



**Decision Makers Forum Inc., 2432 Edgewater Drive, West Palm Beach, FL 33406,
561-965-9409**

**Martha Musgrove
President**

Sept. 3, 2008

The Honorable Gov. Charles Crist
The Capitol PL 05
400 S. Monroe St.
Tallahassee, FL 32399-0001
Via e-mail Charlie.Crist@MyFlorida.com

Re: Request that State of Florida join the South Florida Water Management District in pledging its credit to back Certificates of Participation or other bond instruments to buy out U.S. Sugar for Everglades Restoration.

Dear Gov. Crist:

I appreciate your leadership and wholeheartedly support the proposed buyout of U.S. Sugar to advance Everglades Restoration. I also believe this should be done expeditiously and prudently using long-term financing to spread costs.

For the South Florida Water Management District alone to issue \$1.75 billion in Certificates of Participation would be an extraordinary burden that has been estimated to require as much as 30 percent of the district's ad valorem and "related revenue" (whatever that is) annually for many years.

Notwithstanding plans to re-sell some of the assets purchased, I want to remind you that in recent years the district has incurred other Everglades Restoration related debt and is committed to a number of other environmental initiatives and responsibilities, including maintaining and operating the regional drainage system. Equally important given present market conditions, the district --- should it be going alone -- is likely to pay higher interest rates than if the securities to be sold were issued jointly with the State of Florida.

For a number of reasons, Wall Street markets are currently in turmoil. Bond insurers, such as Ambac, are in distress, the credibility of rating services is in question, and the Treasury is stretched and challenged to support Fannie, Freddie and the national

banking system. This has prompted a "flight to safety" by investors to "muni's," which might create a good market for the SFWMD were it not for newly growing concerns about the safety of local issues. I am attaching a copy of a column by Gretchen Morgenson of The New York Times, which springs from the potential delinquency of Jefferson County, Ala., but goes on to suggest reasons why investors in general should be concerned. The column becomes particularly interesting and pertinent at paragraph 15, which I have used marked with >> to save you a little reading time.

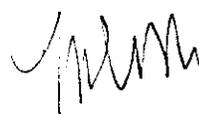
As a taxpayer, whose family has survived a number of boom-and-busts in Florida, I would like to see the state and district's reputations and credit well protected. To me that means state taxpayers should be sharing the risk with taxpayers of the South Florida Water Management District. It is also incumbent upon you and the Legislature to ensure the district has the authority to *raise* ad valorem tax rates to finance the acquisition and maintain its other programs if necessary. I am sure land that is not needed for Everglades Restoration can be resold to retire part of the debt, but I am not sure when it can be resold at a fair price. I see no merit, or glory, in proposing restoration initiatives and programs and then withholding or denying realistic and prudent means to finance them.

I also ask you to look closely at how best to manage the leases on state-owned land that are held and presumably part of the assets to be sold by U.S. Sugar. Some of these lands are adjacent to or within the municipal boundaries of rural communities around Lake Okeechobee. What happens to these lands will have an impact on the ability of these communities to diversify their economies and increase their tax base to provide basic services, such as police, fire protection, water and sewer services. These lands may also be the "hook" by which the State of Florida can justify participating with the district in financing the acquisition and/or reimbursing the district by "buying back" the leases and using the land to realize goals set in the Rural Economic Development Initiative.

The Governing Board of the district and the staff of the district are committed to carrying out your direction. I do not know if they have freely discussed with you the merits of jointly packaging state and district securities to obtain the best interest rates when selling these certificates, bonds or other securities. Compared to other states, Florida has a very narrow tax base. As a result coffers overflow in good times and dry up in bad times. I am well aware of the state's current "budget crisis," but I'm suggesting a way of financing an important long-term capital project while protecting needed operating funds. Debt-financing is the preferred means of financing land purchases, and given the size of the overall state budget, the money involved -- while significant for the South Florida Water Management District -- is minimal for the state of Florida.

If the U.S. Sugar deal is to be consummated, the issue of financing must be faced squarely and openly with the state and district acting as partners. If the deal is not consummated, we should all recognize that everyone on Wall Street has now been alerted that U.S. Sugar is for sale and at what price. Sooner or later private equity will make a deal -- without concern about the consequences to Everglades Restoration or the rural communities around Lake Okeechobee.

Respectfully,

A handwritten signature in black ink, appearing to be a stylized name with a large initial letter.

Copied from The New York Times Website

August 31, 2008

FAIR GAME

Muni Bonds' No-Tell Habits

By GRETCHEN MORGENSON

GIVEN the sound and fury ripping through the credit markets over the last year, the relative calm in the municipal bond arena has been remarkable.

Sure, municipal bond guarantors like MBIA and Ambac Financial have had their problems, and the auction-rate securities debacle involved notes issued by cities, hospitals, turnpikes and other tax-exempt entities. But municipal bond holders haven't experienced the roller-coaster ride endured by owners of mortgage securities.

Municipal investors probably shouldn't expect their quiet ride to continue. With tax revenues declining and operating conditions strained, local governments are encountering strong headwinds. One straw in those winds: Jefferson County of Alabama.

Recently, the sewer authority there has repeatedly been on the verge of default. On Friday it got a one-month reprieve to renegotiate \$3.2 billion in debt; without the agreement it would have been the biggest municipal default in American history. (Anyone care to recall the alarms that rang out when Orange County, Calif., defaulted on its debt back in the mid-1990s?)

While Jefferson County's problems clearly offer a warning sign, investors who hold municipal securities — whether individually or in a mutual fund — have little way of recognizing when trouble is brewing. That's a result of a severe lack of financial disclosure by municipal issuers, which had \$2.6 trillion of debt outstanding at the end of 2007.

Most of that debt is held by individual investors. Amazing as it is in this day and age, the municipal bond market is a place where disclosure is pretty much voluntary. As such, investors depending on interest and principal payments from entities issuing these bonds receive only spotty financial reports.

>> The municipal bond market is enormous, not just in dollars, but also in the number of issuers. Mr. Schmitt calculates that there are roughly 54,000 municipal issuers with debt outstanding, and 25,000 of those issue debt about every two years. A comparison: shares of just under 4,000 companies trade on the New York Stock Exchange.

Not all municipal issuers must make financial or other material disclosures. The Securities and Exchange Commission exempts small issuers, those with \$10 million or less of debt outstanding, for example. Issuers of short-term securities — those with terms of nine months or less — need not make annual filings. None of those issuers were included in the DPC study; it covered 35,235 bond issues.

Mr. Schmitt concluded that disclosure delinquency in the municipal securities market is not an anomaly concentrated among a few rogue issuers. Neither is it a problem limited to small issuers.

“There are large proportions of delinquent obligors in all size ranges of issues, including those who came to market with single issues over \$1 billion,” the study said. “It is a much broader problem common to all issue size categories, all sectors of the market, and all geographic regions of the country.”

Issuers almost seem indifferent to the need to keep investors apprised of their operations and results, Mr. Schmitt said. One explanation for this may be that there are few consequences for issuers who don't disclose. “There hasn't been any enforcement to speak of that really governs this sort of thing,” he said.

Indeed, legislation from the 1970s restricts the S.E.C. from going after issuers that do not make the types of disclosures required by their bond covenants. The commission can pursue only issuer fraud.

On disclosure issues, the S.E.C. can regulate only brokerage firms that underwrite muni bonds, holding them to a requirement that no issuer can sell debt without being up to date on filings for the most recent five years.

This is why Mr. Schmitt says it is common to see years' worth of filings emerge from an issuer all at once; this often signals that the

municipality wants to raise money through a new debt issue and needs to get its disclosures in order.

Mr. Schmitt says he hopes that his study's findings create a discussion about how to remedy disclosure failings.

THE trouble in Jefferson County may also help bring attention to delinquent filers. The county filed financial statements regularly until Sept. 30, 2007. After that, interim financial filings stopped.

The next thing investors knew from the county's filings was a February 2008 disclosure related to a ratings downgrade. The downgrade created a need for the county to put up additional collateral, and the default threat loomed shortly thereafter.

"It's hard to believe that a market this deep and actively traded would put up with this sort of thing," Mr. Schmitt said. "The right of investors to know material facts on a timely basis is the foundation of a fair market, enabling them and their advisers to take rational actions to protect their financial interests."

Right now, it seems, those interests are dangerously unprotected.