

1                                   **VIRGINIA TOBACCO INDEMNIFICATION**  
2                                   **AND COMMUNITY REVITALIZATION COMMISSION**

3                                   701 East Franklin Street, Suite 501  
4                                   Richmond, Virginia 23219

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6                                   **Executive Committee Meeting**

7                                   Thursday, November 9, 2006

8                                   12:15 p.m.

9                                   Cascades Meeting Room

10                                  Inn at Virginia Tech & Skelton Conference Center

11                                  Blacksburg, Virginia

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13                                  **APPEARANCES:**

14                                  The Honorable Charles R. Hawkins, Chairman

15                                  The Honorable Terry G. Kilgore, Vice Chairman

16                                  Mr. Thomas W. Arthur

17                                  Mr. Clarence D. Bryant, III

18                                  The Honorable Kathy J. Byron

19                                  The Honorable Allen W. Dudley

20                                  The Honorable Patrick Gottschalk, Secretary of Department of Commerce

21    and Trade

22                                  The Honorable Clarke N. Hogan

23                                  The Honorable Philip P. Puckett

24                                  The Honorable Frank M. Ruff

25                                  Mr. James C. Thompson

CRANE-SNEAD & ASSOCIATES, INC.  
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1 The Honorable William C. Wampler, Jr.

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3 COMMISSION STAFF:

4 Mr. Neal Noyes, Executive Director

5 Mr. Ned Stephenson, Director of Strategic Investments

6 Mr. Timothy Pfohl, Grants Program Administration Manager

7 Ms. Stephanie Wass, Director of Finance

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9 OFFICE OF THE ATTORNEY GENERAL:

10 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel to the  
11 Commission

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14 SENATOR HAWKINS: I'll call the meeting to  
15 order. Call the roll.

16 MR. NOYES: Mr. Arthur?

17 MR. ARTHUR: Here.

18 MR. NOYES: Mr. Bryant?

19 MR. BRYANT: Here.

20 MR. NOYES: Delegate Byron?

21 DELEGATE BYRON: Here.

22 MR. NOYES: Delegate Dudley?

23 DELEGATE DUDLEY: Here.

24 MR. NOYES: Secretary Gottschalk?

25 SECRETARY GOTTSCHALK: Here.

1 MR. NOYES: Delegate Hogan?  
2 DELEGATE HOGAN: Here.  
3 MR. NOYES: Delegate Johnson?  
4 DELEGATE JOHNSON: (No response.)  
5 MR. NOYES: Senator Puckett?  
6 SENATOR PUCKETT: Here.  
7 MR. NOYES: Senator Ruff?  
8 SENATOR RUFF: Here.  
9 MR. NOYES: Mr. Thompson?  
10 MR. THOMPSON: Here.  
11 MR. NOYES: Senator Wampler?  
12 SENATOR WAMPLER: Here.  
13 MR. NOYES: Mr. Vice Chairman?  
14 DELEGATE KILGORE: Here.  
15 MR. NOYES: Mr. Chairman?  
16 SENATOR HAWKINS: Here.  
17 MR. NOYES: We have a quorum, Mr. Chairman.  
18 SENATOR HAWKINS: We really have one  
19 matter to take up.  
20 MR. NOYES: We have to have some funds or  
21 some amount of money from Special Projects to the Technology Committee,  
22 and those funds were provided to Technology for the current fiscal year.  
23 Senator Wampler, do you want to take that? I've also talked to  
24 Senator Wampler and Delegate Hogan about this.  
25 SENATOR WAMPLER: Mr. Chairman, I would

1 say the Staff could help me with this. The funds in Special Projects, I  
2 believe we have a little over \$12 million.

3 MR. STEPHENSON: Half restricted and half not.

4 SENATOR WAMPLER: There are a plethora of  
5 applications that covers, and we have all kinds of good requests. What I  
6 need is guidance from the Executive Committee as to what kind of budget  
7 you want Special Projects to retain.

8 It was the thinking last year, as I recall, that Special Projects  
9 was simply a repository for the dollars that we could not determine at that  
10 time where to spend, and I think it was consistent with the Commission's  
11 goals and policies that those dollars would be transferred as the needs came  
12 up. I think you'll see from the Southwest that a requirement or a request in  
13 the neighborhood of four million dollars for continuation of fiber optics.

14 I'm probably on thin ice when I say what Southside's cash needs  
15 are for the next fiscal year. My hunch is they're still trying to spend the  
16 dollars that were awarded previously, which I would add is not inconsistent  
17 with the funding cycles that we have done previously. Southwest has drawn  
18 down dollars in one year and Southside the other year. There's nothing  
19 inconsistent with our historical spending and approving of grants.

20 Clarke and I were talking about it, and I think I know of \$4  
21 million that would have claim for, or at least there would be an application  
22 request; whether the Commission approves that, that's a subject for another  
23 day. That would leave \$8 million, and I'm not sure if you want Special  
24 Projects Committee to spend \$8 million out of that Committee. I was  
25 thinking there might be another view as to where to spend those dollars.

1 That's kind of how I would frame it.

2 Neal, I hope I described it fairly.

3 MR. NOYES: Yes.

4 DELEGATE HOGAN: Mr. Chairman, I think  
5 Senator Wampler described it accurately. Right now Southside is in fairly  
6 good shape on Technology, and in fact we need to let the money that we  
7 already allocated there do its job and percolate around.

8 SENATOR HAWKINS: At what point do you  
9 think you would need it?

10 DELEGATE HOGAN: I don't think we're going  
11 to need any money before the next fiscal year. Good public policy would  
12 say that we move the \$4 million that Southwest needs if they want to take  
13 their proposal up. I talked to William about this, but we do have some other  
14 needs in Southside, and they don't happen to be Technology needs at the  
15 moment. So, it makes sense to me.

16 DELEGATE KILGORE: Where would the money  
17 be transferred from? You've got \$6 million unrestricted and \$6 million  
18 restricted. Where would the money come from?

19 MR. NOYES: For the Technology projects we can  
20 use restricted funds, and that would be my recommendation.

21 DELEGATE HOGAN: We need the other,  
22 unrestricted.

23 SENATOR HAWKINS: Is there a motion?

24 DELEGATE HOGAN: So moved.

25 SENATOR HAWKINS: It's been moved and

1 seconded, any discussion?

2 DELEGATE HOGAN: Let me clarify this motion.

3 I would move that we transfer \$4 million from Special Projects to  
4 Technology to be used in the Southwest area, of restricted funds.

5 SENATOR HAWKINS: Does everyone  
6 understand the motion? How far along would that get you all?

7 MR. NOYES: The next funding cycle would be  
8 due in April, and we will need to provide funds for the Technology  
9 Committee. Some of those funds would be needed going forward in  
10 Southwest, and at that point Southside.

11 SENATOR HAWKINS: Does everyone  
12 understand the motion? Any discussion? All in favor say aye? (Ayes.)  
13 Opposed? (No response.)

14 DELEGATE KILGORE: I wanted to bring up our  
15 staffing, the Governor has given, I think, two days off, the 25th and 26th.

16 MR. FERGUSON: I think that's a half day on  
17 Friday before Christmas, and I believe Christmas is on a Monday, and the  
18 other day will be given, Christmas is already the holiday, the day before and  
19 after New Year's also, giving a half day before Thanksgiving. I think there's  
20 a total of three days, two days and two half days.

21 DELEGATE KILGORE: What I was going to  
22 suggest is maybe giving a couple of extra days, because I know they work  
23 hard when we have these meetings. We have the meeting in January, and  
24 the Legislature will be in session, just give them a couple of extra days off.

25 MR. NOYES: You can approve it, and we'll take

1 care of that. All right. We've never done that before.

2 DELEGATE HOGAN: I have something that will  
3 just take a second.

4 We have some pretty significant problems in our area in a  
5 couple of cases where enterprise funds for economic development were  
6 promised through various projects. I was in the room one time when it was  
7 done. It was not done in a way that says you can apply for your funds and  
8 you'll get some percentage of them, but it was, you will get this money.  
9 What it has done is when you have these businesses that are coming and are  
10 here and that are promised one thing and got about 60 percent of it, and it's  
11 created significant problems in our ability to talk to businesses. If we don't  
12 figure out a way to address this in our area, it's going to impact our ability to  
13 recruit business. I think we ought to take a good hard look at everything  
14 we're doing. We can't pull Southside and Southwest; there's just a shortfall,  
15 is what it amounts to and we need to make those businesses whole.

16 SECRETARY GOTTSCHALK: I think Delegate  
17 Hogan has captured the concept accurately. I've got the actual figure with  
18 various agencies. I know that DHCD does administer, I think that figure is  
19 61 percent. He's right, we need to fix the problem. I do want to assure the  
20 Delegates on the Commission that when the actual performance agreement  
21 was put together and executed there is a disclaimer that it's subject to  
22 funding. The funding, as you might recall, has resulted in a 61 percent  
23 number. In other words, there are more requests for the enterprise zone than  
24 is available. So, the long and short of it is, maybe not the meeting that you  
25 were present in, but a general marketing of our enterprise zone program,

1 including this particular one, but certainly when one of your prospects signs  
2 on the dotted line there is a disclaimer subject to appropriation and subject to  
3 funding, or language to that effect.

4 DELEGATE HOGAN: Do they understand it?

5 SECRETARY GOTTSCHALK: They're all  
6 represented by counsel, and they're all sophisticated business people.

7 SENATOR HAWKINS: What type of obligation  
8 do we have?

9 DELEGATE HOGAN: It's not a lot, it's 20, 30 or  
10 40 thousand. Here's the point, I think Pat's doing a good job, and it wasn't a  
11 creating of his making, but they're trying to do a good job and fix it. I was at  
12 a meeting in Farmville, and we brought that subject up with the people, VEC  
13 and local government, and I think some folks from the Tobacco  
14 Commission, although I don't recollect. They were flat told they were going  
15 to get this enterprise money, and that was unquestionable. I don't doubt  
16 what you're saying about the documents, but when they were making that  
17 decision they were told one thing, and we did another. That's awful in terms  
18 of trying to recruit people. If we're going to maintain credibility with these  
19 prospects we've got to do what we say we're going to do, not give them a  
20 bunch of mumbo-jumbo about formularies and stuff like that. They just  
21 don't care. When they look at expansions and doing other things, our ability  
22 to talk to them has to be done in good faith, so we can get three or four  
23 hundred thousand dollars. We can find out what the numbers are in  
24 Southside and Southwest. For a few hundred thousand dollars, if we could  
25 do what we said we were going to do, I think that's worthwhile.

1                   In the meantime, I think it's incumbent upon Pat, and they're  
2 going to make sure this doesn't happen again, but I want to say that we need  
3 to correct this and not let it happen again.

4                   DELEGATE BYRON: If you're talking about past  
5 projects and not future. If you're talking about past projects, absolutely, but  
6 not future ones. Future ones, we have to make sure they understand it.

7                   DELEGATE HOGAN: I was hoping that VEC,  
8 yes, but in terms of --

9                   DELEGATE BYRON: -- Past ones, the tobacco  
10 region, the tobacco region has nothing to do with the other localities.

11                  DELEGATE HOGAN: We can't fix some of those  
12 problems.

13                  DELEGATE DUDLEY: I don't know if we can  
14 fix this problem. You're not speaking of the Tobacco Commission when you  
15 say "we." Are we talking about something that is not funded otherwise or if  
16 it should be funded otherwise? But if we're going to --

17                  DELEGATE HOGAN: -- I can't argue with  
18 anything you all said. What I'm saying is, these folks talk to each other, and  
19 when they come into our communities we're trying to recruit them, and they  
20 do not differentiate between the Tobacco Commission and any other  
21 organization. All they know is they were told one thing and they got  
22 another.

23                  SENATOR HAWKINS: Is it a widespread  
24 problem?

25                  DELEGATE HOGAN: Every single one of those

1 enterprise projects is a statewide project.

2 SENATOR HAWKINS: Can you give us a report  
3 on what these areas are, where they are and what we're looking at, what we  
4 promised people and what we delivered? Who would have it?

5 SECRETARY GOTTSCHALK: I think VHCD  
6 would have that.

7 SENATOR HAWKINS: If you could, let us know  
8 that.

9 SENATOR RUFF: How far back are you asking  
10 the Secretary to go? Are you talking one year?

11 DELEGATE HOGAN: One year would cover it.

12 SENATOR HAWKINS: One year.

13 SECRETARY GOTTSCHALK: The change, from  
14 what I recall, and the actual grant --

15 SENATOR HAWKINS: -- I'd just like to see what  
16 we're talking about. When did the problem start, and so forth.

17 SENATOR WAMPLER: My question to the Staff  
18 is in the process with Special Projects. When do we anticipate having the  
19 next meeting?

20 MR. NOYES: We tentatively set for February 1st  
21 as a grant deadline or application deadline for Special Projects. There was  
22 discussion about whether or not we needed to have a policy review meeting  
23 for Special Projects in advance. That's really up to you.

24 MR. STEPHENSON: Mr. Chairman, may I  
25 suggest April 18th for that date?



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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Executive Committee when held on Thursday, November 9, 2006 at 12:00 p.m. in the Cascades Meeting Room at The Inn at Virginia Tech and Skelton Conference Center, Blacksburg, Virginia.**

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

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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Medford W. Howard  
Registered Professional Reporter  
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2010.

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