



Citizen/Outreach Committee

Monday, February 2, 2004 - 11:00 a.m.

President's Board Room, Bland Hall

Wytheville Community College

Wytheville, Virginia

APPEARANCES:

COMMISSIONERS:

H. Ronnie Montgomery, Chairman
Claude B. Owen, Jr., Vice Chairman
Fred M. Fields
Harrison A. Moody
John M. Stallard
John T. Taylor
The Hon. Mary Sue Terry
James C. Thompson

COMMISSION STAFF:

Timothy J. Pfohl, Grants Program Administration Manager
Ned Stephenson, Managing Director of Strategic Investments
Jerry Fouse, Grants Coordinator - Southwest Virginia

MR. MONTGOMERY: Good morning, I'll call the Committee Meeting to order. Ned, would you call the roll?

MR. STEPHENSON: Mr. Arthur?

MR. ARTHUR: (No response.)

MR. STEPHENSON: Mr. Fields?

MR. FIELDS: Here.

MR. STEPHENSON: Mr. Moody?

MR. MOODY: Here.

MR. STEPHENSON: Mr. Owens?

MR. OWENS: (No response.)

MR. STEPHENSON: Mr. Stallard?

MR. STALLARD: Here.

MR. STEPHENSON: Mr. Taylor?

CRANE-SNEAD & ASSOCIATES, INC.
4914 Fitzhugh Avenue, Suite 203
Richmond, Virginia 23230
Tel. No. (804) 355-4335

1 MR. TAYLOR: Here.
2 MR. STEPHENSON: Ms. Terry?
3 MS. TERRY: Here.
4 MR. STEPHENSON: Mr. Thompson?
5 MR. THOMPSON: Here.
6 MR. STEPHENSON: Mr. Walker?
7 MR. WALKER: (No response.)
8 MR. STEPHENSON: Vice Chairman Owen?
9 MR. OWEN: Here.
10 MR. STEPHENSON: Chairman Montgomery?
11 MR. MONTGOMERY: Here. We were going to have a presentation from

12 Mr. Whitmore from Smyth County, who is the County Administrator, and maybe he'll be here
13 shortly. I went back to the Minutes and got the Charge of the Chairman, Senator Hawkins, who
14 gave that to the Commission when he set up the Committee, and I thought I'd read it, and this
15 will be a quote from Senator Hawkins.

16 "What I'm going to suggest is that we put in place a group of citizen members of this
17 Commission from Southside and Southwest Virginia, whose charge will be this: To look at all
18 the applications and find those niche industries that we have overlooked, go out and think about
19 things and brainstorm and talk to people and find out what we need. So what I'd like to do is
20 have a citizens' group to get together periodically, and maybe split between Southwest and
21 Southside, depending on how you all structure that, but get to the localities and say, look, we've
22 gone through your assets and we've gone through your neighbors' assets, and these are your
23 strengths as we see them, and these are your weaknesses. We want to work with you in this area
24 because it meets our long-term plans for development. We want you to submit to us a plan on
25 how we can develop this aspect of your county or city, and we're willing to help you fund that.
26 We will also continue to work with you for the plans we have in place and the obligations there,
27 but we're not going to go ahead and build shell buildings unless it meets the long-term plan that
28 we put in place."

29 I just thought it would be appropriate to revisit and think about that Charge.

30 Before we go further I'd like to have the Minutes. Were they mailed to everybody?

31 MR. PFOHL: They were, and we have some extra copies if anybody wants
32 them.

33 MS. TERRY: The transcript was.

34 MR. MONTGOMERY: Are there any corrections to the transcript?

35 MS. TERRY: I haven't read them carefully, but some things I didn't
36 remember seeing, but I'm not challenging the Minutes. I would like to add that when the
37 Chairman gave the Charge I also recall him saying that we need citizens to help us know how to
38 say no, just say no. I don't know how that began or ended, but there was a provision in the
39 transcript that related to use, you know, to use restraint.

40 MR. MONTGOMERY: There's a couple of corrections in the Minutes that
41 I would like to make. That's on Page 10 Line 14, I guess, I guess it's by Southwest Virginia. You
42 know the rebound or risqué; risqué should be ricochet. Then on Page 14 Line 38. That whole
43 paragraph said, it appears as though it's my comment, actually all my comments were, Mr.
44 Fields, I'm not surprised. After that it should be Mr. Fields. The rest of that paragraph and on

1 over to the next page.

2 MS. TERRY: Is it in there, someone said it's like we have two classes of
3 members, is that in there?

4 MR. OWEN: Yes, that's in there.

5 MR. MONTGOMERY: Is there a motion or any other discussion about the
6 Minutes? If not, I'll entertain a motion to approve them.

7 MR. FIELDS: So moved.

8 MR. MOODY: Second.

9 MR. MONTGOMERY: All those in favor say, aye? (Ayes.) Opposed, like
10 sign? (No response.) Motion carried.

11 Let's go ahead then while we're waiting for Mr. Whitmore. We have issues that the
12 Staff has gleaned from the January 12th meeting, that's in your packet, and I'd like to discuss
13 those and see if we can focus in more on a few of those rather than shotgunning the approach and
14 discuss these in more detail. Does the Staff have any comments before we get going?

15 MR. STEPHENSON: Other than to say this little bullet list that's in your
16 packet, which is a very quick summary of the issues that arose in your last meeting. We put
17 those before you again just to try to pick up from where we were, and perhaps, if I may, Mr.
18 Chairman, ask the Committee to consider shaking that list down to those things that are most
19 important to us and can make a difference and maybe concentrate on those. You may want to try
20 to see which ones of these are the most important to this group.

21 MR. MONTGOMERY: I'd like to hear the Committee discuss this, and I
22 was reading the Minutes, and I was struck by the comments that Claude made about the, the
23 word he used was transformational, like to transform the economy, and that's basically the same
24 thing as revitalizing it, but maybe the public might know transform or understand transform
25 more than it would revitalize. Maybe we could use that interchangeably. That's the basic
26 comment I have right now. Has everyone had a chance to read those bullets, or are there any
27 comments?

28 MS. TERRY: Mr. Chairman, it would seem to me that a lot of what we
29 talked about last time was process, and sometimes in order to have transformation it's necessary
30 to look at how we do business. If we feel like we want to go to the next level in terms of
31 outcome, one of the questions might be are there enhancements to our process that might
32 contribute to that?

33 I know you want a shorter list, but I would like to add the TROF Grant to the list,
34 based on process issues, and that is where our standards for determining what we allocate to
35 particular industrial development initiatives. It's important for us to look at that, because that is
36 not done for the Committee, but it's done by a very small group. I do not exactly understand the
37 standards, we delegate that to three or four people, and I don't understand the standards when we
38 delegate that to three or four people, what are the standards that must be met, because otherwise
39 it seems to me that we ought to be making some decisions.

40 MR. MONTGOMERY: Early on we didn't have Staff to really develop
41 standards or to do due diligence. Hopefully, we're getting more into that now, particularly with
42 Ned coming on. I know that since Tim's been here I feel like we're doing a somewhat better job
43 and we can, hopefully, improve on that quite a bit.

44 MS. TERRY: I was particularly meaning that I thought that under the

1 process issues that TROF grants were reviewed by the Economic Development Committee if
2 they could in a timely fashion. At the last meeting we had an issue come before the Full
3 Commission without ever being considered by the Economic Development Sub-Committee.
4 When an issue was presented involving the Danville Initiative I thought that I heard that there
5 was a six and a half million dollar private investment, and it turns out that none of that money
6 was private investment. When asked why we were considering four hundred thousand for fifty
7 jobs the answer I recall hearing was that that's what they asked for. Two days later I received a
8 phone call to participate in an announcement in Martinsville where the outcome was going to be
9 seven hundred jobs and twenty-one million of private investment, and those folks got seven
10 hundred and fifty thousand. I'm not suggesting that they should have gotten more, but I'm not
11 understanding why when you have seven hundred jobs and twenty-one million of private
12 investment and a group is getting seven hundred and fifty when you have another situation, no
13 private investment, fifty jobs, we're giving four hundred thousand. If we're going to have three
14 or four people making those decisions it seems to me that we need a chart that says or makes it
15 real clear in terms of what people get or in the alternative if we have a system and it turns out
16 that folks are in an uncomfortable position about making decisions about their own localities,
17 then perhaps we should have alternative people participate in those decisions so it doesn't put the
18 person in an uncomfortable position.

19 MR. MONTGOMERY: That could come under that first bullet there, grant
20 structure, dates, deadlines, and approvals. I agree. I think there's another matter, the one about
21 the pharmacy school that came up. I'd like to see if there's some way we could have a process to
22 keep that from happening, it might work out better that way.

23 MR. PFOHL: I can respond to Ms. Terry's question about the TROF. Let
24 me give you a little background about how we handle these as they come in. In most cases, or
25 the vast majority of the cases, we work with the locality and the State Economic Development
26 Partnership on each of these projects as they are submitted to the Commission Staff. I can talk
27 about those two instances specifically, but generally what we do is put together a summary sheet
28 that looks at the locality, their unemployment, both the rate and the absolute number of people
29 that are unemployed, the stress ranking provided by the State's Commission on Local
30 Government, and then look at the specifics of the deal. Who is the company they are applying
31 for or on behalf of, the type of jobs, the type of industry, how much investment is being
32 submitted or committed to by the company, what are the wages, what other incentives, state and
33 local, are being invested in the project? Then the State Economic Development Partnership runs
34 the return on investment calculation and tells us then at what point would the state recapture the
35 dollars that they have put in in terms of incentives. It's generally a two to three year break-even
36 period. Then we see that ROI calculation before an offer is made to the locality.

37 We generally try to encourage localities to consider factors like keeping the cost or the
38 grant dollars per job in the one thousand to two thousand range, because that generally will help
39 that return on investment fall within the standard thirty-month time frame that the performance
40 agreement is based on. We also look at how many private dollars are being leveraged for each
41 dollar of the TROF would provide. So we look at a number of measures, if you will, and we can
42 go through the ROI calculation. Yes, there's clearly an aspect of the locality coming to us with a
43 request saying this is how much money we need to close this deal and to bring this company
44 here. In many cases we encourage them to think about lower dollar amounts, and in many cases

1 the Staff recommends a lower award based on factors like how many dollars from other
2 Commission sources has this locality received over the years. Things like what is the
3 unemployment situation and the quality of jobs being provided, we also look at a number of
4 issues like that. In the end it generally comes down to a conversation with the State Economic
5 Development Partnership about what seems to be the level of incentives that will bring this
6 project and these jobs to Virginia. In that case sometimes many of these things, we're not
7 entirely sure what it's going to take to bring that project here. It's a little bit of a poker game with
8 the company and in every case looking at other states, and we're not entirely sure what the other
9 states' incentive packages are. Therefore, we have to make the best guess and something that we
10 can defend and will be consistent from a precedent standpoint to where we're dealing fairly with
11 each of these projects as they come in. Occasionally we get projects in that receive investments
12 well beyond the two thousand per job figure. In Henry County in that particular case, the seven
13 hundred and forty-five jobs that the company committed to was over a seven-year period of time.
14 Our commitment to the seven hundred and fifty thousand dollars was for thirty months, and they
15 were going to commit to create three hundred and ninety-nine jobs, and that kept it relatively
16 close to the two thousand per job figure. Those figures vary on a project-by-project basis.

17 MS. TERRY: I think we need to have some clarification, Mr. Chairman,
18 whether we're talking public dollars or private dollars, because in the situation in Danville they
19 were including in their investment money coming from the state and money coming from us, and
20 the rest of the money was coming from the federal government. I don't believe we ever did get a
21 good response as to what that federal government money was, but it isn't private investment. I'm
22 just suggesting that when you bypass the Economic Development Committee, which we're
23 sitting there as an Economic Development Committee totally unprepared to ask any questions.

24 MR. MONTGOMERY: I think what you're saying and what concerns you
25 is that it came up at the last minute. Did the Staff know about, in fact, how long did you know
26 about it?

27 MR. PFOHL: We got the specifics of that deal on Monday morning, the
28 day before the Commission meeting. We knew they were going to ask for a third TROF, and we
29 didn't see the specifics of that project until the day before.

30 MS. TERRY: Mr. Chairman, I think that's another process issue, because to
31 put something like that through, that does not allow an opportunity for this Commission to do
32 due diligence in a twenty-four hour time period in a project like this. I frankly don't know who
33 does due diligence. We had a situation in Martinsville where if anyone had done due diligence
34 we wouldn't have lost nine hundred thousand dollars. The president of the company had been
35 convicted on three felonious accounts at Virginia Tech obtaining money under false pretenses.
36 Anyone doing due diligence would have been able to find that out. Goes to South Carolina and
37 comes back into Virginia as president of another company, and all this money was given to him,
38 and I wonder who would be doing due diligence. When I was sitting in that Commission
39 meeting where this subject was brought up the other day the person next to me said, well, at least
40 the State Economic Development people have done due diligence.

41 MR. MONTGOMERY: Claude and I talked about that, I believe.

42 MR. OWEN: I was told by the representative of the State Economic
43 Development Office that was there that they had considered due diligence on the project.

44 MS. TERRY: Then someone would have known if they had that this was

1 public investment dollars and it was not private investment dollars. We were told from the
2 podium, six and a half or five and a half, or whatever it was, that it was private investment, and
3 that wasn't true, because not a dollar of it was private. Did you know it was all public
4 investment?

5 MR. PFOHL: No, when that ROI calculation comes over to us they've got
6 the investment set at that point, and that's what we rely on.

7 MS. TERRY: Then you had misinformation?

8 MR. PFOHL: Yes.

9 MS. TERRY: None of it was private investment. All I'm saying is that
10 when we have a situation where we grant money to an entity whose president has been convicted
11 of three felonies at Virginia Tech for obtaining money under false pretenses and the Governor's
12 Office gives money to him and Henry County gives money to him, then it seems to me like
13 everyone is expecting somebody to do due diligence, and it hasn't happened. We need to know
14 who is on first in terms of due diligence. In this particular case we paid four hundred thousand
15 dollars to a company based on information that the Staff has assumed is correct, which is
16 incorrect, and they just kept on going. These things that come in at the last minute, in my
17 judgment, often, so that there's not an opportunity to do that. One of the process issues is to stop
18 that, then for us to decide who is on first with due diligence.

19 The Governor just gave another grant to Henry County, and that thing fell through.
20 We gave money, and that fell through. That's not counting that we lost money, but something is
21 not right here in terms of due diligence.

22 Secondly, there needs to be some parity with localities, and somebody needs to feel
23 right that they've got fifty jobs, and they need to know or understand the process, particularly if
24 this thing is delegated. Who does make the decisions now?

25 MR. PFOHL: The TROF Panel, which according to the guidelines is the
26 Chairman of the Commission, he chairs those two Economic Development Committees and the
27 Executive Director.

28 MS. TERRY: I think it puts an undue burden on someone when two of the
29 three are from the locality which is asking for the money, I think it puts an unfair burden on
30 them.

31 MR. TAYLOR: Would it be a situation here where maybe we should turn
32 around and take a look at the time factor, maybe put a thirty- day cap on these emergency TROF
33 demands? Every time one comes up it always seems to be urgent, and it's got to be done right
34 now. Is it so urgent that thirty days with this laying on the table to do more due diligence,
35 wouldn't this be acceptable? Would it be acceptable, or is that not acceptable?

36 MR. MONTGOMERY: I would think so.

37 MS. TERRY: They said in Danville they'd been working on it for months,
38 that situation. Danville had been working on it for months. I know in the Martinsville situation
39 they had been working on it for six months. None of that was brought before the Economic
40 Development Committee. What I understand the rule was is that you did the TROF grants, they
41 were delegated to the authority of a small group when the Economic Development Committee
42 was not meeting. If that's not the case, it could be the case, because the Economic Development
43 Committee can be more involved because otherwise we don't even know as citizen members,
44 none of us know who gets what and on what basis. All we know is that this county gets two

1 hundred thousand and this county gets that. We don't know the relative jobs, we don't know the
2 private investments, we know nothing. We have no way to assess issues related to equity.

3 MR. MONTGOMERY: Those reports should be written up, shouldn't they?
4 Shouldn't they be available to the Commission?

5 MR. FIELDS: I would think thirty days should be a minimum amount of
6 time.

7 MS. TERRY: Then I think there ought to be specific standards if we're
8 going to delegate this to three people, three people out of thirty-one Commission members, and I
9 really question that, I don't see the need for that.

10 MR. TAYLOR: With thirty days I would think you would need additional
11 people to edit it to the people --

12 MS. TERRY: -- To the decision-making process.

13 MR. TAYLOR: To the decision-making process, right.

14 MS. TERRY: That's right. I think one of the things we can do, Mr.
15 Chairman, to determine the problem, is to ask the Staff to provide us with a list of all previous
16 TROF grants, the amount given, the jobs created.

17 MR. PFOHL: We can do that.

18 MS. TERRY: So we can see what's been done in the past.

19 MR. TAYLOR: Along those lines, do we have a job cap of what we will
20 pay for a company to come in? I know North Carolina got totally carried away, and they were
21 paying up to sixty-five to seventy thousand dollars per job to bring a company in. Do we have a
22 cap?

23 MR. PFOHL: No.

24 MR. TAYLOR: I think we should have.

25 MS. TERRY: We've loaned out money for as much as ten thousand a job.

26 MR. TAYLOR: That's minimum to seventy thousand.

27 MS. TERRY: I know, but what we're saying is we're trying to, we don't
28 have any standard is what I'm saying.

29 MR. TAYLOR: What does this Committee think, should we consider a cap
30 here?

31 MR. MONTGOMERY: We can ask the Staff to look into that and make a
32 recommendation.

33 MR. FIELDS: I don't think we can make any determination, this is going to
34 have to be the same thing --

35 MR. TAYLOR: -- That's right, but we can ask Staff.

36 MR. FIELDS: To bring it to the Commission, and the Commission can do
37 that.

38 MR. TAYLOR: Sure.

39 MR. MONTGOMERY: I think the minimum time period in order to do an
40 orderly due diligence probably is the crux of the problem. Instead of having this come up like
41 we've got to have this done tomorrow, we've got to have a half million dollars tomorrow or we
42 going to lose this or that. If the state does due diligence and it's available for us to look at that's
43 fine, I don't think we need to redo it. At least somebody ought to do a good one.

44 MS. TERRY: Do a good one, but also who's going to make that decision? I

1 think what the transcript will reflect when I asked why are we giving four hundred thousand, the
2 answer was that's because that's what they asked for, and I don't think we can operate that way.

3 MR. TAYLOR: I think our charge here is to come up with the suggestions
4 and ideas and take it back to the Commission for their approval or disapproval or adjustments.
5 And that's what we have to do. Then it's up to the Commission whether this flies, sinks or is
6 adjusted.

7 MR. THOMPSON: What you may want to consider is a cap per job that
8 cannot be exceeded by that Committee without going through the full body for consideration. In
9 other words, if there's going to be an exception to that cap, then the entire Commission has got to
10 consider that, which puts it further out there for more due diligence. It's a little disturbing to me,
11 but the very nature of deal closing is the last money in, and you're probably going to have a
12 number of other grants and loans, maybe federal and state, that have committed to the project
13 that you would hope will have done due diligence as well. We're just laying the last dollars
14 down to close the deal. By its very definition, deal closing, you're hoping that the due diligence
15 has been done when it hasn't been. If we can't trust it, then we have to do our own.

16 MS. TERRY: The localities are just looking for that money, and I don't
17 think you can count on the localities to scour everything. I respect where they're coming from,
18 and they want to pull together as much as they can.

19 MR. OWEN: To the extent that the Economic Development Partnership is
20 already in the process, or is in this process, and as an example, this technology thing in Danville.
21 If they even anticipate that perhaps the locality is going to ask the Tobacco Commission to come
22 in with money it looks like they ought to let you know much earlier in the process so we can find
23 out if it's going to be asked for, or maybe we'll even disabuse a locality and say, don't bother
24 asking us for that.

25 MR. PFOHL: We knew the general nature of the company that was going
26 to be submitted to us, or we didn't see the specifics as far as the return on investment. We did
27 have conversations with the City Manager to see if a lesser amount would be sufficient to make
28 that deal happen, and the city maintained, and the state partnership backed them up that the full
29 award was necessary.

30 MS. TERRY: Of course, the state partnership is going to say that, because
31 it's our money, so they're going to take that position. In this situation we put in more than the
32 locality did. The locality's two hundred and fifty thousand contribution was a building. I had a
33 sidebar conversation about what they paid for the building, but that was their contribution.
34 There needs to be more than three people involved. These things have been in the process for
35 months and months and months. Did you ever suggest to them that you've got to have this in by
36 X time or it would not be considered, did you ever tell them that?

37 MR. PFOHL: Yes, we told them, but when we got down to the end of
38 December, you're going to have to get us something by the first week in January so we can have
39 some time to take a look at this before the Commission meeting.

40 MS. TERRY: I don't recall you telling the Commission that it just came in
41 the day before and any limitations we were operating under. Did you feel empowered to say to
42 the Commission, this has been under way for a long time, and we asked for the information for
43 some time, and we only got it yesterday, I haven't had a chance to give it all the attention it
44 deserves. Did you feel empowered to say that?

1 MR. PFOHL: We took it to the TROF voters and presented it as we would
2 present any TROF vote with return on investment and with the summary prepared.

3 MS. TERRY: That somebody else had given to you?

4 MR. PFOHL: Yes.

5 MS. TERRY: Is that the way you normally do business, when somebody
6 comes in and you haven't had a chance to do due diligence, and do you take it to the Committee,
7 is that your normal way that you operate?

8 MR. PFOHL: It is normal for us to summarize the project with return on
9 investment in hand and present it to the TROF Panel. This was not normal, because this was the
10 first case in at least a year where we had a third TROF that went in front of the Full Commission.
11 The turnaround time and the confidentiality of this, the challenge of getting the information in
12 the hands of the Commission before they were asked to act on it was certainly not ideal.

13 MS. TERRY: So what you're saying is that your way of operating is that
14 when somebody comes in with a TROF grant you take the information that they have given you,
15 return on investment and whatever information somebody gives you, and then you go to the
16 Commission with their request, to the TROF Panel with their request? There's no due diligence?

17 MR. PFOHL: No, I didn't say that.

18 MS. TERRY: You're relying on other people's information?

19 MR. PFOHL: Yes, to some extent, the State Economic Development
20 Partnership organization.

21 MS. TERRY: You relied on them, so there's no independent in-depth. You
22 rely on their information, and you're relying on their request for money?

23 MR. PFOHL: Somewhat. We're also having conversations with the
24 locality, and we're relying on the locality to give us reliable information. Do we do enough due
25 diligence? I would suggest that we have not looked as closely at company financial statements
26 as we can.

27 MS. TERRY: From your answer, it seems to me like the people that you
28 have been communicating with have been two entities, the locality and the Economic
29 Development Partnership, whose principal interest is getting money from the Commission.

30 MR. PFOHL: I wouldn't characterize the Economic Development
31 Partnership, their purpose is different than that. Their primary interest is bringing in projects to
32 Virginia, and our interest is bringing projects to the tobacco region, everyone's interest is having
33 the project be successful, and no one is left with the sense of having put dollars into these
34 projects that are going to fail. I think we're all working at it from a standpoint of trying to make
35 sure that the projects are successful and people have employment opportunities and localities
36 have investment and tax revenue.

37 MS. TERRY: I guess the question that many of us are asking, or the bottom
38 line, is the company's leadership, its financials, its viability in terms of making good investments.
39 What I hear you saying is that we're relying on judgments made by localities and judgments
40 made by the Economic Development Partnership.

41 MR. PFOHL: To date, and hopefully with Mr. Stephenson's experience, we
42 can enhance our role in that regard.

43 MR. STEPHENSON: Mr. Chairman, if I may, I'm new to the process, and
44 you'll have to bear that in mind. One thing that I have observed is that this Commission is very

1 young, and it's doing unprecedented work. Commissions have to kind of figure some things out
2 as they go along. One of the ideas that came up in the last meeting of this Commission was the
3 concept of having a strategic planning retreat to try to pull together the entire Commission and
4 try to deal with some of these troublesome issues, and because we are young and our structure is
5 new it is not yet perfect, and maybe there are some concerns that are not being addressed. I
6 would be interested in hearing, Mr. Chairman, from the Commission members, what they think
7 of the retreat process where we try to get these issues dealt with.

8 MR. MONTGOMERY: You're talking about a retreat for the Full
9 Commission and not just this Committee?

10 MR. STEPHENSON: Yes.

11 MR. MONTGOMERY: I like the idea, and I believe Claude mentioned it at
12 the last Committee meeting, and we didn't have a whole lot of discussion about it, but what do
13 you folks think about it? Is it something we should recommend to the Commission?

14 MR. OWEN: Mr. Chairman, I think I mentioned it in the context of our
15 Long-Range Strategic Plan, and reflecting on the process that created that plan, is that it was
16 really done by a separate committee and not a sub-committee of the Commission, it had
17 Commission members and non-Commission members on it. It was brought to us at an awkward
18 time frame on a snowy night in Richmond where the Legislature was meeting, and we barely had
19 a quorum there, and was adopted and laid on the table and then taken off the table and put on the
20 shelf. Not that we do not abide by it to some extent, but I don't think there was a true
21 opportunity for some of the buy-ins of the real long-range objectives and plans for the
22 Commission. I think we all recognize that a plan continuously needs to be refined, updated and
23 massaged, as opposed to sitting on a shelf and becoming a stale document. I think that given
24 both the lack of participation that created the plan and the need for the plan to be reviewed and
25 revisited and updated, and if we could find a process to do that with all of our busy members and
26 legislators, I think it would be a very good idea. Mary Sue and I both interviewed several
27 candidates for the position that Ned has assumed, and some of whom were involved in economic
28 development and even in other states that have Tobacco Commissions and they're doing that. It
29 sounded to us when we talked about it like a very valuable process they were going through and
30 something that we could probably copy to our advantage. I'm like you, Mr. Chairman, but I'd
31 like to hear others' comments on it or whether it would be a waste of time.

32 MR. MOODY: I think any time you can get everyone's thoughts on the
33 table and concerns of each member, and I believe always something good will come out of it. I
34 would be for it, although I know we all have busy schedules.

35 MR. MONTGOMERY: Probably we could do it when the Legislature is
36 not in session, so they would have a little time to participate in it.

37 MR. THOMPSON: My observation on it is that it could easily become a
38 waste of time if it's not tightly controlled and well planned and we know what the goals are
39 going into it. We could easily spend a long weekend and have nothing but a nice social event out
40 of it and treat it as a real business meeting, because real strategic planning is hard work.

41 MR. OWEN: What I have found is that some of the best results come out
42 of those break-out sessions, and you don't sit around in a group of thirty-five or forty but to go
43 into smaller groups with some very pointed things that you're told to discuss, and maybe not
44 everybody is discussing the same thing. Maybe you've got a group of eight dealing with one

1 thing and another group of eight doing something else. And then come back with some
2 conclusions and recommendations. You're right, you need an experienced leader and a format
3 and somebody that knows how to run these things rather than just a moaning session.

4 MR. MONTGOMERY: Can we take that long-range planning document
5 and, were you on that Committee?

6 MR. OWEN: No.

7 MR. MONTGOMERY: I was on it, was anyone else on that that's here?
8 We met several times, and maybe we could take that and glean something, or at least it would be
9 a starting point. There may not be anything in it that's worth keeping, and who knows, but there
10 was a lot of material there. I think it would be excellent to do that if it's handled properly.

11 MS. TERRY: Mr. Chairman, I'm a great fan of on-going strategic planning
12 involving everybody, that the plan focuses on substance of what we do. What came up from
13 various members of the Commission last time had to do with process issues and just the process
14 issues we talked about with the TROF grants. It seems to me that if we could think in terms of
15 two tracks, one having to do with process issues and an opportunity for people to be open,
16 candid and respectful of each other and talk about that, and then also deal with the substantive
17 side. I think there's going to be tremendous resistance, and this is what you're pointing at dealing
18 with process issues. Right now, and I can't speak for everybody else, but I feel like important
19 issues and decisions are made by very few people. I know on the Technology Committee, where
20 you have the biggest investment we've ever made, that the Chairman said, we're not going to
21 meet and set up meetings for us to learn about technology two-by-two. There are a lot of very
22 serious issues that relate to technology questions. Every citizen member of that Committee is
23 along the 58 corridor.

24 We had a process set up at Longwood where we were going to be open to proposals
25 coming in where we did a contract for all Southside. That was changed as a result of a sidebar
26 meeting of the legislators. Now we're in a situation where we've broken the contract into two
27 pieces, broken the proposal into two pieces, and we've upped the cost of the proposal. We have a
28 thirty-four million dollar proposal and a twenty-two million dollar proposal, and we're going
29 after six million dollars of federal funding where the cost of the project goes up as the result of
30 going in that direction. There's not a single citizen member on the Technology Committee from
31 the heartlands Southside, not one person. There's some of us who have been fighting not for
32 ourselves, I'm on 58, but we've been fighting to make sure that no county gets left behind in
33 Southside. While we passed a vote last time that said, yeah, we're going to take care of the rest
34 of the region, I know from personal conversations that there's been a conversation to try to drop
35 two localities from being treated like everybody else, two remote localities with high minority
36 populations. And I also know that we've never put on the table from anybody what would be
37 expected from the Commission, which would be at least twenty million from the Commission. I
38 fully anticipate, because no decision is final, that when the time comes to make that next step
39 who knows how long it's going to take, and again, we're not, we can't have a meeting. I went to
40 the Bylaws, and this is another issue that we ought to add, I went to the Bylaws to find out what
41 the power is of the Committee Chairman, and there's nothing in the Bylaws about the Committee
42 Chairman not being able to call, that that Committee member is not able to ask for a meeting. It
43 takes you over to the new Robert's Rules of Order, which we're supposed to be operating under.
44 I have not looked up under the new Robert's Rules of Order whether the Committee, enough of

1 them can petition to have a meeting of the Committee. This I do know, that is that those
2 members, those citizen members that want to get together just to discuss and learn about what is
3 going on and share information can meet independent of the Committee structure and don't get
4 paid for it, but that's not, I'm just putting that out for information, just putting out for you to
5 notice. We don't have to wait for the chair to call the meeting. We can ask the Commission for a
6 notice that in Martinsville, Virginia selected members of the Commission can get together and
7 talk, public meeting and open to the public, and that way we can share information. The
8 Committee meetings are not long enough and don't allow for enough time for people to be fully
9 informed. People in the affected areas don't know the process. I guess what I'm saying is that
10 from the standpoint of Southside, when this technology was set up, Mr. Chairman, Southside, it
11 was decreed from on high that Southside wasn't going to do the last mile, we couldn't cover
12 every industrial park and all these decisions. No one, there's never been a vote on that, it was
13 just decreed, and then when the Committee began to meet we discovered there were ways, and it
14 was not right just to do a few industrial parks and that there were ways to get everybody and to
15 be fair, and that it was affordable.

16 MR. MONTGOMERY: Can the Staff make a recommendation on the
17 process?

18 MR. STEPHENSON: I tend to agree with Ms. Terry that there are big
19 strategic issues that come before us, and they may be somewhat separate from process issues,
20 and we need to address both. Again, I'm new to the Commission, but one of the things that I'm
21 working on in my first thirty days, I'm trying to make a complete assessment of our process and
22 trying to listen to some of these concerns and present it to the Commission or the Executive
23 Director, and that may become the blueprint or foundation for us to identify where the heartburn
24 is and begin to deal with those potentially in a retreat setting where everybody gets a chance to
25 hear these concerns. I would hope to have that available within two to three weeks.

26 MS. TERRY: I think if we could begin to deal with them and get some
27 sense of them this Committee could have as part of its recommendations some things going into
28 the retreat that would be the focal point of the discussion. I can see, Mr. Chairman, that we
29 begin to organize our thinking and put out ideas about what things might work, and the
30 Commission can reject it or do whatever, but at least we could put the point on the pencil as it
31 relates to some of these issues.

32 MR. MONTGOMERY: Do you think we need to vote on this retreat issue?

33 MR. STEPHENSON: My sense is that if that were to come as a
34 recommendation, a motion and recommendation, from this Committee to the Commission that it
35 would be productive in terms of getting that done. I guess I would like to feel assured that we
36 feel strongly as a group that this is the right thing to do. Jim, you're right, it could be an exercise
37 and social event, and we adjourn. It takes an able facilitator who is well briefed ahead of time to
38 steer this process. It'll cost a little bit, and it's cumbersome, because there's a lot of us, but these
39 things need to get out, and we're young in our process, and we need to get well-honed so we can
40 put these deals through our system and then be proud of what happens when it comes out at the
41 other end. Yes, I would like to see that come from this Committee.

42 MR. MONTGOMERY: Any discussion? Jerry, it looks like you're getting
43 ready to say something.

44 MR. FOUSE: Let me echo Ned's assessment, as a young organization we're

1 going to have to feel this pain sooner or later, and it's incumbent upon all of you to feel this pain
2 early on, so let's go ahead and get this strategic thing done, and quite frankly, it needs to be done.

3 MS. TERRY: Are you including process issues as well?

4 MR. FOUSE: Both. I think the strategic issues are significant to the work
5 that the Commission is trying to do, and the process issues are significant. I don't think you
6 should leave either one unturned.

7 MR. MONTGOMERY: You mentioned substantive issues, I take it you're
8 talking about what we spend our money on?

9 MS. TERRY: Yes.

10 MR. MONTGOMERY: That would be different from strategic or not?

11 MR. STEPHENSON: My sense is that process issues are related to how
12 our calendar is structured, when the committees meet, how the committees are staffed or chaired,
13 the process that an application takes to get all the way from an application to due diligence, and
14 dissemination. Are we engineered internally so that these things don't become problems for us?
15 They're kind of mechanical issues, but they have enormous implications on the outcome of what
16 we do.

17 MS. TERRY: I think other issues that we need to address in some way is
18 the issues of leadership of the Commission in terms of the roles of the members and that kind of
19 thing, which was discussed last time by Claude, and those are softer issues. You know, the
20 legislators are not the majority members on the Commission, but when the issue came up about
21 the pharmacy school last time, we bypassed the Committee and did that. If a cluster of people
22 said we have a Committee structure and we move toward a culture that does not reward that kind
23 of behavior, that could have been sent back to the Committee, and we didn't have to do that.
24 Legislators cannot have an undue influence on the Committee unless the citizen members
25 participate in that. I know that's not comfortable, but at some point the citizen members, if we
26 don't like the way meetings are run and people bypass the system or that kind of thing, then it's
27 up to the citizen membership to step up to the plate and raise those issues and not let it happen,
28 because it can't happen unless we vote for it. That four hundred thousand we gave to Danville
29 based on, people can speak up.

30 MR. MONTGOMERY: Any other discussion about the retreat? Do you
31 want to think about it until another meeting, or maybe we could vote on it now and do some
32 planning and have a better feel for it later? If not, I'll entertain a motion if there's no other
33 discussion.

34 MR. OWEN: I'll move it, but I do want to make another comment under it
35 before we start discussion.

36 MR. MOODY: Second.

37 MR. OWEN: My comment is that, just to share Ned's concern, if we say it,
38 or if we make a motion, then we collectively ought to feel strongly enough about it and positive
39 about it. I don't think it should be a motion that we have a split vote on, or even if we vote in
40 favor of it we think it's sort of a half-baked idea. I would suggest that if you have reservations
41 about it and don't think it's a top-flight idea let's talk about it and wait until another time before
42 we pull the trigger on it.

43 MR. MONTGOMERY: Well put.

44 MR. STALLARD: Before we vote on anything I guess I'd like to put my

1 two cents worth in. I get a lot of headaches over trying to replace tobacco. As a tobacco farmer
2 we looked at alternative sources of money for fifteen or twenty years. We're trying to replace an
3 industry that's been in our country since Sir Walter Raleigh's time, and it's actually created more
4 money than we actually know what to do with, not for our eight tobacco states but for the whole
5 country. The taxes made on tobacco can never be replaced. I think it's a good idea that we're
6 looking at these niche markets, and we have to approach the thing pretty much like New England
7 did in the Super Bowl, five and ten yard passes versus a touchdown pass. We're not going to find
8 a silver bullet to replace tobacco. All industries are facing the fact that jobs are going south, and
9 that's the reason when you look at the new technology stock there's really not a history for it.
10 We're at the same time trying to find shell buildings when those shell buildings can come in and
11 be there for a couple of years and then go to South America, and it's a scary thing. Tobacco was
12 in the eight states, and we had a patent on growing it for the rest of the country and the rest of the
13 world. We had the cigarette that was probably the best in the world and still is the best in the
14 world. That patent was put here to get us out of the great depression, and it's one of the few
15 government projects that's ever worked. I don't want to totally abandon the issue of tobacco. I
16 notice that Philip Morris has expressed interest in meeting the FDA regulation with the healthier
17 cigarette, but I don't want the Commission members to feel like we've failed if we can't find a
18 replacement for it. It's not an easy task, and I don't know if there's an answer. Other states, like
19 Kentucky, are exploring different things you can do on the farm with cattle, sheep, goats, pigs,
20 and improving existing things. Don't feel disappointed if we can't find a replacement for
21 tobacco. I'm interested in, and it sounds funny, but I'm interested in a healthier cigarette, but the
22 tobacco company's only way of surviving is to meet some type of FDA regulation and keep these
23 generics out. We can't keep having this free trade and everybody down there doing it cheaper,
24 and not just tobacco jobs but all jobs. I don't want to totally abandon tobacco for a replacement
25 income and come up short each time.

26 MR. MONTGOMERY: Maybe Carthan or maybe somebody else suggested
27 that we have people from Kentucky and North Carolina, from their staff and members, to pick
28 their brains. I'm not personally against stealing a good idea myself.

29 MR. STALLARD: We also have to find something that is unique to this
30 area, whether it's our climate or natural resources or whatever. The eight tobacco states do offer
31 things that you can't find in any other states. We need to continually look at those natural
32 resources and what you have that's unique to this part of the country that is nowhere else.

33 MR. MONTGOMERY: That gets back to revitalizing and transforming the
34 economy. If we knew how to do that we wouldn't be sitting here, I guess.

35 MR. STALLARD: We'd be in demand.

36 MR. MONTGOMERY: All right. Any other comments?

37 MR. MOODY: I think the Staff or someone needs to structure it and make
38 sure this is structured so we do get something out of it. I guess you have to get the facilitator and
39 talk to him and get him up to speed on everything we need to talk about.

40 MS. TERRY: We may end up with two, talking about the substantive and
41 dealing with what you're talking about, how to respond to the economic crisis. I think that's a
42 critical discussion in a retreat. Maybe one person could discuss that and bring in somebody else,
43 and the Staff can work on process issues. There's Jesse White.

44 MR. OWEN: I don't know if the people know Jesse, but he was head of the

1 Appalachian Regional Council or Commission, and he was in that position for years and now he
2 has, or I think he might have served eight years as head of that, and now he is an adjunct
3 professor at the University of North Carolina in Chapel Hill. I think both his skills as a
4 moderator and academician as well as his background in regional Southeastern economic
5 development and particularly the Southwest, he would possess the type of skills that might cover
6 both of these areas. And there's others. Perhaps some of you have participated in these things. I
7 had the pleasure of dealing with a couple of very good moderators, it doesn't matter what the
8 subject is, they know how to get the groups going.

9 MR. MONTGOMERY: In the Long-Range Committee Mr. White spoke to
10 us, and very impressive guy.

11 MR. STEPHENSON: I'd be interested in knowing from some of these
12 Committee members what you might envision as a retreat, as to timing, duration, location, and to
13 get some feel for what you're thinking about. Some of these are often done on an overnight basis
14 because sometimes the best information flows late at night when people are finally willing to say
15 what's in their heart, and overnight is taxing for everybody because of their busy schedules. But
16 I'm interested in what your thoughts are about the format for the retreat.

17 MR. OWEN: I'm like you, the best ones I've seen have been done
18 overnight. Typically a Friday afternoon meeting, overnight, a reception dinner that night where
19 everyone is together, and then finish up on a Saturday, midday.

20 MR. MONTGOMERY: If you could have it somewhere where people
21 wouldn't have to travel, we're all going to have to travel probably four or five hours.

22 MS. TERRY: What about the Primland Resort, it's right there by the Blue
23 Ridge Parkway on the other side, and it's a hunting type of resort, and I haven't been there in
24 years, but I understand it's very nice, and they're building a twenty million dollar golf course
25 there, and it's sixteen thousand acres, and it's in Patrick County. It's right there in the backbone
26 of Southwest and Southside.

27 MR. THOMPSON: A lot of Fortune 500 companies have retreats there. It's
28 been sort of a hidden destination point.

29 MR. OWEN: Can they handle a group as big as ours?

30 MR. THOMPSON: Yes, I believe so. The overnight accommodations
31 would be cabins, but these are very nice facilities.

32 MR. STEPHENSON: Perhaps the Staff could flesh out a possible format
33 and have that as a prototype.

34 MR. MONTGOMERY: The next meeting of this Committee?

35 MR. STEPHENSON: At your pleasure.

36 MR. MONTGOMERY: I think that would be fine.

37 MS. TERRY: Do you think you can do all of that in an afternoon and a
38 morning meeting, Claude, or is your vision maybe having that kind of set the stage and have
39 working groups and come back?

40 MR. OWEN: That maybe the result, yes.

41 MS. TERRY: Set up groups on various issues and then come back and have
42 a second one?

43 MR. OWEN: I don't think you'll get anyone committed to it much longer
44 than that in one setting.

1 MS. TERRY: I can't imagine being able to cover all this territory in one,
2 but I think it could be a real start, and then you'll have it coming back. I do think that if this
3 Committee were to focus on some of the processing issues, and if there's any job creating issues
4 that would be great, too, but I think the processing issues are going to be the hardest ones to deal
5 with.

6 MR. THOMPSON: I'd like to add that I think the Staff's recommendations
7 are equally as important to the Citizen Committee's recommendation. We have some excellently
8 trained and experienced Staff people that have been in the business of grant making for a long
9 time, and if they can bring their recommendations to the table I think that gives us some quality
10 information to push against and to consider in the process. As a lay person I understand a lot of
11 the big issues, but I don't understand a lot of times how the process is and how to make those
12 things happen. We're talking about two things here. One of them is where do we spend the
13 money, and secondly, how do we spend it. It's the how part that I personally have the weakness
14 in how all that happens.

15 MR. MONTGOMERY: Having the organization and having everything
16 flow properly in an orderly fashion without doing everything at the last minute is what it's all
17 about. If the Staff can get a handle on it, it certainly would help.

18 MS. TERRY: We still have the Bylaws issues, Mr. Chairman, and I think
19 maybe the Staff can review and relate it to this meeting, and the Staff can do its job, and if the
20 Committee only meets one hour, then maybe the Committee might need more time, and then the
21 Commission has no use. We're here to make the decisions, and the Staff helps us make the
22 decisions, but there needs to be sufficient time for meetings for questions to be asked.

23 MR. MONTGOMERY: Any other discussion on the motion?

24 MR. FIELDS: Let's hear the motion again?

25 MR. OWEN: I made a motion that we as the Citizens' Committee
26 recommend a planning retreat in an outline that we discussed here to the Full Commission.

27 MR. MONTGOMERY: Mr. Moody seconded it.

28 MR. MOODY: Yes.

29 MS. TERRY: What are you thinking, Fred?

30 MR. FIELDS: I was wondering what I was voting on.

31 MR. MONTGOMERY: Are you satisfied now?

32 MR. FIELDS: Yes. You all are going to format this meeting, the Staff is
33 going to format the meeting for us? You're going to do the preliminary work where we're going
34 to have plans for a retreat, am I right?

35 MR. STEPHENSON: Yes, I'm thinking through this a little bit, but if your
36 motion is affirmed today, that recommendation really will not arrive to the Commission's table
37 until May, so we've got a lot of time to pass here before things happen. It would seem to me that
38 if the motion is affirmed today the Staff would get right to work to try to format this in a manner
39 that is acceptable to the Commission, and maybe the format and your motion would converge on
40 the Commission date so we would have that on the calendar July or August. If we miss a cycle
41 we need another meeting, it would be Christmas before we have anything done. Your motion, it
42 seems to me, is in concept, with the details to be furnished later.

43 MS. TERRY: Our Committee would meet and bounce things off of us, and
44 we'd have an opportunity to respond.

1 MR. STEPHENSON: Yes, there is time to do that between now and then,
2 certainly.

3 MR. MONTGOMERY: That's what I sort of envision, we've got time for
4 another couple or more meetings, March and April.

5 MR. STEPHENSON: We could flesh it out and send it to you, and you'd
6 have it a week or so, and then we could meet and straighten it out.

7 MR. MONTGOMERY: All right. Are you all ready to vote on it? All
8 those in favor of getting the process started for the retreat say aye? (Ayes.) Opposed, like sign?
9 (No response.) Motion carried unanimously.

10
11 NOTE: A luncheon recess is had.. Thereupon, the meeting is
12 called to order and continues, viz:

13
14 MR. MONTGOMERY: Okay, we're back in session. We have this
15 afternoon with us Mr. Whitmore. Glad you could make it.

16 MR. WHITMORE: Thank you. I'm Ed Whitmore and the County
17 Administrator in the neighboring county of Smyth County. As some of you might know, we
18 were one of two counties that were designated a couple of years ago as one of the Governor's
19 economic disaster areas, which is not a title that we're really proud of. I've got a couple of points
20 that Carthan asked me to talk about.

21 A year or so ago we came to the Tobacco Commission, and we had an industry, and
22 the way things have changed is quite significant. General Dynamics, which is a huge defense
23 contractor located in Smyth County, they bought a plant here. All of the sophisticated military
24 aircraft have pieces made in Smyth County. They came to us and said that we have excess
25 capacity, and we're looking for six states to combine our operation, and you're one of the plants
26 in question. Because of the quick response by local, state and the Tobacco Commission, we
27 were able to make them what I thought was an offer that they couldn't walk away from, and they
28 did not. I think what surprised them is that we were not only able to put an attractive package on
29 the table, but we did it in a matter of days. They promised us that where they located they would
30 add a hundred and twenty-five jobs. Are we on the record? I don't want to talk about something
31 that's proprietary.

32 MS. TERRY: Maybe we should go into Executive Session.

33 MR. FOUSE: Can you stop recording for a minute?
34

35 NOTE: An off-the-record discussion is had. Whereupon, the
36 session continues, viz:

37
38 MR. WHITMORE: We have a high wage rate for the industry, and it's
39 unionized and has been for years. That was a real success story that we desperately needed, and
40 what else happened I didn't want to say, but as a result of the offer and some of the successes that
41 they've had they've moved more to our county than what they anticipated, and it's still ongoing
42 now. Now they're back up to over eight hundred employees, which is a huge boost for a county
43 that lost two thousand jobs in the last five years in manufacturing and textiles. It was not only
44 because of the offer as to how quickly we can put this together, and how easy both the state and

1 the Commission worked and understood this problem, and we were really able to tie it up
2 quickly, and how we did it is that all these other states were amazed that we could come up with
3 an offer that quick with that magnitude, and it did have an impact. We're talking about a lot of
4 jobs as we go forward in the future.

5 One thing we've just done in Smyth County, with the cooperation of the state, is that
6 we've just finished the most extensive industry study of workforce issues, higher than Kentucky
7 and North Carolina. We hired a consultant in each of our thirty manufacturers or large
8 businesses, we have a huge healthcare because of the prison and the state hospital as well. Each
9 CEO had to agree to give us two hours of unfettered access to our consultants as well as the HR
10 people.

11 MR. MONTGOMERY: What prison do you have?

12 MR. WHITMORE: The Marion Correctional Facility, which is basically
13 where the psychotic prisoners are sent. It's the Marion State Hospital. We have two places there,
14 one is a mental hospital, and one is a prison. The ones in the prison have been convicted, and the
15 ones in the State Hospital may or may not be, they haven't been through the judiciary process
16 yet. They are two separate entities next door to each other.

17 MR. MONTGOMERY: How many people in the prison?

18 MR. WHITMORE: Around a hundred and fifty, but keep in mind they're
19 probably the most disturbed and probably the most violent, and most of them are in solitary
20 confinement. Those are the disturbed prisoners out of the general prison population. We did the
21 study in December, and we're about to validate it, every member of the Steering Committee is
22 going to sign off on it that represents them. The Steering Committee is made up of the nine
23 largest manufacturers in the county directing the study. We found some interesting things that I
24 think you'll be interested in.

25 There are reportedly like twenty-some agencies in the state today that do workforce
26 training. None of these industries use any, or very little of the workforce programs being
27 offered, zero. Our county has a thousand people listed as being unemployed, and we document
28 approximately two hundred fifty vacant jobs in the county right now, which begs another
29 question. Rather than being a drive-by type of survey, we spent time with the industries, and the
30 consultants tried to find out what the disconnect is between the jobs that are open and the
31 number of people we have employed. That's called a gap, and we've got a tremendous skills gap.

32 As you know, in the Southside and far Southwest we were heavily involved in textiles,
33 wood products, furniture, and all of that type of business is gone. We have a couple remaining,
34 but they certainly haven't changed the way they do business. The problem is that when they
35 change the way they do business the requirements for a workforce also changes, and when you
36 have a county that is approximately twenty-five to thirty percent as having a high school diploma
37 it's a challenge to get people to get the skill sets that we need now versus what we needed ten
38 years ago. It has changed appreciably in our recruiting efforts, no longer do companies come
39 looking for sites, because everybody has got them, and there's more empty buildings in
40 Southwest and along the North Carolina border, and everybody in Southside knows that. If you
41 want a building, we'll give you a list of them, here's a hundred, take a look at them. What
42 companies are looking for now is employees with the skill set they can grow with, because we're
43 finding that the technology is driving a lot of these jobs upward and to be competitive we're
44 going to have to change our workforce and how we prepare them. The biggest hole seems to be

1 not in entry level training, which a lot of the money is going for, but it's in incumbent worker
2 training to move people from this job up, because they'll now be instead of somebody that's a
3 millwright or somebody that's working on a milling machine or cutting machine, the job has
4 become about math and programming. In furniture, where they used to sand and spray furniture,
5 now they have a machine where the furniture passes through a vapor chamber, and it's colored in
6 front of your eyes. It's a wonderful process, but it does not require the same skill where the
7 person sat there with a spray gun and did that for years. There's a tremendous push to find
8 qualified workers for these companies, and they cannot only do that job, but they can do the next
9 reenteration or the next advancement when that technology changes, and they have to move
10 upward, and it's a tremendous problem.

11 As an example, twenty-one of our industries out of thirty said they were having
12 trouble getting qualified workers now, nine of them said they weren't, and three of them said they
13 were expecting to do that in the future. This is in a county with a thousand people listed as being
14 unemployed. It's a tremendous challenge for us in local government to try to find workers.
15 People say why aren't you out recruiting Microsoft and new industries, and the answer is, we are.
16 But at the same time companies are looking for not only a place to go and a good environment
17 and all the other things, but they're asking about the workforce. They say, do you have the
18 workforce now that we need, and do you have a way to sustain it. Some of the industries are
19 already talking about retirement in the next five or six years, and it's going to take some of the
20 key people away. Some of these skilled people have been there twenty to thirty years. Loyalty
21 to companies in Southwest and Southside Virginia is notorious. People don't job-flip like they
22 do in a lot of other areas. That's good, but it's also tough for companies who are looking to
23 replace somebody who has been there for thirty years, and what is this younger generation going
24 to do? We haven't finished validating the study, and we hope to have it released soon, but it's not
25 going to be complimentary on the current existing training programs going on in the
26 Commonwealth of Virginia.

27 The last thing I wanted to speak about very briefly, several years ago, and I believe it
28 was when Governor Baliles' administration started this certification program and several years
29 later that program was discontinued. It came with a lot of good incentives and a lot of good
30 education programs and kind of got the community more involved. I think I would urge the
31 Tobacco Commission to look at in the two most stressful areas in the Southside and Southwest,
32 that we start thinking out of the box and thinking in new directions. I don't think we can use the
33 same type of thinking that got us into this problem to get us out of it. We can no longer find high
34 levels of citizens without an educational background, and that's no longer acceptable in today's
35 market. People are looking for people with skills. I think that's a crucial component of what
36 we're looking at. With the Internet these companies go online and hire consultants, you can be
37 looked at and eliminated as a possible venue for a new location and never know you're being
38 looked at, never get a chance to talk to them, you don't know who's out there looking, and it's
39 changed in the last ten years. They used to come to you and ask you questions about the
40 community. Now they come and ask you why, because they already know the answers. That's
41 one thing I think has changed dramatically in the last ten years, that's the great job chase.

42 Smyth County is still a manufacturing county, we have more manufacturing jobs than
43 we had a year ago. I don't think manufacturing is dead, but I think it's changed directions.
44 You've heard topics like lean manufacturing and all the buzzwords of today, but they require

1 people now with more advanced skill sets than we've been able to provide in the past. I think we
2 have to take a real close look at how we're going to address that problem, and I think that's one
3 of the key issues. All rural Virginia and all rural America is suffering from flight, and our best
4 advice is to get educated and leave. If I went around this room and talked to some of you that
5 have children that are in college or out of college I wouldn't hesitate to say you're spending a lot
6 of time visiting your children and grandchildren in the Research Triangle and Northern Virginia
7 and Tidewater and maybe the Charlotte area or the Atlanta area, because that seems to be where
8 the hot jobs are. I'm not saying we can replicate that, but I think we can do much better.

9 MR. MONTGOMERY: It's been that way for years, at least out our way in
10 Lee County and Southwest Virginia.

11 MR. WHITMORE: Yes, I think you're right, but it's really going to catch up
12 with us.

13 MR. MONTGOMERY: That started after World War II.

14 MR. WHITMORE: It's catching up because technology has changed.
15 That's because the type of jobs that we used to be able to attract, many of those are gone
16 overseas. I don't think we have as many job attractions as we did ten years ago. I've worked in
17 economic development for the last twenty years, and it's a moving target, what we did ten years
18 ago, because that no longer is applicable. It's a moving target. What we did ten years ago is no
19 longer applicable in many ways today. The certification set up some standards, and we were
20 talking about the fact that one of the standards should be, Patrick County is doing this, dynamic
21 programs and training people, to train people in jobs that are out there. Once they finish they
22 really have the skills to go to work, and companies look to hire these people because they know
23 they get good workers. And I think that's one of the standards we ought to look at. Smyth
24 County is just a microcosm of the state, and I can't say exactly everywhere, but when you put us
25 in a big region and you compare us, and they've done it. You've got Blacksburg at one end and
26 the Tri-Cities area in the other. It's kind of like a barbell and loaded at two ends. What's going
27 on between the two big ends may not be applicable, but the averages are. Sometimes you gather
28 a lot of data and come up with a lot of things that don't fit anybody. Our industry decided they
29 wanted to do this and find out what the problem was, and I think we have a lot better handle on
30 what the problem is now, and we've identified it, but the question now is how do we solve it.

31 MR. OWEN: I appreciate your remarks, and you raise several questions in
32 my mind. How did General Dynamics cope with the lack of training in order to find the two
33 hundred or more people?

34 MR. WHITMORE: One thing they did was offered transfers to a lot of
35 people in a plant they closed in Florida. I don't know how many people that's going to affect.
36 When you have the highest wage rate in the county by far, I think on average it's like seventeen
37 dollars an hour, you'll get the cream off the top, and that's an advantage. The other thing, they
38 have a lot of engineers here, and we're working closely with Virginia Tech and some other
39 institutions to help that pipeline. At Virginia Tech we're setting up a tour of the composite lab
40 and some other things, and we're trying to create a closer relationship, and that's one thing they're
41 looking for. A lot of it you can't see, and it's behind closed doors, but if it's flying in Iraq right
42 now the front end of that plane was built in Smyth County.

43 MR. TAYLOR: Does it hurt the school system by taking the cream of the
44 teachers?

1 MR. WHITMORE: They're mostly into engineers and people like that.

2 MR. OWEN: Have you had any response from the state workforce people
3 about the lack of success of that program?

4 MR. WHITMORE: The study hasn't been released. The deal with the state
5 was they had to validate the study when it was over. We had a meeting scheduled last week to
6 validate it, and we had an ice storm, and our attendance wasn't good. We had a nightmare for a
7 couple of days just getting around, and we're trying this week, but when it's released we will.

8 MR. OWEN: We've got thirty-some counties in the tobacco area, and we're
9 not going to get a big bang and new plants in all of them at one time. What are you seeing that
10 works in your area in terms of entrepreneurship? There's a lot of lip service given to promoting
11 small businesses and start-up businesses, but a few programs seem to be getting recognition for
12 working. Do you have anything going on that seems to be working?

13 MR. WHITMORE: I'm not sure that entrepreneurs aren't born or made. We
14 have a lot of young people that have gone to college and gone on to other places. My neighbor
15 has a son who's got his own business in Charlotte and has about forty-five employees. That's a
16 bright kid, and I think we need to get some of these kids back. I don't know how this
17 entrepreneurial thing works. Seventy percent of all the jobs we're probably ever going to create
18 are going to come from existing industry. Had we brought in a company that hired two hundred
19 people we'd have banner headlines, because they've done it before. But some of them like
20 publicity and some don't. I think the first thing you'd better do is you'd better dance with who
21 you bring. That is, do everything you can to make sure that what you have, survivors as they call
22 themselves now, we're doing everything we can to make sure that they can prosper and grow,
23 because that's a bird in the hand. I think a lot of times when companies are in an area and
24 everyone is out recruiting that's fine, but what do you tell the people that are already there?
25 What we have done is tried to focus about seventy percent of our efforts on working with
26 industry. We've formed an Industrial Council with all the industries and companies being
27 invited. We try to meet on a regular basis, and those that are here we try to find out what we
28 need to do that we could do better or find out what we need to be doing better, and we're getting
29 some feedback. We're trying to develop a network so if we have problems we need to know
30 what they are and we can address them. We've had industry CEO's come in, and they've been
31 here before we even knew each other. They have a plant at one end of the county, and somebody
32 else, they just never even mingled. It's amazing when people get together and they say where do
33 you get your employees, and they've started asking each other questions, so that's amazing.
34 We've tried to make sure that people we have are happy. We think the best way to sell the
35 community is to have your existing industries say it's the greatest place in the world.

36 MR. MONTGOMERY: What if you're in a county where you don't have
37 anybody to dance with? How would you attract people? Basically that's what we have in Lee
38 County. We have tobacco and coal, and coal is still being produced, but less and less workers,
39 and that's the way it's going to be, and that's all we've got really.

40 MR. WHITMORE: I'm allowed to have crazy ideas, because our office is
41 in part of the former state hospital. If I say something crazy or inflammatory it's kind of
42 expected. This is hearsay, but I think what somebody needs to do, I admit that up front, that is
43 pick a company that we think would be successful in Lee County and make them an offer that
44 they can't refuse. Industries and a lot of businesses seem to cluster. If you get the word out this

1 is a good place to go or a good place to be you get the bell cow in there, and a lot of people say it
2 must work. You can recruit all you want to. If I could wave a magic wand, and you hear a lot of
3 this stuff in Northern Virginia, how they need people, and anybody who's spent much time up
4 there, it's a zoo. One of the things we told them is that we can make your day two hours longer
5 because you won't have to spend that much time in the car. You need to break that mold, and you
6 need to break new ground. If I was empowered I'd find a company that really had some needs.
7 Many times I feel they will make that determination because no one has done it. If you go where
8 everybody else has been safe, it's hard to find somebody that'll break the mold sometimes. Try to
9 make them an offer and say we've got some place down in Lee County, and I know you've never
10 heard of Lee County, we're about as far west as Detroit, and I'd like you to come down here and
11 look at it. We're going to make you an offer you can't refuse, you cannot lose coming to Lee
12 County, and we'll guarantee it. I think if you get the first one down there, no matter how small,
13 at least the word is out you can go and survive there and prosper. But that's just my thoughts.

14 MR. MONTGOMERY: The burley region of the Tobacco Commission, at
15 least two separate regions or maybe three. You have the Interstate region from here to Bristol
16 and then you've got Scott and Lee and the other counties. The Interstate does help.

17 MR. WHITMORE: It does, but at the same time we're the only county I
18 can find with an Interstate that actually had a decline in retail sales two out of the last ten years.
19 It can be a two-way street.

20 MR. MONTGOMERY: Do you have the Wal-Mart?

21 MR. WHITMORE: Yes. There's been a lot of talk about revitalization, and
22 we've been hit with the same thing that happens in small towns, Wal-Mart comes, and it's tough.

23 MR. OWEN: We've talked a lot about technology and Internet broadband
24 access. What are you experiencing as far as impediments?

25 MR. WHITMORE: It's obviously cost, and competition will help drive that
26 more than anything else. You can buy a T-1 line and run it for half price than what you can buy
27 in Smyth County. The last mile is another impediment.

28 MR. THOMPSON: How did General Dynamics overcome that?

29 MR. WHITMORE: They also have sophisticated encrypting systems as
30 well. They may use the satellites and some other things. They have a whole different data
31 system than anybody else would use. That's not a good example, I'm afraid.

32 MR. THOMPSON: My experience is that the big companies have enough
33 to bring to the table where they can negotiate it at a competitive rate. It's the small business
34 person that can't get the competitive rate.

35 MR. WHITMORE: We were looking at some T-1 lines for data, and one of
36 the people working with us said we could get it for three hundred seventy-five dollars to
37 Roanoke. Seven hundred dollars for Smyth County you end up with one choice, and you want
38 theirs or you want none. Until we can get some competition that drives that market it's going to
39 be tough.

40 MS. TERRY: The Commission's efforts to develop the backbone in
41 Southwest hasn't reached Smyth County?

42 MR. WHITMORE: Not yet, we've had Bristol Utilities with us, they're
43 working with us on that. We're a small market and companies put where the ducks are. If you
44 go duck hunting you go where the ducks are, and we're not a big enough player in the market to

1 attract that kind of competitive atmosphere, and we have to kind of dance with what's there.

2 MS. TERRY: This is supposed to be a program we're developing that goes
3 to all the localities.

4 MR. WHITMORE: Yes.

5 MS. TERRY: You're on the timeline?

6 MR. WHITMORE: Yes, we're on the timeline but the question is has it
7 impacted us now, and the answer is not yet, no. We found that if we cut our costs with our data
8 transmissions, we did a wireless system and saved about five hundred a month. We put in our
9 own wireless system, and we were fortunate enough that we had line of sight where we needed
10 to go. Had we not had line of sight we would have been dead, but we happened to have a place
11 where we could get two places, and it worked fine for us. The thing is changing, the workforce
12 issues, I think, are going to be paramount in the next five years, and I think it'll get more and
13 more important, and the locations and the sites, because a lot of that has been done. I've
14 forgotten how many millions of square feet of empty buildings and furniture and textiles and
15 dormant stores are between Knoxville, Tennessee and Roanoke, Virginia and North Carolina. It
16 blew me away. The competition is incredible. If you want one somebody will give you one and
17 load you right up.

18 MR. MONTGOMERY: What's the population in Smyth County?

19 MR. WHITMORE: Right around thirty-three thousand. Our
20 unemployment rate in October was ten point one percent, and in December we got it down to
21 seven point one percent. I haven't seen the January numbers yet, and we may have had some
22 seasonal fluctuation and may have popped up a little bit. We do have a bunch of companies
23 attempting to hire people.

24 MR. MONTGOMERY: You said you had a thousand unemployed people?

25 MR. WHITMORE: About a thousand listed by the VEC.

26 MR. MONTGOMERY: What about the ones that are not listed, the ones
27 that quit looking that are counted in the data.

28 MR. WHITMORE: We're working with the national association, and we're
29 one of the test communities with six other states. Rutgers University is one of the institutions
30 we're working with. They were in town the first Monday in January, and they're doing a study
31 on just what you said. That's because all of the garment workers are off that, and we're trying to
32 figure out what happened to them, and no one knows. Rutgers came down and did some focus
33 groups and worked with VEC and got some of those people together, and they're doing all the
34 data in several places. We're trying to answer that same question you just asked, and I can't
35 answer it. They just kind of disappeared.

36 MR. MONTGOMERY: We've got people in Lee County that have been off
37 the unemployment rolls, and I don't know what they're doing either. Some of them are drawing
38 disability, I guess.

39 MR. WHITMORE: We're trying to find out, and we hope we will be able to
40 know. We brought in some academic institutions to try to help us figure out some of these
41 questions. One of the questions we had is we didn't know what we didn't know, and that's one of
42 the things, what happened to those people. You hear a lot of talk, but can anybody say yes, this
43 is what the trends have been, and where they go to work, what retraining they have, did it work,
44 did it not work. There's a lot of questions, and nobody really said with any certainty this is

1 exactly what happened. We're trying to put a little more statistical data behind the material that
2 we fall back on.

3 MR. MONTGOMERY: What did the survey cost you?

4 MR. WHITMORE: Fifty thousand dollars. The state put up twenty-five
5 thousand from the Secretary of Commerce and Trade, and we raised the other twenty-five
6 thousand dollars ourselves locally, or we got the IDA to put up some money. They're going to
7 pay for the printing of the study, but it was totally driven by the private sector. We had nobody
8 in the public sector involved in making any decisions. We turned it totally over to them. They
9 were totally in charge of the whole project. It's a new way to do things, and we all sat on the
10 sidelines and watched.

11 MS. TERRY: I want to compliment you on that whole idea of coordinating
12 that Council. When you obviously think about it, do you expect that could be done here in
13 Virginia?

14 MR. WHITMORE: That's one of the things that the certification program
15 required. Every county is required to have an organization like that, and it died. I think we're
16 the only ones still in the picture.

17 MS. TERRY: Do you sense when you had this group together, what would
18 be their attitude if you had an opportunity to bring in another industry, would they see that as a
19 threat to their labor pool, would they welcome it, or would they, what would they do?

20 MR. WHITMORE: That's a good question, and it's a tough one to answer.
21 The companies that seem to do well and have good programs with their workers, really a good
22 place to go, if your employees are happy that's important. From the studies we've had money is
23 not the top of the line. No company comes in and shoots the bottom out of an employment scale.
24 The ones that are well run and have great programs and the employees feel good about working
25 there, it doesn't bother them at all. Some of those are our best recruiters. Some of the companies
26 that are struggling for some reason or another, they might feel threatened, or more threatened,
27 but I don't think there's any single one reaction to something like that happening. The only
28 struggle, I think, is maybe when it's given attention, but when these companies have been there
29 for thirty years and they've provided stable jobs, we try to say you're important, and you're our
30 primary point of importance because you've been with us here for thirty years. We've kind of
31 gotten away from that, because it's sexy to have this big announcement and everybody shows up
32 and everything is wonderful. But many of your announcements in Southside, it seems to me,
33 didn't even come to fruition. Everybody got their hopes up, but companies that were there then
34 are still there now. We've also got to get people to understand service sector jobs are fine, but
35 manufacturing jobs bring an added wealth to the community and the service sector jobs do not.
36 It just doesn't have the same impact, and I think we've kind of, or maybe understand the
37 economic system has been drained a little bit.

38 MR. OWEN: What role does the local Chamber of Commerce play in
39 supporting existing industry and recruiting new businesses?

40 MR. WHITMORE: We've given the Chamber the job of tourism, and I
41 think they call it the hospitality industry now, and we've asked them to specialize on that. My
42 goal was to be on a first-name basis with every plant manager in the county, and some people on
43 my staff, and if they had a problem I didn't want to hear about it on Saturday night, but I wanted
44 to hear about it on a telephone call. The Chamber by its very nature has officers that turn over,

1 and we needed something with more continuity than that, and we've asked the Chamber of
2 Commerce to take over the tourism job, and they're running with that. We're basically handling
3 the recruiting of the industrial sector. They're doing sort of the commercial side and the Main
4 Street and the downtown and so forth. We're going to take the responsibility, good or bad, for a
5 recruiting program.

6 MS. TERRY: You mentioned you had a system in place and it might work
7 for a certification program today. If the certification program were to come back how would it
8 look different today, or what would be the aspiration and goals for the community today that
9 would have a certification status established to help the community?

10 MR. WHITMORE; I would want to do a real good community assessment,
11 and I would have people come in and look at the community from the eyes of an outsider, and
12 we obviously like it because we live there. Many times we don't see things that are there. I
13 remember when I worked with the bank and the power company came in, and we went around
14 and audited communities. I drove into Wise, and there was a beautiful sign when you came in,
15 but behind it was a junked school bus. Nobody ever saw the school bus, and it lived there
16 because they were so used to seeing it when you came in. They had a beautiful sign, welcome to
17 Wise County, and about a hundred yards behind that was an old school bus, and many people
18 said after that, we've never seen that before. So sometimes I think you need some fresh eyes to
19 come in and look at your community, and they may tell you things you don't like, and sometimes
20 people don't like to hear that news. But when you have something wrong you've got to get it
21 fixed. We've asked some people things, and they've told us things they didn't like, but they're
22 seeing it as an outsider. As an outsider when you tell people things, and they say we've always
23 done it that way, it doesn't mean much to them, and the first time they did it it was probably
24 wrong. The first thing I'd do is do a community assessment and see how we look to other people
25 from outside. Have strangers come in and see how they look at you. We know how we look at
26 ourselves, but I'm not sure it's not a jaundiced view.

27 Secondly, I would do something to encourage, and whatever it takes, and Patrick
28 County may be a good model. We've got them back to getting high school diplomas or GED's.
29 When you look up the demographics you can find out what the high school graduation rate is of
30 any county in Virginia without passing through it, because it's out there. We're a moving target
31 because we're improving, and so is everybody else. How do you make a quantum leap? If you
32 cut that thing in half, if you can cut it in half in ten years, what a statement that would be.

33 The third thing I would encourage communities to do, I would say every county ought
34 to have an aggressive industry program to work with. Anything that goes wrong, if there's a
35 power problem they call me, and that sounds crazy. If they have a parking problem I want to
36 know what the problem is, and I don't want to read about it in the paper or hear about it from
37 someone else. I talk to industrial people weekly if not daily and try to find out what's going on,
38 because many times if you can show an industry you care about them and really care and not at
39 an appreciation dinner in May but you care about them in October, and I think that says a lot
40 about how they think about you. We've gotten some nice comments from our industries and they
41 actually thought the county was trying to help them and was involved and understood what was
42 going on. I think it's important in a rural county. I think in Southside and in Southwest it's
43 doable. If an industry is not pleased about something going on in the county, and it may be
44 something like how you operate your landfill or the hours you operate it, and it's small stuff and

1 not big stuff. If they have a problem and they say we can't get to your landfill before four o'clock
2 and you close at four, and if we're five minutes late we're stuck with that stuff, we've got to
3 figure out a way to solve that problem. We can't say we're government and we close at four
4 o'clock, and therefore we've got to find a different way to do that. That's what I'm trying to get
5 across.

6 MS. TERRY: Do you think it would be helpful for the Tobacco
7 Commission to come up with some type of designated program for localities to opt into if they
8 wish?

9 MR. WHITMORE: Yes, you've got forty counties that are joined at the hip
10 for a lot of reasons, and not only because of the economic structure. Every county can cite all
11 the differences when you look at it, but when you really look at it there's a lot of similarities, and
12 many of the counties are struggling with the same problems, but we have to figure out some kind
13 of way to fix our problems. We can't say we'll just ignore them, but we've got to find a way to
14 fix these problems, and we're the only ones that can fix them. We should be able to identify them
15 at the local level and also find a way to fix them. We're trying to find new ideas because the old
16 ones don't seem to be working too well.

17 MR. MONTGOMERY: Any other questions, comments, if not, we thank
18 you and appreciate your coming, Mr. Whitmore.

19 MR. WHITMORE: I wasn't exactly dressed for the occasion but when you
20 sit in your driveway and your four-wheel drive doesn't move because of ice, you don't worry
21 about a coat and tie, you don't wear a coat and tie in that situation.

22 MR. MONTGOMERY: Where is Frank Crockett now? He's from Lee
23 County.

24 MR. WHITMORE: Frank Crockett, I believe, is in Ashland, Kentucky, and
25 he and I correspond by e-mail. He did a wonderful job when he was with the power company.
26 Things have changed, and a lot of companies, banks and power companies and utilities were big
27 in economic development fifteen years ago, and that's what I did for them, and nobody is doing
28 that now. It's just gone. It used to be if you had a problem we had people respond in a heartbeat.
29 We don't have that anymore in the private sector. The private sector has totally walked away
30 from that.

31 MS. TERRY: Smyth County is a great county, I remember spending a lot of
32 time there in the years past. I don't want to take everybody's time, but it was known for a
33 trailblazing school system. I'm wondering if the school system is being supported?

34 MR. WHITMORE: We have a new school superintendent who has been
35 very aggressive. Last week he took all of his guidance counselors out and took them to an
36 industry. He said, you need to see what the students are doing. I think there's a big disconnect
37 between skills in the classroom, and just because you don't go to college doesn't need you're not
38 going to have to have skills. If you can't measure and understand the difference in metrics and
39 inches and feet and you can't understand some basic things, one of the problems is reading and
40 writing of technical manuals. Now the manual pops up on the screen, and it's like your home
41 computer. They don't print the manual, but you go punch it in and push the buttons. He's taken
42 the guidance counselors out to talk and meet with industries. I don't know how many other
43 counties are doing that, but that kind of got people's attention. Some of them have come back
44 surprised at the skill levels required now in plants on the plant floors. It's no longer manual

1 labor. We've got lifts and forklifts and cranes and everything. It's about math and about a lot of
2 other things, even though you might not have gone to college. The study shows a lot of jobs at
3 the community college level and continuing education is going to be where the good jobs are.
4 We've got to change our mindset that vocational schools aren't where every teacher can get rid of
5 the troublemakers. We're trying to change that mindset. When people go there, if they study,
6 they'll come out and get good jobs and have a job opportunity. We've got to change a lot of
7 mindsets.

8 MR. PFOHL: Mr. Chairman and Committee members, Smyth County is a
9 county that we've worked with on several occasions in the TROF process. I can personally
10 vouch that the county has put a lot of incentives on the table for a lot of pretty strong companies,
11 and we're always very pleased to be working with Mr. Whitmore and his staff. I think one of the
12 exemplary things Smyth has done is to join forces with Washington County and operate the
13 Glade Highlands Park and invested some money in it as well. The TROF Panel right now is
14 reviewing another industrial expansion for Smyth County, and Mr. Whitmore is not speculating,
15 and he's speaking with a lot of authority about what has worked for them, and we're happy to
16 continue to work with him.

17 MR. WHITMORE: We hope to be back to see you pretty soon.

18 MR. MONTGOMERY: Thanks for coming up.

19 MR. WHITMORE: Thank you. I wish you well, and I want to thank you
20 again for what you're doing for us. Sometimes people do things for you, and it's hard to thank
21 the Commission, but it has made a difference. The company came to us, and we were competing
22 against Florida, Tennessee, Nebraska, and it was a basic auction. I'm sitting there saying, they
23 flew down and met with us, and the local people didn't know it. Here's a program and have an
24 offer to us by the 31st of May, thank you, very much.

25 MR. MONTGOMERY: How much time did you have, until the 31st of
26 May?

27 MR. WHITMORE: I'm going to say we started off with less than four
28 weeks, and we had a bid on the table in seven days. We got on the phone, and I was in
29 Richmond Monday morning and met with the Secretary, and I talked to Senator Wampler and
30 some other people, and the commitment was made, and it was just like that. We can't lose this
31 one, we've got to win. We went head-to-head with six other states. That was the first one that
32 we've had that degree of success in a while, but they've been so secretive about it nobody knows
33 about it.

34 MR. STALLARD: There was a gentleman from Saltville that came before
35 the Commission to get money for fisheries. I think his name was Thibault.

36 MR. WHITMORE: The mayor, second longest serving mayor in Virginia.

37 MR. STALLARD: How are things going with that fishery?

38 MR. WHITMORE: Tech is working in a joint venture. I was over there
39 last May, and Dr. Steiger came down, and I think they call it aquaculture, and it's very
40 experimental. I can't tell you what the outcome is, but that was one of the things they hoped they
41 could get into with people replacing tobacco. I'm not an expert in that. You'd have to ask
42 somebody about that. It's a pretty tricky thing, and I don't know what the market would be. If I
43 don't hear complaints from the county administrator, I go on.

44 MR. PFOHL: Jerry, did we do a grant on that?

1 MR. FOUSE: We provided two grants on that project. We provided a grant
2 to help the aquaculture facility and then came back with a supplemental grant for the greenhouse
3 research facility. Virginia Tech is ongoing in their research, and they publish and provide
4 information mainly through extension offices to the farming communities to talk about the
5 alternatives that they have done research on.

6 MS. TERRY: Is it a research facility we've invested in?

7 MR. FOUSE: It's more of a research facility than a prototype.

8 MR. WHITMORE: I think it's white perch.

9 MR. THOMPSON: Who owns it?

10 MR. FOUSE: I think the town of Saltville owns it, but then they have a
11 lease agreement with Virginia Tech, and Virginia Tech operates and maintains it, and it's on town
12 property.

13 MR. WHITMORE: They've got this fish group from Tech up there, and
14 then they've got some people that have that specialty. I went over there, and they had several
15 demonstrations, and it's pretty technical in nature. It's not just throwing fish like in a goldfish
16 bowl, and it's much more sophisticated than that.

17 MS. TERRY: How much money did we put into that?

18 MR. FOUSE: A hundred and forty thousand, it wasn't a lot, in two different
19 installments.

20 MS. TERRY: How do you analyze that in terms of Martinsville?

21 MR. OWEN: Is white perch the same as tilapia?

22 MR. FOUSE: I don't think so.

23 MS. TERRY: From the TROF standpoint we're funding a research facility.
24 Does it pay taxes?

25 MR. PFOHL: It was a Southwest Economic Development grant.

26 MR. FOUSE: It was not designed as a TROF.

27 MR. MONTGOMERY: It's owned by the Town of Saltville.

28 MR. WHITMORE: The feeling was, I think, getting people that were out of
29 the tobacco into the aquaculture. I think white perch is considered a delicacy in the Orient, or
30 something. There's all kind of trade laws.

31 MR. FIELDS: John is interested in aquaculture, because he's always
32 looking for an alternative.

33 MR. STALLARD: There's some area farmers not only in Scott County but
34 down in Tennessee, too, that have some success with catfish farming and following up on the
35 hair sheep project, but wanted to market the fish directly to restaurants. I know that thing where
36 you can fish for trout at White's Mill. There are trout farms where you go catch your own, and
37 it's another tourist attraction, and I think the old man made some money off of that. The same
38 thing could be done with catfish, possibly.

39 MS. TERRY: I think this guy in Martinsville has got one of the largest, he
40 takes trucks straight to New York to restaurants.

41 MR. STALLARD: The thing about a pond is you're talking about small
42 acreage and you have a lot of natural springs, something you could look into with the Extension
43 Service.

44 MR. MONTGOMERY: Virginia State has done some research on catfish.

1 MR. STALLARD: They're not as particular about the water as trout are, but
2 I'd say the trout project in Marion has made money for the State of Virginia, and they have
3 stocking programs. I know we have the Holston River and the Clinch River. I'd like to see some
4 money put into the stocking programs and sale of fishing licenses.

5 MR. WHITMORE: We've got a stocked trout spring running right through
6 the middle of town. There were people out there Sunday in twelve-degree weather fishing.

7 MS. TERRY: I can tell you that when I was in the legislature all the big fish
8 went down to Henry County. I got a call from a fisherman in Patrick and he said, Mary Sue,
9 they're just putting Prince Alberts in these streams here. I said what's a Prince Albert? He said,
10 it's a trout you can fit into a Prince Albert can. So I got the call, we need a few big fish up here
11 in Patrick.

12 MR. WHITMORE: All political. Thank you all.

13 MR. FIELDS: Be real careful about those school buses and everything,
14 they'll be refurbishing that for Lee.

15
16 NOTE: Mr. Whitmore stood aside.

17
18 MR. MONTGOMERY: What's the Committee's pleasure about the next
19 meeting date? I think we need to pick a place.

20 MS. TERRY: We could meet at Primland, between Southside and
21 Southwest.

22 MR. MONTGOMERY: What about April 14th, 15th or 16th, and we'll meet
23 at Primland. Anything else to come before us? Mr. Whitmore had a very interesting
24 presentation.

25 MR. OWEN: Mr. Chairman, I asked him a question about the local
26 Chamber of Commerce. What's been going around in my mind is how or what strategies can we
27 undertake that we would have any positive impact on entrepreneurial development. I'm very
28 skeptical if something you can do at the top level of our Commission today really doesn't have a
29 lot of effect down in the local communities, but there's a huge structure of these local chambers
30 that are sitting out there, and basically they've either turned into tourism development, like he's
31 talking about, or in some cases a social organization, and I've talked to Carthan about it a little
32 bit. Is there not a way that we could try to energize those chambers and even with some
33 incentives and take a little bit of our money and give them an incentive to find ways that they
34 can be more constructive support systems for entrepreneurial development? I think what a lot of
35 what we're doing in terms of workforce development, business incubators, a number of those
36 top-down things turn out to be a tremendous waste of time and money and resources. To try to
37 find a way to get this from the bottom up, there are people out there that have ideas and want to
38 start businesses and are already in businesses like a one or two or five-person businesses that
39 have ideas and really need a good support system to help them get cranked up, and nobody
40 knows where to go for advice. Banks aren't doing it, and power companies are not doing it. I'm
41 not a booster of the Chamber, but they've got executive directors and staffs in every one of these
42 communities basically doing very little. It might not be worth the time of day, but it was a
43 thought that I've been batting around.

44 MR. MONTGOMERY: I think we have the Executive Director, and that

1 may be something to look at. In our county, or I know in Scott County, you don't have an
2 executive director, but you have a Chamber of Commerce. Do you?

3 MR. STALLARD: I don't know.

4 MR. MONTGOMERY: I don't believe you do, I'm not sure.

5 MR. TAYLOR: A lot of these small places have volunteers.

6 MR. OWEN: There may be better organizations in some places.

7 MR. TAYLOR: The Ruritans have done fantastic work in Clarksville, much
8 more so than the Chamber.

9 MR. OWEN: That could be the right organization, I'm not pushing the
10 Chamber. I'm just saying that there are local organizations that have some structure and have
11 some people and the people know each other. If we could figure a way to offer them some
12 assistance or support and methodologies, they're already out there in the field.

13 MR. TAYLOR: Would you suggest we invite them to one of our meetings?

14 MR. OWEN: With the Chamber, I was thinking more of a brainstorming
15 session with the Executive Director of the State Chamber. He's an old economic development
16 guy himself and he'd probably make sense downstream. In the Ruritans I wouldn't know the
17 person to talk to.

18 MR. MOODY: There's a President for the state somewhere, I'm sure.

19 MR. TAYLOR: Yes, it's a national organization.

20 MR. PFOHL: I think they're headquartered in Pulaski County, maybe one
21 or both for our next meeting.

22 MR. OWEN: Ruritan wouldn't work in Danville, for example, but the
23 Chamber might work there. In your area maybe the Ruritan would be better.

24 MS. TERRY: I think it's a wonderful idea to follow up on, and there may be
25 a place to go. If a person had a volunteer, and it might be a Ruritan member or the Board or the
26 Chamber or something, maybe mentoring that worked, and that could, maybe it wouldn't cost
27 money, and it might not be a government thing or a staff thing. Just pairing up with someone
28 would be helpful.

29 MR. OWEN: To get them talking and thinking about that entrepreneurship.
30 Like he said, he's done a lot with his industrial clients in his community. Just like this business
31 or garage, one-person or two-person business, if you could get the garage to go from one or two
32 to three or four that's a hundred percent increase, and that's two more jobs, and that's two more
33 jobs than we've got right now. I'm thinking back to our search process, Mary Sue, when we
34 talked to people about entrepreneurship. If you look statistically where all the jobs are in areas
35 that are having growth. Like in Asheville, North Carolina, they're all small businesses there.
36 There's not any major industries that are moving down there. Some of it's related to tourism, and
37 some of it's related to something else. The jobs in the future are going to be coming from these
38 small companies and small family businesses, and we hope sometimes that some of them will
39 develop into something bigger. I think after four or five years in business we've probably built
40 all the industrial parks and water/sewer plants and that sort of thing that we should be building.
41 We need to find a way to build up these smaller businesses.

42 MS. TERRY: I think this whole thing about certifying is interesting.

43 MR. MONTGOMERY: That's something to look at. I didn't realize the
44 program had been done away with.

1 MS. TERRY: I know there's a perception in one county, and it happens to
2 be the county that I live in, existing businesses do not want other businesses to come in. We
3 recently had a company that was going to give an industrial facility, a large industrial facility in
4 the county, and the word got out, and this local business person went out and bought it. It's not
5 on the market for sale. I had a small business person call me last week, and you know the Woods
6 Brothers left Patrick, which is a big hit. We've got these highly skilled corps of mechanics that
7 don't want to go
8 to Charlotte, and we were approached in the county about helping start,
9 I don't know what the specialized business is, but they weren't interested
10 in helping them, so he went to Martinsville. Tomorrow he's got a meeting with the people from
11 the state and the City of Martinsville, and these are high paying jobs. You can have communities
12 where you've just got a lockdown on growth because of not wanting competition on the labor
13 force. I think the only way I'm going to break through that is not to enable
14 it by continuing to give localities and develop some type of certification program for people and
15 get that cooperation, and entrepreneurship is part of that.

16 MR. MONTGOMERY: It's a hard thing to get your hands and arms around,
17 that entrepreneurial deal, but I think you're on to something.

18 MR. OWEN: I think this assessment is a great idea, but
19 it probably ought to be a change from what Baliles had in mind about setting yourself up for
20 plants to move into your area and being certified
21 for that. I think it ought to be more of a self-assessment, strengths, weaknesses, opportunities,
22 that kind of analysis, that each of these communities would be doing. We probably should foster
23 that by us
24 saying for us to give grants we insist you've gone through this planning process yourself first, or
25 this self-assessment first, so that when you come for something we know that you've analyzed
26 your strengths you're trying
27 to leverage, rather than just picking something out of the air.

28 MS. TERRY: Setting forth certain criteria for them,
29 and then what kind of planning process the county would opt in and stay
30 a part of. Planning never ends, but the localities just haven't done it.

31 MR. THOMPSON: Are you familiar with the bill that's been entered and
32 co-sponsored by Senator Wampler and Senator Puckett to reactivate the LACK Commission,
33 update it through modern times? It's out there right now.

34 MS. TERRY: We can't do the counties' work for them. There's certain
35 things that they need to do. If it would have just been the two of us I would have asked more
36 questions about the school system.
37 The school system's never satisfied themselves with paying what the state required you to pay. I
38 don't know how many localities or where the school systems are at right now, and I don't know if
39 they pay the minimum dollars, and I live in a county that just pays minimum. They don't pay a
40 dollar more than they're supposed to pay. Salaries are seventy-five hundred below the average in
41 surrounding counties, and we have teacher flight. We don't have enough money to help the
42 counties if the counties don't provide some help for themselves.

43 MR. MONTGOMERY: You're talking about requiring a self-assessment
44 similar to what Mr. Whitmore was talking about?

1 MS. TERRY: Yes, part of that would involve the school system and what
2 your goals are for the school system. Not telling what the goals are, but at a certain point you
3 would know if you felt comfortable with the county by carrying its part of the load. Some
4 counties don't have anything to compare it with.

5 MR. MONTGOMERY: Well, if there's nothing else, then we'll adjourn.
6

7 PROCEEDINGS CONCLUDED.
8

9
10
11 CERTIFICATE OF THE COURT REPORTER
12
13

14 I, Medford W. Howard, Registered Professional Reporter and Notary Public
15 for the State of Virginia at large, do hereby certify that I was the court reporter who took down
16 and transcribed the proceedings of the **Citizen/Outreach Committee Meeting when held on**
17 **Monday, February 2, 2004 at 11:00 a.m. at the Wytheville Community College, Wytheville**
18 **Virginia.**

19 I further certify this is a true and accurate transcript to the best of my ability
20 to hear and understand the proceedings.

21 Given under my hand this 13th day of February 2004.
22
23
24
25

26 Medford W. Howard
27 Registered Professional Reporter
28 Notary Public for the State of Virginia at Large
29
30
31

32 My Commission Expires: October 31, 2006.