

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:

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLE
STATE BOARD OF ADMINISTRATION
BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before the THE FLORIDA CABINET, Honorable Governor Scott presiding, in the Robert Thomas Equestrian Center at the Florida State Fairgrounds, 4800 U.S. Highway 301 North, Tampa, Florida, on Thursday, February 9, 2012, commencing at 9:07 a.m.

REPORTED BY:
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A P P E A R A N C E S

REPRESENTING THE FLORIDA CABINET

RICK SCOTT
Governor

ADAM H. PUTNAM
Commissioner of Agriculture

PAM BONDI,
Attorney General

JEFF ATWATER
Chief Financial Officer

SPEAKERS:

Julie Jones, Highway Safety and Motor Vehicle
Ash Williams, State Board of Administration
Herschel Vinyard, Board of Trustees

I N D E X

HIGHWAY SAFETY AND MOTOR VEHICLE

Presented by Julie Jones

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
1 Minutes	Approved	5
2 Quarterly Reports	Approved	10

STATE BOARD OF ADMINISTRATION

Presented by Ash Williams

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
1 Pension Plan: Investment policy statement amendment	Approved	13
2 Investment Plan: Investment policy statement amendment	Approved	13
3 Lawton Chiles Endowment: Investment policy statement amendment	Approved	13
4 Joint Legislative Auditing Committee: Approval of draft letter	Approved	14
5 Investment Advisory Council Appointment of William H. Harrell, Jr	Approved	15

BOARD OF TRUSTEE

Presented by Herchel Vinyard

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
1 Minutes	Approved	16
2 Rule Repeals	Approved	17
3 Nativity Lutheran Church Land Exchange	Approved	19
4 Oldcastle Limerock Mining Lease	Approved	20
<u>CERTIFICATE OF COURT REPORTER</u>		21

P R O C E E D I N G S

1
2 (The following excerpt of the meeting commencing at 9:53 a.m. is
3 as follows:)

4 GOVERNOR SCOTT: Now I'd like to recognize Julie Jones
5 with the Department of Highway Safety and Motor Vehicles.
6 Julie Jones, good morning.

7 MS. JONES: Just let me make room for the bureaucrat
8 here.

9 GOVERNOR SCOTT: That cares about the safety of her
10 citizens.

11 MS. JONES: Yes, sir. That's right. Governor, Cabinet
12 members, thank you very much for having me here. I have two
13 items for your consideration, but I would also like to
14 comment if I could quickly. CFO, I know you and the
15 Governor are working with the Allstate Foundation to do an
16 event and -- I think on the 16th, outside of Tallahassee.
17 The Patrol is sponsoring crash -- simulated crashes to
18 highlight the PIP fraud problem. We're going to have media
19 there. And again, we're continuing to work through the law
20 enforcement side, working with the Sheriff's Association and
21 Police Chief's Association to do a better job of documenting
22 and my agency is in charge of the actual form where we
23 collect information to tweak it, to get around the back side
24 collecting the information, again, to get at fraud. So
25 we're all working together and that's going to be a really

1 good event. I think our partners here in Tampa, it would be
2 good for them to know that we're continuing on this fight
3 that supports the legislation.

4 CHIEF FINANCIAL OFFICER ATWATER: Yeah, thank you.

5 GOVERNOR SCOTT: Just remember the numbers; it's a
6 billion dollars of fraud. So if you think about it, if
7 any -- all of us up here, if we could reduce taxes or the
8 legislature could reduce taxes by a billion dollars that
9 would be pretty significant. This is them doing the exact
10 same thing, it's putting back -- money back in citizens
11 hand. It's -- and think about it, this adversely impacts
12 the poorest families in our state the most because they have
13 to have auto insurance. This is a mandated coverage and so
14 we -- if we don't do this it impacts them the most because
15 it's a higher portion of their income than anybody else.

16 MS. JONES: Outstanding, and I look forward to seeing
17 the two of you next week. My first agenda item: We
18 respectfully request approval of the minutes from the
19 September 20th and October 18 Cabinet meetings.

20 GOVERNOR SCOTT: Is there a motion to approve Item One?

21 ATTORNEY GENERAL BONDI: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 CHIEF FINANCIAL OFFICER ATWATER: Second.

24 GOVERNOR SCOTT: Moved and seconded, Item One is
25 approved without objection.

1 MS. JONES: Thank you. Item Two: We respectfully
2 request approval of the Department's second quarter
3 performance report for fiscal year 2011-12. We had an
4 outstanding second quarter. Education and enforcement are
5 highlighted in our dashboard as key elements to
6 accomplishing our mission, as stated earlier by the
7 Governor, highway safety through excellence in service
8 education and enforcement.

9 We had three big success areas. If you remember at the
10 fall Cabinet meeting at the Space Coast, you graciously wore
11 white for our Teen White Out event. We had those all over
12 the state; very well received as we continue to focus on
13 educating teens, and making Florida safer for teens and
14 keeping Florida safe from teens as drivers.

15 GOVERNOR SCOTT: And, Julie, all this is online;
16 anybody can look at it; right? Your dashboards are online?

17 MS. JONES: Yes, sir

18 GOVERNOR SCOTT: All this information's online?

19 MS. JONES: Yes, sir. We had another media event in
20 December. And thank you for your -- Governor Scott, for you
21 sponsoring our 3-D Prevention Month. This is preventing
22 drunk, drugged driving; very important. Again, very good
23 outreach to the public prior to holiday season to remind
24 people to use designated drivers, be careful with your
25 family, and how you drive.

1 Then our third issue, this quarter we celebrated our
2 Emergency Contact Information Week. And our program is now
3 five years old and we have five million participants. We
4 have the highest number of registered car holders in the
5 country at thirty-two and a half percent. The next closest
6 state to us is Colorado with 28 and it goes down from there.
7 Indiana has 14, Ohio 1.7.

8 We were the leader in this initiative in the country
9 and we continue to be so. And I think we have a video
10 presentation on our website that explains why this is
11 important -- why it's important for families to have
12 emergency contact information. We had a young man
13 highlighted in the video. He was in a very terrible
14 accident, almost died, and we used emergency contact
15 information in the database to notify his family to get them
16 to the hospital. Fortunately, he survived but had he not,
17 it's timely to get relatives and family, friends notified.
18 Very, very important and we are the leader in the country.

19 We saw continued improvement in our 34 performance
20 measures. Thirty-one are in green. And if I could remind
21 you, this means they are within 95 percent of the standard
22 that you approved back in July. Two are in yellow which
23 just means they're between 80 and 95 percent, and I have one
24 that is still stuck in the red and that means it's below
25 that 80 percent mark.

1 The first yellow item, and it's at 65.9 percent of a 70
2 percent goal, so it's creeping up. It's getting better, but
3 resolution including investigation's within 90 days. We
4 have a back log of legacy cases that are in the system that
5 were not properly closed that are pulling this number down.
6 By the end of this performance planning time period in June,
7 we'll have those cleared and this issue will be in the
8 green. Current cases are actively being cleared to that
9 standard at 70 percent.

10 The second yellow item is customer satisfaction rating.
11 The biggest reason for this indicator to be -- it's at 79.6
12 where 85 -- was 85 percent was the goal. We have a lot of
13 people that want to call in and talk to a body and ask for
14 information. And we've got to do a better job of the
15 mailings that we do, sending information out to prevent the
16 call to begin with. This isn't a staffing problem so much
17 as it's a process problem. The biggest reason the people
18 call us is because we've sent them a notice that we're going
19 to suspended their driver's license, and it could be any
20 number of reasons. So cleaning our database up and getting
21 the proper information to them so they can react and not
22 have to call us is the goal. And I believe that we are
23 going to get this in the green shortly. And interestingly,
24 this particular needle has been moved by at least 10 percent
25 since the last quarter, but we're going to get it there.

1 Driver's license wait times, that's the one that's in
2 the red. The standard is to have 95 percent of our
3 customers who walk into the door at one of our offices to
4 wait 30 minutes or less for service. Right now it's at 73.4
5 percent and we've actually increased this performance
6 measure by 10.3 percent since last quarter. We've done this
7 by increasing staffing, they're doing a better education,
8 mentoring front desk performance measures and reorganizing
9 our offices so our office managers are responsible for
10 specific measures in that office. And that's the message
11 that I've gotten from the Governor and Cabinet several
12 times, push this down, have local supervisors be more
13 accountable and so we are pushing this needle.

14 I honestly don't think this one will be in the green
15 before we finish transitioning all of the driver's license
16 offices except for Dade, Broward, and Volusia County, to tax
17 collectors. And the problem there is when it's getting
18 close to shifting -- closing our office and the Tax
19 Collector taking over, our employees bail and we have three-
20 to-six month period where our staffing is low and we have to
21 rely on the Tax Collector and back and forth. But we are
22 doing a much better job on this particular measure and,
23 again, it's because we're paying attention to organization
24 and process improvement. So with that, that is my report.

25 GOVERNOR SCOTT: All right. Thank you. Is there a

1 motion to approve Item Two?

2 ATTORNEY GENERAL BONDI: So moved.

3 CHIEF FINANCIAL OFFICER ATWATER: So moved.

4 GOVERNOR SCOTT: Is there a second? Moved and
5 seconded. Item Two is approved without objection.

6 Thank you very much, Julie.

7 MS. JONES: Thank you all. I appreciate your support.

8 GOVERNOR SCOTT: Enjoy the fair.

9 (Applause.)

10 (The following excerpt of the meeting commencing at 10:04 a.m. is
11 as follows:)

12 GOVERNOR SCOTT: Next, I'd like to recognize Ash
13 Williams with the State Board of Administration. Good
14 morning, Ash. You can't have -- you cannot wear a bow tie
15 at the fair.

16 (Laughter.)

17 MR. WILLIAMS: Well, I thought I might apply for a job
18 as a barker.

19 GOVERNOR SCOTT: Oh.

20 MR. WILLIAMS: Get a cane and a hat perhaps.

21 GOVERNOR SCOTT: I don't think you'll sell as much of
22 this with the bow tie.

23 CHIEF FINANCIAL OFFICER ATWATER: If I can add, though,
24 Ash was watching the agenda and when Julie was sitting down
25 you said, "I'd next like to introduce," and he stood up, "a

1 very nice young man," and he just sat right back down.

2 MR. WILLIAMS: Yeah.

3 (Laughter)

4 MR. WILLIAMS: Exactly right. So with that humble
5 beginning, fiscal year to date, the Florida Retirement
6 System Trust Fund is up 15 basis points, that's 43 basis
7 points behind target. The balance currently stands at 124.9
8 billion, which is up from where we were at our last meeting.
9 To put that in perspective, at fiscal year end June 30,
10 2011, we were 128.5 billion. We have since had net
11 distributions of 3.6 billion, which coincidentally exactly
12 matches the difference between those two numbers. To put it
13 in perspective for calendar year end, we're at 118.2 billion
14 at calendar year end. So unless there are questions on that
15 information we will press on.

16 GOVERNOR SCOTT: That's great. My biggest concern, I
17 think everyone's concern is, that is there -- our biggest
18 concern is that we have a pension plan right now that's
19 under-funded --

20 MR. WILLIAMS: Correct.

21 GOVERNOR SCOTT: -- and for the last 10 years, at
22 least, we've not been able to get the returns that the
23 pension -- not your expectations, but the pension plan
24 expectations is 7.75 percent return and with -- you worked
25 very hard, but it's -- we've not been able to do that and so

1 we're getting further and further behind, so -- but I know
2 you're working hard at it.

3 MR. WILLIAMS: The other key variable, of course, is
4 funding and benefit cost. And there have been reforms made,
5 at least in the benefit cost area, and hopefully as the
6 state's economy comes back the funding can progress a bit as
7 well. Items One, Two, and Three on today's agenda are all
8 related and these are the investment policy changes that are
9 following onto the conversation at the January 18 trustees
10 meeting regarding enhanced independence for the Chief Risk
11 and Compliance Officer function. So we have basically
12 conducted a meeting of the Investment Advisory Council,
13 which took place on January 20. These policy
14 recommendations were unanimously approved by the IAC in that
15 meeting and so we have today, before you, the final policies
16 to be adopted.

17 So Items One, Two, and Three are the Florida Retirement
18 System Pension Plan, the Investment Plan, and a Lawton
19 Chiles Endowment, respectively, and would request approval.

20 GOVERNOR SCOTT: All right. Is there a motion to
21 approve Items One, Two, and Three?

22 ATTORNEY GENERAL BONDI: So moved.

23 GOVERNOR SCOTT: Is there a second?

24 CHIEF FINANCIAL OFFICER ATWATER: Second.

25 GOVERNOR SCOTT: Did you want to add anything?

1 CHIEF FINANCIAL OFFICER ATWATER: I just need to --

2 GOVERNOR SCOTT: Do you want to add something?

3 CHIEF FINANCIAL OFFICER ATWATER: If I might, yeah; and
4 I really appreciate this, but I -- if you could state this
5 because we've talked about this, Ash, that the decisions
6 that we've just made now and what the IAC brought to us and
7 we're affirming is it meets the concern that Crowe Horwath
8 could address, so they were satisfied with the decisions
9 --

10 MR. WILLIAMS: Yes, they were.

11 CHIEF FINANCIAL OFFICER ATWATER: -- that have been
12 made to address the design, the structure design.

13 MR. WILLIAMS: Yes, they were and they certified as
14 much in writing.

15 CHIEF FINANCIAL OFFICER ATWATER: Very good, thank you.

16 MR. WILLIAMS: Thank you.

17 GOVERNOR SCOTT: Okay. Moved and seconded. Items One,
18 Two, and Three are approved without objection.

19 MR. WILLIAMS: Thank you. Item Four: Request approval
20 of a draft letter to the Joint Legislative Auditing
21 Committee affirming that the SBA trustees have reviewed and
22 approved the monthly Florida Prime and Fund B management
23 reports and actions taken, if any, to address any material
24 impacts. The reports are here there are no material impacts
25 and we have continued to progress on Fund B distributions as

1 well.

2 GOVERNOR SCOTT: Great. Is there a motion to approve
3 Item Four?

4 CHIEF FINANCIAL OFFICER ATWATER: So moved.

5 GOVERNOR SCOTT: Is there a second?

6 ATTORNEY GENERAL BONDI: Second.

7 GOVERNOR SCOTT: Moved and seconded, Item Four is
8 approved without objection.

9 MR. WILLIAMS: Thank you. Item Five: Request approval
10 of the appointment of William H. Harrell, Jr. to the
11 Investment Advisory Council. Mr. Harrell is here today. He
12 will join us as a distinguished private equity investor and
13 has things in common with other people who have appeared
14 today, notably connections in Gainesville.

15 GOVERNOR SCOTT: Where does he live?

16 MR. WILLIAMS: Where does he live? Let's see --
17 nearby.

18 GOVERNOR SCOTT: That's what I figured.

19 ATTORNEY GENERAL BONDI: Find out who nominated him?

20 GOVERNOR SCOTT: Yeah. I wonder where he lives. Oh,
21 Tampa, probably.

22 (Laughter)

23 MR. HARRELL: Well, I am very appreciative of the honor
24 that you all are doing for me here today. I'm very
25 conscious of the trust and confidence that you're proposing

1 in me. I'm very impressed what I've learned so far with the
2 quality of the organization, the others members of the IAC.
3 I'm very much looking forward to working with them. So
4 thank you very much.

5 GOVERNOR SCOTT: Well, thank you very much for your
6 service.

7 ATTORNEY GENERAL BONDI: And, Governor, if I may? Will
8 is my nominee, of course, and he is so extremely qualified
9 for this position. And he has a family and we know how much
10 time this takes and so thank you for your willingness to
11 serve the state of Florida in this capacity.

12 MR. HARRELL: Thank you.

13 ATTORNEY GENERAL BONDI: Thank you so much.

14 MR. HARRELL: Yeah.

15 (Applause)

16 GOVERNOR SCOTT: So is there a motion to approve Item
17 Five?

18 ATTORNEY GENERAL BONDI: So moved.

19 CHIEF FINANCIAL OFFICER ATWATER: Is that -- can I use
20 that.

21 ATTORNEY GENERAL BONDI: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 CHIEF FINANCIAL OFFICER ATWATER: Second.

24 GOVERNOR SCOTT: All right. Moved and seconded. Item
25 Five is approved without objection.

1 GOVERNOR SCOTT: Congratulations and we look forward to
2 your service. And thank you very much, Ash.

3 MR. WILLIAMS: Thank you.

4 MR. HARRELL: Thank you.

5 ((The following excerpt of the meeting commencing at 10:17 a.m.
6 is as follows:))

7 GOVERNOR SCOTT: I'd like to now recognize Herschel
8 Vinyard with the Board of Trustees. And Herschel is the
9 Secretary of the Department of Environmental Protection and
10 has built a -- he has been doing this job for a little less
11 than a year -- right, about a year, and has done a great job
12 of making sure that, one, the federal government allows us
13 to make our own decisions with regard to our environment --

14 ATTORNEY GENERAL BONDI: That's right.

15 GOVERNOR SCOTT: -- and two -- which we clearly all
16 care about -- and, two, making sure there's certainty with
17 regard to our environmental regulation in the state, which
18 has had a positive impact on jobs in our state.

19 MR. VINYARD: Thank you, Governor, Members of Cabinet.
20 I'm happy not to wear a bow tie today. There are four items
21 on our agenda today for the Board of Trustees. The first
22 one is request approval of the board minutes for November 1,
23 November 15, and December 6.

24 COMMISSIONER PUTNAM: So moved.

25 GOVERNOR SCOTT: Is there a second?

1 CHIEF FINANCIAL OFFICER ATWATER: Second.

2 GOVERNOR SCOTT: Moved and seconded. Item One is
3 approved without objection.

4 MR. VINYARD: Item Two: Pursuant to Governor Scott's
5 Executive Order 11-72 DEP, did a comprehensive review the
6 Board of Trustees rule makings -- rules that are issued. On
7 August 16th 2011, the Board authorized the Department to
8 begin a rule making process where we repealed -- to repeal
9 certain rules. We published a notice in the Florida
10 Administrative Weekly. No comment letters were received on
11 the proposed rule repeals. We recommend final adoption.

12 GOVERNOR SCOTT: All right. Is there a motion to
13 approve Item Two?

14 ATTORNEY GENERAL BONDI: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 CHIEF FINANCIAL OFFICER ATWATER: Second.

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

19 MR. VINYARD: Item number three is consideration of an
20 exchange agreement that would convey a 2.2 acre parcel of
21 state owned land for a 2.6 acre parcel of land owned by the
22 Nativity Lutheran Church; both those parcels are in Hernando
23 County. This is a parcel for parcel exchange. The church
24 parcel that the state will receive is appraised at \$19,100.
25 The state owned parcel being conveyed is appraised at

1 16,800. This exchange will allow FWC, as manager of the
2 property, to have a more contiguous and uniform boundary
3 with the currently -- with the lands currently managed by
4 the state, that which surrounds the parcel, improve access
5 for public recreation, and a more practical boundary for
6 prescribed burning. The land swap is recommended by the
7 Acquisition and Restoration Council, FWC, and DEP. We have
8 with us Mr. Bob Drach with the Nativity Lutheran Church to
9 support this swap.

10 GOVERNOR SCOTT: Okay. Good morning.

11 MR. DRACH: Good morning, Governor.

12 GOVERNOR SCOTT: Thanks for coming.

13 (Applause.)

14 MR. DRACH: On behalf of Nativity Lutheran Church in
15 Weeki Wachee --

16 GOVERNOR SCOTT: That's where mermaids are.

17 MR. DRACH: Bob Drach, D-r-a-c-h. It's -- anyway, used
18 to be German. We thank the Fish and Wildlife and DEP for
19 doing their job exceedingly well. We feel that this land
20 exchange that is proposed is in the best interest of the
21 state, and also it's going to help the church to be more
22 efficient and effective in our help for Hernando County.
23 We're very happy that you are considering this and we thank
24 you.

25 GOVERNOR SCOTT: Thank you for coming. All right. Is

1 there a motion to approve?

2 ATTORNEY GENERAL BONDI: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 CHIEF FINANCIAL OFFICER ATWATER: Second.

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

7 (Applause.)

8 MR. VINYARD: Our last item for today is consideration
9 of a five year commercial lime rock mining lease with
10 Oldcastle Southern Group. It's also a use agreement
11 allowing Oldcastle to access the property for three years
12 after for reclamation purposes to get the property back into
13 shape following the mining operation. Oldcastle or its
14 predecessor has been mining this lease area since 1970,
15 paying leases and royalties to the state.

16 In 2007, the Sierra Club filed suit against the Army
17 Corp of Engineers, stopped the mining, and it stopped the
18 mining in the entire region; impacted a number of companies
19 other than Oldcastle. The litigation has been resolved.
20 Folks are back mining again with the exception of Oldcastle
21 on this property because the lease expired. Oldcastle is
22 now requesting the opportunity to complete the excavation.
23 It estimates it will be finished in three or four years and
24 then they will begin restoring the site.

25 DEP did have a royalty value reappraisal done. The

1 revenue of the state will be increased from 10 cents a short
2 ton to 25 cents a short ton. Kerri Barsh is here today with
3 the company if you have any questions from her -- for her
4 and the Department recommends approval.

5 GOVERNOR SCOTT: Okay. Thank you. Are there any
6 questions?

7 (No audible response.)

8 GOVERNOR SCOTT: All right. Is there a motion to
9 approve the staff recommendation for Item Four?

10 ATTORNEY GENERAL BONDI: So moved.

11 CHIEF FINANCIAL OFFICER ATWATER: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CHIEF FINANCIAL OFFICER ATWATER: Second.

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

16 GOVERNOR SCOTT: Thank you very much.

17 MR. VINYARD: Thank you, Governor. Thank you all.

18 (Applause.)

19 GOVERNOR SCOTT: All right. This concludes our Cabinet
20 meeting, our next meeting will be Tuesday, February 28th at
21 9 a.m. in Tallahassee. Thank you for attending. We are
22 adjourned. I hope everybody enjoys the fair and gets out
23 and does something, see the animals, and goes to the Midway.

24 Have a great day.

25 (The meeting was concluded at 10:23 a.m.)

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C E R T I F I C A T E

STATE OF FLORIDA

HILLSBOROUGH COUNTY

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I, FURTHER CERTIFY that I am not a relative, employee, attorney or party, nor am I financially interested in the action.

This 24th day of February 2012.

Selina Glisson, Notary
Digital Electronic Court Reporter
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