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**VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY
REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Executive Committee Meeting
Wednesday, December 14, 2011
1:00 p.m.

Hotel Roanoke & Conference Center
Roanoke, Virginia

1 **APPEARANCES**

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3 The Honorable Terry G. Kilgore, Chairman

4 The Honorable Frank M. Ruff, Vice Chairman

5 The Honorable Kathy J. Byron

6 The Honorable Mary Rae Carter

7 The Honorable Joseph P. Johnson, Jr.

8 The Honorable Daniel W. Marshall, III

9 Ms. Connie Greene Nyholm

10 The Honorable Edward Owens

11 The Honorable Philip P. Puckett

12 David S. Redwine, DVM

13 The Honorable W. Roscoe Reynolds

14 The Honorable Thomas C. Wright

15

16 **COMMISSION STAFF**

17 Mr. Neal Noyes, Executive Director

18 Mr. Ned Stephenson, Deputy Executive Director

19 Mr. Timothy J. Pfohl, Grants Program Administration Manager

20 Ms. Stephanie S. Kim, Budget Director

21 Ms. Sara Williams, Grants Coordinator, Southwest Virginia

22 Ms. Sarah Capps, Grants Coordinator, Southside Virginia

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1 December 14, 2011

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4 DELEGATE KILGORE: I'm going to call the
5 Executive Committee meeting to order, thank you all for
6 coming and ask Neal to call the roll.

7 MR. NOYES: Delegate Byron?

8 DELEGATE BYRON: Here.

9 MR. NOYES: Deputy Secretary Carter?

10 DEPUTY SECRETARY CARTER: Here.

11 MR. NOYES: Delegate Johnson?

12 DELEGATE JOHNSON: Here.

13 MR. NOYES: Delegate Marshall?

14 DELEGATE MARSHALL: Here.

15 MR. NOYES: Delegate Kilgore?

16 DELEGATE KILGORE: Here.

17 MR. NOYES: Ms. Nyholm?

18 MS. NYHOLM: Here.

19 MR. NOYES: Mr. Owens?

20 MR. OWENS: Here.

21 MR. NOYES: Senator Puckett?

22 SENATOR PUCKETT: Here.

23 MR. NOYES: Dr. Redwine?

24 DR. REDWINE: Here.

25 MR. NOYES: Senator Reynolds?

1 SENATOR REYNOLDS: Here.

2 MR. NOYES: Senator Ruff?

3 SENATOR RUFF: Here.

4 MR. NOYES: Senator Wampler won't be with
5 us? Delegate Wright?

6 DELEGATE WRIGHT: Here.

7 MR. NOYES: You have a quorum Mr.
8 Chairman.

9 DELEGATE KILGORE: Thank you. Do I have
10 a motion we approve the minutes from the 9-28-11 meeting?
11 It's been moved and seconded; all those approve the minutes
12 say aye (Ayes). Opposed. (No response). The minutes are
13 approved. Now, first item on the agenda is an overview of the
14 strategic planning process.

15 MR. NOYES: The reason that we're gathered
16 here today is the history is the blue ribbon and JLARC and
17 very clear that the strategic planning requires updates and
18 refreshers at intervals and we haven't done that for several
19 years, at least in part because we were going through the blue
20 ribbon and the JLARC process. It's time now to begin that
21 process in today's discussion and that will be sort of the kick
22 off. It is not intended to solicit your agreement to the
23 proposed changes that were sent out that you have in front of
24 you. There will be modifications that you're going to want and
25 we'll meet again ahead of our May meeting which is when I

1 hope the revised strategic plan is adopted.

2 There are some new things that have not been
3 focused on in the strategic plan; access to healthcare being
4 one of the major components. Today's discussion needs to be
5 what do we mean by access. Let's get a definition of what the
6 Executive Committee believes that access to healthcare, what
7 it means. We have a couple of presenters today; one having to
8 do with the infrastructure and the other having to do with
9 healthcare and what's going on already in our footprint from
10 the Virginia Healthcare Foundation.

11 So what we want to do today is begin that
12 conversation aiming to conclude it with the agreement of our
13 full board at our May 29th meeting and get your input so the
14 staff can go back and make revisions that we think are
15 important and that you may find important at your direction.
16 Then get this revised and get it back in front of you and we'll
17 be meeting again ahead of the May meeting as an Executive
18 Committee and I hope we will have some recommendations.
19 We'll go through the specifics after we hear the presentation.

20 DELEGATE KILGORE: Is it your intention
21 today this is a warming up of the process?

22 MR. NOYES: Maybe we'll get hot.

23 DELEGATE KILGORE: Then at some point
24 we'll meet between now and the May meeting to make
25 revisions and come up with what we think is, as far as the

1 strategic plan and where we want to go with it?

2 MR. NOYES: Specifics and measurable
3 outcomes and that sort of thing. What you see in blue
4 represents the consensus of what the staff thought was a
5 reasonable starting place. I think we ought to go through it
6 and when it comes time and we hear the presentations and
7 we'd like to hear what your responses are and take the
8 direction you have, put back things that you may have taken
9 out and add things in definitions is what we want to end up
10 with at the end of the meeting today.

11 MS. CARTER: Do you have a copy of that?

12 MR. NOYES: That should be right in front of
13 you.

14 DELEGATE KILGORE: One request that I
15 would like to make today of the staff that as we go through
16 this process that we make sure you email the entire
17 Commission with changes that require or changes that may be
18 required and all the members so if there are any objections
19 and everyone would have an opportunity to discuss these with
20 the staff ahead of time.

21 MR. NOYES: I'll be happy to do that. I
22 thought those changes were going to be in blue on my copy
23 here, it's not.

24 DELEGATE KILGORE: Mr. Chairman, along
25 the same lines, could we maybe ask each one of the

1 committees like Southside Economic Development and
2 Southwest and R&D, we can talk about that and what other
3 committee members might want to bring up.

4 MR. NOYES: All the committees are currently
5 scheduled to meet and the vice chairs have seen this and
6 they're all here. We can arrange other meetings as we need.

7 DELEGATE KILGORE: I'm sure everybody will
8 be having a meeting between now and May. All right, let's
9 move on. We're going to hear about utility infrastructure
10 financing. We've got Stephanie Hamlet.

11 MR. CRUMLISH: I'm Shawn Crumlish,
12 Stephanie is not here today. I want to thank you all for
13 allowing us. The Virginia Resources Authority was created in
14 1984 by the General Assembly. Originally we were authorized
15 water and sewer to work on water and sewer projects and at
16 that time we had expanded to 18 different project areas. We
17 have 27 years of underwriting loan experience with mainly low
18 interest loans in Virginia municipalities. Today we have
19 financed over \$5.5 billion in Virginia communities since 1984.
20 We funded well over 1,000 projects across the Commonwealth
21 since inception and as I said, the bulk of those projects have
22 been in the water and sewer area. VRA's existence, local and
23 regional projects happen and funded. On page 4 you'll see
24 project areas that VRA is authorized to finance. Our loan
25 programs on page 5 are and those loan programs fall into two

1 main categories. One is a market based program where VRA
2 is using our credit market to access the capital market in
3 order for municipalities to get the lowest rate possible.

4 We also have 6 revolving funds where we have
5 state agency partners and these are all project specific. For
6 example, the largest one is the Clean Water Revolving Loan
7 Fund and our partner is the Department of Environmental
8 Quality where we are addressing sewer projects, drinking
9 water, water projects with the Health Department and some of
10 our newer ones such as Virginia Transportation Infrastructure
11 Bank. We have a partnership with Commonwealth
12 Transportation Board to finance transportation projects.

13 Just to highlight some of the type of projects
14 we have financed in the drinking water fund, we most recently
15 financed a water line in Appomattox County running along
16 460, a new water line serve in Lee County, in the Blackwater
17 Community. These are all revolving funds which means that
18 they are either zero percent interest rate loans or some are
19 interest rates.

20 DELEGATE KILGORE: You mentioned
21 Blackwater?

22 MR. CRUMLISH: I think Scott County had a,
23 it goes across county lines and we need to extend the line
24 further. On page 7, there's some market based programs that
25 are highlighted and that highlights some of the projects. The

1 CDU Authority was created and purchased the assets from the
2 city sewer and part of that was financing. Halifax County, one
3 of our newer projects and we were authorized recently I believe
4 and Delegate Kilgore was the patron for that, Prince Edward
5 County Road Project.

6 On page 8, how can VRA and the Tobacco
7 Commission come together and work together. We have
8 worked together on an unlimited number of projects currently
9 funded. Appomattox County most recently was one example.
10 There has been a few others but given VRA's experience, we
11 can offer some expertise in the particularly water and sewer
12 work, helping evaluate applications that you receive for those
13 types of projects. We need to get background in some of these
14 communities and that would help. Also the long range
15 planning for the water and sewer systems. One project is not
16 done and a lot of times it's done in phases. Grants will be
17 needed, loans will be needed whether it's subsidized rates but
18 there's an opportunity and people are coming to you and
19 people are coming to us to see what can be done. There's
20 other people out there in rural areas. There needs to be a lot
21 of planning as to how this can be accomplished and built out
22 from an economic development standpoint. That's why VRA
23 wanted a few minutes and just a few questions but we look
24 forward to assisting this Commission in any way we can to
25 help the Commission fund any projects that would help the

1 communities.

2 DELEGATE KILGORE: Thank you and we
3 appreciate you coming and for your presentation because it's
4 very important to us and the Tobacco Commission that we
5 have partners that can help assist in financing and that can
6 help us in some projects. A lot of folks are coming to us and
7 I'm sure come to you sometimes as the only funder. We would
8 love to work with you all to try to come up with some new
9 ways to work with you. Does anyone have any questions?

10 MR. NOYES: We're getting a lot of requests for
11 utilities infrastructure projects and they're absolutely
12 necessary for economic development. The policy question that
13 I would put to you for discussion purposes is should we have a
14 requirement ahead of making funding decisions by the
15 Commission that applicants for utility infrastructure, I'm
16 talking off site for industrial parks, not the internal part.

17 DELEGATE KILGORE: Would you define
18 utilities?

19 MR. NOYES: Water and sewer and now all
20 we're talking about right now is water and sewer. VRA also
21 handles the broadband type of things but at this point, really
22 looking at water and sewer things. To make a determination
23 as to whether or not applicants for the project is capable of
24 underwriting the loan programs or other programs that VRA is
25 aware of. Some portion of the cost for that project rather than

1 coming to us for 90 percent of the cost to do it. Maybe in
2 many cases I would expect it probably will be many cases that
3 existing users that a loan arrangement can be amortized using
4 income that's already available and that would reduce the
5 extent of the Commission and that would allow us to have
6 better information making a decision on how much of a project
7 to fund. We're simply being asked because of our guidelines
8 to fund 90 percent of particular projects which is perfectly
9 allowable. I think we need a requirement that goes to a
10 different party, an independent different party that can advise
11 us on the capability of local government or a regional entity to
12 undertake a percentage of the cost based on their revenue
13 streams before we're asked to consider it. We don't have the
14 expertise in house that can make that assessment. If we have
15 this as a requirement, we can write language into the strategic
16 plan around this. If we have this as a policy of the full Board,
17 doesn't preclude us from going in and doesn't preclude the
18 committee making it a recommendation and that committee, if
19 it chooses, say of this \$1 million, this applicant could afford to
20 pay \$500,000, get a loan for \$500,000 but they can't afford to
21 get a loan for a million dollars.

22 DELEGATE MARSHALL: Also referring to that
23 water and sewer rate also?

24 MR. NOYES: That would be part of the
25 guidance the third party VRA, R&D. They can give us more

1 information that is currently available. Ours is an up or down
2 business decision made on the ask rather than information
3 about what it is the applicant is seeking.

4 DELEGATE MARSHALL: The reason I ask is
5 because the City of Danville's water and sewer rate went up 18
6 percent a few years back. Dan River which was huge used the
7 water and sewer and when they leave you still got to pay the
8 debt service to these guys over here. The rest of us had to
9 pick that up. I remember we had a project with Southside
10 Economic Development to a locality that came to us and
11 wanted us to fund that water and sewer update but their
12 water rates were quite a bit cheaper than what we were
13 paying. It's wonderful if we can do that but it's not fair to the
14 rest of the folks.

15 MR. NOYES: A level playing field, having this
16 information will level the playing field. It will tell us that
17 applicant X could afford this amount but cannot afford the
18 balance of the amount. It just provides information but unless
19 it is a requirement that we do this, it will not and it will hinder
20 us.

21 MR. OWENS: I would agree with water and
22 sewer. VRA makes an investment, there's got to be some
23 threshold then when to do this.

24 DELEGATE KILGORE: I think that's right,
25 whoever would come, we should make that a requirement

1 going forward. That they bring us that information because
2 we don't know, we're not in that business.

3 MR. NOYES: We don't know, typically we'll
4 look and say 6 percent of this project is directly related to
5 economic development, therefore we'll pro rate the
6 recommendation grant work but that says nothing about the
7 capacity, it doesn't address the situation Delegate Marshall's
8 talking about, about a dislocation just like in Mecklenburg
9 County that could have some affect on the rates.

10 DELEGATE MARSHALL: The next thing the
11 same locality requested or asked us do you have a current
12 bond that you're paying off on in an existing facility, a 20 year
13 bond, how far along, 18 years so in two years they have it paid
14 off. We're paying to operate it.

15 MR. NOYES: We're talking about VRA doing
16 refinances on area wide utilities. It is simply a layer of
17 information that is available to the committee and it doesn't
18 preclude the committee from making whatever decision it
19 wishes to make if that information is not available to you
20 today.

21 MS. CARTER: Neal, in preference, is this
22 outside economic development? Are we talking about outside
23 investment?

24 MR. NOYES: The interior line in an industrial
25 park site development costs. I'm also talking about

1 wastewater treatment plant, water treatment plant, all these
2 sorts of things. Any utility project that is not inside the
3 boundaries of already established industrial parks. It ought to
4 be looked at like people who do this for a living and a
5 determination made that they're or that whatever capacity
6 there is to pay independent of what the Tobacco Commission
7 might provide.

8 MS. CARTER: If somebody comes in like
9 Appomattox and says we need a private line for a customer or
10 a community or even for an industrial park, that's what you're
11 talking about?

12 MR. NOYES: Being able to afford a portion
13 beyond the 10 percent which is our current requirement to do
14 it. You have the roads going into the industrial park and
15 grading and utilities and that's a separate issue.

16 MS. CARTER: I agree with what Delegate
17 Marshall said but if you do get a bond to finance it, you're
18 going to have to raise the rate.

19 DELEGATE KILGORE: What we're saying is
20 that having the ability to pay a little more, see if they can pay
21 a little more rate to see if they have the ability to pay it off and
22 I appreciate the possible partnership here.

23 MR. NOYES: VRA represents the financing
24 structure for these type of projects. The loss of capacity of the
25 applicant to undertake some projects.

1 MR. CRUMLISH: We address rates and
2 affordability and it's one of the determinants of who gets the
3 zero or who gets the three percent loan when you have that
4 flexibility and we can compare it to other communities in
5 Virginia. There are some communities that are way below and
6 some community's way above and we can provide that
7 information.

8 MR. NOYES: This is not VRA making funding
9 decisions for the Tobacco Commission but its information that
10 may help us in making decisions.

11 DELEGATE MARSHALL: If a locality makes
12 application, are we the first stop or is VRA the first stop?

13 MR. NOYES: Before the funding decision is
14 made by the committee, they would have to have presented an
15 application so we would be the second stop. Well, the third
16 stop.

17 DELEGATE KILGORE: We appreciate you
18 coming and look forward to working with you all more than we
19 have done in the past.

20 MR. NOYES: I think we should make a
21 recommendation to the Executive Committee that this be a
22 requirement. We'd have to have a motion to be considered by
23 the January full Board.

24 DELEGATE MARSHALL: I so move.

25 SENATOR RUFF: I'll second it.

1 DELEGATE KILGORE: Anymore discussion,
2 all those in favor say aye. (Ayes). Opposed.

3 MS. CARTER: No.

4 MR. STEPHENSON: There's a technical
5 difficulty that may delay the next presenter.

6 DELEGATE KILGORE: Mr. Cannon, would
7 you like to present your request?

8 MR. CANNON: Mr. Chairman and ladies and
9 gentlemen, I appreciate you giving me the opportunity to
10 speak here this afternoon. I'm John Cannon, a member of the
11 Commission and I'm speaking from a personal view here this
12 afternoon. We in Halifax County, all of southern Virginia are
13 facing a tremendous dilemma with the possibility of the
14 Uranium mining going on in Chatham, Virginia which is 16
15 miles from the County of Halifax. There are five studies out
16 there right now that are being considered. What we'd like to
17 do is possible have a resolution from this group that the
18 Tobacco Commission comes on board and says we need to
19 slow down and not vote on raising the moratorium this year
20 and do it if it does happen in the 2013 session. We know
21 there is a group of lobbyist, 15 total made up by Witt Clement
22 to make this vote happen in January and there is also a
23 movement to slow it down. I think it's very important to slow
24 it down.

25 First off there was a Virginia Beach study last

1 year that was against Uranium mining? The Roanoke River
2 Basin Association having a site specific study concerning the
3 Cole's site in Chatham and they concluded it cannot be done
4 safely. The Churma report came out December 6th and from a
5 personal view, I think that was pretty flawed. Then there was
6 an NAS report coming out December 19th and that was right
7 after the TRI Foundation report which came out on the 16th. I
8 know there is a move afoot to see if we can't get this to the
9 General Assembly. I have worked very hard and a lot of us
10 have worked hard to stop this. What we are most concerned
11 with here is the health and no one is really addressing that
12 properly because if you look at the test and the drawings I
13 have here, one of the drawings is circular and a 50 mile radius
14 of the proposed site. This was done by EPA. This is the
15 Uranium mining report.

16 Any Uranium mining here would have
17 exposure 50 miles out and that includes Roanoke, Lynchburg,
18 Martinsville, Danville, South Boston and Halifax. You have
19 the Bannister River which goes into the Dan River and goes
20 into Buggs Island and Kerr Lake and goes into Gaston.
21 There's 60 million gallons being drawn out by Hampton Roads
22 right now. They have come out against this and they have
23 passed a resolution. I believe there's some 80 resolutions out
24 there right now being opposed to this and to hold up voting on
25 this issue.

1 The other thing I think is pretty important
2 when you look at this, I'm a mechanical contractor in my prior
3 life so I know and I know Murphy's Law what can happen, if
4 you don't think it's going to happen, it's going to happen. This
5 happens to be, looks like a chicken scratch. It shows the
6 patterns of hurricanes that have come in and over Virginia
7 since 1910 to 2010. For those of you that are as old as I am,
8 you'll probably remember the '69 Hurricane Camille came
9 through where this site is and ended up in Nelson County.
10 Literally took the sides of mountains away.

11 We're being asked to look at a 7 mile long, 400
12 foot wide, 200 foot tall tailings that are Uranium enriched dust
13 which you see on the side of the river getting ready to do, it
14 wouldn't take but one hurricane or one earthquake or one
15 tornado and we're going to reach havoc. If it goes north,
16 Lynchburg is going to get it or if it goes northwest, Roanoke's
17 going to get it. What I'm saying is that we need to slow down
18 and study these things.

19 At this time there's a lot of legislators that are
20 directly involved with this and they're saying they're waiting
21 for these studies to come out. The Churma report that
22 recently came out was interesting and we've all been waiting
23 for the NAS report. While reviewing the just released Churma
24 report, one quick review illustrates number one the complexity
25 of the issue and suggesting a very go slow in lifting the ban.

1 There's some very concerning commentaries about the
2 possible health effects. As an example on page 83 and if you
3 haven't read the report, it's worth reading, taking you down in
4 the trenches but the important thing is the health side of it.
5 "Even under the best circumstances Churma judges some of
6 the adverse health effects and environmental contamination is
7 likely." That's the best scenario and they have four scenarios
8 in there. The worse scenario would be an \$11 billion cleanup.
9 People have said don't worry about that. The federal
10 government will take care of that if it happens. If you live in
11 Halifax and your backyard, you know what that is plus we're
12 paying the federal government in the way of taxes.

13 That's basically all I wanted to say and I've
14 been working on this and I'm very involved in it and I feel very
15 passionate about it and I was hoping that this group would
16 pass a resolution to extend the ban until 2013. Thank you for
17 your time. If you have any questions, I'll be glad to try to
18 answer them.

19 DELEGATE KILGORE: I'll say this; that I'm
20 on, we haven't received a report yet whether it's safe or not
21 and I haven't heard from anyone about anything about it and
22 the report I believe is that it may come out on Monday.

23 MR. CANNON: That's the NASA study on the
24 19th. The Churma report was December 6th. The Roanoke
25 River Basin and you have to remember the NAS study is not

1 site specific and I appreciate everybody taking their time to
2 read these. Don't let anyone jam it down your throat. This is
3 the future of Southside and this Commission here has about a
4 half a billion dollars invested in Southside Virginia. We want
5 to step lightly here. Thank you very much.

6 DELEGATE KILGORE: Any questions? Next,
7 healthcare.

8 MS. OSWALT: Good afternoon, I'm Deborah
9 Oswald and it's a pleasure to be here. Can you all see this on
10 this side? You have some written documents in your material
11 and I'll try to pull out the highlights for you. You also have in
12 front of you a copy of our most recent report, our year end
13 report of the Virginia Healthcare Foundation.

14 The staff asked me to come today and share
15 with you a little bit about how the Virginia Healthcare
16 Foundation and I want to share with you some of the work
17 that we're doing; increased access to healthcare within the
18 Tobacco Commission footprint. I'm delighted to do that. I was
19 just saying to the staff, Statewide Healthcare Foundation, I do
20 this quite a bit so I'd like to think that I have or that I know
21 my way around the state pretty well; I know what's going on in
22 the state and I do. When you were asked to take a specific
23 look at or a very specific look at a very specific region and then
24 kind of put it altogether. So I know Southside and Southwest
25 Virginia have shortages of providers, a lot of uninsureds.

1 Some of the things I'm going to share with you today, you
2 probably already know that. It's very interesting to me and
3 very startling actually to kind of see it all come together in one
4 place.

5 A little bit about the healthcare foundation.
6 Our mission is to increase access to primary healthcare for
7 uninsured and medically uninsured Virginians. We were
8 created almost 20 years ago now by the General Assembly
9 with its commission on healthcare. Joint commission on
10 healthcare is a public private partnership with that mission in
11 mind. We get an annual appropriation and we're expected to
12 supplement that with money that we raised from the private
13 sector and we do. Over our 19 years of operation, we have
14 leveraged each dollar that we spent with \$11 in cash and
15 health services and other in-kind contributions. This gives
16 you more of an overview in that period of time we've given out
17 \$51.5 million in grants, 344 grants. One thing that is very
18 important is sustainability. We try with our selection of
19 grantees while our organization is a grantee, to help them be
20 all they can be and to help make sure that they're going to be
21 able to sustain themselves when they leave our funding. We
22 then track them for three years after they graduate from our
23 funding. We have documented that 89 percent of our grants,
24 graduated grantees are operating at the same level or higher
25 three years after they graduated from the healthcare

1 foundation.

2 This is because early on we adopted an
3 approach and granted guidelines and have some very basic
4 reliance on very basic business principals. We took an
5 approach and an attitude of investing. We don't have a lot of
6 money and we want to make every dollar go as far as it can go.
7 We practice what we call venture philanthropy. In a way, we
8 act as venture capitalists and when an organization comes
9 with a proposal, we look to make sure that it has all the ducks
10 in a row before we fund it. I say to the staff, we fund ducks in
11 a row, not a gleam in the eye. One of the things we've learned
12 is that to be successful, we want an initiative that's going to be
13 around and sustainable when we give them our money and I
14 been doing this a long time and one of the things that I
15 learned is that, and I learned it the hard way back when we
16 started the Healthcare Foundation and many of these
17 proposals sound real good and have innovative ideas and we
18 awarded a grant and then 6 months into it still trying to figure
19 out how to do it. Then after 9 or 12 months into it, they had
20 nothing to show. We have to make a presentation to the
21 General Assembly and show what we've done with the money
22 and that was a pretty uncomfortable situation and we changed
23 pretty quickly. We want to give money to organizations that
24 are ready to go. We have a system that we use where we get a
25 proposal that's a good idea and looks like it's got the

1 infrastructure and some of the other things you need to have
2 in order to carry through. We won't say no if the ducks aren't
3 in a row or maybe only half of their ducks. Then what we'll do
4 is we'll defer consideration and give them a list of things that
5 they need to do in order to get money. For those that follow
6 through and do the things that need to be done, then they
7 would be eligible for a grant. On two occasions that has
8 occurred. What happens is, when they have hit the ground
9 running, not only does that give us results that we can show
10 to all of you, all of our donors, but in addition it gives them a
11 longer period of time to get up and going, to learn whatever
12 lessons they're going to learn because something unforeseen
13 always might happen and it gives them time to work through
14 some bugs. So, by the end of the first year, should be coming
15 along really well having learned those lessons and then the
16 second or third year, producing results showing being well on
17 their way to generate income to generate in the community
18 and sustain themselves. That's the approach we use.

19 This shows you some of our basic criteria
20 where we require proposals amounting to 25 percent of the
21 funding at a minimum and support needed to come from the
22 community because we want the community to be invested.
23 They have to have a plan to stay –

24 DELEGATE KILGORE: - On number 2, how do
25 you make a determination on whether somebody is going to

1 be, I know we've done a lot of grants, how do you make the
2 decision if they're going to be sustainable?

3 MS. OSWALT: To be honest with you, we ask
4 a lot of questions and we don't need to take it at face value. In
5 other words and then we might go to a local corporation or
6 local foundation or business and maybe it's not a plan but it's
7 an idea where we might get some money. Then we'll say who
8 have you talked to or who are you going to. Why do you think
9 their criteria fits what you want to do? We're not just looking
10 on the surface but we'll dig deeper. We've been doing this a
11 long time so we have kind of a feel. We have to raise money
12 ourselves and we got a pretty good idea what people will fund
13 or not. I'll call other funders who I know and say are you
14 going to be engaged in this or involved in this; can we count
15 on that and that's the kind of thing.

16 The other thing we look at is diversity because
17 if you put all your eggs in one funder's basket, that's not good
18 because you never know what's going to happen to that
19 funder. There are a variety of fundraising techniques and a
20 variety of things that can be done to generate revenue. We
21 give people ideas that are kind of weak on that. The bottom
22 line is it's got to make sense. It's got to make sense like is this
23 real and is it, will it work?

24 MR. NOYES: Like kind of a staff review
25 process?

1 MS. OSWALT: Yes. We do that. We have to
2 know more about it. The staff reviews everything in-depth.
3 We do a lot of follow up on information that we get, review the
4 applicant, we sift through everything and put it together and
5 review it and then have a staff recommendation. Every
6 proposal is reviewed by at least one of our board members to
7 make sure that they agree or they don't agree with the staff
8 recommendation and they actually make presentations at our
9 board meeting. They can present whether they think the
10 proposal is relevant and whether it's good and whether it will
11 succeed. They can say whether they agree with the
12 recommendation or not.

13 The other thing we do to help because a lot of
14 funders talk about this, sustainability if they don't have any
15 teeth in it. We try to do that by weaning each of our grantees
16 from our money by reducing, maybe give them 25 percent
17 each year and so the grantee doesn't get the same amount the
18 second or even the third year. That's a way of easing them
19 into the sustainability aspect. How many times have you seen
20 an organization where they had a big grant whether it's from
21 the feds or state or private funder and all of a sudden after
22 three years it runs out, they've got a huge gap to fill? You
23 narrow that gap each time and that's part of what we look at
24 even before we decided we're going to continue with the second
25 year funding or third year funding. If they're not living up to

1 that requirement, we try to work with them because we want
2 to make this a successful venture, not trying to play Gotcha.
3 It's got to be sustainable. There have been occasions where
4 we've had grantees that are not being successful despite our
5 best efforts and all the technical assistance and then we have
6 to walk in and take the money away. We won't make the last
7 year of the award or something. You have to do that because
8 you don't want to be wasting time and money. Its taxpayer
9 money as well as private sources. We don't have a lot of it so
10 we really are very careful about how we spend it.

11 So moving to the tobacco footprint, we have a
12 statewide system throughout Virginia and there's many places
13 we haven't funded something in. I thought you'd be interested
14 to see in the past five years, what we've done in the
15 Commission's footprint. You can see we've made \$6.7 million
16 in grants during that period of time and they have specifically
17 paid for 12 health providers and that includes physicians,
18 dentists, mental health providers, 20 medication assistant
19 case workers who accessed free medicine made available by
20 the drug companies for all the uninsured chronically ill people
21 in their area. In the past five years they were able to generate
22 \$144 million in free medicine at the wholesale price and free
23 meds at the average wholesale price for over 20,000 uninsured
24 residents within the Tobacco Commission footprint. We also
25 funded 7 workers in one part of your footprint who have

1 helped let parents know about child health insurance
2 program, helped enroll over 5,200 kids in that area.

3 MR. NOYES: If you point out to this
4 committee, 11 in 1 which is the leveraging ratio, we are talking
5 well over \$70 million of fiscal impact and access to healthcare
6 which is \$6.7 million.

7 MS. OSWALT: Yes, \$6.7 million, generating
8 \$144 million for drugs and actually it generated a lot more
9 than that.

10 MR. NOYES: But looking at the leveraging
11 figure of \$70 million, \$144 million in free medication.

12 MS. OSWALT: But looking at what's going on
13 health wise within the region that the Commission covers so if
14 the locality is in red or has a color, that's a bad thing. This
15 shows the locality in your footprint that are federally
16 designated health professional shortage areas. That means
17 there aren't enough doctors to serve and take care of the
18 people that live there. The next one is dental. In the blue
19 localities there's not enough dentists and that's a shortage
20 area and not enough dentists to serve and take care of all the
21 people that live there. Now, I'll save the worst for last, that's
22 your mental health professionals on that chart and that's
23 everywhere except for Greenville for some reason. We have a
24 short of mental health professionals around the state but this
25 one took my breath away when I looked at it. It just means

1 one thing in that there are not enough providers for people to
2 go to. Here's the other piece. This is a map of the rate of
3 uninsured from the state. Dark red is bad. The state rate of
4 uninsured 15.6. In your footprint the rate is 20 percent or
5 higher, up to 23.5 percent; the underserved. When you think
6 about it, you have not enough providers and you don't have
7 very many people with health insurance to pay for care even if
8 they could find somebody to serve them. It's no wonder we see
9 the results in this next slide in your footprint of the state and
10 when you look at the localities all combined, they have much
11 higher incidences with chronic illness than any other part of
12 the state. They rank at the top for blood pressure, diabetes,
13 high cholesterol, depression so it makes sense that not enough
14 people take care of you and can't pay for it. You're just going
15 to get sick. To me this is very compelling.

16 All is not lost because one of the things we
17 found out at the Healthcare Foundation is its taken 19 years
18 to establish a network of health safety net of organizations.
19 That involves health centers and clinics and other similar kind
20 of organizations. When we started 19 years ago there were 33
21 in the state and to date there are 173. This shows you the
22 health safety network organizations within the footprint. The
23 only thing I would warn you about is don't think that every dot
24 represents a full time medical practitioner or practice because
25 it does not. Some of these are what I would call mom and pop

1 free clinics that are open one or two nights a week. A lot of
2 those green dots are some of the smaller free clinics but at
3 least there's something there and that is where the uninsured
4 region can go get their healthcare. Primarily, that is what we
5 help fund out of the Healthcare Foundation and we provide a
6 number of people and this all occurs within the health safety
7 net. These folks are doing what they can do but they're totally
8 overwhelmed. I know just within the last couple of months the
9 new census data came out and the number of uninsured
10 Virginians just jumped by 10 percent from 2009 to 2010.
11 We're now at 1.1 million uninsured Virginians. So they're
12 doing what they can but, a lot of people need help that are not
13 getting it. Even if they could see those folks, a lot of instances
14 where people can't afford the medicines to keep themselves
15 stabilized in terms of their chronic illnesses.

16 MR. NOYES: Deborah, there is some level of
17 infrastructure that spans the entire footprint?

18 MS. OSWALT: That's right.

19 MR. NOYES: We're talking about what access
20 means, where there is something to build on among the mom
21 and pop operations, maybe go from two nights a week to be
22 open to four nights a week. That's starting from nothing.

23 MS. OSWALT: Thank you Neal. One of the
24 things that the Healthcare Foundation can do and that is we
25 give out \$4 or \$5 million a year in grants between the state

1 money we get and the private money we get or that we raise.
2 We have to spread that all around the state. So we're doing
3 what we can to open the footprint but we are limited in what
4 we can do because we have to do something all around the
5 state. What I'm trying to say is there is a great opportunity to
6 make a difference here and to expand these different health
7 safety net organizations so that they can see more patients, to
8 expand the scope of services they can provide. If they're just
9 doing medical and they want to do dental, they can. There are
10 some places that don't have safety net organizations but with
11 the right kind of help and assistance they could establish one.

12 So, that's where you might want to consider a
13 partnership with the Virginia Healthcare Foundation which
14 could be focused on building the capacity of the healthcare
15 safety net and the footprint of the Tobacco Commission. We
16 could show very easily the number of patients treated. We
17 could treat a lot more patients and provide medical services.
18 Also an important point is more and more children would get
19 into the program so really there is a lot of potential here.

20 One of the things Neal asked me to share with
21 you was what would the results be of such a thing. It's hard
22 to give you a specific result because it's hard to know who
23 would come forward and try to expand without a specific RFP
24 or something. What I've tried to do here is just give you a feel
25 for, just to give you typically the paper you have and this

1 chart. So every full time physician that is funded after they've
2 been there a year or two and each one can handle about 2,800
3 visits, every nurse practitioner or mid-level can do about 2,200
4 patients, every dentist about 2,700 patient visits. Every social
5 worker would be 1,000 and that's where that first set or that
6 range comes from in terms of what you could expect. Then for
7 the medication assistant case workers, it's pretty self
8 explanatory. Each one, once they learn the process and get up
9 to speed can do about 400 patients a year and generate about
10 1.4 million in free medicine. The kids and the outreach
11 workers about 350 to 400 kids a year.

12 DELEGATE JOHNSON: What would you do
13 that's not being done now to enroll children in these projects?

14 MS. OSWALT: Right now we're funding some
15 outreach workers in parts of your footprint. We're also
16 working in the schools, identified parents that are working and
17 in all the different places you find kids, working with medical
18 providers and hospitals to identify uninsured children and get
19 them enrolled. Unless someone has that as their job and
20 make a concerted outreach effort to do that, it's not really
21 happening very much in the localities. It's surprising how
22 many families and parents don't know their eligible for the
23 FAMIS program. In a lot of rural areas, there's a focus on
24 teachers. They're paid at a lower level and their children are
25 actually eligible for FAMIS program. At this point, we only

1 have four outreach programs within the footprint. There's
2 plenty of places that we could put our outreach workers. Does
3 that answer your question?

4 DELEGATE JOHNSON: Mr. Chairman, I'm
5 curious to know, are you saying that these localities are not
6 doing their job?

7 MS. OSWALT: No, I'm not saying that. We
8 have understand that even before the recession, those that
9 worked in different local agencies, at least in the field of
10 human services, were overwhelmed even before the recession.
11 There's no time to do extra. No one in local government has a
12 job assigned to them to do outreach and go find kids that are
13 eligible that aren't enrolled. That's what these outreach
14 workers do and that's their goal, full time job. They go and let
15 people know what's there for them and their children. Most
16 people don't know that. The local department or social
17 services which is where the people often go enroll, their job is
18 to deal with the people that come in and it's not looking for
19 people. With the recession, they have and all throughout the
20 state and not just in the footprint, they're just overwhelmed.
21 There's been different newspaper stories of people sitting on
22 the floors waiting for them because there aren't enough chairs.
23 Some of this involves food stamps and some of these people
24 lost their jobs and they really need help but the bottom line is
25 the infrastructure isn't there to do extra. School nurses in

1 addition to doing the regular school stuff, they don't have time
2 to go to outreach and find the children even in the schools. If
3 you want something done, you got to kind a do it yourself
4 sometimes or if somebody's got to be assigned to it.

5 MR. OWENS: What's the age for this or the
6 age cap for this program?

7 MS. OSWALT: Eighteen. Up to 200 percent of
8 the federal poverty level.

9 MR. OWENS: Do you have any idea what the
10 current money that's spent now, what percentage is spent in
11 the Tobacco Commission footprint now?

12 MS. OSWALT: No, not off the top of my head.
13 When you think about \$6.7 million over a five year period, 1.3
14 average per year. If you divided it by 5.

15 MR. NOYES: Twenty percent.

16 MS. OSWALT: If we give out 20 million over
17 the last 5 years, then 6.7 million, you're at about a 25 percent
18 level.

19 MR. OWENS: Are you saying that you have
20 leveraged your money against Tobacco Commission money, is
21 that what you're saying?

22 MS. OSWALT: No, what I'm suggesting is that
23 you may want to think about a partnership with the
24 Healthcare Foundation where you give us a grant and contract
25 with us or you give us some money and we can put to work

1 using our system, how we do things to get you some results in
2 terms of healthcare access within your footprint.

3 MR. NOYES: To get you to your point, all
4 Tobacco Commission money would be used within the Tobacco
5 Commission footprint but the structure of how your
6 foundation is, they solicit additional funds or leverage
7 additional funds so that a dollar of our money would be spent
8 in the footprint and might well leverage additional dollars that
9 would also be spent in the Tobacco Commission footprint. The
10 foundation isn't going to withdraw that amount of money that
11 it currently spends in the footprint because it provides
12 additional assistance. What we would be doing is asking the
13 foundation and this gets to Delegate Johnson's question is to
14 double down in the footprint or whatever level the Commission
15 would decide. We're not dealing with an application or a
16 funding decision today. This is a lot about what one
17 organization two decades of direct experience in providing
18 access to healthcare is already doing in the footprint and its
19 capable and interested in doing more in the footprint. That's
20 kind of been our discussion.

21 DELEGATE JOHNSON: With the money that
22 we spent in the flue cured and burley region or would it be
23 statewide?

24 MS. OSWALT: It would only be spent within
25 the localities covered by the Tobacco Commission.

1 DELEGATE KILGORE: Within those regions.

2 MS. OSWALD: We would continue to do the
3 work or do what we do. It's just that we can do a whole lot
4 more and a lot better faster if we had extra money to invest
5 and to get results from. There's a lot of opportunities there.

6 DELEGATE MARSHALL: As a bottom line,
7 how much money are you looking for?

8 MS. OSWALT: The possibility of a million
9 dollars a year over three years because three years is the
10 amount of grants. We would try to wean them off. That's up
11 to you, whatever you'd want to do.

12 SENATOR REYNOLDS: You indicated earlier
13 you been able to pile a dollar into \$11. Do you have any
14 projection as to what you'd be able to do or the extra revenue
15 that you'd be generating above what might be extended to you
16 by the Tobacco Commission if we decided to do something
17 along the lines of a million dollars over a three year period?

18 MS. OSWALT: I think the 11 to 1 is
19 illustrative. It depends on what you want to spend the money
20 on. If you come to us and say we want you to put some of this
21 money into medications and medical assistance or for more
22 free medicine out of our way, then that gives you a lot of
23 leverage that you bring in than if you just use it all to hire
24 doctors and dentists and that type of thing. I hesitate without
25 knowing or being more specific, it's just kind of hard to give

1 you something concrete. I can tell you that it would be
2 leveraged. Also sustainability is a key factor. We're not going
3 to fund something that is not sustainable. How many times
4 have you seen and I'm old and been doing this but how many
5 times have you seen organizations bring a lot of building or
6 whatever they do and after the grant money goes away, they're
7 gone and it ends up being a waste of time and money?

8 DELEGATE KILGORE: I think that we're
9 anticipating results or we're going to anticipate that you're
10 going to put a proposal in front of us in the next round and I
11 think that would be beneficial to us all. What you've been
12 talking about is very impressive and the abilities that we have
13 to do some more outreaching and it really helps us in
14 economic development in talking about access to healthcare.

15 MS. OSWALT: You're really right about that
16 economic development length. I've heard a number of
17 speeches how he's become aware of Boeing and IBM who have
18 made recent decisions about where to locate plants and
19 thousands of jobs and based on the primary care
20 infrastructure available to the workers and in their drive to
21 keep healthcare costs down. I think you're very smart in
22 thinking along those lines. Thank you very much.

23 SENATOR RUFF: Let's talk about placing
24 doctors. One of the problems we have is retention of the
25 doctors. Is that a problem all over the state?

1 MS. OSWALD: It's a problem in rural areas, a
2 lot of rural areas. Folks are always worried about healthcare
3 costs and availability of healthcare professionals. It's a real
4 challenge. It's not a new challenge. It's been around for a
5 long time. There's all kind of studies on what works and what
6 doesn't work. Some areas that need medical care like having
7 doctors stay there, that becomes a problem. Some come and
8 don't stay long and you're right back to square one. Some
9 doctors come and go in communities and it's a real problem.

10 SENATOR RUFF: If you did put in a proposal,
11 I would hope that you would consider that element of
12 retention. You get comfortable with a doctor and then they're
13 gone in a community.

14 MS. OSWALT: I totally understand that. We
15 can certainly work on that but I don't like to promise what I
16 can't deliver. There's a lot of variables. It's a problem when
17 you have a doctor with 2,800 patient visits and how long that
18 doctor will stay there, that's beyond my control.

19 SENATOR RUFF: Maybe bring the elements to
20 us, to our communities how we can better retain them. We
21 can do that.

22 DELEGATE WRIGHT: In my area we may be
23 fortunate enough to have a doctor. It's very difficult to see the
24 doctor because the room is full of people all the time; you have
25 a two or three hour wait. Is one of the services you provide or

1 one of your goals is to try to help fill that, to try to get doctors
2 or colleagues to work with them in their practice. We had a
3 doctor in Victoria who tried to get people to assist him from
4 the medical school and he would make inquiries and they
5 would send back a list that would be required for them to
6 come and he said that's fine, I'll work with you. The things
7 they were asking for, if they went to work for that doctor,
8 they'd be making more than he would be making. So I was
9 wondering are there doctors available or how would you
10 address that?

11 MS. OSWALT: There are techniques for
12 attracting physicians to an area; often a loan repayment if it's
13 done the right way and structured the right way and there's
14 some tricks to that too and that can be very effective in
15 bringing someone there because so many of the students are
16 graduating from the medical school and have a huge debt
17 these days. It's not unusual for a medical student to graduate
18 with \$200,000 in debt. Loan repayment can be very effective
19 in bringing somebody in and it's up to the community to figure
20 out a way to keep them there, include them in social activities
21 and things like that. Bring them into the heart of the
22 community and that sort of thing.

23 DELEGATE JOHNSON: I want to thank you,
24 yourself and the foundation because in my district I receive
25 letters and I receive copies of letters. This has been very

1 helpful and I want to thank you.

2 MR. NOYES: Members of the Committee on
3 the table in front of you is a publication for Southwest Virginia
4 Health Authority, 2009. The Foundation is one organization
5 that has experience in the area you serve and there are other
6 organizations. I simply wanted Deborah to come here today
7 and describe the dimension of the problems as we begin to
8 talk about access to healthcare. The menu of how to address
9 those problems is practically as big as the size of the problem.
10 There will be other folks that want to participate in delivering
11 increased access.

12 DELEGATE KILGORE: We thank you for
13 coming.

14 MS. OSWALT: Thank you.

15 DELEGATE KILGORE: We now have
16 Commission Bylaws.

17 MR. STEPHENSON: Members of the
18 Committee, you may remember when the JLARC report was
19 published in June soon after you convened a Policy Review
20 Committee to consider making certain changes and
21 recommendations from that Policy Review Committee included
22 making two particular changes to your bylaws and we have
23 made those changes and put them before you for your
24 consideration. In particular, there was a number of changes
25 noted on the bylaws and many of them are to update stale

1 code sections and they really don't concern you but in
2 particular, paragraph 5.9 or Section 5.9 and Section 8.3
3 contain the substantive change that came out of the Policy
4 Review Committee. Clearly Section 5.9 calls for a strategic
5 planning effort at least bi-annually. Section 8.3 calls for some
6 limitations on your budget process with respect to corpus
7 invasions. We can go over those as little or as much as you
8 wish.

9 MR. NOYES: We have sent these changes over
10 to the attorney general's office and they came back saying
11 okay. So those changes are all right with the AG's office.

12 DELEGATE MARSHALL: I move we adopt
13 these proposed changes.

14 DELEGATE KILGORE: It's been moved and
15 seconded. Are these from the bylaws? Changes requested by
16 JLARC?

17 MR. STEPHENSON: They're not specifically
18 saying detail these changes but they are, or these are the
19 changes that you elected to make in response to some of their
20 criticisms.

21 DELEGATE KILGORE: We have a motion and
22 a second, all those in favor say aye.

23 DELEGATE WRIGHT: I have one question.
24 You said invasion of the corpus, what were the changes?

25 MR. STEPHENSON: The changes are subtle

1 Delegate Wright. It limits the Commission's budget to a 10
2 percent corpus invasion unless there's a supermajority vote.
3 Currently you may budget any amount you want and this
4 restricts you to budgeting only 10 percent unless you get a
5 two-thirds majority. It's a slight tap on the brakes more than
6 the Virginia Code provides. You can still do everything you've
7 always done, it just takes a two-thirds. It raises the bar a little
8 bit.

9 DELEGATE KILGORE: We still have our
10 motion that's been made and a second. Anymore discussion?
11 All those in favor say aye. (Ayes). Opposed. (No response).
12 All right, Neal. Neal, you're going to tell us about the strategic
13 plan.

14 MR. NOYES: I first apologize to you that what
15 had been deleted here so you can see what's being deleted.
16 What you have in front of you shows those changes amended
17 that the staff wishes to consider and we will get the other
18 version out to you. The initial change had to do with an
19 adoption date, the adoption date and changes of the code
20 section. The first substantive change has to do with the
21 spending plan. Unrestricted funds will be used for
22 administration and so forth, restricted funds will be used for
23 economic development projects except in those instances
24 where there's a related party. What I've written here is simply
25 your budget process as it exist today and has for several years

1 establishes the overall spending amounts, the subcommittee
2 appropriations and budget amendments throughout the year
3 change things all over the map. The point is you don't need a
4 spending plan because you delegated to the staff the
5 management of restricted and unrestricted funds. My position
6 is that that whole section is superfluous. If you want to put
7 something there, what Ned just alluded to in the bylaws and
8 I'll quote it for you Delegate Wright. "Commission staff will
9 present annually to the Commission a budget detailing the
10 projected income and expenditures of the Commission for the
11 next fiscal year. The Commission shall not adopt or amend
12 any annual budget that provides for expenditures in excess of
13 the sum of 10 percent of the endowment corpus plus all other
14 income sources without a two-thirds majority vote of the
15 members of the Commission serving at the time." That is the
16 way we currently operate. You're delegating to the staff the
17 restricted versus the unrestricted portions. We can delete this
18 section. If you want the spending plan section, that's the
19 language you just recommended for adoption at the January
20 meeting. You can put it in the strategic plan but we don't
21 need to say unrestricted for this.

22 DELEGATE KILGORE: Next.

23 MR. NOYES: Under indemnification the
24 addition, we should probably keep it in here the way it
25 appears, it appeared in the last one. The only addition is the

1 statement the indemnification mission will have fully
2 accomplished this in 2013. That's simply notifying how it's
3 been done and that would be obvious to the readers of this
4 plan. Any questions on this? Maintaining things exactly as
5 we have, but for that last sentence. The indemnification
6 mission will have been fully accomplished in 2013.

7 DELEGATE KILGORE: Next.

8 MR. NOYES: Building human infrastructure.
9 We don't have in the highlighted version emphasis on STEM-
10 H. The goal has changed 750 new enrollees annually.

11 MR. OWENS: How full was it before?

12 MR. NOYES: I don't remember because it's not
13 here.

14 SENATOR RUFF: The strategy here,
15 particularly the training. What was the goal?

16 MR. PFOHL: The goal previously on building
17 human infrastructure. It was 100 percent completion of those
18 entering the program. It was not an absolute number.

19 MR. NOYES: Replaced by 750 new enrollees
20 annually. That had to do with the outcome measures, GED,
21 STEM, STEM-H. The other thing not on the handout is the
22 technology program. That will have to do with two separate
23 documents. We no longer have a stand alone technology
24 program and that's been incorporated into the two regional
25 economic development programs. The staff's recommendation

1 is that we delete that section entirely and that's a stand alone
2 section and we built it back in later on in the document.

3 DELEGATE KILGORE: Next, building
4 conditions for innovation.

5 MR. NOYES: Yes, we need a sidebar
6 discussion here on the TROF program. We need a sidebar
7 discussion of restructuring the TROF program to establish
8 thresholds for access. To familiarize all members of the
9 Executive Committee what the program offers, it's a piece of
10 money in exchange for a promise of employment and taxable
11 capital investments. There are situations today where people
12 are applying for TROF and are eligible based on job retention,
13 maintaining existing levels of employment and no new capital
14 investment at all. If nothing changes, they get a piece of
15 money from the Tobacco Commission and that's possible
16 under the existing guidelines. What I'd like to hear about from
17 you, we need two thresholds? Do we need to say absent a
18 minimum of \$1 million of taxable capital investment, the
19 project is not going to be TROF eligible?

20 DELEGATE KILGORE: Have you had any
21 projects Ned that we participated in that saved jobs that did
22 not meet the threshold?

23 MR. STEPHENSON: Mr. Chairman, we run
24 each TROF request through models that gives us the
25 appropriate amount and that is typically what we recommend.

1 If the Committee wants to vote to do something other than
2 that, they do and we will do it. So yes, what you described
3 does happen.

4 MR. NOYES: I'm not suggesting a change in
5 the process or a change in the econometric model. I'm saying
6 that we're spending over \$10 million a year on TROF or do we
7 want to raise the bar for who's eligible for the TROF program
8 because the program focuses on those projects that have
9 substantial taxable capital investment and larger numbers of
10 net or at least new employees. If you don't want to do it, we
11 won't change anything.

12 DELEGATE KILGORE: My only issue there is
13 if we have a big company coming in and maybe looking for an
14 investment and if you had a smaller company and jobs, I don't
15 want to see us lay that bar so high that we can't get the
16 smaller people that might create 25 or 50 jobs or 75 jobs as
17 opposed to creating three or four hundred jobs. I don't think
18 we need to raise the bar too high.

19 MR. NOYES: I'm not advocating for a
20 particular position. I'm saying it's possible for a business to
21 secure funds from the Tobacco Commission when there are no
22 net new jobs and no capital investment if this is what you
23 wish to continue.

24 DELEGATE MARSHALL: I thought TROF was
25 mainly for, so we don't have a meeting, it's used to try to fill in

1 gaps for economic development. So if we don't have four
2 members, now three, that it was kind of a quick way to get
3 help for this.

4 MR. NOYES: Delegate Marshall, TROF
5 operates independent of scheduled board meetings. If there's
6 a request for an exception to what is provided to the formula
7 or to the econometric model and we're making an exception.
8 My point in raising this is, is there a need for a threshold?
9 What would prevent every business in southern and
10 Southwest Virginia from coming to Mr. Stephenson and saying
11 I'm going to keep 10 employees and I'm not going to invest a
12 dime for whatever the econometric model says?

13 DELEGATE MARSHALL: In Southwest or
14 Southside economic development we also allow companies to
15 get, that's going to keep jobs.

16 DELEGATE KILGORE: We do that.

17 SENATOR PUCKETT: Let me give you a
18 practical example. We got a company that has a market
19 problem and they might have to close 85 or 90 jobs. I don't
20 know what the dollar amount was now but I don't recall if they
21 required to buy anything or furnish anything other than we're
22 not going to pull these jobs out; we're going to keep them. We
23 bought into that. We didn't have to buy into it but I'm
24 suggesting that we don't lock ourselves into something that we
25 might regret. We can always say no, we're not going to do it if

1 it doesn't have merit but if you have a situation like that and
2 we're facing one right now in Washington County. I'm just
3 saying I think it would be a mistake to lock ourselves in and
4 then we can't do anything about it. If we do this and the
5 company is all about 100 jobs, we'd like to do whatever we can
6 to help them but I just don't think we ought to make that
7 change. I think the TROF Committee has worked very well in
8 the past so far and the full committee has input into that. I
9 wouldn't support a hard and fast rule like that because it
10 might cost us some jobs down the road.

11 MR. NOYES: Delegate Marshall, the TROF
12 Committee, my understanding was it was to be a deal closer. I
13 know sometimes its being seen as different sometimes. It has
14 to be backed by some other money sometimes. My
15 understanding was it was to be a deal closer and make the
16 deal. It had to do with, rather than not having a meeting or
17 losing jobs when time was of the essence.

18 SENATOR PUCKETT: Mr. Chairman, I think
19 Ed is right. The Committee was really a reaction, we had to
20 make a decision very quickly a couple of days or a week or
21 whatever and we could do it.

22 MS. CARTER: I don't think we need to lock
23 ourselves into something.

24 DELEGATE WRIGHT: In defense of Ned and I
25 agree with just what about everybody said. I think the

1 statement Neal made, I'm very supportive of.

2 MR. NOYES: Nobody spits out a number and
3 that's what they get.

4 SENATOR PUCKETT: Mr. Chairman, I beg
5 your pardon. No one gets anything unless this Commission
6 says you get it. I don't care what the formula says. If
7 everybody comes and says we'll leave Virginia or we'll be gone
8 unless you all give us this amount of money, this Commission
9 can still say go on, we're not going to give you the money or we
10 can say, let's talk about that and see if we can save some jobs.
11 I just think it's a bad practice to lock ourselves into something
12 and then we don't have a choice. It might be 100 jobs in
13 Russell County, Lunenburg County or anywhere. This
14 Commission is charged to do what is best and in the best
15 interest of the two regions. We ought to not be locked into
16 something too rigid that we couldn't get out of and you might
17 save 100 jobs.

18 DELEGATE WRIGHT: I agree with that.

19 MR. NOYES: I understand that and I'm find
20 with that but I want to be clear between Commission meetings
21 the TROF panel acts and agreements come in and they're
22 executed and they obligate money, Commission funds without
23 oversight by the full Commission. If anybody thinks that's not
24 happening, please don't think that. We're spending money
25 without the full Commission's involvement. It's delegated and

1 that is by counsel and that's on the record.

2 In the next section we have a statement that
3 says developing a process for identifying and evaluating new
4 business initiatives. My note is what is it that we're doing
5 here? I can't see rhetoric and I don't know that that translates
6 into something that we're doing. Its right after the sidebar,
7 building conditions for innovation, item number two,
8 developing a process for identifying and evaluating new
9 business initiatives. As I was reading this and I had no idea
10 what it is that we met when we took that out? Talking about
11 taking out item two, what is that about?

12 DELEGATE BYRON: Are you saying this was
13 there before?

14 DELEGATE KILGORE: It sure sounds good.

15 DELEGATE BYRON: It's a great idea.

16 MS. NYHOLM: If I remember correctly, I think
17 it had to do with formation of the energy center.

18 MR. NOYES: Then let's keep it in now that we
19 all understand it.

20 DELEGATE BYRON: This business thing or
21 business evaluation as long as we are open to new
22 opportunities.

23 MS. CARTER: If this is along the lines of the
24 energy center and looking at developing the process for and
25 identifying and evaluating new business activity, the business

1 plan process fall under that? Would each business center
2 have a business plan, energy center?

3 MR. NOYES: No. Maybe we should talk about
4 that. Maybe we should have included it.

5 SENATOR RUFF: If you took out developing
6 process and put in continue to identify and evaluate business
7 activity, what would that look like? Continue to identify and
8 evaluate new business initiatives?

9 DELEGATE KILGORE: Is that okay with you
10 Ned?

11 MR. STEPHENSON: A good finish.

12 DELEGATE KILGORE: Do we have a motion –

13 MR. NOYES: Let's not have a motion until we.

14 DELEGATE KILGORE: I'll withdraw my
15 suggestion that we have a motion. There's a later reference
16 under objectives to the Tobacco Region Opportunity Fund, it
17 was never acted upon, we don't need to put it in if it's not
18 something that we're going to do. It's in the 5th or 6th bullet
19 down the Tobacco Region Opportunity Fund. We have another
20 bullet down here that speaks to using funds to support the
21 Tobacco Region as a retirement destination. In 12 years we
22 haven't done anything. Part of this refresh is that if we're not
23 going to be doing some of these things, it doesn't need to be in
24 the strategic plan, in 12 years we haven't done it. The
25 retirement destinations, are you speaking of retirement needs?

1 I think we at one time tried to address it but I don't think we
2 ever got any requests for that. We just had no requests for it.

3 MR. NOYES: I sense there may be a
4 consensus to not putting in retirement destination, haven't
5 funded it and just haven't done it.

6 DELEGATE KILGORE: I think you can drop it.

7 MR. NOYES: The goal has changed, the goal
8 under this section it has changed from \$100 million private
9 sector capital investment to \$200 million committed annually.

10 SENATOR RUFF: What kind of dollars are we
11 talking about?

12 MR. NOYES: Well over \$100 million in the last
13 three or four years. We've had one investment that's
14 committed and that level of funding; don't know if it's all in
15 place because we need tax records of it.

16 DELEGATE MARSHALL: Back up to the
17 sentence about the retirement destination. It says regional
18 marketing initiatives with emphasis on business development,
19 cultural and heritage tourism.

20 MR. NOYES: Something that's important
21 across both regions, most important to Southwest. That's
22 simply an additional word. You want to take out tourism?

23 DELEGATE MARSHALL: That doesn't go
24 anywhere.

25 MR. NOYES: Maybe we'll touch again on this

1 in a discussion about the priorities that should be given to
2 projects that advance direct jobs and taxable capital
3 investment versus econometric models indirect and induced
4 kind of activity.

5 DELEGATE MARSHALL: My concern is that
6 the nest egg is getting smaller and smaller. I see rails to trails.
7 I see a canoe park and things like that and I don't know if any
8 jobs are created really and I understand all that and if we had
9 an unlimited amount of money, I'm just worried about the
10 nest egg here. I think a lot of times if it's not in here; it's an
11 easy way to say no. I had someone call me about a project
12 and I just thought it was a good idea but it wasn't in our plan.
13 In my opinion, I think we need to look, we should number one
14 be about creating jobs and good paying jobs. I don't know
15 about this canoe job, if that's a good job or not or where we
16 should be spending our money.

17 SENATOR RUFF: I would say that there is
18 multiple types of tourism and we should have enough
19 flexibility to and we shouldn't impose these hard and fast
20 rules.

21 DELEGATE BYRON: Well, when you talk
22 about cultural heritage that's all important –

23 MS. NYHOLM: It seems to me the staff can
24 help make a determination as to what tourism is new, people
25 with new dollars that want to invest, any project that's a job

1 creator and worthwhile. There's no reason not to look at it.

2 MR. PFOHL: Mr. Chairman, what the staff
3 primarily has tried to do as far as people bringing cultural
4 tourism and that arena and that destination to the Jefferson
5 Poplar Forest, there are other types of tourism, forms of
6 tourism like the trails. Tourism might be the solution and
7 leave that to a particular project.

8 DELEGATE KILGORE: Let's move on then.

9 MR. NOYES: Building regional development
10 capacity. Under objectives we added in broadband here where
11 we took out technology previously. A discussion I'd like the
12 Committee to start thinking about is that when we talk about
13 industrial sites and industrial parks and things like that, we
14 need to add language on proximity. We've done lots of
15 industrial parks and many are within commuting patterns of
16 other industrial parks. There's now a time to add some
17 language to compete with each other and adding additional
18 capacity if it's within a certain proximity. Is something
19 suggested in the JLARC and blue ribbon report? If you don't
20 want to do anything about it, if we build the next industrial
21 park 10 miles away and so forth.

22 DELEGATE KILGORE: What are you looking
23 at? Once you fill up an industrial park if there's another one
24 two miles down the road.

25 MS. CARTER: When you talk about these

1 industrial parks, I think it seems to me or do we have an issue
2 in the tobacco region where there are many parks, I haven't
3 seen that.

4 DELEGATE MARSHALL: If you look at the
5 City of Danville where we're trying to appeal to probably a little
6 bit higher, then you have a park where IKEA is located which
7 is more traditional manufacturing and they're within 10 miles
8 of each other trying to appeal to two different markets so to
9 speak.

10 MR. NOYES: We need to have emphasis on
11 regional cooperation and how do we define regional
12 cooperation? Do we do that in terms of current financing of
13 projects; should those be given priority ahead of single
14 jurisdictional projects?

15 MR. OWENS: That sounds good but -

16 SENATOR PUCKETT: We have one in
17 Washington County and they came together and we got a piece
18 of property almost on the line and in both counties and they
19 put a deal together.

20 DELEGATE MARSHALL: If we do do
21 something like this, so when we look at TROF, Southside and
22 Southwest, they get two stars or one? The locality that doesn't
23 get as much money, how would that actually work?

24 MR. NOYES: They would get two stars instead
25 of one star. Those projects would be recommended by staff for

1 funding ahead of projects that only get one star. This is a way
2 to build regional cooperation rather than continue to advance
3 competition between contiguous jurisdictions. I have my
4 views on that and other people may so I'm bringing it up for
5 discussion here. That's the point of doing a strategic plan.

6 DELEGATE MARSHALL: I would agree with
7 that because my localities are doing it. Pittsylvania County
8 has three or four joint industrial parks where if the park's in
9 Pittsylvania County business goes there, then the business
10 pays the county rate and the counties split it. They work a
11 number of times to do so. I think it makes sense and maybe it
12 can help. As far as the issue before, maybe there's something
13 that's spent that we could have as a joint endeavor.

14 MR. NOYES: Going forward with the amount
15 of money available to spend, if it decreases then it's even more
16 important to have regional cooperation as a priority. That's
17 my personal view. We can craft some language for your
18 consideration that speaks to this. It's going to take a priority
19 and go to projects that have joint financing and revenue
20 sharing. If somebody doesn't want to do that, they don't have
21 to do it but it's a priority.

22 DELEGATE MARSHALL: So two localities
23 come together than it's a question of sharing?

24 MR. NOYES: I don't know that it ever
25 happened before.

1 DELEGATE KILGORE: Get everybody in
2 Southside and Southwest together.

3 MR. OWENS: I want to know who'd be
4 responsible for putting it together?

5 DELEGATE KILGORE: We thought you were
6 doing that in Southside.

7 SENATOR PUCKETT: That shouldn't be a
8 problem because you can't get, if two localities don't agree
9 then we wouldn't fund it. If they want to come to us and ask
10 for that. The other piece of that, in Southwest, we don't have
11 that kind of property that becomes available most of the time.
12 If we've got a piece and got two counties that's sharing
13 something, that's a plus for us.

14 MR. NOYES: Members of the Committee, the
15 other issues, some of them are outside, there's some editorial
16 issues and of substance and the goal and 3,000 jobs within
17 three years after the current planning cycle and we're not
18 achieving that early because of the recession which has gone
19 on now for a substantial period. I'm recommending we move
20 that to 2,000 which is a more realistic figure due to our
21 economic circumstances. General funding policies I deleted
22 some language in there because I didn't understand it in the
23 first place. Obviate financial participation. We had
24 specifically under the bullets, under general funding policies,
25 specifically mentioned K through 12 and that's something

1 we're not willing to give a priority on for funding.

2 MS. CARTER: I have a question. Under
3 objectives, under activity for businesses.

4 MR. NOYES: Under objectives, we increased
5 water and wastewater and broadband and other basic
6 infrastructure capacity to support –

7 MS. CARTER: When you go down to the last
8 bullet, it says expand broadband. I'm curious, with what
9 you've put in there, does that deal with wireless as well?

10 DELEGATE KILGORE: I think they're talking
11 about cost effective, the last mile.

12 MR. NOYES: It's been the sense of the board
13 that we need to not single out wireless. People come to us
14 with applications and we make these decisions or the
15 Committee whether to recommend. I've tried to do the wireless
16 thing.

17 MS. CARTER: I forget what meeting we were
18 at but from Climax Virginia, I think they were able to do that.

19 MR. NOYES: We have wireless but when I
20 press the security issue.

21 DELEGATE KILGORE: We'll see how this new
22 project goes.

23 MR. NOYES: We ought to be using wireless for
24 cost efficiency reasons and direct fiber where we, but that will
25 be spelled out in the application. The change mentioned

1 which is under general funding policies, Commission funds
2 should not be used for regularly recurring local responsibilities
3 like comprehensive plans, K through 12 school funding. We're
4 being very explicit mentioning it there so that when people
5 come in and they say they want money for this, something K
6 to 12 we say it's not now but later on it goes down the next to
7 the last one, applicant should clearly describe and be prepared
8 to measure ROI. We just added and be prepared to measure.
9 We'll make the revisions and get them back out to you which
10 will show exactly what we do. I apologize again for not having
11 that here.

12 DELEGATE KILGORE: The plan on this is that
13 we're not going to be making a presentation to the full
14 Commission in our January meeting. We'll be working on the
15 strategic plan between now and May to implement the
16 revisions and we'll do that at the May meeting?

17 MR. NOYES: Yes, sir.

18 DELEGATE JOHNSON: I'd like to ask a
19 question. Sir, on the last page it says priority should be given
20 to projects that leverage significant other financing, what do
21 you mean by that?

22 MR. NOYES: Where we pay 10 percent of the
23 total cost instead of 90 percent of the total costs. In other
24 words, projects that come to us and have more or somebody
25 else's money take priority ahead of projects that ask for most

1 of the money from the Tobacco Commission.

2 DELEGATE JOHNSON: Another question.

3 Could that include in kind?

4 MR. NOYES: Yes. Historically the Tobacco
5 Commission has recognized in kind and I see no reason to
6 stop that. If it's not project related then if the in kind is not
7 project related, if it is, it is.

8 DELEGATE JOHNSON: Thank you.

9 DELEGATE KILGORE: Next we have executive
10 session.

11 MR. NOYES: We have one matter for executive
12 session. Ned, do you have the language?

13 MR. STEPHENSON: Yes.

14 MR. NOYES: This is a matter that literally
15 came up this week.

16 MR. STEPHENSON: Mr. Chairman, I invite a
17 motion from anyone that we go into executive session in
18 accordance with the provisions of the Virginia Freedom of
19 Information Act, for the purpose of discussing an investment
20 of public funds that competition is involved.

21 SENATOR PUCKETT: So moved.

22 MR. OWENS: Second.

23 DELEGATE KILGORE: I have a motion and a
24 second that we go into executive session, all those in favor of
25 going into executive session say aye. (Ayes). Opposed. (No

1 response). We're in executive session.

2

3 NOTE: The Executive Committee goes into
4 executive session at approximately 3:05 p.m. Thereupon, the
5 Executive Committee reconvenes in open session at 3:22 p.m.
6 viz:

7

8 MR. STEPHENSON: Whereas, the Executive
9 Committee of the Tobacco Commission has convened a closed
10 meeting in accordance with the Virginia Freedom of
11 Information Act; and whereas, the act requires a certification
12 by the Committee that such a meeting was conducted in
13 conformity with Virginia law. Resolved, that the Committee
14 hereby certifies that, to the best of each members knowledge,
15 only public business lawfully exempt from the open meeting
16 requirements under the act, and only such public business
17 matters as were identified in the motion by which the closed
18 meeting was convened, were heard, discussed or considered
19 by the Committee in that meeting.

20 MR. OWENS: So moved.

21 DELEGATE KILGORE: It's been moved and
22 seconded, call the roll.

23 MR. NOYES: Delegate Byron?

24 DELEGATE BYRON: Yes.

25 MR. NOYES: Deputy Secretary Carter?

1 DEPUTY SECRETARY CARTER: Yes.

2 MR. NOYES: Delegate Johnson?

3 DELEGATE JOHNSON: Yes.

4 MR. NOYES: Delegate Kilgore?

5 DELEGATE KILGORE: Yes.

6 MR. NOYES: Delegate Marshall?

7 DELEGATE MARSHALL: Yes.

8 MR. NOYES: Ms. Nyholm?

9 MS. NYHOLM: Yes.

10 MR. NOYES: Mr. Owens?

11 MR. OWENS: Yes.

12 MR. NOYES: Senator Puckett?

13 SENATOR PUCKETT: Yes.

14 MR. NOYES: Dr. Redwine?

15 DR. REDWINE: Yes.

16 MR. NOYES: Senator Reynolds?

17 SENATOR REYNOLDS: Yes.

18 MR. NOYES: Senator Ruff?

19 SENATOR RUFF: Yes.

20 MR. NOYES: Delegate Wright?

21 DELEGATE WRIGHT: Yes.

22 MR. NOYES: Thank you, that's certified.

23 DELEGATE KILGORE: All right, any other
24 business matters to come before the Committee? Any public
25 comments?

1 DELEGATE WRIGHT: Very briefly. On this
2 proposal for VRA, there was one no vote. I didn't vote no. I
3 have a reservation on that. The local communities are under a
4 lot of stress now. The requirements by VRA, I don't think I'm
5 in a position to vote to raise taxes or water rates. We have to
6 decide what, exactly what are you asking?

7 DELEGATE KILGORE: I think what we're
8 asking the localities to do at least go through that process and
9 then come to us and VRA and I know RIS, they'll tell you what
10 that will do for the rate. If we see rates are going to go way up
11 then there might be a reason we'd have to step in and help
12 fund it more. I don't think it's a bad thing, but we can't go
13 wrong with more information.

14 DELEGATE WRIGHT: I agree with the
15 concept, we just have to be very careful how we, we just can't –

16 DELEGATE KILGORE: I agree. I think the
17 first thing you'll see and then the rates go up. Do I have a
18 motion to adjourn?

19 SENATOR PUCKETT: So moved.

20 DELEGATE KILGORE: All those in favor of
21 that motion say aye. (Ayes).

22

23 PROCEEDINGS CONCLUDED

24

25

