlled burn activity,
22 aerial ignition, in the Department of Agriculture.

23 Training. FDLE has a very robust online
24 training process, and the task force recommends
25 that all state law enforcement agencies be required

1 to satisfy the statutorily mandated portions of
2 that mandatory retraining requirement through that
3 online process.

4 Fleet/vehicle management and logistics. This
5 one also has a deliverable. The task force had
6 five recommendations.

7 We recommend consolidating state law
8 enforcement vehicle acquisition into one agency.
9 And Secretary Miles and I have talked about this,
10 and we've got -- we've given the Legislature
11 proviso language and the Governors' Office proviso
12 language putting the acquisition responsibility in
13 Highway Safety, because we buy most of them anyway,
14 and asking that the Department of Management
15 Services do the oversight and work with a group of
16 subject matter experts to get the procurement
17 contracts in place.

18 Establish a group of law enforcement fleet
19 managers that would meet biannually to discuss what
20 vehicles are suitable for law enforcement use, work
21 with DMS on defining what a pursuit vehicle is,
22 work with DMS to establish replacement criteria and
23 spare vehicle criteria. There's quite a bit of
24 ratholing of vehicles in agencies, and we want to
25 try of bring all those things under -- all vehicles

1 under one umbrella so we can share vehicles and
2 create some synergy in how we not only acquire, but
3 how we use them.

4 The third recommendation is to identify an
5 existing funding source. And this -- the team
6 asked me if they should even put this in there, and
7 I said absolutely. We need to start talking about
8 this. This is a terrible year with budgets to ask,
9 but we're going to throw it out there anyway.
10 Identify an existing funding source and allocate it
11 to purchase and maintain all state law enforcement
12 vehicles. We've got a number of agencies that have
13 fallen pretty far behind. The estimated annual
14 replacement cost to ensure a reliable law
15 enforcement fleet is \$33 million a year, and there
16 isn't -- no agency has enough in their recurring
17 budget to do vehicle acquisition.

18 The task force recommended a new trust fund.
19 Governor Scott, I know how much you like trust
20 funds, so your staff suggested maybe we should just
21 think about general revenue, so we modified the
22 report to say trust fund or general revenue, and
23 also require that vehicle sales go into this pot to
24 acquire more law enforcement vehicles.

25 The fourth recommendation, the Patrol --

1 GOVERNOR SCOTT: It has to be consistent. I
2 mean, what we've not been doing is doing it year
3 after year, and that's the biggest problem.

4 MS. JONES: Yes, sir.

5 GOVERNOR SCOTT: We have to have a plan and we
6 just keep doing it.

7 MS. JONES: Yes, sir.

8 GOVERNOR SCOTT: Whether it's a trust fund or
9 not, we have to have some consistency, not feast or
10 famine.

11 MS. JONES: Yes, sir. And that's why we're
12 recommending that this work group get with DMS.
13 And Secretary Miles had some pretty neat ideas. If
14 we centralize this and reduce the types of vehicles
15 that we're buying to a core group, we can go to
16 manufacturers and buy more of a single type of
17 vehicle and get the price down. So he's real
18 excited about being involved with this.

19 The fourth recommendation, the Highway Patrol
20 should continue the vehicle refurbishment and
21 maintenance outsourcing pilots that they
22 established at your request, Governor. The results
23 will be reported back to the fleet management
24 group.

25 And lastly, exempt all law enforcement

1 vehicles from SunPass charges, and this includes
2 police chiefs -- police departments, sheriffs.
3 This is a real problem for law enforcement agencies
4 entering and exiting relative to tolling and
5 keeping their devices up.

6 GOVERNOR SCOTT: How much money is that? Do
7 you know? Do you know how much money that is a
8 year?

9 MS. JONES: No, sir, I don't, but I did reach
10 out to DOT to ask, and my understanding -- they're
11 researching it for me. I think the problem is
12 going to be with this one, federal law limits the
13 amount of exemptions that you can do for tolling on
14 certain types of roads, and I think we've maxed out
15 our exemptions, so -- but Ananth is working with me
16 on this one.

17 So just to sum up, this, I believe, was an
18 outstanding review of kind of the state of the
19 State. You know, a lot of people put eyes on a lot
20 of process. Throughout the report, you'll find
21 numerous recommendations for best management
22 practices, changes in policy. There were folks at
23 these meetings that kind of looked at one another
24 and said, "Really? I didn't know you could do
25 that," so a lot of synergy that doesn't need

1 anything other than an agency head saying, "Do
2 that."

3 The environmental merger is found in House
4 Bill 1383 by Representative Glorioso and Senate
5 Bill 1782 by Senator Jack Latvala. The fleet
6 management team is working with the House and
7 Senate and OPB to get that proviso implemented.

8 And we have some pending deliverables. The Ag
9 interdiction team is going to report back on the
10 colocation idea. The environmental team has
11 identified possible consolidation of dispatch
12 between those two agencies and will be reporting
13 back on that. The inspector general is going to be
14 doing a follow-up on all of her initiatives. The
15 admin support team is going to be following up with
16 the environmental teams, and they also have a
17 deliverable left on the table relative to general
18 counsels' offices. We wanted to look to see if
19 there's any need -- if everybody needs -- how many
20 general counsel, dedicated specific total of law
21 enforcement. The sworn versus nonsworn team needs
22 to report back on the regulatory function.

23 And lastly, communications. We didn't have a
24 communications team, but we're going to stand up a
25 communications team to look at the state law

1 enforcement radio system and what the future holds
2 for maybe creating some efficiencies with county
3 and local as well as state law enforcement, to plan
4 for that instead of having everybody buying their
5 own stuff.

6 So that's my report.

7 GOVERNOR SCOTT: All right. Well, thank you
8 very much. Does anybody have any questions?
9 Commissioner?

10 COMMISSIONER PUTNAM: Governor, I just wanted
11 to say I appreciate the work you put into this.
12 The Legislature gave you a pretty short time frame
13 to come back with the answers to some very big
14 questions that they've wrestled with in the past
15 without really accomplishing any efficiencies, and
16 I think that y'all have split the baby in all the
17 right places. I think that there continues to be
18 opportunities out there for efficiencies.

19 The consolidation of environmental law
20 enforcement makes perfect sense. The way it used
21 to be was sort of indefensible. You all correctly
22 identified that, and I think the agencies
23 identified that. And, you know, with the service
24 agreements, I think it's going to continue to
25 provide -- we're going to make sure that it

1 continues to provide the same level of protection.
2 But to have three different guys in three different
3 uniforms driving three different kinds of cars
4 running back and forth across the street between a
5 the wildlife management area and a state forest and
6 a state park, it just doesn't make any sense.

7 I think on the aviation side, it makes an
8 awful lot of sense how you did that. A lot of our
9 property is federal surplus property, and so that's
10 a big issue about how you use it. We have to use
11 it 99 percent of the time, or whatever it is, for
12 fires, so we can't use it for FHP to track speeders
13 or FWC to track poachers. I mean, even though it
14 might make sense that while you're flying over
15 those areas, we lose the helicopter because the
16 feds say you can only use it for this. So I think
17 you all correctly identified those issues.

18 In fact, when Georgia did this consolidation,
19 they didn't get it right, and the feds took away
20 their Hueys, and now we have -- the State of
21 Florida got two free helicopters because Georgia
22 didn't get this process right. So we've got these
23 black and red painted Hueys that are now going to
24 be orange and blue flying.

25 But anyway, thank you very much for the work

1 that you put into this and the leadership that you
2 continue to provide us.

3 MS. JONES: Thank you, sir.

4 GOVERNOR SCOTT: Anybody else?

5 Julie, thank you very much for doing this, and
6 thanks for -- I just thank everybody involved,
7 thanks for the cooperation. I mean, this is what's
8 good about government. People do -- in contrast to
9 what some people think, government works together,
10 and the agencies are working together well, so
11 that's great.

12 So congratulations, and good luck in
13 implementing all this.

14 MS. JONES: Thank you.

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1 GOVERNOR SCOTT: All right. Now I would like
2 to recognize Ben Watkins with the Division of Bond
3 Finance. Good morning, Ben.

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

6 Item number 1 is minutes for the December 6th
7 meeting.

8 GOVERNOR SCOTT: Is there a motion to approve
9 Item 1?

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 CFO ATWATER: Second.

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

15 MR. WATKINS: Item Number 2 are resolutions
16 authorizing the issuance and competitive sale of
17 \$500 million in PECO refunding bonds. This is
18 actually four separate series of bonds which are
19 callable first June 1 of 2012, and we want to be
20 prepared to take advantage of market conditions for
21 debt service savings.

22 GOVERNOR SCOTT: All right. This is full
23 faith and credit, and it's a refunding?

24 MR. WATKINS: Yes, sir.

25 GOVERNOR SCOTT: All right. Is there a motion

1 to approve Item 2?

2 COMMISSIONER PUTNAM: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Moved and seconded. Item 2
6 is approved without objection.

7 MR. WATKINS: Item 3 is a resolution
8 authorizing the issuance and competitive sale of
9 \$10 million of capital improvement revenue bonds
10 for Palm Beach State College to finance a public
11 safety training facility for students being trained
12 in law enforcement, fire, and emergency medical
13 services. These are revenue bonds secured by a
14 capital improvement fee on the students at Palm
15 Beach State College.

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

18 CFO ATWATER: So moved.

19 GOVERNOR SCOTT: Is there a second?

20 ATTORNEY GENERAL BONDI: Second.

21 GOVERNOR SCOTT: Moved and seconded. Item 3
22 is approved without objection.

23 MR. WATKINS: Item 4 is a mixed issue of both
24 new money and a refunding component. It's
25 resolutions authorizing the issuance and

1 competitive sale of \$55 million in dormitory
2 revenue bonds and \$27 million in dormitory revenue
3 refunding bonds.

4 The new money, the \$55 million transaction is
5 secured by housing system revenues at the
6 University of Central Florida and is for
7 construction of a new dormitory adding to their
8 existing housing stock. And the \$27 million
9 refunding is to take advantage of lower interest
10 rates and for debt service savings.

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

13 COMMISSIONER PUTNAM: So moved.

14 GOVERNOR SCOTT: Is there a second?

15 ATTORNEY GENERAL BONDI: Second.

16 GOVERNOR SCOTT: Moved and seconded. Item 4
17 is approved without objection.

18 MR. WATKINS: Item Number 5 are resolutions
19 authorizing the issuance and competitive sale of
20 \$12 million in parking facility revenue bonds for
21 construction of a new parking deck for the
22 University of Central Florida. This again is
23 secured by parking system revenues, including a
24 transportation access fee paid by the students at
25 the University of Central Florida.

1 GOVERNOR SCOTT: Is there a motion to approve
2 Item 5?

3 ATTORNEY GENERAL BONDI: So moved.

4 GOVERNOR SCOTT: Is there a second?

5 CFO ATWATER: Second.

6 GOVERNOR SCOTT: Moved and seconded. Item 5
7 is approved without objection.

8 MR. WATKINS: Item Number 6 is a report of
9 award on the competitive sale of \$22.2 million of
10 dormitory revenue refunding bonds for Florida
11 International University.

12 The bonds were sold at competitive sale and
13 sold to the low bidder at a true interest cost of
14 approximately 3 percent. This allowed us to reduce
15 the interest rate on the outstanding debt from
16 4.98 percent to approximately 3 percent, generating
17 gross debt service savings of 3.6 million, present
18 value savings of 3 million, or 12.8 percent of the
19 principal amount of the bonds being refunded.

20 GOVERNOR SCOTT: All right. Is there a motion
21 to approve Item 6?

22 ATTORNEY GENERAL BONDI: So moved.

23 GOVERNOR SCOTT: Is there a second?

24 CFO ATWATER: Second.

25 GOVERNOR SCOTT: Moved and seconded. Item 6

1 is approved without objection.

2 MR. WATKINS: Item Number 7 is a report of
3 award on the competitive sale of \$11 million in
4 University of Central Florida parking facility
5 revenue refunding bonds.

6 The bonds were sold at competitive sale and
7 awarded to the low bidder at a true interest cost
8 of 2.29 percent, reducing the interest rate on the
9 outstanding debt from 4.94 percent to 2.30 percent,
10 generating gross debt service savings of
11 approximately 1.6 million, 1.5 million on a present
12 value basis, or 12.1 percent of the principal
13 amount of the bonds being refunded.

14 GOVERNOR SCOTT: Is there a motion to approve
15 Item 7?

16 ATTORNEY GENERAL BONDI: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 COMMISSIONER PUTNAM: Second.

19 GOVERNOR SCOTT: Moved and seconded. Item 7
20 is approved without objection.

21 MR. WATKINS: Item Number 8 is a report of
22 award on the competitive sale of \$55.9 million in
23 capital outlay refunding bonds.

24 The bonds were sold at competitive sale and
25 awarded to the low bidder at a true interest cost

1 of 1.61 percent, allowing us to reduce the interest
2 rate on the outstanding debt from 4.32 percent to
3 1.61 percent, generating gross debt service savings
4 of 5.7 million, 5.3 million on a present value
5 basis, or 9.1 percent of the principal amount of
6 the bonds being refunded.

7 GOVERNOR SCOTT: Is there a motion to approve
8 Item 8?

9 COMMISSIONER PUTNAM: So moved.

10 GOVERNOR SCOTT: Is there a second?

11 ATTORNEY GENERAL BONDI: Second.

12 GOVERNOR SCOTT: Moved and seconded. Show
13 Item 8 is approved without objection.

14 MR. WATKINS: And lastly, Item Number 9 is a
15 report of award on the competitive sale of
16 \$164 million of PECO refunding bonds.

17 The bonds were sold at competitive sale and
18 awarded to the low bidder at a true interest cost
19 of 3.85 percent, allowing us to reduce the interest
20 rate on PECO bonds from 5 percent to 3.85 percent,
21 generating gross debt service savings of 32.2
22 million, present value savings of 21.3 million, or
23 12.7 percent of the principal amount of the bonds
24 being refunded.

25 GOVERNOR SCOTT: Is there a motion to approve

1 Item 9?

2 CFO ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Moved and seconded. Item 9
6 is approved without objection.

7 MR. WATKINS: Thank you, Governor. So for the
8 calendar year 2011, we executed, just by way of
9 review, 19 refunding transactions, aggregating
10 \$2-1/4 billion in principal amount of bonds being
11 refunded, generating gross debt service savings for
12 the State of \$300 million, or on a present value
13 basis, 250 million. So it has been a good year for
14 refinancing debt.

15 GOVERNOR SCOTT: Congratulations. So we have
16 approximately \$27 million of full faith and credit;
17 right?

18 MR. WATKINS: Total debt outstanding, revenue
19 bonds and full faith and credit, yes, sir.

20 GOVERNOR SCOTT: And what do you think the
21 average -- do you know what the average interest
22 rate is?

23 MR. WATKINS: It's probably about 4.8 percent.

24 GOVERNOR SCOTT: 4.8?

25 MR. WATKINS: Yes, something like that.

1 GOVERNOR SCOTT: And the maturity is all
2 spread out over the next 30 years?

3 MR. WATKINS: Yes, sir. And some are callable
4 and some are not. And that's one of the things we
5 do, we spend our time doing, is constantly
6 monitoring every series of bonds, what the
7 outstanding -- what the interest rates are on the
8 outstanding debt, what current market rates are,
9 and executing refinancings when they're
10 economically feasible to do so. And so that's why
11 a majority of what we've been doing is taking
12 advantage of the historically low interest rates
13 that have been available. Market conditions remain
14 very favorable in the municipal market because of
15 uncertainty in the global markets and sovereign
16 debt in Europe and a weak economy, so we --

17 GOVERNOR SCOTT: And that AAA credit rating,
18 better credit rating --

19 MR. WATKINS: That helps tremendously, helps
20 tremendously as well, Governor.

21 GOVERNOR SCOTT: All right. Thank you.

22 MR. WATKINS: Thank you, sir.

23 GOVERNOR SCOTT: Have a good day.
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25

1 GOVERNOR SCOTT: All right. Now I would like
2 to recognize Ash Williams with the State Board of
3 Administration. Good morning, Ash.

4 MR. WILLIAMS: Good morning, Governor and
5 Trustees. A general update, as usual, to start off
6 today. Through the close on the 16th of fiscal
7 year-to-date, we're down 4.32 percent. That's 38
8 basis points behind target. The balance in the
9 Florida Retirement System Trust Fund is
10 \$119.9 billion.

11 To put in perspective for you how miserable
12 the latter half of calendar 2011 was, one of the
13 worst periods on record, when we go back to fiscal
14 year-end, we were at 128.5 billion as of 30 June
15 2011.

16 GOVERNOR SCOTT: Okay. So we were at 128 last
17 June?

18 MR. WILLIAMS: Correct, June 30. So --

19 GOVERNOR SCOTT: And that year we had really
20 good returns; right?

21 MR. WILLIAMS: Yes. So we're down
22 \$8.4 billion since that time in fund balance.

23 Now, the other thing to recall is that we're
24 also paying out on net somewhere between 300 and
25 600 million a month cash in benefits, so that's not

1 all investment performance. Some of that is
2 outgoing cash, but the balance is what the balance
3 is. So I wanted to share that with you.

4 Absent any questions, I'll be happy to move
5 ahead with the agenda.

6 GOVERNOR SCOTT: So, Ash, do you -- all right.
7 We had a great year ending June 30, and then we
8 lost; right?

9 MR. WILLIAMS: Yes.

10 GOVERNOR SCOTT: And the average the last two
11 years was a little over 5; right?

12 MR. WILLIAMS: Yes. And, of course, what
13 you're seeing is, you have -- anytime you have a
14 very big move in any one year, whether it's up or
15 down, it will skew the time series for a period of
16 time away from that. So if you look at the 30-year
17 number, it's still quite strong north of 10. As
18 you get into time periods of narrower width that
19 include the drawdown of the '08-'09 crisis, that's
20 where you'll see it.

21 GOVERNOR SCOTT: And '08 was the tough year;
22 right? Was it '08, our worst year?

23 MR. WILLIAMS: Yes. Well, looking at fiscal
24 year.

25 GOVERNOR SCOTT: And '11 was our best in that

1 time frame?

2 MR. WILLIAMS: Yes. Actually, the last two
3 years were quite good, and the one prior was quite
4 bad. So we have to say, "Well, okay. Which one is
5 the predictor?" And we're doing a lot work on the
6 longer term view and whether the debt cycle that
7 we're coming out of is a self-reinforcing negative
8 that goes for a very, very long period of time. If
9 that's true, it's not good. But that's where we
10 are.

11 GOVERNOR SCOTT: How much does the -- the
12 issues with the Euro have an impact on us?

13 MR. WILLIAMS: I think the Euro -- we had an
14 interesting meeting on that yesterday, and the Euro
15 issue is being treated like it's primarily a
16 liquidity issue. It may be worse than that from
17 the standpoint that it may be a fundamental issue
18 when you consider that simply the revenues, the
19 GDPs of the debtor counties that have become so
20 highly levered may not be sufficient to meet P&I to
21 maturity on some of these credits absent some sort
22 of inflation to cheapen the repayment of the debt.
23 That's a much more serious issue than a liquidity
24 issue, and it carries far more significant
25 ramifications with it.

1 And a similar question can be raised about the
2 U.S. We reached a point recently where every
3 single member of the workforce in the United
4 States, both employed and unemployed, can now have
5 attributed to them roughly \$100,000 of federal
6 deficit. That's a pretty significant amount. And
7 if you look at only employed workers, that number
8 goes up to 108,000.

9 So arguably, the debt cycle has to correct
10 globally. And when you consider the ramifications
11 of that in terms of credit availability, in terms
12 of spending, in terms of asset values, in terms of
13 incomes that in turn result from spending, general
14 economic activity, the same self-perpetuating cycle
15 that went from the '60s through 2008 could go the
16 other way.

17 GOVERNOR SCOTT: So what you took is just the
18 federal deficit -- or debt divided by the number of
19 people?

20 MR. WILLIAMS: Workforce.

21 GOVERNOR SCOTT: So if it's 100,000 and
22 average interest rates are 5 percent, then every
23 year, just to pay the interest, it's 5,000 per --
24 \$5,000 per person. Is that a good way of looking
25 at it?

1 MR. WILLIAMS: Depending on how you want to
2 set the interest rate, yes.

3 GOVERNOR SCOTT: Yeah. And then if you would
4 say -- if the interest rates are like we're getting
5 at the bank, they would be pretty cheap. But if
6 you worry about hyperinflation, then it gets pretty
7 expensive.

8 MR. WILLIAMS: Right. One of the other
9 ramifications of this potential long down cycle --
10 and I think we're in the early days on the work on
11 this, but we just heard Mr. Watkins talking about
12 the refunding environment and the record low rates,
13 et cetera. One of the things that's a byproduct of
14 this kind of a cycle, if this is what's really
15 going on, is that those rates can stay like that
16 for a long time, because regardless of how low the
17 rates are, the economic activity isn't there to
18 drive --

19 GOVERNOR SCOTT: Yeah. Where are you going to
20 put the money.

21 MR. WILLIAMS: Right, exactly.

22 GOVERNOR SCOTT: And that doesn't include the
23 debt for Medicare, Social Security, or other --
24 federal retirement.

25 MR. WILLIAMS: Correct.

1 GOVERNOR SCOTT: It adds up.

2 Okay. Does anybody have any questions?

3 MR. WILLIAMS: Item 1, request approval of the
4 minutes of the October 8, November 5, November 15,
5 and December 6 meetings.

6 GOVERNOR SCOTT: Is there a motion to approve
7 Item 1?

8 ATTORNEY GENERAL BONDI: So moved.

9 CFO ATWATER: Second.

10 GOVERNOR SCOTT: Moved and seconded. Item 1
11 is approved without objection.

12 MR. WILLIAMS: Thank you. Items 2 through 5
13 will mirror items that you just heard and approved
14 on the Division of Bond Finance agenda.

15 Item 2, request a fiscal sufficiency in an
16 amount not exceeding \$580 million, State of Florida
17 full faith and credit, Board of Education Public
18 Education Capital Outlay refunding bonds.

19 GOVERNOR SCOTT: So we'll just do -- we'll do
20 2 through 5. Is there a motion? Is there a motion
21 to approve Items 2 through 5?

22 CFO ATWATER: So moved.

23 GOVERNOR SCOTT: Is there a second?

24 ATTORNEY GENERAL BONDI: Second.

25 GOVERNOR SCOTT: All in favor? Moved and

1 seconded. Items 2 through 5 are approved without
2 objection.

3 MR. WILLIAMS: Thank you. Item 6, the staff
4 of the State Board of Administration requests
5 approval for filing of a Notice of Proposed Rule to
6 repeal Rule 19-7. This is relating to the Local
7 Government Surplus Funds Trust Fund and is at this
8 point a redundant rule.

9 GOVERNOR SCOTT: Okay. Is there a motion to
10 approve Item 6?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

14 GOVERNOR SCOTT: Moved and seconded. Item 6
15 is approved without objection.

16 MR. WILLIAMS: Thank you. Item 7, the staff
17 of the State Board requests that the Trustees
18 approve filing of a Notice of Proposed Rule to
19 amend Rule 19-7.002. This is the Investment Policy
20 Statement for the local pool and Pool B. These are
21 investment policies previously reviewed and
22 approved by both the IAC and the Trustees. We're
23 just putting them into rule.

24 GOVERNOR SCOTT: Is there a motion to approve
25 Item 7?

1 CFO ATWATER: So moved.

2 GOVERNOR SCOTT: Is there a second?

3 ATTORNEY GENERAL BONDI: Second.

4 GOVERNOR SCOTT: Moved and seconded. Item 7
5 is approved without objection.

6 MR. WILLIAMS: Thank you. Item 8, request
7 approval of the appointment of Dr. Kurt Gurley as
8 the engineer member of the Advisory Council for the
9 Florida Hurricane Catastrophe Fund. Dr. Gurley is
10 a distinguished associate professor at the
11 University of Florida, and if you read his bio in
12 here and his vita of publications, it's quite
13 impressive. Request approval.

14 GOVERNOR SCOTT: All right. Is there a motion
15 to approve Item 8?

16 ATTORNEY GENERAL BONDI: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 CFO ATWATER: Second.

19 GOVERNOR SCOTT: Moved and seconded. Item 8
20 is approved without objection.

21 ATTORNEY GENERAL BONDI: And if we could just
22 say, I met with Dr. Gurley and was extremely
23 impressed by his qualification.

24 GOVERNOR SCOTT: That's great. All right.

25 MR. WILLIAMS: Thank you. Item 9, I would

1 like to provide an update on two items. The first
2 of these is the Crowe Horwath review
3 recommendations.

4 You will recall at the December SBA-Trustees
5 quarterly meeting, there was a presentation from
6 the IAC, and there was discussion among the
7 Trustees. And while the vast majority of
8 observations in the Crowe report were accepted and
9 are being handled by SBA staff, there were a small
10 minority of their recommendations that really went
11 beyond SBA staff authority and came into the area
12 of governance and really more the territory of the
13 IAC and the Audit Committee.

14 The Trustees asked that IAC Chair Gidel, CFO
15 Atwater, and myself work on these issues and report
16 back subsequently. In addition, we took it upon
17 ourselves to add Rolf Engmann as a representative
18 of the Audit Committee to our little working group,
19 and we had a series of one-off conversations over
20 the holidays and came up with recommendations on
21 two levels to make absolutely crystal clear that
22 there is no conflict issue in the governance
23 structure of the SBA as it relates to the chief
24 risk and compliance officer's reporting to the
25 executive director and chief investment officer.

1 So really, Crowe considered a couple of
2 options there if you want to cure that potential
3 issue, and I would underscore the word "potential."

4 GOVERNOR SCOTT: Right.

5 MR. WILLIAMS: But one would be to separate
6 the duties of the executive director and the CIO.
7 The other would be to modify the reporting
8 relationship in some way so that you cure any
9 potential perception of conflict. The conclusion
10 was that the latter route was the more productive,
11 so we're approaching that -- recommending
12 approaching that on two levels.

13 The first would be to codify in the investment
14 policies for the various primary entities of the
15 State Board the current practice of having the CRCO
16 report no less than quarterly to the IAC, the
17 Trustees, and the Audit Committee, and further, to
18 make clear that the CRCO has access to those bodies
19 at any time for any reason to ensure that that
20 individual's function can be executed in a
21 completely independent and effective manner.

22 The second thing would be to have the
23 individual in the CRCO role subject to an
24 affirmation of their selection, compensation, and
25 retention by the Trustees. The normal day-to-day

1 executive and administrative relationship would
2 continue to reside with the executive director,
3 which addresses the issue of the ability to provide
4 timely response to any issues that should surface.
5 That's very important. But it provides that extra
6 layer of insulation, if you will, or independence
7 just to ensure that nobody can draw a wrong
8 inference about the independence of that role. So
9 those are the recommendations there.

10 The investment policy changes by law must
11 first be approved by the Investment Advisory
12 Council. We have a telephonic meeting of the
13 Council scheduled for 9 a.m. this Friday morning.
14 So presuming the IAC concurs with this direction,
15 then the Trustees would be clear anytime subsequent
16 to Friday's meeting to move forward with those
17 policy changes, and we would bring them to you on
18 an agenda just as we just did with the local
19 government pool policy a moment ago.

20 So unless there are questions on that area, I
21 would like to give you an update on where we are on
22 the inspector general process.

23 GOVERNOR SCOTT: Does anybody have anything?

24 CFO ATWATER: No.

25 MR. WILLIAMS: All right. Very good. Thank

1 you.

2 On the inspector general search, we conducted
3 a national effort there. Florida's chief inspector
4 general, Melinda Miguel, was extremely helpful and
5 made available to us the website of the National
6 Organization of Inspectors General. We advertised
7 the position there, had a number of responses,
8 narrowed that down to a select group, conducted a
9 series of interviews over the past couple of weeks,
10 and basically have focused our selection and are
11 doing some final reference checks now, but we've
12 basically got that one tied out. And presuming
13 that the reference checks are good, we'll be done
14 within the next few days, I think, on that one,
15 assuming we can come to terms.

16 So net, I think we're covered on both those
17 items.

18 Any questions?

19 GOVERNOR SCOTT: Thank you.

20 MR. WILLIAMS: Thank you.

21 Item 9, reaffirmation of the executive
22 director. Item 10. I'm sorry.

23 GOVERNOR SCOTT: All right. So you want me to
24 do this part?

25 MR. WILLIAMS: I recommend adoption.

1 (Laughter.)

2 GOVERNOR SCOTT: Who is that?

3 MR. WILLIAMS: Completely objective.

4 GOVERNOR SCOTT: So this is the reaffirmation
5 of Ash Williams as the executive director.

6 You turned really red, by the way. I hope
7 there's a doctor in the room.

8 MR. WILLIAMS: Right.

9 GOVERNOR SCOTT: So is there a motion to
10 approve Item 10?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

14 GOVERNOR SCOTT: Moved and seconded. Item 10
15 is approved without objection. Congratulations.

16 MR. WILLIAMS: Thank you very much.

17 GOVERNOR SCOTT: All right. Thank you very
18 much.

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1 GOVERNOR SCOTT: Okay. Now I would like to
2 recognize Phillip Miller with the Administration
3 Commission. Good morning.

4 MR. MILLER: Good morning, Governor and
5 members of the Commission.

6 We have three items on the Administration
7 Commission agenda. Item 1 is approval of the
8 minutes of the October 4th meeting.

9 GOVERNOR SCOTT: Is there a motion to approve
10 Item 1?

11 COMMISSIONER PUTNAM: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 ATTORNEY GENERAL BONDI: Second.

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

16 MR. MILLER: Item 2 is consideration of an
17 amended draft final order of dismissal in the
18 proceeding of the Department of Community Affairs
19 vs. Taylor County and Kenneth Hutchins, Catherine
20 Redding, and Clinton Wood.

21 This item relates to a legal proceeding
22 addressing the challenge of two land use amendments
23 to the Taylor County Future Land Use Map. The
24 parties have entered into a stipulated settlement
25 agreement resolving all issues in dispute. The

1 County has adopted the remedial amendments required
2 by the settlement agreement.

3 Due to procedural changes adopted during the
4 2011 legislative session, the Taylor County
5 amendments, as modified by the remedial amendments,
6 cannot become effective unless the Commission makes
7 a finding that the amendments are in compliance
8 with the Growth Management Act. Staff recommends
9 that the Commission make such a finding.

10 Today we have Ms. Catherine Redding, who wants
11 to make a few brief comments. She's a property
12 owner and intervenor in the case.

13 GOVERNOR SCOTT: Good morning.

14 MS. REDDING: Good morning. You all do work,
15 don't you, a lot?

16 My name is Catherine Redding, and this is my
17 brother, Clinton Wood, with the orange jacket on,
18 and we are two of five siblings in this property
19 issue of ours. And the gentleman just explained
20 exactly where we are, but I just wanted to give you
21 a little short story of why we're here.

22 Hopefully today is the completion of a very
23 long journey for our Wood family, if you all agree
24 and follow through. It was caused by a human error
25 in 1991 when our property was reclassified in

1 Taylor County. My family did not realize that it
2 was classified as agriculture until 2005. We have
3 been in this process for six and a half years. And
4 if it were not for the guy with the green shirt on,
5 we wouldn't be here today.

6 This is a little 3.36-acre island that our
7 father and mother bought 69 years ago in 1943.
8 They brought us five children to this island in a
9 little 14-foot boat with a pair of hickory oars,
10 and we camped out on this island until we could
11 rehab an old house that we could live in.

12 And so we have been there all these years. My
13 brother still lives there. My dad was a commercial
14 fisherman, and there has been a commercial fishing
15 business there since the day we landed, because
16 that's how we survived. We ate mullet, swamp
17 cabbage, crabs, whatever we could catch. And my
18 bother still lives there, and now he is the sole
19 survivor on that island, but we still own it.

20 And when it was reclassified in '91, they
21 classified it as agriculture. Well, that rings a
22 bell, because how could a 3.36-acre island be
23 agriculture?

24 So, anyway, here we are today asking you to
25 help us complete this process to correct this error

1 to the mixed use urban classification. And it's a
2 dear spot in all my family's lives, our children,
3 our grandchildren, and everyone. But we just
4 needed to get this problem straightened out,
5 because us four kids that are left -- there were
6 five of us. We lost our baby brother in April from
7 an aneurysm. But there are so many grandkids, you
8 can imagine the fight over a little three-acre
9 island if something happens to us. So we ask you,
10 if you will, please help us today to resolve this
11 and move forward.

12 I thank you very much. It's been a pleasure
13 to be here. This is my first time, and I've
14 learned a lot. I tried to listen real good, and I
15 can tell you guys really earn your pay. Thank you.

16 GOVERNOR SCOTT: Thank you very much for
17 coming. And it's a great story. It's part of
18 Florida. It's a Floridian story.

19 MS. REDDING: Yes, it is. You should come
20 down and see us sometime.

21 ATTORNEY GENERAL BONDI: I was going to ask
22 you that. We love smoked mullet.

23 MS. REDDING: Do you?

24 ATTORNEY GENERAL BONDI: We would love to come
25 down.

1 MS. REDDING: Okay. Well, my brother will
2 take you mullet fishing and let you help catch
3 them.

4 GOVERNOR SCOTT: He would probably catch them
5 too.

6 MS. REDDING: Yes, he would. You should come
7 go fishing with him one day. He will show you what
8 it is to really work, you know, with a net.

9 ATTORNEY GENERAL BONDI: With a net.

10 MS. REDDING: Yeah, yeah. He can show you how
11 hard it is. But he's come a long ways, because
12 when my dad moved there back in 1943, he had the
13 little boat with the oars, you know, and now he has
14 an air boat. So things have changed.

15 Thank you very much.

16 ATTORNEY GENERAL BONDI: Thank you.

17 GOVERNOR SCOTT: Thank you very much.

18 All right. Is there a motion to approve Item
19 2?

20 COMMISSIONER PUTNAM: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 ATTORNEY GENERAL BONDI: Second.

23 GOVERNOR SCOTT: Moved and seconded. Item 2
24 is approved absolutely without objection.
25 Congratulations.

1 MS. REDDING: Thank you. Could I have a
2 picture?

3 (Laughter.)

4 ATTORNEY GENERAL BONDI: Yes, come on.

5 GOVERNOR SCOTT: Do you have a camera?

6 MS. REDDING: I don't have a camera.

7 GOVERNOR SCOTT: Okay. If you'll wait a
8 minute, E.T. will be back, and we'll get a picture.

9 MS. REDDING: I would like proof of this.

10 GOVERNOR SCOTT: Okay. If you'll wait a
11 minute, we'll get E.T. to come back, or Stacy.

12 MR. MILLER: Thank you, Governor.

13 Item 3 is consideration of the Department of
14 Economic Opportunity's 2011 Florida Keys Area of
15 Critical State Concern annual report. This item is
16 brought to the Commission pursuant to the statutory
17 requirement to annually review the progress of
18 Monroe County, the City of Marathon, and the
19 Village of Islamorada in completing certain work
20 program tasks set forth in Commission rules.

21 The work program tasks primarily address water
22 quality improvements, habitat protection, and
23 hurricane evacuation. Completion of the work
24 program tasks will lead to the eventual removal of
25 the Area of Critical State Concern designation and

1 is intended to ensure protection of the natural
2 resources of the Florida Keys.

3 This morning we have Mr. Doug Darling,
4 director of the Department of Economic Opportunity,
5 who will provide highlights of the Department's
6 2011 annual report.

7 GOVERNOR SCOTT: Thank you. Good morning,
8 Doug.

9 MR. DARLING: Good morning, Governor and
10 Cabinet.

11 ATTORNEY GENERAL BONDI: May I say something,
12 Governor?

13 GOVERNOR SCOTT: Oh, excuse me for a second.

14 ATTORNEY GENERAL BONDI: Do you realize the
15 act that you have to follow?

16 MR. DARLING: I was going to mention, Attorney
17 General, that I now know what those beginning
18 comedians feel like when they follow a
19 professional, because that lady right there is
20 good, let me tell you.

21 I am Doug Darling. This is my first
22 presentation before you, Governor, and this Cabinet
23 on this side of the dais, and I've got to tell you,
24 it's a little bit intimidating.

25 We're here today to talk about the Florida

1 Keys Area of Critical State Concern and the annual
2 progress report. Just as a reminder, there are
3 four areas designated by the Legislature for areas
4 of critical concern, and those are the City of
5 Apalachicola; Green Swamp, which makes up most of
6 Polk and Lake County; Big Cypress, mostly Collier
7 with a little bit of Dade and Monroe; and then
8 obviously, the Florida Keys and Key West.

9 The Florida Legislature designated the Florida
10 Keys as an Area of Critical State Concern with the
11 goals that you see on this slide, and I'm not going
12 to read them. In carrying out those goals, this
13 Commission set the following objectives.

14 Everything about the Keys is special, the
15 environment, its people, and the challenges that we
16 face. The Florida Keys are a national treasure.
17 They contain the only coral barrier reef in the
18 continental United States. In order to protect the
19 Keys, water quality is imperative, and to have good
20 water quality, we must have low nutrients.

21 When I said the Keys are special, this slide
22 will share with you both the economic impact of the
23 Florida Keys and the jobs associated with it.

24 Along with the Keys being special, there also
25 are some dichotomies in the Keys. For example, the

1 Florida Keys have the State's lowest unemployment
2 rate of 6.4 percent. But Monroe County has also
3 lost more population than any other county in the
4 State of Florida at 8.9 percent.

5 Treating wastewater is imperative to
6 protecting the Keys, and that is why the Florida
7 Legislature in 1999 established specific treatment
8 standards, wastewater treatment standards for the
9 Florida Keys. All existing wastewater treatment
10 facilities must be connected to central sewer in
11 order to comply with the law by 2015. Of note, the
12 numbers on this slide do not include the City of
13 Key West nor Key Colony Beach because they already
14 have central sewer.

15 Obviously, to do that much infrastructure in
16 the Florida Keys takes money, and this is a status
17 report on the funding that has been applied to
18 meeting the critical state concern requirements
19 established by law. I would like you to remember
20 one little part of this slide, and that is, the
21 numbers that are over there on the left-hand side
22 for Cudjoe and for Islamorada totaling
23 \$250 million, you'll see some items regarding that
24 funding remaining a little bit later.

25 Now we'll talk a little bit about some

1 specific progress. The Administration Commission
2 adopted a schedule of events that, if followed,
3 would ensure that the 2015 date was met. Monroe
4 County has completed 64 percent of the tasks
5 assigned for last calendar year, 2011, plus six
6 tasks were completed early that were scheduled for
7 2012. Fifty-three percent of the potential
8 wastewater connections to homeowners and for
9 private package plants are complete. They
10 constructed three wastewater treatment collection
11 basins in Key Largo. And while not part of the
12 wastewater treatment goals, the County also
13 reexamined the tier designation for 3,100 parcels
14 to direct growth towards areas with infrastructure
15 and away from sensitive habitat.

16 Islamorada, 60 percent -- 69 percent of the
17 tasks required for 2011 have been completed, and
18 six tasks scheduled for 2012 were also completed
19 last calendar year. Of note, Islamorada added
20 capacity for an additional 750 connections to the
21 Plantation Key wastewater treatment facility.

22 The City of Marathon completed 94 percent of
23 tasks required for 2011 and five tasks scheduled
24 for 2012. Most notably for Marathon, they have
25 reported to DEO that all connections will be

1 completed by March of this year. And also
2 important, they amended their comprehensive plan
3 policies to limit building permit applications in
4 the tropical hardwood hammocks, and this will
5 further help the protection of the environment.
6 When we get to the conclusions part of my
7 presentation, Marathon's progress will be noted in
8 one of my recommendations.

9 Obviously, we still have some work to do. We
10 met with Monroe County and DEP over the holidays to
11 develop a financial plan to address that shortage
12 that I called your attention to back a couple of
13 slides. We're working closely with Monroe County
14 to provide technical assistant in completing all
15 the tasks to meet the 2015 deadline. Islamorada
16 was delayed in selecting their contractor, so we've
17 asked for a status report on their construction by
18 the end of February.

19 These are the recommendations from DEO
20 regarding the Florida Keys annual report. We ask
21 that you accept the annual report, that you
22 continue to designate the Florida Keys as a
23 Critical Area of State Concern, and that you accept
24 our recommendation that substantial progress has
25 been made toward completing the strategies required

1 by law and rule.

2 We also ask for the first time ever that you
3 award a one-time 100 unit transient -- 100
4 transient units authority to the City of Marathon,
5 recognizing their substantial and completed
6 progress in March of 2012. Of note, this amendment
7 or this recommendation will have to go through comp
8 plan hearings, two public hearings before it will
9 be able to be implemented.

10 And last but not least, add to the future
11 discussion to ensure that any development that
12 takes place in the Florida Keys is factored into
13 the hurricane evacuation model.

14 This completes my presentation. I think
15 Mr. Miller has some other speakers unless there's
16 any questions for me.

17 GOVERNOR SCOTT: Thank you. Does anybody have
18 any questions? All right. Thank you, Doug.

19 Why don't we go ahead and do the picture with
20 Ms. Redding?

21 (Off the record briefly for pictures.)

22 MR. MILLER: Thank you, Governor. We do have
23 a number of speakers today, primarily from the
24 local governments.

25 First, representing the City of Marathon, we

1 have Mayor Pete Worthington. Mayor Worthington?

2 GOVERNOR SCOTT: Good morning.

3 MR. WORTHINGTON: Good morning, Governor.

4 Good morning, Trustees. I'm Pete Worthington, the
5 representative from the City of Marathon. I'm
6 currently the mayor.

7 The City of Marathon incorporated a short 12
8 years ago in 1999. Since then, the City has worked
9 aggressively with its state and federal partners to
10 complete its work program obligations ahead of
11 schedule, including the construction of its
12 wastewater and stormwater utilities and completion
13 of its comprehensive plan obligations. This winter
14 we will be working with the Department to complete
15 revisions to the hurricane evacuation model output.
16 All the City's commitments under the work program
17 will be completed before the end of March 2012.

18 This year the City requested the State's
19 assistance in obtaining additional transient
20 residential units, hotel rooms. The State has
21 acknowledged the City's outstanding effort by
22 recommending the City receive 100 transient units.

23 Tourism is the basis of the Marathon economy.
24 With the completion of the new wastewater and
25 stormwater capital infrastructure, the City

1 visualizes that at this point in time there's an
2 opportunity to revitalize its economy by
3 refurbishing older and less economically viable
4 mom-and-pop motels into hotel and motel resorts
5 that will help the City's family-oriented community
6 thrive. This revitalization will bring new job
7 opportunities to the City of Marathon. Additional
8 hotel rooms will help the City bring about the
9 future growth. Allocation of these hotel units
10 will be made by the City Council in a deliberative
11 manner.

12 The City of Marathon hasn't wavered one bit in
13 meeting our obligations towards the work program.
14 I've been on the Council for about eight years now.
15 Every opportunity we've had, we've moved forward on
16 trying to address the issues in the Area of
17 Critical State Concern.

18 GOVERNOR SCOTT: Well, congratulations.

19 MR. WORTHINGTON: And we support the economic
20 opportunities recommendation. So thank you. Are
21 there any questions?

22 GOVERNOR SCOTT: Congratulations on getting
23 all this done.

24 MR. WORTHINGTON: Thank you.

25 GOVERNOR SCOTT: It's hard to get all this

1 done, especially in a tough economic environment.

2 MR. WORTHINGTON: Yes. That kind of came on
3 us in the middle of this, but we're moving forward,
4 and we'll be completely done in the middle of March
5 here.

6 And if you guys like smoked mullet, you'll
7 love our stone crab and lobster, so we invite you
8 all down.

9 GOVERNOR SCOTT: This is a good job. We get
10 invited all over the place.

11 MR. WORTHINGTON: Thank you.

12 MR. MILLER: Next, the City of Marathon city
13 manager, Roger Hernstadt.

14 GOVERNOR SCOTT: Good morning.

15 MR. HERNSTADT: Good morning. Good morning,
16 Governor and members of the Cabinet. I just wanted
17 to publicly thank you and your staffs for all your
18 help in listening to us and hearing the issues that
19 are important to the City of Marathon. We also
20 wanted to publicly thank DEO, Doug Darling and his
21 staff for their cooperation and technical
22 assistance in helping Marathon complete its work
23 program.

24 We are in support of the recommendation in
25 order to create the much needed jobs and stabilize

1 our population loss and local economy and help us
2 repay the infrastructure debt we incurred due to
3 our requirement to build our wastewater systems to
4 build out, to accommodate future build-out.

5 And lastly, we will do everything in our power
6 to continue to work cooperatively with you all and
7 never let you down. We hope you'll come visit
8 soon.

9 GOVERNOR SCOTT: I'm sure all of us we will.
10 We would love to. Congratulations.

11 MR. HERNSTADT: Thank you very much.

12 MR. MILLER: Next, for Monroe County, we have
13 Mayor David Rice. Mayor Rice?

14 GOVERNOR SCOTT: Good morning.

15 MR. RICE: Good morning, Governor and Cabinet.
16 By the way, thank you so much for your
17 participation in yesterday's Everglades conference.
18 It was really refreshing to see so many boots up
19 there. We really enjoyed your input there, and it
20 was quite a nice event.

21 I would like to recognize a few folks who came
22 up from Monroe County. How about standing, the
23 folks who came all the way from Monroe County for
24 this meeting? We have Roman Gastesi, our county
25 administrator. We have fellow commissioner George

1 Neugent. And we have Christine Hurley, Bob
2 Shillinger, county attorney. We have Kevin Wilson
3 in the back. He's our engineer and mathematics
4 guru. And Sylvia, last and certainly not least,
5 Murphy. So we appreciate the opportunity to be
6 here today.

7 GOVERNOR SCOTT: How long -- did you all
8 drive? How long a drive was it? It's a long way
9 to Tallahassee.

10 MR. RICE: I haven't driven to Tallahassee in
11 35 years.

12 GOVERNOR SCOTT: It's a long way.

13 MR. RICE: There aren't many scenic things
14 between here and the Keys, very few mountains and
15 things of that nature, and in my opinion, it's a
16 pretty dull ride, so I try to fly. Thank you.

17 We do appreciate the opportunity to speak to
18 you here today. This year, we have had an
19 interesting year. You probably know that. The
20 staff at DEO has been extremely helpful, and it's
21 really like coming home to see old friends to come
22 up here with the staff that we worked with so many
23 years. And we truly appreciate that, because they
24 make it all possible.

25 As you heard, DEO has recommended a finding of

1 substantial progress and to continue the Area of
2 Critical State Concern. I think that the progress
3 we've made this year and in this economy is a good
4 indication of our commitment in the county, as well
5 as the cities, to improving water quality and
6 protecting the Florida Keys that we value
7 tremendously along with you.

8 We did have something a little unexpected
9 happen this year. DEO recommended the allocation
10 of the 100 transient hotel units to the City of
11 Marathon. When that happened, we frankly didn't
12 understand how that could happen, so we asked a
13 question for an explanation. And we did receive
14 the explanation that the feeling of DEO staff was
15 that it was justified and would present a minimal
16 risk to public safety on hurricane evacuation work
17 that will be done later on this spring.

18 We do understand that justification, but we do
19 have to point out the fact that this is a game
20 changer in our Area of Critical State Concern. The
21 Area of Critical State Concern guiding principles,
22 as well as the existing policies Keys-wide, have
23 been to very methodically issue 255 units for
24 growth or for development per year. And 12 years
25 ago, in order to maximize the residential portion

1 of these units, we imposed in the county a hotel
2 unit moratorium.

3 So we certainly understand the rationale
4 behind this decision and this recommendation, and
5 we're also looking forward to further explanation
6 and working very closely with the Florida Keys
7 hurricane evacuation working group that will be
8 occurring in the very near future. We understand
9 that the hotel units will be addressed during those
10 meetings.

11 DEO has also asked us to submit a financial
12 plan for our one remaining wastewater project,
13 which is the Cudjoe regional area. It is, I
14 believe, the largest project that we have in Monroe
15 County. It's certainly one of the most difficult,
16 because it's scattered across a lot of islands over
17 approximately 30 miles. We've been asked to submit
18 the financial plans for how we would complete that
19 project using only local funds, and indicating that
20 we could use state or federal funds if available.

21 I would have to say that funding this final
22 piece of our project has -- we've been 10 years to
23 get to this point. We've spent a lot of money,
24 some of yours, a lot of ours. We appreciate all
25 the help that we've gotten, but it has been a

1 financial challenge to fund this last project.

2 The system is estimated to cost approximately
3 \$150 million. We can raise and will raise
4 \$50 million by assessing our homeowners. We can
5 raise the second \$50 million, presuming that our
6 infrastructure sales tax passes a referendum in
7 November. We can extend that for the second
8 \$50 million, which leaves us just a little bit
9 short, as you may have noticed.

10 We are requesting that the final one-third or
11 \$50 million for this project be allocated by the
12 State of Florida, as promised four years ago with
13 the Stan Mayfield grant. This year, in the budget,
14 it would require an addition of approximately 3 to
15 \$4 million to bond the money we need to finish this
16 total project in Monroe County.

17 GOVERNOR SCOTT: Let me stop you for a second.
18 So what you need is 3 to \$4 million a year?

19 MR. RICE: Yes, yes. That would do the job.

20 I really recommend that you accept the DEO
21 recommendation. I will give you my personal
22 commitment as mayor to everything that I can do to
23 work toward the goals that have been set for Monroe
24 County. And my fellow commissioners and I, along
25 with our staff, are here to answer any questions

1 you may have.

2 GOVERNOR SCOTT: Thank you very much.

3 MR. RICE: Thank you.

4 GOVERNOR SCOTT: Do you have any questions?

5 MR. RICE: Questions? No?

6 GOVERNOR SCOTT: Thank you very much.

7 MR. MILLER: And we have Monroe County
8 Commissioner George Neugent. Mr. Neugent?

9 GOVERNOR SCOTT: Good morning.

10 MR. NEUGENT: Good morning, Governor and
11 Cabinet. It's a pleasure.

12 I had the distinct pleasure also with Mayor
13 Rice to attend the water supply summit, Everglades
14 restoration. And, CFO Atwater, I want to thank you
15 very much for your opening statements and message
16 that you made. It was extremely powerful. The
17 Everglades, as we all know, is a national treasure
18 and a state treasure. The panel that you guys sat
19 on, I have to say, Commissioner Putnam, when you
20 walked up behind Jack Nicklaus, I thought Tom
21 Watson was coming in right behind him, and my day
22 was going to be made, but it still was. I think --

23 COMMISSIONER PUTNAM: Sorry to let you down.

24 GOVERNOR SCOTT: That was a compliment.

25 MR. NEUGENT: But I do think that your

1 comments were accurate and right on point, as were
2 the Governor's. The Governor talked about needing
3 a surplus to move forward, and a commitment, a
4 political commitment to finish the Everglades
5 restoration.

6 In the 14 years that I've come to meetings and
7 conferences in Tallahassee, that was a probably the
8 most powerful assembly of people, two former
9 governors -- actually, three former governors with
10 Governor Graham being there, and the number of --
11 the former secretary of DEP. Just go down the
12 list. They were all there, including Jack
13 Nicklaus. I am an avid golfer, so that meant a lot
14 to me. But restoring the Everglades not only means
15 a lot to me and the residents of Monroe County, but
16 also everyone who is being attentive to what is
17 going on in an attempt to correct the mistakes of
18 the past.

19 And the surplus, Governor, is from the
20 increased property values that we're going to see
21 and the protection of resources that are just so
22 valuable to this great state. So it was a
23 tremendous good feeling for me to see you guys
24 participate in that.

25 Ms. Bondi, if you were there, I apologize. I

1 didn't see you, but --

2 ATTORNEY GENERAL BONDI: I was there yesterday
3 evening.

4 MR. NEUGENT: Oh, okay. And it was -- thank
5 very much for being there.

6 The only thing that I would like to add to
7 Mayor Rice's comments, I'll take you back to 1999
8 when this 99-395 mandate was put in place. This is
9 a \$1 billion-plus mandate to address wastewater and
10 stormwater. We, the residents and the elected
11 officials of Monroe County and the cities within,
12 recognize that this is the right thing to do, and
13 we're going to press on and do that. But we would
14 like for you to also know that we are a county of
15 73,000 people. A \$1.3 billion, approximately,
16 project to be done is an impossibility with that
17 burden being placed on 73,000 residents, and we ask
18 for your patience.

19 We have accomplished a lot over time. From
20 Ocean Reef, either in design or under construction
21 or completed, through Marathon, advanced wastewater
22 treatment has been achieved. Outside of the Cudjoe
23 regional, from Bay Point, which is a key in the
24 Keys, to Key West, we have achieved advanced
25 wastewater treatment.

1 The project that Mayor Rice spoke about, the
2 Cudjoe regional, is a \$150 million project. We ask
3 for your patience. We're getting there. We're
4 going to push forward. And we thank you for
5 anything that you can do in the future financially,
6 and we thank you for all that you have done to
7 date.

8 It was a pleasure to see the secretary. I
9 have not met him yet. I look forward to shaking
10 hands with him and talking to him. But we're going
11 to get there with your help. We thank you. Thank
12 you for all that you do.

13 GOVERNOR SCOTT: Thanks for coming.

14 MR. NEUGENT: And I would like to leave some
15 calendars with you and also some things that shows
16 that our commitment and effort on the Everglades
17 restoration is there.

18 GOVERNOR SCOTT: Okay. Thank you very much.
19 Thanks a lot.

20 MR. MILLER: And representing the Village of
21 Islamorada, we have Mayor Michael Reckwerdt.
22 Mayor?

23 MR. RECKWERDT: Hello. It's nice to see you
24 again. Good morning.

25 GOVERNOR SCOTT: Good morning.

1 MR. RECKWERDT: My name is Michael Reckwerdt.
2 I'm the mayor of Islamorada. With me is the vice
3 mayor, Ken Philipson; our village manager, Ed
4 Koconis; our attorneys, Nina Boniske and James
5 White. We appreciate the opportunity to have an
6 open dialogue with you again about our progress
7 regarding the Area of State Critical Concern.

8 As Islamorada has term limits and as I've had
9 the privilege of serving in Islamorada for quite a
10 while, I will be leaving office in November. And
11 with that, to keep a nice continuity of government
12 and a flow, I would like to have our vice mayor,
13 Mr. Philipson, address the rest of our comments.

14 You will notice a commonality in our comments
15 somewhat with the County with regards to some
16 difficulties that we face regarding our finance.
17 However, we also wish to express that we too
18 acknowledge what we need to do.

19 GOVERNOR SCOTT: Thank you. Good morning.

20 MR. PHILIPSON: Thank you, Mike.

21 Good morning, Governor and members of the
22 Cabinet.

23 I share something with Governor Scott, because
24 in my past life, I was involved in health care,
25 being on the board of the Baptist Health Systems in

1 Miami and vice chairman of the board of Mariners
2 Hospital. So we share that. But this is a new --

3 GOVERNOR SCOTT: Brian Keeley is doing a good
4 job there.

5 MR. PHILIPSON: Yes. As you know, Islamorada
6 has completed a wastewater collection and treatment
7 system for the north end of the village in 2006.
8 The report from the Department reflects continued
9 progress and compliance by the village relating to
10 planning, evacuation, land acquisition, and other
11 rule requirements. It also reflects that there is
12 only one area of the village that has not yet
13 achieved compliance with the administrative rule.
14 That is the progress toward the construction of a
15 central wastewater system for the entire village.

16 We are proud to tell you that since this
17 department report was issued, we selected a firm to
18 design, construct, and operate a village-wide
19 system. This is a significant milestone for us.
20 Essentially, it puts us in compliance with the
21 rule, and we will create a significant number of
22 jobs.

23 The cost of constructing, operating, and
24 maintaining the system may be well more than our
25 Council can reasonably impose on the small

1 businesses and people of Islamorada. The
2 construction cost alone will be \$110 million.

3 Other local governments in the Keys which were
4 able to move on the construction of the wastewater
5 systems earlier received tens of millions of
6 dollars in federal and state aid. With that help,
7 they were able to complete the systems that are
8 reasonably affordable. No such help is currently
9 available to Islamorada to defray the \$110 million
10 construction cost.

11 Governor Scott, you and your administration
12 have taken a stance of no tax increases and no new
13 taxes. Without your assistance, wastewater costs
14 will create a significant new tax burden for the
15 residents of Islamorada.

16 Less than two years ago, recognizing the
17 obligation in the area of state concern, the State
18 authorized the issuance of up to 200 million in
19 Everglades bonds to support the completion of
20 wastewater construction in the Florida Keys. As of
21 today, none of those bonds have been issued.

22 We very strongly urge you to join us in asking
23 the Legislature to authorize the issuance of bonds
24 in the amount necessary to bring our costs in line
25 with those of every other local government in

1 Monroe County. Without that help, Islamorada
2 cannot maintain economically, competitively, and
3 more importantly, our citizens may be saddled with
4 a utility bill that is simply unaffordable.

5 We've enjoyed a close working relationship, in
6 fact, a partnership, with the State of Florida for
7 many years as an Area of Critical State Concern.
8 It is important to finish the work begun so long
9 ago with this designation, that we remain partners
10 until we all cross the finish line.

11 Thank you very much.

12 GOVERNOR SCOTT: Any questions? Thank you
13 very much.

14 MR. PHILIPSON: Thank you.

15 MR. MILLER: The staff recommendation is that
16 the Commission accept the Department's 2011 Florida
17 Keys Area of Critical State Concern annual report
18 and transmittal letter and approve all recommended
19 actions contained in the Department's annual
20 report.

21 The staff also recommends that the Commission
22 direct Commission staff, with the assistance of
23 Department staff, to prepare and issue the 30-day
24 report detailing the work program tasks that must
25 be completed by Monroe County, the City of

1 Marathon, and the Village of Islamorada within the
2 next 12 months, to include any technical
3 adjustments.

4 Thank you, Governor. That concludes our
5 recommendation.

6 GOVERNOR SCOTT: Any questions? I want to
7 thank everybody for -- I want to thank the
8 Department and thank everybody that came, and
9 thanks to everybody for their hard work. This is
10 an important issue that, you know, working with the
11 local community we have to resolve.

12 So is there a motion to approve the staff
13 recommendations for Item 3?

14 COMMISSIONER PUTNAM: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 CFO ATWATER: Second.

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

19 Thank everybody for coming today. This
20 concludes our Cabinet meeting. We are adjourned.

21 (Proceedings concluded at 11:23 a.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 85 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 February, 2012.

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