

Holland & Knight

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November 22, 2011

VIA HAND DELIVERY AND REGULAR MAIL

Denise M. Nieman
County Attorney
Palm Beach County
301 N. Olive Avenue, Suite 601
West Palm Beach, FL 33401

Dear Ms. Nieman:

Our firm represents Clerk & Comptroller Sharon R. Bock in her official capacity. On or about November 14, 2011, fifteen Palm Beach County municipalities filed a lawsuit (the "Lawsuit") to declare unlawful the funding mechanism for the Office of Inspector General (the "IG"), contained in Section 3 of Ordinance No. 2011-009 (codified at Art. XII, § 2-429, County Code) (the "Ordinance"). The Ordinance requires Palm Beach County ("the County") and each of its municipalities (the "Municipalities") to offer financial support to the IG.

The Clerk & Comptroller deposits funds collected pursuant to the Ordinance in the Office of Inspector General, Palm Beach County, Florida Special Revenue Fund (the "IG Account"), which is a County depository under the custody and control of the Clerk & Comptroller pursuant to Article V, section 16 and Article VIII, section 1(d) of the Florida Constitution. When the IG requests payment from the IG Account, the Clerk & Comptroller performs her constitutional and statutory audit responsibilities and, if proper, issues payment.

In the Lawsuit, certain Municipalities assert that the funding mechanism for the IG constitutes an unlawful tax upon their residents. Because the legality of the funding mechanism is in question, the Clerk & Comptroller is uncertain as to how to carry out her duties and responsibilities.

The Clerk & Comptroller has constitutional and statutory duties and responsibilities to protect the public's funds and to ensure that they are received and spent lawfully. If the Court determines the funding mechanism under the current Ordinance is unlawful, then any use of the funds collected from any Municipality and deposited in the IG Account also would be unlawful. In that case, the Clerk & Comptroller may not issue payment from funds not lawfully available for expenditures of the IG. In addition, the Clerk & Comptroller may be held personally liable for any funds improperly collected or expended.

Furthermore, the Clerk & Comptroller calculates that there will be a FY 2012 funding shortfall of approximately \$1.6 million in the IG Account, which represents the Municipalities' share of the

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Exhibit
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County-approved IG budget. As a neutral third party, the Clerk & Comptroller takes no position on the merits of the Lawsuit, but seeks to intervene in the pending action for the purpose of seeking declaratory relief concerning, inter alia, the following:

1. The funds the Clerk & Comptroller has already collected or may hereafter receive from the Municipalities;
2. The funds received from the Municipalities that the IG may request from the IG Account;
3. The shortfall in the IG Account; and
4. The Clerk & Comptroller's continuing duties under the Ordinance.

A copy of the Motion to Intervene and Complaint for Declaratory Relief being filed on behalf of the Clerk & Comptroller is attached for your information.

Until the Clerk & Comptroller receives direction from the Court, the Clerk & Comptroller will:

1. Discontinue further collection efforts pursuant to the Ordinance;
2. Segregate all funds paid by Municipalities pursuant to the Ordinance; and
3. Discontinue processing payments from the IG Account, once County funds are exhausted.

The Clerk & Comptroller will seek appropriate interim direction and relief from the Court during the pendency of the Lawsuit regarding these matters, unless the Board of County Commissioners commits to do the following:

1. Fund any budget deficit in the IG Account resulting from nonpayment by the Municipalities; and
2. Reimburse the Clerk & Comptroller for any funds received from Municipalities used to pay IG expenditures.

If the Board of County Commissioners takes these actions to ensure sufficient funding of the IG, the Clerk & Comptroller will permit the expenditure of current budgeted funds beyond the County's proportionate share. If such actions are not taken, there will be insufficient funds to cover the IG's FY 2012 budget and the Clerk & Comptroller will be statutorily prohibited from expending funds beyond the County's proportionate share.

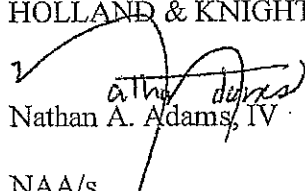
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Please call me with any questions or comments that you may have.

Sincerely,

HOLLAND & KNIGHT LLP


Nathan A. Adams, IV

NAA/s

Enclosures

cc: Sharon R. Bock, Esq., Clerk & Comptroller, Palm Beach County
Denise Coffman, Clerk & Comptroller Legal Counsel
Palm Beach County Board of County Commissioners
All Palm Beach County municipalities
Inspector General of Palm Beach County
State Attorney
Attorney General
Martin Alexander

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