Minutes
FULL COMMISSION
June 8, 2001
Radisson, Lynchburg

Approved October 26, 2001

Members Present

Mr. Anderson
Mr. Arthur
Mr. Bryant
Delegate Byron
Commissioner Courter
Delegate Dudley
Mr. Fields
Secretary Forbes
Mr. Grinstead
Mr. Hopkins
Delegate Johnson
Delegate Kilgore
Mr. Lawson
Mr. Lief
Mr. Montgomery
Mr. Osborne
Senator Puckett
Senator Ruff
Mr. Stallard
Mr. Taylor
Ms. Thomas
Mr. Walker
Senator Wampler
Mr. Watkins
Mr. West
Mr. Williams
Senator Hawkins

Senator Hawkins called the meeting to order at 10 a.m. and welcomed all in attendance. He then introduced Tucker Watkins as the new member of the Commission, and congratulated Secretary Forbes on his appointment to the position of Secretary of Finance. The Chairman called for direct and concise presentations from the Committees and moved Secretary Forbes's Job Training Presentation to the beginning of the agenda.

Secretary Forbes made a presentation to the Commission on the Literary Foundation of Virginia and the opportunity for leveraging funds. He advised the Commission that he is in the Board of the Foundation and therefore will not participate as a Commission member in any voting on this matter. (Presentation attached)

Delegate Kilgore asked who would be making the appointments to the local advisory Committee.

Secretary Forbes responded that it would be the wish of the Foundation to have the Commission make those appointments.

Senator Hawkins clarified that anyone in Southside and Southwest will be able to apply for these funds and that the Commission has the final say on who is awarded the funds.

Secretary Forbes agreed.

Mr. Montgomery asked if it would be a need-based decision.

Senator Hawkins replied that it would be need-based to some degree but also be on a sliding scale. Each individual's application would be reviewed for its own merit and need.

Mr. Anderson asked if this money could be used for public or private education beyond that of technical training.

Secretary Forbes responded yes, as long as the Commission approved the funding. He also clarified that the money was for Virginia programs.

Mr. Williams asked how the students will be made aware of the program and its available funds.

Secretary Forbes responded that the Literary Foundation will prepare information to release to the schools and training programs approved by the Commission as well as advertise it publicly.

Mr. Lawson asked if this would replace the existing scholarships for the seven community colleges.

Secretary Forbes replied that it would not replace them, but rather enhance them.

Delegate Kilgore *spoke in favor of the program and made a motion that the Commission approve funding the Literary Foundation $5 million to be matched 2 to 1 by the Foundation (total $15 million), with the stipulation that $2.5 million be released in July 2001 and $2.5 million in January 2002.*

Delegate Kilgore then stated that he would like for the staff to prepare a press release or other information for the Commissioners so they could then get the word out in their communities.

Delegate Johnson asked if someone currently attending one of the Community Colleges and receiving one of their scholarships would still be eligible for money from this program?

Secretary Forbes replied that as long as they still meet the need eligibility requirements they would be able to receive Literary Foundation monies.

Motion seconded
All in favor by aye vote
None opposed
***Secretary Forbes** stated he would abstain because he is on the Board of the Foundation and will not participate as a Commission member on this matter to avoid any appearance of a conflict of interest.*
Motion passed

***Delegate Kilgore** moved to accept the minutes from the March 9,2001 meeting.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Mr. Currin presented the Executive Director's update to the Commission. Executive Summary attached.

Mr. Sheppard provided the Commission with the report from the Attorney General's Office, reporting that the legal health of the Commission is fine. As for the Star Scientific litigation, on March 26, 2001, the US District Court Judge granted the motion to dismiss filed on behalf of the Attorney General. The Commonwealth won the challenge to the Master Settlement Agreement and the non-participating manufacturer escrow statute. Star has filed its appeal with the 4th Circuit Court of Appeals. The brief is due on June 19, 2001, with the Commonwealth's brief due 30 days thereafter. He anticipated arguments to take place in late fall or early winter.

Mr. Lewis, Troutman Sanders Mays & Valentine, updated the Commission on the indemnification program. They are in the midst of the indemnification payments; the Commission had approximately $35,796,000 allocated for indemnification for this calendar year. Currently $33,184,702.21 (approximately 93 percent) of that has been verified. 42,167 claims (approximately 88 percent) out of the total 48,135 have been approved. There are approximately 300-500 estate claims waiting to be processed and

466 late claims. He suggested that the Commission extend the deadline for claims to July 2.

Delegate Kilgore *moved to extend the indemnification claim deadline to July 2, 2001.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Mr. Lewis stated that he would like to make clear that this will be the final deadline, allowing the books to be closed a year from July 2 to free up the money.

Mr. Osborne commended Troutman Sanders Mays & Valentine for the continuous updates.

Senator Hawkins introduced the next item on the agenda, securitization, by acknowledging **Senator Wampler's** suggestion that the Commission begin preparing guidelines and policies to have in place in the event that the Commission's funds are securitized. He then appointed a work group of **Secretary Forbes, Senator Wampler,** and **Delegate Dudley,** to be chaired by **Senator Wampler**, to develop recommendations for how to handle this potential money. (Note: This group was expanded later in the meeting to include **Ms. Thomas** and **Mr. Montgomery**.)

Senator Hawkins thanked Virginia's Heartland and Troutman Sanders for the reception.

Mr. Currin introduced Marcy Edwards and Barry Valentinsen of the Public Resources Advisory Group (PRAG) to make a presentation on securitization.

Ms. Edwards and **Mr. Valentinsen** made a presentation to the Commission on securitization. Presentation attached.

Ms. Edwards stated that PRAG's role as an independent financial advisor is to provide impartial analysis to aid in clients' decision-making processes. PRAG's analysis shows that $1.58 billion of cash flows could support between $550 million and $650 million of 20-year tobacco bonds. There are a lot of assumptions that go into those two figures because it will largely depend on whether those bonds offered are taxable or tax-exempt and what the market conditions are at the time.

Mr. Valentinsen explained his approach to working with clients on securitization, as shown in the diagram on Page I-3 of the presentation. It largely comes down to answering a couple of questions. One concerns when you would like to have the money – do you want a lot of proceeds upfront or are willing to take proceeds that come over time. If you want a lot of proceeds upfront that may be greater than what you could receive from the settlement revenue each year, then it makes sense to securitize. If not, then it comes to another question and that concerns to what degree you want to accept or try to transfer the tobacco risk, the risk that settlement payments are not going to be as great as what everyone thinks they might be, that they may decline. If you're willing to take that risk, our clients have been happy to just take the money as it comes in, spend it as they get it. There are cases where some have chosen to invest some of the money as they get it to build up some reserve and spend some of it. If you want to transfer some of the risk, then we're finding that it makes sense to securitize, take the proceeds and invest it in some kind of endowment that is trying to throw off annual interest earnings, or possibly under some circumstances, you might want to pull down a little bit of the trust proceeds. This type of framework we found just helpful in working through, once you've made a decision from a programmatic standpoint of what you want to spend the money on, then getting to when you would like the money and how you would like to manage the risk. The most recent securitizations by South Carolina and DC show that there is still a market for tobacco bonds. There were some concerns about whether there would be a sufficient amount of capacity prior to that. We found that there were some new buyers that came into the market.

Senator Hawkins asked if the discount rate had increased or stabilized over the last twelve months and what the average discount would be.

Mr. Valentinsen replied that the yield that is paid on the tobacco bonds, relative to a high-grade general obligation yield, has actually increased . South Carolina, with a roughly 20-yr maturity, had about 110 basis points, 1.1 percent above what a triple-A general obligation bond would have been. Tab IV of the presentation has information on the pricing of tobacco bonds issued. These bonds tend to be rated as single-A bonds. But investors have basically not fully appreciated that they're single-A bonds. They have tended to be pricing more at high triple-B bonds.

Senator Hawkins said we're dealing with a process of discounting our receipts from the tobacco settlement. Percentage-wise, what is the average discount, 25%, 50%? If we are supposed to get $100 million, do we actually end up with $50 million and discount the $50 million for the risk factor?

Mr. Valentinsen replied that it is a difficult question to answer because it really depends on what you choose to use as your discount rate. For example, if it costs you 6 ½ percent to borrow money, if you discount your future adjusted settlement payments at 6 ½ percent, really the difference is going to be your upfront costs to issue the bonds. If you use a discount rate that is below, then maybe you discount it at a general obligation investment rate. Then you will find that there will be higher cost of securitization.

Senator Hawkins restated that the baseline you are factoring on is what the money costs you to borrow.

Mr. Valentinsen replied that that is one way of looking at it. There is a lot of talk about the "haircut" or having debt service coverage. The rating agencies are not going to leverage every penny of this revenue. In a perfect world, you would be able to use every dollar of revenue to pay debt service.

Secretary Forbes asked, assuming we used the appropriate discount factor and computed the net present value of the proceeds, what would be the difference between the net present value and what the Commission would receive.

Mr. Valentinsen responded that if the present value basis, the upfront bond proceeds, is at your cost of money for the tobacco bonds, you should come up with a number that is very close to what your upfront out-of-pocket costs are to issue the bonds. Transaction costs when they first came out were as high as two to three percent. They are now dropping down to between one and three percent. So it will probably be one to two percent if you use the cost of borrowing for the tobacco bonds as the discount rate.

Delegate Kilgore asked, suppose that $100 million was put in, how much, in a lump sum, could he get on the market.

Mr. Valentinsen responded that there are two things that determine the amount of upfront proceeds: the cost of money or the borrowing rate and the percentage allowed to be used for debt service. The cost of money is much like a car loan or mortgage. The amount of interest cost depends on the interest rate. The second part is because of the risk, they are not going to let you take every dollar that comes in and use it for debt service. On tobacco bonds, they will let you use approximately $0.65 for every dollar for debt service.

Senator Hawkins asked if that meant you could only securitize $65 million for every $100 million.

Mr. Valentinsen clarified that you have to pledge all the money, but they are only going to let you borrow against a smaller portion of it. You do not lose the extra money. You still get that, but you just may have 35-cents of the dollar that is not being used for debt service. That is not gone; you still get it.

Delegate Johnson asked from the date of commitment until the time of closure, what would be a reasonable amount of time for this process.

Mr. Valentinsen used South Carolina as an example. Legislation was passed around June of last year, a financial advisor was chosen in October, the underwriter was chosen just before Thanksgiving, and the transaction was closed in March. It depends on how much you have your team together. You should allow 4-6 months or so.

Delegate Johnson asked if there would be a floor on the price that the bonds would have to get at a certain level?

Mr. Valentinsen replied that is the Commonwealth's decision. It comes down to what goals and objectives you want. South Carolina created several trust funds, similar to what was proposed in Virginia. They had certain targets for annual earnings on the trust fund, but not specific dollar amounts. For the health trust fund, for example, they really wanted to have interest earnings of $25-30 million per year. So they put a structure in place to meet those objectives.

Senator Hawkins asked if the size of the offering affected the amount of the discount.

Mr. Valentinsen responded that there are fixed transaction costs, like legal fees. It costs as much to do the lawyering on a $50 million securitization as it would on a $500 million, but that is still within the 1-2 percent piece of the transaction costs. If the Commonwealth is looking at 20-year bonds, there would not be as much of a yield penalty in that maturity range. There seems to be a little more liquidity in the secondary market. Where there has been a little more of a penalty is when they have gone to 30- or 40-year bonds. The penalty depends on structure and size. I don't think it will be a problem moving the 20-year bonds.

Senator Hawkins asked if the bond offering itself would be a bond offering of the Commonwealth.

Mr. Valentinsen responded that in all other cases, the bonds were not issued by the entity originally receiving the money. A special purpose corporation or authority was created to actually sell the bonds. The reason that was done was to try to have the state step back from the bondholder risk. What makes something a "securitization" is that those future revenues are actually either sold or, in the case of South Carolina, legislatively transferred. There was a non-recourse.

Senator Hawkins asked, if you are offering tax-exempt bonds, how can an independent entity offer something that is tax-exempt.

Mr. Valentinsen responded that it is not a publicly traded corporation; it is a not-for-profit.

Ms. Edwards added that it is structured so that under U.S. tax laws, it may be authorized to offer tax-exempt obligations.

Mr. Valentinsen continued that a lot of what goes into whether something can be done on a tax-exempt or taxable basis, regardless of who the issuer is, comes down to how the money will be used. The IRS takes a dim view on issuing tax-exempt bonds and using it on some private enterprise. It is more a matter of the use of the funds by the agency than whether it is the Commonwealth issuing them.

Senator Hawkins commented that if the Commission were to enter into agreements with private, for-profit entities, it could bring up questions about the funding.

Ms. Edwards replied that you could do it on a taxable basis.

Mr. Watkins asked if that could be done with the funds that were not committed to the bonds.

Mr. Valentinsen responded yes and pointed out that 100 percent of the revenue does not have to be securitized. You could securitize 75 percent that will be sold or transferred to the bondholders. The other 25 percent is completely separate and you could do whatever you wanted with it.

Mr. Sheppard asked if any insurance companies are writing default insurance in these tobacco bond financings.

Mr. Valentinsen & Ms. Edwards responded no.

Senator Wampler asked a question with regards to the transferring of risk. If the primary concern over payments lies in years 10 and beyond, would it not be in the Commission's best interest to do an issuance of 20 years and have the maturity follow through to that date, to the full 20 years?

Mr. Valentinsen replied that the way most tobacco bond transactions have been structured is to assume that some amount of the money that is not used to pay debt service will be used to accelerate retirement of the debt.

Senator Wampler asked why should the bonds not be held for the whole 20 years if the risk is in the outer years, closer to year 20. Is the marketplace not accepting that?

Mr. Valentinsen said in theory, the market should be setting the yield on the bonds based on when they expect it is going to pay down on one of these accelerated scenarios. They are not expecting the bonds to be out the full 20 years. They are expecting the bonds to be repaid down in 10-12 years. Unfortunately, what has happened is that it has not really been priced that way, at least on the tax-exempt market. It has been priced closer to a 20-year bond. But the buyers take the acceleration into consideration. On the taxable piece of the South Carolina transaction, most of your asset-backed taxable bonds – like mortgages in pools, credit card receivables in pools - are priced to an average expected life. They may have a stated legal final maturity, but then there is an expected bond maturity. For pricing, they are all looking at that expected bond maturity. A western New York county did all fixed amortization bonds. It was not a large transaction so there may not have been a wide universe of buyers, but they paid very high premiums relative to other New York counties.

Secretary Forbes commented that the use of the funds is not unlike that of any issuances of the Commonwealth. We have to be very careful on how the funds are used as prescribed when the bonds are issued. It is not unique to tobacco. In trying to design an instrument that is most appealing to the market, last year we had a turbo feature that allowed the residuals to pay down the bonds sooner than they would normally be paid. Looking forward to next year's market, do you see any type of additional features that would make these tobacco bonds look more attractive to the market?

Ms. Edwards responded that nothing has happened in tobacco securitization since South Carolina entered the market. Buyers in the South Carolina market liked having a mix of taxable and tax-exempt. There were certain aspects of the structuring where we were able to offer certain dollar amounts and certain maturities that matched what investors were looking for. There are other things that we can do to help the market find what it is looking for in terms of what the coupon is on a particular maturity versus what the yield is. There are several things that we can manipulate. But we cannot tell you definitively what the market is looking at because the earliest you could come to market – you'd have to pass legislation – is probably May of next year.

Mr. Valentinsen added that Section II of the presentation provided pros and cons comparing taxable versus tax-exempt financing, and also the full turbo where every dollar goes to repay debt service versus the residual where not every dollar goes to repay the debt service. In South Carolina, there were some large investors who really liked the full turbo feature. For a trust fund, for a tax-exempt trust fund, at least bond counsel, tax counsel, and underwriter's counsel for South Carolina concluded that you had to use full turbo for a tax-exempt trust fund. So again going back to what do you want to do with the money or how would you like the money to be structured, that will drive what you can ultimately do.

Senator Wampler asked if tax-exempt proceeds could be used to indemnify the farmers.

Mr. Valentinsen stated that it was not his area of expertise, but he believed South Carolina's piece for grants to farmers was done on a tax-exempt basis.

Secretary Forbes added that they had looked into that issue, and bond counsel advised that indemnification payments would qualify as tax-exempt use of funds.

Delegate Dudley commented that with the rate required by bondholders, the upfront costs, and the almost insistence that 20-year bonds be repaid in 15 years at a rate that is greater than the mortgage rate and approaching prime rate, it certainly points out that there is some risk in the long-term prospects of this payment.

Senator Hawkins stated that this will need to be looked at by a structure within the Commission and that he will probably authorize a committee make up of **Delegate Dudley, Ms. Thomas, Secretary Forbes, Senator Wampler,** and **Mr. Montgomery.** This committee is to meet before the next Commission meeting.

Mr. Byers updated the Commission on the Virginia Tech Bioinformatics Institute. Information attached.

Mr. Duffer made a presentation to the Commission on the Status of the Indemnification process. Presentation attached.

Mr. Link presented the report of the President's Commission on Tobacco. Report attached. He reported that this Commission included health, flue-cured and burley tobacco people.

Mr. Currin presented the proposed FY02 budget to the Commission for approval. Presentation attached.

Senator Hawkins noted that much of the focus is on the economic challenges of the regions.

Delegate Kilgore *made a motion to approve the budget and commended* **Mr. Currin** *and staff on preparation of the budget.*
Seconded
All in favor by aye vote
None opposed
Motion passed

Mr. Walker *moved to allocate $6 million to the seven community colleges in the FY02 Special Projects fund, to be divided equally among the colleges to continue the programs begun with last year's funding, to improve infrastructure and create scholarships.*

Senator Wampler *seconded the motion and noted the need for some of the colleges to have a portion of this money before the January payment and suggested that these immediate needs be addressed, possibly using money from the carry forward balances.*

Mr. Montgomery asked if the scholarships created by this funding in the community colleges are need based. He commented that the scholarships should be need based.

Senator Hawkins responded that the community colleges have standards in place for awarding the scholarships.

Senator Wampler commented that the primary eligibility criterion is that the recipient be a quota holder or producer. Once that group is exhausted, the rest of the community is offered assistance.

Mr. Bryant voiced his disappointment with Patrick Henry Community College and Southside Virginia Community College and the amount spent on scholarships.

Senator Hawkins responded that they are using the monies more for programs to assist the community as a whole than for individual scholarships. He noted that scholarships do not drive the new economies.

Mr. Walker added that no scholarship applicants have been turned down.

It has been moved and seconded.
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins spoke to the Martinsville application for funding and noted that it would be money from the current budget. The Executive Committee recommended approval of $114,250.

Secretary Lief *moved to accept and fund, from surplus funds, the City of Martinsville's application for funding.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins spoke to the Executive Committee's recommendation that the Commission amend the Deal Closing (Tobacco Region Opportunity Fund) Guidelines to require a $1 million investment and the creation of 25 jobs. This alteration (from $10 million capital investment and 100 jobs created) better reflects the reality in the communities requesting Commission assistance.

Delegate Kilgore *moved to amend the Deal Closing (Tobacco Region Opportunity Fund) Guidelines to require a capital investment of $1 million and the creation of 25 jobs.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Mr. Lief *made a motion to extend the current Deal Closing (Tobacco Region Opportunity Fund) Guidelines until the next meeting of the Commission*
Motion seconded
All in favor by aye vote
None important
Motion passed

Delegate Dudley & Senator Hawkins addressed Franklin County's request for Deal Closing funds. The Executive Committee recommended funding this request at $500,000, contingent on the City successfully securing the prospective business.

Delegate Dudley *moved to approve Franklin County's request for Deal Closing funds and fund them $500,000 as recommended by the Executive Committee.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Delegate Kilgore stated that the Southwest delegation voted to allocate $250,000 to scholarships for tobacco families in Southwest Virginia. This money would be used for four-year institutions and allocation from the undesignated budget surplus.

Senator Wampler added that these scholarships would be for public and private institutions, undergraduate and graduate programs.

Delegate Kilgore *made the motion to allocate $250,000 of the undesignated surplus to these Southwest scholarships for four-year public and private institutions, graduate and undergraduate programs.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Delegate Kilgore *moved to assign the remaining $818,826 of the FY01 unassigned surplus to the FY01 Special Projects fund.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins commented on the E-58 project and Task Force. The Executive Committee recommended that the Task Force have access to $100,000 of capital for use in furthering the project. The use of this money would have to be approved by the Executive Director and Chairman.

Mr. Bryant *made the motion to make $100,000 available from the FY02 Administrative Budget for use by the E-58 Task Force, subject to oversight and approval by the Executive Director and the Commission Chairman.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

***Delegate Kilgore** moved, as recommended by the Executive Committee in March, to release $3,270,364 of the Indemnification Reserve to be distributed in the FY02 Budget proportionally to each region, 73 percent to Southside and 27 percent to Southwest, for Economic Development. This would leave $2.9 million in the indemnification reserve from 2000 payments.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins and the Executive Committee recommended that the Commission combine the Special Projects and the Deal Closing Funds. There are too many committees dealing with essentially the same things and this would begin to streamline the committee structure. **Delegate Bennett** is currently the Chairman of the Special Projects Committee and because his is a General Assembly appointment but he is not planning to run for re-election, the future Chairman is uncertain.

***Mr. Lief** moved to combine the Deal Closing and Special Projects Funds in the FY02 budget with all remaining balances in the Deal Closing Fund transferred to the Special Projects Fund, making this money available for regional projects and Deal Closings.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins reported that there was a needed change to the bylaws regarding the number of Executive Committee members. The Bylaws currently call for eleven members on the Executive Committee; however, after the appointment of two additional members, the Bylaws need to reflect that and call for thirteen Executive Committee members. (This is in reference to the current as-printed version of the Bylaws.)

This motion was made.
Motion seconded
All in favor by aye vote
None opposed
Motion passed

***Delegate Kilgore** moved to change the economic development grant application process to coincide with the Commission's receipt of payments. Applications will be sent out in November with review in January, approval at the Commission's March meeting and payments in April.*
Motion seconded
All in favor by aye vote
None opposed

Motion passed

Delegate Dudley reported to the Commission on the previous day's Personnel Committee meeting. The Executive Director had requested the addition of two additional full-time staff persons, an administrative assistant and receptionist/program support technician (the latter shared pro-rata with the Tobacco Settlement Foundation). The Personnel Committee recommended that the Commission approve these two positions as permanent positions. A third position of a grants research analyst was not recommended to be staffed due to a lack of information but rather that money be held in the administration budget for that position while further research is done on it.

Mr. Osborne *moved to accept the administrative assistant and program support technician positions as permanent positions of the Commission staff, as well as reserving money in the administrative budget for a potential grants research analyst position. The program support technician will be shared with the Tobacco Settlement Foundation.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Delegate Dudley*, on behalf of the Personnel Committee, moved to delegate the following authority to the Executive Director with respect to personnel matters involving employees and staff of the Commission:*

1.) *To take appropriate performance and disciplinary actions regarding all employees and staff, and*
2.) *With respect to positions that have been approved for staffing by the Commissio, that are below the Director level or do not include management/supervisory responsibilities, the Executive Director shall have the authority to hire employees or otherwise staff such positions.*

These actions may be taken without the prior approval of any committee or the Commission. To the extent that this motion conflicts with the Bylaws, it was moved that Section 3.3 of the Bylaws (relating to the Executive Director) be amended to conform to this motion.

Senator Hawkins noted that a two-thirds vote is required to change the Bylaws.

Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Hawkins noted that in the absence of **Delegate Bennett**, the Special Projects Committee report would be postponed.

Senator Ruff stated that the Education Committee met in late April to discuss the community colleges' uses of their funding to date and voted to recommend further funding this year. The Commission had already acted on that recommendation.

Mr. Arthur reported on the actions of the Southside Economic Development Committee. The committee's recommendations for funding are attached. Two requests were tabled at yesterday's meeting and he would like to address those requests today.

Mr. Arthur *moved that the Commission accept the Southside Economic Development Committee's recommendations for economic development grant funding in the amount of $1,973,359, in a block.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Mr. Arthur then addressed the Pittsylvania County grant application. The County had $106,449 remaining in their allocation. Pittsylvania County and the Town of Hurt had requested funds for essentially the same issues. County and Town officials met the previous night to discuss the situation.

Delegate Byron *moved that $75,000 of the $106,449 remaining allocation be funded to the Town of Hurt and the balance of $31,449 for Pittsylvania County. The County and Town officials agreed to this decision.*
Motion seconded
All in favor by aye vote
None opposed
Motion passed

Senator Wampler provided the Commission with the Southwest Economic Development Committee report. The committee's recommendations for funding are attached. He also noted that he feels the committee did a better job of supporting agriculturally oriented projects. There were two applications the committee felt were more appropriately referred to the Deal Closing Committee. They are large projects requesting close to $1 million each. The committee did recommend funding for 15 projects totaling approximately $1.5 million. He also explained that at least two of the recommended projects will be funded out of the budget for the next fiscal year. This accounts for approximately $200,000 that the committee has over-obligated. These two projects are water/sewer projects that will probably not be ready to begin until January.

Senator Wampler *moved that the Commission accept the Southwest Economic Development Committee's recommendations for grant funding in the amount of $1,538,000.*
Motion seconded
All in favor by aye vote

None opposed
Motion passed

Dr. Staat, President of Central Virginia Community College, made a presentation to the Commission and answered questions on the projects of the seven Community Colleges as well as highlighting the colleges' need for funding. Presentation attached.

Mr. Lief introduced **Mr. William Dickinson** and **Mr. William Scruggs** of the Virginia Department of Agriculture and Consumer Services.

Mr. Dickinson made a presentation to the Commission on Virginia Agribusiness Development. Presentation attached.

Senator Hawkins introduced **Ms. Christina Chmura** of Chmura Economics and Analytics.

Ms. Chmura made a presentation to the Commission on the complex relationship between economic and social policy, particularly in Southside and Southwest Virginia. Presentation attached.

Mr. Currin provided background information on **Ms. Chmura**.

Mr. John Humphreys made a presentation to the Commission on Appalachian Sustainable Development. Information attached.

Meeting adjourned at 1 P.M.

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

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Executive Director of the Commission