

MINUTES
Executive Committee
Chatham, Virginia
March 29, 2001

Members Present by Roll Call

Delegate Bennett
Mr. Bryant
Delegate Byron
Delegate Clement
Delegate Dudley
Mr. Forbes
Ms. Thomas
Mr. Walker
Senator Wampler
Senator Hawkins

Senator Hawkins opened the meeting.

*Mr. Bryant moved to accept the minutes from the March 9, 2001 meeting.
Motion seconded*

Delegate Dudley asked the **Chairman** about a statement he made on page 12.

Senator Hawkins corrected the statement to \$2.5 million rather than \$250 million and moved to correct the minutes.

Motion seconded

*All in favor by aye vote
None opposed
Motion accepted*

*Motion to approve the minutes as corrected was seconded
All in favor by aye vote
None opposed
Motion adopted*

Clark Lewis proposed two dates in the indemnification program to the Committee for their consideration. He proposed that they send out verification forms for year 2001 on Friday, April 15, and have them due by postmark by May 11 for phase one payments. The data would be sent to the state for the issuance of checks on May 15 with the checks going out by Memorial Day. It was clarified that this time frame has been moved up from last year.

Delegate Byron brought up that the April 15 date would coincide with the tax deadline, possibly causing a mailing delay at the post office.

Clark Lewis and **Senator Hawkins** decided to delay the mailing until the following Monday.

Mr. Forbes recommended coordinating the mailing with Mary Morris, State Treasurer.

Delegate Clement asked **Delegate Dudley** if his Tobacco Commission legislation was emergency legislation.

Delegate Dudley responded yes.

Ms. Bruce reported that the Governor accepted HB 2180 and HB2181, with the exception of the amendment that gave the Commission the authority to hire the Executive Director, which he removed.

Senator Hawkins commented that he added that amendment because he felt it was important to have continuity in the Executive Director's position, however the Governor felt it took power away from the Executive branch.

Ben Davenport, Future of the Piedmont Foundation, spoke to the Committee concerning the e-58 project. It is the opinion of the Foundation that VA Tech best understands the project and how to bring it to fruition the quickest. The project needs someone who has the experience to handle a project of this magnitude and who holds no bias. He suggested that the Commission put together a group of representatives from along the e-58 corridor to be advised by VA Tech.

Senator Hawkins explained that this e-58 project is the concept of laying a high-speed line or a dark fiber for Internet access along e-58 from the coalfields up to the coast, with connectors located at various points to tie the northern part of the state together. It will provide access to markets not currently available to us, and a real basis for economic revival in those regions.

Mr. Davenport commented that it is his understanding that there is a strong need for redundancy in fiber communication; VA Tech has 300 or 400 potential viers of part of this fiber link. He added that this project could end up not being a net cost to the Tobacco Commission but yet an opportunity to propel the economy in this area.

Senator Hawkins added that there is interest in this project outside of the immediate community, NASA for example.

Lynwood Duncan, Virgil Goode's office, reported that NASA is going to use the Danville airport as the prototype for its Stats-lab project. They will have a number of airports, Danville, Manassas, Williamsburg and Blacksburg; they will need a tie to link all of these airports. Therefore their interest in the e-58 project is critical. As a potential user of the fiber, they will be

contributing money to the project. VA Tech is integrally involved with Stats and the research effort involved.

David Hudgins, Old Dominion Electric Cooperative (ODEC), stated that ODEC is not competing with VA Tech but rather working with them to make this project happen. This will be a national model for how to wire rural America.

Delegate Clement asked if it was critical to have Tobacco Commission funding.

Mr. Hudgins responded that this would give rural areas the competitive advantage over other areas of the state.

Senator Hawkins added that it is going to take the financing from the Tobacco Commission to make this project happen.

Delegate Clement asked what the cost would be to the Commission.

Senator Hawkins replied that the Commission would provide dollars to cover some of the interest payments, approximately \$5 million per year for approximately 5 years, to cover the debt service. This money will probably be reimbursed after the lines begin to be used; it is the single most important investment the Commission can make.

Delegate Bennett agreed with the **Chairman** as well as with **Mr. Davenport's** recommendation of a working committee. He enforced the legal issues surrounding this project.

Mr. Walker asked how this project works in conjunction with or complements VDOT's plans for wiring 58.

Senator Hawkins responded that this is the same project.

Ralph Byers, VA Tech, addressed the Committee about the e-58 project. He reiterated that VA Tech is not in competition with ODEC but rather working with them on this project. There could be some pitfalls to ODEC handling this project alone; the telecommunications industry would not be completely happy with this. There needs to be an RFP to protect the Tobacco Commission from future controversy. Then the question is who will write the RFP; VA Tech has experience writing them. If the grant isn't made directly to ODEC, who is going to manage this? VA Tech does not feel that it can manage the entire project. That leads to the thought that there may be a need to set up a non-profit organization, composed of leaders from the region, to receive the grant from the Commission and then contract with VA Tech's information technology people to manage the RFP. Or VA Tech could take the time to draw up the RFP and let the Commission handle it.

Mr. Forbes asked if he was correct in the thinking that the return investment is not high enough for a private company to invest.

Mr. Byers responded that he is correct.

Mr. Forbes asked about the likelihood of getting a broad response from the private sector on the RFP.

Mr. Byers replied that they would aggressively recruit participation from the private sector.

Mr. Forbes asked if anyone had estimated the likely benefits of the project in comparison to the cost.

Mr. Byers stated that they would like to see that happen. The not-for-profit entity would be set up as the general contractor and the work group would determine what the market really is. There is the possibility that the entire project may be funded based on the need for redundancy for these fiber links.

Senator Hawkins suggested that the Committee discuss how to get a work group ready in time to make a recommendation to the full Commission in June.

Delegate Bennett commented that it is a policy issue. Before an RFP can be submitted, it might be necessary to determine the incentives. How much money would the Commission have to put into the project to serve as an incentive?

Delegate Byron asked what the capabilities are of this project and how the approval of open access would affect this project.

Mr. Byers responded that the capabilities would include voice, data, cable and TV, all communication needs. The open access issue is a legal one. The cost of a megabit per minute will be lower than a commercial provider can afford and by keeping it as a research test bed, the utility of it will be extended long into the future. It will lower the costs of communication services that run across the pipeline. **Mr. Byers** then addressed **Senator Wampler's** concern over certificated carriers; he stated that internet service providers, cable companies, telephone companies, etc., will tap into this pipe. How they are using it will determine if they need to be certificated.

Senator Wampler agreed that the Commission should invest in this project. It is his opinion that the Commission needs a proposal from VA Tech as to what they anticipate their plan of action to be on how the system will be designed. The other issue is whether the cooperatives would participate on a for-profit or not-for-profit basis; this poses some legal issues. The Senator stated that as soon as the RFP comes out or monies start to be awarded, there will be a lawsuit. They should retain not only VA Tech but also legal counsel. He is not confident that VDOT can add anything to the project.

Senator Hawkins commented that he hoped a proposal would be available to the Commission by the June meeting.

Delegate Dudley asked for clarification as to what the Tobacco Commission's role is in this project.

Senator Hawkins responded that the Commission will be a force to bring together all the parties and make investments, as the lead agency.

Delegate Clement suggested hiring counsel to determine the pitfalls of the project.

Senator Hawkins proposed that the Committee go ahead and put the sub-committee together, with some outside people, to hire counsel and put together a proposal with VA Tech so that by June they can make a proposal and recommendation to the Commission.

Delegate Bennett moved that the Committee authorize the Chairman to figure out the best way to hire legal counsel.

Motion seconded

Senator Hawkins commented that they need to figure out who should be involved in the sub-committee; he suggested **Delegate Bennett, John Forbes, Senator Puckett, and Senator Wampler**, with others. There should be citizen representatives from around the region.

Delegate Clement reinforced the need for legal counsel and *seconded the motion*.

Senator Wampler added that he would limit VA Tech to the outside entity at this point.

Senator Hawkins agreed.

Mr. Byers commented that they could write the RFP in a month. The hard part is the negotiations.

Delegate Bennett stated the need for a summary of the model in order to help the lawyers understand the project.

Senator Hawkins asked **Clark Lewis's** advice on what type of firm the Commission should hire.

Mr. Lewis responded that the conflict situation will be significant; many of the major law firms in Virginia will have conflict issues in bidding on this project. When submitting a proposal to the firms, it will be important to indicate all those who may be potentially affected. It may be necessary to go out of state to find a firm without conflicts.

Mr. Currin stated that the Attorney General's Office is the Commission's counsel and they would have to hire additional counsel. **Delegate Clement** and **Senator Wampler** were not sure if that was necessarily the case.

Delegate Bennett put forward the possibility of combining resources with the Rural Prosperity Commission.

Senator Hawkins stated that he would put together a list of possible members of the subcommittee to send out to the committee members for approval and suggestions.

Delegate Dudley asked about the possible interest North Carolina might have in this project and if they were looking at them to be a user or partner in the venture.

David Hudgins responded that ODEC has a consulting group that is targeting North Carolina. They are doing a business case study in Danville. After the studies, they will know within a small range what is possible. North Carolina is being looked at to be both a partner and a user.

Delegate Byron asked if ODEC was prepared to maintain and service the cable.

Mr. Hudgins replied yes.

Mr. Currin asked for a general estimate for the project.

Mr. Hudgins responded that to buy a Lucent true-wave fiber and install it from Pennington Gap to Virginia Beach would be approximately \$60 million. Every community will designate an off-ramp.

Senator Hawkins added that extending it all the way up the coast would elicit more support from the General Assembly. *There is a seconded motion to put together the skeleton of this subcommittee and hire counsel.*

All in favor by aye vote

None opposed

Motion adopted

Mr. Forbes made a budget presentation to the Committee. (Handout available from staff.) A finance committee was put together at the last full Commission meeting to work out some budget problems that arose, primarily to reconcile the financial statements with the budget. There was a financial reporting problem. The Committee also decided on some recommendations to make to the Committee and the Commission to help avoid this type of situation from happening again in the future. One problem is that the Commission stretched the budget planning process over a nine-month period. The major issue is how the money is split between indemnification and economic development, how and when. In 2000, the money was divided first between economic development and indemnification then by region. In 2001 the final decision was not made until March and it was then decided to split the money by region first and then the regions decided the indemnification and economic development splits. This caused problems with funding for large regional projects. The Finance Committee recommended that the Commission allocate the regional projects on a pro rata basis.

Senator Hawkins asked how projects that extend outside of the regions fit into the formulary.

Mr. Forbes commented that his personal opinion is that a global view is best. He continued discussing the large regional project funding saying that the alternative to taking the money off the top is to split it proportionally between the regions, which leaves some communities with no money left for economic distribution. He then discussed with **Delegate Bennett** that in the event of securitization, this would hold true but the amounts of money would be larger. The primary question is how to split between indemnification and economic development. The current problem is the difference between the 50/50 and 80/20 splits.

Senator Wampler added his support for taking the money for large regional projects off the very top. This would hold the regions harmless.

Senator Hawkins commented that as long as the Commission provides money to hold the farmers at \$12/lb, it is making good on its commitment. He asked **Senator Wampler** what effect taking a percentage off the top would have on their 80/20 economic development split in the Southwest.

Senator Wampler responded that there would be fewer dollars going to both sides.

Ms. Wass added that if the projects were taken off the very top, Southside economic development would have \$31.8 million rather than \$14.2 million if it were taken off of economic development, and Southside indemnification would have \$25.9 million rather than \$31.8 million; Southwest indemnification would have \$15.3 million rather than \$18.8 million; Southwest economic development would have negative \$500,000 rather than \$4.7 million.

Senator Wampler commented that if the regions could agree on funding a project, they would go in together to use money from their economic development funds. The recommendation should be that a percentage be taken off the top and if there are other regional projects the regions agree on they would fund it on a pro rata basis.

Delegate Dudley commented that there was a misprint in the chart.

Senator Hawkins asked if there was a consensus to take a set percentage off the top of the entire budget as a special projects fund for the entire region.

Ms. Thomas did not agree because it would be less to the farmers.

Senator Hawkins stated that they are on schedule to indemnify the farmers at \$12/lb; the Commission needs to start making real efforts on the economic piece of this by investing in these projects to show that the Commission has a focus beyond the farmer to continue to receive the funds. There is pressure building in the General Assembly and questions as to whether the Commission is living up to the responsibility dictated by the Commission's charge.

Mr. Anderson commented that he thinks the main point is everyone knowing what is going on at the start, regardless of the percentages and splits.

Senator Hawkins stated that the committee needed to decide on a percentage to take off the top and change the 50/50 split for localities to balance it out. The localities may begin to think this money is their entitlement; the Commission needs to avoid this.

Mr. Hudgins commented that he has had first hand accounts of General Assembly legislators lacking confidence in the Tobacco Commission's ability to handle this money.

Senator Hawkins reinforced the need for the Commission to make investments that show progress.

Mr. Anderson agreed.

Senator Hawkins directed the discussion toward next year's budget. He assumed that they would take a percentage off the top for regional projects then the indemnification/economic development split will be adjusted to account for the monies taken off the top.

Ms. Thomas clarified that the indemnification amounts would be the same as if the funds had not been taken off the top.

Delegate Bennett voiced his concern that the economic development funds will be drastically decreased.

Mr. Forbes agreed; the commission may have to stretch indemnification out longer.

Senator Hawkins added that the Commission is investing money into the farmers with Crop-tech and Tobio, which is coming out of the economic development piece.

Delegate Bennett commented that stretching out indemnification is riskier than stretching out economic development. The Delegate then asked what would happen if the farmers' part was securitized.

Senator Hawkins asked if the Commission felt it could securitize next year and if the Committee still thought it was the best thing to do.

Senator Wampler responded the Commission probably could and suggested that protocol be set up for dealing with those dollars.

Delegate Bennett said that he firmly does. He would like to see the Commission hire someone to validate that it is the best thing for the Commission.

Senator Hawkins directed the discussion away from securitization, with the plan that staff would contact outside sources on the advantages of securitization and provide a breakdown by

the June meeting. The Senator asked the Committee what percentage should come off the top for special projects, regional projects, and deal closing.

Delegate Bennett moved to designate 25 percent off the top of all known monies to be used for regional projects.

Motion seconded

Mr. Forbes clarified that off the top means net of administrative costs.

Motion passed by aye vote

Ms. Thomas and Mr. Bryant opposed

Senator Hawkins directed the discussion to the regional percentages. 25 percent of the 25 percent that is being taken off the top will go to the VA Tech initiative, which included Tobio, which included Crop-tech; these projects do directly benefit the farmers. On the Flue-cured side, the indemnification pot needs to be increased from 50 percent of the remaining monies to reach a hold harmless position. The Senator asked if the Committee was agreeable to looking at a formulary that brings it as close to hold harmless as possible while still leaving some money aside for economic development. **Mr. Bryant** and **Ms. Thomas** were asked why they were opposed to the motion.

Mr. Bryant responded that 25 percent was too great a percentage.

Mr. Forbes commented that to hold the farmers harmless after taking the 25 percent off the top, the Southside split would have to be changed from 50/50 to 65/35, 65 percent being indemnification.

Ms. Wass commented that the Southwest, with their 80/20 split, would need \$15.3 million to make the farmers whole.

Senator Wampler stated that the 80/20 split is sufficient for the Southwest to indemnify.

Senator Hawkins asked how much more money would be available if only 22 percent was taken off the top for the regional projects.

Delegate Bennett commented that 22 percent would not be enough.

Mr. Walker reiterated that the farmers are benefiting from the 25 percent going to regional projects.

Ms. Thomas commented the farmers are using their money to revitalize the communities as well. The farm owners pay the majority of the taxes in the communities.

Mr. Anderson added that economic development and indemnification go hand in hand.

Senator Hawkins commented that if they decide on the percentage that holds the farmers harmless at 50 percent with the 25 percent off the top, it is a position that can be defended to the legislature.

Mr. Bryant asked for an explanation of the adjusted split after the 25 percent comes off the top.

Ms. Wass explained that to indemnify the Southside farmers the same as if the money had not been taken off the top but rather the economic development piece, which was \$25.9 million, the closest thing to that is \$25.3 million, which would take a 65/35 split. The biggest problem is that in the Southwest, to indemnify the farmers at the 80 percent, there would need to be \$15.3 million. They do not even have \$15.3 million total.

Senator Wampler reiterated that the Southwest will be okay with the 80/20 split.

Senator Hawkins commented that the Committee needs to address the economic piece and how it will be perceived in the General Assembly.

Mr. Walker asked how much is being spent on indemnification this year.

Ms. Wass responded that the Southside's budget for indemnification is \$22.5 million and that in the Southwest it is \$ 13.3 million.

Senator Hawkins asked about the discussion of the buyer in Washington.

Ms. Bruce responded that the president's Commission on Tobacco is going to make a recommendation to buy out the tobacco quota for \$4-\$8/lb.

Senator Hawkins asked what the farmers think about the Flue-cured split.

Mr. Bryant and **Mr. Anderson** commented that they feel better about the 25 percent off the top having the regional split adjusted to give more to indemnification. **Mr. Anderson** voiced his concern over the perception in the communities.

Mr. Forbes reiterated that the only alternative to taking a percentage off the top is having the regions pay for the projects proportionally, which too will leave less money.

Senator Hawkins stated that if Burley is satisfied with their 80/20 split and Flue-cured is willing to accept the initial recommendation of 65/35.

Mr. Bryant stated that 60/40 is as low as he would like to make the split because it keeps the percentage close to what is going to be paid out this year.

Mr. Anderson pointed out that the grower segment is willing to work its way toward a 50 percent level and this gets closer to that.

Senator Wampler directed the discussion to the reserve for next year. The Senator commented that he and **Mr. Forbes** were in favor of a \$3 million dollar reserve, \$2 million as recommended by Mays & Valentine plus another million. The current reserve balance is \$6.2 million, he suggested discussing the division of that for economic development, 73/27.

Senator Hawkins reviewed: 25 percent off the top for regional projects, which includes all things going over jurisdictional lines, including community colleges; the Burley split is still 80/20 based on history and a consensus; the Flue-cured split is 60/40 based on an understanding of what the Commission is trying to do. The Senator asked if there is a consensus to make this the Committee's recommendation.

Mr. Anderson asked if the reserve was held out of the indemnification funds; would the entire 60 percent be available for distribution.

Senator Hawkins replied yes, the entire 60 percent would be available for distribution.

Delegate Dudley asked if the Commission had made an on-going obligation to the Community Colleges after the initial \$6 million.

Senator Hawkins responded that the decision to fund the community colleges will be made from year to year.

Mr. Currin added that the Community Colleges know it is for one year.

Delegate Dudley added that it might look like the Commission is endorsing the Community Colleges by taking money off the top for such projects as the Community Colleges.

It was decided that the budget break down could simply show the 25 percent as a Regional Projects fund without any specific allocations.

Senator Hawkins enforced the commitment the Commission has to higher education.

Senator Wampler spoke in favor of taking 25 percent of the net revenue for special regional projects. The Senator also acknowledged the concern that the economic development funds are lessened. *Senator Wampler moved to take a portion of the current \$6.2 million reserve to be used for economic development along the 73/27 split.*

Motion seconded

Senator Wampler withdrew his motion.

Delegate Bennett moved to recommend the basic formulary of 25 percent off the top for regional projects, which includes all things going over jurisdictional lines, including community colleges;

the Burley split as still 80/20 based on history and a consensus; the Flue-cured split as 60/40 based on an understanding of what the Commission is trying to do.

Motion seconded

Mr. Anderson and **Senator Hawkins** clarified that this is for one year, FY2002 (July 1, 2001, to June 30, 2002).

All in favor by aye vote

None opposed

Motion accepted

Senator Wampler stated that the budget included approximately \$6 million dollars the Commission needs to clean up. There are a few options; the recommendation of the Finance Committee is to withhold \$3 million dollars in escrow as a reserve for the next round of payments. It was his thought that this would be done out of the net revenues available and that there would be a balance of \$6.2 million.

Mr. Forbes added that the committee looked at \$3.2 million that could be released.

Senator Wampler commented that he wanted to try it another way. This unappropriated balance on which no claim will be made.

Senator Hawkins suggested using that money for the community colleges.

Ms. Wass stated that it is not enough.

Senator Wampler added that it would be enough. He continued that the question is whether this up coming reserve should be held out of the current \$6.2 million reserve or be taken out of next year's \$71 million net revenue. He suggested taking it out of the net revenue, thus allowing the commission to use the \$6.2 million.

Mr. Currin clarified that the Commission is not committed to fund the Community Colleges in the future.

Senator Wampler asked **Mr. Lewis** if \$3.2 million would be enough of a reserve.

Mr. Lewis clarified that as the judiciary agent, not attorney, he could report that last year the Commission paid \$60.3 million in indemnification out of the \$62 million available to pay, leaving \$1.7 million for FY 2000 unclaimed. It was his recommendation that the Commission leave the \$1.7 million in place for another year in case there is a claim against it in the future. On top of that was \$4.2 million. **Mr. Lewis** recommended a reserve of \$2 million dollars for this year.

Senator Wampler again asked the Committee to discuss where that money should come from and added that the Finance Committee thought they should add another million to that \$2 million

recommended by **Mr. Lewis**. It was the Senator's opinion that the Commission allocate as much as possible of any balances the Commission has to economic development.

Ms. Wass clarified that there is \$1.9 million in unclaimed monies that Mays and Valentine recommends holding in place and the Finance Committee recommended adding another million to that. The question is where to pull the extra million from.

Senator Wampler moved to take the extra \$1 million from next year's \$71 million net revenue.

Motion seconded

Ms. Wass clarified that this would release the \$4,270,364, which is the reserve on top of the \$62 million.

Ms. Thomas asked if the Commission needed to hold back money for this phase of payments, in addition to what is being held from last year, and if it will build.

Mr. Lewis confirmed that and stated that he recommended \$2 million for this year. Last year there was a total of \$66 million, which included a \$4 million reserve on top of the \$62 million for indemnification payments. He recommended that the \$1.7 million in unclaimed funds be left alone for one year; the \$4 million reserve could be released.

Mr. Forbes explained that the reserve was as high as it was last year to ensure against the unknown, so this year it could be reduced. However, there is still unknown and therefore the extra \$1 million could protect against that.

Delegate Bennett clarified that these reserves will be to guard against indemnification unknowns, not economic development.

Mr. Lewis added that it would guard against his error or fraud.

Senator Wampler moved that \$4 million dollars be taken out of the indemnification piece as a carry forward to the two regions following the 73/27 split for purposes of economic development.

Motion seconded

Mr. Anderson asked if the additional \$2 million would come out of the money available for distribution. In previous budget discussions, the committee had discussed leaving a portion of the \$4.2 million in place as a reserve as to not reduce the funds available for distribution.

Senator Wampler stated that the \$4 million figure included \$1.7 of unclaimed payments.

Ms. Wass corrected that the \$4 million figure does not include the \$1.7 of unclaimed payments.

Senator Wampler continued that he came to \$4 million conservatively by retaining the \$1.7 million for unclaimed, the reserve was approximately \$4 million, which was additional to the \$1.7 million.

Mr. Anderson commented that he would not have a problem with releasing 2 of the \$4 million.

Senator Hawkins asked how much needed to be held in escrow for next year.

Mr. Lewis replied \$2 million.

Mr. Forbes commented that the Finance Committee recommended adding another million to that \$2 million, making it a \$3 million cash reserve. Thus leaving \$3.2 million of the reserve available.

Senator Wampler withdrew his previous motion and moved to take \$3.2 million rather than \$4 million out of the indemnification piece as a carry forward to the two regions following the 73/27 split for purposes of economic development.

Motion seconded

All in favor by aye vote

None opposed

Motion adopted

Mr. Forbes explained that the Commission needs to account for the regional projects. The Finance Committee recommended that Tobio and VA Tech be allocated on a pro rata basis out of the Southside and Southwest economic development funds. There was consensus on that. The other problem stemmed from the Southside's decision to distribute their economic development funds through a formula. The formula is determined by how much is put into the pot. By taking the pro rata portion for VA Tech and Tobio off the top, there is now a difference between what the Southside Economic Development Committee has made commitments for and what is now available. The difference is approximately \$3.17 million. The recommendation of the Finance Committee is to hold everyone harmless by taking \$3.17 million of 2002 Southside Economic Development funds to fulfill those commitments.

Delegate Bennett moved to use \$3.17 million of Southside Economic Development funds to fulfill those commitments.

Motion seconded

All in favor by aye vote

None opposed

Motion accepted

Delegate Bennett asked about the administrative budget; specifically what the agency service charges are. The building and office rental costs seem high.

Ms. Wass replied that agency service charges are what the Department of Agriculture and Consumer Services charges the Commission to act as their fiscal agent.

Mr. Currin and **Mr. Forbes** added that it is required by law to have them.

Ms. Wass stated that the building and office rental costs includes the office rent of \$3,047 per month for approximately 2,500 square feet, as well as the rental of rooms for Commission and committee meetings.

Mr. Currin added that by law it is required for the Commission to have gone through a procurement process, which they did.

Delegate Bennett commented that they did not look at office space anywhere but Richmond. For a Southside and Southwest Economic Development group, they are pouring a large amount of money into Richmond.

Mr. Currin responded that at an Executive Committee meeting in Chatham, this same discussion was had and **Mr. Bryant**, among others, thought it was most effective to be in Richmond. How would we pick which community to relocate to in the Southwest or Southside?

Delegate Dudley asked for **Ms. Wass** to explain some of the percentages under expenditures and the office rent payments.

Ms. Wass explained that there was no budgeted amount for wage positions, for which there is a need. As of the third quarter they will be caught up with the rent payments.

Senator Hawkins asked the average rental costs in Richmond.

Ms. Wass replied \$14 or \$15 per square foot. The current space is \$12 per square foot.

Mr. Hudgins commented that this is a very competitive rental rate for Richmond.

Delegate Bennett stated the Commission could save \$20,000 a year by being located outside of Richmond. He would like for the salaries and wages spent in either Southside or Southwest. With technological capabilities, it should be possible to run the Commission from anywhere.

Mr. Currin stated that the Commission could save by meeting twice rather than four times a year.

Senator Hawkins directed **Delegate Dudley** to look into this issue, seeing as how it comes under his Committee, and make a recommendation.

Ms. Bruce handed out a draft of the Long Term Economic Development Plan for Southside and Southwest Virginia. (Available from staff.) Please keep it confidential because it is still in draft form and ignore the budget chart on page four. The percentages are correct but the dollar amounts are different because of the splits. **Ms. Bruce** asked for their comments.

Mr. Currin stated that he will be meeting with the Southside and Southwest Economic Development Committees to work up a long range plan to propose at the June meeting.

Senator Hawkins wants the message to go out from each meeting that the Commission is redefining the economies of all the counties it represents.

Mr. Bryant begins to discuss the situation with Tobio.

Senator Wampler asked if the Committee should go into Executive Session.

Delegate Bennett moved to move into closed meeting.

Motion seconded

All in favor by aye vote

None opposed

Committee recessed into a closed meeting.

After closed meeting.

Senator Hawkins stated that at the June meeting the Commission will look at the e-58 proposal that will be made, securitization issues, and the Committee will make recommendations for the budget.

Senator Wampler added that he urged **Mr. Currin** to get the written proposal from VA Tech as soon as possible.

Delegate Byron moved to adjourn.

Motion seconded

All in favor by aye vote

None opposed

Motion adopted

Meeting adjourned.

Submitted by **Carthan F. Currin, III**

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Executive Director of the Commission